



Pandemic Contraction and Recovery of the Russian Tourism Industry in 2019-2021 against the Backdrop of Other G20 Countries

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Abstract: *The paper highlights the significance of tourism sector support measures in modern Russian economic policy. Special attention is given to an aggregate indicator of tourism's contribution to the economy. This indicator has been calculated taking into account the share of tourism in the country's GDP; the share of tourism in the total number of jobs; the share of tourism in total export revenues. The research is based on the data of the World Travel and Tourism Council. The effects of the pandemic and the subsequent recovery of the industry have been described using the 2019 indices of the composite indicator. It has been revealed that Russia ranks second to last among the G20 countries in terms of the aggregate contribution of tourism to the economy. At the same time, Russian tourism was characterized by a relatively small contraction in 2020 and a low recovery rate in 2021, which indicates the need to make regulation measures more effective.*

1. INTRODUCTION

In the economic policy of modern Russia, much attention is paid to the tourism sector, as well as to the measures of its support and funding. The Federal Target Program on the Development of Domestic and Inbound Tourism in the Russian Federation (2019-2025) was approved in 2018 (Federal Target Program, 2018). The Tourism Development Strategy of the Russian Federation up to 2035 (2019), and the National Project on Tourism and Hospitality Industry (National project, 2021) have been developed and implemented. In 2023 the volume of government subsidies aimed at the development of tourism infrastructure, equipment, and camping will make 13,8 billion rubles. 63 regions claim to receive this support. According to the newsletter 'Who will Receive Support in the Tourism Sector' (2023), in 2022 the subsidies amounted to 5 billion rubles and were distributed among 30 regions.

The intensive development of the tourism industry in the global economy has been observed over the past 30 years. The added value in this industry is growing faster than the economy as a whole, and according to forecasts, it will double every 10–15 years. Exports from the tourism sector rank third in global exports after chemicals and fuels, outrunning automotive products. It is expected that by 2032, i.e. over the period of 10 years, the industry will grow by 75%, while

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the entire global economy will grow by only 30% during the same time ([Tourism Development Strategy of the Russian Federation up to 2035, 2019](#); [Travel and Tourism, 2022](#)).

Such a significant role of tourism is associated with the following features of this industry:

1. It provides the opportunity to generate recreational resource rent, which is currently very important for Russia, given the difficulty of maintaining rental income in the raw material sector of the economy.
2. It is characterized by low capital intensity of business and the possibility of rapid creation of new jobs.
3. It is a driver of economic development with powerful multiplier effects (in transport, trade and services; incentives for the development of road and hotel facilities).
4. It is a favourable area for small and medium-sized businesses, which is effective along with tourism transnational corporations ([Travel and Tourism, 2022](#)).
5. It is the only industry with economic incentives aimed at environment protection and biodiversity preservation.

Indeed, the influence of the tourism industry on recreational resources and society is ambiguous and multifaceted. For example, on the one hand, the incomes of travel companies depend on the environmental conditions; on the other hand, tourists can pollute this environment. However, searching for ways to deal with possible negative effects of tourism is beyond the scope of this article and deserves special consideration.

The COVID-19 pandemic had a shock effect on the tourism industry. Its influence is studied in many works from various viewpoints, for example, modeling the propensity of households to save travel expenses due to a reduction in their income ([Orîndaru et al., 2021](#)); assessment of the consequences of the pandemic on the development of tourism in individual regions and countries ([Moreno-Luna et al., 2021](#); [Almeida & Silva, 2020](#); [Marome & Shaw, 2021](#)); modeling of the impact of a tourism income decrease on the US economy using the input-output balance method ([Rodousakis & Soklis, 2022](#)); justification of priorities and identification of threats to the development of regional tourism in Russia ([Leonidova, 2022](#)). At the same time, the estimation and comparative analysis of the contraction of the aggregate contribution of the tourism industry to the economy is of much interest and deserves scientific consideration.

2. KEY INDICATORS OF THE TOURISM CONTRIBUTION TO THE ECONOMY

The indicators of tourism contribution to the economy may include the share of this industry in GDP, the total number of jobs, and total export revenues (since the expenses of foreign tourists in a host country represent the export revenues of this country). Data on these indicators for 2019–2021 both on a global scale and concerning the Russian economy are illustrated in Table 1.

Before the pandemic (in 2019), world tourism accounted for 10.3% of global GDP (including direct, indirect and induced impacts) and 10.3% of all jobs. The share of tourism in total export revenues was 6.8%. In 2020, the contribution of tourism to the economy decreased by 50.4%, while the global economy itself shrank by 3.3%. The recovery of the global tourism sector began in 2021. The share of this industry in GDP increased from 5.3% in 2020 to 6.1% in 2021. According to the [World Travel and Tourism Council \(2023\)](#), the sector saw a recovery of 18.2 million jobs (see Table 1).

Table 1. Indicators of the tourism industry contribution to the global and Russian economies

Indicators/years	2019	2020	2021
Share in GDP (including direct, indirect, and induced effects, %)			
World	10,3	5,3	6,1
Russia	5,0	2,9	3,7
Share in total number of jobs (%)			
World	10,3	8,3	9,0
Russia	5,6	5,3	5,3
Share in total exports (%)			
World	6,8	–	–
Russia	3,3	1,2	1,1

Source: Own calculations based on the data of [World Travel and Tourism Council, 2023](#)

In Russia, the contribution of tourism to the economy is much less than on a global scale, despite the richest natural resources and cultural heritage. Moreover, this contribution decreased sharply under the influence of the pandemic. The industry’s recovery began in 2021 (the share in GDP increased from 2.9% in 2019 to 3.7%), but not across the three indicators under consideration. Thus, the share of tourism in the total number of jobs in 2021 turned out to be the same as in 2020 (5.3%), and its share in total exports continued its downward trend: from 3.3% in 2019 to 1.2 % in 2020 and 1.1% in 2021 (Table 1). The insufficiency of the tourism industry development in the Russian Federation is also evidenced by the fact that “the expenses of Russian tourists abroad before the pandemic amounted to approximately 2% of all international tourism expenses, while Russia accounted for only 1% of global income from foreign tourists” ([Zaitsev & Ismagilova, 2020](#)).

According to the Travel & Tourism Competitiveness Report of 2019, which ranks countries once every 2 years within the framework of the World Economic Forum, Russia ranked 39 ([The Travel & Tourism, 2019](#)). This result is higher as compared to previous years but it is still insufficient taking into account recreational opportunities and other tourist attractions of Russia. Russia was not included in the updated 2021 ranking ([The Travel & Tourism, 2021](#)).

The strategy for the development of Russian tourism up to 2035 determines the main target parameters: by 2035, tourism should provide at least 6% of the country’s GDP (excluding indirect and induced impacts), and the number of trips around Russia per one Russian citizen should increase by more than 2 times. The set goals make urgent a comparative analysis of the dynamics of the abovementioned indicators in order to assess the effectiveness of tourism support measures in current conditions.

3. AGGREGATE INDICATOR OF THE TOURISM CONTRIBUTION TO THE ECONOMY

Even though big data are now increasingly used in global monitoring and tourism statistics, meaningful qualitative conclusions can be obtained in a simple way proposed here. A rapid post-pandemic recovery of the industry is impossible without effective government support. To assess the effectiveness of measures implemented in different countries and identify best practices, it is advisable to perform a cross-country comparative analysis of an aggregate indicator of the tourism contribution to the economy. This indicator can be calculated as the distance of a point in 3-dimensional space from the origin:

$$R = \sqrt{r_1^2 + r_2^2 + r_3^2} \quad (1)$$

where the point coordinates are as follows: r_1 – share of the tourism industry in the country’s GDP; r_2 – share of the tourism industry in the total number of jobs in the economy; r_3 – share of the tourism industry in total export revenues.

The pandemic contraction and the subsequent recovery of the industry can be described using the basic indices of the indicator R with its value in 2019 serving as a base:

$$T_{2020/2019} = \frac{R_{2020}}{R_{2019}} \cdot 100\% \quad (2)$$

$$T_{2021/2019} = \frac{R_{2021}}{R_{2019}} \cdot 100\% \quad (3)$$

The closer the $T_{2020/2019}$ value to 100%, the more resilient the industry to the pandemic shock in 2020. The less $T_{2021/2019}$ differs from 100%, the closer the industry’s contribution to the economy in 2021 to its pre-pandemic value.

The data of the World Travel and Tourism Council (WCTT) for the G20 countries have been used for calculations.

4. RESULTS

Figure 1 shows the values of the composite indicator R (in %) for G20 countries for 2019, 2020, and 2021. Figure 2 shows the corresponding values of the contraction/recovery indices of tourism’s contribution to the economy. The G20 officially includes not only the 19 listed countries but also the European Union, which is excluded from consideration due to a lack of data.

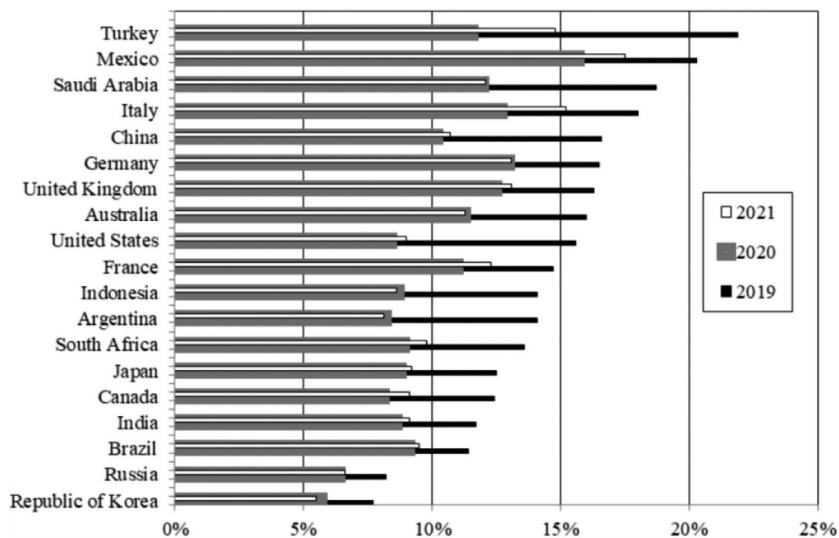


Figure 1. The aggregate indicator (R) of the contribution of tourism to the economy

Source: Own calculations based on the data of [World Travel and Tourism Council \(2023\)](#)

As shown in Figure 1, in pre-pandemic 2019, Turkey (21.9%) had the maximum value of the composite indicator of the tourism contribution to the economy (R), and South Korea (7.7%) – the minimum one. The values close to the average (from 14% to 16%) were observed in Australia, the USA, France, Indonesia and Argentina. Russia ranked second to last among the countries under consideration (8.2%). Amid the pandemic (in 2020), R values dropped significantly in all

the countries considered. Mexico ranked first in terms of R -value (15.7% compared to 20.3% in 2019); South Korea remained last (5.7%); the average R -value dropped to 10%, and the value close to the average was observed in China (10.2% compared to 16.6% in the previous year). Russia underwent a relatively slight contraction of the tourism industry (up to 6.4%). In 2021, the industry began to recover in most of the countries under consideration, but the rate of increase in its weight was very low, except for Turkey, Mexico, Italy, and France.

Figure 2 shows the basic indices of the aggregate indicator of the tourism contribution to the economy in the pandemic 2020 and post-pandemic 2021 (as compared to the level of 2019).

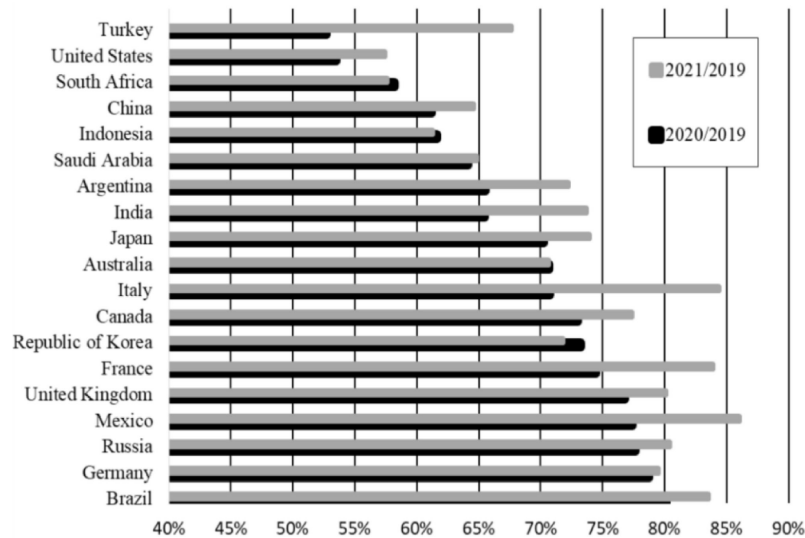


Figure 2. The indices of contraction ($T_{2020/2019}$) and recovery ($T_{2021/2019}$) of the aggregate contribution of tourism to the economy

Source: Own calculations based on the data of [World Travel and Tourism Council \(2023\)](#)

As shown in Figure 2, in 2021, the values of tourism contribution to the economy closest to pre-pandemic levels were observed in Mexico ($T_{2021/2019} = 86.0\%$) and Italy ($T_{2021/2019} = 84.4\%$). The least close values were observed in the USA ($T_{2021/2019} = 57.4\%$) and South Africa ($T_{2021/2019} = 57.6\%$). The average values of the tourism contribution index were found in Argentina ($T_{2021/2019} = 72.2\%$), South Korea ($T_{2021/2019} = 71.8\%$) and Australia ($T_{2021/2019} = 70.6\%$). Russia demonstrated a relatively low rate of industry recovery (80.4%), ranking fifth among G20 countries in terms of the sustainability of the industry’s contribution to the economy.

5. CONCLUSION

Thus, Russia ranks penultimate among the G20 countries in terms of the aggregate indicator of the contribution of tourism to the economy. The indicator has been calculated based on the industry’s share in GDP, share in the total number of jobs, and share in total export revenues (Figure 1). The values of this indicator in 2019, 2020 and 2021 for the Russian Federation were 8.2%, 6.4%, and 6.6%, respectively, while its average values for the totality of the countries under consideration in the same periods were 14.0%, 10.7%, 11.5%. Only in South Korea tourism has less weight in the country’s economy. At the same time, a noticeable inertia of tourism in relation to the pandemic shock was observed in Russia, namely: a relatively small degree of industry contraction in 2020 ($T_{2020/2019} = 77.6\%$ compared to the average level of 65.5%), and a slow industry recovery in 2021 ($T_{2021/2019} = 70.6\%$ compared to an average of 72.2%).

The relatively weak response of Russian tourism to the pandemic can be explained, first of all, by the relatively small value of its initial contribution to the economy and, secondly, by the effectiveness of state support measures for the industry. In particular, employment support measures prevented a sharp decline in tourism jobs in 2020 (Table 1). In Russia, loans were issued at low rates (2-3%) to support employment within the framework of the preferential loan programs FOT 2.0. and FOT 3.0. Under the first of these programs, approximately 226,000 loan agreements were concluded for a total amount of about 443 billion rubles, which helped save 5.4 million jobs. Besides, [Varshavskaya \(2021\)](#) and [Shokhina \(2021\)](#) point out that “the dismissal procedure is extremely complicated in Russia and its costs are high”. At the same time, the relatively low rate of recovery of Russian tourism in 2021 indicates the need to improve the effectiveness of measures to support the industry and study the best world practices in such countries as Mexico, Italy, Turkey and others. A deep analysis of the factors that predetermined the response of the tourism industry in different countries to such an external challenge as a pandemic is of great interest and may become the subject of new research.

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