

Good outlook for the tourism sector

International mobility is recovering at a rapid pace thanks to the perception among the population that the risks associated with the pandemic are fading. This confidence is not misplaced, since the Omicron variant has been milder, there is a very high vaccination rate, and the level of natural immunity – caused by the high number of winter infections – is now much higher.

The tourism sector is proving to be one of the biggest beneficiaries of this trend. The sectoral indicators paint a very positive picture for the remainder of 2022, meaning that the sector can act as a driver for the Spanish economy at a time when many other sectors are enduring a difficult context.

High-frequency indicators

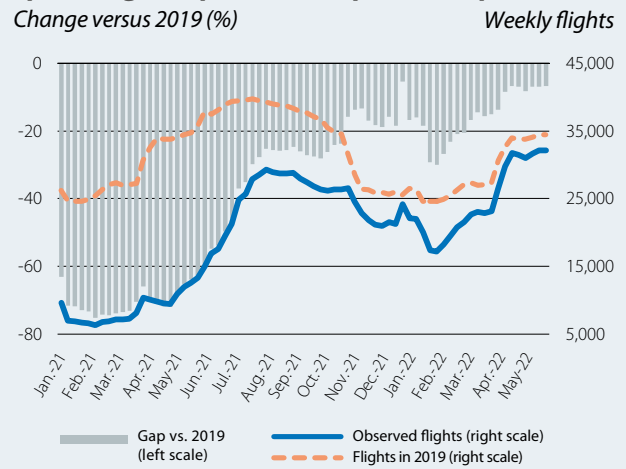
One of the real-time indicators that gives us a reliable view of the trend in tourism demand, excluding the price effect, is that of the number of flights that are operated, provided by Eurocontrol. As the first chart shows, in the second week of May the number of flights operated in Spain was just 7% below the same period in 2019. This represents a significant improvement since January, when the number of flights was 30% below due to the Omicron wave, as well as marking a major milestone as it means that the peak weekly flight volume of 2021 (reached in the first week of August) has been exceeded.

If we look at passenger data by country of origin of the flights, published monthly by AENA, we can get a better idea of what is driving this recovery. As can be seen in the table, the main protagonist of the recovery is British tourism, due to its significant improvement and its importance for the Spanish tourism sector. In 2021, the number of passengers arriving from the UK performed worse than those from EU countries, due to the popularisation of staycations among the British population. The latest data for 2022, in contrast, point to declines of just 16% compared to the same period in 2019. On the other hand, long-haul flights are also showing very good dynamics in 2022, confirming that the aversion to travel is receding on a more global scale. The domestic market, meanwhile, is still looking healthy. Moreover, the drop in air connectivity with Russia, which is evident in the decline in passenger numbers coming from the «Rest of Europe», is not having a significant effect on the overall figures given its low relative weight in the total volume of arrivals.

2022 outlook

Forward-looking indicators, such as the volume of bookings or indicators suggestive of the level of interest

Spain: flights operated at Spanish airports



Source: CaixaBank Research, based on data from Eurocontrol.

Spain: passenger arrivals according to the country of origin of the flight

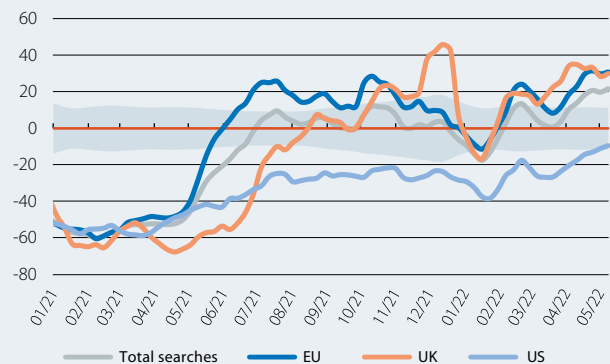
Change versus the same period in 2019 (%)

	01 2021	02 2021	03 2021	04 2021	Jan-22	Feb-22	Mar-22	Apr-22	
Total	-84	-75	-42	-28	-38	-26	-21	-12	↑
Domestic	-74	-56	-16	-19	-28	-20	-17	-6	↑
International	-90	-83	-52	-33	-43	-29	-24	-14	↑
EU	-90	-76	-41	-25	-40	-27	-22	-11	↑
United Kingdom	-98	-97	-70	-45	-58	-32	-25	-16	↑↑
Rest of Europe	-87	-87	-76	-47	-37	-36	-57	-56	↓↓
US & Canada	-97	-92	-75	-63	-45	-43	-34	-24	↑↑
Latin Am.	-79	-77	-58	-36	-20	-6	0	8	↑↑
Rest of the world	-78	-82	-55	-44	-51	-40	-29	-32	↑

Source: CaixaBank Research, based on data from AENA.

Weekly Google searches on trips to Spain

Change versus the benchmark level



Notes: Data on searches conducted for the word Spain in the United Kingdom, Germany, France, Italy, the Netherlands and the US in the official language of each country within the travel category. The benchmark level consists of the forecast number of searches expected to be made a year in the future, using an ARIMA (1, 1, 1)₂ model with data between January 2015 and December 2020. The shaded area reflects the 68% confidence interval (α = 1).

Source: CaixaBank Research, based on data from Google Trends.

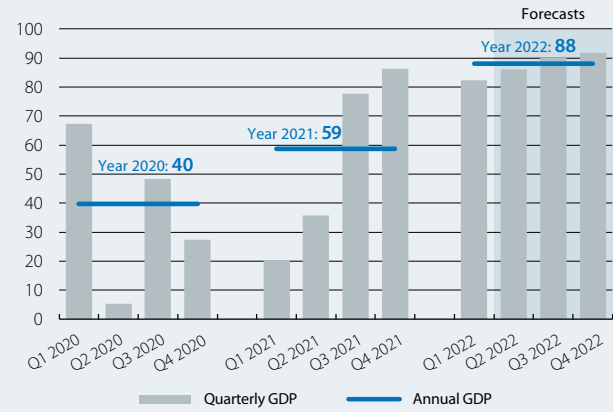
(Internet searches), anticipate a clear improvement for the summer season. Specifically, Google searches for travel to Spain from Western European markets are over 20% above their usual pre-pandemic levels, and even searches from the US were within their usual range for the first time since the pandemic began.

Looking at 2022 as a whole, the strong inertia in the recovery of tourism from the EU, and above all from the United Kingdom, combined with the better than expected recovery in demand from American markets offers a very positive outlook for the sector. Despite this, it should be noted that the macroeconomic environment emerging as a result of the war in Ukraine, with the surge in energy and agrifood commodity prices, will affect the sector’s cost structure, exerting some pressure on sale prices and business margins.¹ In any case, demand does not appear to be reacting negatively to the inflationary shock.

In this context, we forecast that tourism GDP this year will stand at 88% of 2019 levels, with 50% growth over 2021. With this, tourism sector activity would not recover to pre-pandemic levels this year, but it would reach a level similar to that of 2017, when the sector performed very well.

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Spain: evolution of tourism GDP
Index (100 = 2019)



Source: CaixaBank Research.

1. See the Focus «Which sectors are most affected by the conflict in Ukraine?» in the MR04/2022.