The economic impact of the tourism sector on the overall Italian economy: An Input-Output Approach following Satellite Accounts schemes

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Defining the tourism sector is a challenging task, as its economic activities are spread across different kinds of activity including service, industry, and agriculture. It makes it more difficult to estimate the contribution of tourism to the gross domestic product (GDP). Despite this, satellite accounting is the usual instrument to determine the spread of tourism across various economic activities and then, its contribution to the final value-added production. However, the complexity of measuring tourism spending, as characterized by satellite accounting, may lead to evident differences in estimating the contribution of tourism to the domestic value-added, as compared to other statistical surveys. Since the approach utilized in satellite accounts to measure tourism contribution to GDP is tourism expenditure, first, it is important to consider which aggregate is considered in the Italian satellite accounts framework. In addition, the relationship between tourism and other economic sectors is not fully understood since tourism is not identified as a separate industry in the country's input-output tables. This study aims to address this issue by examining the discrepancies in data related to tourism spending and analysing the connections between the tourism sector and other sectors of the economy, using an input-output approach. More analytically, the paper aims at comparing the expenditure figure of the Italian satellite accounts with that estimated by the Italian household expenditure survey using microdata released by Italian National Institute (ISTAT). Further, in determining the impact of tourism on the overall economy following the I-O approach was necessary to make a new classification considering tourism as a single sector of economic activity. To do this, the economic activities of the tourism industry â€“ as defined in satellite accounting â€“ were aggregated in the I-O tables called tourism sector, weighing the original economic activities by applying the tourism coefficients of satellite accounting. To this end, it was used the latest Input-Output scheme published by ISTAT for the year 2019. To estimate the total impact of tourism on employment, income, and production through the calculation of multipliers, it was needed to calculate preliminary technical coefficients for the tourism sector. Finally, the study presents forward and backward linkage coefficients to illustrate how changes in the tourism sector's value-added would affect the production, employment, and income of the entire national economy. Although the input-output scheme may not be up to date enough to analyse the rapidly changing economic system, it is still the most effective tool for understanding the level of sectoral interdependence, even for a sector as tourism that is difficult to define. This study highlights first the importance of analysing tourism spending and using sources that can determine different economic effects on GDP. Then, by using the input-output scheme and introducing the tourism sector, it was possible to estimate its relationships with other sectors of the economy. This could be useful for economic policy planning. Indeed, policymakers will be able to measure the impact of policies that support the tourism industry, such as assistance for tourism-related businesses, which affect and indirectly supports the production of other sectors.