

## New outlook for Spain's tourism sector: strength and moderation

The Spanish tourism sector has got off to a good start in 2023. In the first half of the year, tourism has consolidated its status as one of the driving forces of the Spanish economy, completing its recovery following the complete shutdown in 2020, the insufficient improvement in 2021, and the boost it experienced in 2022. The National Statistics Institute's activity indicators show that, in 2023, real tourism output – without the effect of prices – exceeded that of 2019, driven by the boom in international tourism. Overnight stays in hotel and non-hotel accommodation establishments in the first seven months of 2023 exceeded those of the same dates in 2019 by 1.6%. This excellent figure is supported by the strength of domestic tourism, which exceeded the 2019 figure by 6.7%, as well as the strong recovery of international tourism, which stood just 1.6% behind its 2019 levels.

The figures for international tourist arrivals are showing an improvement across the board. We observe a dramatic recovery in the number of tourists coming from the Americas: according to data for the month of June, they were 27% above the level of May 2019. In contrast, more traditional markets are showing a more modest recovery. In particular, tourism from the UK is showing signs of weakness, still 6.9% below 2019 levels in the first six months of 2023.

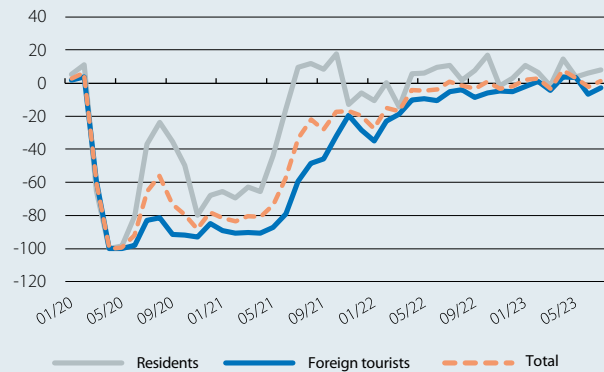
These good real demand figures have also occurred in an environment of sharp price rises. According to the CPI data for July, the hotel and tourism price component had amassed a 17.8% increase between July 2019 and July 2023. Tourism spending has thus received a double boost, with spending by international tourists in the first six months of the year surging 14.2% ahead of the same period in 2019.

### The short-term outlook for the 2023 high season

The indicators for the public's interest in travelling to Spain, which help us anticipate trends during the high season, are reflecting the complexity of the international macroeconomic situation. Interest in travelling to Spain fell sharply in the United Kingdom in June, standing 12.5% below its benchmark level. The country's poor macroeconomic performance, the sharp interest rate hike and weak sterling are proving to be a significant barrier for British tourism. In addition, data relating to other competing destinations such as Türkiye, Greece, and Portugal suggest that they are managing to be more competitive when it comes to capturing British demand, and this is acting as an additional restriction for Spain.

### Spain: tourist overnight stays

Change versus the same month of 2019 (%)



**Note:** Overnight stays in hotel establishments, tourist apartments, agrotourism establishments and campsites.

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

In contrast to British tourism, the interest of tourists from the EU in travelling to Spain is holding up rather well, and in the first seven months of 2023 it was 6.7% above its benchmark level. Looking at the EU figures broken down by country, of particular note is the strong interest in travelling to Spain among Germans and the Dutch, standing 9.5% and 8.4% above the benchmark, respectively. The indicators relating to France and, above all, Italy show greater weakness and reflect a fragile macroeconomic situation.

In the case of tourists from the US, we see a normalisation of the level of interest in travelling to Spain to pre-pandemic levels, suggesting that we will see very good figures for arrivals over the summer. This indicator also points to strong growth in the level of interest in travelling to Spain in Japan, standing 16.7% above the level seen in the benchmark period. These figures are consistent with the sharp increases in tourism from America and Asia observed in recent months.

### Deceleration in late 2023 and throughout 2024

Although tourism is currently one of the driving forces of the Spanish economy, over the coming quarters we are likely to see several factors that will significantly moderate the growth of the tourism sector:

- The challenging macroeconomic landscape in the source countries of international tourists: despite the strong inertia of tourism demand, we expect the cumulative fall in real wages in 2022 and the tightening of financial conditions to limit the growth capacity of European tourism for 2024, something we are already seeing in the case of British tourism.

- The revival of more distant destinations for European and Spanish tourists: according to data on CaixaBank card payments made abroad, tourism spending by Spaniards abroad is still far from 2019 levels (especially in distant destinations) and we expect to see a recovery in the coming quarters, given that the international mobility of Spaniards ought to normalise over time.
- Competition from cheaper destinations: Spain’s main competitors markets in the Mediterranean are delivering sharp competition in the current environment of high inflation and real wage declines. Prime examples include Türkiye and Morocco, two countries with very competitive prices.

**CaixaBank Research forecasts for Spain’s tourism sector**

Despite the slower growth rate, after reviewing the key indicators of the sector we are left with a relatively positive outlook for 2023, for which we predict considerable growth. We expect the headwinds will begin to take effect especially towards the end of 2023 and during 2024, hence we expect to see more moderate growth in tourism GDP in the latter year. Even so, the tourism sector will continue to be supported by certain growth drivers, such as the recovery of long-haul markets (we expect very good figures from America and a recovery of the Asian market) and the resilience of European tourism demand in Spain thanks to the country’s competitiveness as a destination.

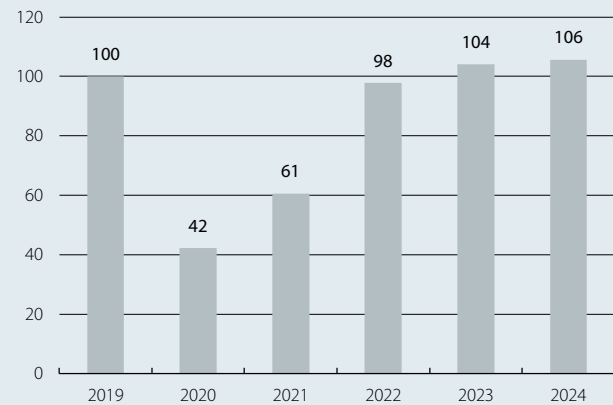
Taking into account the strong current situation, the headwinds mentioned above, and the growth drivers still available, our forecasts remain positive for 2023. We predict that real tourism GDP will achieve an annual growth of 6.5%, placing it 4.1% above the level of 2019. For 2024, we expect more moderate growth of 1.5%, which will place tourism GDP 5.7% above the 2019 level.

By country of origin, we expect domestic demand to grow by 0.4% in 2023, with a lower margin for growth compared to 2022 – when it already recovered to 2019 levels. As for international arrivals, we forecast that they will grow by 11% and that they will recover 2019 levels for the year as a whole for the first time since the outbreak of the pandemic. Looking ahead to 2024, we expect that international tourism will be the main driver of growth in the sector, supported by the recovery of long-haul tourism.

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**Spain: real tourism GDP**

Index (100 = 2019)



Note: Forecasts from 2023 onwards.

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