Portugal: the horizon clears for the tourism sector

Most of the restrictions imposed to control the spread of the pandemic have been lifted and travellers are now less wary, which is translating into a recovery in leisure-related mobility. Indeed, the figures confirm this: in Q1 2022, exports of tourism services in the current account balance reached a value equivalent to 95% of the figure registered in the same quarter of 2019. In this article, we delve into the figures of the tourism sector in order to paint a more detailed picture of its recovery trajectory, which identifies the major trends and provides clues as to what we can expect for the remainder of the year.

Identifying the paths of the recovery

One of the most recent signs of the recovery in tourism can be found in the hotel industry data for April, when for the first time since the outbreak of the pandemic the number of guests and overnight stays exceeded the values for the same month of the year prior to the pandemic, surpassing them by 1.6% and 1.1%, respectively. One nuance, however, is that the pace of the recovery in tourism is stronger among domestic tourists than foreign tourists. Specifically, whereas the number of domestic tourists exceeded the April 2019 figure by 14%, non-resident tourists were still 6% below.

There are also differing patterns within the foreign tourist category, as can be seen in the first table. Up until Q4 2021, we can see that the recovery is stronger (i.e. the gap versus the 2019 figures is smaller) in the case of tourists coming from European countries as opposed to those visiting from other continents. Surprisingly, as early as April 2022 some source countries (the US and Brazil) had managed to narrow that gap to a greater extent than some of Portugal's close neighbours. On the other hand, the four biggest source markets prior to the pandemic (the United Kingdom, Germany, Spain and France), which together accounted for almost half of the foreign tourists who visited Portugal in 2019, also show differing recovery rates. In April, the United Kingdom (+6%) and Germany (+48%) already exceeded the 2019 figure, while France (–11%) and most notably Spain (–34%) still remained some way off.

If we look at the number of tourist arrivals from a regional perspective, we see that Alentejo and the Azores were the locations that registered the smallest drop in tourists during the most aggressive wave of the pandemic in Q1 2021, in contrast with the Algarve (–89%) and Lisbon (–86%). This could be explained not only by the fact that tourists at the time were seeking less crowded destinations, but also, in the case of Lisbon, by the significant drop in the number of business travellers

Portugal: change in the number of non-resident tourists by country of origin compared to the same period in 2019
(%)

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Apr.-22
TOTAL	–94	–83	–53	–31	–29	–6
United Kingdom	–97	–80	–61	–35	–21	6
Germany	–93	–84	–57	–1	–6	48
Spain	–92	–70	–37	–27	–44	–34
France	–91	–83	–32	–9	–15	–11
Europe (others)	–93	–81	–44	–16	–22	–9
Brazil	–95	–93	–85	–55	–47	15
US	–97	–94	–63	–37	–9	–18
China	–99	–98	–94	–91	–85	–74
Other non-European	–93	–87	–66	–49	–38	–12

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

Portugal: overall change in the number of tourists by destination region versus the same period in 2019
(%)

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Apr.-22
Total		–64	–31	–19	–19	2
North	–78	–59	–28	–17	–14	8
Centre	–81	–54	–25	–18	–15	–1
Lisbon Metr. Area	–86	–75	–49	–28	–27	–3
Alentejo	–72	–42	–14	–9	–9	5
Algarve	–89	–67	–29	–18	–21	–4
The Azores	–68	–58	–22	–8	–8	–5
Madeira	–84	–65	–5	0	–9	29

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

Portugal: change in the number of overnight stays compared to the same period in 2019 by type of establishment
(%)

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Apr.-22
TOTAL	–84	–68	–31	–17	–19	1
5 * hotels	–92	–65	–27	–12	–21	17
4 * hotels	–89	–70	–31	–18	–21	1
3 * hotels	–80	–67	–31	–16	–18	0
2 & 1 * hotels	-76	–65	–37	–23	–20	–6
Tourist apartments	–80	–73	–37	–21	–19	–9
Local accommodation	–75	–66	–37	–20	–15	–4
Rural tourism	–63	–28	8	33	31	33

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

coming for meetings, conferences and other professional events. The areas of the country which made a decisive contribution to the number of guests in April exceeding the same period of 2019 were the North, Alentejo and Madeira; the latter exceeding the 2019 figure by as much as 29%.

As for the various types of accommodation, the latest data also show that higher-category hotels (4 and 5 stars) are the only ones that exceeded the number of overnight stays registered in April 2019. Higher-income households were the ones which accumulated the most savings during the pandemic and now, with the restrictions lifted, they are channelling those savings into leisure and travel. Also of note is the strong recovery registered by rural accommodation establishments, where as early as Q3 2021 the number of overnight stays exceeded the figure for the same period of 2019, while the figures registered since Q4 2021 have consistently been 30% above pre-pandemic levels. In the first phase of the pandemic, the demand for these establishments can be put down to people wanting to take holidays with greater social distancing. Now, however, it appears to represent a more persistent trend driven by people wishing to discover alternatives to the more traditional/mass tourist destinations, as well as by a type of tourism with a greater element of sustainability (an increasingly valued aspect).

2022 outlook

Some data, such as the recovery in passenger air traffic, provide reasons for optimism for the remainder of the year. On the one hand, there has been a recovery in the number of direct routes (connections between airports), which in 2019 stood at 196 but fell by 45 routes in 2020 and by a further 20 in 2021, whereas for this summer IATA[1] expects there to be 191. In other words, the installed capacity is expected to be compatible with an almost complete recovery in the sector.

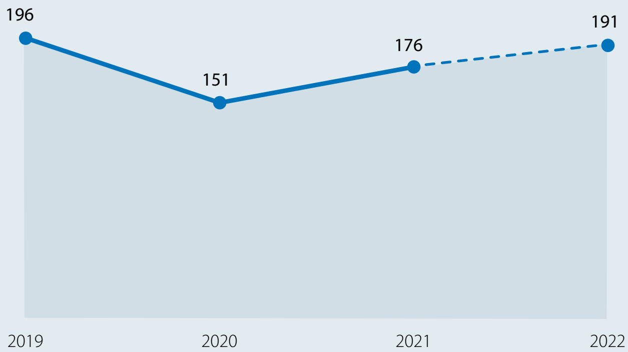
The trend in the number of flights corroborates the prospects for recovery, as the gap compared to the number of flights in 2019 has been narrowing since March. As the last chart shows, in May this gap was just –2% and in the first half of June the number of flights is only –1% compared to the same period in 2019.

If we focus on the peak period for national tourism, the data regarding flight bookings for the summer season recently released by the WTTC[2] are very encouraging: Portugal is Europe's fourth most popular destination for

1. IATA stands for the International Air Transport Association.
2. World Travel & Tourism Council, based on data from Forwardkeys, a company dedicated to providing business intelligence to the travel and tourism industry.

Portugal: routes at national airports

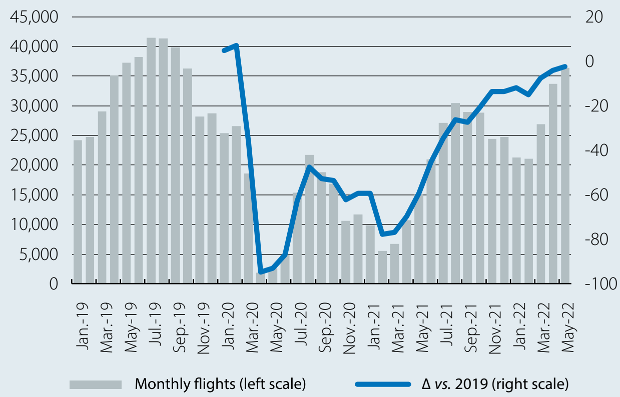
Number



Source: *CaixaBank Research, based on data from ANA - Aeroportos de Portugal.*

Portugal: monthly flights and gap versus 2019

N.º of monthly flights *Change versus 2019 (%)*



Source: *CaixaBank Research, based on data from Eurocontrol.*

this summer, with a gap of just –9% in the number of anticipated arrivals compared to the pre-pandemic level. This level is exceeded in the case of some source markets such as the US, the Netherlands, Denmark and Germany by 41%, 36%, 29% and 11% respectively. However, this optimistic tone should not lead us to forget one of the behavioural shifts that has emerged in recent times: tourists expect to be able to cancel their bookings ever closer to the date of travel.

In short, despite the potential obstacles to this trend as a result of inflation, the possibility of new variants of COVID or the risk of the war in Ukraine spreading further afield, the current data provide cause for optimism.

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