CaixaBank

PRESS RELEASE

The bank presents its monthly report "Tourism: travelling into the future"

Tourism accounts for 16% of Spain's Gross Domestic Product, according to CaixaBank Research

- ***Tourism directly and indirectly employed 2.5 million people in 2015, representing 13% of total employment, while this figure climbs to 16.2% including jobs generated indirectly.***
- ***Forecasts indicate that Spain will welcome 84 million tourists in 2017, compared to 75 million in 2016.***
- ***New technologies have radically overhauled the industry value chain, and pose a challenge both for the labour market and regulatory framework.***

Madrid, 7 June 2017

Tourism in Spain is well established as a key sector for the economy, and the latest figures reveal a buoyant industry: tourism accounts for 16% of Spanish GDP, with more than 75 million tourists visiting the country in 2016.

So indicates the CaixaBank Research monthly report entitled "Tourism: travelling into the future", which was unveiled today in Madrid by Enric Fernández, the bank's Chief Economist.

In the first four months of 2017 Spain welcomed 20 million international tourists, a record figure and 10.3% higher than in the same period 2016. At this pace, more than 84 million tourists will visit the country in 2017, edging Spain closer to overtaking France as the world's leading tourist destination. Since 2007 the number of international tourists has jumped by more than 40%. Meanwhile, domestic tourism is also beginning to show signs of a recovery.

Tourism is a vital sector in Spain's economy, based both on size and buoyancy, as well as its ability to impact other economic activities. Just how dynamic the tourism sector has been is made evident by the pace of growth in the last few decades, outstripping the expansion of the global economy as a whole. Furthermore, long-term prospects are equally upbeat.

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Tourism, both foreign and domestic, is an increasingly large direct contributor to GDP, rising from 5.9% in 2010 to 6.4% in 2015. Including the indirect or knock-on effects on other economic sectors, the direct and indirect contribution made by tourism to GDP stands at 119 billion euros, equivalent to 11.1% of GDP. Around half of this is accounted for by foreign tourists, the weighting of which has increased in recent years.

Likewise, businesses directly or indirectly involved in tourism are likely to spend in other economic sectors, generating an additional economic impact. Factoring in this contribution, which is even more widely distributed across economic sectors, the overall impact had by tourism stands at 16% of GDP, showing a gradual increase since 2010, and standing far higher than the European average (9.6%).

Tourism also has a major bearing on job creation. Tourism directly and indirectly employed 2.5 million individuals in 2015, meaning 13% of total employment (1.4 percentage points more than in 2010). If we also include employment generated by secondary effects, the contribution stands at 16.2% of total employment, far higher than the European average (9.1%).

Spain is again the most competitive country in the world

Like other European countries, Spain benefits from Europe’s leading position in tourism demand, as well as the perceived insecurity of rival destinations in the Middle East. This European primacy is reflected in the breakdown of international tourist spending based on country of origin, dominated particularly by British tourists. Said composition has helped to drive a tourism boom in Spain, as the countries that account for the largest number of tourists heading to Spain are posting above average growth in outgoing tourist numbers.

Spain remains the most world’s most competitive country in the tourism sector, according to the 2017 ranking of 136 countries run by the World Economic Forum, ahead of France, Germany, Japan, United Kingdom, USA, Australia and Italy. This position is based on the country’s key strengths, such as a unique combination of natural beauty and culture, as well as good transport infrastructure and tourism services.

The Spanish tourism sector is comprised of 400,000 companies

Tourism has helped to correct some of the imbalances that have afflicted the Spanish economy in recent years: 11% of the current account balance correction was thanks to an increased surplus from the tourism services balance.

The Spanish tourism sector is made up of some 400,000 companies operating in various segments, such as accommodation, the catering industry, transport, vehicle rentals, and travel agencies. It is a highly fragmented industry, with many small companies and relatively few large operators.

Business size is important, as it is closely tied with aspects that determine business productivity: large tourism companies are nearly 30% more productive than small sized firms, and both large and small operators in Spain are more productive than their European counterparts. Furthermore, given that Spain has a higher proportion of large companies, the productivity difference for Spain's tourism sector as a whole compared to Europe's is considerable, standing at nearly 20%.

The emergence of new technologies

Technological progress has had a significant bearing on tourism in recent years. Emerging technologies have opened the door to new companies operating in the digital arena, which have radically overhauled part of the industry value chain. The impact has been felt particularly in the early stages of the purchase cycle. Meanwhile, in the medium term, the development of the "Internet of Things", mobile robotics and artificial intelligence all have the potential to further revolutionise the sector.

Digitisation has also ushered in greater visibility and accessibility for the sharing economy, which is having a particularly strong bearing on the tourism sector, by expanding the range of goods and services available on the market.

However, the sharing economy poses significant regulatory challenges, as it could potentially leave consumers unprotected or see episodes of unfair competition, as companies already established in the market are subject to stricter regulations than new players. A well-defined regulatory framework is especially important for the tourism sector, as many activities inherent to the industry can generate negative externalities.

Opportunities and challenges going forward

There are clear long-term growth opportunities for the industry to capitalise on. By its very nature this is a sector with robust future prospects, as the proportion of household spending on tourism usually grows in line with income. Emerging economies, therefore, are very likely to represent a growing source of tourists, just as we have begun to see with China. Meanwhile, population ageing in Europe and other advanced economies is introducing highly attractive demand, as these tend to be relatively high income individuals who travel outside of peak tourism periods.

However, there are also multiple challenges: the sector needs to adapt to shifting demand going forward; greater coordination is required with other economic activity sectors; and, in order to prioritise investment in infrastructure, legislation needs to ensure the ordered development of the new business models that have emerged, and will emerge in future, as a result of new technologies.

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