Analysis of the Role of Hong Kong's Key Industries During the Pandemic of COVID-19

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Abstract. This study investigates the variables that affect and encourage inbound travel to Hong Kong using data from 2019 to 2020. Five important regional source markets for tourism in Hong Kong have been chosen, namely Singapore, Malaysia, Philippines, Japan, and South Korea. Based on the research results, the COVID-19 pandemic had a major destructive effect on Hong Kong's tourism sectors while significantly impact the quantity of inbound tourists due to government response to COVID-19 infection case. The quantity of inbound tourists to Hong Kong is significantly impacted by the government's actions based on the COVID-19 infection cases. Additionally, existence of COVID-19 in the tourism source countries is often considered when defining Hong Kong's travel restrictions. According to the empirical findings, the demand for visitor arrivals was also lowered by the distance to Hong Kong and the expensive cost of travel there, while the expansion of tourism was facilitated by improved aviation services and potential for the tourism sector. These results demonstrate that for the city to be recognized as an attracting and cherished tourist destination, the tourism sector and the government must collaborate to restore after the pandemic. The complementary nature of pandemic control and tourist recovery is highlighted by this study. To establish a positive ripple effect, these operative and budgetary standards must demand the government to provide early recovery support to tourism sectors.

Keywords: Inbound tourism; Hong Kong; COVID-19; Seat capacity.

1. Introduction

Tourism, as one of the most significant factors of the economy of Hong Kong, share to over 5% of the gross domestic product (GDP) of Hong Kong's economy [1]. It has been estimated that before the pandemic, the city had drawn over 50 million tourists in the past five years. Due to the notability of the tourism industry in the economy of the city, the emergence of COVID-19 not only brought severe impact on the tourism sector but also led to the lasting economic recession between 2018 and 2022 [2]. As the pandemic expanded, the government has strategically imposed travel restrictions, cross-border regulations, quarantine rules, and social distancing requirements. These government's action to minimize the expansion of covid have undoubtedly decreased the number of oversea visitors as well as mainland visitors. This has cost the downfall of Hong Kong's tourism industry with respect to its economy.

Due to its unique enlightenment from Western cultures, Hong Kong has long been recognized as the "paradise for shoppers," drawing vast number of visitors annually for its views and shopping. In 2019, there were 11.87 million documented incoming air travel visitor arrivals in Hong Kong. COVID-19 has led to a severe decay in the number of foreign and inbound travelers to Hong Kong in 2020, about 0.85 million instances were recorded [3]. Based on verified sources acknowledged by the Tourism Board of Hong Kong, evidences were collected from the five major markets for Hong Kong's tourism sector (Singapore, South Korea, Philippines, Japan, and Malaysia) between the start of 2019 and at the end of 2020 [4]. From June 2019, Hong Kong saw a highly challenging period marked by unpredictable protests, which showed a consistent decline in the number of incoming visitor arrivals overall for the entire year 2019. On January 30, 2020, six out of the thirteen border control sites in Hong Kong were closed as part of the pandemic containment measures. Four control points also discontinued transport services. First imposed on visitors arriving from high-risk nations, a mandatory 14-day quarantine was later extended to include visitors arriving from all nations. Since then, many people who arrived to Hong Kong were either visiting acquaintances or were flying for

urgent motives, which has nearly eliminated aviation and the volume of both inbound and international travelers [5].

In the following sections, this research explores the threat faced by the tourism sectors in Hong Kong during the pandemic and after the pandemic. Later, it will discuss on the effects of COVID-19 on foreign and mainland tourists' traveling patterns. Finally, the research will demonstrate the extent to which government regulation and private corporations can work together to boost the tourism industry while recovering from the losses during the COVID-19 era.

2. Impacts of COVID-19 on Hong Kong's Inbound Tourism

2.1. An Examination of the Major Markets for Inbound Tourism

The inbound tourism of Hong Kong from its leading source markets from 2019 to 2020 is summarized in Fig. 1 [4]. With a combined 17.1% market share in the first half of 2019, the three biggest sectional markets were Malaysia, the Philippines, and South Korea. The remaining two regional markets, Singapore, and Malaysia, had shares ranging from 2.1% to 2.9%. There was a continuous wanning trend while protests existed in Hong Kong from the middle 2019 to the beginning of 2020, while there were transient climbs in visits from Singapore, Malaysia, and the Philippines from September to December 2019. Hong Kong's inbound tourism suffered tremendously from the unanticipated global wellness and societal disaster that began with the emergence of the COVID-19 pandemic in the start of 2020. By the mid-2020, Hong Kong had seen significant travel restrictions, airport and border closures, and lockdowns lasting several weeks that resulted in the closure of eateries as well as leisure and entertainment destinations. These actions significantly decreased the number of foreign travelers and, consequently, the coming from each of the five major markets [6].

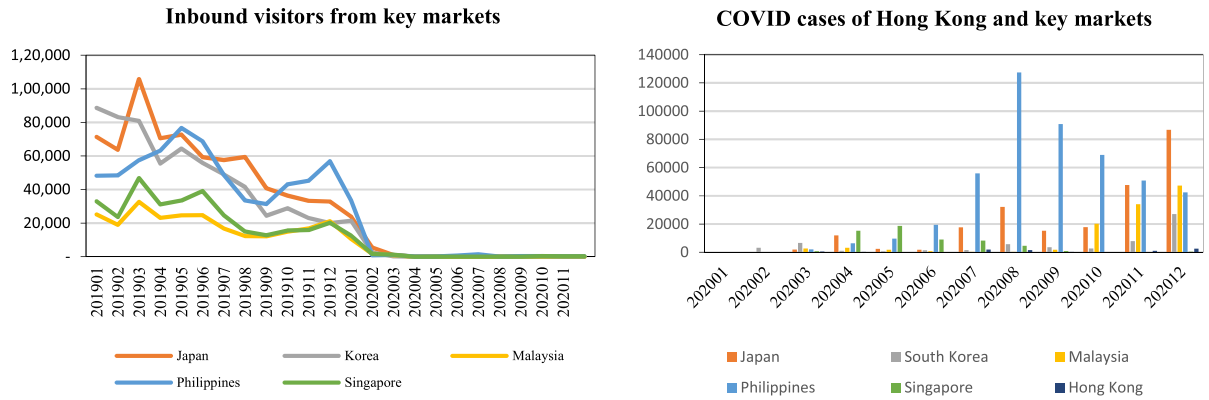

Fig. 1 Key markets' incoming tourists to Hong Kong and COVID-19 instances from January 2019 to December 2020 [4].

2.2. Breakdown of Shifts in Seat Capacity From Hong Kong to Major Markets

A sizable portion of the flow of passengers at Hong Kong International Airport is comprised of visitor arrivals. Aviation and travel are the primary economic drivers behind the rise of the transportation industry of Hong Kong, as evidenced by several markets. Low-cost airline (LCC) has contributed a pivotal role in the recent rise of the aviation and tourism industries by strengthening the extensive infrastructure and services provided by the dominating full-service carrier (FSC). The airline seat volume concerning the major markets to Hong Kong in 2019 and 2020 is summarized in Fig. 2 [4]. About one third of Hong Kong's total seats (14.1 million) were scheduled airline seats for the selected markets in 2019. This percentage peaked in October 2019 at 40.0% (1.65 million seats). For these five major regions (Singapore, South Korea, Philippines, Japan, and Malaysia), the amount of airline reserved tickets fell from 1.28 million in the final month of 2019 to 0.22 million in the third month of 2020. Hong Kong's aviation sector endured enormous losses quickly as COVID-19 spread

throughout globally. Travel demand is further constrained by a drop in airline competitiveness and standard of service brought on by the decline in aviation availability and flight rate [7]. The demand for flights into Hong Kong has been negatively impacted by such. Reduced flight capacity also translates into lower flight connection options, which reduces the total amount of passengers using HKIA for traveling.

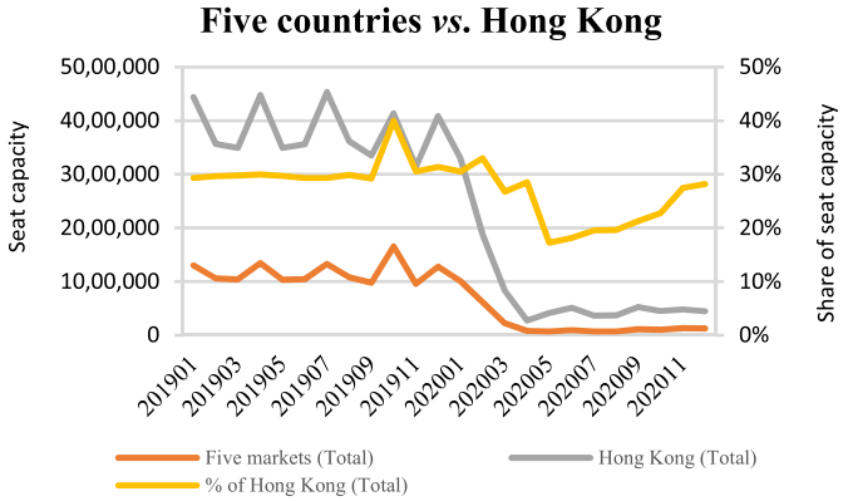

Fig. 2 Scheduled seat capacity in major markets that provide Hong Kong to airlines from January 2019 to December 2020 [4].

3. Literacy Assessment

Tourism and air travel are typically interconnected and interdependent. Since aviation services offer availability over wide territorial networks, air travel both helps and hinders tourism. The tourism industry accounts for an important portion of the demand for flying services. However, in times of severe recession or pandemic, as COVID-19, this mutual reliance guarantees a negative ripple effect that create disastrous impacts on the aviation sectors. The following section first examines previous studies of the elements influencing inbound tourism, and then it analyzes the connection between pandemics and tourism.

3.1. Factors Influencing Foreign Tourism into the City

It has been widely recognized in the literature on air travel and tourism that factors like seat capacity and accessibility have assisted in the growth of transportation and tourism. Because of low-cost carriers offer more reasonably priced air travel, their growth has had a symbolic impact on the demand for tourism, particularly regarding arriving tourists and the marketing of tourist sites [8]. Furthermore, several earlier studies indicated that bilateral commerce volume was a strong predictor of incoming tourism. Analyst have utilized air cargo capacity as a proxy because of the limiting scope of data. Something that is noteworthy is that the volume of inbound tourists to places has been impacted by income variables.

Since exchange rates is considered as a push or pull component in the need for tourism, previous research has also taken this into account when assessing international tourism. Furthermore, a few studies have emphasized the aspects of tourism pricing, such as housing and food and beverage prices, that influence the flow of inbound tourists. Apart from the elements already mentioned, some non-economic factors are also investigated as vital factors impacting tourism from abroad, including travel distance, shared language and cultural affiliations, visa requirements, and external influences and crisis events [9].

3.2. COVID 19's Effects on Incoming Tourist Arrivals

The World Tourist Organization states that the COVID-19's most urgent challenges are for the tourist sector. The tsunamis, SARS outbreak, and other crises have all impacted the international tourism sector in recent decades, but none have left it with such a serious problem. This is most likely due to the unusual travel restrictions and border prohibitions. Early studies primarily linked international tourist movements, especially air travel, to the rapid spread of COVID-19. International air travel restrictions are usually recognized as one of the most effective measures. Lin and Beh verified the detrimental effects of the pandemic on the tourism industries of seven ASEAN nations by analyzing data from those nations. They emphasized how crucial it is to sanitize airports and aircraft in order to avoid contagion [10]. Apparently, travel bans and restrictions are seriously dragging down foreign travel. Additional reductions in passenger traffic and seat capacity supply have been the consequence of this. Additionally, recent studies have validated the correlation between intentions of travelers and their believed safety risks; that is, the perceived risk of COVID-19 is higher in areas where tourists are less likely to come. Tourists are less likely to go to a busy region because they perceive the destination as having a higher safety risk. Therefore, considering this urgent public health emergency, travel safety effects have a detrimental impact on demand for tourism.

One notes that judges about whether to go are thought to be influenced by perceived safety threats related to air travel, such as in-flight communications. Several nations used travel restrictions and lockdown techniques to limit aviation and avert the virus's spread to stop major outbreaks. Due to perceived health and welfare hazards associated with travel, nations that have had difficulty combating the pandemic may see a decline in travel demand as a result of their infection cases. Given that travel is a major factor in the COVID-19 virus's propagation, infectious travelers face the danger of initiating pandemics both domestically and internationally, especially in areas with low rates of immunization and infection prevalence. Given the increasing worldwide vaccination rate, a few nations have considered opening their borders again and lifting the prohibitions on international travel. However, some research has indicated that COVID-19's detrimental effects on the travel and tourism sector globally would persist over time.

Utilizing information from January 2019 through December 2020, this study empirically evaluates the drivers and determinants of incoming tourism from Hong Kong. Five of the countries of the Philippines, Singapore, Malaysia, Japan, and South Korea were chosen as the main regional source markets for tourism in Hong Kong. According to the research results, the COVID-19 has significantly harmed the tourism industries of Hong Kong, with asymmetrical effects on the countries of origin and destination [11]. The COVID-19 pandemic has halted most inbound tourism, and the city's government has implemented controls and limitations on overseas travel to stop its spread. The Hong Kong government's limits on overseas travel are often explained by citing the pandemic in the countries that provide tourists. Considering how serious the believed COVID-19 travel risk is, the legislators in Hong Kong should work to reduce it as much as they can. One of the most important things to do is to give prospective inbound tourists reliable information about COVID-19 in order to reduce the impact of the virus and air travel risks and the decline in the need for tourism. In this sense, regulations, and precautions for arriving visitors and tourists should be established by the Hong Kong government in order to avoid and regulate COVID-19. These measures include documentation of vaccination completion, confirmation of a reservation for a hotel in a designated quarantine, and proof of a negative result from a PCR-based test for COVID-19. Additional testing and quarantine requirements for travelers and passengers, increased border control procedures, and new government rules are also essential to pandemic control. The difficulties and the extra expenditures involved in taking such precautions have often led to the perception that pandemic control is irreconcilable with the aviation and tourism sectors' efforts to recover. Based on the empirical findings, it appears that they are compatible since effective pandemic management will elevate Hong Kong to the status of a favored and secure travel destination.

Furthermore, the research results indicate that high expenses in Hong Kong negatively impacted visitor arrivals, while an improvement in aviation services helped to fuel the development in visitor

arrivals. In line with these ideas, some researchers also noted that in order to support the tourism industry's recovery, crisis management planning ought to be incorporated into more comprehensive tourism planning, marketing, and management strategies. This is especially crucial for tourist destinations like Hong Kong whose economies rely on tourism. When the COVID-19 epidemic is under stable and effective control, it is more beneficial to set up funds for tourism marketing and promotion. This will help Hong Kong maintain its reputation as a safe and popular travel destination for tourists from its primary Asian source markets as well as foreign markets.

4. Conclusion

To conclude, this research suggests integrated planning and operation for reviving Hong Kong's aviation and tourism industries, which are anticipated to rebound after the pandemic. Effective measures should be taken, on the one hand, to limit the amount of imported COVID-19 instances connected to arriving aircraft. On the other hand, in order to counteract Hong Kong's high expenses and additional travel hassles, the government of Hong Kong may take into consideration promotional initiatives such as subsidies to travelers or service providers. Supporting airlines is also highly encouraged, as more aviation services give passengers more flexibility when it comes to their trip plans and give transfer tourists better connectedness through Hong Kong's international airport. The latter would give aviation operations favorable feedback, assisting Hong Kong's aviation and tourism sectors to achieve a self-sustaining recovery. There has been a notable decrease in airline connection during the COVID-19 pandemic, with many prominent Asian low-cost carriers ceasing operations to Hong Kong. The recovery of airline capacity and connectivity will be vital to the upcoming rise in Hong Kong's inbound tourism. In order to continue acting as a vital hub that connects domestic travelers with worldwide destinations, Hong Kong must continue to be an international center and sustain its hub-and-spoke network. In order to achieve this, the government may regulate airline's connectivity results through establishing regulations that manage factors that promote connection, like air traffic rights, consumption limitations, airport fees, and taxes. The aviation sector will be able to sustain the long-term rise of the tourism industry with the addition of a third runway at HKIA in 2024. Low-cost carriers are anticipated to play a significant role in promoting budget-conscious leisure travel to Hong Kong because of their low expenses and low fares. Thus, it is critical that the Hong Kong Airport Authority and the Hong Kong government create appropriate aviation regulations and promote HKIA as the aviation hub for the area.

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