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TOURISM SECTOR IN ITALY AND PORTUGAL – SOME IMPACTS OF COVID-19 PANDEMIC CRISIS

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Abstract

This article intends to carry out a brief characterization of the tourism sector in Italy and Portugal, taking into account the years prior to the pandemic crisis and reflecting on some impacts already visible in the sector. The COVID-19 pandemic crisis has severely affected the world economy, but the tourism sector has been - and will continue to be - particularly affected. Any pandemic crisis has a social, political and economic impact. Any pandemic crisis has a social, political and economic impact. In these two countries, the impacts were overwhelming, due to the high contribution of tourism to gross domestic product (GDP) and the number of workers involved in these activities. For this purpose, the authors carry out a descriptive analysis of data, using some official databases. The main results indicate that before the pandemic all indicators showed strong growth in the tourism sector in both countries. After the end of 2019 and 2020 the scenario changed dramatically. In Italy, the main results indicate that total arrivals decreased by 57,6% and nights spent registered a 52,3% reduction. In Portugal, the main results indicate that overnights in tourist accommodation decreased by 63%, the income registered a 66,3% reduction, guests in tourist accommodation (residents) with a 39,2% reduction, and non-residents with a 75,7% contraction.

Keywords: Tourism, International tourism, Tourism revenue, Hotels, Covid-19

1. Introduction

Tourism is considered the most coveted activity in the world, considering the growing number of destinations around the world that have been investing in this activity over the past six decades, making it the major driver of socioeconomic progress through the creation of jobs and companies, export revenues and infrastructure development, leading to a continuous expansion and diversification that reveals it as one of the fastest growing economic sectors in the growing world (Mucharreira et al., 2019).

The macroeconomic context is an extremely important factor for the growth and development of companies, and tourism sector organizations are particularly exposed to economic cycles (Mucharreira et al., 2019).

The COVID-19 pandemic crisis has severely affected the entire economy, but the tourism sector has been - and will continue to be - particularly affected. Any pandemic crisis has a social, political and economic impact which put any nation into a difficult state and brings huge challenges to the modern world (Rasel, 2020).

This article intends to carry out a brief characterization of the tourism sector in Portugal and Italy in recent years, prior to the pandemic crisis, while analyzing some of the known effects. For this purpose, the authors carry out a descriptive analysis of data, using for this purpose some official databases.

2. Tourism Sector in Italy and Portugal Prior to the Pandemic Crisis

Tourism is the largest international activity in services trade, representing, in 2015, 7% of world exports of goods and services. In addition to the revenue generated in the destinations themselves, in 2016 international tourism generated 216 billion US dollars in exports of international passenger transport services provided to non-residents, totaling 1.04 trillion US dollars in tourist exports. As an exporter, tourism appears in the top 3 of the world's main economic activities, just behind the oil and chemical industries (UNWTO, 2017; Mucharreira et al., 2018).

Since 2008, the effects of the global economic crisis have led not only to a decrease in the average length of overnight stays, but also to a drop in the number of domestic tourists in particular. As far as seasonality is concerned, i.e. the monthly distribution of tourist flows, although there is a tendency towards a slow seasonal adjustment of hotel structures with reference to the months preceding the summer, July and August remain the months with the highest concentration of arrivals and presences for both Italian and Portuguese flows, and foreign flows. Focusing on the qualitative aspect of hotel demand, the analysis of flows divided by category shows a positive evolution in both the highest and medium classes. On the other hand, the lower category establishments underwent significant contractions in terms of both arrivals and stays.

To the increase in the variety of demand for hotel services, the offer has reacted by "relaunching" its image, in the sense that it is the companies themselves that have stimulated differentiation, focusing on the increase in variety that has accompanied the qualitative growth in demand. The configuration of the Italian hotel offer according to a qualitative analysis replicates at the same pace the trends that previously emerged from the study on tourist flows, i.e. a strong percentage growth in the absolute and relative indicators concerning the middle and top class and a strong decrease in those concerning the lower categories.

The product offered by this category of businesses is therefore a list of by-products, each of which is oferende individually or not, but in any case linked to elements concerning the location of the accommodation facility that define its value and the tourist vocation of the product itself. The great variety of the hotel industry due to the continuous search for competitiveness in different market sectors that require differentiated and specialised product-services, poses many difficulties in classifying hotel facilities. In fact, depending on the location, the size or, rather, the ownership of the property, as many groupings will be obtained. The different types of hotels, based on the criterion of location, derive from the type of clientele they are intended to serve and therefore from the purpose of the stay that is met by the hotel service.

Considering now the second taxonomic criterion related to size, apart from very evident cases of large and small enterprises, it is never easy to apply since the boundaries between the different classes remain substantially arbitrary. As a final classification parameter, the different configurations that arise from the relationship between management and ownership are of great importance, especially because of the many financial consequences that derive from it. Alternatively, it may happen that ownership and proprietorship are combined but the management, both in terms of operational and managerial tasks, is delegated to employees. A further possibility is that the hotel business operates in non-owned premises under the personal management of the entrepreneur.

On the other hand, in the hypothesis of acquisition by rental, the financial requirements of the plant will be considerably reduced and the negative variations corresponding to the payment of the instalment will affect the cash flow plan. Having outlined these initial possibilities for classifying the complex phenomenon of the hospitality industry, let us now analyse the taxonomy proposed in the regulatory field. Regional laws set the criteria and local authorities, based on size, structural requirements, quantity and quality of services offered, and staff qualifications, can assign certain overall minimum scores necessary for the assignment of the various classification levels. It is possible to distinguish aggregations on the basis of whether or not they have a stake in the company's capital, or on the basis of the type of agreement.

The changes taking place in the tourism market, its progressive globalisation and the evolution of demand towards increasingly personalised needs, require operators and local public bodies to develop new skills and capacities. The small and medium-sized enterprises that dominate the Italian and Portuguese tourism scene have particular difficulties in adapting to the internationalisation process of the sector and interfacing with the evolution of demand.

The strengthening of internationalization is a growing need for these two countries, in particular, in order to attract more foreign tourists, without neglecting the strategic role of national tourists.

According to Mucharreira et al. (2019), in a study using a database composed of 275 Portuguese hotels, between 2007 and 2014, the main results of the research pointed towards the variable "Number of guests" had the biggest negative contribution to the indebtedness of hotels, therefore, which contributed most favorably to the reduction of indebtedness, being this indicator obtained by the total liabilities/total assets ratio. Among other results, it was found that the increase of 1 unit in the hotel's growth rate promotes a 0.41% indebtedness.

Taking into account the initial general framework and assuming the results of the study above, it is possible to understand the negative financial impacts on the tourism sector.

As we can see in Table 1, the number of tourist arrivals to Italy and Portugal has grown significantly in recent years.

The data refers to international tourism, where the traveler's country of residence differs from the visiting country. International tourism consists of inbound (arrival) and outbound (departures) tourism. The data on inbound and outbound tourists refer to the number of arrivals and departures, not to the number of people travelling. In this manner, an individual who makes a few trips to a country during a given period is considered each time as a new arrival. The information on inbound tourism show the arrivals of nonresident tourists (overnight visitors) at national borders. When data on international tourists are unavailable or incomplete, the data show the arrivals of international visitors, which include tourists, same-day visitors, cruise passengers, and crew members. Sources and collection methods for arrivals differ across countries. International outbound tourists are the number of departures that people make from their country of usual residence to any other country for any purpose other than a remunerated activity in the country visited. The data on outbound tourists refer to the number of departures, not to the number of people traveling. Thus a person who makes several trips from a country during a given period is counted each time as a new departure.

Table 1.
International tourism, number of arrivals in Italy and Portugal between 2010 and 2019 (Million and Variation Rates)

Years	Italy	Variation Rates (%)	Portugal	Variation Rates (%)
2010	73,225	-	6,756	-
2011	75,866	3,61	7,264	7,52
2012	76,293	0,56	7,503	3,29
2013	76,762	0,62	9,177	22,31
2014	77,694	1,21	10,497	14,38
2015	81,068	4,34	11,723	11,68
2016	84,925	4,76	13,359	13,96
2017	89,931	5,89	15,432	15,52
2018	93,228	3,67	16,186	4,89
2019	95,399	2,33	17,174	6,10

Source: Authors' production – data obtained in World Bank (2021)

The information in Table 1 shows the strong dynamism of the tourism sector in Italy and Portugal, particularly between 2013 and 2017. Table 2 show the number of tourist departures in Italy and Portugal.

Table 2.
International tourism, number of departures in Italy and Portugal between 2010 and 2019 (Million and Variation Rates)

Years	Italy	Variation Rates (%)	Portugal	Variation Rates (%)
2010	55,304	-	-	-
2011	52,617	- 4,86	-	-
2012	53,338	1,37	1,361	-
2013	52,633	- 1,32	1,490	9,48
2014	55,169	4,82	1,502	0,81
2015	57,418	4,08	1,893	26,03
2016	57,480	0,11	1,941	2,54
2017	60,042	4,46	2,195	13,09
2018	61,194	1,92	2,486	13,26
2019	62,207	1,66	3,100	24,70

Source: Authors' production – data obtained in World Bank (2021)

The information in Table 2 also shows the strong dynamism of the two countries. Portugal, despite having incomparably lower absolute values than Italy, has high variation rates.

Table 3.
International tourism, receipts in Italy and Portugal between 2015 and 2019 (Thousand Millions USD and Variation Rates)

Years	Italy	Variation Rates (%)	Portugal	Variation Rates (%)
2015	41,415	-	16,007	-
2016	42,423	2,43	17,347	8,37
2017	46,719	10,13	21,586	24,44
2018	51,602	10,45	24,366	12,88
2019	51,910	0,60	24,736	1,52

Source: Authors' production – data obtained in World Bank (2021)

In 2015, revenues from Italy were 2.6 times higher than those from Portugal but in 2019 it was just 2.1 times higher. It can also be observed that Portugal has always had, in the period considered, variation rates higher than those of Italy.

In 2019, in both countries, there is already a strong revenue slowdown, a growth of only 0,6% in Italy and 1,52% in Portugal.

3. Tourism Sector in Italy and Portugal During the Pandemic Crisis – Some Preliminar Data

The COVID-19 pandemic crisis has severely affected the entire economy, but the tourism sector has been - and will continue to be - particularly affected.

At the time of writing this article, the numbers of the pandemic in the world and particularly in Italy and Portugal, are as follows:

Table 4.
COVID-19 Pandemic Crisis Statistics

	Italy	Portugal	World
Confirmed Cases	4 260 788	882 006	183 627 426
Deaths	127 587	17 101	3 973 488
Vaccine Doses (Total)	34 620 140	9 060 568	3 187 390 921

Source: Authors' production – data obtained in WHO (2021), 4th july 2021.

During the outbreak of COVID-19 the tourism sector has suffered like never before in comparison to other economic crisis or other epidemic outbreaks.

Every country has adopted COVID-19 related travel restrictions, including the closure of borders, destination-specific travel restrictions, suspension of flights. All this translates into an impressive drop of global traffic: i.e. in March 2020 international arrivals dropped by 57% over 2019 data. The effects on tourism are unquestionable (Aiello et al., 2020).

The COVID-19 pandemic crisis brought an extremely challenging and insecure environment in which businesses find it very complex to operate, especially those in the tourism industry. The current pandemic has forced many tourist destinations to witness a decline in tourism due to lockdown measures and travel bans that resulted in booking cancellation, unemployment and lower travel confidence (Chiappa et al., 2021).

Travel limitations are leading to a remarkably low request for tourist accommodation. Initially it was focusing on international travel to and within China, then travel restrictions took on global dimensions, reaching all regions of the world. January and February were disastrous months in the whole world.

Below are some reflections on each of the countries analyzed in this article. With regard to statistical data, as there is still no data on many variables and many of them do not match, we carried out a partial analysis by country and mobilizing the data already available for the year 2020 and which reflect the initial impacts of pandemic crisis.

Concerning to Portugal, bankruptcy is the common threat to all companies that works in the tourist accommodation business. This threat comes from the fact that occupancy rates around the world are falling rapidly. It is important to hotel companies to assess their strengths, weakness, opportunities and individual threats in the context of their business, so that they can be successful in this period of hard time. Reducing working hours, lowering wages and dispensing workers, probably can demotivate a company's workforce and can compromise normal levels of service.

According to Lima Santos et al. (2021), the last few years, prior to the COVID-19 pandemic crisis, have been years of strong growth both in the number of hotel companies and in the number of available rooms. The Portuguese hospitality industry has also been betting on diversification as well as on the quality of its services.

Portuguese hotels have lost 73% of total revenues last year compared to 2019. COVID-19 pandemic has drastically limited travel from abroad, weighing on the tourism-depend economy. More than 60% of hotels said they are not expecting business to return to 2019 levels until early 2023, a study of 502 hotels revealed (Reuters, 2021). Two-thirds of hotels were closed in January and February, when Portugal enforced its second lockdown since the beginning of the pandemic to fight a rise in the contagion. The majority of hotels do not plan to re-open until May. One in three hotels said they will not reopen or are not sure when or if they will. The fall in hotel occupancy rates was highest in Lisbon at 55%, followed by the autonomous regions of Acores and Madeira who saw a drop of around 45%. Algarve struggled somehow less, recording 33% drop.

Table 5.

Overnights, Income and. Balance of Payments in Portugal between 2015 and 2020 (Number, Thousand Euros and Variation Rates)

Years	Overnights in tourist accommodation (Total)	Variation Rates (%)	Income (Thousand Euros)	Variation Rates (%)	Travel and Tourism – Balance of Payments (% GDP)
2015	53 074 176	-	1 899 625	-	4,6
2016	59 122 640	11,4%	2 264 556	19,2%	5,0
2017	65 385 210	10,6%	2 737 998	20,9%	5,9
2018	67 662 103	3,5%	2 993 197	9,3%	6,1
2019	70 158 964	3,7%	3 229 880	7,9%	6,1
2020	Pre 25 968 100	- 63%	Pre 1 088 929	- 66,3%	Pre 2,4

Source: Authors' production – data obtained in INE (2021) and PORDATA (2021)

The data presented reflect the initial impacts of the pandemic crisis on the tourism sector in Portugal. Drops of 63% in overnights, 66.3% in revenues and a contribution to GDP going from around 6% to just 2.4%.

Table 6.
Guests in Tourist Accommodation in Portugal between 2015 and 2020 (Number and Variation Rates)

Years	Guests in tourist accommodation (Total)	Variation Rates (%)	Guests in tourist accommodation (Residents)	Variation Rates (%)	Guests in tourist accommodation (Non-Residents)	Variation Rates (%)
2015	19 161 180	-	8 092 533	-	11 068 647	-
2016	21 252 625	10,9%	8 691 184	7,4%	12 561 441	13,5%
2017	23 953 765	12,7%	9 364 334	7,7%	14 589 431	16,1%
2018	25 249 904	5,4%	9 941 747	6,2%	15 308 157	4,9%
2019	27 142 416	7,5%	10 732 302	7,9%	16 410 114	7,2%
2020	Pre 10 515 778	- 61,3%	Pre 6 527 281	- 39,2%	Pre 3 988 497	- 75,7%

Source: Authors' production – data obtained in PORDATA (2021)

Table 6 shows that the impacts on guests are, unsurprisingly, more significant in the category of non-residents, as a result of greater limitations on international circulation.

Concerning to Italy, is the country most affected in Europe during the start of the pandemic, the decline in employment in the hotel sector is undeniable.

Prior to the pandemic crisis, tourism sector was a crucial economic activity that accounts for 10% of the national gross domestic product (GDP), with a contribution of EUR one hundred sixty billion from the complete offer chain in 2013. Italy has forever been one of the most visited travel destinations and remains firmly among the highest 5 countries globally.

The diffusion of the COVID-19 virus is bringing tough times, in particular for tourism and the hotel business. Not only are city hotels affected by the pandemic due to the cancellation of events and trade fairs, but leisure hotels are also experiencing a significant increase in cancellations and a decline in bookings. Between January and April 2020 the latest estimates speak of 180 million flows lost, -44% compared to the same period 2019.

The main problem for the entire hotel industry is the resulting drop or loss of demand, both for the current period and for the weeks and months to come. Some regions are more affected than others, but for all of them it is important to keep calm and not lower prices unnecessarily. After all, the rule is: even with low prices, customers will not go to certain regions. Lowering prices will only serve to further devalue existing demand.

Italian entrepreneurs and managers relied too much on public sector action and a lack of commercial action, thus showing a deficit in terms of long-term strategic thinking and the innovation needed in such turbulent times (Chiappa et al., 2021).

Table 7.
Collective Accommodation Establishments in Italy between 2019 and 2020 (Number and Variation Rates)

Years	collective accommodation establishments - Arrivals (Total)	Variation Rates (%)	collective accommodation establishments – Nights spent (Total)	Variation Rates (%)
2019	131 381 653	-	436 739 271	-
2020	55 702 138	- 57,6%	208 447 085	- 52,3%

Source: Authors' production – data obtained in Istat (2021)

In line with the results for Portugal, the strong contraction in the tourist sector in Italy is very evident, both in Table 7 and in Table 8. Table 8 shows a slight recovery in the summer period, a period coinciding with a relief from restrictions in the country due to the COVID-19 pandemic.

Table 8.
Collective Accommodation Establishments in Italy between 2020 and 2021 (Number)

Month/Year	Arrivals	Nights Spent	Average Length of Stay
Mar-2020	811 074	3 863 237	4,8
Apr-2020	78 747	1 325 236	16,8
May-2020	515 876	2 288 349	4,4
Jun-2020	3 815 585	11 704 846	3,1
Jul-2020	9 745 648	39 957 570	4,1
Aug-2020	14 315 376	64 343 840	4,5
Sep-2020	8 276 252	30 526 126	3,7
Oct-2020	3 962 805	11 383 735	2,9
Nov-2020	991649	3 771 653	3,8
Dec-2020	1 017 886	3 527 304	3,5
Jan-2021	1 009 592	3 339 867	3,3

Feb-2021	1 501 914	4 144 223	2,8
Mar-2021	1 172 374	4 096 042	3,5

Source: Authors' production – data obtained in Istat (2021)

Both the tourist sector in Italy and Portugal will have to find the best ways to recover activity and growth levels prior to the crisis. Losses are mounting and uncertainty remains about how to control the epidemic. However, periods like this can and should be seen as opportunities for the sector.

The sector will also have to take into account changes in tourists' expectations, such as a greater demand for the so-called sustainable tourism. The last report by Booking (2021) refers to this. Taking in account this report, 61% of travelers state that the pandemic has made them want to travel more sustainably in the future and 49% of travelers admit that the pandemic has shifted their attitude to make positive changes in their everyday lives (Booking, 2021).

4. Final Considerations

Tourism is considered the most coveted activity in the world, considering the growing number of destinations around the world that have been investing in this activity over the past six decades, making it the major driver of socioeconomic progress through the creation of jobs and companies, export revenues and infrastructure development, leading to a continuous expansion and diversification that reveals it as one of the fastest growing economic sectors in the growing world (Mucharreira et al., 2019).

The pandemic crisis changed everything drastically. Tourism is strongly linked to the mobility of people and, for this reason, is one of the sectors most affected by the crisis caused by the spread of COVID-19. The latest estimates speak of 180 million lost flows between January and April 2020. The recovery will be predictably slow and asymmetric.

The main results indicate that before the pandemic all indicators showed strong growth in the tourism sector in both countries. After the end of 2019 and 2020 the scenario changed dramatically, which will certainly lead to a strong increase in the indebtedness of companies in the sector (Mucharreira et al., 2019).

In Italy, the main results indicate that total arrivals decreased by 57,6% and nights spent registered a 52,3% reduction. In Portugal, the main results indicate that overnights in tourist accommodation decreased by 63%, the income registered a 66,3% reduction, guests in tourist accommodation (residents) with a 39,2% reduction, and non-residents with a 75,7% contraction.

It is therefore important for managers and public decision-makers to take the best strategic decisions in order to quickly overcome the negative economic and social impacts that resulted from this pandemic crisis.

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