

Tourism

Sector Report

1st Semester 2022

Recovery beyond
the latest COVID wave

Situation and outlook:
an uncertain but
promising year

Sustainability
in tourism:
make or break

The importance
of revitalising the
tourism industry's
digitalisation





SECTOR REPORT

Tourism First Semester 2022

The *Sector Report* is a publication produced by CaixaBank Research

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2022



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We remain optimistic and expect 2022 to outperform 2021, although the situation is still highly uncertain at present.



13 SUSTAINABILITY IN TOURISM: MAKE OR BREAK

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19 REVITALISING THE SECTOR'S DIGITALISATION

Spain's tourism industry has a long way to go in terms of its digital transformation, especially in comparison with other European tourism industries.

«Investment in travel
is an investment in yourself.»

MATTHEW KARSTEN



Tourism

CAIXABANK RESEARCH PROJECTIONS FOR SPAIN'S TOURISM INDUSTRY

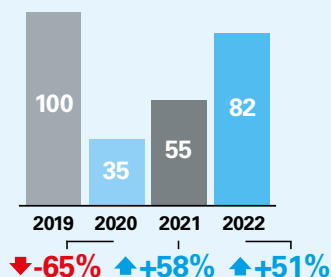


ON ROUTE TO CONSOLIDATING ITS GOOD PERFORMANCE

Once the difficulties created by the emergence of the Omicron variant have been overcome, the tourism sector will continue to grow and achieve very positive figures for 2022 as a whole.

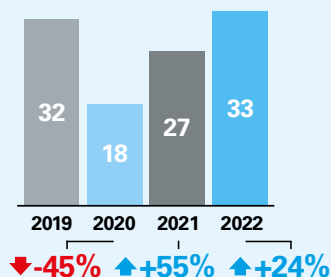
TOURISM-RELATED GDP

Index (100 = 2019)



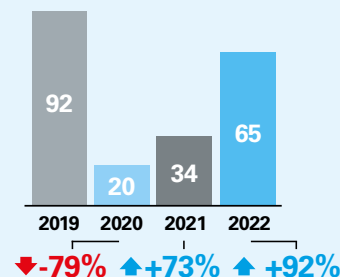
SPENDING BY DOMESTIC TOURISTS

Billion euros



SPENDING BY INTERNATIONAL TOURISTS

Billion euros



SUSTAINABILITY IN THE TOURISM INDUSTRY

There are two aspects to sustainability in the case of the tourism sector: the industry is directly affected by the consequences of climate change, plus its activity also generates pollution and puts pressure on the natural resources of a destination



Environmental



Economic



Sociocultural

OBJECTIVES

Optimal use of natural and environmental resources, as well as preserving biological diversity

Impact of tourism activity on the tourist destination's economy

Preserve and improve the tourist destination's cultural and architectural assets, and also its traditional values

INDICATORS



The trend in greenhouse gas (GHG) emissions



Average number of overnight stays per month and expenditure per tourist



Number of overnight stays as a proportion of the resident population

DIGITALISATION

There is still room for improvement in the tourism industry compared with other sectors

CaixaBank Sector Digitalisation Index

ICT SECTOR		67
TOURISM SECTOR	Retail	48
	Accommodation	46
	Transport	42
AGRIFOOD		38

Digitalisation of the tourism sector will improve its competitiveness and productivity in the long term

ACCESS TO A LARGER MARKET

MORE EFFICIENT SUPPLIER NETWORK

ABILITY TO PERSONALISE SERVICES

GREATER MARKET INSIGHT

HIGHER EMPLOYEE PRODUCTIVITY





Executive Summary

Recovery beyond the latest COVID wave

After the strong recovery undergone by the tourism sector last summer, the activity indicators published up to December showed no signs of slowing down. Demand, supply and prices all maintained the good performance observed in the summer and even continued to improve, further closing the gap with their pre-COVID levels. However, this positive trend has had to contend with another wave of COVID infections.

The current scenario has been affected by a large amount of uncertainty. The emergence of the Omicron variant, the increased pressure on hospitals and, as a result, the reimposition of some restrictions on travel and commerce point to a complex start to the year. Nevertheless, we expect the current shock to be less intense and shorter than in pre-vaccine waves, thanks to the fact that we now have solutions that were not available a year ago: the large proportion of the population that has been vaccinated, extensive testing and the booster vaccination campaign. Consequently, in the coming months we believe the pandemic will stabilise, enabling us to regain the level of domestic travel and upward trend in international travel recorded prior to the COVID-19 wave.

Our forecast scenario for 2022 remains relatively positive. We expect the pandemic situation to improve significantly, allowing the level of domestic and international travel to pick up and reinstating the upward trends observed prior to the COVID-19 wave.

All in all, our forecasts for 2022 are that tourism GDP will perform at a level of 82% compared with 2019 (a similar figure to 2016), pointing to annual growth of 51%.

We also believe the Next Generation EU (NGEU) funds will play a fundamental role in 2022, not only in terms of boosting growth but also to underpin the sector's long-term growth potential, covering investments in digitalisation, sustainability and improvements in infrastructure which the badly hit tourism industry can hardly afford at present. This Report provides a **detailed analysis of the extent of the tourism sector's sustainability and digitalisation to understand the growth potential that improvements in both areas can offer and, therefore, the impact the NGEU funds may have on the sector.**

In conclusion, **the latest wave of COVID-19 has made the beginning of the year more complex and has also intensified medium-term risks. Nevertheless, 2022 as a whole still looks like being a promising year** with growth expected to remain high, bringing the industry average to profitable levels of activity and with the NGEU funds providing a great opportunity to bolster the industry's competitiveness in the longer term.



Situation and outlook

An uncertain but promising year

The tourism sector's improved situation was palpable by the end of November. The good figures posted in the summer were consolidated thanks to the season being extended to October and part of November. However, this positive trend has been hampered by the emergence of the latest wave of COVID-19 in Spain, related to the Omicron variant, raising doubts regarding the stability of the tourism sector over the coming months, which could see a negative start to 2022. Nevertheless, once this wave stabilises the sector is likely to return to the recovery observed up to last November. Looking ahead to 2022 as a whole, we remain optimistic and expect an appreciable improvement on the 2021 figures despite the high uncertainty today.

After the strong recovery posted by the tourism sector last summer, the activity indicators published up to December showed no signs of slowing down. Demand, supply and prices all maintained the good performance observed in the summer and even continued to improve, further closing the gap with their pre-COVID levels, in spite of pandemic-related risks reappearing towards the middle of November when infection rates rose again in Europe and the new Omicron variant started to spread. Nevertheless, tourism demand remained very solid, consolidating week by week the great improvements achieved mid-2021.

Tourism demand performs well up to December

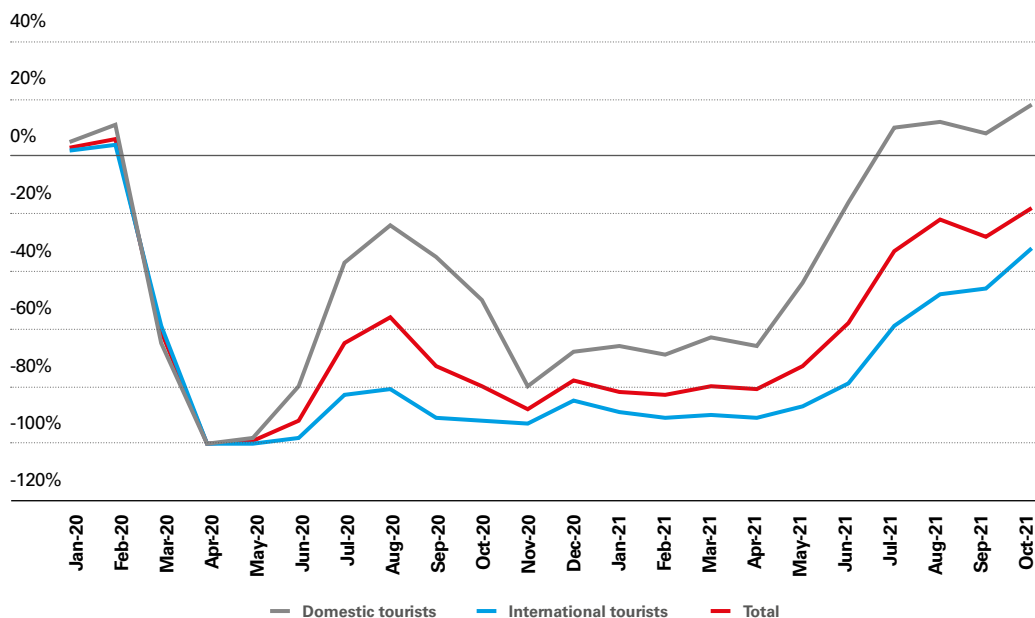
According to data from the hotel and non-hotel occupancy surveys carried out by the National Statistics Institute, the sector's recovery intensified in October. Total overnight stays were 18% below the figures for the same month in 2019, improving 4 pp on August's already good figures. International tourist overnight stays were 32% below the level posted in October 2019 (17 pp better than in August), thanks to a very strong recovery in British tourist arrivals, achieving levels higher than those recorded in August. There was also a surprise from domestic tourist overnight stays, performing 18% above their level of October 2019. This dynamic supports the hypothesis that pent-up and captive demand¹ have continued to have a significant effect on domestic tourism, and that the industry's efforts to lengthen the season have paid off.

¹ Captive demand refers to the substitution effect, in domestic tourism, of foreign travel for internal travel within Spain. According to the most recent figures from the resident tourism survey (FAMILITUR) by the National Statistics Institute, only 10% of the expenditure by Spanish residents was abroad last June, compared with 32% in June 2019.

Tourism demand indicators show that the recovery in the sector accelerated in October thanks to a longer tourism season

Tourist overnight stays

Change compared with the same month in 2019



Note: Tourist overnight stays in hotels, rural tourism establishments, tourist apartments and campsites.

Source: CaixaBank Research, based on data from the National Statistics Institute.

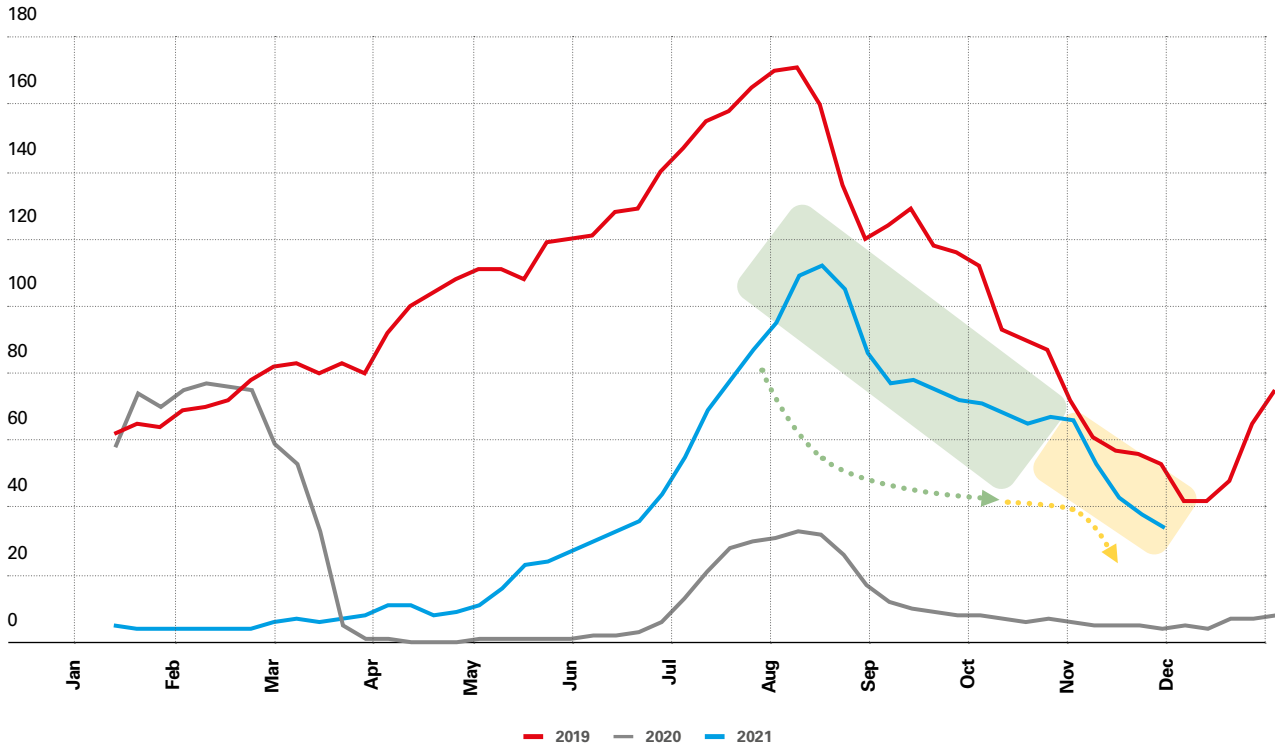
The «stretching» of the tourist season had a clear effect in October but, according to CaixaBank POS card spending data via hotel businesses, this effect does not seem to have continued in November. As can be seen in the chart below, between mid-August and the last week of October the seasonal drop in spending was less than in 2019, bringing weekly spending in 2021 appreciably closer to the 2019 level. However, a correction in this effect has been observed since the first week of November, with expenditure in 2021 returning to a seasonality that is more similar although somewhat less acute than in 2019.





CaixaBank indicator of foreign card use at hotel businesses*

Index (100 = average 2019)



Note: (*) The indicator includes in-person spending by card via CaixaBank POS terminals at hotels.
Source: CaixaBank Research, based on internal data.

Business tourism: more resilient but cooler

Apart from an analysis of holiday and leisure tourism, very dominant during the high season, it is also revealing to look at the situation of business tourism, which is very important for keeping tourism businesses going during the winter months and key for urban tourist destinations. This kind of tourism is not a mainstay for the sector but is a fairly important source of revenue that generated 8.2% of total tourism expenditure in 2019, with both domestic (with shorter stays) and international (more focused on large trade fairs) business tourism making very similar contributions.

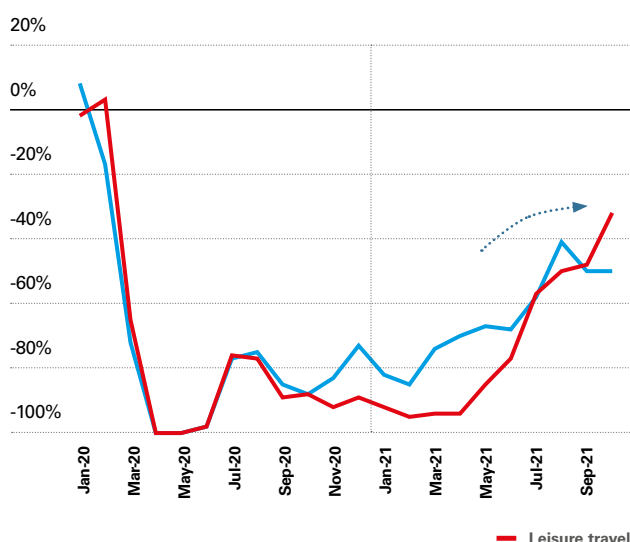
As shown in the double chart below, before the big recovery began in May 2021, business tourism fared relatively better than leisure tourism, both international and domestic. However, the number of domestic tourists travelling on business has levelled off at a rate that is about 30% lower than in the same period in 2019. International tourists travelling for business did recover as from May 2021 but at a slower pace than leisure tourism, which has been showing signs of stagnation in recent months.

This stagnation could be due to the impact of the digital transformation experienced during the pandemic, with the result that business relations rely much less on face-to-face encounters, especially meetings (more relevant for domestic tourism). This could mean that, once travel gets back to normal, business tourism will have less potential to improve.

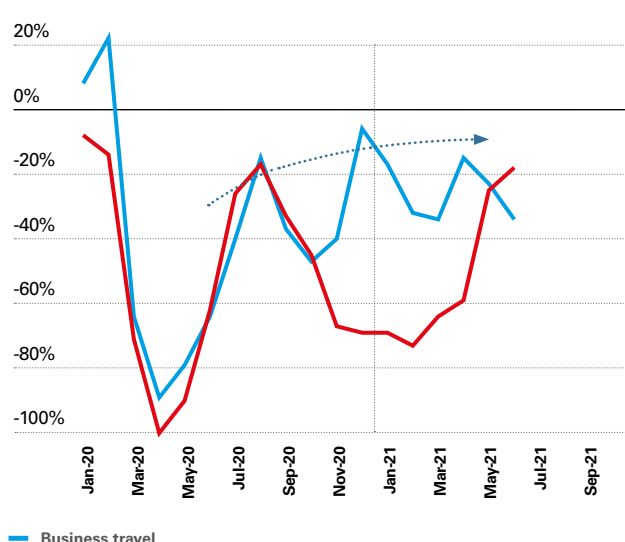
Number of tourists by the main reason for travelling

Change compared with the same month in 2019

INTERNATIONAL TOURIST ARRIVALS



MOVEMENT OF DOMESTIC TOURISTS*



Note: (*) At the closing date of this Report, data on domestic tourism were only available up to June 2021.
Source: CaixaBank Research, based on data from the National Statistics Institute.

What big data can tell us about the state of the tourism industry

Given the changing and uncertain nature of the current situation, it is becoming increasingly important to be able to carry out analyses using large databases that provide much more insightful information. Consequently, at CaixaBank Research we use big data methodology to study card payments made via CaixaBank point-of-sale (POS) terminals in order to develop highly granular indicators for tourist spending.

If we look at the CaixaBank POS card consumption indicator by branch of activity, updated to the last week in November (see the chart below), we can see that the differences between sectors had an effect on their recovery. Specifically, the sectors in the part of the value chain closest to consumption at destination saw the effect provided by pent-up demand dissipate to some extent, while the intermediate sectors (transport and marketing) saw their conditions gradually improve.

An analysis of CaixaBank's internal data suggests that the differences between sectors in tourism's recovery began to dissipate in the second half of 2021



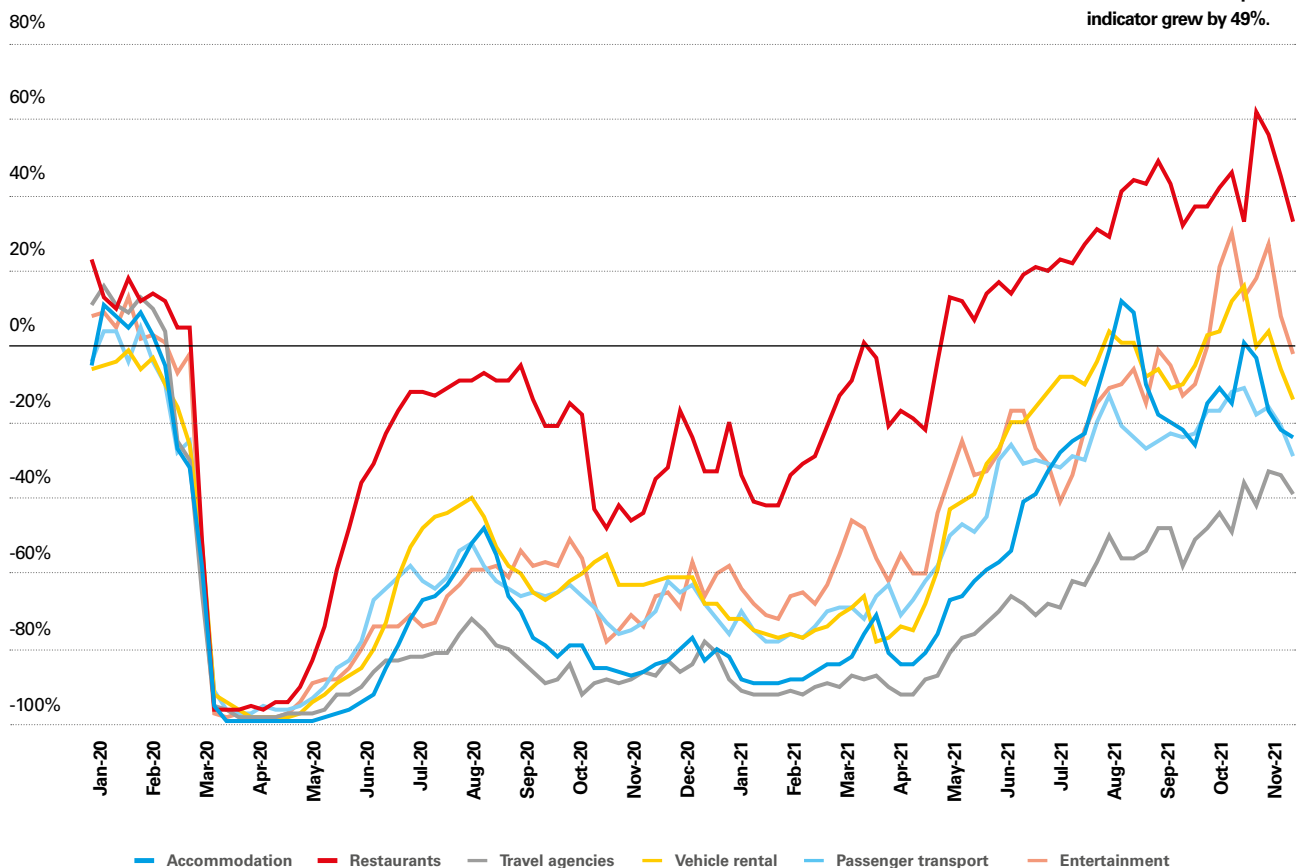
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The situation of the travel agency and passenger transport sector gradually improved after suffering a set-back last summer, reaching levels, in the last week of November, that were 39% and 29% below the same period in 2019, respectively (see the chart), whereas other sectors that had been more buoyant in August 2021, such as accommodation and vehicle rental, moderated their recovery, bringing their situation closer to the average. In turn, the card consumption indicator for hospitality posted very high growth in turnover at the end of November, pointing to a good situation in the sector but also to the increased use of cards in this type of establishment following the emergence of COVID-19.²

② The consumption indicator based on CaixaBank POS card payments suggests a more positive trend than the one indicated by real consumption, due to the effect of the greater use of cards as a means of payment following the outbreak of COVID-19. According to data from the National Statistics Institute, restaurant turnover fell by 12% in September 2021 compared with the same month in 2019, while the CaixaBank consumption indicator grew by 49%.

CaixaBank consumption indicator*

Change compared with the same week in 2019



Note: (*) The indicator includes in-person spending by card via CaixaBank POS terminals, by type of business.

Source: CaixaBank Research, based on CaixaBank's internal data.

SPECIFIC ANALYSIS

Uneven recovery for the hotel industry in the summer

The sector recorded a very strong recovery in the summer months of 2021 but not to the same extent for all branches, as can be readily seen if we analyse the growth in tourist overnight stays in the different autonomous regions, whose performance was disparate, ranging from decreases of more than 40% compared with summer 2019 to growth of almost 10%.

To better understand this disparity in the recovery among hotel companies, we analysed how turnover picked up across all hotel businesses using CaixaBank POS terminals, an analysis which allows us to break down the improvement recorded in tourism expenditure.

As can be seen in the tables below, on aggregate the sector's recovery has not been entirely representative, with big differences between the 25% of hotels with the best and worst performance. According to our analysis, the median change in hotel POS turnover in summer 2021 compared with the same period in 2019 was -16%. However, more than 25% of the hotels with CaixaBank's POS terminals posted declines of more than 52% last summer, while the 25% of hotels with the best performance achieved growth in excess of 19%.³

³ These figures are taken from the 25th and 75th percentiles of the distribution of hotels with CaixaBank POS terminals.

These differences remain even when we take into account the extent of dependence on foreign tourism, the hotel size and autonomous region in question (see the tables), confirming that there is significant inequality within the sector and that, as a result, a large number of hotels are still experiencing difficulties. Economic policy tools should therefore continue to take this inequality into account and maintain the support mechanisms in place for those companies that have been hit the hardest.

CaixaBank POS turnover for hotel businesses between July and September 2021

Distribution of change compared with summer 2019

Total distribution of turnover in hotel businesses

	25th percentile	Median	75th percentile
Total hotel businesses with a CaixaBank POS terminal	-52%	-16%	19%

By dependence on foreign tourism

	25th percentile	Median	75th percentile
More dependent on domestic tourism	-42%	-6%	27%
More dependent on foreign tourism	-61%	-29%	7%

By business size and dependence on foreign tourism

	25th percentile	Median	75th percentile
Hotels more dependent on domestic tourism			
Small size	-43%	-5%	28%
Medium size	-37%	-9%	20%
Large size	-34%	-1%	21%
Hotels more dependent on international tourism			
Small size	-63%	-29%	7%
Medium size	-59%	-27%	3%
Large size	-57%	-30%	8%

By autonomous region

	25th percentile	Median	75th percentile
Extremadura	-26%	8%	25%
Cantabria	-40%	3%	34%
Galicia	-34%	1%	25%
Aragón	-33%	1%	33%
Castilla y León	-38%	0%	28%
Asturias	-38%	-2%	18%
Castilla-La Mancha	-33%	-3%	39%
Navarra	-37%	-6%	16%
La Rioja	-36%	-13%	25%
Murcia	-37%	-16%	40%
Balearics	-50%	-16%	14%
Spain	-52%	-16%	19%
Catalonia	-54%	-19%	18%
Valencia	-63%	-21%	14%
Canaries	-60%	-23%	11%
Andalusia	-53%	-25%	20%
Basque Country	-56%	-33%	3%
Madrid	-70%	-49%	-12%

Source: CaixaBank Research, based on CaixaBank's internal data.



The real-time situation of tourism in Europe

Although the indicators for Spain's tourism business paint a very positive picture up to December, the emergence of the new Omicron variant has considerably altered the short-term outlook. The escalation of restrictions to contain this new wave will impair activity figures for the beginning of 2022, although there is still a great deal of uncertainty regarding the extent of the shock since, this time around, the tools at our disposal to combat the pandemic's spread are no longer based solely on travel restrictions but also on vaccinations, testing capacity and the booster campaign.

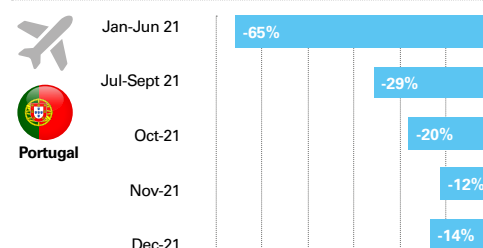
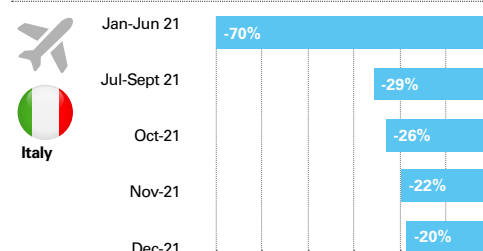
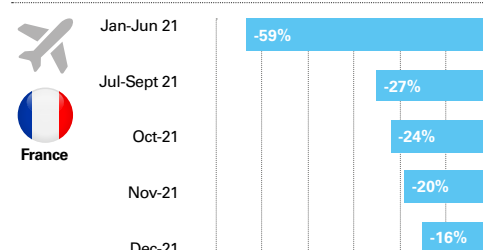
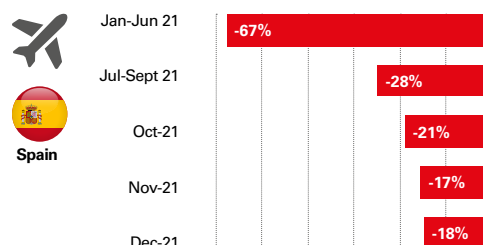
In this respect, we can learn from what the countries of northern Europe went through in December, when they were already battling with the latest COVID-19 wave and were forced to take more restrictive measures. **We therefore analysed the high-frequency flight data provided by Eurocontrol, which aggregate domestic and international operations and help to estimate the movement of tourists in other countries within our environment.** As can be seen in the chart below, air travel in the countries affected earliest by the latest COVID wave was not so strongly affected in December. Only Austria, where tighter restrictions were imposed, posted a significantly lower number of flights than its pre-COVID benchmark, with a 42% drop compared with December 2019 (-35% in November). Meanwhile, air travel in southern European tourist destinations, in general less affected by the wave in December, posted levels between 20% and 15% lower than in the same period of 2019, improving on November's performance.

This analysis of experiences in other European countries suggests that the impact of this new variant might not be as great as in pre-vaccine waves, although it is still expected to be substantial.

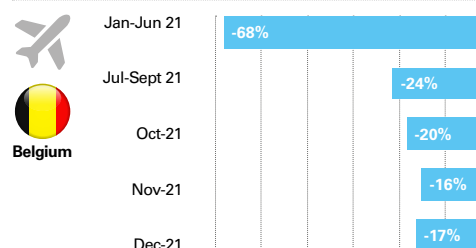
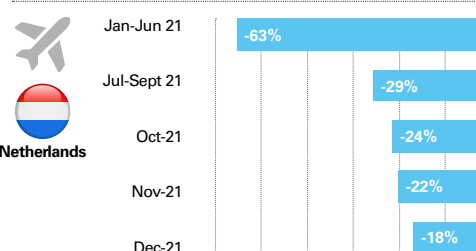
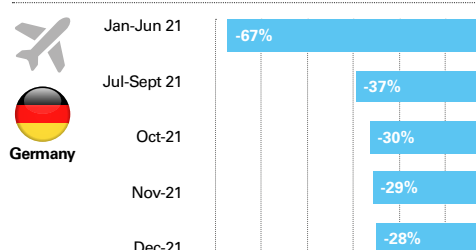
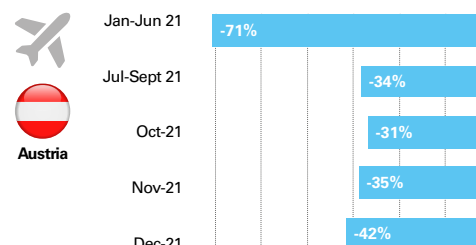
Flight departures and arrivals registered at national airports

Change compared with the same period in 2019

EUROPEAN TOURIST COUNTRIES



FIRST EUROPEAN COUNTRIES AFFECTED BY THE COVID-19 WAVE



Note: The data for December correspond to the first 20 days of the month.

Source: CaixaBank Research, based on data from Eurocontrol.

CaixaBank Research forecasts for the tourism industry in Spain

The current scenario is highly uncertain. An analysis of all indicators, official, internal and high-frequency, paints a very positive picture, even during the month of December. However, the pandemic has intensified significantly and, with it, the current escalation in restrictions will represent a major obstacle to this recovery, at least during January and February, as well as increasing the medium-term risks.

To construct our forecast scenario, we have assumed that January and February will be significantly affected by the restrictions. However, their impact should be much less than in previous waves, thanks to the fact that, in addition to the restrictions, we also have medical solutions that were not available a year ago, in particular the large proportion of the population that has been vaccinated, which should have a substantial effect on the



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likelihood of severe cases developing, the high testing capacity and booster vaccination campaign.⁴ Consequently, in the medium term we expect the pandemic to stabilise, which should help to restore the level of domestic travel and the upward trend in international travel observed prior to the recent wave of COVID-19.

Given these mixed indications, we expect 2021 to have ended with GDP at 55% of its 2019 level, a 58% improvement on the 2020 figure thanks to the positive inertia of international and domestic tourism observed in our analysis of available indicators.

Looking ahead to 2022, we believe the difficult start to the year will not set the tone for the year as a whole. We therefore predict that international tourist expenditure will grow by 92% and reach around 70% of the spending level observed in 2019. In this scenario, we envisage a complex start to the year due to the latest COVID wave but assume that its impact will be temporary and that the sector will return to growth, largely supported by the recovery in EU and British tourist travel, which had recorded a very positive trend up to December 2021. Regarding domestic tourism, we expect the restrictions to have less of an impact and that, during the high season, the effect of captive demand will continue to keep Spanish tourist expenditure at similar levels to 2019, with annual domestic tourism expenditure exceeding its pre-pandemic level.

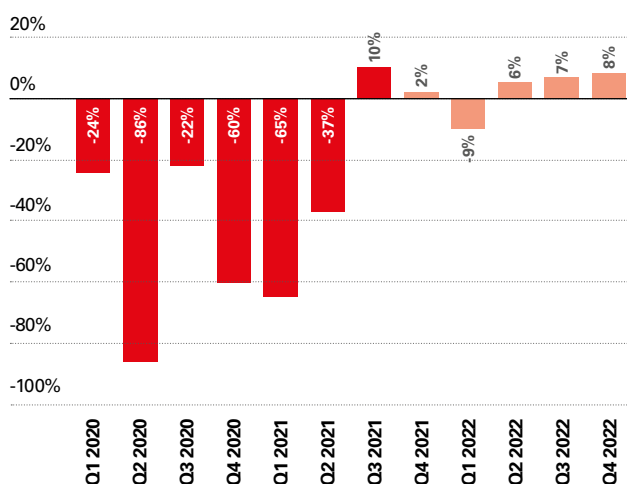
④ According to recent studies, the booster vaccination is considerably effective against the Omicron variant in terms of containing the development of symptoms. Specifically, according to a preliminary study carried out in the United Kingdom, the effectiveness of a booster dose of the Pfizer vaccine prevents the development of symptoms in 71% to 75% of cases.

Tourist expenditure in Spain

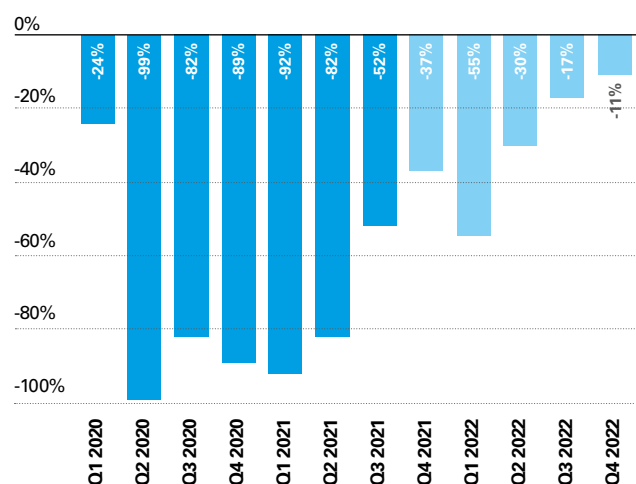
Change compared with the same quarter in 2019



DOMESTIC TOURISTS



INTERNATIONAL TOURISTS



Note: Expenditure forecasts for domestic and international tourists as of July 2021 and November 2021, respectively.

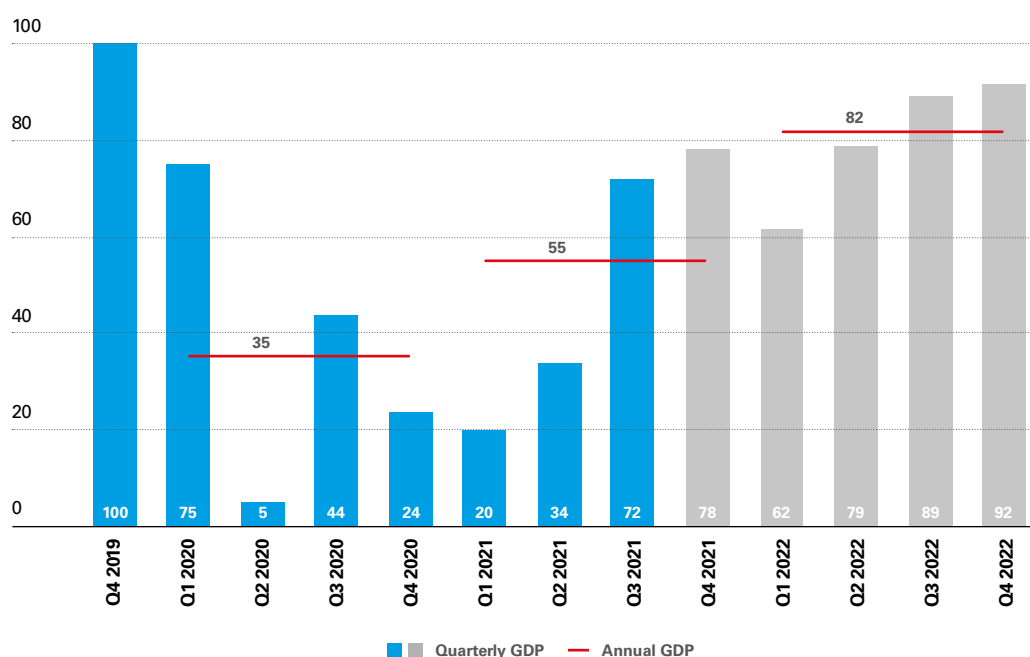
Source: CaixaBank Research, based on data from the National Statistics Institute.

Our forecast scenario for 2022 is positive despite a complex start to the year due to the pandemic: we expect tourism GDP to recover strongly and grow by 51% in 2022

Regarding the level of tourism GDP in 2022, the year as a whole is expected to be positive despite the difficulties encountered in Q1. **The stabilisation of the pandemic during the spring season and renewed dynamism in the summer months will lift tourism GDP to 82% of its 2019 level, with annual growth of 51%.** While our tourism GDP projections for 2022 will be very positive for the sector (at a similar level to that of 2016), we still expect an appreciable gap compared with its performance in 2019. In addition to the difficult start to the year, this will also be due to the fact that we do not expect tourism from long-haul and less traditional markets to recover at a fast pace this year.

Trend in tourism GDP

Index (100 = 2019)



Note: Projection as from Q4 2021.

Source: CaixaBank Research, based on data from the National Statistics Institute.



With this outlook, we expect the 2022 financial year to be profitable for the sector on average, confirming that the tourism industry's long-term sustainability is beyond doubt. Nevertheless, it is important for economic policy to continue to be adapted effectively, given that the pandemic is still impacting the tourism industry as a whole and some businesses in particular are encountering great difficulties. **The worsening pandemic has made the situation even more complex and we therefore believe it is vital to extend the furlough system currently in place.** Additionally, the Fund for Supporting the Solvency of Strategic Companies managed by SEPI, totalling 10 billion euros and of which 1.08 billion have already been allocated, continues to be crucial for the stability of key tourism businesses.

Last but not least, the role played by the NGEU funds will also be significant when it comes to supporting digitalisation, sustainability and improvements in infrastructure, investments which the hard-hit tourism industry can hardly afford at present.⁵ The NGEU lines of investment in the tourism sector are specified in the Tourism Sector Modernisation and Competitiveness Plan of Spain's Recovery, Transformation and Resilience Plan. In this plan, investments of 3.4 billion euros have been budgeted over three years, including 1.9 billion euros to promote the sustainability of the sector and 337 million euros in digitalisation. Although such amounts may seem somewhat limited for such a large sector, which before the pandemic accounted for 12.4% of Spain's GDP (154 billion euros of GDP), the plan is a move in the right direction and should also encourage private initiatives to step in and once again invest in transformation as a means of exiting this crisis, maintaining Spain's status as the most competitive tourist destination in the world.

⁵ See the articles «Sustainability in tourism: make or break» and «The importance of re-vitalising the tourism industry's digitalisation» in this Report.

Raising awareness in the industry

Sustainability in tourism: make or break

One of the consequences of the COVID-19 health crisis has been the increased awareness of the population and, by extension, that of politicians regarding the need to include sustainability criteria in economic policies in order to promote a more sustainable and resilient reactivation of the economy. The tourism industry is no stranger to these trends; firstly, because its business can be adversely affected by the consequences of climate change and, secondly, because there is ample scope for the industry to become more sustainable. This article attempts to determine what we understand by sustainability in the tourism sector, how it can be measured, the current situation of Spain's tourism industry and where it is heading.

What do we mean when we talk about sustainability in tourism?

Spain's tourism industry has developed exceptionally in recent years, becoming one of the country's main sources of business, income and employment. However, this strong development had also led to the emergence of some negative actions and social unease regarding the role played by tourism at certain destinations and moments until, in 2020, the coronavirus crisis paralysed the sector's activity and highlighted its social and economic relevance for many areas in Spain. At present, the policies implemented by the European authorities and the Spanish government itself clearly indicate a way out of the crisis based on criteria of sustainability and resilience which, in the case of the tourism sector, consists of two aspects. On the one hand, tourism is particularly sensitive to the impact of climate change, such as rising sea levels, extreme weather events, environmental degradation and biodiversity loss. On the other hand, as tourism is an activity that involves high levels of atmospheric pollution and puts great pressure on natural resources, there is ample room for improvement to make the sector more sustainable.

The World Tourism Organization defines the principles of sustainability in terms of the environmental, economic and socio-cultural aspects of tourism development



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In this respect, the World Tourism Organization (UNWTO) defines the principles of sustainability in terms of three areas: environmental, economic and socio-cultural. The first area aims to make optimal use of natural and environmental resources, as well as to preserve biological diversity. The economic aspect corresponds to tourism's impact on the economy of the locality receiving tourists, in such a way as to promote long-term viable activities, with stable employment opportunities and well-distributed socio-economic benefits. Finally, the socio-cultural aspect seeks to conserve and strengthen the cultural and architectural assets and traditional values of the tourist destination in question.

How can we measure the sector's progress towards sustainability?

In order to gauge the degree of sustainability in the sector and the steps that should be taken in the future, we have created a relevant indicator for each of the three aspects defined by the UNWTO regarding tourism's sustainability. It should be noted that our analysis has been carried out using data prior to 2020, as the effect of the pandemic on these indicators would distort the analysis contained in this article.

Most of the tourism industry's greenhouse gas emissions are concentrated in the transportation sector

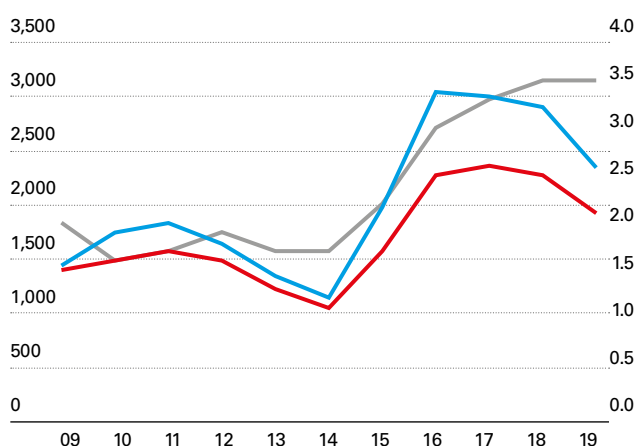
In **environmental terms**, we have taken the trend in greenhouse gas (GHG) emissions into the atmosphere by the sectors that make up Spain's tourism industry.⁶ For this analysis, we have only taken into account the trend in the three gases that are most emitted into the atmosphere: carbon dioxide (CO₂), nitrogen oxides (NOx) and carbon monoxide (CO). The first conclusion that can be drawn is that most of the GHG emissions come from the transport sector (accounting for around 12% of tourism GDP), specifically the emission of nitrogen oxides resulting from combustion engines. These sectors are among the most polluting of all industries. Moreover, the pollution level has increased since 2013 for air transport, and although they have decreased for land transport they are still at an incredibly high level. With respect to accommodation and hospitality services, as well as travel agency and tour operator activities, carbon monoxide is the pollutant emitted most into the atmosphere.⁷ Although the pollution level are not alarming, far from moderating they actually grew by 78% in the case of accommodation and 38% in the case of agencies and tour operators between 2013 and 2019.

⑥ This analysis considers the data provided by the National Statistics Institute by branch of activity: accommodation services, food and beverage services (branch 55-56, according to CNAE 2009); activities of travel agencies, tour operators, booking services and related activities (branch 79); land and tube transportation (branch 49), and air transport (branch 51).

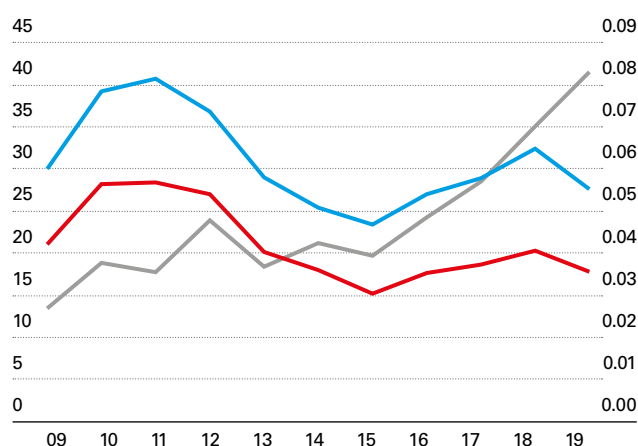
⑦ This type of GHG is produced every time a fossil fuel such as natural gas, propane gas, petrol, oil, kerosene, wood or coal is ignited. In other words, the sector produces this as a result of people using heating and cooling systems and combustion stoves.

Greenhouse gas emissions by tourism sector

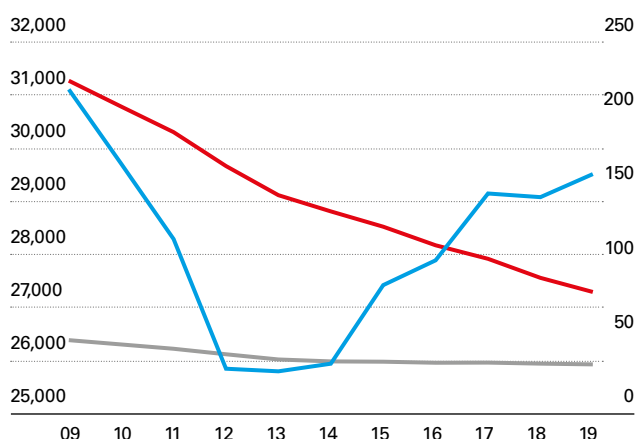
ACCOMMODATION SERVICES, FOOD AND BEVERAGE SERVICES



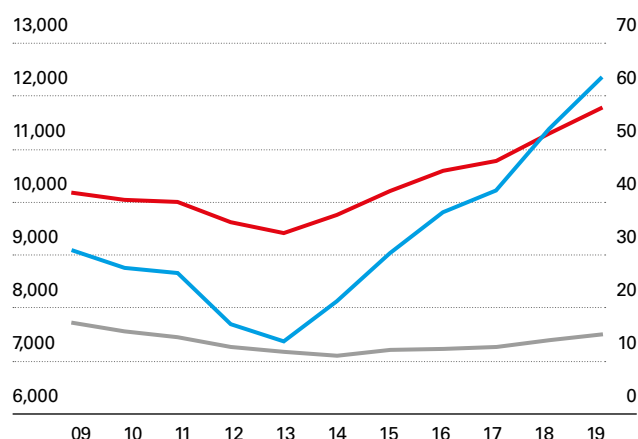
ACTIVITIES OF TRAVEL AGENCIES, TOUR OPERATORS AND RELATED ACTIVITIES



LAND TRANSPORT



AIR TRANSPORT



— Carbon dioxide (left scale) — Nitrogen oxides (right scale) — Carbon monoxide (right scale)

Note: Data in thousands of tonnes. The transport sectors (land and air) also include freight transport.
Source: CaixaBank Research, based on data from the National Statistics Institute.

The indicators of **economic value** consider the contribution made by tourism to the economic sustainability of each destination. The variables we have used to measure this are the average number of overnight stays per month (volume of activity) and the expenditure per tourist (value of that activity). The volume and value of tourism are essential to the economic sustainability of a destination: the greater the expenditure per day, the more efficient the destination in terms of generating tourism value.



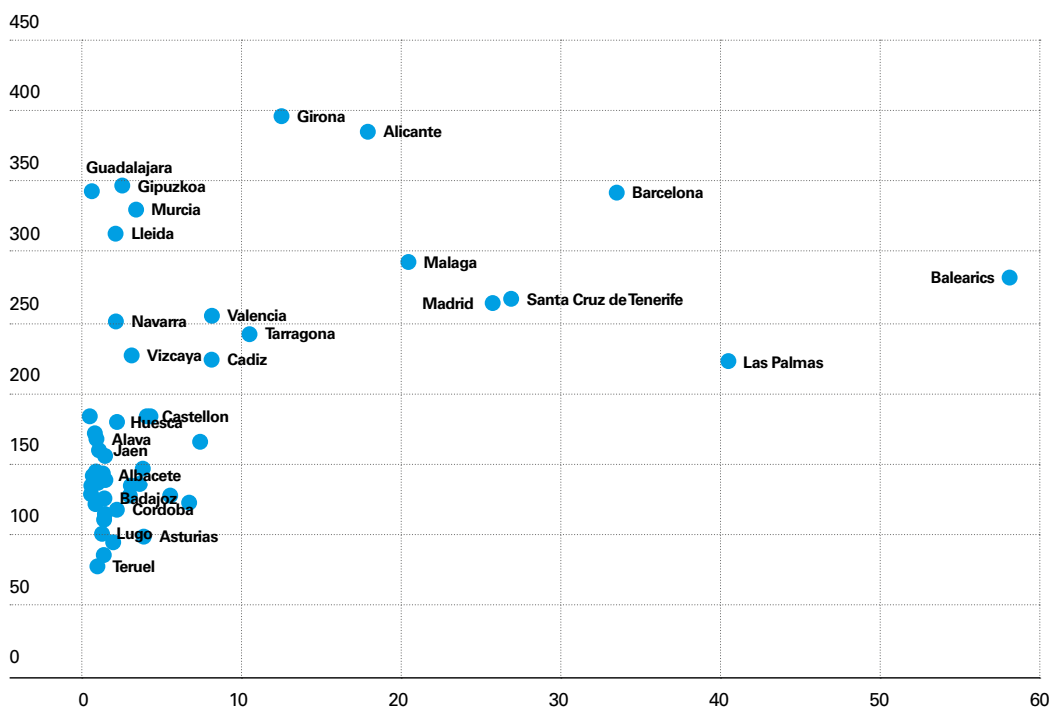
Tourism

The relationship between volume (number of overnight stays) and expenditure per tourist can be seen in the figure below.⁸ In the most tourism-oriented provinces (those with more than 10 million overnight stays per year), average expenditure is around 300 euros per tourist. The case of Las Palmas is particularly negative in this respect: it ranks second in terms of overnight stays but only has a modest average expenditure. Among the rest of the provinces, the average expenditure per tourist is below 175 euros. Girona, Alicante and Gipuzkoa are particularly positive in economic terms as they typically have a more modest volume of hotel stays but a very high expenditure per tourist.

⁸ Total tourist expenditure by province has been estimated using in-person card payments by domestic and international tourists via CaixaBank POS terminals in 2019.

Economic indicators: tourist expenditure vs. overnight stays

Y axis: Expenditure/tourist; X axis: Overnight stays (million)



Source: CaixaBank Research, based on data from CaixaBank and the National Statistics Institute.

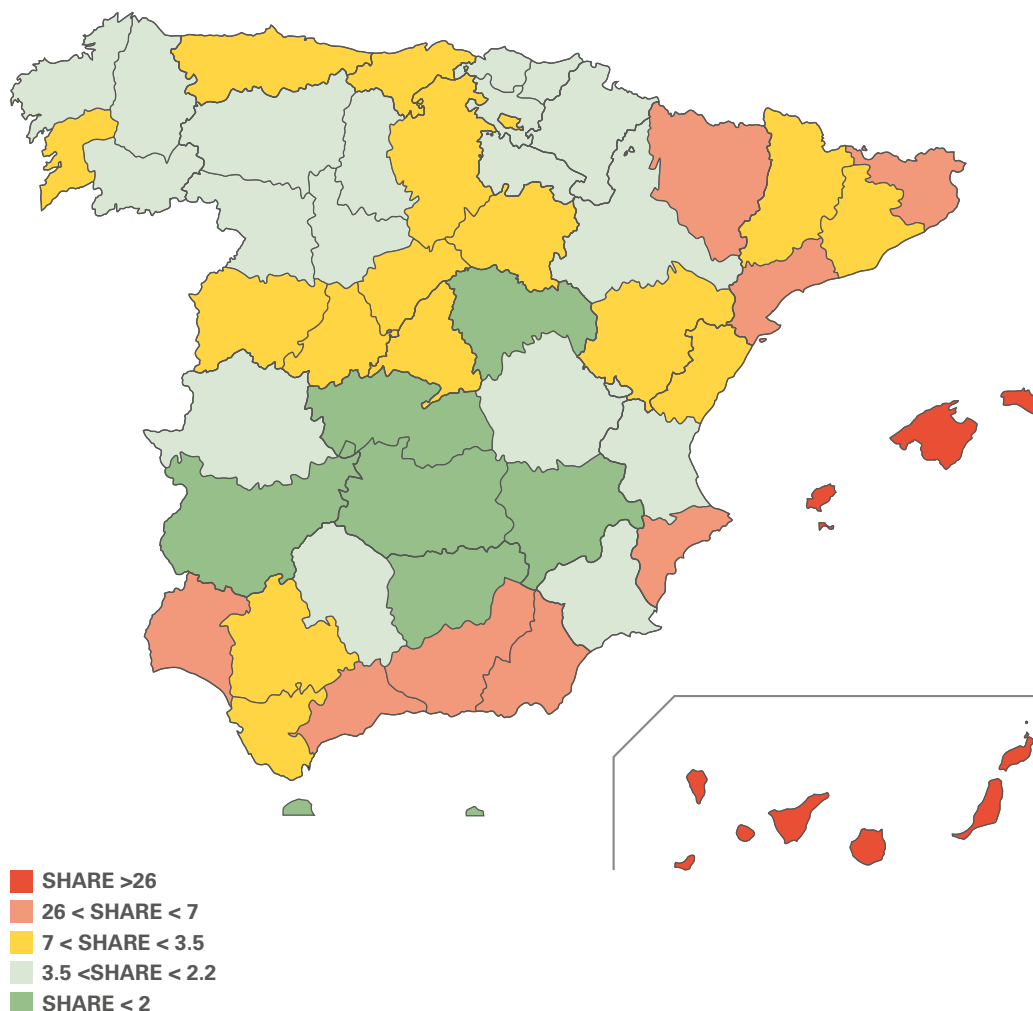
⁹ In Spain, the ratio of the volume of overnight stays to the resident population is slightly above seven, which can be taken as a reference for the average congestion for the country as a whole. Congestion above these levels can be considered as high. In the case of the EU, it is around four, according to data provided by Eurostat.

As a basic indicator to gauge **the social and cultural impact** of different tourist destinations, we have measured congestion in the various provinces as this influences residents' satisfaction and is a basic indicator of the social impact of tourism on a community. To this end, we have used the variable of the number of overnight stays in proportion to the resident population, the results of which can be seen in summary form in the map below. In general terms, no significant tourism pressure is observed in most of the country.⁹ However, the most noteworthy cases are the following: (i) the island regions, eminently beach and nature destinations which receive a lot of international tourism,¹⁰ (ii) certain areas close to the border with France that offer beach and mountain tourism (Huesca, Tarragona and Girona) with a small local population and that are visited by neighbouring countries, as well as (iii) certain towns in Andalusia that receive both domestic and international tourism (Malaga, Huelva and Almeria). It seems that congestion in the most tourist-oriented destinations has actually worsened in recent years, given that the population has grown, on average, much less than the number of tourists.¹¹

¹⁰ In fact, the Balearic Islands stand out as the European region with the highest congestion in terms of the number of annual visitors they receive, according to regional data provided by Eurostat, ahead of the autonomous province of Bolzano (Italy), the Algarve (Portugal), Tyrol and Salzburg (Austria).

¹¹ In the past 10 years, Spain's population has grown by 2% on average while international tourist arrivals have increased by nearly 60%.

Overnight stays as a share of the resident population



Source: CaixaBank Research, based on data from the National Statistics Institute.

Towards a new, more sustainable and competitive model

In light of the available indicators, it seems evident that there is room for improvement over the coming years. Regarding the environment, pollution levels have actually increased in recent years and the potential areas of improvement range from promoting more energy-efficient buildings and more modern air conditioning systems to more sustainable travel, among other aspects. In economic terms, there is no doubt regarding the importance of the sector for the Spanish economy as a whole, although it will be necessary to keep an eye on those destinations with high levels of congestion, where the sector's economic contribution is modest. Finally, in socio-cultural terms there are some regions with an increasingly excessive tourism demand, which can make the resident populations uneasy due to congestion problems in small towns with limited public services, especially as they are not always prepared to absorb such a huge seasonal demand.



Tourism

The sector's agenda for sustainability involves implementing initiatives that pre-date COVID-19 and now make it possible to take advantage of funds from Europe.¹² Specifically, the Spanish tourism industry is covered by the government's Recovery, Transformation and Resilience Plan via the policy of «Modernisation and digitisation of the industrial fabric and SMEs, recovery of tourism and promotion of an entrepreneurial nation Spain», in which component 14 outlines a Modernisation and Competitiveness Plan for the Tourism Sector. Within the latter, the area that will receive the most investment is the Strategy for Sustainable Tourism at Destinations, which has an estimated budget of 1.9 billion euros for the next three years.¹³

The ultimate goal is none other than to try to improve the competitiveness of Spain's tourism industry by means of a new model with greater added value

The objective of these initiatives is not only to ensure that Spanish destinations are capable of integrating environmental, socio-economic and regional sustainability criteria into the tourism products and services they supply but also to develop resilience strategies in the face of current challenges (climate change, excessive demand for tourism, health and safety-related crises) and to achieve greater cohesion among the different regions. In other words, to improve the distribution of the burdens on the country and establish an integrated approach to help slow down its depopulation. The ultimate goal is none other than to try to improve the competitiveness of Spain's tourism industry by means of a new model that is more sustainable, of higher quality and, therefore, of greater added value.



¹² At the beginning of 2019, the Spanish government and Secretary of State for Tourism had already begun work on Spain's Sustainable Tourism Strategy 2030, which took into account the need to include sustainability criteria for the sector and began to introduce the objectives and criteria that, through the NGEU funds, have now been established in the new Strategy for Sustainable Tourism at Destinations.

¹³ The government held the first extraordinary call for Sustainability Plans in November 2021. 615 million euros were disbursed to the autonomous regions, taking into account economic variables (percentage of tourism GDP with respect to regional GDP and the reduction in the number of tourism workers between December 2019 and December 2020), regional variables (the size of the autonomous region as a percentage of the total area of Spain and population density) and tourism variables (number of international tourists received in 2019 and spending by these tourists).

Transformation and capacity

The importance of revitalising the tourism industry's digitalisation

The sectors most closely related to tourism are digitalising faster than the average for the Spanish economy but there is still a long way to go, especially when compared to other tourism industries in Europe. In the next few years, it will be crucial for Spain's tourism industry to be able to remedy this situation by means of a clear commitment to digitalisation, which will help to improve its long-term growth capacity. The European NGEU funds are an opportunity to revitalise investment in the digitalisation of tourism businesses after two very tough years for the industry.

Digitalisation has gained even more prominence in our lives in the wake of the pandemic. Consumers have radically changed how they communicate, work and consume and the business fabric has adapted very quickly to these changes, accelerating its digitalisation with the extensive implementation of teleworking and enormous growth in e-commerce sales.¹⁴ This transformation is crucial to ensure the long-term growth of all sectors. Companies that invest in digitalisation in the coming years will be investing in a strategy that will help them to gain in productivity and competitiveness and will therefore improve their prospects considerably, while those that lag behind may lose prominence.

Some sectors, such as retail, have made great strides during the pandemic thanks to the unprecedented incorporation of digitalisation into their sales channels. The tourism industry has also realised the importance of e-commerce although, due to the economic problems it has experienced during the pandemic, it has not been able to make such remarkable progress. Nevertheless, the industry's economic recovery and the arrival of the Next Generation EU (NGEU) funds could provide an impetus for the sector to continue digitalising.

¹⁴ See «e-commerce: years of progress in just a few months» from our *Retail Sector Report 2021* and the Focus «The COVID-19 outbreak boosts remote working» from our June 2020 *Monthly Report*.



Tourism

The current state of digitalisation in the tourism sector

To understand the next steps that should be taken by the tourism industry in digitalisation terms, we need to understand the current state of the businesses in the sector. We have used the CaixaBank Sectoral Digitalisation Index (CSDI) to gauge the extent of digitalisation in tourism companies. Our index provides a holistic view of the business digitalisation process, identifying the strengths and weaknesses of the different sectors of activity in various areas: digital assets (capital and human resources); digital intensity of interactions with clients, suppliers and public authorities, and how intensively both traditional and emerging digital technologies are used.¹⁵

As can be seen below, according to the CSDI for 2020 the benchmark sector in Spain is information and communications technology (ICT) with a score of 67 points out of 100.¹⁶ Retail, accommodation and transport and storage (the three sectors most closely linked to tourism that are covered by the index) scored 48, 46 and 42 points, respectively, which implies a significant gap with respect to more digital sectors. It should be noted that, although there is no significant difference in any of these three sectors most closely linked to tourism, the trend between 2017 (the first year calculated) and 2020 has been more positive than average, suggesting that the tourism industry is improving its relative position.

¹⁵ See the CaixaBank Sectoral Digitalisation Index 2020.

¹⁶ The CSDI can range from 0 to 100 since each of the 120 indicators that make up the index has been rescaled with respect to its minimum and maximum value recorded by the different activity sectors of the 28 EU member countries between 2017 and 2020. Consequently, the CSDI would be rated at the maximum value of 100 in the hypothetical case of a sector for which all 120 indicators score the maximum benchmark value. The highest score in Europe is achieved by Finland's ICT industry, with 82 points.

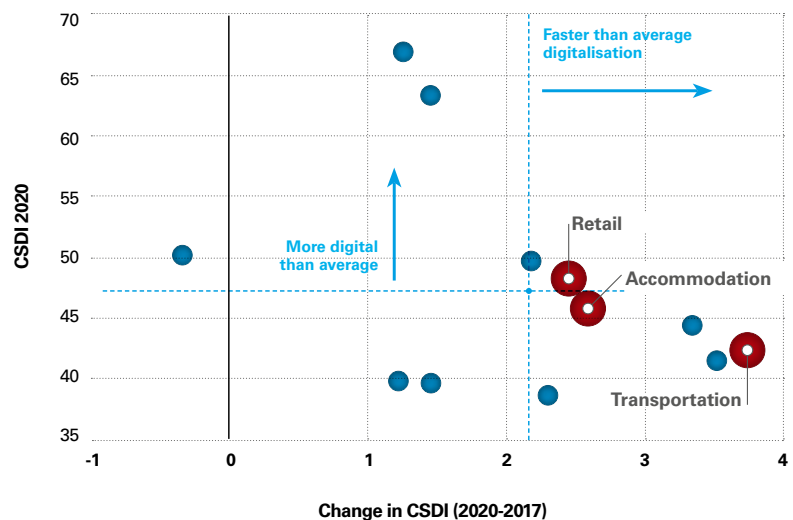
CaixaBank Sectoral Digitalisation Index (CSDI)

Index between 0 (min.) and 100 (max.)

2020 RESULTS

	CSDI 2020
ICT industry	67
Professional, scientific and technical activities	63
Real estate services	50
Finance and insurance	50
Retail	48
Accommodation services	46
Advanced manufacturing	44
Transportation and storage	42
Primary sector	41
Construction	40
Basic manufacturing	40
Agrifood industry	38

POSITION IN 2020 AND TREND SINCE 2017



Source: CaixaBank Research.

According to the CaixaBank Sectoral Digitalisation Index, the tourism sector is digitalising faster than the average for the Spanish economy

The CSDI enables us to carry out a more in-depth analysis as it is composed of various pillars and sub-pillars that illustrate the degree of digitalisation in more specific fields. In this respect, if we analyse the digitalisation pillars for inputs and interactions (see the table), it can be observed that businesses in the tourism industry stand out in particular areas. We can see that the accommodation sector stands out in digitalisation terms regarding its client relations, thanks to the marketing of services being digitalised, a process that has been gaining ground over other traditional marketing methods for many years now. On the other hand, it is evident that many areas still need improvement, such as the digitalisation of supplier relations and banking, as well as the digitalisation of the factors of production (capital and labour).

Breakdown of the CSDI 2020 by component of the input pillar and interaction pillar

Index between 0 (min.) and 100 (max.)

	Input digitalisation		Interaction digitalisation			
	Capital	Labour	Suppliers	Clients	Banking	Public authorities
Average for all sectors	33	40	44	61	51	88
ICT industry	68	73	81	67	43	93
Retail	22	35	64	62	51	86
Accommodation services	15	26	47	93	35	83
Transportation and storage	17	39	35	55	42	91

Source: CaixaBank Research.

This analysis raises the question of to what extent it is necessary for the digitalisation of the tourism industry to advance to the same extent as a sector such as ICT. Due to the idiosyncratic features of each sector, the optimal extent of capital and labour digitalisation may vary greatly between sectors. To better understand the gap with the technological frontier of each tourism-related sector, we analysed the degree of digitalisation of the factors of production at an international level, specifically by comparing the degree that advanced digital technologies are used in EU countries for the accommodation and retail sectors.



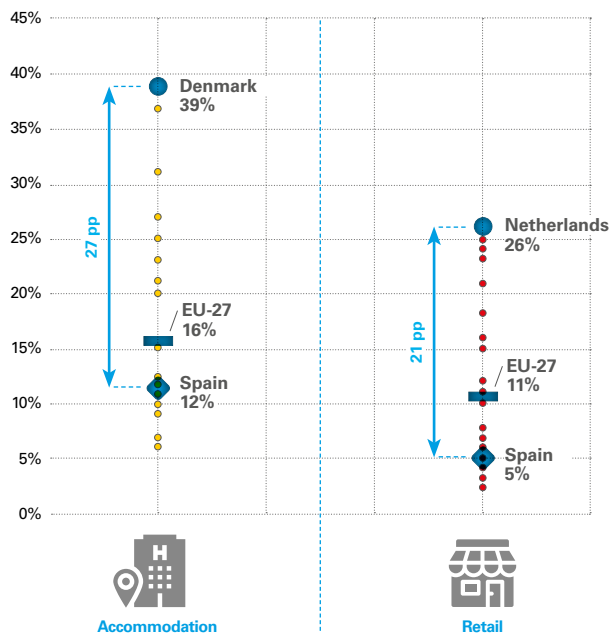
Tourism

As can be seen in the following charts, the use of big data and cloud computing technologies by Spain's accommodation and retail sectors is below the EU average. Moreover, there is a very wide gap between them and the technological frontier (the difference with respect to the most digitalised European country) in all cases, indicating the great room for improvement in tourism-related companies in Spain.

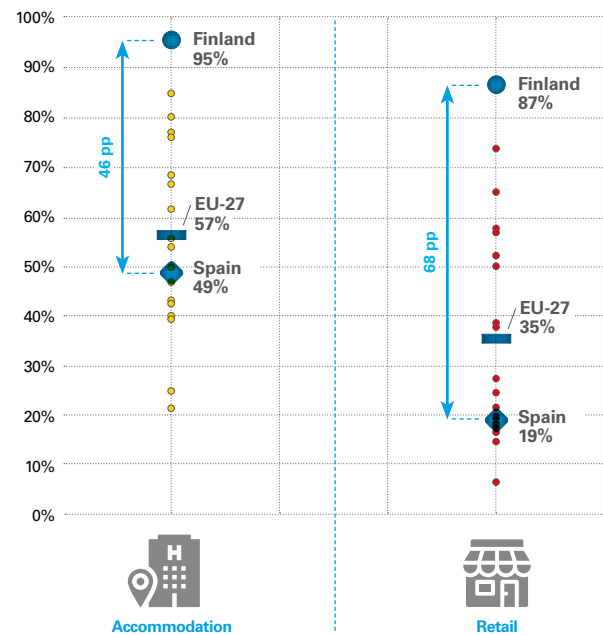
Companies using digital technologies in the EU-27 countries

% of total for each country

Use big data



Use cloud computing



Source: CaixaBank Research, based on data from Eurostat.

The accommodation sector is a reference regarding the degree of digitalisation of its client relations, thanks to the digitalisation of its marketing services

The role played by digitalisation in the future of the tourism sector

Having analysed the strengths and weaknesses of the digitalisation process in the tourism industry, it is important to determine what this process can offer companies since digitalisation is not an end in itself but a means of increasing competitiveness and productivity. In this respect, the tourism sector can learn from what the industry itself has gained from digitalising its interactions with clients, a process which, according to the CSDI, has reached a very high level, mainly as a result of the emergence of OTAs (online travel agencies, such as Booking and Expedia) and the development of direct online sales by the major hotel chains.

According to a Phocuswright study, between 2014 and 2019 turnover from hotel room sales in the EU made via electronic channels were very strong, growing at an average annual rate of 8.1%, especially through OTAs whose sales increased by 11% per year. This contrasts with the poorer performance of traditional sales channels (direct face-to-face, physical travel agencies and tour operators), which barely grew at an annual rate of 0.8%. Consequently, the relative share of online sales in the EU reached 40% in 2019 (27% OTAs and 13% direct online sales), suggesting that these sales channels are much more competitive than traditional ones in the eyes of tourists. These trends become even more evident when we look specifically at hotel SMEs, which between 2016 and 2019 only recorded growth in sales channels that were not face-to-face.

Between 2014 and 2019, the online sale of hotel rooms grew at an average annual rate of 8.1%, much higher than the 0.8% posted by sales via traditional channels

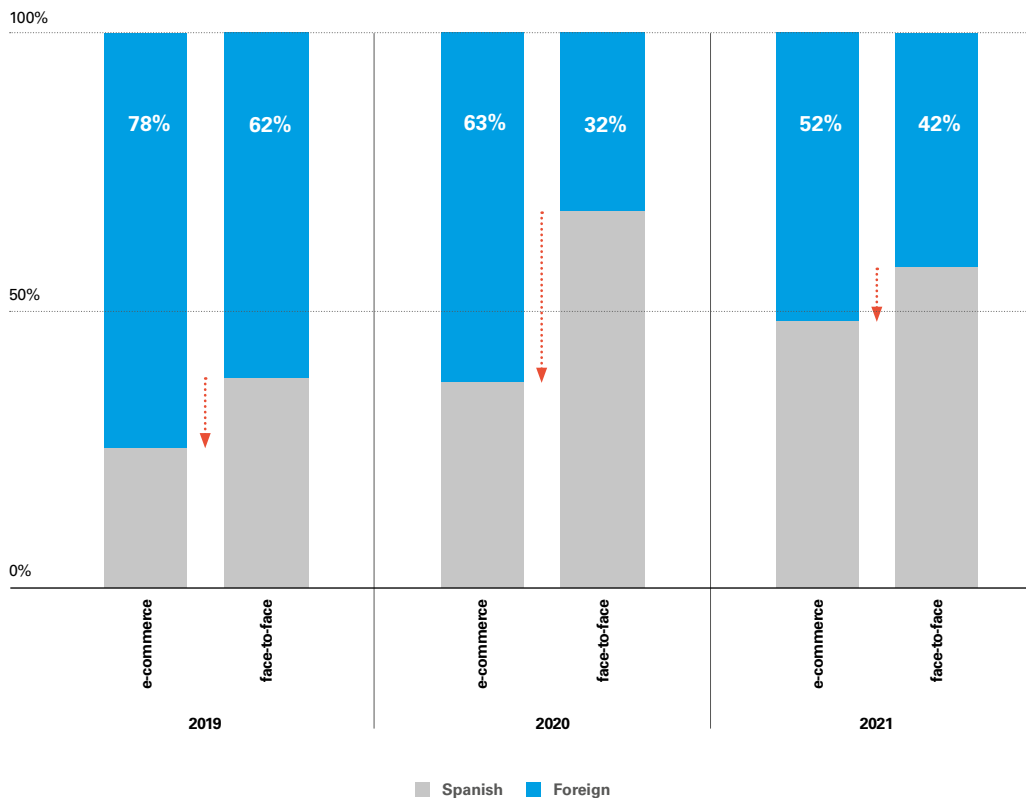




Regarding supply, the greater focus on online sales channels has been a successful formula, offering much more visibility and access to a much larger market for all types of destinations and hotels, regardless of the amount of resources available to invest in marketing. In other words, digital sales channels make it possible for a small hotel in a municipality in Spain that is not particularly tourism-oriented to sell bookings to a tourist on any continent in the world. If we examine CaixaBank POS terminal payments in hotel businesses between 2019 and 2021, we can see that the likelihood of a foreigner making a purchase from a hotel business is substantially higher via the e-commerce channel. This is even the case in 2020, when the volume of foreign tourists in Spain was 79% lower than in 2019, although 63% of foreign tourist expenditure on hotels was carried out via online channels.

Breakdown of payments via CaixaBank POS terminals with accommodation businesses by origin of tourist and sales channel

(% of total expenditure)



Source: CaixaBank Research, based on CaixaBank's internal data.

Sales of tourism services are already relatively digitalised, confirming the enormous potential of digitalisation to improve competitiveness and productivity. However, according to the CSDI results analysed in this article, there is still a lot of scope for improvement in other areas (B2B relations, investment in technological capital, greater use of data analytics, etc.) which could play a key role in the industry's future. To progress in digitalising these weak points, it will be necessary for companies in the sector to invest decisively in digitalisation.

Between 2019 and 2021, the likelihood of hotel payments being made by an international tourist was greater via e-commerce sales channels

But not everyone in the tourism industry will be a winner. Traditional sectors with less capacity to digitalise could lose market share, leaving room for those businesses that do develop their digital channels. According to our analysis, the main winners of digitalisation could be: (i) smaller tourism companies, with more potential to improve their efficiency than large companies; (ii) companies offering differentiated services, given that online sales provide a wide range of options for the buyer, and (iii) tourists, who will have access to a larger number of services that are more personalised and more competitively priced.

The role of the NGEU funds in the tourism industry's digitalisation

As noted earlier in this article, digitalisation requires considerable investment. However, the crisis caused by the pandemic has significantly limited the investment capacity of tourism companies. The role played by the European NGEU funds through the Recovery, Transformation and Resilience Plan (PRTR) could therefore be crucial. Spain's tourism industry appears in the PRTR via the policy of «Modernisation and digitisation of the industrial fabric and SMEs, recovery of tourism and promotion of an entrepreneurial nation Spain», in which component 14 outlines a Plan for the Modernisation and Competitiveness of the Tourism Sector. Despite this, the item budgeted to digitalise the tourism industry within component 14 of the plan is only 337 million euros, a figure that seems very limited given the size of the sector which, in 2019, achieved a tourism GDP of 154 billion euros (investment in digitalisation would represent 0.2% of tourism GDP in 2019).

The NGEU funds budgeted to digitalise the tourism industry are limited but could act as a lever to revitalise private investment in digitalisation



Tourism

The objectives of the PRTR's Digital Transformation Plan for the tourism industry have focused on developing digital platforms that add value or represent a growth lever for the sector. Consequently, the three main lines of action will be:











































- Investment in developing smart destinations to boost Spain's tourism brands.
- Developing a tourism intelligence system for public authorities and companies in the sector, so that data are collected from the companies and organisations along the entire value chain.
- Investment in innovative projects and initiatives involving digital solutions for the sector (developing applications, collaborative platforms, etc.).

In conclusion, the lines drawn out by the plan are highly appropriate given the weaknesses identified in this article in the tourism industry's digitalisation. Although we estimate that the extent of the resources allocated in the PRTR for these initiatives is limited, we do expect it will have a leverage effect and revitalise private investment initiatives in digitalisation that were put on hold with the outbreak of COVID-19. In any case, the tourism industry will have to get back on its pre-pandemic track by investing heavily in its transformation, and especially in its digital transformation.



Main indicators of the tourism industry

Percentage change compared with the same period the previous year, unless otherwise specified

	Average 2000-2007 ¹	Average 2008-2014 ²	Average 2015-2019 ³	Average 2020	2021 ⁴	Trend ⁵	Date latest data
 Economic activity indicators							
Total GDP	3.4	-1.3	2.6	-10.8	2.7		Q3 2021
Tourism-related GDP	1.7	-0.7	4.6	-65.1	-		2020
 Labour market							
Total affiliated workers	3.5	-2.3	4.1	-2.2	4.5		Nov-21
Affiliated workers in the tourism industry	4.4	-1.0	4.0	-10.1	-0.4		Nov-21
Accommodation services	4.9	-0.8	4.9	-19.2	-3.4		Nov-21
Food and beverage services	4.6	0.9	4.0	-11.1	-0.7		Nov-21
Travel agencies/tour operators	5.6	-2.8	5.7	-10.6	-13.0		Nov-21
Other tourism services	4.1	-3.1	3.6	-5.7	1.6		Nov-21
 Balance of payments							
Tourism receipts (% of GDP)	4.7	4.6	5.6	1.4	4.5		Q3 2021
Tourism expenditure (% of GDP)	1.2	1.2	1.7	0.7	1.2		Q3 2021
Total tourism (% of GDP)	3.6	3.4	3.9	0.8	3.3		Q3 2021
 Tourism demand indicators							
International tourism							
Number of international tourists	3.8	2.2	5.2	-77.4	402.7		Oct-21
Origin: United Kingdom	-	4.6	3.5	-82.5	544.1		Oct-21
Origin: Germany	-	5.7	1.6	-78.6	1,013.5		Oct-21
Origin: France	-	11.1	1.4	-65.2	96.8		Oct-21
Origin: Italy	-	14.1	4.8	-79.1	472.9		Oct-21
Origin: United States	-	1.2	15.8	-87.9	1,438.4		Oct-21
Origin: Rest of Europe	-	-	7.6	-77.5	478.4		Oct-21
Origin: Outside Europe	-	-	13.0	-79.2	568.0		Oct-21
Visitor exports	5.4	3.3	6.8	-78.5	546.3		Oct-21
Average duration (days)	-	-	7.6	6.6	7.8		Oct-21
Average daily expenditure per person (€)	-	-	141.7	104.0	140.0		Oct-21
Domestic tourism							
Overnight stays	-	-	0.1	-30.6	56.9		Jun-21
Average duration (days)	-	-	3.5	4.3	2.8		Jun-21
Average daily expenditure per person (€)	-	-	51.2	40.5	56.6		Jun-21
 Hotel supply indicators							
Number of available hotel places	3.3	1.2	1.3	-51.2	82.4		Oct-21
Category: 4 or 5-star	9.7	3.6	3.0	-53.4	108.0		Oct-21
Rest of categories	0.2	-0.8	-0.4	-48.7	57.6		Oct-21
Hotel occupancy rate (percentage points)	-0.4	0.2	1.2	-31.9	31.9		Oct-21
Category: 4 or 5-star	-0.6	0.6	0.7	-36.0	35.5		Oct-21
Rest of categories	-0.5	-0.5	1.4	-27.2	26.8		Oct-21
Average daily rate (ADR ⁶)	-	0.2	4.1	-28.7	39.0		Oct-21
Category: 4 or 5-star	-	-0.8	4.1	-25.7	30.1		Oct-21
Rest of categories	-	0.4	3.2	-31.6	42.2		Oct-21
Revenue per available room (RevPAR ⁷)	-	0.6	6.9	-60.0	225.7		Oct-21
Category: 4 or 5-star	-	0.4	5.6	-60.0	230.4		Oct-21
Rest of categories	-	-1.3	7.6	-57.8	171.4		Oct-21

Notes: 1. For the indicators related to the number of international tourists and total expenditure of international tourists, the average corresponds to 2004-2007. 2. For the indicators related to the number of international tourists by origin, the average corresponds to 2013-2014. 3. For the indicator related to overnight stays, the average corresponds to 2016-2019. 4. Latest data available for the year 2021. 5. A sun denotes above the average growth in 2015-2017 minus 1/4 standard deviation; a sun with cloud denotes above the average growth in 2015-2017 minus 1 standard deviation; a cloud denotes negative growth or above the average growth in 2015-2017 minus 2 standard deviations; and rain denotes below the average growth in 2015-2017 minus 2 standard deviations.

Source: CaixaBank Research, based on data from the Spanish Statistics Institute and Bank of Spain.



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CSDI 2020

Index that measures the degree of digitalisation of Spanish firms compared with Europe's technological frontier.



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