

# SPANISH TOURISM GREW BY 2.9% IN 2014



Tourism in Spain grew by 2.9% in 2014, with 65 million visitors in a year that has strengthened the sector as the engine of economic recovery, leading job creation and producing revenues of 49 billion euros, up 3.9% from a year ago, according to a review by the Tourism Excellence Alliance (Exceltur).

The tourism lobby group has therefore raised its previous estimates of a 2.4% growth in the tourism sector by the end of the year, describing the season as "very positive", and they believe that this increase will double the growth rate of the entire Spanish economy.

**However, it is noted that in 2014 the tourism sector managed to cover 95% of its need for external financing due to greater visitor inflows, without an increase in tourist spending.**

"Tourism is leading the generation of net employment, closing 2014 with 53,213 enrolled in Social Security, 4.1% more than in 2013," stated Executive Vice president of Exceltur, José Luis Zoreda, who added that tourism has helped boost other related sectors such as commerce or construction.

With all this, it is estimated that by late 2014 tourism would have generated 49 billion euros in foreign exchange for Spain "strengthening the country's creditworthiness, reducing the risk premium and covering almost its entire external financing needs."

## **More Visitors but Less Spending**

According to their forecasts, the 2014 season will end with a 7.1% increase in the number of international tourists, reaching 65 million. This increase was helped for another year by the adverse geopolitical situation in areas such as Tunisia and Egypt.

The report's figures show a marked increase in the demand among foreigners for packages offered by tour operators to coastal destinations, mainly the Canary Islands, Andalusia and Valencia.

However, the growth in tourist inflows to Spain has been characterized by less spending at the destination. Zoreda explained that they have witnessed a major restructuring of the portfolio of foreign clients. Although tourist arrivals are up, their expenditure profile is lower.

"We are concerned about the arrival of tourists who spend less and who come from markets such as France, Belgium and Portugal, in addition to markets like Russia which has fallen off greatly," stated Zoreda, who warned that **there is a continuing decline in average tourist spending, both in nominal terms (-3%) and discounting inflation (-3.4%)**. Zoreda said the increased arrivals on low-cost airlines and the use of unregulated tourist accommodation partially explain this decrease in spending.

In the case of Spanish tourism, he notes the positive recovery in demand, together with the recovery in general consumption that Exceltur expects to be consolidated in 2015.

## **Improved Profitability**

The momentum in tourism, due to the good performance of foreign tourist arrivals, has resulted in an overall improvement in sales and results for businesses. 79.9% of tourism businesses ended 2014

with better results and 84.9% reported an overall increase in sales.

In the regions, the best results have been in the Canary Islands, followed by Andalusia, Valencia and the Balearic Islands. Standing out among the major cities is Madrid, which had been experiencing a number of years of crisis, and also La Rioja and Castilla-La Mancha to which visitors were attracted by the El Greco anniversary celebration.

### **Positive Outlook for 2015**

The tourism outlook for 2015 is pointing to a "promising scenario" but with various signs of "high volatility" created by external factors, although they could generally be favorable to Spain.

"Excluding these factors, most tourism entrepreneurs anticipate a positive year: with 89.7% more in sales, 81% in better results and 71% more in job creation," Zoreda explained.

In the first scenario, a 2.6% growth in tourism activity is estimated, thanks to local demand and a stable political climate in Europe, as well as containment of growth in countries of North Africa and the Eastern Mediterranean.

In the other more conservative scenario, Exceltur estimates a slowdown in growth to 1.9%, based on the assumption that starting in March the Mediterranean countries, and especially Egypt, will not lose the growth momentum achieved since July.

### **Call for New Regulations**

Exceltur believes that an election year like 2015 is the right time to strengthen the role of tourism in economic recovery and to provide "as a higher priority and with greater conviction" support for new tourism policies with actions geared towards "stimulating renewal and competitive repositioning of the products."

Finally, he stressed the need to address "urgently" a new legislative framework that is "rigorous and firm at the national level" and that takes into account the balance between its economic, social, labor and urban consequences and the sharing of resources brought about by the "growing unfair competition" of the collaborative economy.

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