

## The Impact of COVID-19 on Izmir's Economy: An Input-Output Analysis

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### Abstract:

COVID-19 has adversely impacted economies all around the world. The restrictions imposed on mobility and socialisation patterns have negatively influenced economic activities. This has been the case for Turkey as well. Upon the identification of the first case on March 11, 2020, restrictions were imposed. Travel bans have been introduced and service industries aimed at socialisation, such as cafes and restaurants, were obligated to restrict their activities. These have led to reduction in economic activities and fall in final demand. This paper aims to analyse the impact of the final demand contraction due to COVID-19 on the Izmir region. To fulfil the stated aim, a 39-sector regional input-output table representing year 2017 has been prepared for the Izmir region. The table originates from the 2012 Turkey Input Output Table due to TURKSTAT and moves on to become a table for only the Izmir economy. The adopted method is the demand side analysis of a regional input-output model for the Izmir case. A final demand shock vector has been prepared for the Izmir region and the shock has been introduced to the input-output model. Given the regional input-output table for Izmir, the demand shock has been used to conduct an impact analysis. The results of the analysis show a decline in the production and employment of the services sectors, especially the construction sector. Additionally, travel agency, tour operator and other reservation service and related activities sector experienced the worst contraction in production, while the hotels and restaurants sector experienced considerable contraction in employment.

**Keywords:** Input-output model, Regional economic activity, COVID-19, Izmir region economy

**JEL Codes:** C67, R11, R15