

Reasons to Support Post-pandemic Inbound Tourism



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The end of the coronavirus pandemic is in sight, as the Director-General of the World Health Organization (WHO), Tedros Adhanom Ghebreyesus announced at the press conference held on September 14. The average of confirmed COVID-19 cases in Korea was 22,445 in the first seven days of October 2022. However, the pandemic is still in progress in Korea with the average of confirmed COVID-19 cases sitting at 22,445 in the first seven days of October 2022. But as we grew tired of the continued high vigilance over the last two and a half years, we gradually became accustomed to living with COVID-19.

As the borders gradually open, high expectations are formed of increasing international tourist arrivals and the revival of the tourism industry in Korea. The tourist arrivals reached an all-time high of 14.4 million in 2019. In the same year, annual tourism income, represented as other travel credit on the balance of payments, peaked at USD 20.7 billion. Considerable potential remains for the recovery of the travel industry: for the year-to-date

as of August, international arrivals and tourism income recorded increases of 6.9% and 47%, respectively, compared to the same period in 2019. Meanwhile, the majority of tourists who visited Korea in 2019 were Chinese (33.9%), Japanese (22%), Taiwanese (8.6%), and American (5.6%) nationals. At the beginning of the recovery, it would be better to check the factors that affect the overseas tourism demand for Korea.

Above all, general interest in Korean culture has greatly increased during the coronavirus pandemic. Under the border closure, Korean pop music, movies, and dramas became more popular on global online platforms. According to the '2021 Potential Visitors to Korea Survey' conducted by the Korea Tourism Organization, the number one reason for visiting Korea is because there are many cultural things to enjoy, including K-pop and Hallyu stars (30.0%). It is necessary to approach this increased tourism demand from a long-term perspective. Coordination among cities and provinces is required to develop and differentiate experience goods. Timely investment in performance and accommodation infrastructure should go hand in hand.

In the short term, however, the situation is not optimistic because travel costs are still high. Three aspects can be considered.

First, quarantine measures impede cross-border travel. Self-quarantine and mandatory testing increase travel costs and uncertainty of the journey. In China, including Hong Kong, it is not easy to cross borders, even for their own citizens, due to mandatory self-quarantine. Korea only recently reduced the inconvenience of tourists visiting Korea by abolishing the COVID-19 test requirements before and after entering the country. In 2022, tourists visiting Korea have been mainly from countries where quarantine measures for cross-border travel have been relaxed: the United States (28.5%), Europe (17.8%), Thailand (8.2%), the Philippines (6.2%), and Singapore (6.1%). We can see that the proportions of Chinese and Japanese nationals, which accounted for the majority of tourists visiting Korea until 2011, are still low.

Second, airfare is still high. There are both direct and indirect factors in play. While the rapid rise in oil prices affects the airfare directly, the increase in the proportion of air cargo transport has an indirect impact. As the number of port workers decreased and bulky cargo such as home appliances and furniture increased during the coronavirus pandemic, logistical bottlenecks in shipping transport became intense and worsened. The Shanghai Container Freight Index (SCFI) increased five-fold from the second half of 2020 to the beginning of 2022. Airlines have made profits by replacing reduced passenger demand with air freight during the pandemic. As sea freight rates normalize, air freight demand is expected to decrease and airfares will gradually stabilize.

Third, the exchange rate determines competitiveness as a travel destination. According to the '2021 Potential Korean Travelers Survey,' Japan (17.7%), South Korea (9.0%), and Singapore (5.9%) were the top destinations for the first-time overseas travelers intending to travel abroad within the next three years. The US dollar strengthened as the Federal Reserve tightened its monetary policy. The depreciation of the Korean won against the dollar reduces travel expenses in Korea, which helps to increase tourists. However, as the Bank of Japan maintains accommodative monetary policies such as yield curve control, the Japanese yen depreciates faster than the Korean won does. In other words, as the exchange rate of the won against the yen is falling, that is, as the won becomes stronger relative to the yen, Japan is more attractive as a tourist destination for overseas tourists.

With the recently deteriorating balance of goods from a slowdown in global economic growth and high energy prices, overseas tourism draws attention for its role in the current account balance. It is time to reinforce the support in assessing the needs of overseas travelers, where priority has been given to domestic tourists during the pandemic. [KIEP](#)