THE ECONOMIC IMPACT OF ALITALIA IN ITALY

JUNE 2016
Oxford Economics

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June 2016

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EXECUTIVE SUMMARY

Alitalia and Etihad Aviation Group (EAG) make a substantial contribution to the Italian and global economy. Their strategic partnership enables them to connect economies across all regions of the world. They have a particularly strong impact on the economy of Italy. Alitalia is the largest airline in the country, carrying almost 24 million passengers to almost 100 destinations annually on 205,000 flights, while Etihad Airways provides vital connections to markets all around the world via its Abu Dhabi hub.

As part of a wider study, this report quantifies the economic impact of Alitalia and EAG\(^1\) in Italy in 2016 and forecasts the airlines' growing contribution through to 2024. Oxford Economics' bespoke Global Economic Impact Model maps the complex, interwoven global supply chains within which the airlines are embedded. It quantifies the full contribution of their activities across the world economy, giving us a complete picture of the flow of activity that impacts on the economy of Italy. The report measures Alitalia and EAG's impact in two stages. The first is their 'core' contribution to, or 'footprint' in, the Italian economy, through their operations and capital expenditure. The second stage captures the wider 'catalytic' economic impact they generate through the activity enabled and stimulated by their services.

In 2016 Alitalia's core impact, through its operational activity, will make a €2.1 billion contribution to the Italian economy and sustain 29,700 jobs. Alitalia's operational activity is projected to grow rapidly as it expands its services. As a result, we forecast that by 2024 the core contribution will reach €2.5 billion and 33,500 jobs.

The economic impact of an airline goes far beyond its core 'footprint' however. By connecting people and businesses across the world it facilitates a wide range of economic activity in the local and global economy: from enabling business interaction to stimulating investment, and encouraging trade and tourism. Ultimately, these inter-related 'catalytic' benefits act to boost the productivity of the economy and hence GDP. Alitalia generates catalytic benefits for Italy by making a significant contribution to the country's 'air connectivity', enhancing both the internal links within the country and Italy's links to major cities and markets around the world.

Alitalia's contribution to Italy's air connectivity will boost the country's productivity by some €19.6 billion in 2016. This constitutes 1.2 percent of national GDP and is equivalent to 289,000 jobs, emphasizing the importance of the airline to the Italian economy. The catalytic impact on the Italian economy remains considerable at €19.3 billion by 2024, equivalent to 273,000 jobs in this year.

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\(^1\) The impact of EAG includes the main airline entity—Etihad Airways—and its subsidiaries and associated businesses. Etihad Aviation Group comprises: Etihad Airways, Amadeus Gulf, Armaguard Valuables Management, Etihad Airport Services, Etihad Engineering, Etihad Flight Academy, Etihad Property Joint Ventures, Global Loyalty Company (GLC), Hala Travel Management, Etihad Cargo Global Management Company (ECMC) and Global Business Service Solutions (based in Al Ain).
The spending of the 2.3 million international visitors carried into Italy on Alitalia flights in 2016 will also leave a considerable economic footprint. This tourism activity, facilitated by Alitalia, is estimated to contribute almost €2.6 billion to national GDP, supporting some 46,000 jobs. By 2024, the number of visitor arrivals carried into Italy by Alitalia is projected to rise to 2.6 million. As a result, the GDP contribution grows to €3.0 billion, sustaining 51,000 jobs in the economy.

The economy of Italy is further boosted by the impact of the operations and services of EAG. Etihad Airways will operate almost 1,500 flights and carry 390,000 passengers to and from Italy in 2016, in addition to the 24 million carried by Alitalia. EAG, like Alitalia, makes a contribution to the economy of Italy through both core impacts and catalytic benefits.

Together, the combined core GDP impact of Alitalia and EAG in Italy is an estimated €2.4 billion in 2016, sustaining 33,900 jobs. This includes a contribution of €270 million and 4,200 jobs by EAG, consisting of the operational impact and the effects of EAG’s global capital expenditure on Italian-based suppliers. The core impact of Alitalia and EAG reaches €2.9 billion by 2024, supporting an estimated 39,800 jobs in the Italian economy.

Together, Alitalia and EAG will boost Italian productivity by €19.8 billion in 2016 or 1.2 percent of national GDP. This level of activity is equivalent to 292,000 jobs in the economy. The productivity boost continues to be significant at €19.9 billion in 2024, equating to an estimated 282,000 jobs. In 2016 the two airlines will carry a total of 2.5 million international visitors into Italy. Over half of these visitors will originate from somewhere in Europe, reflecting the importance of Alitalia to Europe’s internal aviation network, while North America and Asia will each account for 15 percent of visitors. The combined tourism footprint will equal €2.8 billion in national GDP, supporting 50,400 jobs. By 2024, this is expected to rise to €3.5 billion and 59,800 jobs for the economy.

The impact of Alitalia and EAG in Italy is a vital driver of prosperity for the country, the importance of which is set to grow in the next decade as the two airlines expand their services, bringing more visitors to the country. The operations of the airlines generate wealth, facilitate important connections for the country, and strengthen the aviation network of Italy and Europe. The economic benefits are felt in the productivity boost that the Italian economy receives, the thousands of jobs that are sustained by the airlines, and the millions of visitors that Alitalia and Etihad Airways carry to the country each year.
1. INTRODUCTION

Alitalia and Etihad Aviation Group (EAG) make a substantial contribution to the Italian and global economy. Their strategic partnership enables them to connect economies across different regions of the world. They have a particularly strong impact on the economy of Italy. Alitalia is the largest airline in the country, handling almost 24 million passengers on over 205,000 flights to almost 100 global destinations, while Etihad Airways provides connections to key markets around the world via its Abu Dhabi hub. The analysis in this report represents an update and extension of the original study on Alitalia and EAG’s impact around the world, conducted in 2015. It incorporates the most recent data and forecasts for both.

Taken as a whole, the 2016 study offers a comprehensive analysis that explores and quantifies Alitalia and EAG’s impact in their key markets, comprising Abu Dhabi, Italy, 11 other countries, the EU-28 as a whole and Africa. The impact of EAG’s other equity partners in each market is also quantified. The airlines’ activities and reach are fast-growing and this update ensures the latest developments are reflected in our analysis of their economic contribution in markets around the world.

Air transport makes a major contribution to economic prosperity worldwide, generates jobs all around the world and brings with it significant social and cultural benefits. Oxford Economics, in association with the Air Transport Action Group (ATAG), has calculated that aviation supported almost 63 million jobs worldwide and contributed US $2.7 trillion to the world economy in 2014. Perhaps even more significant than this is the role aviation plays in connecting countries and people to the global economy—raising their ‘connectivity’. Greater connectivity stimulates the exchange of ideas and technology, fosters global competition, underpins international business cooperation, sustains foreign investment and facilitates tourism. All of these are essential contributors to economic growth. Alitalia and EAG’s operations across the world play a significant part in raising connectivity, thereby contributing to that growth. This impact is strongly felt in Italy.

Alitalia’s services are an integral part of Italy and Europe’s aviation network and in 2016 will carry 18.6 million passengers on internal EU routes. In addition, 5.3 million passengers will travel on Alitalia routes between

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2 The impact of EAG includes the main airline entity—Etihad Airways—and its subsidiaries and associated businesses. Etihad Aviation Group comprises: Etihad Airways, Amadeus Gulf, Armaguard Valuables Management, Etihad Airport Services, Etihad Engineering, Etihad Flight Academy, Etihad Property Joint Ventures, Global Loyalty Company (GLC), Hala Travel Management, Etihad Cargo Global Management Company (ECMC) and Global Business Service Solutions (based in Al Ain).

3 The 15 different markets or geographies examined are: the home emirate of Abu Dhabi; 12 countries—Australia, France, Germany, Italy, Italy, Malta, the Netherlands, Serbia, the Seychelles, Switzerland, Spain, and the USA; and two aggregated regions—Africa and the EU-28.

4 The wider study included the following Etihad equity partners: Air Serbia, Air Seychelles, Etihad Regional, Alitalia, Etihad Regional and Jet Airways. Virgin Australia was excluded from the study.

the EU and the rest of the world. Together with its partnership with Etihad Airways it provides people and businesses with links to every region in the world.

**Fig. 1. Alitalia’s worldwide routes**, 2016

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**Report structure:** This report on Italy quantifies the core and catalytic impact of both Alitalia and EAG.

- The report first considers the economic footprint of Alitalia's activities in the current year, 2016, and through to 2024, to explore how the impact in Italy rises as it expands its services in terms of both breadth and frequency.
- It then considers the overarching ‘catalytic’ impact of Alitalia. This is primarily captured by the boost to Italian economic productivity as a result of Alitalia enhancing the country’s air connectivity.
- One of the channels of impact captured by the catalytic benefit is the way Alitalia facilitates greater tourism into Italy. The report explores the economic footprint of tourism spending enabled by Alitalia, due to international visitors travelling to Italy on flights operated by the airline.
- The report then moves on to examine the impact of EAG itself on Italy through core and catalytic channels.

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6 The routes shown are Alitalia’s European services from its hub in Rome Fiumicino Airport and its services from Europe to the rest of the world.
INTRODUCING ECONOMIC IMPACT ANALYSIS

The economic impact of a company or industry is measured using a standard means of analysis called an economic impact assessment. This consists of two parts. First, we quantify the three ‘core’ channels of impact that comprise the organisation’s ‘economic footprint’, consisting of:

- **Direct impact**, which relates to the direct activities of Alitalia and Etihad Aviation Group (EAG);
- **Indirect impact**, which encapsulates the activity and employment supported in the airlines’ supply chain as a result of its procurement of goods and services; and
- **Induced impact**, comprising the wider economic benefits that arise when employees within the airlines and its supply chain spend their earnings, for example in local retail and leisure establishments.

Using these pathways, a picture of Alitalia and EAG’s global economic footprint is presented, using two key metrics:

- **GDP**, or more specifically, **gross value added** (GVA) contribution to GDP; and
- **Employment**, as the number of people employed, measured on a headcount basis.

Economic impact assessments traditionally only consider the activity that is generated by the operations of a given business or sector, but for EAG the economic footprint also extends to the capital expenditure that it makes on new aircraft, cabin interiors and IT equipment. This study therefore quantifies capital as well as operational core impacts of EAG.

Second, we examine the ‘catalytic’ effect Alitalia and EAG’s services or products have in boosting or enabling economic activity elsewhere in the economy.

The catalytic impact represents the wider benefits that governments, consumers, society and other industries gain from the services Alitalia and EAG provide. For an airline group these are primarily captured in the contribution that increased **air connectivity** makes to wider economic potential. Research in recent years has demonstrated how greater air connectivity raises the productivity of an economy by opening up new business opportunities, and stimulating innovation and competition. The impact of higher connectivity benefits all parts of the world economy, but one of the important observable outcomes is the tourism facilitated by the activities of the airline. Therefore, as well as quantifying the overall connectivity impact, we also measure the economic footprint of tourism enabled by Alitalia and EAG.

Drawing on historical data and projections from a wide range of sources, the modelling on which this report is based calculates the economic contribution of Alitalia and EAG **in 2016**, and then forecasts the expected impact through **to 2024**. Economic contributions in 15 key markets or geographies were modelled: Abu Dhabi, 12 countries, plus the EU-28 and Africa aggregated. Results are also reported for individual routes operated by Etihad Airways to and from Italy and Australia.

Further detail about the economic impact methodology is included in the **technical appendices** that accompany this report.
The economic impact of Alitalia in Italy

2. THE ECONOMIC IMPACT OF ALITALIA IN ITALY

Alitalia operates over 205,000 flights to and from Italian destinations each year. Around 24 million passengers will travel on Alitalia services to and from Italian airports in 2016. As might be expected, the impact of Alitalia on the country’s economy is therefore substantial and far-reaching.7

Thousands of people are directly employed in Italy by Alitalia. Further, its procurement supports activities throughout the local supply chain. On top of this, the activities of the airline bring wider economic benefits as the direct and indirect workforces in the airline and in the supply chain spend their wages in the Italian economy. We explore each of these effects before turning to the catalytic benefits that also accrue to Italy as a result of the activities of the airline. In particular, we examine Alitalia’s contribution to connectivity through its role in linking Italy domestically (i.e., internal regions to one another) and internationally to the world economy. The economic footprint of international visitors carried by Alitalia into the country is also examined.

2.1 CORE IMPACTS

The economic footprint of Alitalia in Italy can be quantified in terms of its contribution to GDP and employment. The bespoke Global Economic Impact Model that Oxford Economics developed for the previous study in 2015, which is used again here, maps the complex, interwoven global supply chains that Alitalia relies on in a comprehensive way. It allows us to quantify the full contribution of its activities in all parts of the world in terms of how they feed through to the economy of Italy.

The operations of Alitalia in Italy provide substantial support to locally-based suppliers. Expenditure on fuel, landing fees and maintenance costs account for the majority of operational spending made with Italian suppliers.

The core impact of Alitalia on the Italian economy through its operations is €2.1 billion in 2016, supporting 29,700 jobs.

- The direct GDP contribution in 2016 is estimated at €800 million, with 10,400 jobs sustained by this activity.
- The indirect impact is €590 million in GDP, equivalent to 8,600 jobs.
- Meanwhile, the induced effects of employees’ spending contributed over €730 million to Italian GDP and supported 10,700 jobs.

7 Conducting an economic impact assessment is data intensive, particularly when a range of years and geographies are considered. As part of this process, the modelling and wider analysis contained in this report draws heavily on historical and forecast data provided by Alitalia and Etihad, major aircraft manufacturers, national statistics agencies, OECD, and Oxford Economics’ own macroeconomic projections. Other sources included OAG (for passenger bookings) and Diio (for seat capacity by airline).
As it expands its services, Alitalia’s core GDP contribution is expected to grow from €2.1 billion in 2016 to €2.5 billion by 2024, with the total jobs impact rising from 29,700 to 33,500 over the same period.

**Fig. 3. Alitalia’s core impact in Italy, 2016-2024**

Source: Oxford Economics

### 2.2 CATALYTIC IMPACTS

The economic impact of an airline goes far beyond its ‘core’ footprint. By connecting people and businesses across the world it facilitates a wide range of economic activity in both the local and global economy; from enabling business interaction to facilitating investment, and encouraging tourism and trade. Ultimately, these inter-related ‘catalytic’ benefits act to boost the
productivity of the economy and hence GDP. Alitalia generates catalytic benefits for Italy by making a significant contribution to the country's air connectivity, enhancing both the internal links within the country and Italy's links to major cities and markets around the world.

We estimate that Alitalia's contribution to Italy's air connectivity will boost national productivity by some €19.6 billion in 2016. This constitutes 1.2 percent of national GDP and is equivalent to 289,000 jobs, emphasizing the importance of Alitalia to the Italian economy. The catalytic impact declines slightly by 2024, though is still considerable at €19.3 billion, equivalent to 273,000 jobs.

Air transport lies at the heart of global tourism and business travel. Through its speed, convenience and affordability, air transport has expanded the possibilities of world travel for tourists and business travellers alike, allowing an ever greater number of people to experience a wider diversity of geography and culture. Without air transport services it is likely that many international visitors to Italy would not have travelled to the country.

The economic footprint of international tourism facilitated by Alitalia can be quantified—that is the impact of spending by international visitors travelling to Italy on its flights. In 2016, Alitalia flights will carry 10.9 million passengers between international destinations and Italy. Among these, some 2.3 million will be international visitors into the country. Figure 4 shows the true origins of visitor arrivals to Italy on Alitalia flights. Close to 60 percent are from Europe, while 15 percent are from North America. An estimated 12 percent are from Asia, with the vast majority of these visitors originating from outside of South Asia.8

Fig. 4. Origins of visitor arrivals carried by Alitalia into Italy, 2016

Source: Oxford Economics

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8 South Asia is defined as India, Pakistan, Bangladesh, Sri Lanka, Afghanistan, Bhutan, Nepal and Maldives.
The economic impact of Alitalia in Italy

The spending of these visitors is estimated by using Oxford Economics’ spending per visitor forecasts for Italy. In 2016, international visitors carried by Alitalia to Italy will spend €2.3 billion in the local economy. The economic footprint of this Alitalia-enabled visitor spending, on accommodation, food, recreation and so on, is significant. In 2016, the footprint of this spending in Italy will be an estimated €2.6 billion in GDP, supporting some 46,000 jobs. By 2024, the number of visitor arrivals carried by Alitalia is expected to rise to 2.6 million, with their total spending growing to €2.6 billion. As a result, the GDP contribution from visitor spending grows to €3.0 billion, sustaining 51,000 jobs in the Italian economy.

Fig. 5. Alitalia’s tourism impact in Italy, 2016-2024

GDP impact from tourism spending

In 2016, tourism spending of visitors brought into Italy by Alitalia will contribute €2.6 billion to Italian GDP.

Source: Oxford Economics, OAG
3. THE IMPACT OF ETIHAD AVIATION GROUP IN ITALY

Along with its equity partner Alitalia, Etihad Aviation Group (EAG) also has a significant impact on the economy of Italy. Etihad Airways opened its first route to Italy—to Milan Malpensa—in 2007, and in 2016 will operate 1,500 flights and carry 390,000 passengers into and out of the country. Its procurement supports activities throughout the local supply chain. On top of this the activities of the airline bring wider economic benefits as the workforce it supports spend their wages in the Italian economy.

As well as the core impact of EAG through operational and capital expenditure, we also examine its contribution to connectivity through its role in linking the Italian economy, via its hub in Abu Dhabi, to regions and economies around the world. The economic footprint of international visitors carried into Italy on Etihad Airways flights is also examined.

3.1 EAG’S CORE IMPACT

As the number of passengers carried on Etihad Airways’ services has increased over the past decade, so has the impact from its operational spending on locally-based suppliers in Italy. Expenditures directly linked to Etihad Airways’ routes, including fuel, landing fees and maintenance costs account for the majority of all operational spending made with Italian suppliers in 2016.

In 2016 EAG’s global operations will make a €160 million contribution to the GDP of Italy. This comprises a:

- €70 million direct and indirect GDP contribution within EAG and the Group’s supply chain; and a
- €100 million induced impact, as employees of EAG and its supply chain spend their wages on consumer goods and services in Italy.

EAG’s global operations are estimated to sustain 2,500 jobs in Italy in 2016. This is composed of:

- 1,000 direct and indirect jobs; and
- 1,500 induced jobs as employees spend their wages in the consumer economy.

9 Nearly all of the Group’s operational impact in Italy is from the airline entity itself, Etihad Airways.
10 Direct, indirect and induced GDP impacts do not add up to the total impact due to rounding.
11 The vast majority of airline employment is in the home country of the airline. As a result, the direct operational impact of EAG on Italy, in terms of GDP and employment, is limited.
The economic impact of Alitalia in Italy

**Fig. 6. EAG’s operational impact in Italy, 2016**

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (€ millions)</th>
<th>Jobs</th>
<th>Source: Oxford Economics</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>Direct &amp; indirect: 70</td>
<td>Induced: 100</td>
<td>Direct &amp; indirect: 160</td>
</tr>
<tr>
<td>2016</td>
<td>Direct &amp; indirect: 70</td>
<td>Induced: 100</td>
<td>0</td>
</tr>
</tbody>
</table>

**EAG’s continued expansion in the coming years will increase its impact on the Italian economy.** By 2024 EAG’s total operational economic footprint will grow to €280 million in GDP, sustaining 4,200 jobs.

**Fig. 7. EAG’s operational impact in Italy, 2016-2024**

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (€ millions)</th>
<th>Jobs</th>
<th>Source: Oxford Economics</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>160</td>
<td>2,500</td>
<td>GDP and Jobs growth</td>
</tr>
<tr>
<td>2017</td>
<td>160</td>
<td>2,500</td>
<td>GDP and Jobs growth</td>
</tr>
<tr>
<td>2018</td>
<td>160</td>
<td>2,500</td>
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<tr>
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<tr>
<td>2024</td>
<td>160</td>
<td>2,500</td>
<td>GDP and Jobs growth</td>
</tr>
</tbody>
</table>

**On top of the operational impact, there is an additional benefit to the Italian economy from EAG’s capital expenditure.** This capital expenditure is in the form of cabin interior purchases and IT investment by Etihad Airways from Italian suppliers. At the same time, EAG’s supply chains in other countries have an impact on the Italian economy. For example, aircraft purchased from Airbus in the wider EU provide a boost to Italian companies through the global...
supply chain, driving additional economic activity and supporting jobs within Italy.

EAG’s capital expenditure supports a further €100 million in GDP and 1,600 jobs in the country in 2016, accounting for direct, indirect and induced impacts. The GDP contribution increases to over €130 million by 2024, which sustains 2,100 jobs in the economy in this year.

Taken together the total core impact of EAG on the Italian economy (operational and capital expenditure combined) is therefore an estimated €270 million in GDP and 4,200 jobs in 2016. By 2024 this contribution is expected to grow to €420 million and 6,300 workers employed.

Fig. 8. EAG’s total core impact in Italy, 2016 and 2024

€ millions, 2016 prices  
<table>
<thead>
<tr>
<th></th>
<th>Operational</th>
<th>Capital expenditure</th>
<th>Jobs</th>
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<tbody>
<tr>
<td>2016 GDP</td>
<td>270</td>
<td>420</td>
<td>2,000</td>
</tr>
<tr>
<td>2016 Employment</td>
<td>4,200</td>
<td>6,300</td>
<td>6,300</td>
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</table>

3.2 EAG’S CATALYTIC IMPACT

The services offered by EAG also have an impact on Italian air connectivity. Through its hub in Abu Dhabi, EAG provides vital links for people and businesses to over 100 worldwide destinations, including to important emerging markets in the Middle East and East Asia.

EAG will provide a boost to Italian productivity equal to €230 million in GDP in 2016. This productivity boost is equivalent to an estimated 3,300 jobs in the Italian economy.

The services offered by Etihad Airways will continue to grow, with the number of passengers travelling to and from Italy on their flights increasing from 390,000 in 2016 to 790,000 by 2024. As a result, the catalytic impact is expected to rise to €660 million in 2024, equivalent to 9,300 jobs in the economy in this year.
We can also quantify the economic footprint of visitor spend enabled by EAG from the foreign visitors Etihad Airways is expected to carry into Italy—140,000 in 2016. Figure 10 shows the true origins of visitor arrivals to Italy on Etihad Airways flights. An estimated 17 percent of visitors originate from South Asia, while 45 percent are from the rest of Asia. Almost 20 percent are from Australasia (travelling via Etihad Airways’ Abu Dhabi hub), and 15 percent are from the Middle East.
The economic impact of Alitalia in Italy

The total tourism footprint of EAG will equal €240 million in GDP in 2016, supporting 4,300 jobs. By 2024, 270,000 visitors will be brought into Italy by Etihad Airways. Consequently, the tourism impact is expected to grow to €510 million in GDP and 8,800 jobs for the economy.

Fig. 11. EAG’s tourism impact in Italy, 2016-2024

![Graph showing GDP and jobs impact from 2016 to 2024](source)

In 2016, tourism spending of visitors brought into Italy by Etihad Airways will contribute €240 million to Italian GDP.
4. CONCLUSION

This report has quantified the expected economic impact of Alitalia and Etihad Aviation Group (EAG) in Italy in 2016, and then forecast their growing contribution through to 2024. Alitalia’s total core contribution to the Italian economy has been estimated at €2.1 billion in GDP and 29,700 jobs in 2016. The catalytic impact of Alitalia, as a result of enhanced connectivity both domestically and between Italy and the world economy, has been calculated to be €19.6 billion in 2016, constituting 1.2 percent of national GDP and equivalent to 289,000 jobs. The spending of the 2.3 million international visitors carried into Italy on Alitalia flights will also leave a significant economic footprint, which is estimated to contribute €2.6 billion in GDP for the country, supporting some 46,000 jobs.

The results highlight the considerable importance of Alitalia to the economy of Italy. Alitalia’s services are an integral part of Italy’s aviation network. It is the largest airline in Italy and in 2016 will carry almost 24 million passengers on over 205,000 flights to destinations within Italy and the rest of the world. The airline will continue to grow and expand its services. Consequently, we forecast that by 2024 its core contribution will reach €2.5 billion and 33,500 jobs. Meanwhile, the catalytic impact on the Italian economy will remain considerable at €19.3 billion. By 2024, the number of visitor arrivals carried by Alitalia to Italy is expected to rise to 2.6 million, by which time the enabled tourism spending will contribute €3.0 billion to Italian GDP.

Etihad Airways will operate 1,500 flights and carry 390,000 passengers to and from Italy in 2016. EAG’s core contribution to Italy will be an estimated €270 million in GDP in 2016, supporting 4,200 jobs. Together, Alitalia and EAG have a combined core impact of €2.4 billion in GDP and over 33,900 jobs in 2016. The core impact of Alitalia and EAG reaches €2.9 billion by 2024, supporting an estimated 39,800 jobs in the Italian economy.

Together, Alitalia and EAG will boost Italian productivity by €19.8 billion in 2016 or 1.2 percent of national GDP. This level of activity is equivalent to 292,000 jobs in the economy. The productivity boost continues to be significant at €19.9 billion in 2024, equating to an estimated 282,000 jobs. In 2016 the two airlines will carry a total of 2.5 million international visitors into Italy. Over half (54 percent) of these visitors will originate from somewhere in Europe, reflecting the importance of Alitalia to Europe’s internal aviation traffic, while North America and Asia will each account for 15 percent of visitors. The combined tourism footprint will equal €2.8 billion in national GDP, supporting 50,400 jobs. By 2024, this is expected to rise to €3.5 billion and 59,800 jobs for the Italian economy.
5. APPENDIX 1: DATA TABLES

Fig. A1. Alitalia’s core impact in Italy

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Source: Oxford Economics

Fig. A2. EAG’s total core impact in Italy

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Source: Oxford Economics

Fig. A3. Productivity boost of Alitalia’s contribution to Italy’s air connectivity

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Source: Oxford Economics, InterVISTAS, ACI, Diio

Fig. A4. Productivity boost of EAG’s contribution to Italy’s air connectivity

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<td>290</td>
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Source: Oxford Economics, InterVISTAS, ACI, Diio
### Fig. A5. Alitalia’s tourism spending impact in Italy

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<td>2,700</td>
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</table>

Source: Oxford Economics, OAG

### Fig. A6. EAG’s tourism spending impact in Italy

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</tr>
</thead>
<tbody>
<tr>
<td>GDP (€ millions, 2016 prices)</td>
<td>240</td>
<td>250</td>
<td>270</td>
<td>290</td>
<td>310</td>
<td>400</td>
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<td>510</td>
</tr>
<tr>
<td>Employment (headcount)</td>
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<td>4,500</td>
<td>4,800</td>
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<td>5,400</td>
<td>7,000</td>
<td>7,300</td>
<td>8,400</td>
<td>8,800</td>
</tr>
</tbody>
</table>

Source: Oxford Economics, OAG
Capital expenditure impacts: GDP and employment supported in the rest of the economy by the capital spending of the company or sector in question. In the study this refers to aircraft purchases, internal cabin expenditures and IT equipment. Also captures the supply chain (indirect) and employees’ spending (induced) impacts that flow from the initial investment by the company or sector.

Catalytic impacts: refer to the activity in the economy enabled and/or stimulated by aviation services. The impacts revolve around the benefits of air connectivity. The services provided by air transport connect people and businesses in one country with the rest of the world, facilitating a wide range of economic activity in both the local and global economy; from enabling business interaction to facilitating foreign investment, and encouraging tourism and trade. Ultimately, these inter-related ‘catalytic’ benefits act to boost the productivity of the economy and hence GDP.

Compensation of employees: gross wages of employees in employment (excluding the self-employed), including the value of employees’ and employers’ social contributions.

Connectivity: measures how well-connected a country is to the global air transport network. Defined as the number of seats available from an airport or country weighted by the importance of the destinations served. The weights reflect how “connected” each destination is in terms of potential onward connections and are approximated by the total number of passengers at each destination airport relative to Atlanta (the world’s largest airport). The catalytic impacts of aviation are centered on the concept of connectivity and its benefits.

Core impacts: the economic ‘footprint’ of a company or sector within an economy, as measured by the activity relating to the operations and capital spending of the relevant company or sector. The metrics used in the measurement are usually GDP and employment.

Direct impact: The economic activity that relates to the activities of company operating within the economy.

Employment: the number of people employed measured on a headcount basis.

Etihad Airways: the passenger airline entity within the wider Etihad Aviation Group (EAG).


Etihad partner airlines: the seven airlines in which EAG holds equity stakes, which are: Air Serbia, Air Seychelles, airberlin, Alitalia, Etihad Regional, Alitalia and Virgin Australia. All apart from Virgin Australia have been captured by the modelling in the study.

GDP, or Gross Domestic Product: The total value of final goods and services produced in the economy within a given time period. The contribution of an individual producer, industry or sector to GDP can be understood as either: 1) the value of output (goods or services) less the value of intermediate inputs used in the production process; or 2) the sum of compensation of employees (gross wages) and gross operating surplus (profits).

Gross operating surplus: profits, defined as earnings before interest, taxes, depreciation and amortization (EBITDA).
**Indirect impacts:** The economic activity generated by the procurement of inputs of goods and services from local suppliers.

**Induced impacts:** The economic activity supported in the economy by staff (direct employment) and those employed in the company's indirect supply chain spending their wage income, for example at retail and leisure outlets throughout the country.

**Operational impacts:** GDP and employment relating to the operations of the company or sector itself (direct impact) and the subsequent activity supported in the supply chain (indirect impact) and employees' spending (induced impact).

**Productivity:** GDP per unit of employment i.e., labor productivity.

**Tourism/visitors' spending:** consumer spending by foreign visitors, usually on accommodation, catering, recreation, retail and other tourism-related goods/services.

**Visitors:** in the study visitors are foreign tourists or business travelers who are not normally resident in the country in question.