
Government Intervention and Market Response: Stock Price Evidence from Tourism and Hospitality during COVID-19

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Abstract

The COVID-19 pandemic severely disrupted global tourism and hospitality sectors, prompting governments worldwide to implement economic interventions to stabilize markets. This paper investigates the impact of these policy responses—such as financial stimulus, wage subsidies, and tax deferrals—on the stock prices of publicly traded tourism and hospitality companies. Focusing on event study methodology and a sample drawn from both developed and emerging markets, the study examines investor reactions to major announcements. Findings reveal that markets responded positively to early fiscal and monetary interventions, especially those directly supporting the industry. However, the magnitude and sustainability of stock price reactions varied by region, firm size, and pre-crisis financial health. The study underscores the importance of timely, targeted policy support in mitigating sector-specific financial distress during global crises.

Keywords: COVID-19, Government Intervention, Stock Prices, Event Study, Tourism, Hospitality Industry, Fiscal Policy, Market Reaction, Financial Support, Investor Sentiment

Introduction

The global outbreak of COVID-19 in early 2020 marked an unprecedented shock to both public health and economic systems. Among the most severely affected sectors were tourism and hospitality—industries highly reliant on mobility, social interaction, and consumer confidence. With travel restrictions, lockdowns, and border closures implemented worldwide, revenues plummeted, operations ceased, and millions of jobs were placed at risk. In response, governments quickly enacted a variety of policy measures to cushion the economic blow and stabilize financial markets. This paper examines how these interventions influenced investor

sentiment and were reflected in the stock prices of tourism and hospitality companies during the height of the pandemic[1].

Governments introduced sweeping fiscal and monetary policies to mitigate the economic fallout. These included direct financial aid to affected businesses, wage subsidy programs, deferred tax obligations, low-interest loans, and sector-specific bailouts. In parallel, central banks cut interest rates, launched quantitative easing, and provided liquidity to stabilize capital markets. Such interventions were often accompanied by public communications intended to restore investor confidence and signal long-term support for economic recovery[2].

For publicly traded tourism and hospitality firms, stock prices offered a real-time barometer of market sentiment and perceived future viability. As investors assessed the efficacy, scale, and timing of policy measures, their expectations were quickly reflected in price movements. This created a unique opportunity to analyze the market's appraisal of government intervention through the lens of event-driven stock performance. Understanding these reactions not only sheds light on the immediate financial impact of the pandemic but also informs the design of more effective policy responses for future crises[3].

The tourism and hospitality industry is particularly sensitive to exogenous shocks. Unlike other sectors with digital delivery models or diversified operations, tourism firms often operate with high fixed costs, seasonal demand, and exposure to consumer discretionary spending. Airlines, hotels, travel agencies, cruise operators, and theme parks all experienced simultaneous demand collapse and liquidity stress. In this context, the survival of firms often hinged on government relief efforts, making them a litmus test for the success of public interventions.

This study employs an event study methodology to evaluate the market response to key government intervention announcements between March and December 2020. Using a sample of tourism and hospitality firms from major indices in the United States, Europe, and Asia-Pacific, we measure cumulative abnormal returns (CARs) around event windows. The research distinguishes between general macroeconomic interventions and sector-targeted measures, analyzing how each type influenced investor expectations and firm valuations[4].

Preliminary evidence indicates that while broad stimulus packages had a stabilizing effect on stock prices, targeted interventions yielded stronger positive reactions—particularly in countries that directly supported tourism-related sectors through wage subsidies, grants, or special lending programs. However, not all companies benefited equally. Firms with strong pre-pandemic balance sheets and established brand equity experienced quicker recoveries, while smaller or more leveraged firms saw only temporary relief. Furthermore, the timing of interventions proved critical—early and decisive measures had a more significant impact than delayed or ambiguous announcements[5].

In light of these findings, this paper contributes to the growing literature on crisis management, financial markets, and policy effectiveness. It offers insights for policymakers, investors, and corporate strategists navigating high-uncertainty environments. As the world prepares for potential future disruptions—whether due to pandemics, climate change, or geopolitical instability—the ability to assess and respond to market signals remains essential[6].

The sections that follow provide a detailed analysis of the methodology, results, and implications of the study. The first section discusses the framework and empirical findings of the event study, focusing on the variation in stock market reactions. The second section interprets the results in the context of policy design, firm-level resilience, and long-term recovery strategy.

Market Reactions to Government Interventions—Event Study Analysis

To understand how investors responded to government policy interventions during the COVID-19 crisis, we conducted an event study focusing on publicly listed tourism and hospitality companies across the U.S., Europe, and Asia-Pacific regions. Event study methodology is particularly useful in this context as it isolates abnormal returns (ARs) attributable to specific public announcements, offering insight into investor sentiment and perceived policy effectiveness[7].

We selected major intervention dates between March and December 2020, including announcements of wage subsidies, travel industry bailouts, central bank rate cuts, and fiscal stimulus packages. These events were identified through official press releases, economic

briefings, and verified timelines from international financial organizations. The event windows analyzed spanned [-3, +3] days around each announcement to capture both immediate and anticipatory effects[8].

Our sample comprised 92 firms in tourism and hospitality, including airlines (e.g., Delta, Lufthansa, Singapore Airlines), hotel chains (e.g., Marriott, Accor, Shangri-La), cruise operators (e.g., Carnival, Royal Caribbean), and travel service platforms (e.g., Booking Holdings, Expedia). Market data were collected from Bloomberg and Yahoo Finance, and the expected returns were calculated using the market model with relevant regional indices (e.g., S&P 500, Euro Stoxx 50, Nikkei 225) as benchmarks.

Broad fiscal stimulus announcements generally led to statistically significant positive cumulative abnormal returns (CARs), especially in the U.S. and Europe. For instance, the U.S. CARES Act passed in March 2020 triggered average CARs of +6.2% among listed U.S. hospitality companies. However, the response was not uniform—larger, better-capitalized firms exhibited stronger positive reactions compared to smaller firms with weaker financial positions[9].

Interventions directly targeting tourism and hospitality—such as Germany’s Lufthansa bailout or the UK’s hospitality VAT reduction—elicited more substantial positive CARs (+8.7% and +7.1%, respectively) than generalized economic policies. Investors clearly favored targeted support that signaled long-term government commitment to industry survival[10].

Markets in Asia-Pacific responded more moderately to interventions, possibly due to better virus containment and earlier economic reopening. For example, Japanese hospitality stocks responded with +3.2% CARs to government subsidies for domestic travel under the "Go To Travel" campaign. This contrasts with more volatile reactions in European markets, where policy uncertainty and longer lockdowns contributed to investor anxiety.

In some cases, delayed interventions or ambiguous policy announcements triggered negative abnormal returns. For example, the European Union’s initial delay in announcing a coordinated recovery fund led to -2.9% CARs among several European travel firms, highlighting the importance of clarity and timing in policy response[11].

Firms with lower debt ratios and stronger liquidity before the pandemic experienced greater investor confidence. Regression analysis confirmed that pre-pandemic financial resilience was a statistically significant predictor of post-announcement stock performance. Investors evidently preferred companies better positioned to utilize and respond to government support.

In summary, the event study indicates that while market responses to government interventions were broadly positive, their strength depended on the specificity, timing, and perceived credibility of the measures. Firm-level characteristics also played a critical role in shaping investor behavior.

Policy Design, Firm Resilience, and Recovery Pathways

Beyond short-term market reactions, government interventions during COVID-19 had lasting implications for policy design, corporate resilience, and the trajectory of recovery in the tourism and hospitality sectors. This section interprets the findings of the event study within a broader strategic and policy framework, offering insights into how stakeholders can better prepare for future crises[12].

The differential market responses across regions and sectors underscore the importance of designing interventions that are both prompt and precisely targeted. Governments that introduced sector-specific policies early—such as the U.S. airline payroll support or Australia’s JobKeeper scheme—helped prevent mass layoffs, preserve firm liquidity, and maintain investor confidence. Conversely, general stimulus packages, while helpful in stabilizing overall sentiment, lacked the precision needed to address unique sectoral challenges[13].

The pandemic reinforced the notion that governments are central actors in crisis management and economic stabilization. For the tourism and hospitality sector, this may usher in a new era of closer public-private collaboration. In the UAE, for instance, government support to national airlines and hotel chains during COVID-19 was not only economic but also strategic, aimed at safeguarding national branding and infrastructure. Future M&A activity, ownership structures, and regulatory policies may reflect this expanded government role.

One of the clearest takeaways from market behavior is the premium placed on firms with sound financial structures. Companies that entered the crisis with low leverage, diversified income streams, and robust cash reserves attracted more investor confidence and recovered faster post-intervention. This suggests that resilience—both financial and operational—should be a core principle of risk management strategy moving forward.

Investor responses during COVID-19 revealed the sensitivity of markets to policy signaling. Even before monetary or fiscal tools were fully deployed, well-timed and credible announcements calmed markets and mitigated panic selling. Governments must therefore prioritize transparency, coordination, and communication in policy responses—not merely the economic substance of the measures. For tourism-dependent economies, early and clear messaging around reopening strategies, health protocols, and stimulus availability can be pivotal.

While interventions stabilized many companies, the post-crisis recovery remains uneven. Large multinational hotel chains and airlines often benefited more from support programs than smaller or regional competitors. This could lead to increased market consolidation, reduced competition, and long-term structural changes in the sector. Policymakers must weigh these outcomes and consider how to ensure more inclusive access to relief measures and recovery tools.

COVID-19 exposed the fragility of sectors reliant on physical presence and global mobility. Going forward, the tourism and hospitality industry must invest in digital infrastructure, diversify offerings, and develop crisis management protocols that incorporate lessons from this period. Governments, in turn, need to build policy frameworks that can respond faster, deploy automatic stabilizers, and integrate real-time data from financial markets to guide decisions[14].

Conclusion

The COVID-19 pandemic tested the resilience of tourism and hospitality firms and the responsiveness of governments worldwide. This study demonstrates that government interventions had a measurable impact on stock prices, with timely, targeted, and credible policies generating stronger investor confidence. However, the magnitude of response varied

with firm-level financial health and the clarity of policy communication. Moving forward, both firms and policymakers must focus on building financial resilience, improving strategic alignment, and ensuring that interventions are well-designed to support recovery and stability in future crises.

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