

## Box A: Severe Acute Respiratory Syndrome (SARS)

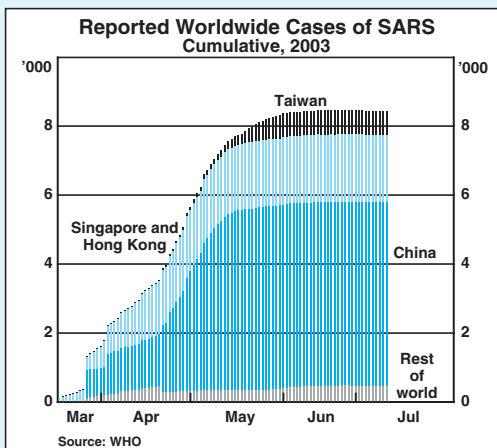
The world economy has been subject to a series of ‘one-off’ events over recent years, the latest of which has been the outbreak of the respiratory disease known as SARS in mid March. Initially, the disease spread quickly, sparking fears of a possible global health crisis. However, effective public health responses meant that by early July, the World Health Organisation (WHO) was able to declare the SARS outbreak contained and had lifted all SARS-related travel warnings. In total, around 8 500 cases of the disease have been detected and 800 deaths recorded, with countries in east Asia most affected (Graph A1). The number of cases has been considerably less than that initially feared and much less than the 250 000 to 500 000 deaths that occur worldwide from influenza each year.

International organisations generally estimated the adverse effect of SARS on GDP growth in non-Japan Asia to be around 1/2 percentage point, with the effect concentrated in the June quarter. The economic impact was quickly apparent in the international travel data. Given their heavy reliance on tourism, and their importance

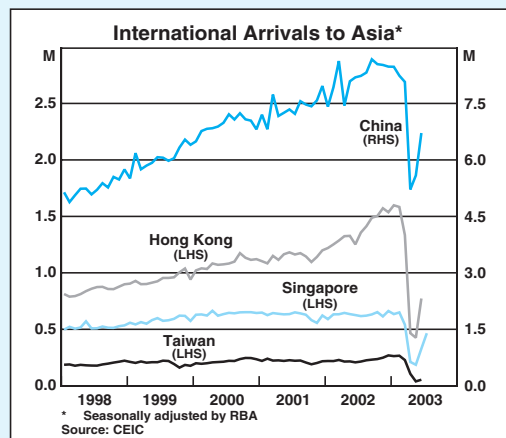
as business centres, Hong Kong and Singapore have been the hardest hit, with international arrivals falling by 70 per cent between March and May (Graph A2). The effect of this fall was compounded by a sharp drop in spending by domestic residents with retail sales falling by 8 1/2 per cent in Hong Kong in April. While international arrivals and retail spending have since recovered somewhat, both the Hong Kong and Singapore economies appear to have contracted sharply in the June quarter. China’s economy was also adversely affected by SARS in the June quarter, although year-ended growth remained almost 7 per cent. More generally, the economic effect of SARS on east Asian economies seems to have been less than was originally feared.

While SARS was largely confined to Asia, it led to a world-wide downturn in international travel that affected many countries, including Australia. Internal quarantine arrangements saw a sharp drop-off in international travel from SARS-affected countries, and by those travelers from Europe and the United States seeking to avoid Asian stopovers. There was also less

Graph A1



Graph A2



outbound travel from those countries that are traditionally sensitive to travel warnings, such as Japan. For Australia, the drop-off in inbound travelers from Japan contributed significantly to the decline of around 20 per cent in international arrivals between January and May this year. In June, however, there was some pick-up in international travel with overseas arrivals increasing from south east Asia, while arrivals from China and Japan remained very low (see Graph A3 and the chapter on the ‘Balance of Payments’). Furthermore, airport bodies report that the recovery in arrivals continued into July and that forward bookings for August are looking more positive. ↯

**Graph A3**

