

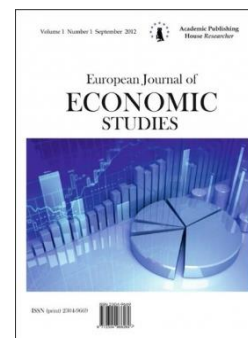
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Articles

Analyses of the Impact of COVID-19 on the Hotel Industry in Italy. Future Perspectives and Recommendations in the Post-Pandemic Period

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Abstract

Since Great Depression, the world economy has been in its worst condition. A bumpy year ahead is anticipated by many economists. Their 2020 prediction assumes that global retail trade volumes will decline by 13 % and 32 % in comparison with 2019. The severity of the fall will be related to two major factors: First, how much time is required to maintain the virus under control; and the second, economic policies countries will use at the national and international level to minimize its economic impacts. This highlights why it is more essential for countries than ever to collaborate together to enable people to have easier access to goods and services. Protecting public health and boosting economic activity can be achieved by collaborative action that we can react quickly to the pandemic. Therefore, policymakers and international organizations would better act together. This paper assesses the short-term effects of the coronavirus outbreak in Italy. Obviously, the consequences of infectious diseases are significant and have directly impacted the major economic and non-economic sectors around the globe. Our results indicate that the hotel industry as well as the whole tourism sector has declined rapidly since the virus out broke in the different areas of the world. STEEPLE analysis is conducted to determine the significance of the major factors that impact the future activities of the hotel industry as a result of the pandemic. We will address this research for determining the current situation and the effect of the pandemic on the hospitality industry in Italy.

Keywords: the world economy, collaborative action, COVID-19, hotel industry, tourism sector, STEEPLE analysis.

1. Introduction

The COVID-19 pandemic, also known as the coronavirus pandemic which has been continuing in recent days, caused by the extreme acute respiratory syndrome of SARS-CoV-2. It was first detected in Wuhan, China, in December 2019. The World Health Organisation declared the epidemic a Global Health Emergency of International Significance in January 2020 and a “Pandemic” in March 2020. As of 22 January 2021, more than 97.5 million cases have been confirmed, with more than 2.09 million deaths attributed to COVID-19 in 190 countries worldwide.

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The signs of COVID-19 were extremely complex, varying from the absence of any symptoms to extreme cases that led to the fatal end.

The virus may be transmitted across the air from person to person or it can also spread across infected surfaces. This situation almost continues for up to two weeks and will transmit the virus to people readily even though they do not exhibit symptoms.

Authorities nationwide have responded by applying travel bans, lock-downs, occupational hazard controls, and building closures.

Since delivering safer vaccinations in different countries in recent days, a great vaccination race is underway across the globe. “As the COVID-19 epidemic now becomes a pandemic, we need to think of not only ways to avoid future public health problems but also financial issues as well” was said in the article of International Journal of Environmental Research and Public Health. Several drug makers are working to deliver what they hope will be medicines that will save lives. “This infection is not going to disappear... without science leading us to vaccines, we will get second and third waves of this unless we do produce drugs and vaccines we are not going to have an exit strategy,” said J. Farrar on the long-term destructive damage the coronavirus could wreak on the globe.

“The pandemic is expected to plunge most countries into recession in 2020, with per capita income contracting in the largest fraction of countries globally since 1870.” was emphasized in one of the articles of The World Bank. The COVID-19 pandemic has simultaneously inflicted significant blows on hoteliers worldwide as events across the globe continue to be cancelled or postponed and hotel occupancy rates plunge.

The extraordinary circumstance created by COVID-19 offers us an opportunity to analyze and evaluate the effects of the pandemic on the hotel industry in Italy, which has been majorly suffered among other sectors of the country.

In the following pages, the remainder of the paper is organized: Section 2 includes the related theoretical and empirical literature, followed by Section 3, the factors of STEEPLE analysis such as social, technological, economic, and legal are discussed accordingly, and Section 4 includes a recommendation and conclusion.

2. Materials and methods

When we look back, we can see that there were several breakdowns in the world as well as COVID-19. For example, the Spanish flu, also known as the 1918 flu pandemic, was an unusually deadly flu pandemic caused by the H1N1 influenza A virus. Between February 1918 and April 1920, 500 million people – around a third of the world's population at the time – were hit by four consecutive waves. The death toll is popularly assumed to be between 17 million and 50 million, perhaps as high as 100 million, making it one of the deadliest pandemics in world history.

We are well informed that the COVID-19 pandemic is much more than a health crisis: it impacts society and economies at their heart. Although the effects of the pandemic will differ from nation to country, hunger and inequality are more likely to rise worldwide, rendering SDGs (Sustainable Development Goals) much more urgent. The evaluation of the impacts of the COVID-19 crisis on populations, economies, and disadvantaged communities is important to advise and tailor the responses of governments and stakeholders to rebound from the crisis and to ensure that no one is left behind in this endeavor. Until immediate socio-economic solutions, global misery will escalate, putting lives and livelihoods at risk for years to come. Immediate planning solutions to this situation need to be pursued with a view to the future. Long-term growth trajectories would be influenced by the decisions taken by the Governments and the funding they get.

Big activities, from soccer to golf, skiing, and basketball, have been disrupted. Important revenue sources, from sponsorship, processing, and sale of media rights, to ticketing and corporate hospitality, have unexpectedly slowed down (Ferrari, Macchi, 2020).

Despite government support through short-term job schedules and a limitation on lay-offs, jobs contracted heavily in April and May. This exceeds the monthly rate at which jobs were decreased in the worst month of the Eurozone debt crisis. It is not shocking that self-employed employees and civilians on a temporary contract bear the brunt. In May, jobs for the latter group decreased by 19 % compared to May last year. The sharp drop in jobs was followed by a sharp contraction of the workforce (Wijffelaars, 2020).

On the analysis stage, the article investigates the impact of COVID-19 on the hotel industry by using the steeple analysis method.

- Social – the impact of COVID-19 on the wealth, unemployment, and income of people. How to afflicted the hotel industry in pandemic period.
- Technological – some industries as well as the hotel industry used modern technology in the breakdown. The consequences of new technology offered safety and a confident situation for customers.
- Economical – in this stage describes that the GDP of Italy decreased dramatically and the major reason for this trend.
- Legal – The Italian Government decided regulation on the fighting with COVID-19. We identified two steps and analyzed them.

3. Results

Theoretical and empirical literature

The economy of Italy is the third-largest national economy in the European Union, the eighth-largest by nominal GDP in the world, and the 12th-largest by GDP (PPP). Apart from being a member of the EU, Italy is also a member of the OECD, the G7, and the G20. It is considered the tenth-largest exporter in the global economy, with \$ 632 billion in export products in 2019. The proportion of trade between Italy and the countries of the European Union accounts for 59 %, while other big trade partners in terms of market share are Germany (12.5 %), France (10.3 %), the United States (9 %), Spain (5.2 %), the United Kingdom (5.2 %) and Switzerland (4.6 %).

Although the country possesses a good place in the global economy, structural and non-structural problems are one of the main barriers to the development of the economy. Italy has had lower annual growth rates compared with other EU countries since its economy suffered from the 2007–2008 Global Financial Crisis. Living standards in different parts of the country, namely in the North and South division are different, meaning that the average GDP per capita in this north and central parts of Italy is higher than that of the European Union, whereas it is significantly low in other parts of Italy.

After recovery, the economy of Italy is undergoing slow development. In recent years, expansionary monetary policy, structural reforms, and fiscal policy played an important role in the recovery of Italy's economy. The main drivers of the economic growth are exports, private consumption, and investment, supported by higher value-added products in the export industries. The level of employment has risen by 3 % since 2015 and the banking system has been developed. Nevertheless, recovery has slowed. Although GDP was projected to contract by 0.2 % in 2019, the GDP growth rate in that year became 0.3 %. Real GDP per capita is more or less the same as in 2000. Despite an increase in employment level, this level is still the lowest one among OECD countries (OECD, 2019).

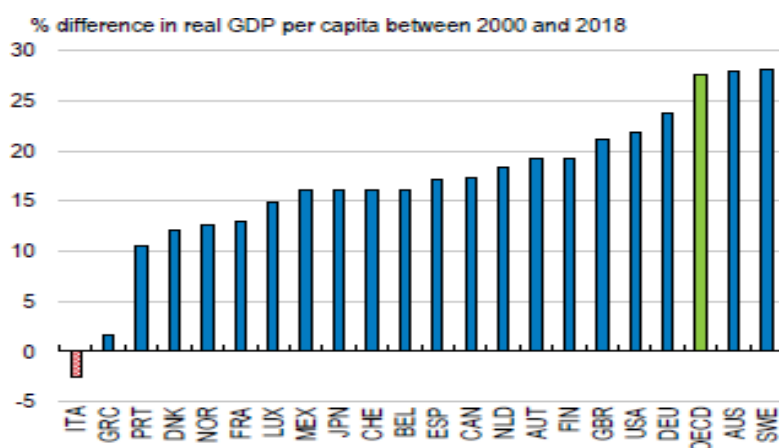


Fig. 1. Difference in real GDP per capita between 2000 and 2018

Source: OECD Economic Outlook 104 database

Global pandemic hit the economy of Italy more severely than Global Financial Crisis did

The global pandemic made European countries close the main parts of the economies to keep the virus under control. These lockdown policies affect the economy of Italy negatively, with having

a decrease in GDP by 5.4 % in the first quarter and by 12.4 % in the second quarter of 2020. The main reasons behind GDP contraction were a decline in household consumption and investment. The national industrial output index declined by 17.5 %, with production undergoing its lowest level in history. According to data, in April tourist accommodations arrivals, car sales, retail sales, industrial output, and building production decreased by 99 %, 98 %, 29 %, 47 %, and 68 %, respectively. The economy of Italy is likely to recover this year with the support of vaccine rollouts.

Lockdowns will harm investment and employment until immunization across the world has been achieved. It is expected to have a high level of unemployment during 2021 and will last in 2022. The growth in consumption level is expected to bounce back, savings are projected to be high, while investment is expected to rebound in 2022, and companies continue to conduct replacement investments in more sustainable industries, such as manufacturing. Conversely, the revival in the service sector will be more slowly since domestic demand and tourism are weak until an effective vaccine is widely implemented. This will intensify inequalities across regions of Italy. Additionally, like in other nations, bankruptcies and non-performing loans will increase.

Fiscal support increased net borrowing in 2020. However, it will decline in 2022 since growth and income rebound and EU programs for recovery become more relevant. It is expected that interest rates will stay low. There are considerable downside risks to the forecasts. The rate of growth in 2022 will be limited by delays in public investment budgets and a slower recovery in private sector investment (Wijffelaars, 2020).

Challenging time for one of the essential sectors of Italy

As one of the most damaged sectors of the economy of Italy in our analyses we took is the tourism sector. Tourism is one of Italy's leading sectors. The annual number of international visitor arrivals in Italy rose from 81.6 million to 96.2 million visitors between 2015 and 2019. Italy is the fifth largest country in the world and the third-largest in Europe in terms of foreign tourist arrivals. People mainly visit this country for its rich culture, renowned cuisine, past of natural scenery, fashion and architecture, its stunning coastline and beaches, its mountains and precious ancient monuments (Statista, 2019).

The tourism industry plays a vital role in Italy's economy. In this report, we include essential information related to the different sectors in the tourism industry. This sector accounted for nearly 13.3 % of the Italian gross domestic product. The overall contribution of tourism to the Italian economy has been gradually rising and is projected to cross some EUR 268 billion or 14.3 % of GDP in 2028. By 2019, the tourism sector had added more than 1.5 million workers to employment in Italy, and this number is projected to increase gradually until 2029 (Statista, 2019).

As in other areas, the effect of the COVID-19 on tourism has been negative. Tourism sales in Italy fell from EUR 44.3 billion in 2019 to EUR 21.08 billion in 2020 (January-November). Main tourism industries have undergone decline, such as the sports industry, the cultural sector, the aviation industry, and the hotel industry (Trading Economics, 2020).

We know that a significant number of tourists visit Italy for sport events taking place in a region. Big activities, from cricket to golf, skiing, and basketball, have been disrupted. Important revenue sources, from advertising, processing, and sale of media rights, to ticketing and corporate hospitality, have abruptly dried up. For example, the final races of the Audi FIS Alpine Ski World Cup, as well as the ATP and WTA tennis teams, confirmed the suspension. As a result, this year's ATP Masters 1000 BNL Internazionali d'Italia, scheduled to take place in Rome from 10 to 17 May, will also not proceed as expected. In view of the fact that last year's Internazionali d'Italia produced more than EUR 13.2 million in ticket sales alone, the related stakeholders would incur tremendous losses if the tournament is canceled. UEFA has delayed the UEFA European Football Championship 2020 (Euro 2020) until the summer of 2021. The city of Rome was to host the Euro 2020 opening game. The Italian Series A deficit is projected at EUR 720 million due to reduced profits from non-delivery of live matches to broadcasters. Taken as a whole, Italian football – which creates up to 98,000 jobs – is projected to be worth EUR 3.5 billion per year. These estimates, based on sales announced for the 2017-2018 season alone, will include Series A, Series B, and Series C. It is also worth noting that the 90th edition of the Formula 1 Italian Grand Prix recorded the best ever weekend attendance with 200,000 spectators in 2019, which is 9.29 % more than the 2018 Formula 1 Italian GP, but by 2020 the number of fans was reduced due to lockout (Ferrari, Macchi, 2020).

The latest order of the Italian Government to shut down all galleries, libraries, cinemas, and concert halls due to the coronavirus pandemic caused shock waves through the nation's already ravaged cultural industry and festivals, tournaments, exhibitions, trade shows, and international fairs, all faced with the reality of cancelation or postponement (Agostino et al., 2020).

The museums, which were unable to open their doors to tourists, had to take the only chance to spread culture and information by online means. Social networking sites, particularly Facebook, Twitter, and Instagram, have become museums' favored means of spreading culture during the COVID-19 lockdown. The museums, physically closed to the public, were instead opened because of their multimedia technologies. And not only were they available, but they also saw a major uptick in their online activity. Today, approximately 86 % of the museum's sales come from the selling of tickets on-site (Agostino et al., 2020).

Winter tourism is one of the main industries of tourism for Italy. The economic weight of the business is between EUR 10 billion and EUR 212 billion. Besides, it hires about 120 thousand employees. Overall, the Italian winter tourism market will see a decline of approximately 33.1 % in tourism presence, with a decrease of 72.8 % in international inflows (Froyd, 2020).

Providing the only rapid worldwide transportation network

The aviation industry in Italy has seen promising trends in both air freight and passenger air travel in recent years. 714,000 workers funded by the air transport industry. A total contribution of USD 51 billion to GDP. 2.7 % of GDP assisted by air travel and international visitors arriving by air. According to the Italian Civil Aviation Authority, the number of passengers arriving and leaving rose from 185 million in 2017 to 191 million in 2019. Italy has missed more than 700,000 flights relative to 2019 and over a hundred and ten million passengers. Flights to/from Italy are reportedly 70 % lower than last year and the number of passengers is 83 % lower. Domestic flights were less impacted (46 % lower) than European flows (-68 %) (Statista, 2020).

The hospitality industry in Italy has reported rising revenues. This rise was due to the increasing tourism sector, which grew by EUR 100 billion and accepted more than 63 million visitors in 2018. Demand from domestic companies and various countries of the European Union has been a main force for the tourism industry, accounting for about 60 % of the tourism industry in Italy. This pattern reflected the rise of domestic and foreign branded hotels and their chains, with a double gap in their presence, throughout the world. The number of foreign tourists was very small to Milan and Rome, followed by Florence and Venice. Rome has become home to high-end luxury brands, with more than 45, 5-star hotels that are foreign brands. The hospitality industry in Italy is the largest sector and ranks fourth in the world in terms of the number of rooms available, with a total of about 1 million rooms, followed by the United States, China, and Japan (Mordor Intelligence, 2020).

Italy also registers more overnight stays. Many international labels serve as management contracts in the region.

A catastrophic € 36.7 billion is predicted to be lost to the Italian economy due to the decline of foreign travel during 2020, according to the new study undertaken by the World Travel & Tourism Council (WTTC). WTTC, which represents the global private travel & tourism industry, claims that the massive decrease in the number of foreign visitors and visitors visiting Italy due to the COVID-19 pandemic could lead to an astounding 82 % reduction in international visitor spending. This devastating deficit to the Italian economy is equal to a deficit of €100 million per day, or € 700 million a week, in the country's economy. According to the WTTC 2020 Economic Impact Survey, Travel & Tourism was responsible for about 3.5 million jobs in Italy in 2019, or 14.9 % of the country's overall workforce. It also produced € 232.9 billion of GDP or 13 % of GDP for the Italian economy. Gloria Guevara, President & CEO of WTTC, said: "The economic pain and misery caused by millions of households across Italy, who are dependent on good travel & tourism for their livelihoods, is evident from our current shocking statistics." WTTC's review of international travel spending in Italy in 2019 showed that it hit almost € 45 billion, accounting for 24 % of the country's overall tourism spending. Domestic travel costs last year accounted for another 76 %. A further breakdown shows how important the Italian economy was to the spending of foreign travelers during 2019. Per month, it amounted to € 3.74 billion or € 861 million a week – and € 123 million per day (WTTC, 2020).

Almost immediately after COVID-19 had been announced in Italy, demand for hotel rooms – particularly for international visitors – had been affected. After the first confirmed case on

21 February, the average number of rooms available online showed an upward trend until 24 February. As visitors canceled their booking, they immediately made those rooms available on all OTAs and hotel websites. The influence of the COVID-19 also influences the average price of online rooms. Of necessity, one of the first steps taken by hoteliers at the onset of the recession was to support demand by lowering prices. By tracking the original and final rates (prices for the same bid before and after the crisis) in the months of March and April for the major Italian tourist cities, it has been reported that the gap in rates often results in a negative and double-digit number. Rome and Milan have both recorded -17 % shift in values, while Venice, Turin, and Florence have recorded -21 %, -25 % and -28 % respectively (The Data Appeal Company, 2020).

Analysis on afflicted hotel business

Methodology

We used a steeple analysis to investigate the impact of COVID-19 on the hotel industry. Other businesses as well as the hotel industry depend for their survival on understanding and responding to external factors that are beyond their control. We undertake STEEPLE analysis to assess the importance of the major external influences in which the consequence of pandemic period on the hotel industry's future activities. We will approach analysis with stakeholder concept. The idea or philosophy of the stakeholder is that many other parties are active and interested in business activity and that business decision-makers should address the needs of these groups – local people, the public, government, and pressure groups such as ecological lobbyists. In hotel industries like in other businesses have two types of stakeholders – internal and external stakeholders. The internal stakeholders have their own set of interests in the business's activities in which employees, managers, and shareholders are involved. The external stakeholders include customers, suppliers, government, banks, special groups, and competitors. In this method, we will use the factors of steeple analysis which are social, technological, economic, and legal.

Social

From a social point of view, the main points to consider will be income, unemployment, and wealth. During the pandemic, people lost their jobs, which significantly affected their interest in traveling. Because they need capital to travel, and it doesn't matter if they lose their job or go bankrupt. As can be seen from this graph, the significant increase in the unemployment rate is associated with the loss of jobs in the hotel business. From the last period to nowadays, tourism industry and employment have a strong correlation between them, because of a dependent of some countries economy from the service sector. Another important nuance was that, mainly because the virus was more solitary in the elderly, almost 99 % of the adults did not travel at all, and they did not rank among those who traveled in the age groups.

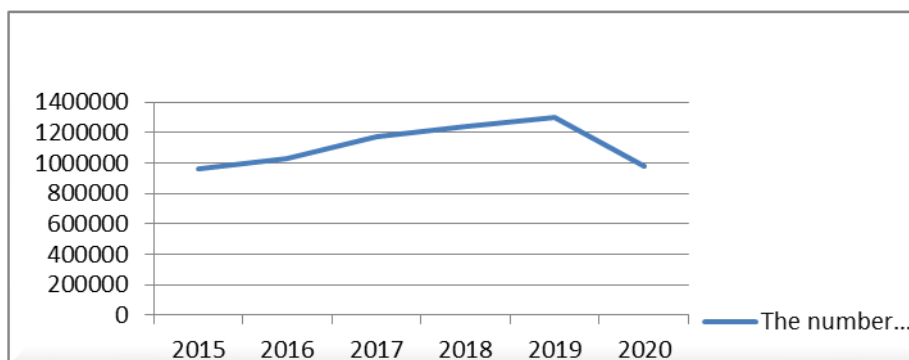


Fig. 2. The number of employees in tourism industry (2015–2020)

Source: www.statista.com

Technological

In the second half of January, COVID-19 reached Italy. However, the real crisis started between February and March, with a dramatic increase in the number of infections. So, the impact of COVID-19 on the economy as well as the hotel industry had started. During the pandemic period, the number of customer circulation decreased. COVID-19 spread out sharply from February

2020. Therefore, Italy has completely closed its land and air borders, so the hotel business faced a crisis it has never faced before.

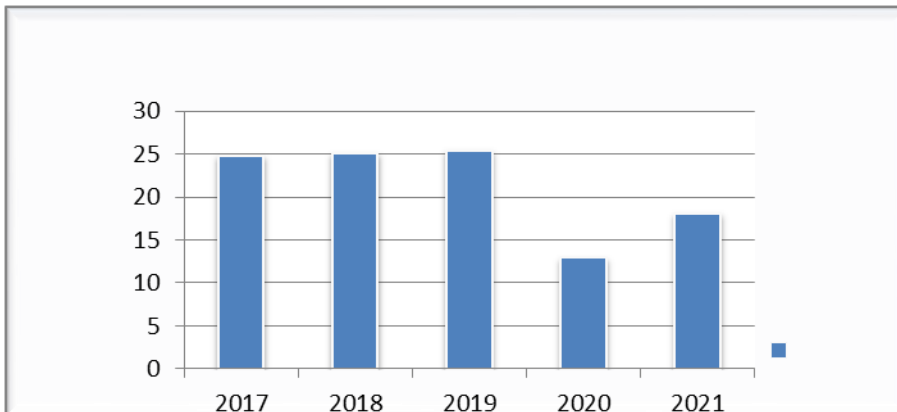


Fig. 3. The number of users in hotels in millions (2017–2021)

Source: www.statista.com

Due to the promotion of customer safety, the hotel industry is applying technological advancement to its business. Most hotel businesses use "contactless communication" to serve their clients during the pandemic period. Now it is important to limit face-to-face interactions as much as possible, quick and contactless operations are much more appropriate. This means that a self-service approach should be taken rather than a face-to-face check-in. The hotel industry, therefore, set up a self-service kiosk at the hotel entrance or lobby. With this kiosk, guests can check-in, answer any necessary questionnaires and screening prompts and make any special requests without ever having to see an employee.

Many businesses are mitigating the chance of spreading COVID-19 with a mandatory temperature check for anyone arriving at the premises, but hotels are unique on that guests stay in the premises for an extended period. As a result, the guest could arrive at the hotel at a normal temperature, but they could start running a fever later in their stay and possibly get infected. One way to monitor this – without having to perform disruptive and manual temperature checks – is through thermal imaging. Thermal imaging is a non-invasive way that hotels can help detect when an individual, whether a guest or an employee, has an elevated temperature. An automated alerting platform has also been implemented to improve the efficiency of thermal imaging. With a combination of thermal imaging and an automated alerting platform, staff members can receive detailed alerts as to the situation at hand.

The communication portal, most often available via a tablet, gives guests access to important information and services. This means that all necessary or additional safety information can be provided to guests, as well as a way to easily request a variety of services without having to interact directly with the staff member.

Economical

The world economy, as well as the Italian economy, had been affected by the period of the COVID-19 pandemic. Breakdown affected economic factors, so the hotel industry faced with serious problems. The important point for Italy's economy is that the tourism industry accounts for more than 50 % of GDP. Thus, the level of GDP and the hotel industry have a strong correlation. Based on the 1 to 1 relationship between demand for hotel rooms and GDP levels in the USA in the 1920s, as is evident in Italy. This graph shows that the rate of economic growth decreased to –10.9 % during the pandemic period.

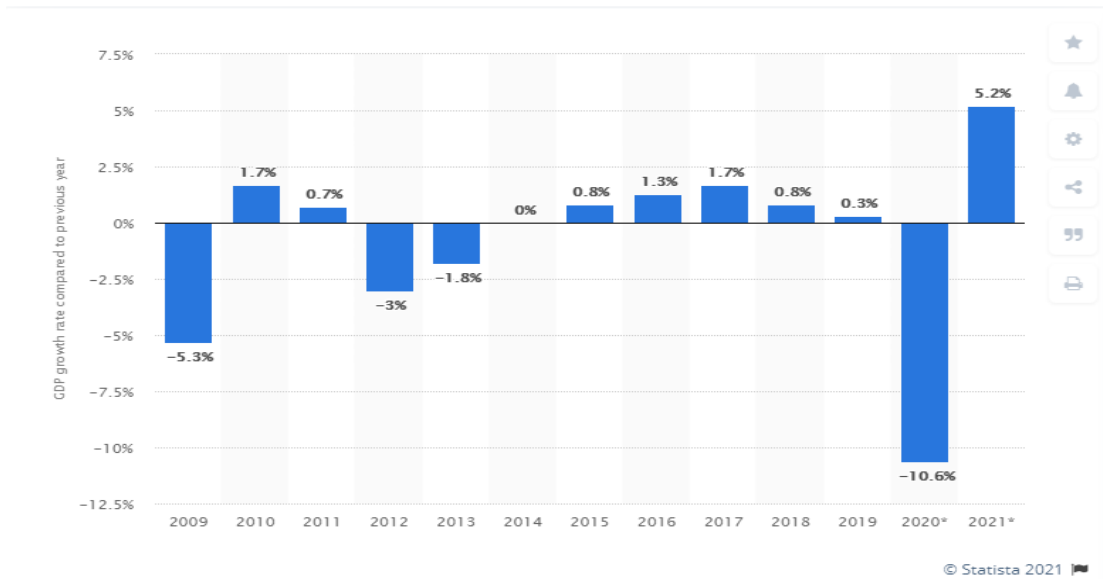


Fig. 4. The rate of Economic Growth in Italy
 Source: www.statista.com

During the period of the pandemic (2020) inflation rate was -0.1%, which shows the deflation in the Italian economy. In this situation, economic growth was slow and linked to the demand for the hotel industry. Moreover, interest rates have fallen, and this has been reflected in the exchange rate. The flow of tourists has decreased, and thus these factors have also been affected.

Legal

Following the official positions of the Italian Government, we can identify two different phases. In the first phase, the government issued a large number of measures, decrees, and administrative orders to limit the spread of the virus.

Strict restrictions have been introduced, including not only the lockdown but also restrictions on commercial and industrial activities.

In this context, economic measures (such as the Salva Italia Decree) were also central. The aim was to help families and companies that had been forced to suspend their work during this time. In phase two (fase due), which was officially announced by the Government on 26 April, the Italian authorities began a gradual relaxation of the restrictive measures.

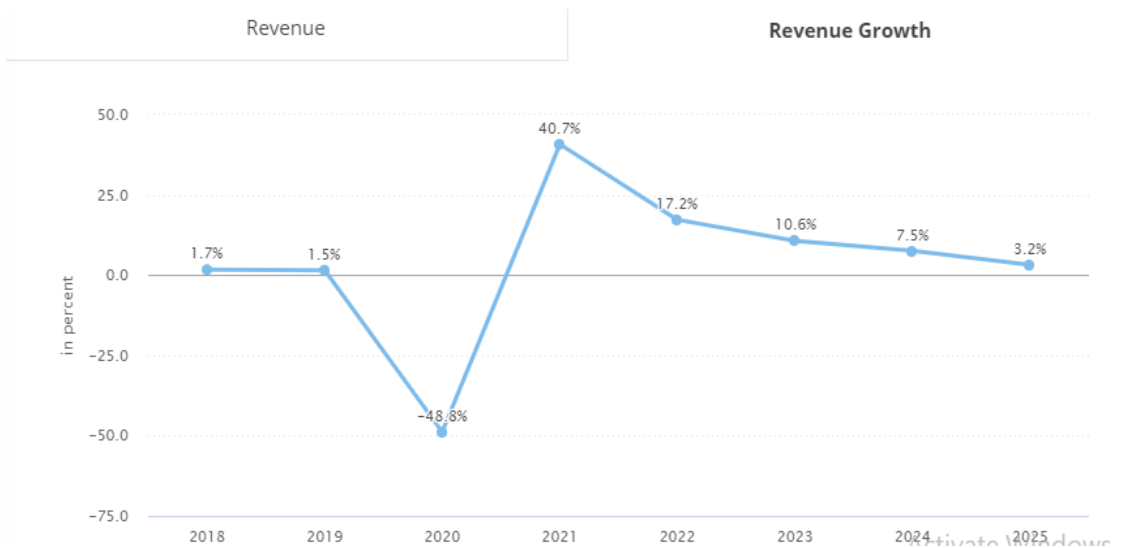




Fig. 5, 6. Revenue Growth
Source: www.statista.com

These restrictions have had an impact on the hotel industry. Based on the graphs, it is clear that the revenue and revenue growth of the hotel industry decreased dramatically during the pandemic period. As a result, these interventions have substantially or drastically reduced the flow of tourists to Italy. Because nobody wants to stay at home in the country where they're going to travel.

The first research issue was that how the COVID-19 outbreak intensified social problems in Italy and led to a significant decrease in employment, income, and wealth level.

The following outcome has been achieved:

As the tourism industry makes up an essential part of the Italian economy, people working in the hotel industry have suffered more from the pandemic caused a surge in the unemployment level. It has contributed to an increase in the poverty rate across the country.

The second issue was the technological methods the hotel industry is implementing to achieve customer safety and the ways which are used to make the hotel industry sustainable from the perspective of technology at a time of economic crisis. Addressing the importance of technology is more critical today with the background of the crisis.

The following results have been obtained: Hotel businesses should apply advanced technologies such as automated alerting platforms and thermal imaging which might be useful for having distant communication with customers and checking their health problems without face-to-face check-in.

The third research issue was the macroeconomic importance of the hotel industry in the economy of Italy. There is a strong correlation between GDP growth and the hotel industry. The results of the research indicated that activities in the hotel industry have a significant impact on the GDP growth of Italy, meaning that negative demand shock in this sector resulted in deflation has led to contraction of GDP growth by 10.9 %.

The last one focused on how legal measures taken by the Italian government had influenced the hotel industry and how the government was good at demonstrating support to the population. The results have shown that tough restrictions and lockdowns hit the hotel industry severely and caused the sector to have a substantial drop in the number of tourists, thereby leading to a decrease in the number of tourists coming to Italy, while the government-assisted people with entering *Salva Italiana* law into force.

6. Conclusion

The results of the studies show the impact of economic factors on the Italy hotel industry through the use of STEEPLE analysis. We applied this method for the researching and investigating on hotel industry of Italy. Based on table 1, the pandemic impacted negatively on the employment rate of the hotel industry. The government should regulate it with fiscal policies by increasing spending and speeding up the economic development. Another notable point is that the

size of customers decreased sharply. People who are in charge of the hotel companies should decrease prices and use safety strategies for attracting customers. For the economical side, the tourism industry occupies more than 50 % of Italy's GDP. Therefore, the economy of Italy was afflicted sharply by the COVID-19. The government should support the hotel industry, by assisting them with subsidies, grants, and other financial aids.

To sum up, The government should take some measures to ease the impacts of a pandemic on the hotel industry and support recovery:

- Stand ready to provide more assistance if the recovery is slow.
- Cut fiscal support steadily once the recovery is well underway.
- Follow purposed fiscal reform while resolving long-term challenges.
- Reduce taxes on labor income while at the same time raising taxes on environmental, property, and capital income.

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