2022: International and Italian tourism scenario

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International tourism scenario

In recent decades, tourism has become one of the most dynamic and fastest-growing economic sectors in the world, representing an important source of economic development and job creation.

From 2000 until the pre-pandemic year, international tourism grew at an average annual rate of more than 4%, with 1,468 million arrivals in 2019, more than half of which were concentrated in Europe (51%), 24.5% in Asia and the Pacific, 15% in the Americas, 5% in the Middle East and 4.6% in Africa.

Even more pronounced was the growth in international tourist spending, +6% per year, totalling $1,482.43 million in 2019 (UNWTO).

The total contribution of tourism, including its direct, indirect and induced impacts, was $9.2 trillion, accounting for 10.4% of global GDP (Travel Tourism Economic Impact, WTTC). In terms of employment, 334 million jobs are attributed to the sector, 10.6% of total jobs.

This is a sector which is experiencing an increasing industrialisation, globalisation of flows and the presence of large, increasingly 'multinational' groups. All of this poses new challenges for the tourism market, in terms of both supply and demand.

The last few pre-pandemic years saw a steady increase in the demands of travellers; new and exclusive destinations, personalised services, increasingly direct sales channels, are just some of the aspects that have influenced the changes taking place.

There are many factors behind the change, such as the digital revolution (i.e. the advent of the internet as an information and promotional marketing tool) and the spread of increasingly attractive low-cost models, as well as the need for new experiences based on increasingly specific and selective motivations and, in more recent years, the need to live these experiences in a climate of security. World tourism flows, while continuing to grow exponentially, have been - and still are - subject to constant redefinition and reallocation due to pandemics and viruses of various kinds, as well as natural disasters and terrorism, which have fuelled the mistrust of the masses towards certain destinations in favour of safer ones.

For 2020, based on the trends at the time, the economic outlook and the confidence index, the UNWTO forecast a 3% to 4% growth in international tourist arrivals worldwide. Expectations were therefore high for an increasingly tourist-oriented society in the near future, a prediction that was dashed with the sudden breakout of Covid-19.

The impact on the global economy has been devastating and tourism has been among the sectors hardest hit by the necessary measures taken to contain the pandemic, suffering the most immediate, obvious and very strong repercussions with clear socio-economic consequences (employment, production, investment, turnover, etc.).

International tourist demand fell by 73% in 2020, to 403 million compared with the previous year. Looking at geographical areas, compared to the world average, Europe and the Americas recorded a smaller drop, by 68.3% and 68% respectively, the Middle East was in line, while there was a greater reduction in international arrivals for Asia Pacific and Africa (-83.6% and -76.5%).

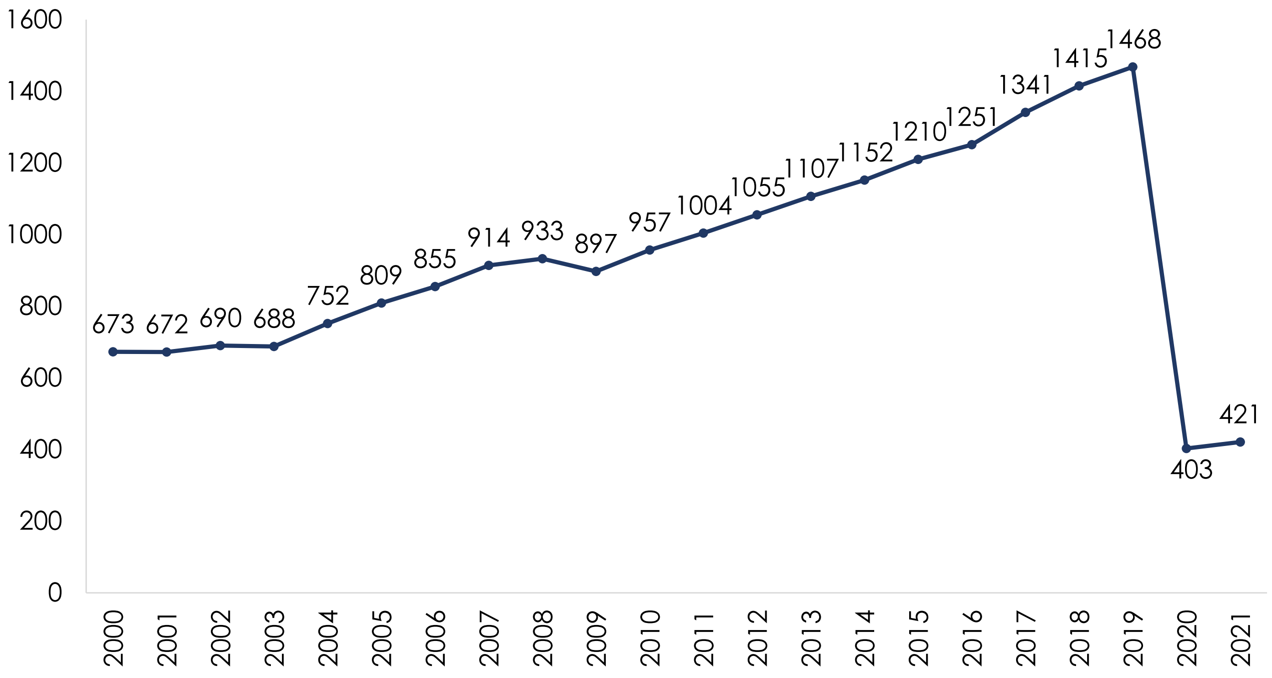
The contribution of the Travel & Tourism sector to GDP from 10.4% has decreased to 5.5%, $4.7 trillion (-49% compared to 2019) and in terms of employment, 18.5% of jobs (-62 million) have been lost.

It can be argued that tourism in 2020, following the outbreak of the Covid-19 pandemic, suffered its greatest crisis ever following an unprecedented health, social and economic emergency.

Subsequently, in 2021, vaccination combined with an easing of travel restrictions through greater coordination and cross-border protocols, helped to boost demand, but this happened gradually as new variants emerged during the year, reinvigorating the health scenario.

In particular, global tourism experienced a slight recovery of 4.5%, with 18 million more international tourist arrivals than in 2020, but remained 71% below the levels of pre-pandemic year 2019. Europe was the area that grew the most in 2020/2021 (+18.6%), followed by the Americas (+17.1%) and Africa (+12.5%). On the other hand, international tourism demand in Asia and the Pacific (-64.4%) and the Middle East (-10%) is still declining.

International tourist arrivals in the world (mln)



Graph 1 - Source: SRM on UNWTO data

International tourist arrivals by macro-areas

	2019		2020	2021	January 2022
	mln	%	% change on 2019	% change on January 2020	% change on January 2021
Europe	747	50.9	- 68.3	18.6	199.3
Asia and the Pacific	360	24.5	- 83.6	- 64.4	43.6
Americas	219	14.9	- 68.0	17.1	97.4
Middle East	73	5.0	- 72.6	- 10.0	89.3
Africa	68	4.6	- 76.5	12.5	51.3
World	1468	100.0	- 72.6	4.5	129.7

Tab. 1 - Source: SRM on UNWTO data

A stronger recovery is expected in 2022.

UNWTO scenarios published in January 2022 indicated a 30% to 78% growth in tourist arrivals over 2021, i.e. 50% to 63% below pre-pandemic levels, depending on how health, political, geopolitical and economic factors evolve. As early as January 2022, the performance stood at +129.7%, a much more positive figure than the weak start of 2021. International arrivals amounted to 18 million, the same increase for the whole of 2021 compared to 2020. All areas of the world enjoyed a significant rebound, especially Europe which grew by +199.3% (-53% on 2019), the Americas which increased by +97.4% (-52% on 2019), and the Middle East with +89.3% (-63% on 2019). Conversely, the recovery was less marked in Africa, with +51.3% (-69% on 2019) and in Asia and the Pacific (+44%). In the latter area, several destinations remained closed to non-essential travel leading to the largest decrease in international arrivals compared to 2019 (-93%).

Despite the robust results, the pace of recovery in January was impacted by the Omicron variant and the reintroduction of travel restrictions in several destinations. International arrivals worldwide were at -67% in January 2022 compared to 2019, after reaching -60% in Q4 2021.

These scenarios are subject to revision due to the war between Russia and Ukraine. The US and Asian source markets may choose other destinations as they are historically more risk averse.

In addition, the closure of Ukrainian and Russian airspace, as well as the banning of Russian carriers by many European countries is affecting intra-European travel. It is also causing diversions in long-haul flights between Europe and East Asia, resulting in longer flights and higher costs.

Looking at the combined weight of Russia[1] and Ukraine on the global industry, in 2020 these countries together accounted for 3% of global international tourism spending and at least $14 billion worth of global tourism revenue could be lost if the conflict continues. The importance of both markets is significant for neighbouring countries, but also for European

[1] The impact of the Russian offensive on Ukraine on international Tourism UNWTO Tourism Market Intelligence and Competitiveness Department 24 March 2022. The impact of Covid-19 on the tourism sector, ILO-International Labour Organization, May 2020.

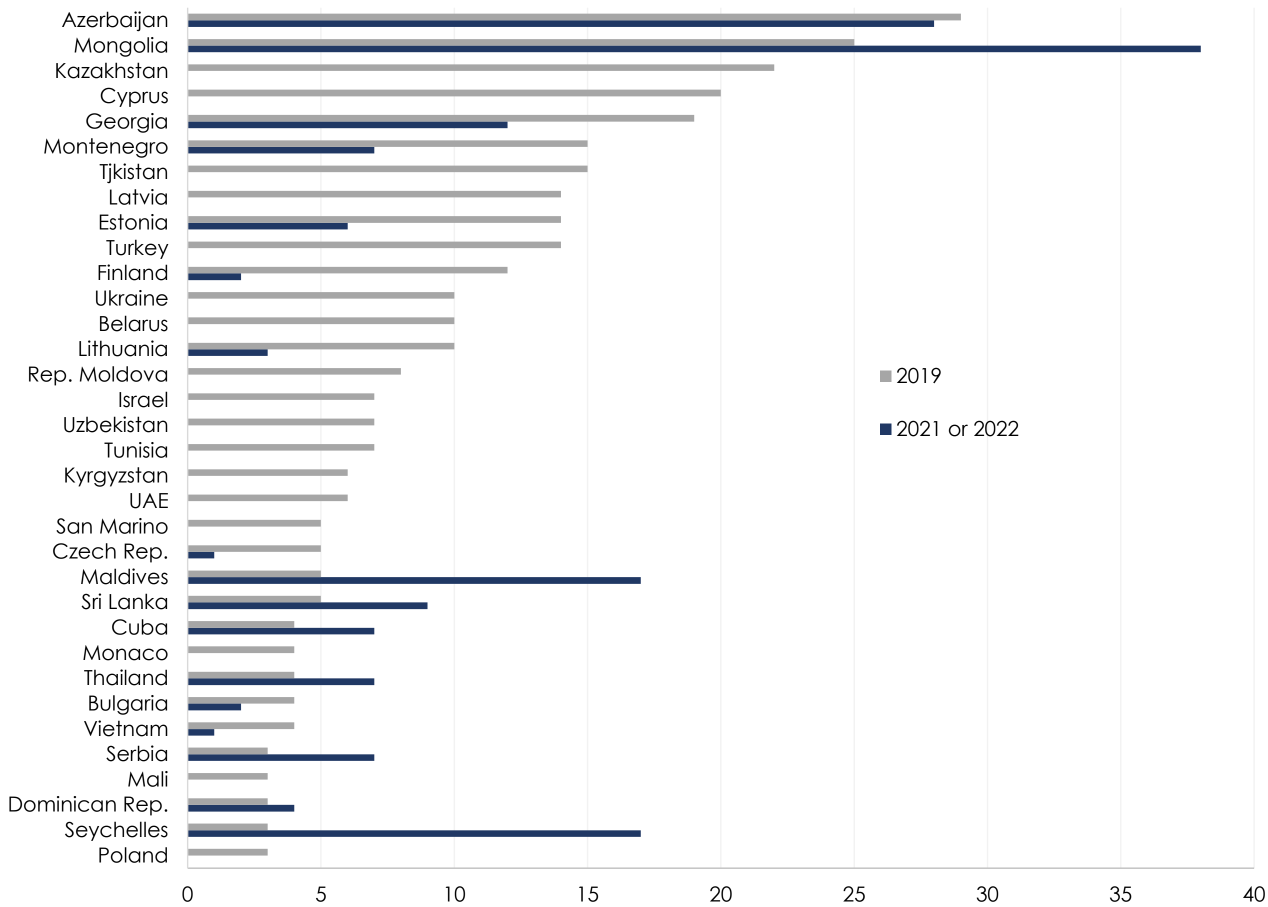
beach destinations. The Russian market also gained significant weight during the pandemic for long-haul destinations such as the Maldives, Seychelles or Sri Lanka. As destinations, Russia and Ukraine accounted for 4% of all international arrivals in Europe, but only 1% of European international tourism revenues in 2020.

This is compounded by the indirect and induced impacts of geopolitical tensions. The recent spike in oil prices and rising inflation are making accommodation and transport services more expensive, adding further pressure on businesses, consumer purchasing power and savings.

In other words, the high level of uncertainty arising from the Russian Federation's military offensive on Ukraine, coupled with a difficult economic environment and the travel restrictions still in place due to the ongoing pandemic, could affect overall confidence and disrupt the upward trend, especially in Europe.

There is a widespread belief that international tourism will not return to 2019 levels until 2024 or later, but this also depends on the duration of the conflict.

Destinations with highest share of Russian visitors (various indicators*), 2019-2021 (Sorted by 2019) (% of total visitors)



Graph 2 - Source: SRM on World Tourism Organization (UNWTO)

*Data related to various indicators: international visitors at frontiers (overnight and same-day visitors), international tourists at frontiers (overnight visitors), international tourists at collective tourism establishments, international tourists at hotels and similar establishments.

However, history teaches us that tourism has always been deeply affected by various crises (from 9/11 to SARS to terrorist attacks), but, despite this, it has often managed to recover and emerge stronger in relatively short time, because tourism has now become a need, an activity inherent in social behaviour. Therefore, the pessimism, albeit more than reasonable, that marks our current sentiment on the scenario of future recovery is not necessarily destined to last long.

In the meantime, as international tourism "attempts a recovery", domestic tourism will continue to drive the sector's rebound in a growing number of destinations. Domestic travel is fuelled by demand for destinations that are closer to home and have a low population density, as tourists seek outdoor activities, nature-based products and rural tourism. Domestic tourism is therefore expected to recover faster than the international tourism industry.

Italy in the international tourism context

Italy, with 64.5 million international tourist arrivals, is among the Top 10 international tourism destinations, ranking 5th, between China and Turkey.

In the period 2000-2019, demand grew by an average of 2.5% per year. Compared with the main competitor countries, this trend was more marked than in France (0.8%) but lower than in Spain (3.2%).

If we limit the reference period to the years 2015-2019, the average annual growth rate of international arrivals in Italy rises to 6%, higher than the world figure (5%). Italy has been able to count on the specific and unique strength of its beauty - Culture, Environment, Sea, Identity, Social life, Lifestyle, Hospitality, Food and Wine - which makes it almost unparalleled in the international competitive landscape in terms of tourist attractiveness. It has also benefited from the fact that it was considered a safe destination during the years when terrorism was widespread, which, as we know, is capable of striking many and everywhere, especially tourists and travellers.

International tourist arrivals, top ten countries

Rank	Country	2019 mln	Average annual growth 2000-2019
1st	France	90.0	0.8%
2nd	Spain	83.5	3.2%
3rd	United States Of America	79.3	2.5%
4th	China	65.7	4.3%
5th	Italy	65.0	2.5%
6th	Turkey	51.2	10.1%
7th	Mexico	45.0	4.4%
8th	Thailand	39.9	8.2%
9th	Germany	39.6	4.0%
10th	United Kingdom	39.4	3.0%

Table 2 - Source: SRM on UNWTO data

In 2020, the pandemic in Italy caused a drop in demand of 57.6% in arrivals and 52.3% in stays, greater than the average European figures (-54% and -50.9%).

After the critical situation in the first and second quarters, the reduction in tourist demand slowed down in the third quarter but picked up again in the last quarter (second wave).

Restricted travel, flight cancellations and the closure of activities in the tourism sector had a significant impact above all on inbound tourism, which recorded a 74.6% reduction in arrivals and 70.3% in stays, suffering a greater cut than in the EU (-71.8% and -69.6%). More contained, but still significant, was the drop in domestic demand, which lost 41% of arrivals and 33.8% of nights spent in 2019. The trend in Italian domestic tourism was also less severe than in Europe (-41.8% arrivals and -34% nights spent).

% change in tourism demand in 2019/2020: comparison between Italy and EU*

	Total		Foreign country		Domestic country
	Eu27*	Italy	Eu27	Italy	Eu27
Arrivals	-54.0	-57.6	-71.8	-74.6	-41.8
Nights spent	-50.9	-52.3	-69.6	-70.3	-34.0

Tab. 3 - Source: SRM on Eurostat data for EU and Istat data for Italy

*EU27 from 2020

In the summer period, the containment of contagions and the psychological factor of the desire to travel safeguarded, to a certain extent, the domestic demand season which showed great resilience, exceeding expectations.

On the other hand, the early arrival of the second wave and the spread of the new variants blocked the recovery of international demand, which was expected to begin in the September-December period.

In 2021, while the restrictions put in place due to the Covid-19 pandemic again limited the recovery of the tourism sector, the confidence of operators increased thanks to some significant measures to counter the discomfort and negative trends recorded; these include the distribution of vaccines, the implementation of the European Recovery Plan, the growth of resilient businesses ready for new investments and the strong recovery of services.

The recovery of national and especially international tourism demand in Italy was better than the EU average. Arrivals grew by 32.6% and nights spent went up by 34.4%, compared with 25.7% and 27.3% respectively in the EU. There was a significant boost in international demand, with arrivals up 51.7% and nights spent up 57.5%, while domestic tourist arrivals grew by 24.6% and nights spent increased by 23.8%.

However, there is still much to recover to reach pre-pandemic levels. Indeed, compared with the 2019 figure, a 56.2% increase was achieved for arrivals and a 64.2% surge for nights spent (57.8% and 62.6% respectively in the EU).

% change in tourist demand in the period 2020/2021: comparison between Italy and the EU*.

	Total		Foreign country		Domestic country
	Eu27	Italy	Eu27	Italy	Eu27
Arrivals	25.7	32.6	32.2	51.7	23.6
Nights spent	27.3	34.4	38.7	57.5	22.6

Table 4 - Source: SRM on Eurostat data for EU and Istat data for Italy

*EU27 from 2020

What about 2022?

According to the latest Istat data, in January there were 271% more tourists than in 2020 and 267% more days of stay (i.e. 65% of the arrivals and 70.3% of the nights spent in January 2019 had been recovered). The recovery had been greater for the inbound component (+980.7% arrivals and +784.8% stays) than for the domestic component (+185.6 and +176.3%).

Last January, despite the global spread of the Omicron variant of the coronavirus, the expenditure of foreign travellers in Italy (€1.5 billion) as well as that of Italian travellers abroad (€1.1 billion) were higher than those recorded in January 2021 (0.4 and 0.5 billion, respectively). Spending by international travellers in Italy was 33.2% lower than in the same month of 2019. In addition, Italy's tourism balance of payments recorded a surplus of €0.4 billion, slightly larger than those observed in January 2019 and 2020, prior to the spread of the Covid-19 pandemic in our country. The balance was almost nil in the same month of 2021. (Source: Bank of Italy)

With the onset of the war, the scenario in Italy is particularly uncertain. With 1.8 million tourists for 5.8 million days of stay, Russia's weight on Italian tourist demand is just over 1.3% (in 2019, down to 0.5% in 2020). Particularly significant aspects are the indirect and induced impacts of the conflict, ranging from uncertainty over security to inflation, supply disruptions, high energy costs and consumer choices.

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