

Portugal: evaluating the country through tourism

In 2017, the tourism sector reached new record figures and underscored even more the growing trend seen in recent years: the number of foreign tourists, of hotel establishments and, ultimately, the revenues generated by the sector are at an all-time high. Furthermore, the importance acquired by tourism has made it an attractive opportunity for both small and large investments: from the renting of rooms and small flats to the construction of new hotel establishments, in addition to restaurants and transportation.

The Portuguese economy has been able to take advantage of the rise of international tourism, since Europe remains among the most popular destinations for international tourists. In particular, Portugal has features that fit the preferences of those looking for sun, sea and sand, as well as cultural attractions, leisure activities, beautiful landscapes and other attractions such as lower prices, good transportation and safety.

In this context, overnight stays by tourists in 2017 reached a total of 57.6 million (+7.6% year-on-year), with the United Kingdom and Spain as the first and second leading sources of tourists and with a significant increase in visitors from Brazil and the US. In addition, the average revenue per available room (RevPAR) increased to 50.3 euros, +16.3% compared to 2016 and a new all-time high. Thus, tourism has become Portugal's main export product and represents 17.8% of total exports.

Performance in 2018 and future outlook

In 2018, the tourism sector is expected to continue to break records. Indeed, the figures for the first half would suggest this to be the case: total overnight stays increased by 0.5% year-on-year, the number of foreign tourists rose by 1.9%, the revenue of the sector grew by 8.9% and the RevPAR stood at 44.2 euros, 7.7% more than in the first half of 2017.

Despite these new highs, the figures suggest a slowdown in the growth of foreign tourists. In fact, there has been a reduction in the entry of European tourists: between January and June 2018, arrivals from major sources, such as the United Kingdom and Germany, declined by 6.4% and 1.1% respectively, and similar figures were recorded for other countries, such as the Netherlands and Poland. In any case, we should interpret these figures with a grain of salt, given that the sector tends to be more dynamic in the second half of the year and could yet correct this less buoyant trend.

At the same time, domestic tourism among residents has grown in importance (a sign of the strength of the recovery in domestic demand), although it still accounts for less than tourism of non-residents.¹

Future challenges

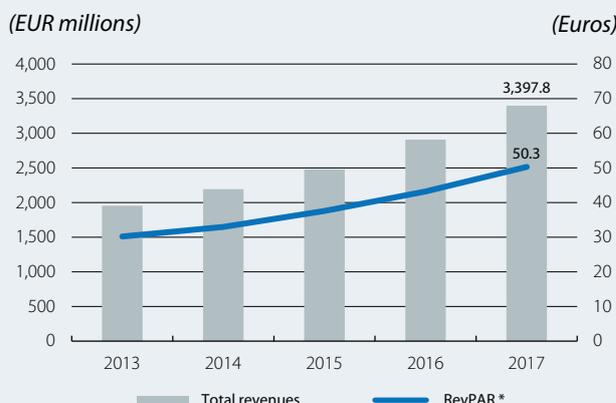
Considered a strategic economic area, the Government has created a National Strategic Plan for Tourism, covering the period 2017-2027. With this plan, it has identified five major challenges for the consolidation of the sector: i) combating seasonality, ii) showcasing heritage and culture, iii) decentralising demand, iv) improving the qualification of labour and v) stimulating innovation. With all this, it has also set an objective: to reach 80 million overnight stays and 26,000 million euros in revenue (average annual growth of +7.0%) in 2027.

Portugal: key figures of the tourism sector

	Unit	2005	2011	2017 ¹
Tourists	10 ³	11,469.3	13,992.8	20,691.3
Residents	10 ³	5,513.6	6,580.6	7,979.8
Non-residents	10 ³	5,955.7	7,412.2	12,711.5
% of the total	%	51.9%	53.0%	61.4%
Total overnight stays ²	10 ³	35,520.6	39,440.3	57,622.9
Total revenue ²	10 ⁶	1,589.2	1,906.0	3,397.8
Tourism exports ³	10 ⁶	6,198.6	8,145.6	14,969.1
% of GDP	%	3.9%	4.6%	7.8%
% of total exports	%	14.5%	13.2%	17.8%
Trade balance of tourism ³	10 ⁶	3,744.4	5,172.0	10,668.9
% of the services trade balance	%	82.3%	64.6%	68.3%
Number of establishments	unid.	2,012	2,019	5,840
Employment ⁴	10 ³	-	286.5	323.3
% of the total employed population	%	-	6.0%	6.8%

Notes: 1. The total number of tourists in 2017 was 24,077.1 thousand if we include the hospitality, rural tourism and local accommodation sectors (additional data from the National Statistics Institute). 2. In hotel establishments and other accommodation. 3. In euros at current prices. 4. Employment in accommodation, restaurants and similar fields. **Source:** CaixaBank Research, based on data from the National Statistics Institute of Portugal and the Bank of Portugal.

Portugal: revenues of the hospitality sector and other accommodation



Note: * Average revenue per available room. **Source:** CaixaBank Research, based on data from the National Statistics Institute of Portugal.

1. The contribution of non-residents is slightly above 60%.