Estimating the economic impact of tourism industry through the MM approach

Topic: Input-Output Analysis of Tourism
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Tourism is one of the fastest growing industry in Italy. It has proven a valuable financial part of the Italian economy. Businesses, public and private organizations are strongly interested in the economic impacts of tourism at national and regional level. The main problem which arises when measuring the impact of tourism is that tourism is not only a single industry but it's an amalgamation of different industries. In order to solve this problem we will identify the relationship among the synthetic tourism industry (cluster of tourism). The synthetic tourism industry has three primary components which are Transport, Hotel and Restaurants and Natural Resources.

Our attempt is to present an input output analysis for Italy to investigate the interrelations existing among all industries (including tourism) and to examine the economic costs and benefits associated with tourism in Italy. Further we will apply a backward and forward dispersion approach, starting from the original Rasmussen definition, which can give further insight into the interactions between synthetic tourism industry and other industries. The method is based on identification of the Macro Multipliers and the related impact components of a multisectoral model based on the Input-Output table for Italian economy in year 2005. Further the strength of these techniques is evaluated in terms of correlation of the impact components within the sectors and cross correlation between clusters of tourism and the rest of the sectors. This study will further give a full picture of policies that aid policy makers in improving the country's tourism industry through identifying the key sectors that are interrelated with cluster of tourism.

keywords; Tourism industry, Multisectoral analysis, Macro Multiplier approach.

JEL classification: L83, C67, D31, D57, R15.