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The economic resilience of tourism industry in Italy: What the 'great recession' data show☆

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ABSTRACT

The purpose of this article is to describe the evolution of tourism industry in Italy during the recent years of the so-called 'Great recession' (2008–12). We highlight the most prominent features of the changes that occurred in both the demand and the supply side of the tourism industry, over these years, focusing on the differences across regions, kinds of destination, and categories of accommodation. The issue of "resilience" is used to explain the different degrees of success responding to the national adverse shock hitting the industry. We compute an index to capture the economic resilience of tourism sector in the Italian regions, and propose an exploratory analysis to understand its relation with structural characteristics and strategies across regions. Our interpretation is that deep structural changes in the demand and supply side of the tourism industry, rather than specific adjustments, have occurred in these years of recession.

1. Introduction

This study inscribes into the strand of economic literature which analyses the effect of economic recessionary shock on tourism markets. The interest in this problem has flourished, as a consequence of the world economic contraction in 2009; in that single year, the World per capita GDP decreased by about 3.4%; tourist arrivals in the world declined by about 3.8%, and tourism receipts are estimated to have declined by 9.4% (UN WTO, 2011). In several (Western) countries, the 2009 GDP performance was even worse; and in some countries the recession has lasted more than one year. These impressive numbers have stimulated a significant research effort to analyze what has happened to the tourism industry as a whole, and to specific case studies. Rightly, just few years ago, Sheldon and Dwyer (2010) complained about a lack of information on tourist behavior during economic crises.[1] This lack has been largely filled over the last years: several articles deal with the changes of tourism demand, following the global recession which started in 2008. Furthermore, several articles analyze the supply side, and deal with the reactions of countries and specific destinations to the recent economic contraction (e.g., Richtie, Molinar, & Frechtling, 2010, Smeral, 2010; Browne & Moore, 2012; furthermore, Eugenio-Martin & Campos-Sorias, 2014, and Alegre & Sard, 2015, who offer also up-dated reviews).

The present study focuses on Italy. We believe that it is particularly worth investigating the Italian case, for two main reasons.

First, the recessionary shock in Italy has been particularly long and severe. The aggregate GDP in Italy, between 2008 and 2012, has decreased by around 8%, in real terms. Industrial production has decreased by around 20%. The employment rate, which was among the lowest within the G20 group in 2008, has further decreased over this crisis period, by about 2 percentage points. Investments have dropped by about

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[1] There are several studies on how tourism reacts to crisis of different types, such as terrorism; natural disasters; health dangers; political crises and social unrest (see, e.g., the review of Hall, 2010); the body of research about tourism reaction to economic crisis was much more limited—at least until the recent global crisis which started in 2007–2008; we can mention Frechtling (1982); Henderson (1999); Okumus, Altinay, and Arasli (2005) on previous specific economic crises.

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15% (all data are from Istat, the Italian Statistic Office, and Eurostat). Thus, the label of 'Great recession'—commonly used to denote what has happened in the world over the years following the 2007 American financial crisis—is particularly appropriate for Italy.

Second, the tourism industry in Italy is particularly relevant. The tourist sector represents a share above 10% of the Italian GDP, and a share above 11% of employment (Istat, 2014); both variables steadily display larger values than the world and the European average data. In Italy, the domestic segment of tourism is around 66%, as measured by total overstays. Recent analyses on the pattern of tourism industry in Italy include Borowiecki & Castiglione, 2014; Massidda & Mattana, 2013; Accardo, 2012; Marrocu & Paci, 2013, and Lorenzini, Pisati, & Pompili, 2014, just to mention a few.

However, the dimension of the recessionary shock on the tourism industry is markedly different, if compared to aggregate economic data: specifically, the impact of the recessionary shock on the tourism sector is definitely softer than in many other industrial and service sectors. Moreover, the way in which different segments of the tourism industry in Italy have reacted to the crisis is deeply different. Under this perspective, the concept of '*resilience*' can be helpful in analyzing the dynamics in the tourism industry. Resilience is a concept firstly introduced in physics and soon transferred to biology and ecology and—later—to social sciences, such as psychology, sociology, and even business administration and economics; it describes the way in which complex entities respond to adverse shocks. A body of studies in business administration aims to understand why different enterprises react differently to the same exogenous shock, and which features or strategies are most suited to minimize the impact of adverse shock and to obtain quick recovery. Resilience is considered also with reference to groups of enterprises, economic sectors, and territories, like regions or cities.

The specific point of the present study is to evaluate how different segments of the tourism industry in Italy have reacted to the Great recession, and to evaluate the resilience degree of tourism sector in the Italian regions.

It is worth underlining that here we are concerned on the *economic resilience* of different regional tourist systems. However, in tourism economics, resilience can be also interpreted as the different reactions of the carrying capacity of tourist destinations to tourism flows' shock (see, for instance, Ioannides & Alebaki, 2014, on the case of Greece). Of course, the tourism impact on the natural resources and their carrying capacity, affects the tourism sustainability, and hence the short- and the long-run economic performance; such an issue is interesting and has also to do also with economic resilience, but this analysis perspective is far from our present interest.

Here we take into consideration the data on arrivals and stays in tourist destinations, and we focus on the accommodation structures in the supply side of the tourism industry, in order to understand how different subjects in the Italian tourism market have reacted to the Great recession. We are aware that tourism is a complex phenomenon, and a bundle of several complement goods and services contribute to the tourism product. However, data on accommodation structures, and arrivals and stays, are very representative for the tourism as a whole, and they are more ready available and reliable than other data on different specific goods pertaining to tourism.

Basing on the patterns of tourist overstays, we build a synthetic index to measure the economic resilience of the tourist sector across the Italian regions. This index captures a specific dimension of economic resilience of tourism; thus, we are aware that our present measure is unable to capture all the multi-faceted aspects of economic resilience. Though exploratory in nature, however, our investigation can highlight some characteristics and tendencies in the tourism industry. Generally speaking, our guess is that the Great recession has contributed to modify consumers' preference structure: specific attributes of the tourist products have being gaining importance, and some others have been losing; however, such change has simply led to an acceleration of the structural variations that were already affecting the tourism sector. Also during the Great recession years, data show that the segments of the tourism industry which are more ready to innovate, and to react to shock (that is, that are more 'resilient') are able to reach satisfactory outcomes.

Our present analysis on Italian data permits to confirm some points already made by available analyses concerning different case studies, while other points do not receive clear support from the case of Italy. However, the main message, in our own reading of the reported evidence, is that different tourism segments have displayed markedly different reactions to shock, and the aggregation into a general class of "tourism industry" needs a great deal of caution.

The outline of the article is as follows. Section 2 describes what has happened to tourist arrivals and stays in Italy over the crisis period 2008–12. Section 3 deals with the supply side and describes some data concerning the accommodation structures in Italy; it also deals with the evidence on prices. Section 4 proposes an analysis of the economic resilience of tourism sector across the Italian regions. Section 5 sketches a similar analysis with reference to different types of tourism destinations. Section 6 offers a theoretical interpretation for what has happened during the years of the Great recession in the Italian tourist industry, and in the hotel sector more specifically; furthermore, it puts forwards some indications for private subjects and policymakers, along with concluding remarks.

2. Basic facts: data concerning the demand side

Basic data concerning arrivals, overnights and average stays of tourists in Italy are provided by Table 1.[2] The Table clearly displays the occurrence and the dimension of the domestic economic crisis: the total tourist arrivals and overstays in Italy have increased, but the positive trend of arrivals, and especially of overstays, is substantially due to the foreigner tourists: the arrivals of domestic tourists have only very slightly increased, while domestic overstays display a decrease. However, the dimension of the contraction in overnight stays of domestic tourists (−5.5% over the years of the Great recession, that is, in 2012 with respect to 2008) is quite limited, if compared to the contraction of the domestic economy (with the real GDP shrinking above 8%). The tourism industry as a whole was able to compensate this adverse domestic shock, by gaining numbers of international tourists. Note also that arrivals have increased at a larger speed than overstays, consistently with a shortening of the average stay of tourists: this trend, common to domestic and foreign tourism, is of long-run nature, rather than specific to the crisis years (average stay of tourists in Italy is steadily shrinking, though mildly, over the two last decades); furthermore, the shortening of average stay is common to most countries (see Barros & Machado, 2010; Wang, Little, & DelHomme-Little, 2012, among others).

The performances of tourist arrivals and stays in Italy strongly differ across different types of accommodation: the performance of hotels is worse than the performance of extra-hotel structures; within the hotel structures, the best performance pertains to the high quality hotels. Detailed data in Appendix Table A1 show that 5 and 4 star hotels experienced an increase of both arrivals and overnight stays, and this holds for both the foreign and the domestic tourist flows (however, in line with the difficulties of the domestic demand, the increase of the domestic segment is more limited than the foreign segment). A slight shortening of the average stays regards both the Italian and the foreign tourists. In 3 star hotels a contraction of the domestic segment has occurred, which is in a large part counterbalanced by foreign tourists; at the end, the total contraction in arrivals is around 1% and the contraction of overnight stays is about 5%. A sharp decrease of both arrivals and stays has occurred for 1 and 2 star hotels; the decrease is clearly larger for the domestic part of the demand.

Thus, we can state that the economic crisis in Italy exerted its largest effect on the low-quality accommodation hotel structures. This fact can

[2] The whole dataset, in electronic format, is available from Authors upon request.