

Post-Covid Economic Revival in Nepal: Tourism Sector



International Alliance for COVID-19 Community Response



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Existing Pandemic Situation (As of May 11, 2020)



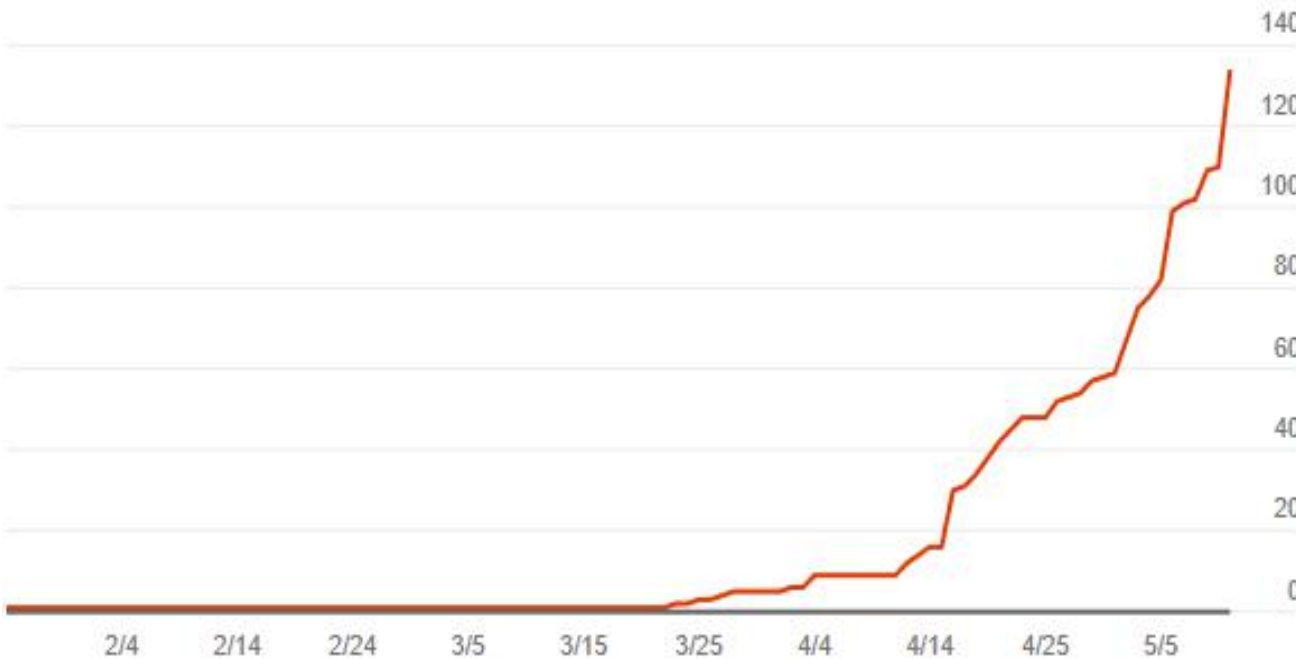
- Situated between India and China
- Total Population 26,494,504 (2011 census)
- Over 50 % urban population
- Three Ecological zones: the lowland (Terai), the mid-hills and the high mountains

Nepal political map



COVID 19 Pandemic situation

- First case 13th January/Isolated/Recovered on 31st Jan
- Total 134/Recovered 33/No deaths >>>>>
Total PCR Tests Done: 17821
- Quarantined: 12701>>>>> Isolated: 153>>>>>
No ICU Cases



Data Source: (covid19.mohp.gov.np)





Nepal seemed unprepared to cope with pandemic

A sudden lockdown (March 24-18th May) >>> lack of contingency plans on consumption, supplies and housing has hard hit the

- **Migrant workers returning home from outside the country**
 - ✓ An upward of 3.5 million working as migrant laborers in foreign country (24.5% contribution to National GDP)
- **Returnee Migrant Workers from India through porous southern Border**
 - ✓ 2 million working in India (of 15-20% are expected to return home)
- **migrant workers and the poor and vulnerable within the country**
 - ✓ Migrant workers returning home working from major cities (6 metropolis, 11 sub metropolis)
- **Consequences on the economic activities**





Its still to early to get a comprehensive picture

- **Nepal 's GDP in 2018-2019 is estimated to be USD 29 Billion in 2019**
- **208-19 GDP growth 7.1 percent >>**
- **Pre-COVID Crisis-estimated GDP growth for 2019-20 is 8.5%**
- **Post-COVID crisis -Estimation GDP growth now stands at 2.3%**

LOCKDOWN AND HARDEST HIT AREAS

- **90% of countries economic activities are halted**
- **Reduction in four major sectors (lower than 2018-2019)**
 - ✓ **Agricultural by 2.6 %,**
 - ✓ **industrial by 3.2 %**
 - ✓ **services by 2 % (e.g. Tourism and Hospitality Industry)**

**The global pandemic is likely going to affect the service sector of Nepal,
(which contributes some 57% of the country's GDP)**





- One of the largest industries in Nepal
- Contributes 7.9% (2018) to national GDP
- Generated NPR 240 billion (2018-2019) >>> **supported 1 million jobs** (direct & indirect)
- Nepal invested 16.5 billion rupees in tourism sector in 2019 (3% of the total investment)
- In 2019, Over 1.17 million foreign tourists via air and land routes (2019)
- Average length of stay = 13 days >> per day expenditure at US\$ 44
- Major inbound tourists are **Chinese main land visitors** followed by Japan, South Korea and others
- Domestic tourism is still in its infancy





- Visit Nepal Year 2020 cancelled (2 million foreign tourists were expected to travel Nepal)
- Hotel occupancy has hit historic low (95%)
- Hotel Association of Nepal has decided to close tourist standard hotels across the country till mid-November (***paying 12.5 %*** of basic monthly salary)
 - ✓ ***Has resulted into the closure of 1,300 star and tourist standard hotels, with bed capacity of over 41,000 per day, across the country***
- A total of 3,000 hotels have sent their staff home due to the lack of revenues from business
- 300,000 workers are affected in the hotel business alone without support
- 700,000 other workers are affected in *non-member hotels and restaurants*





- According to a tourism industry estimate, the industry will require government relief and bailout packages of NPR 20 billion.
- Government investment focus is expected to shift towards agriculture, health and education sectors to
 - ✓ Manage returnee migrant workers (estimated at roughly 1.5 million)
 - ✓ Strengthen the existing health care system to manage pandemic
 - ✓ Possible shift to online education system
- Inbound foreign tourists will be expected to be record low for at least next year
- Recovery of workers as they may get engaged to other sectors (e.g agriculture)
- Changed tourists consumer behavior
- Slowing of domestic tourism activities





- **The government has not come out with any concrete Recovery Package for Tourism Sector as of now except for few measures like reduction in interest on bank loans**
- **It may address the issues in the upcoming annual budget slated to be announced in June 2020**

So in Such a situation, basic guiding frame for future strategies are suggested as;

- Pandemic induced graded damaged assessment in tourism sector
- Gap analysis to see what did not work
- Identification of Areas that need strengthening
- Policy and Economic Support from Government (also from Donors/Funding Agencies)





Within the basic guiding frame, recovery strategies should include the plans and programs for

- Quality tourism (High End tourism)
- Incentives to inbound foreign tourists
- Skilled workers through IT based training
- Opening up new tourist destinations
- Innovative market policies
- Study of COVID 19 on tourist consumer behavior
- Revisiting the planning of the infrastructure standards
- **Speeding up domestic tourism (contd. in next slide)**



■ Speeding up domestic tourism

- ✓ Exchanging Regional/Provincial Visitors
- ✓ Promoting Religious Tourism
- ✓ Educational Tourism
- ✓ Motivating the service providers to invest in domestic tourism
- ✓ Integrate tourism with local level infrastructure
- ✓ Subsidies on local tourism development (new tourism products)
- ✓ Tax Exemption for next Fiscal Year



Thank you!

