

# The effect of novel coronavirus pandemic on tourism share prices

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## Abstract

**Purpose** – This paper aims to provide swift feedback to readers and investors on the early effect of novel coronavirus (COVID-19) pandemic outbreak on tourism industry.

**Design/methodology/approach** – Three leading consolidators of hotel accommodations, airline tickets and travel services in the tourism industry around the globe, namely, Booking Holdings Inc., Expedia Group and Trip.com Group Ltd. are chosen in this study. First, numerical description is performed on their shares prices and a set of control variables to compare their performances before and during the lockdown because of COVID-19 outbreak. Next, this paper estimates ordinary least squares models with and without exponential generalized autoregressive conditional heteroskedastic specification to establish the nature, significance and magnitude of the pandemic's early effect on the shares performance of these online travel companies (OTCs).

**Findings** – This paper discovers a rapid decline in the performance of tourism industry amid the pandemic outbreak, from the perspective of three leading OTCs, which derive their profits from tourists by providing them online hotel reservation, air-ticketing and packaged-tour business services around the globe. These significant adverse direct and indirect effects testify that tourism-related businesses are extensively locked down by the pandemic outbreak.

**Research limitations/implications** – Future studies are encouraged to examine each of the tourism sectors for individual effects.

**Practical implications** – This paper provides implications for investors to protect their wealth, and for policymakers to ensure sustainability of tourism industry in the pandemic outbreak and in the future.

**Originality/value** – From the perspective of corporate finance, this paper empirically quantifies the early effect of COVID-19 on tourism industry for a quick snapshot.

**Keywords** Stock market, Tourism industry, Novel coronavirus pandemic

**Paper type** Research paper

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## 1. Introduction

Incontrovertibly, the recent outbreak of novel coronavirus (COVID-19) pandemic has locked down and dampened the world economy with immediate effect. Among others, tourism-related businesses such as food and beverages, travel and hotel businesses are affected most of all and badly misshaped by it. Tourism industry has been growing substantially in China over the past few decades. International tourist arrivals to China had surged significantly from 230,000 people in 1978 (Lew, 1987) to 30.54 million people in 2018 (Thomala, 2020a). In the recent decade, tourism revenue in China grew from Yuan 1,155bn in 2008 to Yuan 5,128bn in 2018 [1]. This is equivalent to an average growth of 16.5% per annum. In the year 2018 itself, tourism industry accounted for some 3.9% direct and 12.9% total contribution to the gross domestic product (GDP) of China (Thomala, 2020a). From another perspective, Chinese tourists spent a total of US\$227bn (about Yuan 1,964bn) abroad in the same year. Indeed, China outbound tourism grew at an average growth of 24.5% per year for the past decade (Thomala, 2020b). Moreover, tourism industry contributed to 10.4% of global GDP in 2019, and it supported some 319 million jobs or