

# THE ECONOMIC IMPACT OF MATERA EUROPEAN CAPITAL OF CULTURE 2019

DECEMBER 2020

*(May 2021 update)*

## SUMMARY

Giovanni Padula

CityO Srl

Via Sebenico 14, 20124 Milano

P. IVA 03641320969

gpadula@cityo.net

www.cityo.com

## Foreword

### *The 2019 exploit and the risks after 2020*

For Matera and the Basilicata region the goal of 2019 is behind us: the year of Matera European Capital of Culture ended a phase marked by a surge in international fame and reputation for the city and the region. The local community mobilized around a cultural event that is unique in its genre.

Building up the event lasted about ten years and the years between 2014 and 2019 were critical. This process has created a series of significant impacts on the economic structure of the territory and in particular for Matera, the epicenter city of the event.

At the end of this long marathon, Matera and Basilicata find themselves endowed with territorial capital certainly greater than it was ten years ago. A capital endowment that should not be dispersed now that the world has to reckon with the aftermath of a devastating event of historical importance, the Covid-19 pandemic and its dramatic effects on the economy and society.

Matera European Capital of Culture 2019 has triggered several economic impacts. In this study we try to highlight the close link between the cultural event and a series of economic outcomes such as tourist flows and investment in real estate and infrastructure. We also try to trace the effects of the event on the birth and growth of creative and cultural enterprises in Basilicata and Matera, focusing in particular on the relationships between creative industries and the tourism sector.

As in the rest of Italy and the world, the global health emergency has imposed a brake on tourism and travel expenses; it has temporarily jeopardized investments in the hotel and tourist accommodation sector from which families and companies were expecting a return in 2020 as well; it has caused a very difficult situation for many companies in the cultural and creative sector. It is hoped that at least the investments in infrastructure, triggered or accelerated in preparation for the 2019 cultural event, can proceed according to the established roadmap.

An effort is now needed to conduct predictive analyses aimed at setting up local and regional economic policy measures during and after 2021. They can help distinguish between trends triggered by the health emergency that are temporary and those that will remain even when the pandemic is abated.

In coming months, forecasts of flows and expenses in tourism, or about investments in the hospitality and the cultural and creative sector, should be formulated against the backdrop of global and national megatrends: the trends of sustainable tourism, the future of airlines and transport related to tourism, the attractiveness of large cities and the mobility of young people leaving medium-sized cities, especially when areas such as Southern Italy are involved in such migrations: they represent the core human capital of the cultural and creative sector. Risks and opportunities in a territory of fewer than 600,000 inhabitants like Basilicata should be studied and weighed carefully.

Both the results of the 2019 event and the damage and risks due to the outbreak of the pandemic, indicate for Basilicata and Matera a clear and in many ways new fact: the ties of the region and its cities with the world economy have been strengthened. All the actors that have an economic interest in the territory, from the single enterprise to the networks of local stakeholders, must refine their ability to read and anticipate future trends.

The Alsatian doctor and humanitarian Albert Schweitzer once said, about the ability of men to cope with catastrophic epidemics, that "the real leprosy in the world is not knowing how to cure it in time". The same can be said of economic and social phenomena and the territorial impacts that derive from them. The ability to find an orientation between different choices is a crucial activity today. For Enrico Giovannini, economist and firm supporter of sustainable development - current Minister of Infrastructure of the Italian Government - it is crucial today "to prepare and prevent the future, for example by discussing what Italy will be in ten or thirty years. I would like us to learn from this crisis that the future is built and not suffered. The sense of transformative resilience, in economy and society, is also this".

## Executive Summary

When Matera started in 2009 the process for the designation of European Capital of Culture, a central theme in the debate on Italy's weak economic growth was the underutilized resources of Southern Italy. The underutilization of tourism and the artistic and cultural heritage of the Mezzogiorno - together with the exodus of young people and the impoverishment of the human capital of Southern Italy - were seen as limiting factors for growth potential.

Due to a series of "enabling" factors that emerged during the decade, the building process of Matera ECoC 2019 has created an opportunity to mobilize underutilized resources in favor of territorial growth.

### Method of analysis and objectives

Our study seeks to measure the economic magnitude of some of the impacts that Matera 2019 has helped to generate. The main tool used is that of multipliers based on the input-output tables of the economy. There are several channels through which these effects have taken hold.

The impact assessment method we have adopted can be represented in two steps.

1. First of all, we have identified the economic sectors that, according to the available data, showed a positive dynamic while at the same time the process of building the event ran its course. A correlation does not indicate causation as is often, rightly, reiterated. Based on the available evidence we have therefore tried to grasp the existence of a causal link between the economic behaviors set in motion by Matera 2019 and the positive dynamics of some sectors in Basilicata and Matera. This causal link took place through several channels.

In the case of the exceptional increase in tourist flows, we have highlighted the role, in our opinion decisive, played by the national and international media appeal that the event Matera 2019 has triggered, with a benefit not only for the city of Sassi but - in part - also for the Basilicata region.

The strong increase in investment in the hospitality sector recorded in the decade 2009-2019 - aimed to increase the supply of hotels and smaller tourist accommodations (including vacation rentals) - is to a large extent due to the growing optimism of businesses and families about the possibility that a tourist destination like Matera could become a “city of art” of small-medium size and international standing<sup>1</sup>: places able to attract an audience of cultural tourists from high-income areas and, above all, with behaviors and visiting habits sensitive to issues of sustainability and interested in in-depth knowledge of places.

Also, the budget of the Matera-Basilicata Foundation 2019, directed to the organization of the cultural event, should obviously be counted among the expenses that have generated economic impacts on the territory.

In summary, therefore, this report analyzes three channels of economic impact over the period 2014-2019: the expenses of the Matera-Basilicata Foundation 2019; the expenses of tourists who flocked to the city and the region; the investments of families and businesses aimed at strengthening the hospitality sector.

The link between Matera 2019 and other sectors can be extended to investments in two other branches of activity of strategic importance for the Basilicata region and the city of Matera: the infrastructure sector and the cultural and creative industries. In a final economic impact report, the relationship between Matera 2019 and investments in these two sectors will be analyzed.

2. In the second step, we used either the input-output tables of the Basilicata region or the economic impact multipliers of specific sectors, to estimate the value of the economic impact generated by the three channels identified: tourist expenses; expenses and investments of the Matera-Basilicata Foundation 2019; investments in the hospitality sector. Section 1 contains an illustration of the method of analysis and the tools we used and how we have applied them to the case of Matera 2019.

---

<sup>1</sup> The potential of small and medium-sized cities in the Italian and European economic context is a theme that we have addressed on several occasions and emphasized during the candidacy process of Matera European Capital of Culture. See for example: Small and Medium Sized Cities in the Knowledge Economy, Buzz with Variable Intensity in the Urban Region, Research Report realized by CityO for the Department of Productive Activities, Enterprise Policies and Technological Innovation of the Basilicata Region, 2009.

Based on the outcomes of the two steps just described we derived the economic impact estimates in chapters 2, 3 and 4.

## Estimating the economic impacts

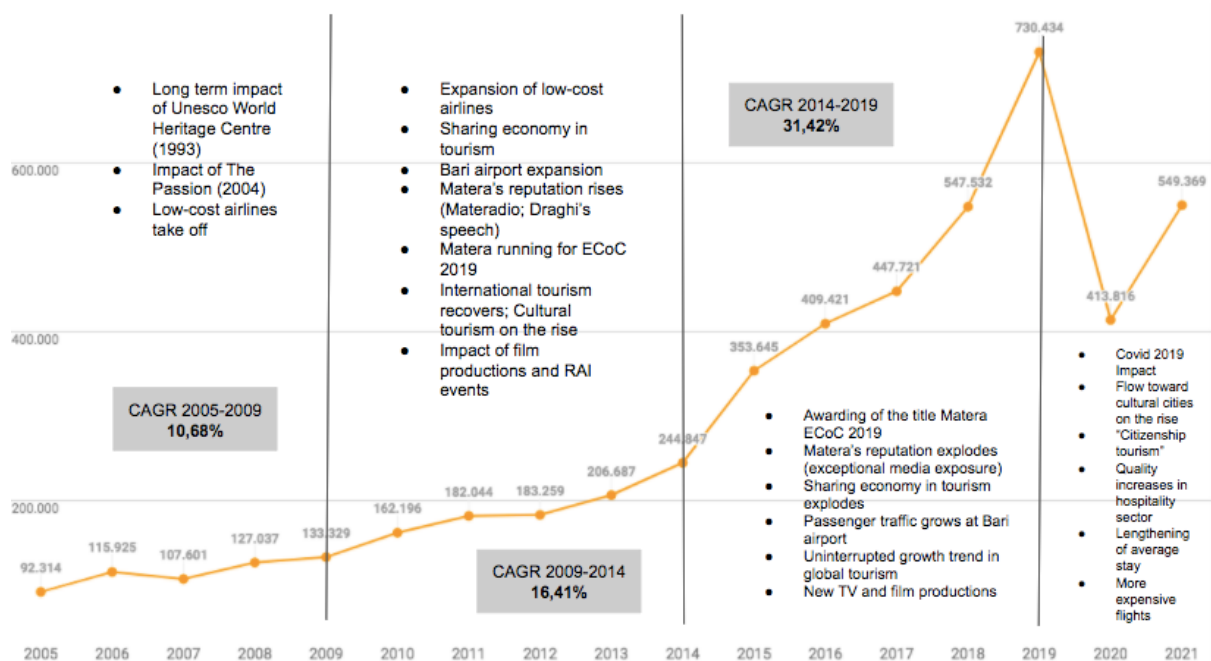
Chapter 2 examines the impact of tourism spending. As we try to show, the exceptional media echo of Matera, particularly in the period 2014-2019, has been instrumental in causing a dramatic increase in the growth rate of tourist flows. The gradual building process of the event has also laid the foundations for the development of a stronger economic interdependence between the tourism sector and the cultural, research, and higher education sectors.

The following table<sup>2</sup> offers a view of the main tourism drivers over a wide period of time that includes the period 2014-2019.

---

<sup>2</sup> Table 1, with the appropriate updates, is taken from: TOURISM IN BASILICATA, Evolution to 2019 and future prospects, report realized by CityO for the Matera-basilicata Foundation 2019.

## The drivers of tourism in Matera 1999-2019 and 2020-2021 assumptions



Source: CityO on Istat data - 2020 e 2021: CityO estimates

Thanks to their beauty and artistic, cultural, and natural heritage, Matera and Basilicata were already an emerging tourist destination in Italy and the world before 2014.

The extraordinary media echo attributable to the recognition of the ECoC title, and the event building in the following years determined a decisive surge in the national and international appeal of Matera and the growth rate of tourism. To the point that it is realistic to assume the existence - at national and international level - of a "backlog" of trips to Matera and Basilicata by potential tourists who in recent years have included these places in their list of desired tourist destinations.

It is now important to understand what can happen to tourism flows after the inevitable strong decrease of 2020 caused by the current global pandemic. After the end of the health emergency, Matera could settle on a growth rate of tourism lower than in the last five years, in line with the trend of the 2009-2014 period of about 16%. On the other hand, the notoriety acquired thanks to the media echo of the ECoC event, together with the new emerging tourism drivers, could maintain for a certain period of time the city of Sassi on a path of

stronger increase in visitors, with a compound annual growth rate close to or above the threshold of 20% and not far from the boom of the 2015-2019 period.

In terms of economic impact, according to our estimates, the total value of tourism spending (overnight stays + day visitors) in 2019 in the city of Matera was €121.3 million. This is the demand shock, or change in demand, that, based on the estimated multiplier of tourism spending, triggers an impact on the city's GDP of €224.3 million.

The overall economic impact of tourism in the Basilicata in 2019 (including day visitors in the region) is, according to our estimates, about €422 million.

It is interesting to note that in 2019 the city of Matera generated 26,72% of the total overnight stays of the region (see Appendix A), equivalent to almost half the tourism GDP of the entire region. This result obviously depends mainly on the higher spending capacity of tourists visiting a city of art like Matera.

In section 2.3 we have also carried out an analysis to estimate the share of the tourist GDP on the total GDP for both Basilicata and the city of Matera in 2019.

For Basilicata, the official data are confirmed: according to our estimates, the tourist GDP is around 3-4% of the total GDP of the region, which in 2019 was about €12,6 billion. This relatively low weight depends on the important contribution of other large sectors to the formation of GDP in Basilicata (i.e. the automotive sector, with FCA's factory in Melfi and its network of suppliers, and the crude oil extraction sector in the Val d'Agri area).

For the city of Matera, we have estimated a city's tourist GDP around 15% of the total municipal GDP in 2019. However, if we also consider hidden tourism - and in addition to that also some corrections to take into account a higher level of overnight stays - the GDP of the city of Matera could rise to around 21% of the total GDP of the municipality.

Chapter 3 examines the impact of the Foundation's expenditures.

According to our hypothesis, the economic impact of the Foundation's expenses over the five years considered is about €100 million.



Chapter 4 examines the impact of infrastructure investments and the impact of investments by families and businesses to strengthen the local hospitality sector.

Between 2014 and 2019 investment in different types of completed infrastructures amounted to about €67 million in the city of Matera, with an overall economic impact of €134 million. Infrastructure investments that might be completed in a couple of years amount to €49 million with an estimated impact of €100 million. Finally there are some important regional infrastructures that have been already funded but are still in a pre construction phase: the estimated impact of their total investment amounts to €840 million.

Based on a conservative estimate, between 2014 and 2019 investments in real estate with a tourist component amounted to about €30 million in the city of Matera, with an overall economic impact of €55.5 million. Certainly, the construction sector in the city, traditionally specialized in the residential, commercial, and service sectors, has benefited from these additional investments.

Considering that the annual GDP of the city of Matera can be estimated at €1,5 billion, an annual contribution to GDP of about €20 million from these two sources of expenditure and investment (about 1,3% of the municipal GDP) was certainly not negligible in terms of economic welfare generated.

It should be emphasized that, while tourist flows are now a constant contribution to the economy of the territory (if we put aside the effects, hopefully temporary, of the pandemic), the expenses of the Foundation have represented a one-time injection of resources into the local economy: many companies in the cultural and creative sector have benefited significantly from this growth in demand.

It should be verified whether this infusion of resources has turned into a growth opportunity for cultural and creative enterprises: they might in fact have developed an important experience adapting themselves to higher market demands and the provision of quality services. If the answer were positive, these ECoC's effects may not be dispersed over time and this in turn can help the sector to take root in the city and region.

Chapter 5 we trace the effects of the event on the birth and growth of creative and cultural enterprises in Basilicata and Matera, focusing in particular on the relationships between the tourism sector, the congress industry, the cultural and creative industries and the higher education sector.