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The Impact of the COVID-19 Pandemic on the Tourism Industry of Kazakhstan

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Abstract:

This article aims to examine the impact of the COVID-19 pandemic on the tourism industry in the Republic of Kazakhstan, which has been identified as a particularly vulnerable sector. The paper, in which Pearson correlation analyses was used, is significant in understanding the aftermath of the pandemic on the tourism industry in Kazakhstan, and how it compares to global trends. The study's results demonstrate that the consequences of the pandemic on the tourism industry in Kazakhstan are similar to those worldwide. However, the research also highlights a positive sign of recovery for domestic tourism in Kazakhstan, where the number of domestic tourists has surpassed pre-pandemic levels. This article's contributions are to provide valuable insights into the effects of COVID-19 on the tourism industry in Kazakhstan, and it can serve as a helpful resource for policymakers in the country.

Keywords: tourism, COVID-19 pandemic, government support, investment.

JEL Classification: L83; C10; F62.

Introduction

The COVID-19 pandemic has posed an unprecedented challenge to the tourism industry worldwide, leading to a significant decline in international travel. The World Tourism Organization reported a staggering 73% decrease in the number of international trips in 2020 due to global quarantine measures (Ghosh, 2021).

The Republic of Kazakhstan's tourism sector was no exception, as the pandemic and its aftermath had a detrimental impact. The number of foreign tourists visiting the country decreased by five-fold, resulting in a corresponding decrease in expenses from \$2.9 billion to \$591 million (Kitamura et al., 2020).

The overall economic activity of the country, including the tourism industry, significantly decreased due to the pandemic, leading to a decline in tourism's contribution to Kazakhstan's GDP from 3.8% in 2019 to 1.6% in 2020.

Despite the challenging situation, the state's efforts to support the industry, including investors, along with an increase in domestic trips, resulted in a gradual recovery of the tourism industry in 2022. This paper focuses on analyzing the impact of the COVID-19 pandemic on the tourism industry in the Republic of Kazakhstan, its aftermath, and the state's efforts to revitalize the industry. The findings of this study can help policymakers and stakeholders make informed decisions regarding the industry's future in Kazakhstan.

1. Research Background

Before the outbreak of COVID-19, the tourism industry was a rapidly growing sector of the global economy, expanding and diversifying. In 2019, before the pandemic, the number of international tourists reached a record high of 1.5 billion after a decade of continuous growth. Tourism contributed \$9.6 trillion, or 10.3% of the world's GDP, measured by the total contribution of tourism in 2019 (Kitamura et al., 2020). However, despite being a significant source of income and jobs, the high dependence on tourism revenues also makes destinations vulnerable to external shocks.

The global coronavirus pandemic has had a significant impact on the tourism industry and caused the largest global crisis affecting various sectors of the economy, with the number of international trips decreasing by 73% in 2020 compared to 2019, resulting in a loss of export revenues from tourism of \$1.1 trillion in real terms compared to pre-pandemic 2019. This drop accounts for 42% of the total reduction in international trade recorded in 2020 and is more than 11 times higher than the losses recorded during the global economic and financial crisis of 2009. As a result, the Covid-19 pandemic has caused significant economic losses of approximately \$4.0 trillion measured by the total contribution of tourism, which decreased by more than 50% compared to 2019 in nominal terms (Ghosh, S. 2021).

To assess the economic impact of the pandemic on the tourism industry, scientists used various modeling approaches. These studies allowed us to get a meaningful idea of the impact of the pandemic.

The impact of reduced international travel revenue on gross domestic product, total employment, and trade balance was used to assess the impact of COVID-19 on the Greek economy based on a multisectoral co-production model (Mariolis et al. 2020). A study conducted in Japan described the impact of the pandemic on tourist consumption, and employment using a life cycle approach and input and output tables (Pham et. Al 2021).

Ghosh examined the relationship between the pandemic situation, economic policy uncertainty, and the demand for international inbound tourism in Australia in a multidimensional panel model.

The Covid-19 pandemic has caused major changes in the global economy, including unplanned large-scale financial assistance from the government, changes in household consumption and related spending patterns, new relationships between industries, and changes in labor supply. The direct impact of reduction in the number of foreign tourists will further affect other sectors of the economy through intersectoral links that have a greater impact on the economy.

2. Methodology

In order to determine whether the trend in international tourism numbers in Kazakhstan follows the global pattern, a statistical method called the Pearson correlation coefficient was employed. This measure evaluates how strong a linear connection exists between two variables, specifically, the volume of international tourists visiting Kazakhstan and the world at large.

Using the data provided, we get the following:

Table 1. Number of international tourists worldwide and in Kazakhstan

Year	International tourists worldwide (million people)	Inbound tourists in Kazakhstan (million people)
2019	1465	8.5
2020	409	2.0
2021	454	1.3
2022	917	4.7

Source: UNWTO and Agency for Strategic planning and reforms of the Republic of Kazakhstan Bureau of National statistics

The Pearson correlation coefficient, which measures the strength and direction of the linear relationship between two variables, was used to analyze the data. The formula used to calculate the Pearson correlation coefficient takes into account the number of observations, the means of the variables, and the variances of the variables.

$$r = (n\sum XY - \sum X \sum Y) / \sqrt{[n\sum X^2 - (\sum X)^2][n\sum Y^2 - (\sum Y)^2]}$$

Where:

n = number of data points (in this case, 4);

X = international tourists (in millions);

Y = inbound tourists in Kazakhstan (in millions);

Σ = sum of values;

XY = product of X and Y.

Using the data provided in the Table 1, we can calculate the Pearson correlation coefficient as follows:

$$\Sigma X = 3,245;$$

$$\Sigma Y = 16.5;$$

$$\Sigma XY = 28,326.5;$$

$$\Sigma X^2 = 4,255,565;$$

$$\Sigma Y^2 = 394.45;$$

$$r = (428,326.5 - 3,245 \cdot 16.5) / \sqrt{([44,255,565 - (3,245)^2][4394.45 - (16.5)^2])} r = 0.934 \text{ (Equations 1.1).}$$

Therefore, the Pearson correlation coefficient between the number of international tourists in the world and inbound tourists in Kazakhstan is 0.934, indicating a strong positive correlation.

Based on the strong positive correlation coefficient of 0.934, it can be concluded that there is a significant relationship between the number of international tourists globally and inbound tourists in Kazakhstan, showing a similar pattern over the last 4 years.

This correlation implies that there are factors affecting both the global and Kazakhstan tourism industries, such as global travel patterns, economic conditions, marketing efforts.

Overall, this analysis suggests that the tourism industry in Kazakhstan is affected by Covid similarly as the global tourism industry and recovering at the same path.

After observing a similar correlation in the number of international tourists in Kazakhstan and the world as a whole, the next step was to analyze the relationship between the total GDP contribution of tourism in the world and the total contribution of tourism to Kazakhstan's GDP for the last 3 years. This analysis would help determine the extent to which the tourism industry contributes to the overall economic growth of both the world and Kazakhstan.

To calculate the Pearson correlation coefficient between the total GDP contribution of tourism in the world and the total contribution of tourism in Kazakhstan's GDP, we can use the following formula:

$$r = (n \Sigma XY - \Sigma X \Sigma Y) / \sqrt{(n \Sigma X^2 - (\Sigma X)^2) * (n \Sigma Y^2 - (\Sigma Y)^2)}.$$

Where:

n = number of observations (in this case, 3);

X = total GDP contribution of tourism in the world (\$ billions);

Y = total contribution of tourism to Kazakhstan's GDP (\$ billions).

Table 2. The total contribution of tourism in Kazakhstan's GDP and worldwide

Year	The total contribution of tourism in Kazakhstan's GDP (\$ billions)	The total GDP contribution of tourism in the world (\$ billions)
2019	6.8	9630
2020	2.7	4775
2021	3.6	5812

Source: The World Travel & Tourism Council

Using the data provided in the Table 2, we can calculate the Pearson correlation coefficient as follows:

$$X: 9630, 4775, 5812;$$

$$Y: 6.8, 2.7, 3.6;$$

$$n = 3;$$

$$\Sigma X = 20217;$$

$$\Sigma Y = 13.1;$$

$$\Sigma XY = 114901.2;$$

$$\Sigma X^2 = 1.2731575 \times 10^8;$$

$$\Sigma Y^2 = 92.81.$$

Plugging these values into the formula, we get:

$$r = (3(114901.2) - (20217)(13.1)) / \sqrt{(3(1.2731575 \times 10^8) - (20217)^2) * (3(92.81) - (13.1)^2)} = 0.994.$$

The Pearson correlation coefficient is 0.994, which indicates a strong positive correlation between the total GDP contribution of tourism in the world and the total contribution of tourism to Kazakhstan's GDP. This suggests that the global tourism industry has a significant impact on the tourism industry in Kazakhstan.

From the analyses, it has been observed that the global tourism industry has a substantial influence on the tourism sector of Kazakhstan, similar to that of other countries worldwide. The pandemic caused significant damage to the tourism industry in Kazakhstan, and it struggled to recover from the adverse effects of various factors that contributed to its downturn. However, as we move towards 2021, there has been a marked improvement in the country's tourism industry, just like other countries globally.

One of the crucial takeaways from the analysis is that the tourism industry has become an integral part of the globalization process, and it is susceptible to external factors that can impact it positively or negatively. As we have seen in the case of Kazakhstan, the pandemic has been one such factor that adversely impacted the tourism industry, causing a considerable drop in tourism activities. It is evident that the tourism industry's fate in Kazakhstan is intertwined with the global tourism industry, and its full integration into the global economy has made it vulnerable to external factors.

3. Case Studies

As mentioned in the methodology section, the Pearson correlation analyses indicated that the impact of Covid on global tourism was similar to that on Kazakhstan's tourism industry. In the following section, we will delve into a detailed analysis of the effects of the pandemic on Kazakhstan's tourism sector.

At the beginning of the pandemic, the Government of the Republic of Kazakhstan introduced restrictive quarantine measures, state borders were closed and, as a result, hotels, restaurants, tour operators, air carriers, and other tourism facilities suspended their activities indefinitely.

In this regard, in 2020 the number of foreign tourists decreased by 5 times from 8.5 million people in 2019 to 2 million people. At the same time, the number of domestic tourists has not decreased so much, where a decrease was noted by 33% from 6.6 million people in 2019 to 4.4 million people in 2020 (WTTC).

The reduction in the number of foreign tourists by 5 times led to an analogous reduction in the expenses of foreign tourists in the country, whereby the end of 2020, the reduction was recorded by 5 times from \$2.9 billion to \$591 million, while world exports from the tourism industry decreased by only 43% from 2.1 trillion dollars up to 1.2 trillion US dollars (Kitamura et al., 2020). At the same time, the decrease in the number of foreign tourists in Kazakhstan fully corresponds to the global trend.

The expenses of domestic tourists in Kazakhstan have also taken a significant hit due to the COVID-19 pandemic. In 2020, domestic tourism expenses decreased by 45% from \$1.2 billion to \$670 million (Kitamura et al., 2020).

With a decrease in the number of tourists and expenses, respectively, the income of hotels and other types of tourist accommodation decreased. Thus, the volume of services rendered by hotels in 2020 decreased by almost 2 times from \$314 million in 2019 to \$165 million in 2020 (WTTC).

Also, due to the strengthening of sanitary and epidemiological requirements for public catering facilities, the number of food places such as restaurants, cafes, and bars decreased from 18,583 units in 2019 to 14,120 units in 2020. Accordingly, the volume of services rendered by food and beverage services decreased from \$1.6 billion to \$1.3 billion in 2020 (WTTC).

In general, the epidemiological situation has greatly reduced the economic activity of the entire sector of the economy, including the tourism industry. Thus, the consequence of the pandemic was a decrease in the share of tourism in the country's GDP from 3.8% in 2019 to 1.6% in 2020 by more than 2 times (Kitamura et al., 2020).

Similarly, according to the World Travel and Tourism Council, the share of tourism in world GDP decreased from 10.3% to 5.3%.

The further spread of the pandemic in 2021 has also greatly affected the tourism industry. Restrictive measures to cross the state border were the main reason for a further decrease in the number of visitors to inbound tourism by 35% compared to 2020, where about 1.3 million foreign tourists visited the country by the end of 2021 (WTTC).

Despite the global decrease in the number of international tourists, it is encouraging to note that the number of domestic tourists has increased significantly. The statistics reveal that over 6.9 million people embarked on domestic trips, which is a noteworthy increase of over 300 thousand people when compared to the pre-pandemic period of 2019.

The increase in domestic travel in 2021 may have been due to the large deferred demand of the population for recreation and the preference for shorter trips and destinations closer to home, often in rural areas, on the coast, and in national parks, as well as restrictions on international travel still in force.

Thus, in 2021, a historical indicator of the growth in the number of visitors to national parks was recorded in Kazakhstan. Their number increased by 300 thousand people compared to 2019, amounting to 1.5 million people.

Although overall hotel occupancy rates remained low due to the decline in international tourism, the rapid recovery of domestic tourism helped mitigate the impact on the entire tourism sector.

Thus, due to the increase in the number of domestic tourists, the volume of services rendered by accommodation facilities in 2021 returns to the pre-quarantine level. Thus, by the end of 2021, the volume amounted to \$253 million, which is \$130 million more than in 2020 (WTTC).

Domestic travel has contributed to this growth to a greater extent, given its scale and faster recovery. In terms of the number of trips, domestic tourism exceeds the number of foreign tourists by more than six times, and the expenses of domestic travellers exceed the income from inbound trips. Thus, according to the World Travel and Tourism Council, the expenses of domestic tourists amounted to \$1,013.3 million in 2021, while foreign tourists in Kazakhstan spent \$ 792.6 million (Kitamura et al., 2020).

It should be noted that before the pandemic, the expenses of foreign tourists were 2.5 times more than the expenses of domestic tourists, \$1.2 billion and \$2.9 billion, respectively (Kitamura et al., 2020).

To mitigate the effects of COVID-19, government plans have been developed in many countries to promote the development of the tourism industry. Thus, to break out of stagnation, the Government of Kazakhstan in 2020 took urgent measures to support businesses as part of the expansion of preferential lending instruments for small and medium-sized businesses. Working capital financing was increased, loans were refinanced on preferential terms, as well as loan deferrals, and tax incentive measures were taken for the affected industries.

In addition, stimulating measures of state support have been taken for investors in the tourism industry, under which the state reimburses part of the costs for the construction of tourist facilities and roadside service facilities in the amount of 10% and for the purchase of tourist buses in the amount of 25%. The full cost of the air ticket for children as part of the tourist package is also reimbursed and subsidies are paid to tour operators for each foreign tourist brought.

The state support measures provided had a positive impact on the growth of the number of hotels and other accommodation facilities. Thus, at the end of 2022, a record number of beds was noted for all time and amounted to 203 524 beds, which is 22 thousand more beds compared to 2019 (WTTC).

As a result of the government support measures 102 investment projects in the tourism industry worth \$470 million were implemented in 2021.

These measures of state support, primarily designed not only to support investors but also to bring the tourism industry of Kazakhstan to a qualitatively new level, give a breadth of opportunities to the tourism business and significantly improve the tourism infrastructure.

The demand for domestic tourism and stimulating measures of state support has become the main factor that the tourism industry began to recover from the pandemic, and by the end of 2021, the share of tourism in Kazakhstan's GDP reached 2.0%.

In the year 2022, there was a notable surge in the number of people taking domestic vacations compared to the pre-pandemic period. The latest statistics reveal that 8.4 million people travelled domestically in 2022, which is more than 2 million tourists compared with pre-pandemic 2019.

The increase in domestic tourism provided a much-needed boost to the economy and created job opportunities for people in the tourism industry. Hotels, restaurants, and other tourism-related businesses saw a surge in business as a result of the increase in domestic travel. As the result of this the revenue of hotels in Kazakhstan saw a record-breaking 150% increase compared to the year 2019.

In 2022, the total number of inbound tourists was 4.7 million, which is lower than the figure of 8.5 million seen in 2019. However, it is worth noting that this number represents a significant increase of over 360% compared to the previous year 2021(WTTC).

Conclusion

The results of the paper have fundamental importance for understanding the consequences of the COVID-19 pandemic on the tourism industry in the Republic of Kazakhstan. The findings of the analysis have important implications for policymakers in Kazakhstan who are looking to promote economic growth through the tourism industry. They suggest that policies that support the global tourism industry could also have positive spillover effects on the domestic tourism industry in Kazakhstan. At the same time, policymakers should be aware of the potential risks associated with relying too heavily on the tourism industry for economic growth, as the industry is susceptible to fluctuations and external shocks.

Overall, this analysis provides evidence that the global tourism industry is an important driver of economic growth in Kazakhstan and underscores the need for policymakers to consider the global context when formulating policies to promote the tourism industry. This analysis, based on statistical data, shows that the

tourism industry of Kazakhstan, as well as around the world, has been severely affected by the COVID-19 pandemic.

It was the rapid recovery of domestic tourism that helped mitigate the impact on the entire tourism sector in Kazakhstan. Based on the above factors, it can be stated that in the short term, it would be more appropriate for Kazakhstan to prioritize domestic rather than international tourism.

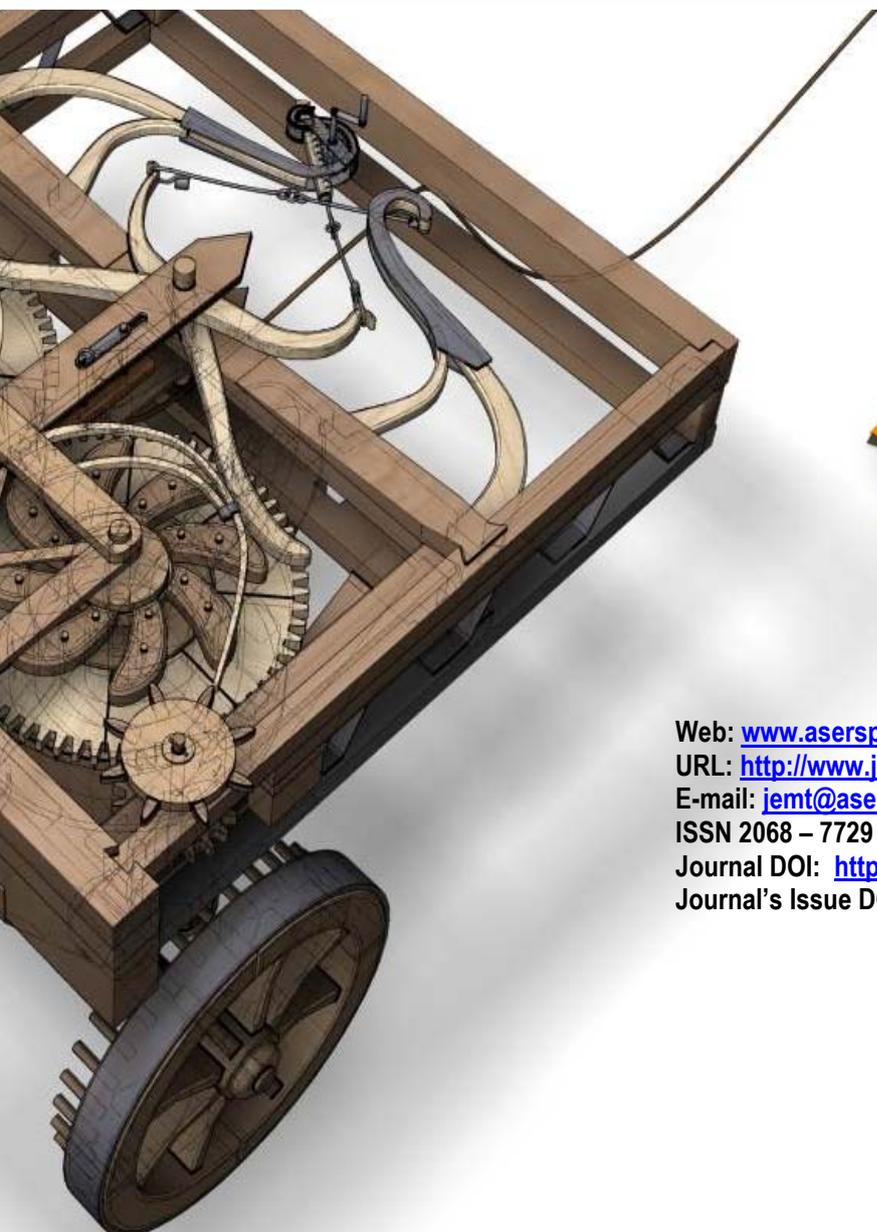
Beginning in 2022, there has been a noticeable improvement in the tourism industry both in Kazakhstan and across the world. This is likely due to various factors such as the widespread availability of vaccines, easing of travel restrictions, increased confidence among travelers, and the corresponding increase in the number of domestic tourists, as well as state support measures. As a result, many businesses related to tourism, such as hotels, restaurants, and transportation services, have seen a significant increase in demand. This recovery provided a much-needed boost to economies that heavily rely on tourism, and it is hoped that this positive trend will continue in the coming years.

According to the forecasts of the World Tourism Organization (UNWTO), the restoration of international tourism may return to pre-crisis indicators after 2024.

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