



Center for Analysis of Economic Reforms and
Communication of the Republic of Azerbaijan

COVID-19 and tourism sector: an impact assessment in case of Azerbaijan

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Impact of the Covid-19 pandemic on Azerbaijan's tourism sector

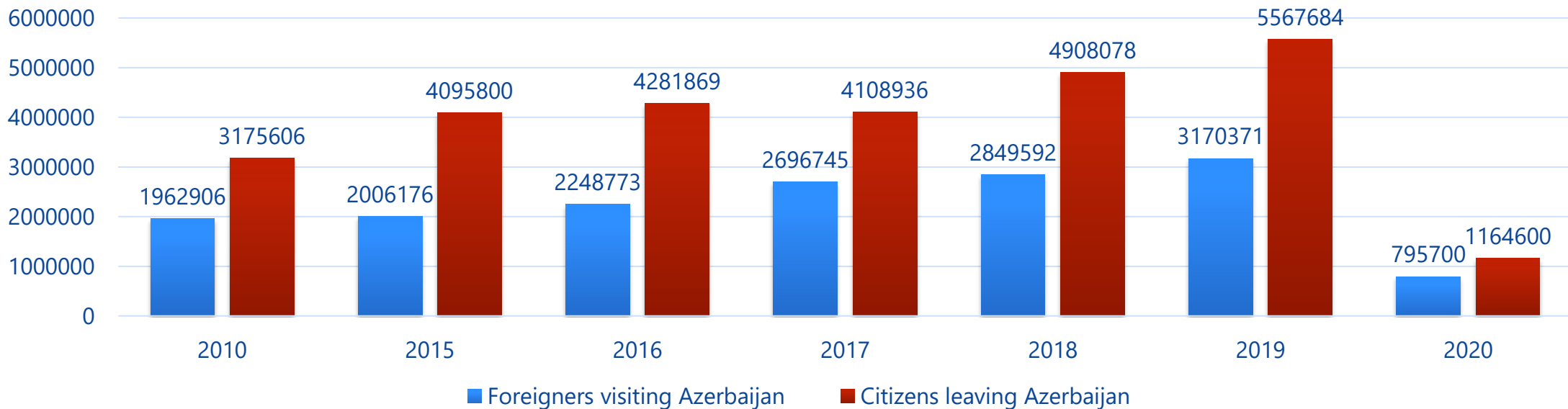
The Strategic Roadmap for the Development of Specialized Tourism Industry in the Republic of Azerbaijan, approved in 2016, aims to make Azerbaijan one of the most preferred 20 touristic locations and increase by maximum the indicators of effective use of existing tourism resources.

During 2015-2019, the proportion of tourism in total GDP was 4.5%; falling to a low of 4.3% in 2018 and the average annual nominal growth of value added in tourism was 9.1%.

In 2019, the volume of value added in tourism increased from **AZN 2.4 million** to **AZN 3.7 million**, compared to 2014.

96% of visitors to Azerbaijan in 2015 and **90%** in 2019 visited for **tourism purposes** and also 80% of Azerbaijanian citizens leaving the country traveled for tourism purposes.

Number of foreigners visiting Azerbaijan and number of citizens leaving the country in 2005-2020



795 700 foreigners came to Azerbaijan from 155 countries in 2020 and it is **4 times less than in 2019**.

In January-March 2021, **117 200 foreigners** came to Azerbaijan from 128 countries and it is **4.4 times less** than in the corresponding period of the previous year.

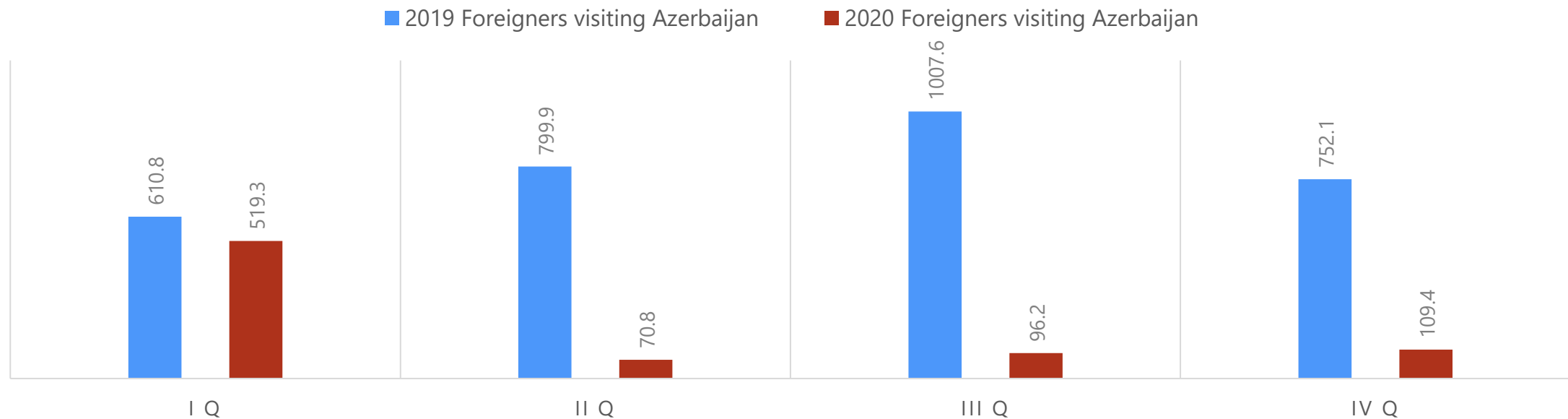
In January-July 2021, the number of visitors to Azerbaijan decreased by **41 percent** compared to the same period in 2020. However, the number of visitors to Azerbaijan in July 2021 increased by **197 percent** compared to July 2020. **It shows that the process of recovery of the tourism sector has begun.**

Visits to Azerbaijan: Before and After Pandemic

Under the influence of COVID-19, there has been a sharp decline in the turnover of tourism services since the second quarter of 2020.

Despite the increase in the number of tourists visiting Azerbaijan after 2017, there was a decrease in exports of tourism services and the coronavirus pandemic has dramatically accelerated declining trends.

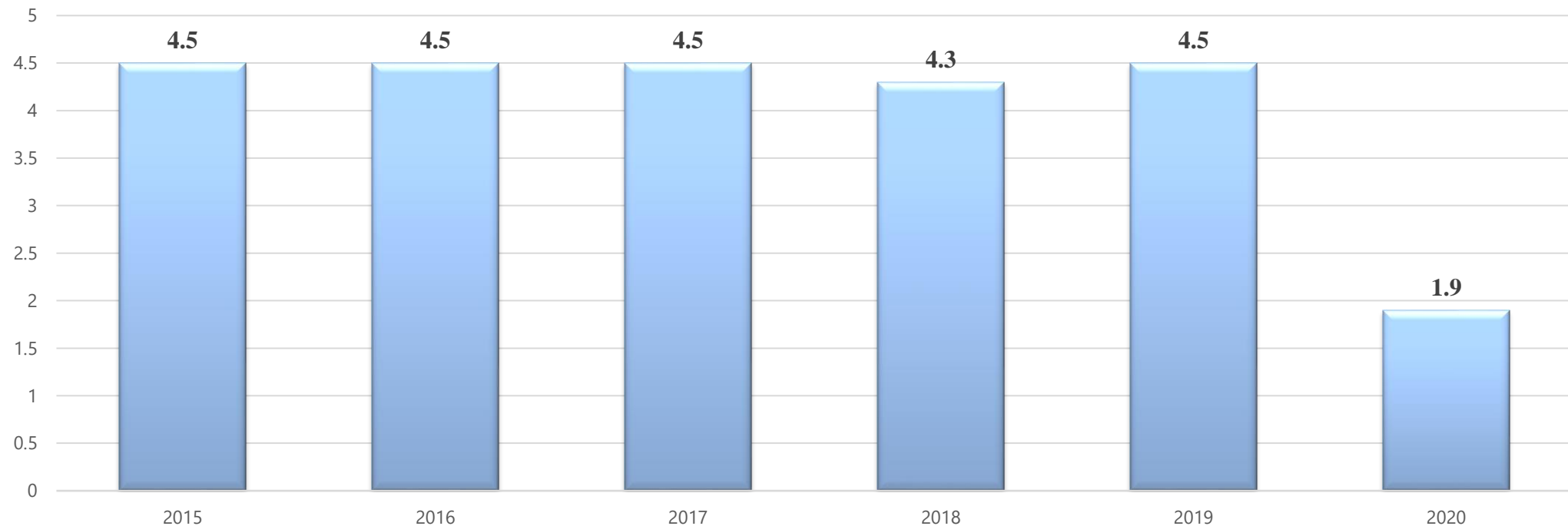
Number of foreigners visiting Azerbaijan in 2019-2020, thousand people



Share of tourism activity in GDP in Azerbaijan

The share of tourism was 4.5 percent in GDP in 2019, while in 2020 this figure decreased to 1.9 percent. Undoubtedly, this decrease was due to a sharp decline in the number of tourists visiting the country.

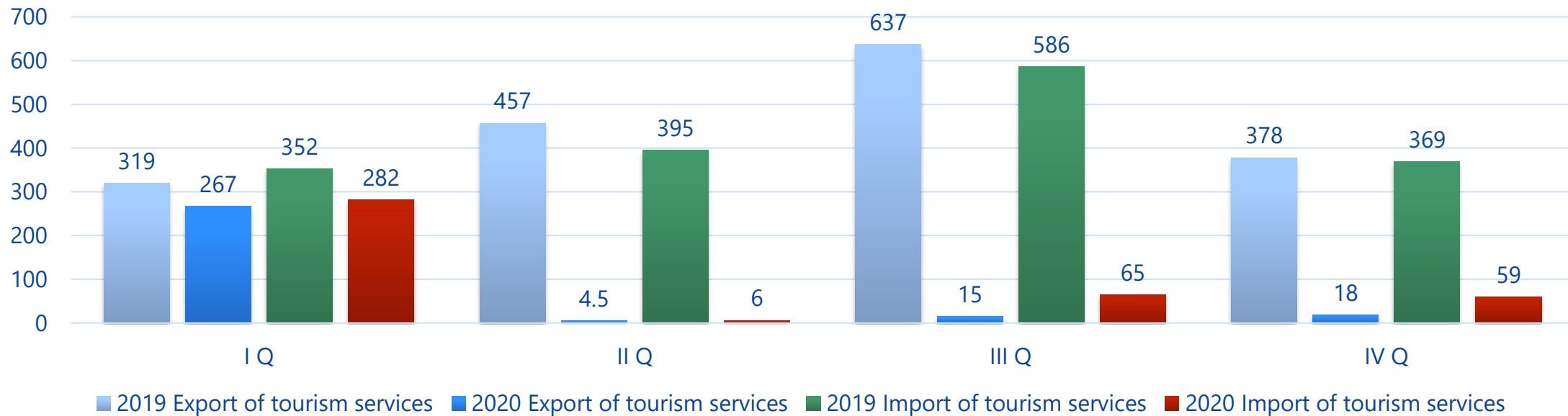
Share of tourism activity in GDP in Azerbaijan, percent



Export and import of tourism services

In 2020, Azerbaijan's exports of tourism services **decreased by 5.9 times** and amounted to **304 million US dollars**. In the second quarter of 2019, tourism services worth **457 million US dollars** were exported, while in the second quarter of 2020 it amounted to **5 million US dollars** and compared to 2019, this decrease continued in the third and fourth quarters of 2020.

Turnover of tourism services in 2019-2020 in Azerbaijan, million US dollars



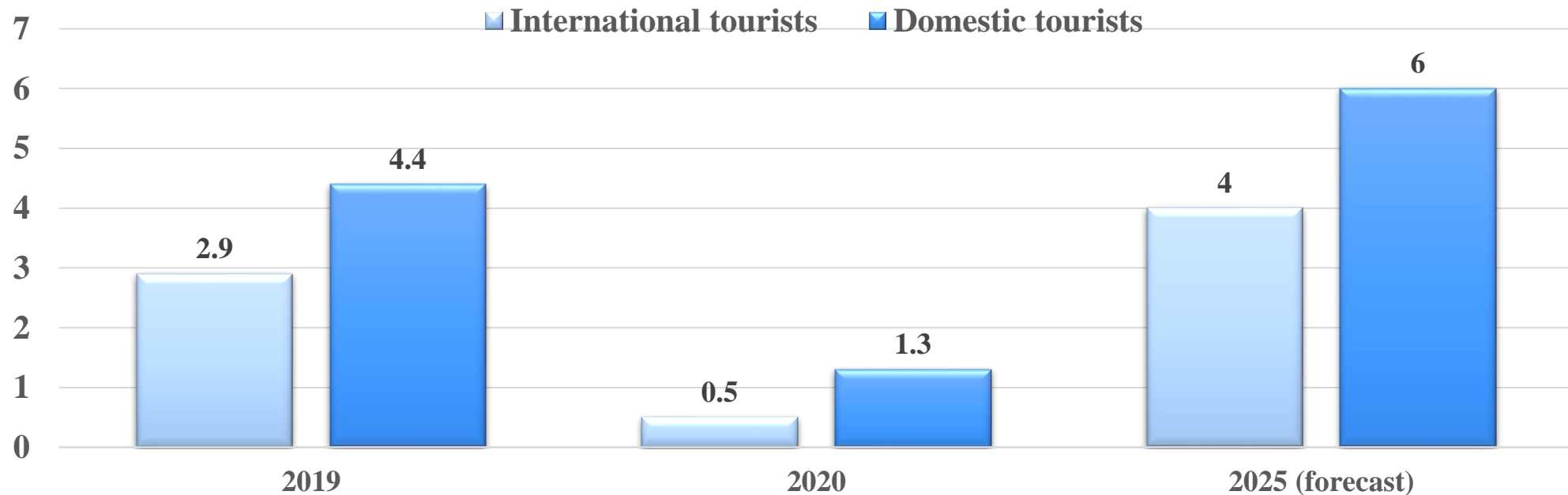
The turnover of mutual tourism services in the first quarter of 2021 decreased by 5 times and amounted to **110.8 million US dollars** and during this period, import exceeded export of tourism services, resulting in a deficit of **58.6 million US dollars**.

Analysis show that measures to combat COVID-19 infection have led to a decline in the performance of hotels and hotel-type enterprises, that, the number of overnight stays in the country's hotels in 2020 **decreased by 3.3 times** compared to 2019 and amounted to **999 800**.

Forecast for tourists coming to Azerbaijan in 2025

The continuation of the pandemic in 2021 requires a reconsideration of Azerbaijan's goals for 2025 in the tourism sector. Thus, Azerbaijan aims to increase the number of tourists visiting the country to 5 million by 2025. But if the pandemic continues in 2022, it seems unlikely that this goal will be achieved. For this reason, we can predict the arrival of 3.5-4 million tourists to Azerbaijan in 2025. The number of domestic tourists is expected to increase to 5.5-6 million in 2025.

Forecast for tourists coming to Azerbaijan in 2025, million people



Input-Output approach to identify multipliers

- Input-output analysis (I-O) is a **form of economic analysis based on the interdependencies between different economic sectors or industries**
- This method is commonly used for estimating the impacts of **positive or negative economic shocks** and analyzing the ripple effects throughout an economy
- **Input-output model** is widely applied in tourism research, **tourism-based input-output** models
- In case of Azerbaijan, a well established **input-output (I-O) model** is used for measuring the economic contribution of **tourism sectors**
- **IO table** for the year 2016 has been used to build a sophisticated model for the current study

Multipliers of the tourism related sectors

Sectors	Output multipliers	Value added multipliers
Wholesale and retail trade services	1.50	0.96
Land transport services	1.38	1.04
Water transport services	1.17	1.05
Air Transport Services	1.90	0.74
Accommodation services	1.55	1.04
Food and beverage serving services	1.56	0.99

... for the development of tourism sector in Azerbaijan

Key findings

- The restrictive regime that is prevented foreign tourists and the suspension of access to the capital city Baku and other major cities of the country from the regions has caused serious damage to domestic tourism in the country. The share of tourism in GDP decreased from 4.5% to 1.9% between 2019 and 2020.
- Supporting air transportation, services in food and beverages serving, accommodations services could lead more output expansion and thereby increase employment level, since these sectors have relatively larger output multipliers. IO modelling is a good tool to identify the most important subsectors within the tourism industry in terms of output expansion.
- Informal employees have suffered the most from the negative impact of COVID-19 on the tourism sector. The state has taken measures to support the payment of salaries to employees in the tourism sector in Azerbaijan. Informal employees could not take advantage of this measures.
- The impact of the coronavirus pandemic has also made it impossible to achieve the target indicators of the Strategic Road Map in Azerbaijan (the creation of 35,000 jobs in the tourism sector and 25,000 jobs in hotels and hotel enterprises). COVID-19 has created new challenges and realities for the implementation of development priorities in Azerbaijan.

... for the development of tourism sector in Azerbaijan

Key findings

- In order to eliminate the problems caused by the virus, it is necessary to apply a number of new travel rules in the tourism sector, which may apply to the visa regime, vaccinations, insurance and it is desirable to implement new support measures including but not limited to policy and planning development for tourism sector, cash grants, tax reductions, development of SME-based support policies, realization soft loans and other support measures.
- Liberalization of the visa regime is important for the development of tourism in the post-pandemic period in Azerbaijan. It is also important to unilaterally abolish the visa regime for the main target countries and add new countries to the "ASAN VISA" system.
- There is also a shortage of professional service workers in the tourism sector in Azerbaijan, and COVID-19 has had a negative impact on this area. In the post-pandemic period, measures should be taken to address the shortage of professional service workers for the development of the tourism sector.
- Azerbaijan's leading position in the world in the field of vaccination and will also make a positive contribution to the recovery of the tourism sector.

THANKS FOR YOUR ATTENTION!

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