Tourism

Sector Report

1st Semester
2021

The beginning of a necessary recovery

CaixaBank Research

SECTOR REPORT
Tourism First Semester 2021

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

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«One's destination is never a place but a new way of seeing things».
HENRY MILLER

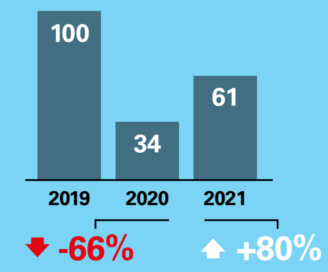
Tourism

CAIXABANK RESEARCH PROJECTIONS FOR SPAIN'STOURISM INDUSTRY

The vaccination of the population at risk, the containment of any further outbreaks and the implementation of the Digital Green Certificate will be key factors in tourism improving its performance significantly during the second half of 2021.

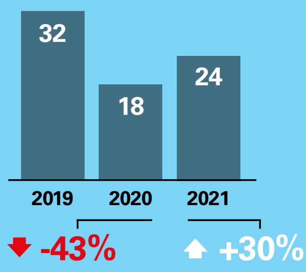
TOURISM-RELATED GDP

Index (100 = 2019)



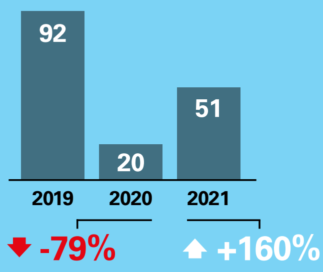
SPENDING BY DOMESTIC TOURISTS

Billion euros



SPENDING BY INTERNATIONAL TOURISTS

Billion euros



THE GREAT RESILIENCE OF RURAL TOURISM AFTER THE OUTBREAK OF THE PANDEMIC

According to CaixaBank's big data, domestic and international tourist expenditure in rural destinations has withstood the impact of the pandemic considerably better.

Card payments via CaixaBank POS terminals made by domestic and international tourists in 2020:

- RURAL DESTINATIONS: -31% annually
- URBAN DESTINATIONS: -56% annually
- COASTAL DESTINATIONS: -46% annually

The **airline industry has been key to the development of Spain's tourism.**

Share of total tourism GDP: **7.3%**

It is **currently one of the sectors hardest** hit by the pandemic.

Fall in airline revenue in **2020**: **-80%**

According to our estimates, **the adjustment in hotel prices carried out in some autonomous regions during 2020 had virtually no effect on average on tourism demand.**

A **1%** cut in the average daily hotel rate

Between 2010 and 2019: **+1.3%** in overnight stays

2020[1]: **+0%** in overnight stays

Note: (1)The estimated average effect in 2020 of a 1% price cut in 2020 is +0.1% in overnight stays. Nevertheless, this is not statistically significant, so it can be stated that the effect is equal to 0.

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

Executive summary

Weathering a historic storm that is coming to an end

2020 was a tough year for the tourism industry. All the data that became available at year-end **show that the impact of the pandemic on the sector has been devastating.** After a total standstill during the months of March, April and May 2020, tourism demand failed to pick up appreciably during the rest of the year, even during the summer months when the infection rate seemed to be under control. Moreover, the waves of COVID-19 occurring at the end of 2020 and beginning of 2021, together with the various measures to restrict movement and businesses, have kept tourist numbers at a minimum, aggravating the losses suffered by the sector.

In this report we analyse in detail the impact of COVID-19 on three specific aspects of the tourism industry. First, **we focus on the performance of the aviation sector,** which is experiencing huge difficulties due to global border restrictions. **We have also examined the price adjustments observed in the tourism industry, especially by the hotel sector**, showing that the extensive price cuts carried out were relatively ineffective in boosting demand. Finally, **we have also studied the performance of rural tourism in 2020, using big data methodology**. In this case, rural tourism has provided some good news in the past year thanks to its more appealing features – social distance, tranquillity and nature – after the tough lockdown suffered in the second quarter of the year.

The outlook for 2021 is more optimistic. The great effectiveness of the vaccines and their roll-out over the past few months, albeit at very different rates across different countries, suggest that **tourism in Europe could start to recover in the second half of the year.** Nevertheless, this recovery is not without its risks, especially in the short term. After managing to contain the third COVID-19 wave in Spain, we are already seeing some neighbouring countries beginning to report a rise in the number of infections. It is important for the virus to be kept under control in Spain and, if possible, also in Europe to enable the sector to embark on its recovery as soon as possible, preventing losses from continuing throughout the spring and the start of the summer season.

The key rolling target for the sector's recovery is the vaccination of the population aged over 60, which we refer to as the population at risk. This group accounts for only 20% of the infections but for two thirds of hospitalisations and 95% of the deaths caused by the virus. We expect the vaccination rate to continue accelerating week by week and, by the end of May, almost 90% of the population at risk should have been immunised. This would significantly contain the pressure on hospitals and open up the possibility of easing restrictions on mobility.

In this scenario, we expect spending by international and domestic tourists in Spain to improve considerably compared with 2020, albeit still considerably below the 2019 level. **We therefore predict tourism GDP will increase by around 80% in 2021**; a good figure but still 40% below its pre-COVID level. In the medium term, vaccines should provide a definitive way out of the situation experienced by the sector, consolidating its recovery and its role as one of the driving forces for the Spanish economy.

Situation and outlook

The beginning of a necessary recovery

2020 has now been left behind; a year that will be remembered in the tourism industry as the toughest in recent history. In 2021, the fight against the pandemic continues and restrictions on movement and trade are still preventing normal economic activity, hitting tourism-dependent businesses particularly hard. However, the roll-out of the vaccines will provide a turning point once immunity is achieved among the population most at risk. Our projections point to a strong recovery in the sector during the second half of the year, resulting in tourism GDP growing by 80% annually, once again becoming one of the driving forces for the Spanish economy.

2020 in figures

2020 has been a tough year for the tourism industry. All the data that have become available at year-end show that the impact on the sector has been devastating. Moreover, this impact was not only due to the total standstill experienced during the toughest months of lockdown in Q2 2020 but also because, after the strictest limits on movement were withdrawn, tourism demand did not pick up appreciably for the rest of the year. In addition, the waves of COVID-19 occurring at the end of last year and the beginning of 2021 have dealt a hard blow to the sector, with demand remaining very weak up to the present.

Examining the 2020 figures provided by the National Statistics Institute, summarised in the charts below, it is clear that the tourism industry has suffered an unprecedented shock. **Expenditure by international tourists for the year as a whole plunged to €20 billion, down 79% from €92 billion in 2019.** Even during the best tourist months after the start of the pandemic, namely July and August, the falls in international tourist expenditure remained at around 80% year-on-year.

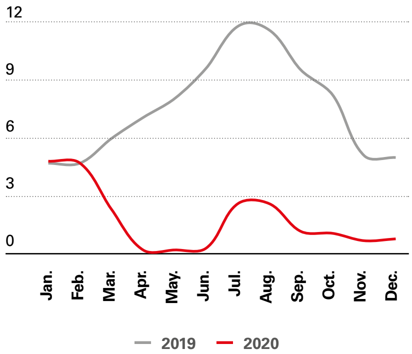
Data from hotel and non-hotel occupancy surveys reveal that tourist accommodation is one of branches in the industry that are suffering the most from the consequences of the pandemic.[1] Total tourist overnight stays in hotel and non-hotel accommodation fell by 69% year-on-year, despite the better performance of domestic demand in relative terms. **The hotel occupancy rate remained very low for the year as a whole (with an annual average of 26%), dragging hotel revenue per available room down by 68% annually.**

1 This report analyses in depth the situation of another of the branches that has suffered most severely from the economic consequences of the pandemic: air passenger transport. See the article «The need to take off in 2021».

Figures for the tourism industry in 2020

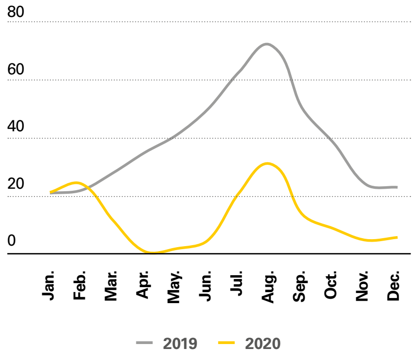
Expenditure by international tourists
Billion euros

2019	2020	
92	20	-79%



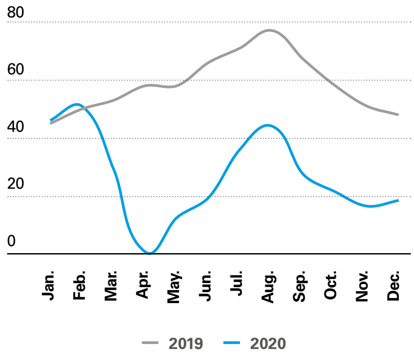
Overnight stays in tourist establishments
Millions of overnight stays

2019	2020	
467	143	-69%



Hotel occupancy rates
% places occupied

2019	2020	
58	26	-32 pp



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

One of the few positive notes in the 2020 figures is that domestic demand has proved to be a powerful support for the industry when movement restrictions are eased. Nevertheless, domestic tourist expenditure has also fallen sharply, especially since last October when the autonomous regions began to restrict movement to within their borders, limiting almost all domestic tourism. According to our estimates, domestic tourist expenditure fell by 45% in 2020, considerably less than international tourism. **Domestic demand, which traditionally accounts for a quarter of the total, therefore generated 64% of the overnight stays after the outbreak of COVID-19. It is also worth noting that, during August when movement was not so restricted, spending by domestic tourists only fell by 13% year-on-year.** This paints a relatively positive picture for the second half of 2021, by which time the population at risk should have been vaccinated and restrictions on movement will begin to be withdrawn.

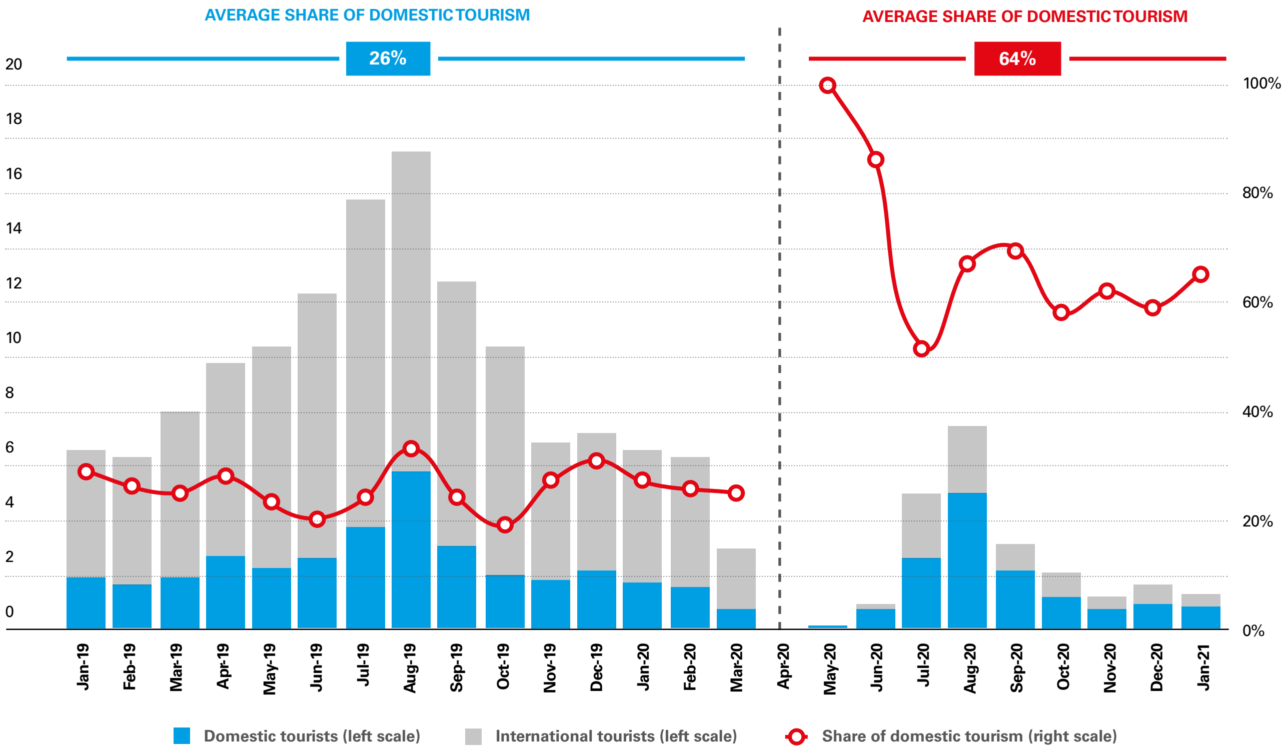
> **Expenditure by domestic tourists fell by 45% in 2020, considerably less than for international tourism. After the outbreak of COVID-19, domestic demand went from generating a quarter to 64% of all overnight stays**

Tourism

Tourist expenditure in Spain

Billion euros

Share of domestic tourist expenditure



Note: As of October 2020, the figures for tourist expenditure are estimated based on overnight stays in tourist accommodation and Spanish card expenditure via CaixaBank POS terminals.
Source: CaixaBank Research, based on data from the National Statistics Institute.

Real-time situation of the tourism sector

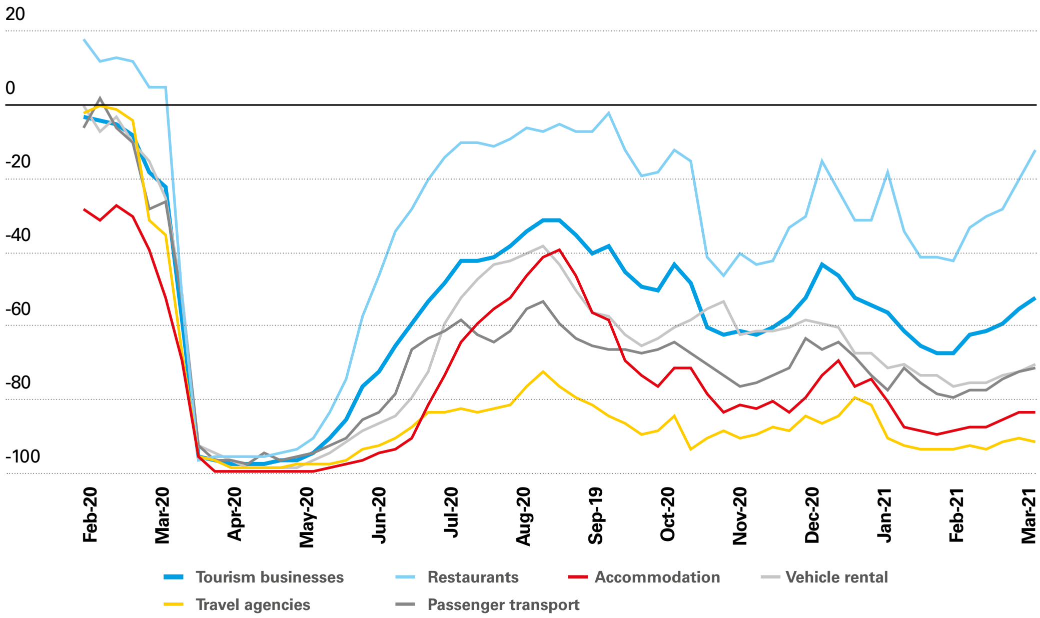
At present, the state of the tourism industry is extremely volatile. For this reason, it is of vital importance to have an analysis of the situation that is as up-to-date as possible, in spite of the delay in publishing official statistics. To this end, **we carry out a real-time analysis, using big data methodology, of the card payments made via CaixaBank's point-of-sale (POS) terminals.**

According to our indicator, the beginning of the year has been severely affected by the third COVID-19 wave in January and part of February and the tightening of restrictions to combat this. More recently, **the data point to an incipient upswing in the turnover of some tourism businesses following the easing of restrictions on hospitality in many autonomous regions.** As suggested by CaixaBank's POS card expenditure data for the first half of March, the POS turnover of tourism-dependent retailers was still 52% below the level recorded during the same period in 2019. In this respect, it is worth noting the continuing sharp drop in POS turnover for accommodation and travel agencies, down by 83% and 91%, respectively. On the other hand, restaurant business POS terminal expenditure, which has suffered considerably from measures to contain the second and third waves of COVID-19, has picked up notably in recent weeks, going from drops of 40% at the end of January compared to the same period in 2019 to a fall of «just» 12%.[2]

2 The increased use of cards as a means of payment during the pandemic means that our POS payment indicator underestimates actual business turnover. For example, the most prominent case is that of restaurants which, according to the turnover data published by the National Statistics Institute, recorded a 45% year-on-year fall in December 2020 while CaixaBank's restaurant POS terminal payments fell by 30% year-on-year over the same period.

CaixaBank POS terminal expenditure

Change compared with the same week in 2019 (%)



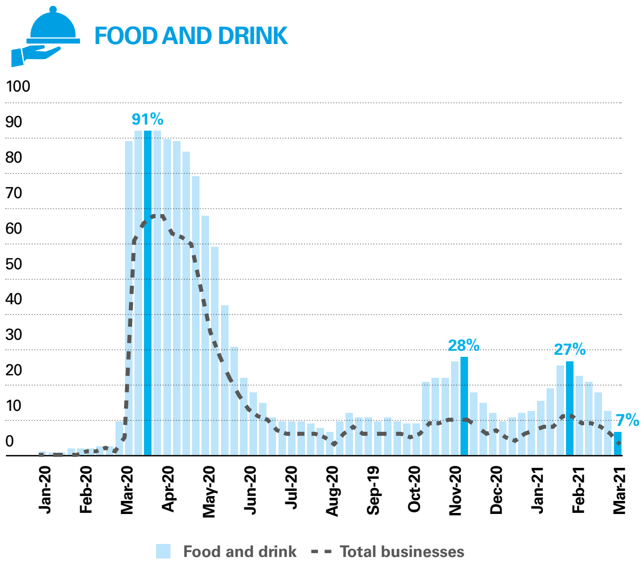
Notes: Expenditure in tourist businesses includes POS terminal payments on accommodation, travel agencies, restaurants, car hire and passenger transport.
Source: CaixaBank Research, based on internal data.

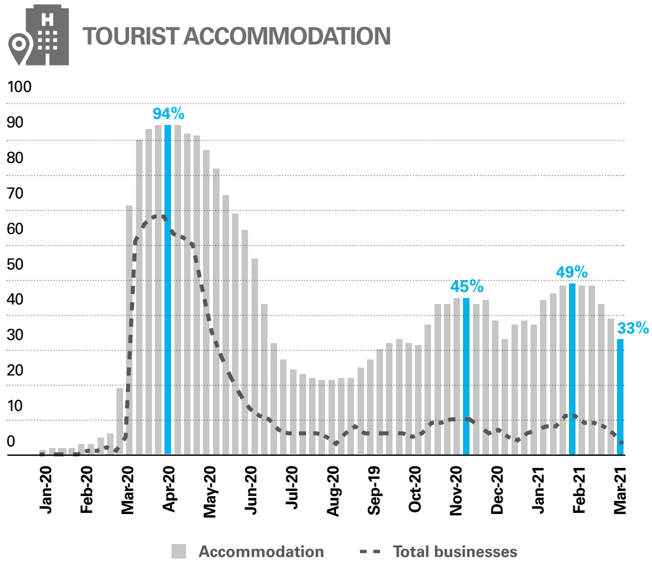
The improvement in the conditions observed for the food and drink industry, mainly in restaurants and bars, has led many businesses in this branch to reopen their doors in recent weeks, something that could be very important to recoup the jobs lost. To track inactivity in real time, we have calculated the proportion of businesses that have gone from recording payments via their CaixaBank POS terminals in 2019 to recording no activity in 2020 and 2021.[3] As can be seen in the chart, according to this indicator **the proportion of inactive bars and restaurants during the second week of March 2021 stood at 7%, 10 pp lower than at the end of January 2021.** For its part, tourist accommodation reported 33% of inactive businesses, a very high level although significantly better than the situation observed at the end of January.

3 As this metric compares equivalent weeks in 2019 and 2020/2021, the indicator is not affected by seasonal changes.

Tourism

Proportion of businesses with no CaixaBank POS terminal payments*
% of total





Notes: *For each week, the proportion has been calculated of businesses with CaixaBank POS terminals that invoiced payments in that week in 2019 but did not do so in the same peri-od in 2020 or 2021. The series has been adjusted so that the share of inactive businesses equals 0% in January 2020.
Source: CaixaBank Research, based on internal data.

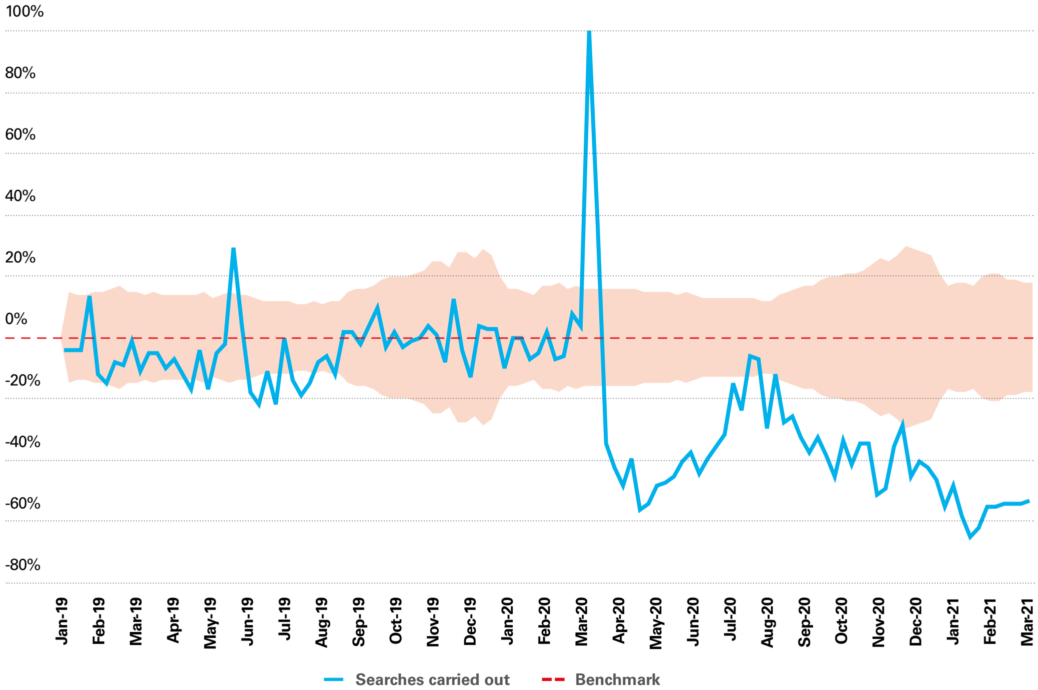
Outlook for the spring season

Looking ahead to the coming months, the outlook is not positive. **If we analyse Google searches for trips to Spain carried out in our main source markets, we can see that interest is still low** and, therefore, the prospects for foreign arrivals in the short term are moderate. As can be seen in the chart, according to our analysis searches by international tourists were 53% below the benchmark level. However, tourism will depend on how the pandemic evolves and it is to be expected that, once we are able to ease restrictions on international travel, interest will pick up rapidly. Consequently, the experience after the coordinated withdrawal of EU border restrictions in June 2020, when the interest of tourists in travelling to Spain went from 60% below the benchmark to just 5%, revealed that European tourists still want to travel in spite of the restrictions and, in 2021, if these restrictions are eased, the interest in travelling to Spain will pick up. Of particular note is the sharp rise in Google searches in mid-March 2020, the result of internet users' interest in the border restrictions introduced as a result of the first state of emergency.

> **The lifting of EU border restrictions in June 2020 revealed that European tourists are still keen to travel in spite of everything. If these restrictions are eased in 2021, interest in travelling to Spain should recover**

Weekly searches in Google for trips to Spain

Deviation from benchmark*



Note: Data have been used from searches using the word "Spain" in the UK, Germany, France, Italy, Netherlands, Italy and US in each country's official language within the category of travel. (*)The benchmark consists of the projected searches based on data from one year previously using an ARIMA model (1, 1, 1)$_{52}$. The shaded area indicates a 68% confidence interval.
Source: CaixaBank Research, based on data from GoogleTrends.

It is vitally important to prevent a fourth wave of infections. Otherwise, the sector could once again suffer a situation similar to that experienced at the beginning of the year, when turnover fell by around 70% for several weeks. At the time of going to press, the situation in the main European countries remains very delicate and there has been another spike in the number of daily infections, indicating there is still a high risk of outbreaks in Europe.[4]

4 Developments in the pandemic, in Spain and internationally in the main countries, are tracked on a weekly basis on the CaixaBank Research website, www.caixabankresearch.com.

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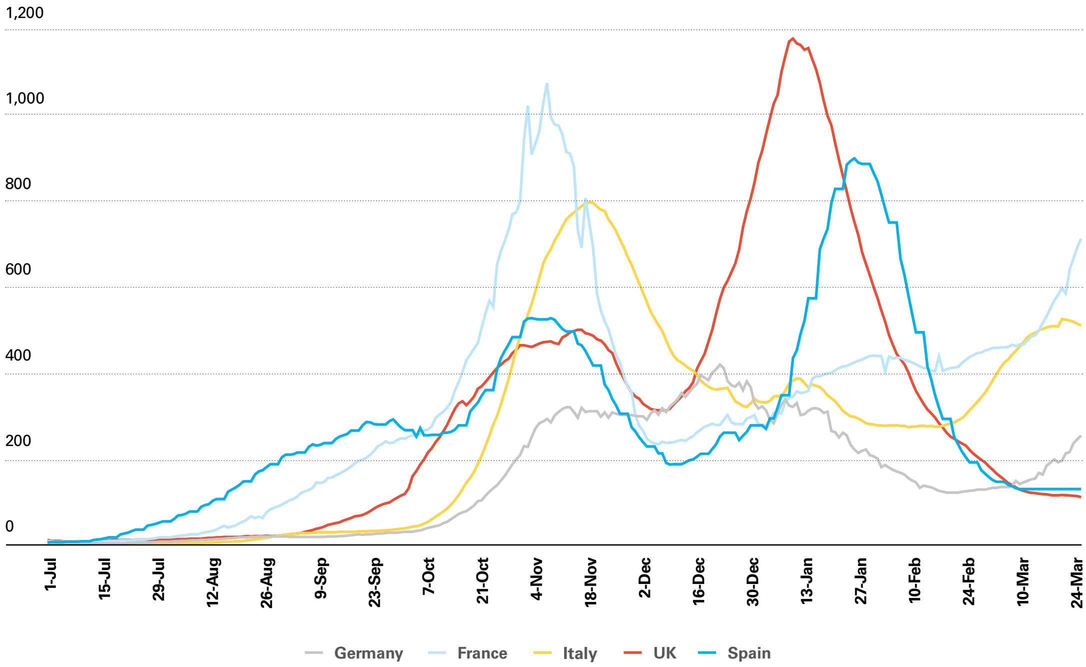
Rolling case rate

Cases per 100,000 inhabitants in a rolling 14-day period



Source: CaixaBank Research, based on data from the Spanish Ministry of Health and CSSE Johns Hopkins University.

The rapid distribution and administration of vaccines is a key factor for the recovery to begin in the tourism sector and the economy as a whole. According to the European Commission's target reflected in Europe's vaccination plan, 80% of health workers and the population aged over 80 should have been vaccinated by the end of March, while the target of vaccinating 70% of the adult population, which should bring about herd immunity, has been set for the end of September.[5]

Although there have been delays in distributing the vaccines, the September target is likely to be met. **In March, the average vaccination rate for the Spanish population was around 1.1 million doses per week.** As can be seen in the table, **this rate needs to be speeded up by at least 40%, up to 1.5 million doses per week, in order to achieve the target of herd immunity by the end of the summer.** While this is a significant increase, it is nevertheless feasible considering the following: in the last month, Spain's vaccination rate has already risen by 45%, the safety of the AstraZeneca vaccine has been confirmed and the first supplies of the Janssen/J&J vaccine arrived in April.

5 **See the Coronavirus Vaccines Strategy:** https://ec.europa.eu/info/live-work-travel-eu/coronavirus-response/public-health/coronavirus-vaccines-strategy_en

> **The rapid distribution and administration of vaccines is a key factor for the recovery to begin in the tourism sector and the economy as a whole**

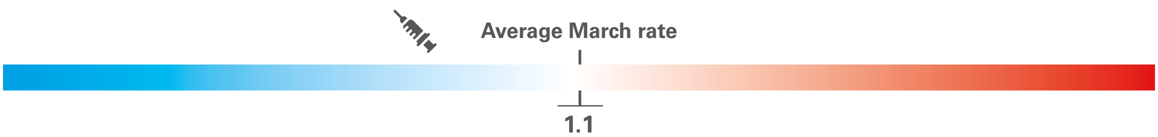
In the short term, **the key for the tourism sector is to immunise the over-60s before the summer.** This group accounts for just 20% of the infections but two-thirds of the severe cases of COVID-19 and nearly 95% of the deaths. Increasing the vaccination rate to 1.5 million doses per week would achieve immunity for 90% of the population at risk by May. Once this milestone has been reached, the pressure on hospitals would noticeably ease and COVID-19 containment measures could be relaxed, helping to substantially improve the movement of both domestic and international tourists.

Table of vaccination rates for the population aged over 16

Millions of weekly doses

TARGET DATE

% OF POPULATION VACCINATED	30 Apr.	31 May	30 Jun.	31 Jul.	31 Aug.	30 Sep.	31 Oct.	30 Nov.	31 Dec.
50%	4.6	2.7	1.9	1.5	1.2	1.0	0.9	0.8	0.7
60%	5.7	3.3	2.4	1.8	1.5	1.2	1.1	1.0	0.9
70%	6.8	4.0	2.8	2.2	1.8	1.5	1.3	1.1	1.0
80%	7.9	4.6	3.3	2.5	2.1	1.7	1.5	1.3	1.2
90%	9.0	5.2	3.7	2.9	2.3	2.0	1.7	1.5	1.3
100%	10.1	5.9	4.2	3.2	2.6	2.2	1.9	1.7	1.5



Notes: An example of how to interpret the chart: administering 1.5 million doses/week would immunise 70% of the population aged over 16 by 30 September. Calculations are based on the assumption that an average of 1.9 doses per person are required to immunise the population aged over 16.
Source: CaixaBank Research, based on data from the Health Ministry.

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Given that this first milestone looks likely to be reached, CaixaBank Research expects tourism expenditure to recover strongly as from the second half of the year. Specifically, our scenario is based on the hypothesis that the restrictions on movement and business will start to ease considerably from May onwards, when a significant part of the population at risk will finally be immunised, and that a further move towards normalising the situation will be possible in September, once herd immunity is achieved. Similarly, the introduction of the health passport from June, as proposed by the European Commission, will make it easier and encourage people to travel during the summer season.[6] Also, the rapid (albeit brief) improvement in tourist flows during the months of July and August in 2020, when movement was permitted but social distancing measures were still in place, suggests that tourism will recover strongly once restrictions on movement in Europe are eased.[7]

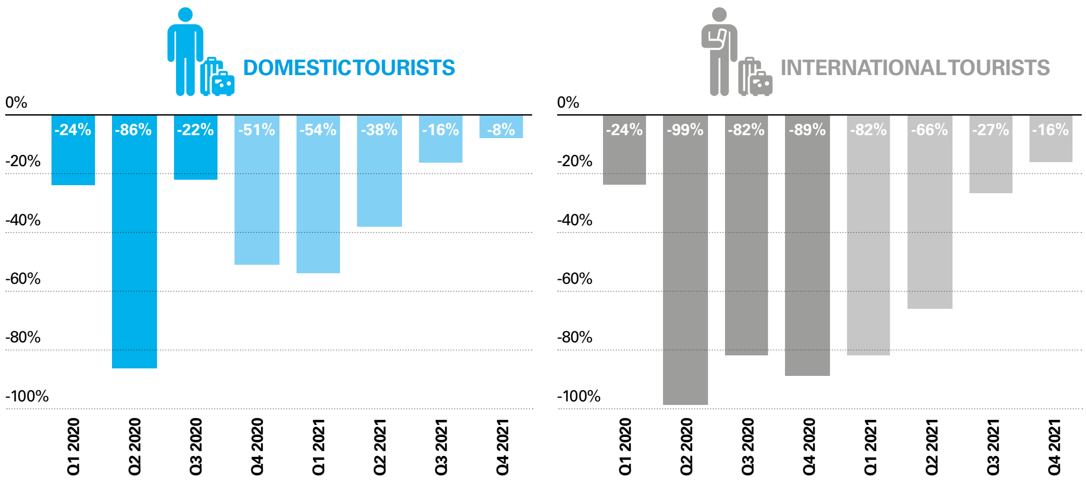
Based on these three assumptions, and acknowledging there is still a great deal of uncertainty surrounding our scenario, we expect international tourism expenditure in 2021 to increase 2.3 times compared with the 2020 levels, leaving it 45% below the 2019 levels. As for domestic tourist expenditure, we expect this to grow by 30% year-on-year, 25% below the 2019 figure (–45% in 2020). **As far as the summer season is concerned, the outlook is relatively positive: we expect international expenditure to limit its decline compared with summer 2019 to 27% while, in the case of domestic tourism, the drop is expected to be 16%.**

6 The European Commission has already presented a proposal for the health passport (Digital Green Certificate), which is planned to come into effect from June.

7 In 2020, domestic tourist expenditure went from falling by 70% year-on-year in June to 13% in August. Meanwhile the number of French tourists, who in August were able travel to Spain although they had to quarantine on their return, went from falling by 95% year-on-year in June to 60% in August. Within a context of fewer restrictions in Europe, we expect the performance of inbound tourism from the traditional countries (75% of total expenditure) to be closer to the 2020 domestic tourism situation and 25% below the levels in 2019 (–77% in 2020).

Tourist expenditure in Spain

Change compared with the same quarter in 2019



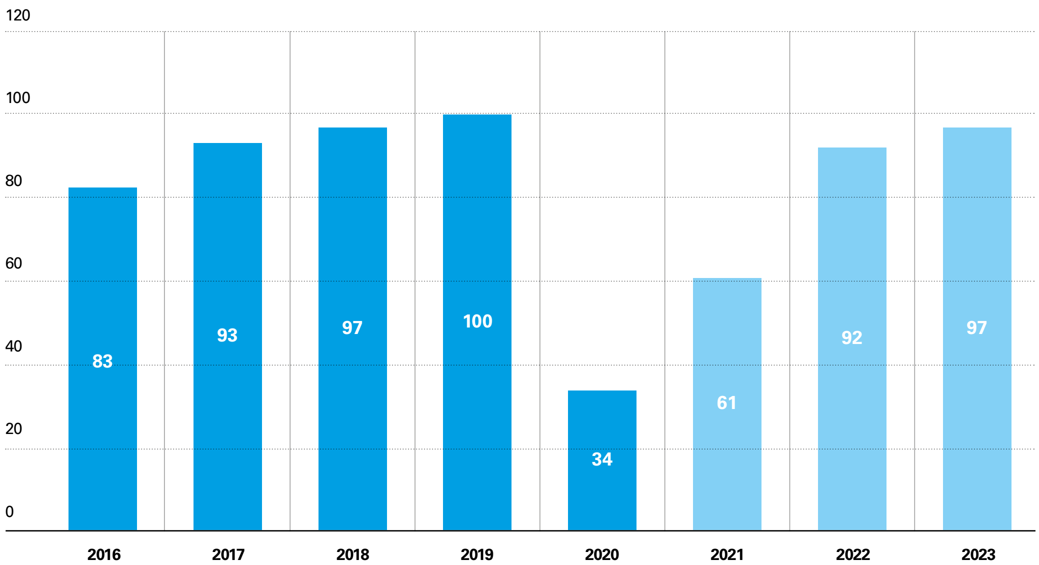
Notes: Projected expenditure for domestic and international tourists as of October 2020 and February 2021, respectively.
Source: CaixaBank Research, based on data from the National Statistics Institute.

As a result of these spending figures, we expect tourism GDP to be about 40% below its pre-COVID level in 2019, a recovery of 80% compared with 2020.[8] This recovery would directly contribute 1.9 pp to the growth of Spain's economy. Although there is still a lot of uncertainty regarding 2022, the progress being made by the vaccination roll-out invites us to remain positive. We therefore believe that the population's herd immunity will help normalise the movement of tourists in Spain and Europe. In this case, the sector would regain a level of activity that is still below but closer to those of 2019, in any case enough to ensure the profitability of the businesses that make up the tourism industry.

8 Tourism GDP is a measure of the economic activity produced by tourists in Spain. Accord-ing to data from the National Statistics Institute, tourism generated around 12.4% of Spain's GDP in 2019.

Trend in tourism-related GDP in Spain

Index (100 = 2019)



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

Tourism

The Next Generation EU funds will be important to support improvements in digitalisation, sustainability and infrastructures, investments which are currently difficult to undertake for such a hard-hit tourism industry

Although the sector's long-term sustainability is beyond doubt, the role played by the government will be crucial during the period of gradual recovery that still lies ahead. It is therefore important to highlight the importance of economic policy in 2021 as a whole, which must continue to adapt rapidly and effectively. In this respect, **we believe the furlough scheme should be extended until the recovery consolidates**. It will also be important to take advantage of the flexibility provided by the extension of ICO bonds and their grace periods. Moreover, **the direct aid received by the sector will be very useful to ensure the survival of businesses that will become profitable once people can travel again**. Consequently, the 7 billion euro package launched by the central government and the funds available to boost solvency (the 10 billion managed by SEPI plus the 4 billion accompanying direct aid in the last package) are a move in the right direction. Finally, the Next Generation EU (NGEU) funds will also be important when it comes to supporting improvements in digitalisation, sustainability and infrastructures, investments which are currently difficult for such a hard-hit tourism industry to undertake but vital in order to survive this crisis whilst maintaining our status as the most competitive tourist destination in the world.

In conclusion

2020 has been a very tough year for the tourism industry and the start of 2021 has not been any easier due to the impact of a third COVID-19 wave.

In the second quarter of the year, containing the infection rate, vaccinating the population at risk and implementing the European health passport should all support a rapid recovery in the industry for the remainder of 2021.

Our forecasts are for tourism GDP to recover by 80% this year, placing economic activity in the tourism industry at about 40% below its 2019 level.

We expect a strong recovery over the coming years thanks to travel returning to normal once herd immunity is achieved. Tourism will continue to be one of the driving forces of the Spanish economy.

Although the recovery is imminent, support by economic policy will remain crucial in the short term.

New alternatives

Rural tourism as a response to COVID-19

Rural destinations have emerged as the most attractive choice after the outbreak of the pandemic. Rural areas were a great alternative in the summer for those tourists wanting to travel whilst still maintaining a social distance. As a result, the loss of tourism business in the less urban regions of Spain has been much lower than in more traditional coastal destinations and cities. This article has applied big data techniques to analyse the trends in card payments made by both domestic and international tourists according to the characteristics of the destinations they visited. The results confirm the increased resilience of rural tourism destinations in 2020, suggesting a positive outlook for rural tourism in 2021.

Rural tourism has emerged as one of the alternatives for both domestic and international tourists during 2020. During the summer months, those regions with a relatively large share of rural tourism, such as Asturias, Cantabria and Navarra, recorded a smaller decline in the number of overnight stays by domestic tourists, while the region that suffered the most was the Community of Madrid, Spain's main urban destination along with Barcelona. In fact, overnight stays in rural tourist accommodation barely decreased in the months of July and August, specifically by 12% year-on-year, while total tourist accommodation recorded a drop of 60% year-on-year.

However, the overnight stay data provided by the National Statistics Institute only allows us to analyse tourist movements and we cannot assess the likely changes in tourist consumption habits in 2020. For a broader analysis, we have used data on card payments and cash withdrawals via CaixaBank POS terminals and ATMs. Specifically, we have focused on the payments made with tourists' cards, eliminating all spending by local consumers from the sample.[9] We have also classified all the municipalities in Spain as urban, rural or coastal[10] in order to analyse the tourist expenditure in the different types of destinations.

We have used big data methodology to analyse the data from card payments made by tourists in rural destinations

9 Payments and cash withdrawals via cards issued by foreign companies are used to identi-fy expenditure by international tourists. In the case of domestic tourists, payments and cash withdrawals via cards issued by Spanish companies and made outside the holder's usual place of residence are used. The result has been adjusted using a CaixaBank POS penetration metric to balance the sample across regions with a disparate CaixaBank presence.

10 All municipalities, urban and rural, that have a coastline have been classified as coastal destinations. All non-coastal municipalities with fewer than 30,000 inhabitants or 100 inhabitants per km^2 have been classified as rural. The remaining non-coastal municipalities have been classified as urban.

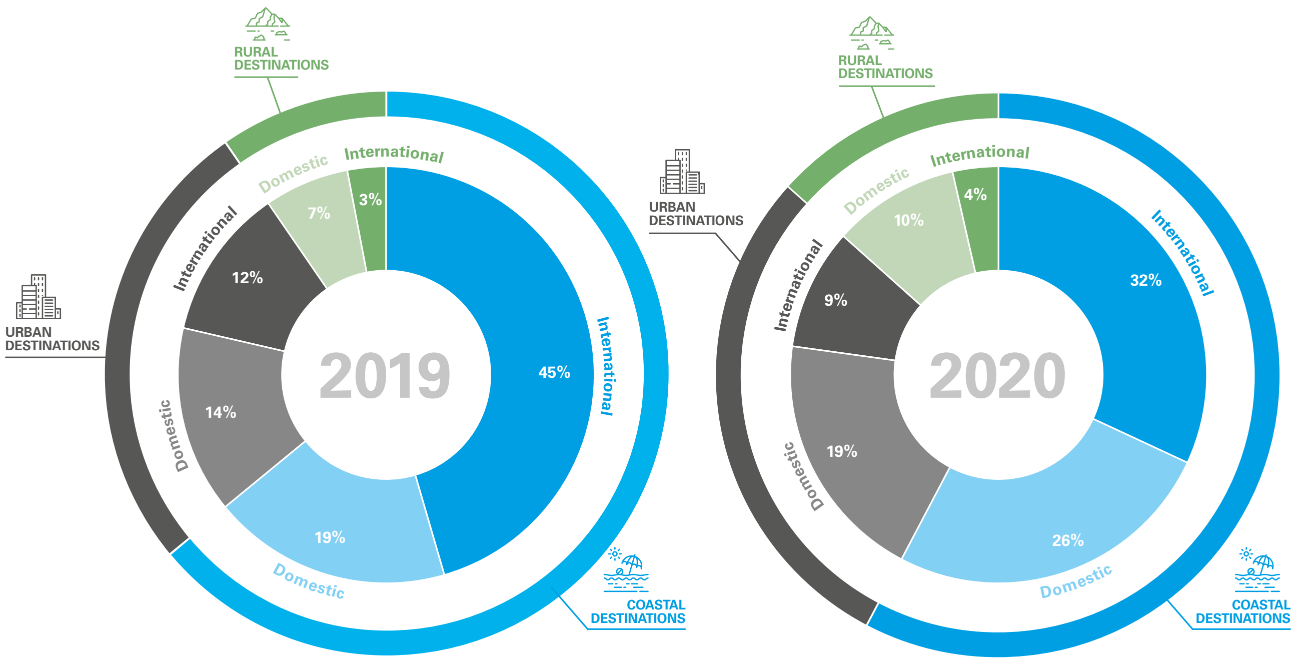
Tourism

Breakdown of tourism by type of destination

According to this analysis, rural tourism accounted for about 10% of total tourism expenditure in 2019, of which only 3 pp was due to spending by international tourists. In 2020, on the other hand, the better performance of rural tourism compared with the rest of the sector increased this share to 14%. This is an appreciable portion of total expenditure, in line with the percentage of the population residing in rural municipalities, which is also 14%. As can be seen in the chart, tourism in coastal municipalities, which could be classified as the most traditional destinations for the tourism industry, accounted for 58% of total expenditure in 2020. In addition to being the most important, this was also the type of destination that attracted the highest proportion of foreigners last year, with 55% of expenditure in coastal destinations made via foreign cards. Finally, urban destinations accounted for 28% of total tourist expenditure in 2020.

Tourist expenditure by type of municipality

% of total tourist expenditure



Notes: Expenditure using cards issued by foreign companies (international tourists) and cards issued by Spanish companies outside the holder's usual place of residence (domestic tour-ists) via CaixaBank POS terminals. To identify urban, rural and coastal municipalities, these have been classified according to their closeness to the sea and demographic char-acteristics (population and density).
Source: CaixaBank Research, based on internal data.

Rural tourism accounted for about 10% of total tourism expenditure in 2019. In 2020 rural tourism performed better than the rest of the sector, increasing its share to 14%

Tourist expenditure by type of destination

If we look at the trends in tourist expenditure in 2020, spending by all tourists (domestic and international) identified via their card payments and cash withdrawals at CaixaBank POS terminals and ATMs fell by 51% in 2020.[11] By type of destination, tourist spending fell by 46% annually in cities and by 56% in coastal destinations. In contrast, tourism expenditure in rural destinations fell considerably less (31% year on year) thanks to a much faster recovery in the period when the lockdown restrictions were eased and also because it remained more attractive in terms of social distancing during the months of the summer and early autumn.

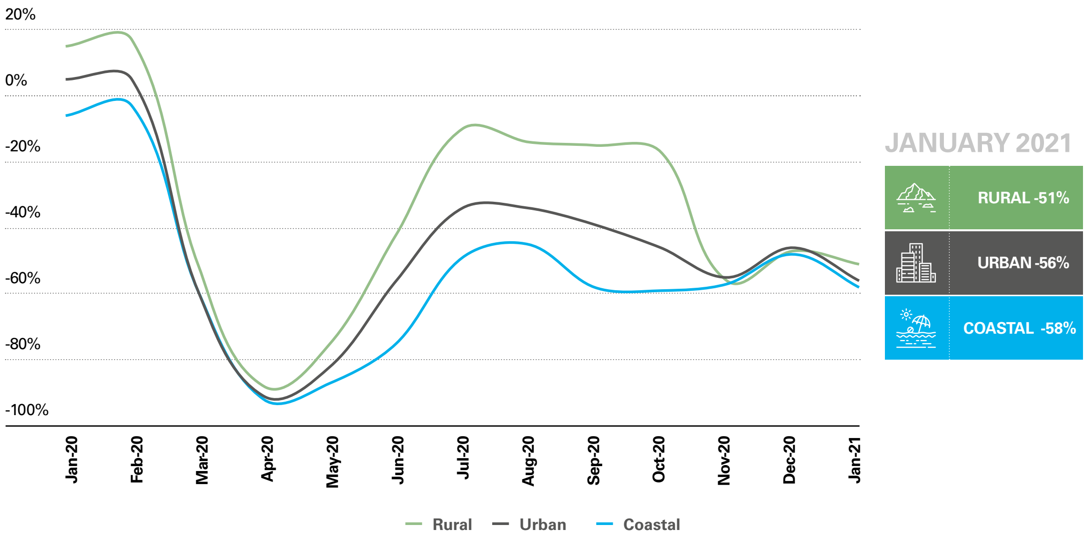
As can be seen in the chart, in January this year, the latest month for which we have a detailed breakdown at the time of going to press, the decrease in tourist expenditure was very similar across all destination types: between 51% and 58% year-on-year. This is due to the fact that restrictions on movements have affected the autonomous regions to a similar extent during the second and third waves, in many cases prohibiting travel between regions (and even within the same region), thereby preventing tourists from crossing regional borders.

11 The decrease in tourist expenditure reflected by CaixaBank POS terminals is lower than the figure published by the National Statistics Institute. The total tourism expenditure figures published by the National Statistics Institute between January and September 2020 (domestic tourism data for Q4 were not available at the time of going to press) fell by 67.0% year-on-year, while CaixaBank's total fell by 50.5% year-on-year. It should be noted that our metric is affected by the increasing use of cards as a means of payment following the outbreak of the pandemic. There may also be differences due to the fact that CaixaBank POS terminals do not capture spending at origin or payments via cash not withdrawn from ATMs at the destination, while the National Statistics Institute does re-flect this in its Egatur and Familitur surveys.

Tourism

Tourist expenditure by type of municipality

Year-on-year change



Notes: Expenditure via cards issued by foreign companies (international tourists) and cards is-sued by Spanish companies outside the holder's usual place of residence (domestic tour-ists) via CaixaBank POS terminals. To identify urban, rural and coastal municipalities, these have been classified according to their closeness to the sea and demographic char-acteristics (population and density).
Source: CaixaBank Research, based on internal data.

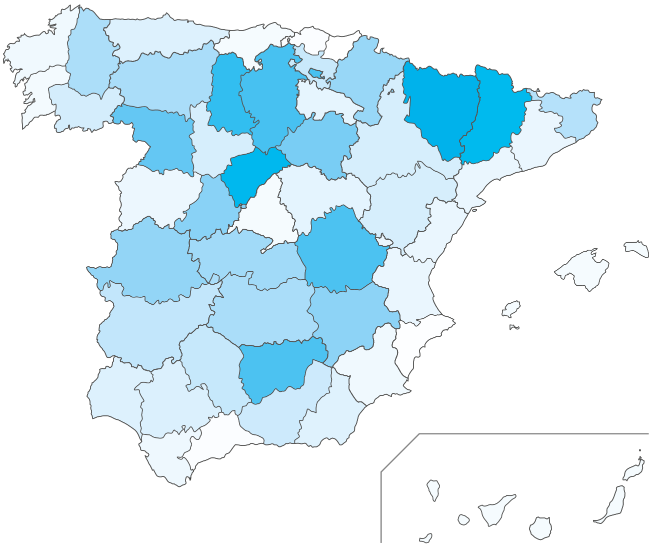
Share of rural tourism in Spain

The greater resilience shown by rural destinations during 2020 was not enough to cushion the huge impact of COVID-19 on Spain's tourism sector, due to their small share within the tourism industry overall and because tourist numbers also declined appreciably for rural destinations. Nevertheless, this has played a very important role in terms of the geographical scope of the impact. Although rural tourism accounted for 14% of the total in 2020, 15 Spanish provinces recorded more than 40% of their tourism expenditure in rural municipalities. In these provinces that are more dependent on rural tourism, total expenditure fell by 33% annually, 17 pp less than the average for Spain. In comparison, the predominantly urban and coastal regions have been harder hit by the COVID-19 pandemic. In the 9 provinces with less than 5% of rural tourism, tourist expenditure fell by 60% (9 pp more than the average for Spain).

In 2020, 15 Spanish provinces recorded over 40% of their tourist expenditure in rural municipalities. In these provinces that are more dependent on rural tourism, total expenditure fell by 33% annually, 17 pp less than the average for Spain

Share of rural tourism in Spain

Tourism expenditure in non-urban municipalities as a percentage of total tourism expenditure



Spain 14%

Andalusia	Jaén	63%	Castilla-La Mancha	Cuenca	63%
	Córdoba	26%		Albacete	47%
	Granada	23%		Toledo	40%
	Seville	17%		Ciudad Real	37%
	Huelva	16%		Guadalajara	13%
	Almería	15%	Catalonia	Lleida	71%
	Cádiz	8%		Girona	33%
	Málaga	2%		Tarragona	10%
Aragón	Huesca	79%		Barcelona	5%
	Teruel	67%	C. de Madrid	Madrid	5%
	Zaragoza	19%	C. F. de Navarra	Navarra	43%
Balearic Islands	Balearic I.	1%	C. Valenciana	Castellón	10%
Canary Islands	S. C. Tenerife	0%		Valencia	10%
	Las Palmas	0%		Alicante	1%
Cantabria	Cantabria	5%	Extremadura	Cáceres	45%
Castilla y León	Segovia	73%		Badajoz	28%
	Palencia	67%	Galicia	Lugo	36%
	Burgos	64%		Orense	20%
	Zamora	58%		La Coruña	7%
	Soria	53%		Pontevedra	6%
	Ávila	48%	La Rioja	La Rioja	12%
	Salamanca	39%	Basque Country	Álava	25%
	León	37%		Vizcaya	2%
	Valladolid	19%		Guipúzcoa	0%
R. de Murcia	Murcia	7%	P. de Asturias	Asturias	16%

Notes: Expenditure via cards issued by foreign companies (international tourists) and cards is-sued by Spanish companies outside the holder's usual place of residence (domestic tour-ists) via CaixaBank POS terminals. To identify urban, rural and coastal municipalities, these have been classified according to their closeness to the sea and demographic char-acteristics (population and density).
Source: CaixaBank Research, based on internal data.

Tourist expenditure by type of destination and type of business

If we look at the trends in tourist expenditure by type of destination and business, we can see that all types of businesses located in rural municipalities recorded smaller decreases in turnover from international and domestic tourists. Firstly, the tourist accommodation establishments (hotels and non-hotels) located in rural municipalities were much less affected by the crisis in 2020. As shown in the table, rural tourism expenditure fell by 44% annually while the decrease was 76% and 79% for urban and coastal destinations, respectively. A similar situation can be seen in spending on food and drink, one of the sectors that has been hardest hit by the consequences of COVID-19 in major tourist destinations, with tourist expenditure falling by more than 55% annually in urban and coastal destinations but falling by 27% in rural destinations. However, it is worth noting that the decrease in tourist expenditure in rural destinations was also considerable, albeit not as severe as in the rest of the destinations.

> **If we look at the trends in tourist expenditure by type of destination and business, we can see that all types of businesses located in rural municipalities have recorded smaller decreases in turnover**

Tourism

Trends of tourist expenditure in 2020, by type of destination and business

Annual change

	Total tourist expenditure			Domestic tourists			International tourists		
	Urban	Coastal	Rural	Urban	Coastal	Rural	Urban	Coastal	Rural
TOTAL	-46%	-56%	-31%	-34%	-32%	-26%	-61%	-65%	-42%
Accommodation	-76%	-79%	-44%	-55%	-47%	-32%	-84%	-84%	-66%
Hotels and restaurants	-54%	-56%	-27%	-37%	-22%	-18%	-70%	-69%	-53%
Purchases and leisure	-58%	-63%	-38%	-40%	-36%	-30%	-68%	-69%	-44%
Rest	-37%	-46%	-29%	-31%	-31%	-27%	-48%	-55%	-35%

Notes: Expenditure via cards issued by foreign companies (international tourists) and cards issued by Spanish companies outside the holder's usual place of residence (domestic tourists) via CaixaBank POS terminals. To identify urban, rural and coastal municipalities, these have been classified according to their closeness to the sea and demographic char-acteristics (population and density).
Source: CaixaBank Research, based on internal data.

In conclusion

CaixaBank's internal data show that the impact of COVID-19 on rural and inland tourism has been notable but more moderate than in other tourism destinations. Tourists have largely opted for less crowded and relatively tranquil destinations, with rural tourism reigning supreme. In 2021, rural tourism will also be one of the driving forces of the recovery as its growth will not be so restricted by the social distancing requirements in place during the first few months of returning to normal, while the population's immunisation will still be incomplete.

In the medium term, the two major destinations for post-COVID tourism will still be coastal and urban locations. However, COVID-19 may notably speed up changes in the economy, with rural tourism gaining in importance. The initiatives supported by the European Recovery Plan (NGEU) to digitalise and modernise Spain's tourism supply could particularly boost destinations that are currently less wellestablished, including rural ones, helping Spain's tourism supply to diversify and thereby maintain its competitive edge over the rest of the international markets.

Analysis of the airline industry

The need to take off in 2021

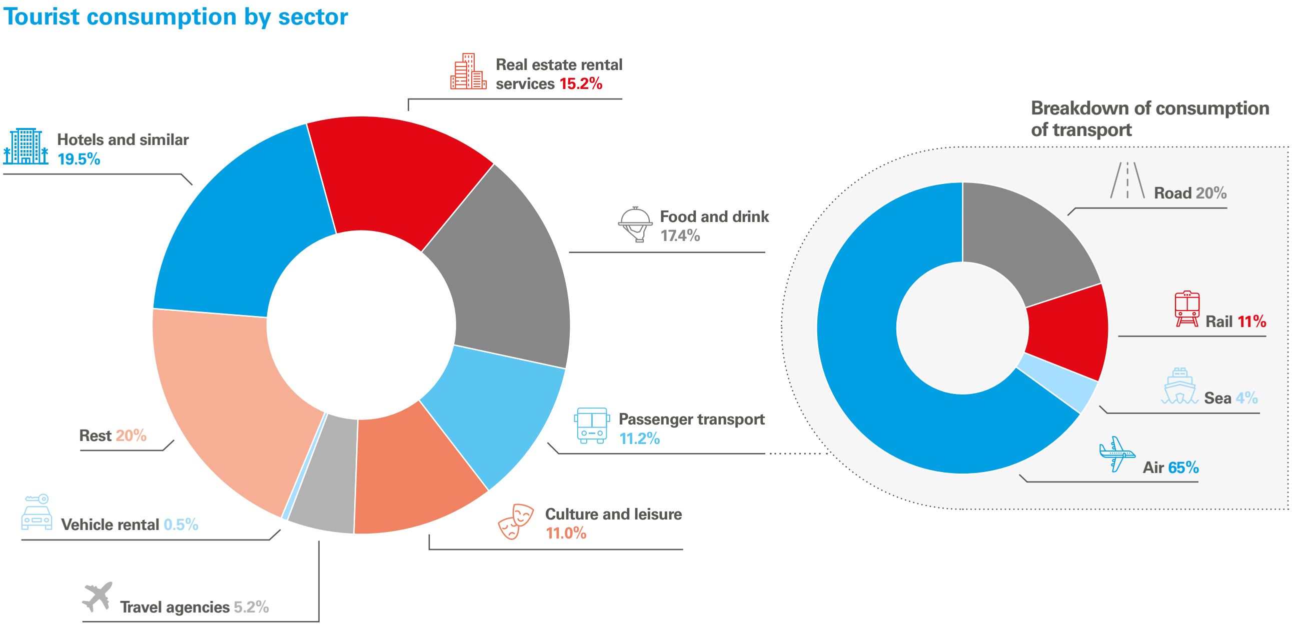
Air passenger transport is one of the mainstays of the tourism sector's value chain. For this reason, and in a similar way to the rest of the sector, it experienced a huge slump in 2020 in the wake of COVID-19. Airlines are currently having to tackle a combination of high capital costs due to their large structures and an almost total lack of operating income.The evident need for liquidity among Europe's airlines has led some governments to inject public capital to prevent their collapse. However, 2021 looks like being the watershed the tourism sector needs: the progress made by the vaccination roll-outs and the approval of measures such as the health passport will be crucial for air passenger transport to embark on the road to recovery and return to being one of the mainstays of tourism.

Spain's excellent performance in terms of its international tourism in recent years would not have been possible without the work of the airlines, which have managed to increase connectivity between destinations at highly competitive prices. So much so that tourist expenditure on passenger transport, with air travel making up the largest share by far, accounts for a sizeable 11.2% of all tourist expenditure, as can be seen in the chart. Given the importance of air travel for tourism, it is not surprising that, in the current crisis in the sector, airlines lie at the epicentre of the economic impact caused by the measures implemented to combat the spread of COVID-19 around the world.

Tourism

Tourist consumption in Spain by item of expenditure

% of tourist consumption



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

Worldwide slump in air traffic

The current situation of airlines is devastating all over the world. By February 2021, 16% of all countries had closed their borders while 65% had imposed selective entry restrictions or quarantine measures on arrival.[12] This, combined with the huge share repre-sented by international connections in the industry, has meant that, according to data from the Official Airline Guide (OAG), the number of scheduled flights worldwide in January 2021 was almost 50% lower than in January 2020. By region, we can see that EU countries and particularly the United Kingdom are the worst performers, with year-on-year falls in January of 66% and 83%, respectively.The US market, also hard hit by COVID-19, fell by 44% in January, still very high but much less than the decline recorded by European countries, thanks to the support offered by its domestic market. Countries such as Japan, Korea and Australia are in an intermediate situation. In their case, the volume of domestic flights has recovered relatively better but international flights have slumped significantly as these countries have controlled the spread of the pandemic by implementing very tough border restrictions. China is a case apart, with a very large domestic air transport market and where, thanks to its low COVID-19 infection rate, its air traffic has managed to recover almost entirely.

12 **According to the Oxford COVID-19 Government Response Tracker border controls indica-tor:** https://www.bsg.ox.ac.uk/research/research-projects/covid-19-government-response-tracker

> **The biggest declines in air passenger transport have been posted in the EU and UK**

Scheduled flights

Year-on-year change (%)

	2020												2021
	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
UK	-4	-3	-23	-93	-94	-90	-80	-67	-65	-68	-82	-74	-83
EU	-1	1	-43	-89	-88	-81	-59	-49	-55	-58	-65	-62	-66
Arab Emirates	-2	-3	-23	-81	-79	-80	-70	-65	-63	-65	-63	-61	-61
Australia	-2	-3	-6	-85	-86	-83	-77	-76	-74	-71	-67	-46	-60
South Korea	-2	-11	-49	-56	-49	-49	-48	-41	-46	-40	-41	-50	-56
Japan	3	-3	-16	-39	-46	-44	-37	-30	-37	-38	-36	-36	-49
USA	3	2	0	-58	-73	-67	-51	-48	-47	-47	-43	-42	-44
India	3	7	9	-82	-60	-66	-53	-60	-56	-47	-44	-36	-32
China	5	-54	-39	-42	-28	-20	-17	-10	-5	0	-3	0	-13
GLOBAL	2	-8	-15	-66	-69	-64	-54	-48	-48	-46	-46	-44	-49

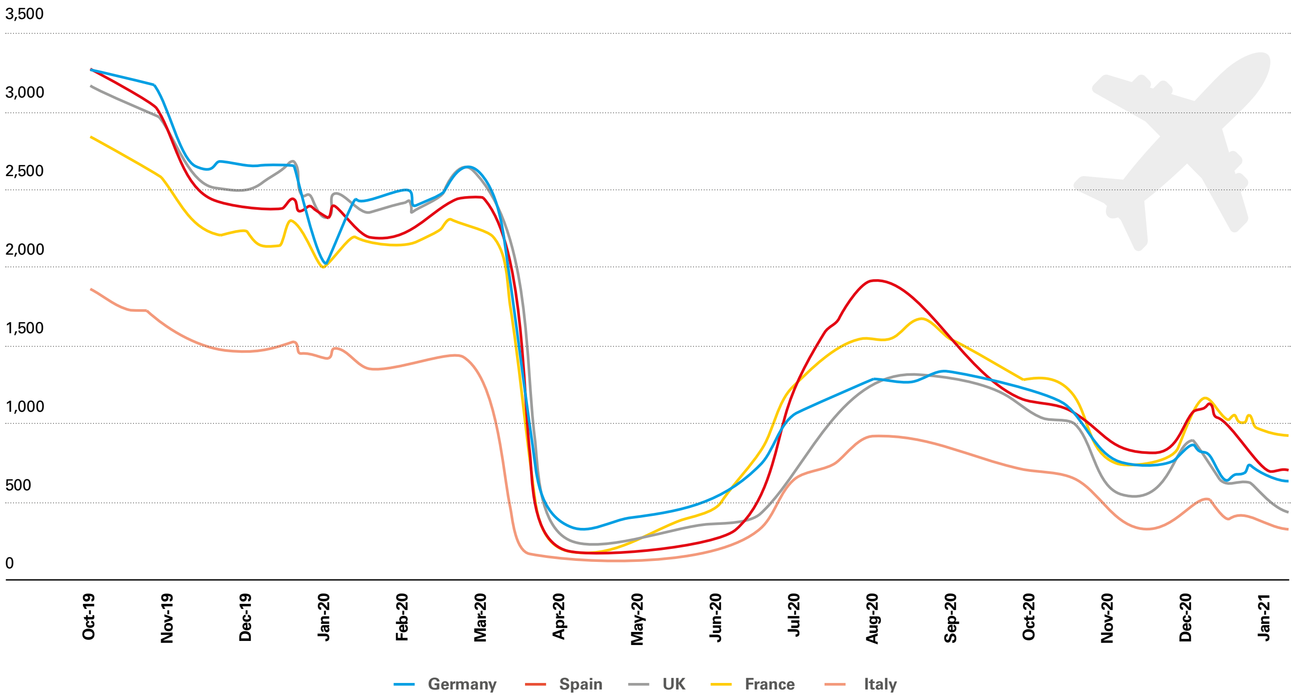
Source: CaixaBank Research, based on data from la OAG.

The decreases are extensive and very similar within the European market. According to data from EUROCONTROL, responsible for coordinating the continent's national air traffic control agencies, last January all Western European countries suffered year-on-year falls of between 55% and 80% in the volume of commercial flights. As can be seen in the chart, the five main European markets (Spain, Italy, Germany, France and the United Kingdom) recorded a volume of daily flights at the end of January that was very similar to the end of June. This is a remarkable development, since none of these countries had opened their borders before 15 June.

Tourism

Volume of flights in Europe

Daily arrivals at national airports, 14-day average



Source: CaixaBank Research, based on data from EUROCONTROL.

The financial state of the airline industry

Such poor figures have placed the airline industry in a highly complex financial situation. Airlines tend to be very capital-intensive, heavily structured companies with high costs that find it difficult to adjust in the short term. The airline market is also extremely competitive. For this reason, margins are small and airlines need to maintain a large customer base and high aircraft occupancy rates to make a profit. According to estimates by the International Air Transport Association (IATA), industry revenue declined by 66% by 2020 due to an 80% drop in passenger revenue and despite freight revenue growing by 17% year-on-year. On the other hand, operating costs (fuel consumption, logistics, maintenance and salaries) fell by 43% due to the decline in the number of operations and various furlough schemes implemented. Losses have been widespread, with the profit margin on global sales going from 11% in 2019 to -45% in 2020.[13]

13 The profit margin is the ratio of EBIT to total revenue. In 2020, the combination of losses (numerator) and a sharp fall in revenue (denominator) has resulted in very high negative ratios.

The financial situation of the airline industry is highly complex due to very low revenues and the difficulty of adjusting its high fixed costs

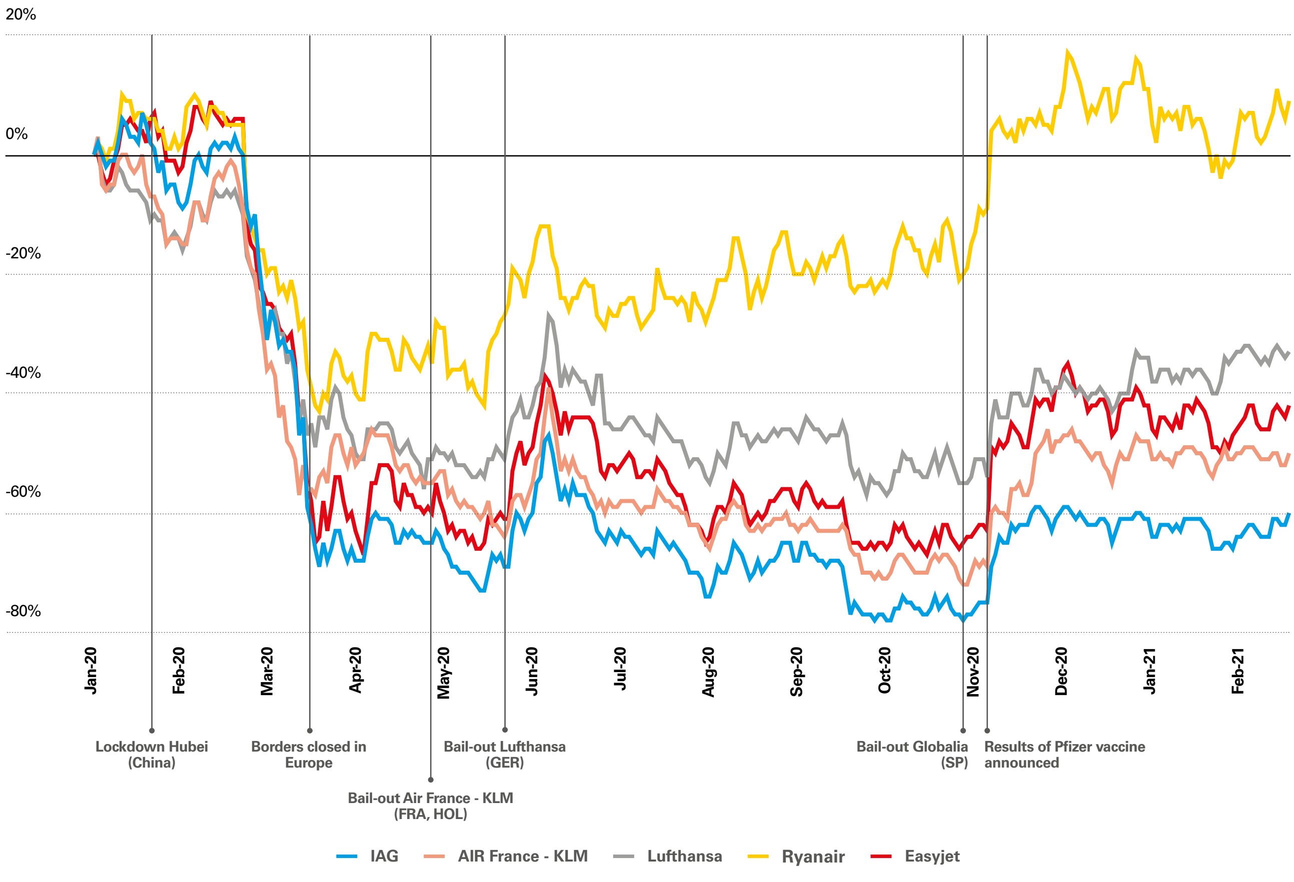
Under such conditions, the industry has had to resort to extraordinary measures to increase its liquidity and raise capital. According to IATA data from the balance sheets of its nearly 290 member airlines, industry borrowing increased by 51.4% in 2020 via bond issues and bank and public sector loans.[14] In terms of the part played by governments in supporting the sustainability of airlines, notable cases in Europe have been Air France-KLM, receiving €11 billion in credit and guaranteed loans from the French and Dutch governments at the end of April, and Lufthansa, receiving a capital injection of €9 billion from the German government in May 2020, increasing its stake in the company to 25%. In Spain we have also seen the bail-out of Globalia, the parent company of Air Europa, through two loans convertible into equity totalling 475 million euros, granted by SEPI at the end of October.

This situation has also been reflected in airline share prices. As the chart shows, the market capitalisation of Europe's major airlines declined by more than 50% between March and November, although share prices rallied slightly once a vaccine was announced. Only Ryanair has a higher capitalisation than on 1 January 2020.

14 IATA has not published information on the composition of the airline sample used, although it is presumably a representative sample. The airlines in the sample have increased their debt from 430 billion to 651 billion US dollars. Of this, 78 billion was raised by issuing bonds, 58 billion from public sector loans, 47 billion from commercial loans, 24 billion from public credit guarantees and 14 billion from deferred taxes.

Market capitalisation of the major European airlines

Change compared with 1 January 2020

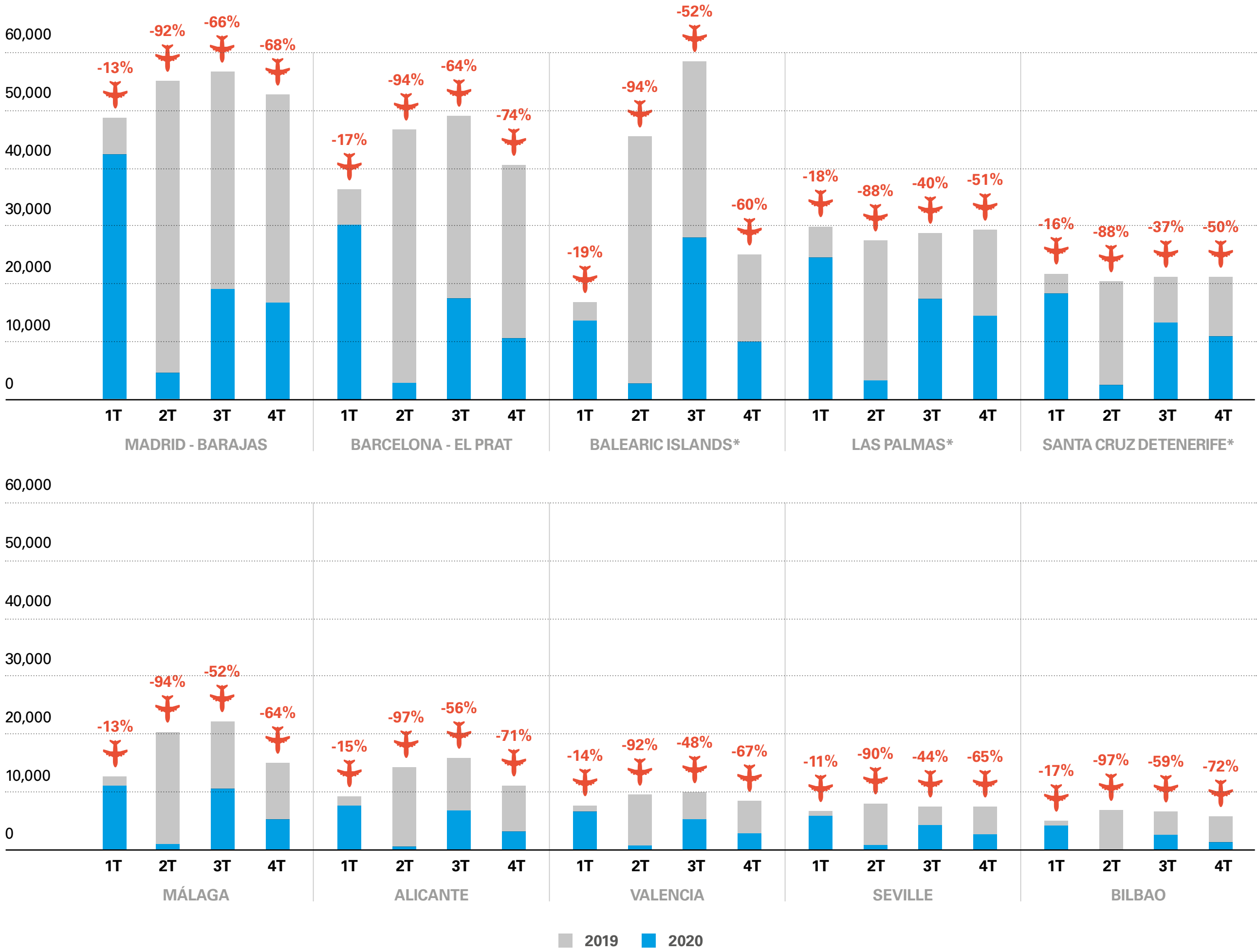


Source: CaixaBank Research, based on data from Thomson Reuters Datastream.

Tourism

Volume of flights at Spain's main airports

Arrivals



Notes: *The main provincial airports on islands have also been included (i) Balearic Islands: Palma de Mallorca, Ibiza. (ii) Las Palmas: Gran Canaria, Lanzarote and Fuerteventura. (iii) Santa Cruz deTenerife:Tenerife North and South, La Palma, El Hierro and La Gomera.
Source: CaixaBank, based on data from EUROCONTROL.

The air transport market in Spain

The case of Spain's airline industry is not unique. As in the rest of Europe, after the pandemic started in March 2020, passenger air travel came to an abrupt halt. According to data from the Ministry ofTransport, Mobility and Urban Agenda, the volume of passengers at Spanish airports went from 274 million in 2019 to just 73 million in 2020 (–73% annually), dropping to levels similar to those in 1990. Moreover, the most recent figures show no improvement: in January 2021 the number of passengers in Spain fell by 85% year-on-year.

If we look at the trends for Spain's main airports, as shown in the chart, three conclusions can be drawn: (i) the slump in activity is widespread throughout Spain, (ii) those destinations preferred by domestic tourists have fared relatively better, and (iii) the Canary Islands have been more successful than the Balearic Islands in attracting domestic demand. Madrid, Spain's main airport thanks to its role as a hub between international and domestic flights, recorded a drop of more than 65% year-on-year in the second half of 2020. For their part the airports of Barcelona and Alicante, both located in very popular destinations for

international tourism, have seen the sharpest decline in the last quarter of 2020. On the other hand, airports such as Seville and Bilbao, with a larger share of domestic flights, have also posted large decreases, albeit more moderate.

> **Spain went from a passenger volume at its airports of 274 million in 2019 to just 73 million in 2020 (–73%), dropping to levels similar to those in 1990**

In conclusion

Given the numbers discussed in this article, the airline industry is currently looking very vulnerable. We believe a recovery in travel is vital in 2021 to bring recurrent income back to companies in the sector, thereby avoiding greater restructuring. However, such a recovery obviously depends on the effectiveness and speed of the vaccination roll-out. Achieving immunisation of around 90% of the population at risk in Europe and the approval of a health passport to enable vaccinated people to travel before the peak summer season will be key to turning the tide for the sector this summer.

However, in spite of the expected improvement, the industry will still be under pressure. According to **IATA forecasts, in 2021 airline revenue will remain** at around 40% below pre-COVID levels and negative cash flows will continue until Q4.

The trend in supply

Cut-price tourism: the role played by hotel rate adjustments in the recovery

The collapse of tourism in Spain in the wake of COVID-19 has pushed the tourism industry to undertake major price adjustments and the hotel sector has been the greatest exponent of this trend. According to data from the National Statistics Institute, the price per room per day charged by hotels in the summer of 2020 was 16% lower than the previous year. However, this huge price cut does not seem to have played a decisive role in reviving demand in some regions. The change in travel preferences brought about by the pandemic has meant that tourists have opted for nearby, familiar and less congested destinations, focusing less on price and thereby limiting the success of big reductions in hotel prices.

The law of supply and demand is very clear: if demand decreases and supply remains the same, prices fall; if supply falls and demand stays the same, prices go up. But 2020 was a year in which both these movements took place. On the one hand, tourist demand fell sharply, even during the summer months when movement restrictions and infection rates were very low. On the other hand, severe restrictions were imposed on hotel capacity, which considerably limited the number of tourist places available in hotels and the number of customers that could be served in restaurants.

According to economic theory, the reduced capacity experienced during the second half of 2020 should have limited price reductions in many establishments. However, the slump in tourist demand was so severe that most businesses and shops that depend to some extent on tourism lowered their prices in the hope of reviving demand.[15]

> **The drop in tourism demand in 2020 was so severe that most tourism-dependent busi-nesses and shops opted to lower their prices in the hope of reviving demand**

15 Note that this price reduction occurred at a time of higher costs being borne by establishments to adapt to the anti-COVID safety measures (e.g. disinfectant gel, protective screens, more cleaning, signage, etc.), in addition to higher unit fixed costs (due to capacity restrictions and a fall in turnover).

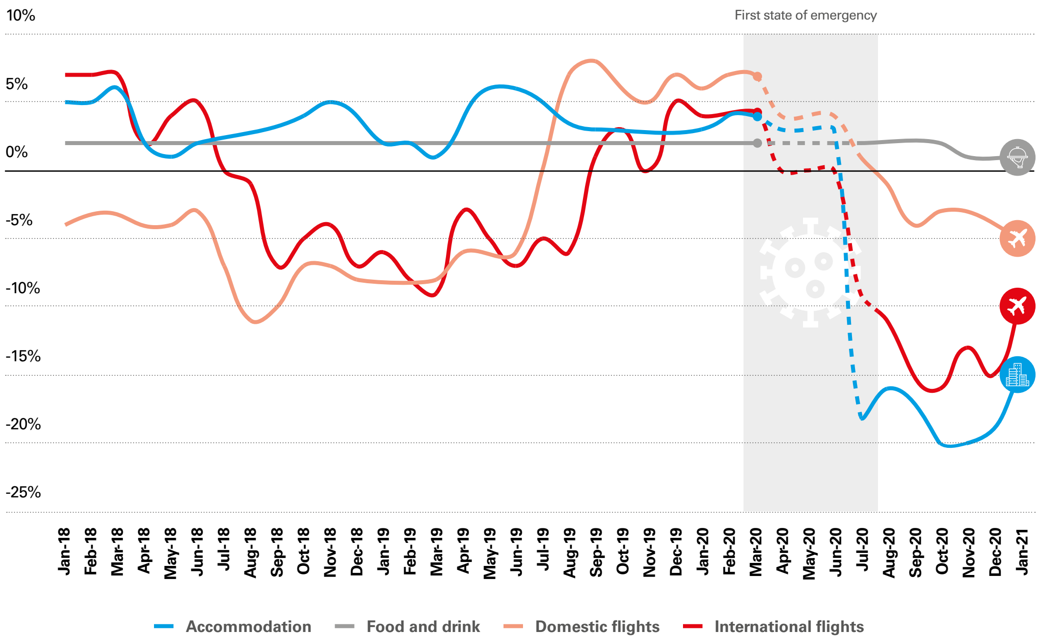
Tourist accommodation prices, the most reduced post-lockdown

According to data from the consumer price index (CPI), the largest price cuts after the March-June lockdown in 2020 occurred in the rates charged for tourist accommodation, highly dependent on demand from international tourists. During the second half of 2020, the prices for this type of business fell by an average of 18% year-on-year. Big cuts were also observed in the price of international and domestic flights, with year-on-year decreases of 14% and 3%, respectively, something quite remarkable in a sector where margins were already very tight before the pandemic.[16] However, it should be noted that not all tourism-dependent businesses lowered their prices. This was the case for food and drink establishments which, in spite of suffering from a drop in turnover, were able to replace some of their tourist clientele with local customers, on average pricing their goods and services 1% above 2019 levels.

16 See the article «The need to take off in 2021» in this report.

The consumer price index for tourism-related goods and services

Year-on-year change, two-month average



Notes: During the first state of emergency, the data gathered by the National Statistics Institute on the prices of some goods and services were very incomplete, so it is possible that the figures between April and June are not entirely accurate.
Source: CaixaBank Research, based on data from the National Statistics Institute.

Diversity in the tourism industry, diversity in price cuts

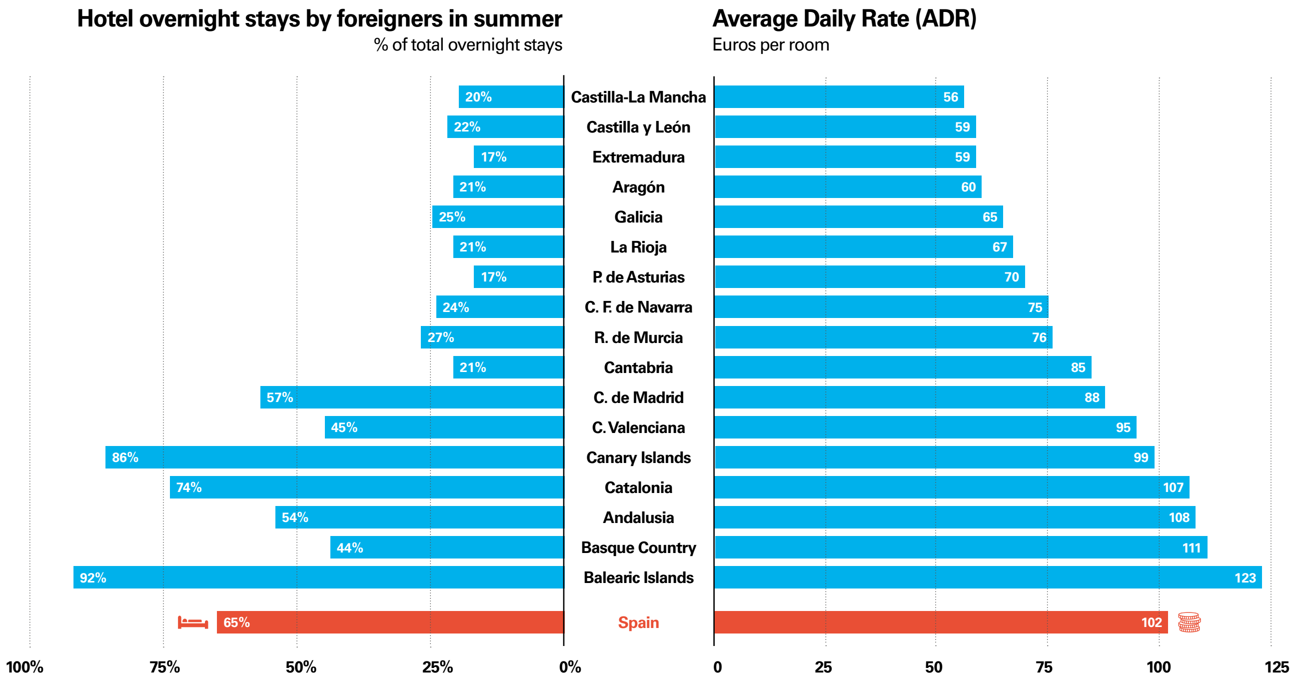
The big reductions in tourist accommodation prices were not homogeneous throughout Spain as a result of the diversity within the tourism industry itself. Some of the factors that explain the different impact in different areas are the composition of tourism demand, changes in tourist preferences after the outbreak of the pandemic and notable differences in pre-COVID prices between regions. As can be seen in the chart, there are clear differences in hotel prices between autonomous regions. One of the main determining factors for these differences is the relative share of international demand, tourists who traditionally have more purchasing power, compared with the share of domestic tourism demand, who tend to prefer more moderately priced destinations. Accordingly, in the Balearic Islands, an eminently international destination, the average daily rate (ADR) for a hotel room was 123

Tourism

euros during the summer months, while the Principality of Asturias, a destination whose tourism is much more focused on domestic visitors, had an ADR of 70 euros, more than 40% lower than the Balearic Islands.[17] It is therefore to be expected that those autonomous regions with the highest prices, also the most urban and international, should be the ones undertaking the largest price adjustments.

(17) Part of the difference in prices is due to differences in each region's hotel supply in terms of star ratings. In the aforementioned case, the share of 4 and 5-star hotels in the Balearic Islands is 53% but only 31% in Asturias.

Share of foreign demand and hotel prices in the autonomous regions in 2019

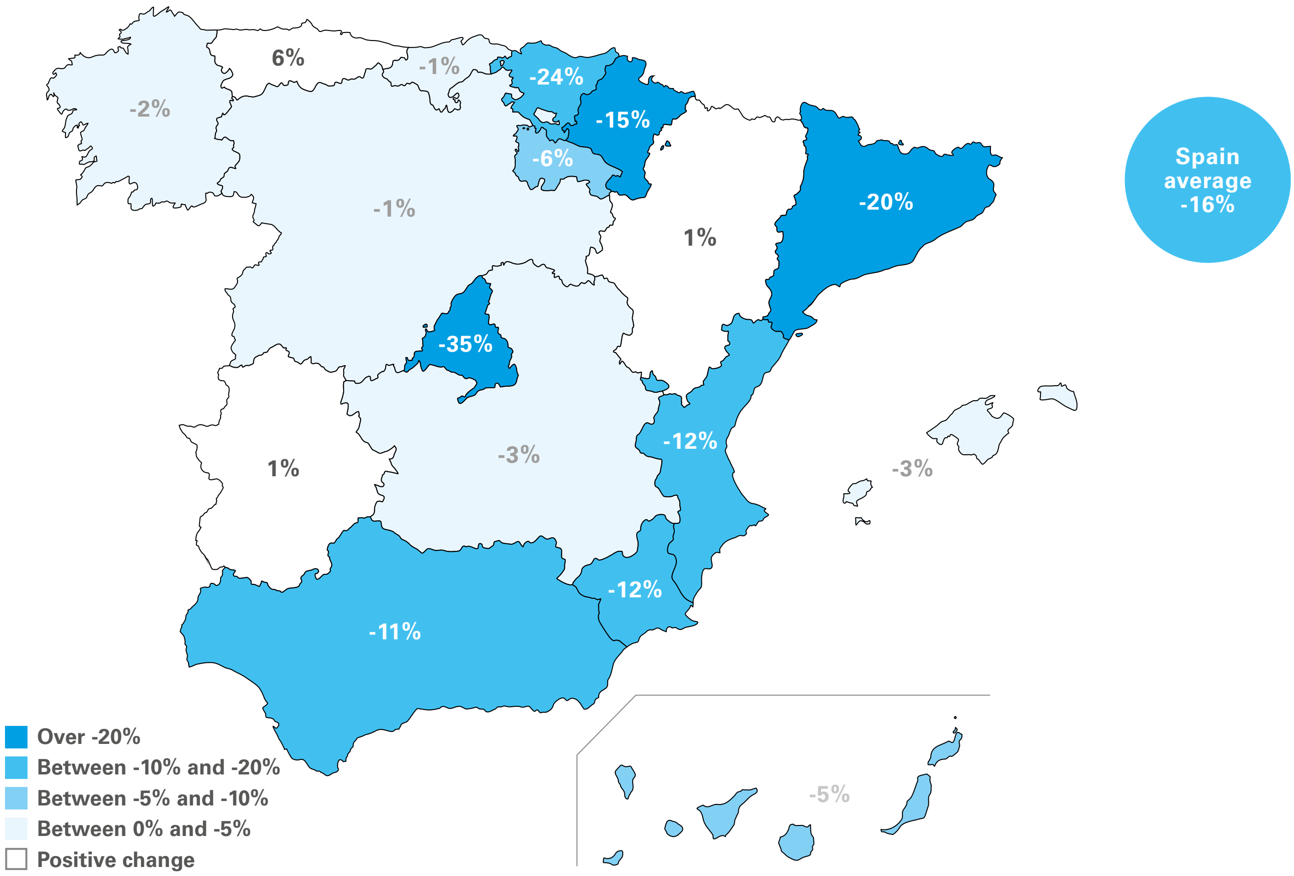


Source: CaixaBank Research, based on data from the National Statistics Institute.

Consequently, the autonomous regions that cut their prices the most during the summer months of 2020 were Madrid (–34.8% year-on-year), the Basque Country (–24.0%) and Catalonia (–20.2%), where Spain's main urban destinations are located. On the other hand, the Balearic Islands (–5.1%) and Canary Islands (–3.4%), two destinations that have been harder hit due to their dependence on foreign tourism, did not opt for such an aggressive strategy. Finally, in Asturias (+6.0%), Extremadura (+1.2%) and Aragon (+0.8%), three autonomous regions with a larger relative share of coastal and (less crowded) inland rural tourism that are traditionally more dependent on domestic tourism, did not choose to reduce their prices, taking advantage of their competitive edge in terms of social distancing.

Decline in hotel prices in Q3 2020

Year-on-year change in ADR



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

Did the price cut help to attract tourists?

During the past decade, the growing demand for tourism in Spain has pushed up prices in the sector year after year. Despite this, Spain has remained competitive compared with other international destinations as its tourism industry has improved the quality of its services and has taken maximum advantage of the country's appeal (in terms of culture, climate, hours of sunshine, etc.). This situation was completely reversed in 2020. The absence of tourists took the pressure of demand off prices and pushed suppliers to make large adjustments in order to become more attractive and stimulate consumption.

According to our estimates, tourism demand did not respond to price adjustments during 2020

Tourism

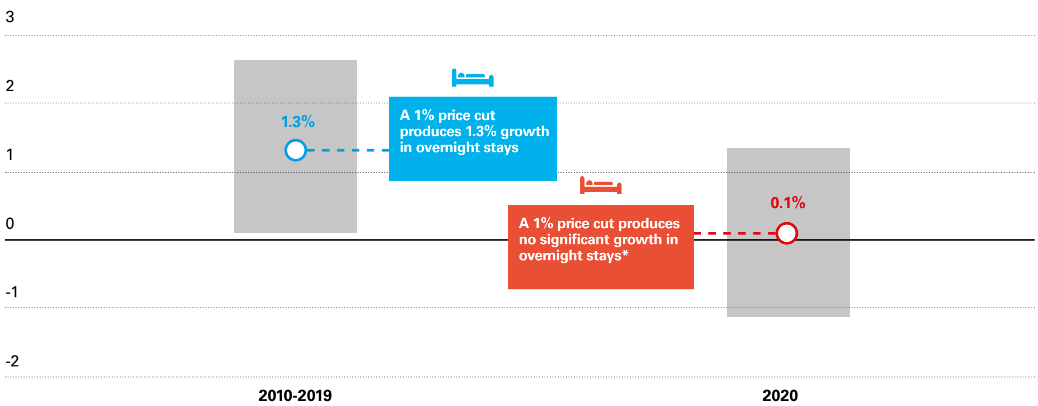
One of the questions that arises after seeing these large price cuts is whether it was an appropriate strategy which attracted a larger share of the tourists travelling through Spain. On paper, such a strategy was logical given the drop in demand. However, the situation in 2020 was so unique that it raises the issue of whether tourists' decisions were really mostly price-driven. One highly plausible hypothesis is that the few international tourists who came to Spain and did not have a second home in the country (i.e. who stayed at hotels, tourist apartments, campsites, etc.) were loyal consumers who choose the same destination year after year in Spain. As for domestic tourists, it is likely that relatives and nearby destinations also prevailed. If so, the relationship between demand and price was not so strong in 2020, reducing the effectiveness of price cuts.

To test this hypothesis, we have performed a series of quantitative exercises to estimate the price sensitivity of demand in the different channels. First, we calculated the correlation between the annual changes in ADR and the market shares of international and domestic tourists in the autonomous regions. The result is an almost zero correlation, suggesting that hotel price reductions did not manage to improve the percentage of tourists received by each region in 2020. After carrying out a more sophisticated analysis to estimate the price elasticity of demand, the results point in the same direction. As can be seen in the chart, according to our estimates hotel demand was highly inelastic in 2020 and did not respond significantly to the price changes carried out by a large number of hotel establishments. In contrast, we estimate that hotel demand was elastic between 2010 and 2019, with a price elasticity of 1.3, implying that a 1% reduction in hotel prices would result in an increase in tourist overnight stays of 1.3%.[18] This shows that special offers and price cuts were clearly attractive before the outbreak of the pandemic. However, estimates suggest that, in 2020, the price cuts carried out in some regions did not significantly attract a larger proportion of the low tourism demand.

18 Price elasticity corresponds to the coefficient β estimated using two-stage least squares in the following log regression: $D_{i,t} = \alpha+\beta P_{i,t}+\vartheta X_{i,t}+\delta_i+\zeta_t+\varepsilon_{i,t}$, where $D_{i,t}$ are hotel overnight stays in province i in month t $P_{i,t}$ is the hotel ADR instrumented using unit labour costs, $X_{i,t}$ is a control variable matrix and the variables δ_i and ζ_t are the unobservable time and regional fixed effects. Two province-level panel data samples have been used, one between Q1 2010 and Q4 2019 and the other between Q1 2020 and Q4 2020.

Effect of a 1% cut in hotel prices on overnight stays

Change (%)



Note: The shaded area indicates a 95% confidence interval. (*)This is a non-significant effect due to the fact that the confidence interval includes positive and negative values. It can therefore be stated that the effect is statistically equal to 0. For more details on the methodology, see footnote 18 in this article.
Source: CaixaBank Research.

In conclusion

The collapse of tourism in Spain in the wake of COVID-19 has pushed the tourism industry to undertake major price adjustments. The hotel sector has been the leading exponent of this trend and, in some regions of Spain, has applied a very aggressive pricing strategy in an attempt to capture as much of last year's dwindling tourist demand as possible. Despite this, due to the changes undergone by tourism in 2020, the strategy of cutting prices has proved to be ineffective and the gains have been minimal in those regions where prices have been lowered the most. Tourists seem to have considered other factors over and above price, such as proximity and whether they are already familiar with the destination.

Nevertheless, prices are likely to remain low in 2021, as tourism will have only recovered in part by the summer and there will still be a great need to attract demand among those businesses that are most dependent on tourism. Greater safety when travelling, thanks to the fact that part of the population will be vaccinated, may lead to a price adjustment strategy being more successful this year. We can only wait and see whether this situation will come about and, in the meantime, take advantage of the low-price environment to help to revive tourism ourselves.

Tourism

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	-10.8		Q4 2020
Tourism-related GDP	1.7	-0.7	4.6	-65.8	-		2020
Labour market							
Total affiliated workers	3.5	-2.3	4.1	-2.2	1.4		Mar-20
Affiliated workers in the tourism industry	4.4	-1.0	4.0	-10.1	-8.9		Feb-21
Accommodation services	4.9	-0.8	4.9	-19.2	-19.2		Feb-21
Food and beverage services	4.6	0.9	4.0	-11.1	-12.6		Feb-21
Travel agencies/tour operators	5.6	-2.8	5.7	-10.6	-7.4		Feb-21
Other tourism services	4.1	-3.1	3.6	-5.7	-1.7		Feb-21
Balance of payments							
Tourism receipts (% of GDP)	4.7	4.6	5.6	1.4	-		Q4 2020
Tourism expenditure (% of GDP)	1.2	1.2	1.7	0.7	-		Q4 2020
Total tourism (% of GDP)	3.6	3.4	3.9	0.8	-		Q4 2020
Tourism demand indicators							
International tourism							
Number of international tourists	3.8	2.2	5.2	-77.3	-93.6		Feb-21
Origin: United Kingdom	-	4.6	3.5	-82.5	-98.4		Feb-21
Origin: Germany	-	5.7	1.6	-78.5	-93.1		Feb-21
Origin: France	-	11.1	1.4	-65.1	-87.4		Feb-21
Origin: Italy	-	14.1	4.8	-79.0	-92.4		Feb-21
Origin: United States	-	1.2	15.8	-87.8	-95.7		Feb-21
Origin: Rest of Europe	-	-	7.6	-77.4	-92.2		Feb-21
Origin: Outside Europe	-	-	13.0	-79.4	-96.0		Feb-21
Visitor exports	5.4	3.3	6.8	-78.6	-93.2		Feb-21
Average duration (days)	-	-	7.6	6.6	9.6		Feb-21
Average daily expenditure per person (€)	-	-	141.7	103.3	118.0		Feb-21
Domestic tourism							
Overnight stays	-	-	1.0	-37.9	-		Dec-20
Average duration (days)	-	-	3.9	4.5	-		Dec-20
Average daily expenditure per person (€)	-	-	62.2	45.8	-		Dec-20
Hotel supply indicators							
Number of available hotel places	3.3	1.2	1.3	-51.5	-51.8		feb-21
Category: 4 or 5-star	9.7	3.6	3.0	-49.2	-54.2		feb-21
Rest of categories	0.2	-0.8	-0.4	-4.3	-49.1		feb-21
Hotel occupancy rate (percentage points)	-0.4	0.2	1.2	-32.0	-34.3		feb-21
Category: 4 or 5-star	-0.6	0.6	0.7	-35.9	-39.3		feb-21
Rest of categories	-0.5	-0.5	1.4	-27.4	-28.2		feb-21
Average daily rate (ADR)	-	0.2	4.1	-29.0	-28.7		feb-21
Category: 4 or 5-star	-	-0.8	4.1	-25.9	-25.0		feb-21
Rest of categories	-	0.4	3.2	-32.2	-31.2		feb-21
Revenue per available room (RevPAR)	-	0.6	6.9	-60.2	-61.6		feb-21
Category: 4 or 5-star	-	0.4	5.6	-60.2	-61.7		feb-21
Rest of categories	-	-1.3	7.6	-58.1	-59.7		feb-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 2016-2017. 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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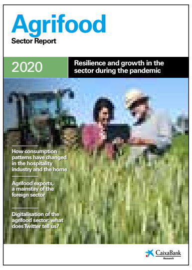

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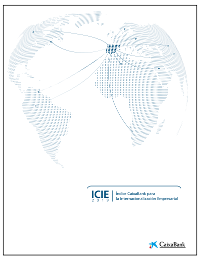

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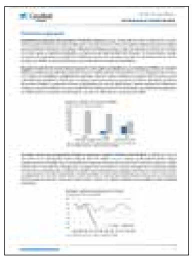

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