

## Impact of Covid 19 on Tourism and Hotels of Ethiopia:

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### Abstract

As human starts to live in this world no one couldn't face such type of challenging infection. The novel coronavirus (COVID-19) was currently makes the world in big fear till today it have no vaccine the only way people can survive from this virus will be by following and practicing health professional advice. Due to this virus countries were forced to close their borders and restrict their people to stay at home. However some measures taken by countries were directly affect global economy especially tourism and hospitality were front line hit by this pandemic. As early estimation by UNWTO 2020 shows that in 2020 global international tourist arrivals might decline between 20% to 30%, down from an estimated growth of 3% to 4% forecast in early January 2020. This might translate into a loss of US\$ 30 to 50 billion due to this travel restrictions. By seeing such catastrophe in the world and this sector was backbone for Ethiopia economy on earning foreign currency we need to assess impact of covid19 on tourism and hotels of Ethiopia and Finally this pandemic virus resulted in loss of countrys expenditure and high number of unemployment in the country.

**Keywords:** Covid19, Hotels, Hospitality industry, Tourism

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### Introduction

The novel coronavirus (COVID-19) was first seen in China in one among its city, Wuhan, December 2019 then unfold to Hubei Province and also the remainder of China. Albeit the virus unfolds quickly within the country's urban center region, it had been at the start for the most part forgotten by political leaders in different elements of the planet (Washington Post, 2020).

Sooner than later, the virus was quickly escalated into Europe, USA and rapidly spread across the world (Yang *et al.*, 2020). Just to illustrate the number of individuals exposed to the virus worldwide 2,973,264 people positive, 868,806 recovered while 206,569 deaths reported until April 27/2020.

This virus has no treatment for cure and immunizing agent for hindrance, due to this new nature of the disease and WHO recommendations most countries in the world responded Non pharmacologic interventions in various ways, including country lockdown, physical distancing from suspect or healthy people, mandatory quarantine of those who has travel history to those country's reported the cases, closure of schools from Kindergarten to higher universities and mandatory wearing of facemasks, not gathering of peoples quite four people in a very sure places, closing of any sport competitions and frequent hand washing. A local and international restriction of movements leads to downfall of country's business generating industries like tourism and hospitality which includes air transportation, sea transportation, food handling, accommodation sector, entertainment and recreation, (The Foreign and Commonwealth Office, 2020).

Annual analysis of World Travel & tourism Council's (WTTC) analysis reveals that worldwide economic and employment impact of Travel and Tourism in 185 countries and twenty five regions, which accounted for 10.4% of world value and 319 million jobs, or 10 percent of total employment in 2018.

Ethiopia is an Eastern African country with the home of 14 natural, cultural and mixed property heritages registered on UNESCO which spreads all over the whole country, and has great potential to develop itself as a tourist destination (MOCT 2016).

Many scholars define tourism as movement of people away from home to other places of interest and it's one of the largest and fastest growing industries in the world (Al-Badi *et al.*, 2017).

Consistent with World Tourism Organization (2009), Tourism industry comprising many like accommodation, food and beverage services, recreation and entertainment, transportation, and travel services and this highly growing industry around the world also become a major source of economic stability through increasing foreign exchange earnings, increase government revenues, and employment creation for several countries. Tourism and Travel sector has direct, indirect and induced impact on the Ethiopian economy.

In 2014, the direct contribution from tourism and travel to Ethiopian GDP was US\$ 2,057.8 million (4.1% of total GDP), and this contribution is forecasted to rise by 1.2 % in 2015 to reach US\$3,287.4 million. Cognizant of the vital role that the sector plays in energizing the national economic growth, the Government of Ethiopia included tourism in the list of priority economy builder sectors. (MoFED, 2012).

International Bank for Reconstruction and Development (2006) study on the tourism sector excluding foreign exchange earnings from Ethiopian Airlines shows that this sector generates approximately 132 million USD in direct income from different services such as accommodation, transportation, meals and drinks, traveller fees & arts and crafts purchases (making it the third highest exchange wage earner)

The number of foreign tourists those visited the country has increasing significantly from year to year as of 227,398 in 2005 to 427,286 in 2009 and then to 523,438 in 2011, and a lot of significantly raised for the year 2014 to 770,425 foreign traveler arrivals were registered this is because of Ethiopia was highly participate in promoting those heritages found in the country to the whole world. (MoCT Report, 2014/2015). As shown in fig 1.



Figure1: International Tourist Arrivals from 2012- 2020 in Ethiopia. Source: UNWTO

Latest report of World Travel and Tourism Council’s (WTTC) on Ethiopia’s Travel and Tourism with reference to financial gain revenue tourists seventy seven were came from international travellers and twenty third from domestic travellers primarily for leisure activities that accounts seventy nine and therefore the remaining twenty first travellers were came for the business activities as a result of this the economy driven from this sector were grew by 48.6% in 2018 and makes the largest of any country around the globe which creates a revenue of \$7.4 billion as we compares from 2017 and it shows an increment of \$2.2 billion. Owing to this tourism and travel contributes 9.4% of country economy and it creates 2.2 million jobs, or 8.3% total employment of the country. (As shown in fig 2.)

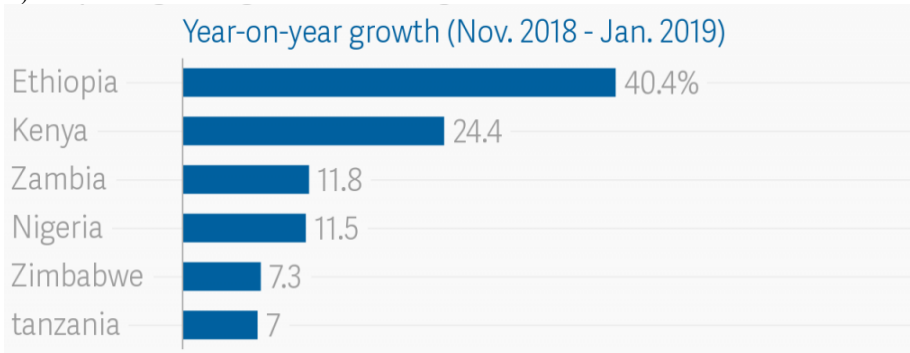


Figure1: Growth of travel and tourism from Nov.2018- Jan.2019 in Africa.

Source: [UNWTO](#)

The hotel Industry plays a major role in the development of Ethiopian economy, besides from its contribution to GDP; it creates jobs opportunity extends from unskilled persons such as, cooker, receptionists, cleaners, security guards to skilled higher management staffs. Furthermore, now this industry plays a crucial source of employment which accounts 3.8% of total employment in 2013 representing 985,500 jobs directly and this is forecast to grow by 0.1% in 2014 to 986,000 (3.6% of total employment) In the country (Sustainable Tourism master plan of Ethiopia, 2015 -2025).

According to Ministry of Culture and Tourism of Ethiopia (MOCT, 2009) international hotel classification system was adopted in Ethiopia on 2015 and hotels were classified into categories with stars from one to five and hotels without stars (unclassified).In Ethiopia the number of hotels was increased from 19,025 in 2011 to 22,285 in 2014 and makes the country rank to eighth, following Kenya, in the ranking of the number of hotels planned to be built (MOCT 2016).

To mitigate problems related to quality and international standards in the tourism sector, the Ministry of culture and tourism, in collaboration with the UNWTO, recently assessed nearly 400 hotels and awarded stars

from 1 to 5. With regard to flow of tourism expenditures analysis of Mitchell and Ashley (2009), Ethiopian tourists spend roughly USD 55 million on food and beverages; of this, hotels purchased USD 16 million. Ethiopia hosts a great number of foreigners due to tourist attractive areas, conferences and meeting because the presence of UNECA, the African Union, and other regional and international organizations has made Addis Ababa a diplomatic hub.

As stated by MOCT (2016), out of the 770,428 tourists who visited Ethiopia in 2014, about 97 per cent arrived by air. This implies that Ethiopian Airlines is taking part in an energetic role in stimulating the Ethiopian money-making business, with relevance the aim of their visit, recreation, and business visits are the two main reasons for the traveller flow to Ethiopia. Yet, during such type of global crisis occurred hospitality industry is the first line to take a severe hit (According to the global hospitality data firm STR March 2020 data).

### Global Impacts of Covid19 on Hotels

As the number of infected cases increases and the virus spreads globally, most countries of the world were carried out travel restrictions to inhibit their populations being from infected and furthest measures taken by countries were results in directly shakes on service sector and hospitality industry such as transport, accommodation, services and goods (FCO (The Foreign and Commonwealth Office,2020).

To estimate future impact of Covid19 UNWTO forecasts its estimation by taking former scenarios of such catastrophe based on earthy coverage of the virus and its consequence on economy and it predicts that worldwide traveler arrivals might decrease growth of three to four-dimensional as forecasted in early January 2020 and this might translate to cost of US\$ thirty to fifty billion in disbursement by international guests.

As of nowadays, in step with STR estimation, the influence of COVID-19 on the beginning of January world hospitality business, be situated calculable reinforced change in revenue per accessible room (RevPAR), was seeming in Asia (-9.6%), however not in alternative world regions but the crisis were additional worsened and recorded massive double-digit declines in international RevPAR, through Asia (-67.8%) and Europe (-61.7%) placed them in a significant declines in March, 2020.

Recent estimation of STR were shows that the crisis in this industry will be provoked as of most countries were applied travel restriction and mandatory quarantining of those foreign travellers for 14days and this makes the holidaymaker to charge supplementary payment due to this they want to stay at home as a result of this industry stumble upon loss of 250 to 400 US\$ billions and makes the sector in a challenging condition it takes few years to recover after the virus is abated. For further see fig. 3

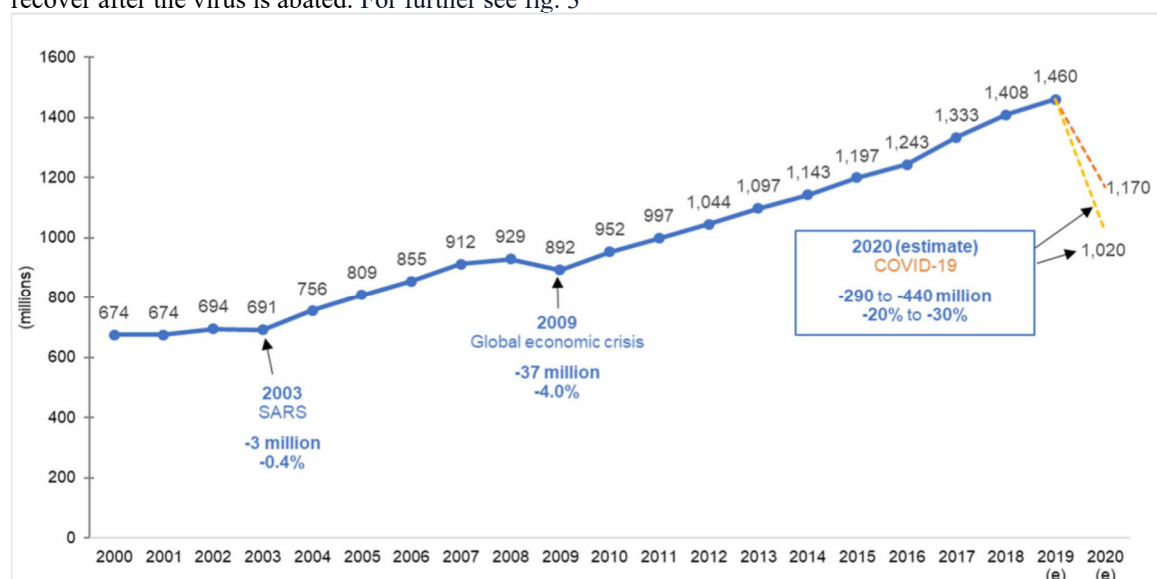


Fig 3: UNWTO 2020 estimation on international tourist arrivals, in (millions)

Source UNWTO

World Travel and Tourism Council (WTTC) estimates that, tourism sector is highly affected by pandemic Covid-19 and results in downfall of global economy. And this extremely transmittable virus creates 75 million jobs at a great risk particularly those Small and Medium Sized Enterprise such as travel agents, restaurants, tour operator were victims of it. In line to it estimates hotel occupancy in the US has dropped to 53% and expenses per available room has declined by 32.5% as of March 14.

According EURACTIV News Media Network estimation were Italy could lose €4.5 billion in tourism revenue in march however worsening of the transmission of the virus Italy lost around €7.4 billion in May 2020.

According to estimation model used by Bloomberg economists, they were analyzed the expected economic losses and decline in the global GDP is likely to by roughly 0.42% in the first quarter of the year due to the outbreak

occurred in several countries, (Ayittei et al, 2020).

In line with the Bloomberg economists World Tourism Organization and the World Health Organization through a joint statement have asked the tourism sector that their response to the outbreak of Covid19 will be Closing borders, barring travel in general and will not stop the spread of the Corona Virus, said the World Travel and Tourism Council (Travel Daily News, 2020).

However this outbreak could severely affect both public and private sector of the country hospitality industry according to (ADB projections as of March 06, 2020).

IATA's forecasts to end 2020 International arrivals will decline at -48% worldwide in similar way. With regard to Air bookings shows 80% decline worldwide according to continent Asia and the Pacific (-98%) will face the biggest drop and started to decline soon.

According to World Tourism and Travel Council (2019), Hotel and Hospitality Industry would lose up to 20% of its turnover and this percentage can be as high as 40% to 60% for countries with top tourism destinations in the World. With regard to Africa Tourism, the sector contributes 8.5% Africa's GDP in 2018, Currently this sector will severely affected because majority of 95% tourists were from outside Africa due to pandemic Covid19 travel was restricted and the virus was occurred in Africa afraid of this no one will come. Due to this realistic scenario Africa could lose up to \$50 billion and at least 2 million direct and indirect jobs due to Covid19.

### **Covid19 Impact in Ethiopia**

The latest data by the World Travel and Tourism Council (WTTC) regarding the economic impact of tourism in Ethiopia estimated based on Economic Impact studies on 2018. In Ethiopia the total contribution of Travel & Tourism to GDP in 2018 was ETB 213,357 million (USD 8,915.4 million), 6.3% of GDP. Primarily the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation service industries were directly supported by tourists. This sector supports 2.2 million jobs (8.3% of total employment) which account one in every 12 of all jobs in the country. Due to Covid19 pandemic travel restrictions were carried across the globe this sector is directly affected and results in increases unemployment in the country. According to (IATA, 2020)

According to Ethiopia Jobs creation commission estimation (2020) around 2millions Ethiopians could lose their jobs if the virus persists for three months out of 2millions jobs, more than 300,000 employees will be from hotel sectors.

According to Ethiopian Press Agency report entitled as "impact of Covid19 on Addis Ababa market" indicates that 88percent of hotels are fully and partially closed. In line to as the announcement of Ethiopian Airlines cancellation of 75percent of flight destination tourism arrival in the year 2019/2020 was fallen figuring that less 600,000 have a greater midyear difference 849,000 than reported in 2018/2019. This condition directly affects hotel performance and results in more than 15,000 employees were furloughed and sector and expected revenue loss of 35,000,000USD per month.

According to Addis Ababa Hotel Association (AHA) found that 88percent (56percent fully closed and 32 percent partially closed) hotels were because of low occupancy rates and the remaining 12percent were used for quarantine purpose. On the other hand some hotels reported that 70% of their customers were not served their services due to Covid19.

According to Ethiopian Capital newspaper Ethiopian Airline losses \$550 million due to travel restrictions around the world and the Airline only 19 international destinations out of 110 destinations that the Airline flies before pandemic of Covid19 virus as stated by CEO Tewolde GebreMariam.

To combat the pandemic and protecting this industry from sever crisis government of Ethiopia takes the first round of actions such as allocation of an emergency budget \$10 million; mandatory quarantine for 14 days of all travellers arriving country; closure of governmental and nongovernmental schools, limiting the Federal workforce to working at home, postponement of large public gatherings including sporting festivals; release prisoners, closure of all bars and nightclubs and the expansion of public information and media campaigns to raise Coronavirus awareness measures were taken to tackle the spread of covid-19 outbreak (Newsbusinessethiopia.com March 22 2020).

### **Probable Future impact of COVID19 on hotels in Ethiopia**

According to International Monetary Fund, in its latest revision on economic estimation, country GDP will decline to 1.4% lead to the rise in inflation, and instability of the exchange rate.

As the current restriction on business activities become continues the country economic crisis will deteriorate further and resulted in un employment since 40percent of country's occupation was self-employed (informal employee) and clue to poverty, countless people will exposed to lack of food as expected than corona virus and abundant number of unemployment will happen in the country finally country will undergo political unrest.

The fate of hotels in Ethiopia as we are seeing decline in the number of out bound and inbound tourist arrivals in addition to this if the virus persists for a month's the outcome will suffer on economic failure to owners and

further country will also losses foreign currency.

### Conclusion

Tourism is a back bone in Ethiopia significantly it generates foreign currency and it ensure high involvement in creating country GDP. Besides to this it supports 2.2 million jobs of the country. Currently these sectors will harshly affected, because majorities 95% of tourists were from outside Ethiopia However the sector was affected due to pandemic COVID-19 and if the virus persist its transmission more than months the catastrophe become worsen dramatically. Those measures taken to combat the pandemic in most countries of the world such as closure of all bars and nightclubs, travel restriction and closing of borders were the main reason for presently chanced economic crisis. Further to this those employees employed under this sector will lose their jobs if the condition become continues. Finally this pandemic virus resulted in loss of countrys expenditure and high number of unemployment and extreme poverty in order to minimize the current and estimated future economic crisis and fate employees the government shall design response policy.

### Adaptation measures to taken to mitigate Probable Future impact of COVID19 on hotels.

Upcoming situation is expected to worsen if pandemic Covid19 virus remains it's spread from country corner to corner the government of Ethiopia ought to take additional measures and strengthens those previously taken to decrease the consequences on countries' economy. Some of them are as follows:

Restrict travellers from central of Ethiopia specifically cities like Addis Ababa and Dire dawa, Bahirdar and Jijjiga towns for the reason of more infected people with unknown source are presented in those areas so to break dissemination of the virus and safeguard 80% of farmers in rural areas.

Actions taken by (modification of passenger to cargo Airline) Ethiopian Airline to overcome the economic impact of Covid19 on Aviation industry were an exemplary for other sectors how to cope the crisis due to this god job this sector retains around 3000 temporary employees from left off their job.

Since hospitality sector was the backbone of the country on generating foreign currency, as a result of this crisis the government will support this sector in a various ways to retain their employees and to prevent the owners from bankruptcy and closure hotels in the country. By, Tax suspension, dealing with private and government bank to decrease or to cease interests, giving loans and decreasing rate of interest for those previously on loan. If the virus persists the government should allocate extra budget for this sector because those measure mentioned above is not enough.

Reassure and funding money in cash or food support for those highly affected societies like daily laborer and street children through community mobilization from national to each kebeles.

Repeated advocacy and clear information were necessary concerning seriousness of infection regarding its fatality by means of different Mass media to community at large because nowadays societies were returned to their usual (pre covid) activities like shaking hands, gathering together and un able to keep their distancing.

Partial opening of business sectors with mandatory wearing of facemask, gloves and regular hand washing so as to prevent them from bankruptcy.

### Conflict of Interest

This work is our original work therefore; there is no conflict of interest as far as this research is concerned.

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