

Operation summer

The Spanish economy shrunk by 11% last year, around 4 points more than the euro area as a whole. Much of this difference is explained by the significant role of tourism in our country, a sector badly hit by the pandemic. For the same reason, the outlook for 2021 is closely linked to the recovery of tourism activity.

The year has got off to a bad start, constrained as we are by the new outbreaks, and it will be difficult for things to change much in time for Easter, which is just around the corner. But every effort must be made to produce a turning point in the spring and to ensure that the summer season marks the beginning of a strong recovery in the sector. If tourism fails, 2021 will not be a good year for the Spanish economy.

According to estimates by the National Statistics Institute, tourism contributed 12.4% of GDP in 2019. More than half of that contribution came from international tourism, but this segment plummeted last year by almost 80% (the drop would have been greater had it not been for activity in the first quarter). National tourism held up somewhat better, partly because people did not travel abroad, but the drop still stood at around 50%. Overall, the decline in tourism activity can be estimated at around 65%, which deducted some 8 points from GDP (multiply $0.124 \times 65\%$). This is equivalent to 100 billion euros (multiply 0.08×1.25 trillion, which was GDP in 2019).

The key to these figures improving lies in the vaccines (although rapid tests will also be an important tool). If they are rolled out as planned and remain effective against mutations of the virus, we will be facing a completely different situation. This does not mean that we will return to 2019 figures, or even close, but it will allow us to achieve much better figures than last year, thus allowing the sector to begin to rebuild itself.

While herd immunity is not expected to be achieved before the end of the summer, the effect of the vaccines on economic activity in general, and on tourism in particular, should become apparent much earlier. According to data published by the Carlos III Health Institute (Instituto de Salud Carlos III), almost 1 in 2 hospitalisations due to COVID-19 and 1 in 3 ICU admissions has affected people over the age of 70. If we expand this age group to include all those over 60 years of age, it accounts for 2 out of every 3 hospitalisations or ICU admissions. This means that the immunisation of these age groups could greatly reduce the pressure on the healthcare system and would facilitate the easing of the current restrictions on mobility. In fact, once immunised, these age groups could be the first to help relaunch tourism this spring.

Of course, it is not just Spain that will need to roll out the vaccines as quickly as possible – international tourists' countries of origin will need to do so too. In this regard, there is reason to be optimistic when we look at our main markets. The leading source of tourists visiting Spain is the United Kingdom, accounting for almost 20% of the total, and the vaccination process there is further ahead. France, Germany, Italy, Belgium and the Netherlands, meanwhile, provide Spain with 1 in 3 international tourists, and the vaccination rate in these countries ought to be in line with that of Spain. Furthermore, it is important to emphasise that most of these tourists already know our country well and perceive it as a safe destination. If they are able to come, they will.

In addition to the vaccines, it is important that the tourism sector avoids tackling the recovery from a position of extreme weakness. The crisis has lasted longer than initially anticipated, and while the ERTE furlough schemes and ICO credit lines have been a great help, direct subsidies are now needed above all. Such subsidies could help to cover fixed costs, for instance, or to pay taxes and social security contributions which are yet to be paid or which have had to be paid all these months with a minimum income. In short, they are needed to prevent the sector from reaching the finishing line – or rather the starting line – out of breath.

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