

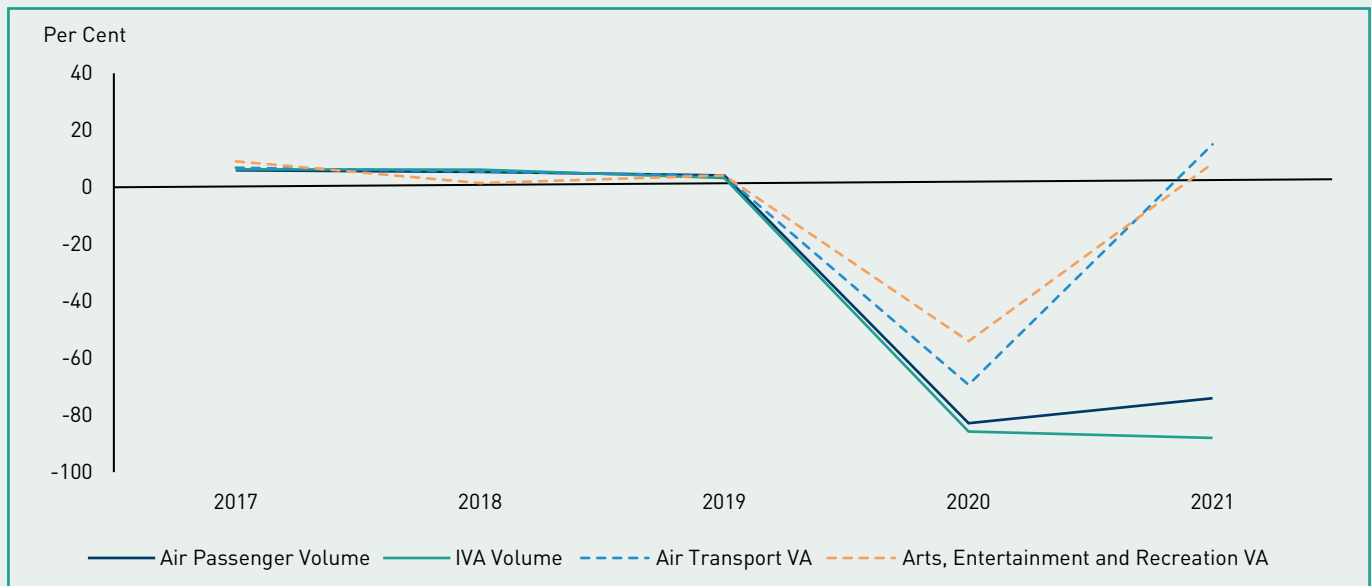
RECOVERY OF AIR TRAVEL AND TOURISM IN SINGAPORE

Prior to the COVID-19 pandemic, Singapore saw healthy growth in air passenger volumes¹ and international visitor arrivals, which had in turn benefitted the aviation- and tourism-related sectors

In the years prior to the pandemic, Singapore enjoyed healthy growth in air passenger volumes handled at Changi Airport and international visitor arrivals (IVA). Specifically, between 2017 and 2019, air passenger and IVA volumes increased by an average of 5.1 and 5.2 per cent per annum respectively [Exhibit 1]. This in turn supported the growth of the aviation- and tourism-related sectors in Singapore. For example, the real value-added (VA) of the air transport and arts, entertainment & recreation (AER) segments rose by an average of 5.5 per cent and 6.8 per cent per annum respectively over the same period.

In 2020, air passenger and IVA volumes came to a near standstill as COVID-19 infections swept across the globe and many countries implemented stringent public health measures, including border closures, to contain the spread of the virus. This box article examines how air passenger and IVA volumes were affected by the COVID-19 pandemic, as well as their subsequent paths to recovery as international travel resumed with the reopening of borders worldwide.

Exhibit 1: Growth in Annual Air Passenger and International Visitor Arrivals (IVA) Volumes, and Real Value-Added of Air Transport and Arts, Entertainment & Recreation (AER) Segments, 2017-2021 (Per Cent)



Source: Civil Aviation Authority of Singapore, Singapore Department of Statistics, Singapore Tourism Board

The COVID-19 pandemic led to a sharp decline in air passenger and IVA volumes, as many countries imposed border controls to limit the spread of the virus

COVID-19 was declared a pandemic on 11 March 2020 by the World Health Organisation. Many countries subsequently closed their borders to international short-term travellers to limit the spread of the virus. Similarly, Singapore closed its borders on 23 March 2020² to short-term visitors and selected work pass holders, which caused air passenger and IVA volumes in April 2020 to plummet to 0.4 per cent and 0.05 per cent of their respective levels in April 2019 [Exhibit 2]. Air passenger and IVA volumes remained low throughout the rest of 2020 and 2021. A nascent recovery in the first quarter of 2021, which had been supported by the implementation of the air travel pass and reciprocal green lanes

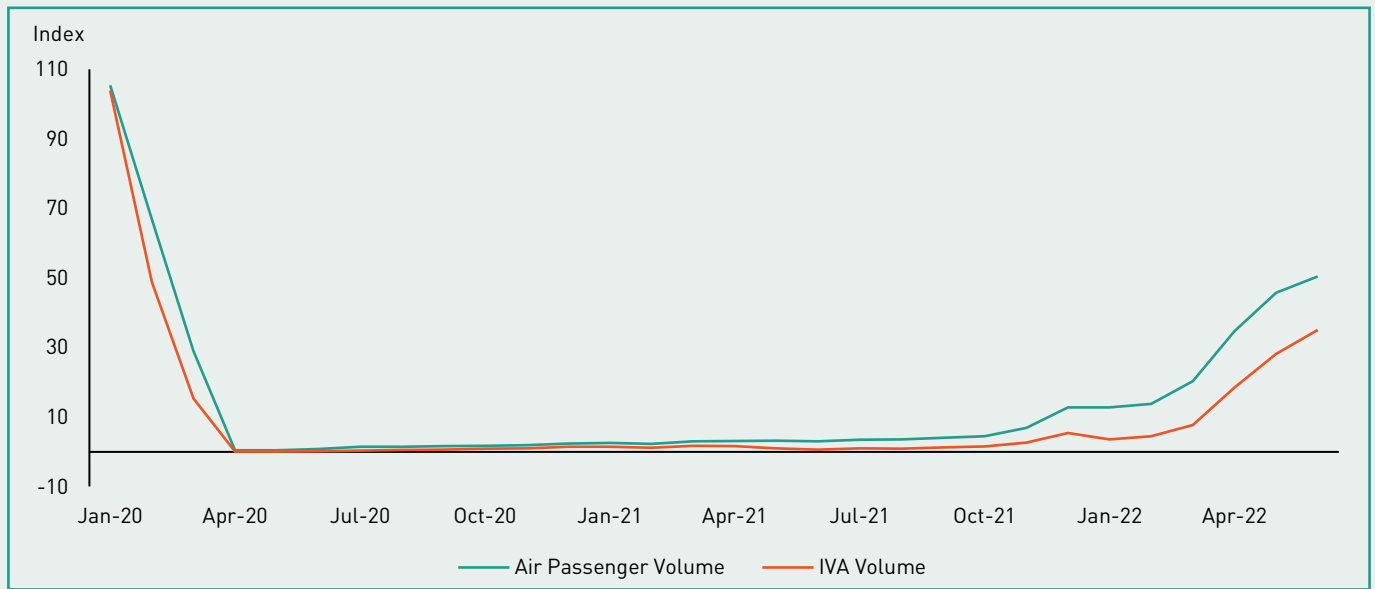
¹ All air passenger volume figures in this article exclude transit passengers who continued their journey on the same flight.

² Some border restrictions had been implemented even prior to this. For instance, on 1 February 2020, Singapore banned the entry of all Chinese visitors and foreigners with recent history of travel to China. This ban was subsequently lifted on 6 November 2020 for travellers from China who arrived on direct flights.

with selected economies³, was interrupted by the reimposition of strict border measures in response to the emergence of the contagious Delta variant.⁴ For the whole of 2020, air passenger and IVA volumes plunged by 82.8 per cent and 85.7 per cent respectively relative to their 2019 levels, and remained 95.5 per cent and 99.3 per cent lower than their 2019 levels in 2021 [Exhibit 1].

Given the dearth of air passengers and IVA, the real VA of the air transport⁵ and AER segments also saw sharp contractions of 69.3 per cent and 48.4 per cent respectively in 2020, and remained 64.7 per cent and 44.1 per cent below their 2019 levels in 2021.

Exhibit 2: Monthly Air Passenger and IVA Volumes, January 2020 – June 2022 (Index value: same month in 2019 = 100)



Source: Civil Aviation Authority of Singapore, Singapore Tourism Board

The impact of the COVID-19 pandemic on air travel and tourism was far deeper and more protracted than that of SARS – the last major public health crisis – in 2003

The impact of the COVID-19 pandemic on air travel and tourism was more severe and prolonged than that of SARS in 2003. To compare the impact of both crises, the volume of air passengers and IVA are each normalised to 0 in the quarter of the start of each crisis [Exhibit 3].⁶ These indices thus represent deviations in air passenger and IVA volumes in the quarters before and after the start of each crisis, compared to their levels at the beginning of the respective crises.

From Exhibit 3, it can be seen that both air passenger and IVA volumes fell to their lowest levels in the quarter immediately after the start of each crisis. However, the declines that followed the onset of the COVID-19 pandemic were larger compared to the declines seen after the onset of SARS. Specifically, air passenger and IVA volumes plummeted by 99.1 per cent and 99.9 per cent one quarter after the onset of COVID-19 respectively, as compared to 48.3 per cent and 61.5 per cent respectively for SARS.

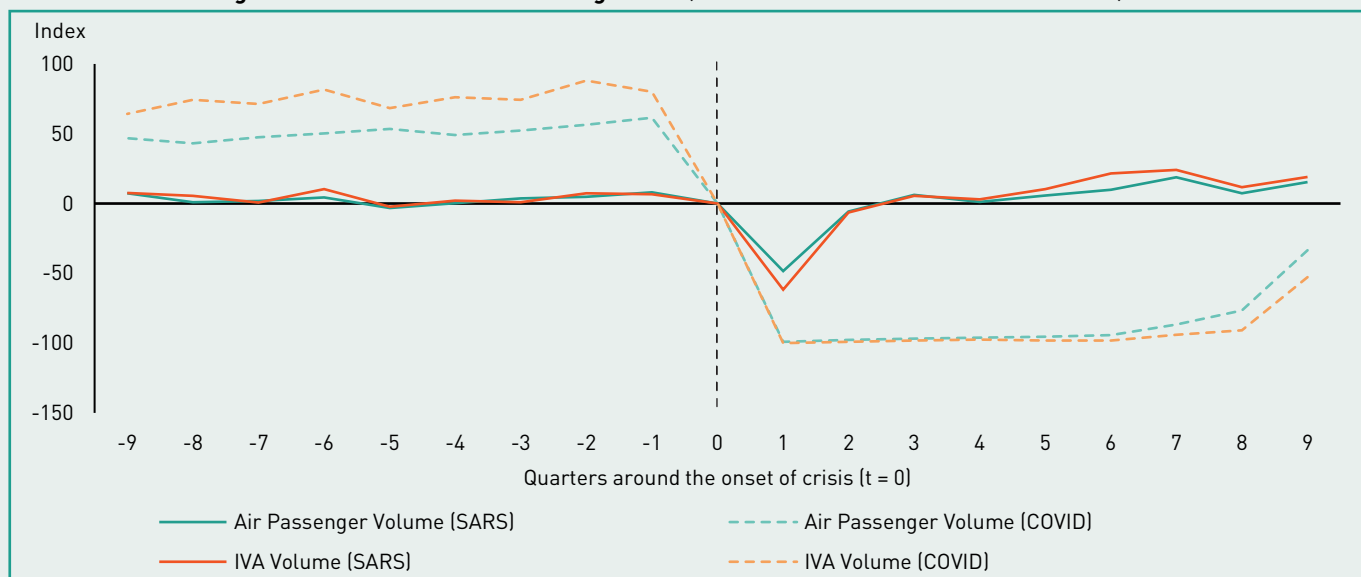
The impact of the COVID-19 pandemic on air passenger and IVA volumes also lasted far longer than SARS' impact. Notably, both air passenger and IVA volumes returned to their levels at the start of the SARS crisis within three quarters of the onset of the crisis. By contrast, air passenger and IVA volumes remained significantly below their levels at the start of the COVID-19 pandemic even after nine quarters from the onset of the pandemic.

³ The air travel pass allowed short-term, leisure travellers from economies such as China to enter Singapore quarantine-free without restrictions on itineraries as long as the travellers took an On-Arrival Test (OAT). The reciprocal green lane arrangement, intended for official and business travel, similarly allowed quarantine-free short-term travel, but required a restricted itinerary in addition to an OAT.

⁴ From 1 May 2021, long-term pass holders and short-term visitors with recent travel history (i.e., last 14 days) to selected South Asian countries were barred from entering Singapore. Other measures implemented from May 2021 included an extension of the assessed travel history period of incoming travellers from 14 days to 21 days, as well as an increase in duration for Stay-Home-Notice (SHN) for travellers from high-risk countries from 14 days to 21 days.

⁵ In 2020 and 2021, the air transport segment was supported by the recovery of air cargo volume, which exceeded its pre-COVID (i.e., 4Q19) levels by 4Q21.

⁶ The quarter of the onset of the crisis is defined as 1Q03 and 1Q20 for the SARS and COVID-19 crises, respectively.

Exhibit 3: Air Passenger and IVA Volume Trends During Crises (Index normalised to 0 at onset of crisis)

Source: Civil Aviation Authority of Singapore, Singapore Tourism Board

Note: Air passenger and IVA volumes were normalised to 0 at the onset of the crisis ($t = 0$), which is defined as 1Q03 and 1Q20 for the SARS and COVID-19 crises, respectively.

The deeper and longer-lasting impact of COVID-19 also meant that government support measures for the affected sectors were more extensive as compared to that rolled out during the SARS crisis. In 2003, the S\$230 million SARS relief package that was introduced targeted primarily the transport- and tourism-related sectors, and covered measures such as the provision of property tax rebates as well as bridging loans and training grants.

On the other hand, government support measures to cushion the impact of the COVID-19 pandemic covered a wider range of sectors affected by the lack of air travel and tourism demand (e.g., direct assistance was provided to the food & beverage services sector⁷). The scope of the support measures was also broader, with the measures expanding to include direct wage subsidies and consumption stimulus. For instance, the Jobs Support Scheme provided wage subsidies to employers to support the retention of local employees in sectors badly affected by the pandemic, including the aviation- and tourism-related sectors.⁸ To encourage locals to support the tourism sector (i.e., hotels, attractions and tours), the Singapore Tourism Board (STB) launched the SingapoRediscovered Vouchers (SRV) scheme.⁹ Between the start of the scheme on 1 December 2020 and the end of the scheme on 31 December 2021, about 1.9 million Singaporeans had used their SRVs at least once, making about 2.6 million transactions valued at close to S\$300 million.¹⁰ In addition, the hotels sector was supported by government contracts for quarantine facilities and stay-home-notice dedicated facilities.

These support measures were instrumental in preserving the core capabilities of the aviation- and tourism-related sectors, thus ensuring that companies in these sectors would be able to capitalise on the global recovery in air travel and tourism when it came.

The implementation of Vaccinated Travel Lanes marked the start of a more sustained phase of recovery in Singapore's air passenger and IVA volumes, which accelerated with the introduction of the Vaccinated Travel Framework

⁷ The food & beverage sector was also badly affected by COVID-19 safe management measures.

⁸ More than S\$28 billion was disbursed under the Jobs Support Scheme (JSS) from April 2020 to December 2021 (this amount included the JSS support provided to non-aviation- and tourism-related sectors as well). See Pang, Zhou and Lee (2022) and MOF (2022) for details on the types and tiers of support for the aviation- and tourism-related sectors in 2020 and 2021, as well as analyses on the impact of the JSS.

⁹ Under the SRV scheme, each Singaporean over the age of 18 was given S\$100 in online vouchers usable for tours, hotel staycations and attractions through authorised booking partners.

¹⁰ This comprised close to S\$180 million in vouchers and a further S\$120 million in out-of-pocket top-ups.

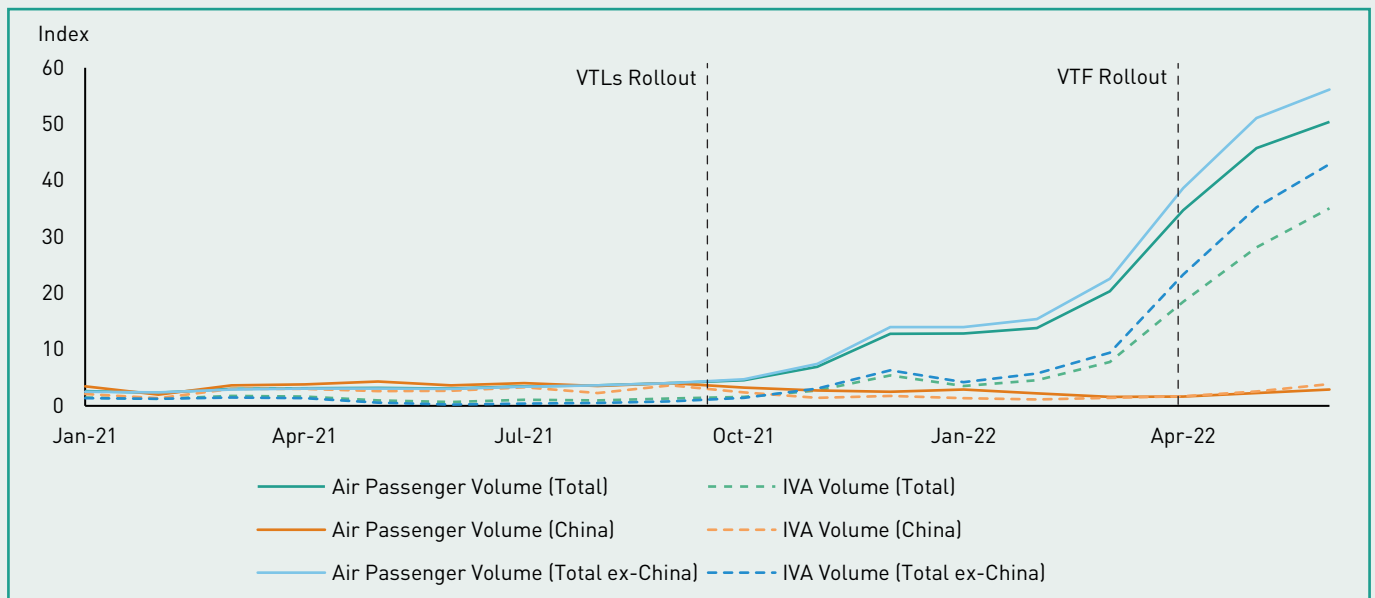
With the stabilisation of the domestic COVID-19 situation and the high vaccination take-up rate among the local population, Singapore launched Vaccinated Travel Lanes (VTLs)¹¹ to enable travellers from selected economies to enter Singapore. The VTLs started in September 2021, with specially designated flights from Brunei and Germany. This facilitated quarantine-free travel for fully-vaccinated individuals between Singapore and the respective economy, and marked the start of a more sustained phase of recovery in air travel and IVA volumes to Singapore.

As increasingly more VTLs with other economies were implemented (albeit with a temporary suspension in January-February 2022 due to the emergence of the highly-transmissible Omicron variant), air passenger volumes rose substantially to reach 20.3 per cent of pre-COVID (i.e., March 2019) levels in March 2022, compared to the 3.6 per cent of pre-COVID levels recorded in the month before the launch of the VTLs (i.e., August 2021 relative to August 2019). Similarly, IVA reached 7.7 per cent of its 2019 levels in March 2022, higher than the 0.9 per cent of its 2019 levels recorded in August 2021.

With the cresting of the Omicron-fuelled wave of infections in March 2022, Singapore transitioned to the Vaccinated Travel Framework (VTF)¹², which led to an acceleration in the recovery of air passenger flows at Changi Airport as well as tourist arrivals to Singapore. By June 2022, air passenger and IVA volumes reached 50.4 per cent and 35.0 per cent of their pre-COVID (i.e., June 2019) levels respectively. This has been reflected in the performance of the travel- and tourism-related sectors, with the air transport and AER segments growing by 145 per cent and 16.0 per cent year-on-year respectively in 1H22.¹³

In terms of source markets, while air passenger and IVA volumes in 2021 were supported by inbound travel from China¹⁴, albeit at a fraction of pre-pandemic levels¹⁵, the country's zero-COVID policy has led to inbound travel from China lagging that of other economies on a year-to-date (YTD) basis in 2022 [Exhibit 4]. Notably, while China's share of IVA in 2021 came in at 26.7 per cent, higher than its share in 2019 (19.0 per cent), it fell to 2.3 per cent on a YTD basis in 2022. Similarly, China's share of air passenger volumes at Changi Airport averaged only 0.8 per cent on a YTD basis in 2022, lower than its 8.2 per cent share in 2021. The main drivers of the increase in IVA and air passengers to-date were Thailand, Vietnam and Malaysia.

Exhibit 4: Air Passenger and IVA Volumes, by Total, China and ex-China (Index value: same month in 2019 = 100)



Sources: Civil Aviation Authority of Singapore, Singapore Tourism Board

¹¹ All travellers entering Singapore under the VTL were required to have recent travel history to one or more of the VTL economies prior to entering Singapore, taken the two required COVID-19 tests, as well as be fully vaccinated. See [Annex A](#) for the chronological rollout of the VTLs. These VTLs were in addition to the Category 1 concessions (i.e., quarantine-free inbound travel regardless of vaccination status) afforded to economies that had good control over their pandemic situation (e.g., China).

¹² As of 1 April 2022, quarantine-free entry into Singapore was allowed for fully-vaccinated travellers under the VTF. On-arrival COVID-19 tests were also removed for these travellers, as well as children aged 12 & below. Pre-departure tests were subsequently removed as of 26 April 2022.

¹³ These are preliminary figures subject to revision when more comprehensive data become available.

¹⁴ Throughout most of the COVID-19 pandemic, travellers from economies that were able to keep their infection rates low, and their vaccination rates high (i.e., Hong Kong, Taiwan, Macau and mainland China) were able to enjoy quarantine-free travel into Singapore. This was first made available under the Air Travel Pass programme which then translated to Category 1 restrictions when Singapore transitioned to vaccination-differentiated inbound travel restrictions.

¹⁵ In absolute terms, there were around 88,200 IVA and 248,100 air passengers from China for the whole of 2021, compared to around 3,627,100 and 7,340,400 respectively in 2019.

CONCLUSION

The recovery in air travel and IVA volumes is expected to continue for the rest of the year, although continued travel restrictions in China are likely to weigh on the pace and extent of the recovery.¹⁶ Notably, the relaxation of domestic restrictions on events has facilitated the return of sporting, leisure and Meetings, Incentive travel, Conferences & Exhibitions (MICE) events, including the upcoming Formula One race, the Singapore Food Festival, as well as trade events such as Food & Hotel Asia (FHA)-Food & Beverage and FHA-Hotel, Restaurant & Café (HoReCa).¹⁷ The resumption of large-scale events is likely to further spur inbound travel demand and support the recovery of the aviation- and tourism-related sectors in Singapore.

The various government agencies are helping industry partners to capitalise on the opportunities in the aviation- and tourism-related sectors as air travel and inbound tourists recover. For instance, the Ministry of Transport (MOT) and the Civil Aviation Authority of Singapore (CAAS) are working closely with aviation partners to rebuild the aviation workforce – which had shrunk during the height of the COVID-19 pandemic¹⁸ – and restore the airport's capacity.¹⁹ In May 2022, CAAS partnered the National Trades Union Congress (NTUC), NTUC's e2i (Employment and Employability Institute) and Workforce Singapore (WSG) to organise a two-day aviation sector-wide career and recruitment event, OneAviation Careers, which attracted over 11,000 jobseekers and aviation enthusiasts. As a next step, a OneAviation Careers Hub web portal, jointly developed by CAAS, NTUC, NTUC's e2i and other partner agencies, will be launched in the second half of 2022. This web portal will provide jobseekers with a one-stop location to search for aviation jobs, training opportunities and Career Conversion Programmes.

Similarly, STB partnered NTUC to launch the Tourism Careers Hub (TCH) in January 2022. The TCH is a web portal offering end-to-end support for tourism workers and firms in three key areas – job matching within the tourism sector, industry-specific upskilling and training, and business transformation. Through the TCH, job seekers are able to access dedicated career coaches who will help them to chart out individual development plans to prepare them for a career in the tourism sector.

After being battered by the COVID-19 pandemic for more than two years, the outlook for the aviation- and tourism-related sectors has brightened with the resumption of air travel and tourism demand. The longer-term prospects of Singapore as an air hub and attractive tourist destination also remain strong given our continual investments in our airport and tourism infrastructure, as well as the upgrading of the capabilities of our firms and workers in the aviation- and tourism-related sectors.

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¹⁶ Apart from the risk of the reimposition of travel restrictions should a more virulent strain of the virus emerge, there could also be headwinds to the recovery posed by volatile geopolitical and economic conditions globally.

¹⁷ A curated list of upcoming events is in [Annex B](#).

¹⁸ The aviation sector lost around 30 per cent of its workforce during the pandemic. Since the start of 2022, aviation companies have hired about 4,000 workers, which brings the sector's workforce back to about 80 per cent of pre-COVID levels. Source: Civil Aviation Authority of Singapore

¹⁹ As announced in mid-July, in anticipation of further recovery, Changi Airport is increasing its capacity by reopening Terminal 4 from September 2022 and the South Departure Hall in Terminal 2 from October 2022. This will enable the airport to handle pre-COVID levels of passenger traffic, or about 70 million passengers per annum. Source: Changi Airport Group

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ANNEX A: DATES OF IMPLEMENTATION OF VACCINATED TRAVEL LANES (BY ECONOMY)

Economy	Date of Implementation
Brunei	8-Sep-21
Germany	8-Sep-21
Canada	19-Oct-21
Denmark	19-Oct-21
France	19-Oct-21
Italy	19-Oct-21
Netherlands	19-Oct-21
Spain	19-Oct-21
UK	19-Oct-21
USA	19-Oct-21
Australia	8-Nov-21
Switzerland	8-Nov-21
Korea	15-Nov-21
India	29-Nov-21
Indonesia	29-Nov-21
Malaysia	29-Nov-21
Finland	29-Nov-21
Sweden	29-Nov-21
Thailand	14-Dec-21
Cambodia	16-Dec-21
Fiji	16-Dec-21
Maldives	16-Dec-21
Sri Lanka	16-Dec-21
Turkey	16-Dec-21
Qatar	25-Feb-22
Saudi Arabia	25-Feb-22
UAE	25-Feb-22
Hong Kong	25-Feb-22
Israel	4-Mar-22
Philippines	4-Mar-22
Greece	16-Mar-22
Vietnam	16-Mar-22

ANNEX B: CURATED LIST OF UPCOMING EVENTS

Event Name	Type of Event	Event Date
Singapore Food Festival  24 Aug - 11 Sep, 2022	Culture and Leisure	24 August to 11 September 2022
Food & Hotel Asia 	MICE	5 September to 8 September 2022 (FHA-F&B) 25 October to 28 October 2022 (FHA-HoReCa)
FORMULA 1 Singapore Airlines Singapore Grand Prix 2022 	Sporting	30 September to 2 October 2022
Singapore FinTech Festival 	MICE	2 November to 4 November 2022