

Box 2.5

Determinants of the Recovery in the Tourism Sector in the Post-Pandemic Period

The tourism sector, which came to a standstill with the restrictions applied globally during the pandemic period, recovered rapidly with the spread of vaccination and the gradual removal of restrictions. While the number of visitors and travel revenues have been showing an improvement beyond expectations, the outbreak in February 2022 of conflict between Russia and Ukraine, two of Türkiye's most important tourism markets, has posed a downside risk for the recovery in the tourism sector. Nevertheless, currently available data indicate that the positive trend in the tourism sector continued uninterrupted as of the first half of 2022. This box discusses the determinants of the recovery observed in the tourism sector in the post-pandemic period.

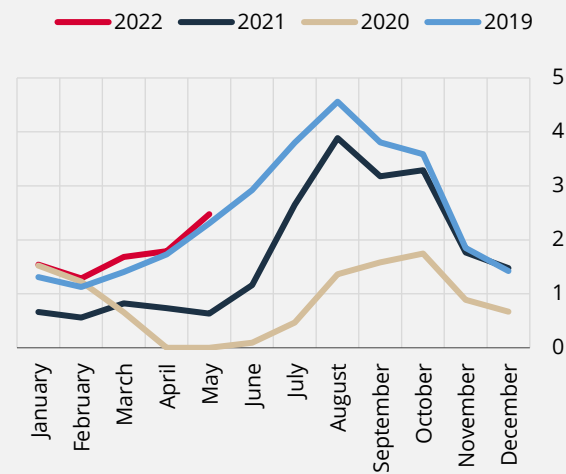
With the spread of vaccination on a global scale and the gradual removal of travel restrictions, the pace of recovery in the tourism sector proved to be quite rapid in the second half of 2021, and travel revenues reached 2019 levels by the end of 2021 (Charts 1 and 2). In addition to the recovery in the number of visitors, the change in visitor composition, increased savings during the pandemic, and increases in the average spending and stay of visitors all played a decisive role in the recovery.

Chart 1: Change of Tourism Indicators Compared to 2019 (%)



Sources: CBRT, GDSA, TURKSTAT.

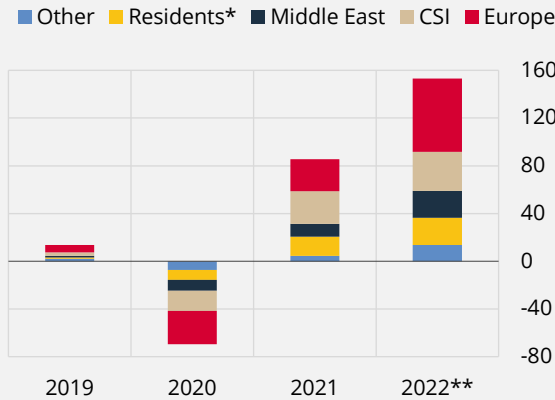
Chart 2: Travel Revenues (Billion USD)



Source: CBRT.

Looking at the distribution of visitors by nationality, we see that the highest contribution to the recovery in 2021 came from European countries in particular, the Commonwealth of Independent States (CIS) countries including Russia and Ukraine, and citizens residing abroad (Chart 3). Although the contribution of the CIS region in the first five months of 2022 remains relatively high due to the cumulative effects, its share in the total has decreased. In this period, the increase in the contribution of the number of German tourists to the recovery stands out on the European front, while the contribution of the increase in the number of tourists from the Middle East region has been consistently growing. Seasonally adjusted data indicate that as of May, the number of tourists from European, Middle Eastern and CIS countries exceeded the pre-pandemic level, while the number of tourists from other countries reached the pre-pandemic level (Chart 4).

Chart 3: Contributions to the Change in the Number of Visitors (%)

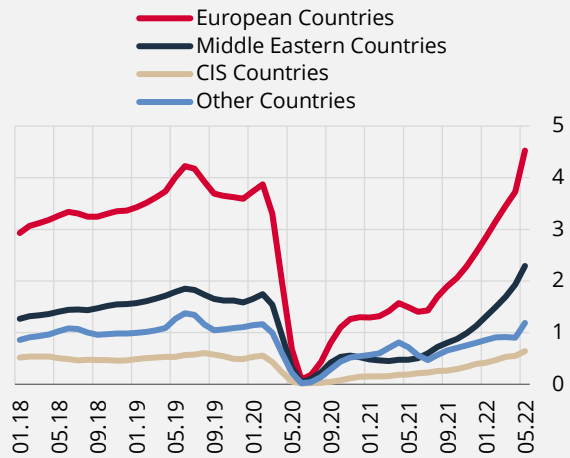


Source: TURKSTAT.

* Residents abroad.

** 12-month cumulative values as of May.

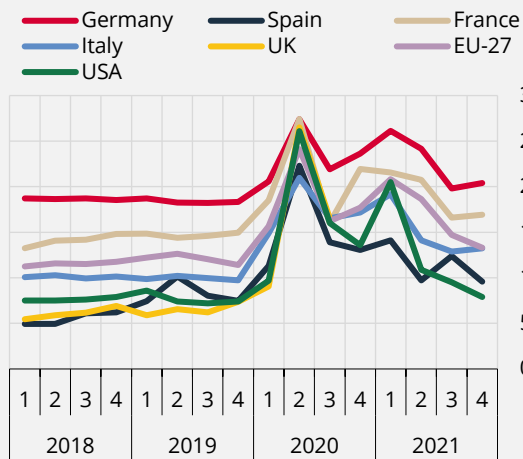
Chart 4: Number of Visitors (Seasonally Adjusted, 3-Month Moving Average, Million People)



Sources: CBRT, TURKSTAT.

The increase in savings rates compared to the pre-pandemic period as a result of the supportive fiscal policies implemented especially in the developed countries during the pandemic period was another important factor supporting the strong demand that had been delayed due to travel restrictions (Chart 5). In addition, the increase in the number of overnight stays per person during the pandemic period and the fact that the average expenditures in the post-pandemic period exceeded spending before the pandemic had a positive impact on travel revenues (Chart 6).

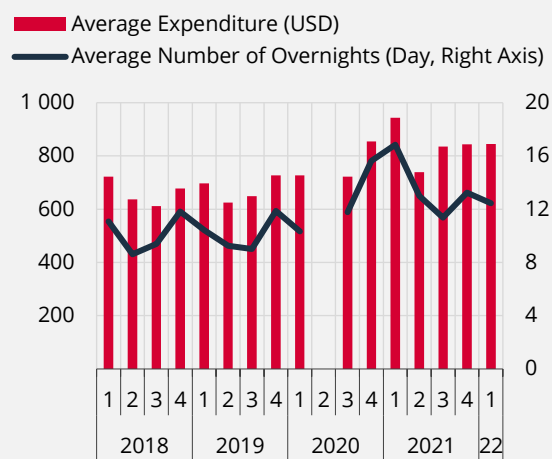
Chart 5: Savings Rates in Developed Countries* (%)



Sources: EuroStat, U.S. Bureau of Economic Analysis.

* Ratio of household savings to disposable income.

Chart 6: Average Expenditure and the Number of Overnights



Source: TURKSTAT.

As of May, the total number of visitors to Türkiye increased to 37.9 million and the travel revenues rose to 26.2 billion dollars on a 12-month cumulative basis. Seasonally adjusted data imply that the number of visitors has remained stable since the beginning of the year, despite the conflict between Russia and Ukraine. Although the number of Russian and Ukrainian tourists, which had played an important role in the post-pandemic recovery in the tourism sector and significantly increased their share in the total in 2021, decreased after the conflict began, those regional losses have been compensated for by the increase in the number of visitors from European and Middle Eastern countries. Currently available data indicate that the positive trend in the tourism sector continued unabated as of the first half of 2022, and that the ongoing recovery trend will also continue in the third quarter.