



More travel warnings are almost like a new lockdown for the hospitality industry*

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During the last few weeks, the Federal Foreign Office has issued more and more travel warnings for other EU countries on the grounds of rising Covid-19 infection figures. If infections continue to trend upwards or remain high during autumn and winter, the number of travel warnings for EU countries and regions will rise as well during the winter season of 2020/21. And unless policymakers take measures to mitigate the impact, the tourism industry, in particular travel agents in Germany and hospitality providers abroad, will be faced with a similar situation to a new lockdown in the coming weeks and months. Quick and uncomplicated access to reliable coronavirus tests might be an option to allow travelling during the pandemic. The test costs should be borne by the travellers themselves. Ultimately, corona-related health risks will have to be weighed against the impact of higher hurdles for travelling and their negative economic consequences.

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Rising Covid-19 infections in numerous EU countries have led the Federal Foreign Office to issue more travel warnings. In some cases, these travel warnings apply to whole countries (currently Spain, the Czech Republic and Luxembourg), in others only to certain regions in given countries (for example large parts of France, the Netherlands or Austria). As a rule, the travel warnings are issued because the number of new infections in a country or region exceeds the “corona limit”. According to the Federal Foreign Office, travel warnings may be issued (or re-issued) if the cumulative number of new infections in a country or region rises above 50 per 100,000 inhabitants during the past seven days.

Travellers who return from a (foreign) risk area are obliged to take a coronavirus test and isolate themselves at home until the test result is available and negative. From 1 October, the rules will change. In place of the mandatory test upon the return from a risk area, travellers will be isolated for at least five days after their arrival. Once the five days are over, the quarantine may be lifted if a test result is negative. Neither option is really appealing for travellers. By the way, there is no comparable automatic rule for people who return from districts or cities in Germany that exceed the corona limit.

While policymakers have always emphasised that a travel warning is not the same as a travel ban, the difference does not really matter in practice. Many tourists cancel their trip once a travel warning has been issued. Some may indeed be scared by rising infection figures; others will want to avoid the quarantine, even if it may be lifted once a negative test result is available. Moreover, asymptomatic potential patients may not always find it easy to get tested on short notice.

In addition, hospitality providers may cancel reservations as well once a travel warning has been issued, particularly during the off-season. For example, hotels in affected areas may fear low occupancies that would make keeping the hotel open unprofitable.

Travel warnings ultimately limit the freedom to travel

If the current limit remains in place and infections continue to trend upwards or remain high during autumn and winter, the number of travel warnings for EU countries and regions will rise as well during the winter season of 2020/21. The limit (a total of 50 new infections per 100,000 inhabitants within seven days) is quickly reached. As we have seen in some German districts during the past few weeks, one major family gathering may be enough.

Unless policymakers take measures to mitigate the impact, the tourism industry, in particular travel agents in Germany and hospitality providers abroad, may be faced with a similar situation to a new lockdown in the coming weeks and months. While policymakers are unlikely to issue formal travel bans or shut down hotels, bookings in the affected areas will probably drop like a stone. During the winter, skiing holidays look set to be affected most, which are an important source of income in many alpine regions. Beyond potentially huge economic losses, travel warnings virtually restrict people’s freedom to travel.

The official warning of the Federal Foreign Office asks people not to take unnecessary holiday trips abroad. In fact, some people even wonder whether holiday travelling is necessary at all during the pandemic. They argue that people should not go travelling for some time for reasons of public health. Of course, one does not need to share this view. This is ultimately a situation where we need to reconcile two opposing interests.

On the one hand, there are indeed health risks. Policymakers are actually less concerned about people’s individual infection risks than about the possibility that the virus might get out of control. The jumps in infection figures in many neighbouring countries have shown that we are not really dealing with (quantifiable) risks, but

with Knightian uncertainty. This means that we do not know the probability distribution. On the other hand, there are actual restrictions to travelling and considerable economic losses in the hospitality industry. Spain, for example, saw foreign tourist arrivals plunge by 75% yoy in July, i.e. even before the travel warning was issued. By the way, Covid-19 is continuing to hamper business activities in other sectors, too (for example fairs, events, cultural events). In these sectors, the opposing interests are also regularly being weighed against each other.

Some observers may find it cynical to try and weigh corona-related health risks against restrictions to travelling and the negative economic impact. However, this is a necessary endeavour, particularly since economic losses may result in health risks for those affected by them as well. Moreover, the travel warnings also apply to business travellers – and this may become a problem for export-oriented German companies.

More and reliable quick tests – with travellers or the hospitality sector shouldering the expense

It is unclear yet whether and when the corona virus may be contained, for example by a widely available vaccine. For now, the hospitality sector can only hope for a “return to normal times”, and these hopes are unlikely to be fulfilled during the coming winter season. In order to mitigate the negative economic impact of the current travel warnings, policymakers should take measures to ensure secure travelling – as far as possible – even if travel warnings have been issued. Hospitality providers, for their part, have introduced special hygiene measures some time ago. The most important measure beyond that is to give travellers quick and easy access to reliable coronavirus tests. The establishment of test centres at airports, motorway service areas and railway stations during the summer was a good idea. While some delays in passing on the test results are, indeed, regrettable, people can learn from past mistakes. Moreover, considerable progress with the development and use of quick tests is likely during the coming weeks. In addition, the holiday regions may establish more test centres. If holidaymakers can get tested towards the end of their holidays or shortly after their return and the result is available quickly, more of them may be willing to travel even in the face of travel warnings and quarantine restrictions. After all, the risk of infection depends more on how people behave and less on where they are.

Still, test capacities are limited. Moreover, regular testing in old age care homes or hospitals will remain a necessity. Labs may be hard pressed to process travellers’ tests in addition to tests on behalf of these institutions. From a regulatory policy vantage point, there are several arguments for making holidaymakers pay for their tests or sharing the cost with the travel agent, the hotel or the local authorities at the holiday destination. In any case, those who derive a tangible or intangible benefit from the trip should bear the expense. Under such a system, test labs may expand their capacities further.

Travelling during the pandemic: ultimately a matter of weighing risks against each other

A negative test does not provide absolute certainty. However, we are learning to live with the virus, and that means accepting that risks need to be weighed against each other. After all, in everyday life people always (usually subconsciously) weigh the benefit of their actions against costs and risks. Travelling in times of corona will simply make us think more consciously and thoroughly about the related benefits and risks. ■

About the author

Eric Heymann, Director, is a Senior Economist at Deutsche Bank Research in Frankfurt/Germany. Deutsche Bank Research is responsible for economic analysis within Deutsche Bank Group and covers asset allocation and all major industry sectors. We analyse relevant trends for the bank in financial markets, the economy and society, highlight risks and opportunities and act as consultant for the bank, its clients and stakeholders.

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