

## Chapter 8

# The Impact of the COVID-19 Pandemic on the Tourism Economy: Evidence From Borsa Istanbul

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### ABSTRACT

*This chapter seeks to examine the impact of COVID-19 on the Turkish tourism economy. Towards this end, first of all, tourist arrivals and tourism income of Turkey were compared between pre-pandemic and within the pandemic period. Afterwards, to investigate whether COVID-19 leads to a decrease in stock prices of tourism firms, the return data of 11 firms listed in the Borsa Istanbul restaurants and hotels subsector for 10 months were examined by panel data methods. According to comparison of tourist arrivals and tourism income to the previous year, there was a vital decrease as 69% and 65% respectively in 2020. Moreover, coverage rate of foreign trade deficit of tourism income in Turkey decreased almost 80% in 2020. Overall, results of pooled OLS regression analysis revealed that COVID-19 cases and COVID-19-related deaths were decreasing monthly stock price returns. Based on these findings, it is recommended to policymakers to find better policies for a better tourism economy.*

DOI: 10.4018/978-1-7998-8231-2.ch008

## **INTRODUCTION**

2020 was one of the worst years for the tourism industry in the whole world due to the global COVID-19 pandemic. In mid-December 2019, the first COVID-19 case has seen in Wuhan, China. At first, China did not accept the disease, but later at the end of December, the government in Wuhan, China, confirmed that health authorities were treating dozens of cases. After a while, Chinese authorities reported the first death caused by the virus on January 11. A few days later, the first case outside of China confirmed in Thailand on January 13 (WHO, 2021a). At the end of the January, the South-East Asia director of WHO warned the countries about being ready to prevent the spread of the virus. Unfortunately, COVID-19 virus has spread to all over the world and named as a pandemic on March 11, 2020, by the World Health Organization.

Three infected people who travelled from Wuhan to France was determined and reported to WHO on January 24, 2020. This case was the first time that Europe is meeting COVID-19. Even though precautions, the virus has spread to other European countries (Italy, Spain, Germany, UK...). WHO announced on March 13, "Europe, had become the centre of the virus because of the number of infected and death person". By the time the first COVID-19 case was confirmed in Turkey on March 11, 2020. After facing the first case, Turkey raised the precautions. On March 12, Turkey declared that schools are closed (all levels of education), in and out flights are stopped, sports competitions will be played without an audience, all artistic events suspended by the Ministry of Culture and Tourism. After the increasing number of infected people, many vital precautions announced, such as quarantining cities and stopping transportation between cities in April.

Turkey's Coronavirus table supremed on April 16 (86,675 active cases) and started to decrease with the restrictions. At the beginning of June, the number of active cases dropped to 18,895 (Worldmatters, 2021). These numbers began the normalization process in Turkey. In June, city quarantines stopped, domestic and international flights began, cafes, restaurants, museums, parks, and beaches were reopened. The tourism sector in Turkey started to take a breath with this new normalization process. Turkey implemented three mottos in this process: (1) mask (compulsory in public), (2) distance (must be 1.5 metres in person), (3) cleaning (remember to wash the hands).

The widespread of virus throughout the world has raised the question mark whether it causes a decrease in economics as expected. There are different studies that found COVID-19 has negative impacts on economic activities (Khan et al., 2020; Chowdhury et al., 2021; Topaloglu et al., 2021) including the tourism economy (Chen et al., 2020; Gümüő and Hacıevliyagil, 2020; Mariolis et al., 2020; Rutynskyi and Kushniruk, 2020; Sherif, 2020; Thorbecke, 2020; Öztürk et al., 2020; Al-Hasni, 2021; Atmojo and Fridayani, 2021; Tran et al., 2020; Wu et al., 2021). However, these studies mainly focused on the short term of the impact. In this context, we aim to determine the long-term impact of COVID-19 on Turkey's tourism economy, using listed firms in Borsa Istanbul in this study. This study covers 11 firms that listed in the restaurants and hotels subsector and 10 months between March-December 2020.

The results of this study indicate coronavirus hit hard to Turkey's tourism economy in 2020. COVID-19 decreased tourist arrivals and tourism income in Turkey 69%, 65%, respectively. Moreover, the coverage rate of foreign trade deficit of tourism income in Turkey is decreased by almost 80% comparing to the former. As a result of the panel data regression analysis, COVID-19 confirmed case numbers and COVID-19 related deaths decrease stock return of the tourism firms listed in Borsa Istanbul.

The contribution of this study is twofold: First, identifying the tourist arrivals and tourism income to Turkey over the pandemic period would provide evidence to determine the COVID-19 outbreak's

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