

# BRAKE ON SPAIN TOURISM IN 2018: INDUSTRY GROWS LESS THAN GDP FOR THE FIRST TIME



Spain's tourism activity closed 2018 with a 2% increase, hitting its ninth consecutive year of growth and reaching up to 142 billion euros, right after breaking a new record which led to the creation of 50,000 new job positions in the industry.

Last year, however, the Spanish tourism sector stabilized its performance, mainly due to the recovery effect of competing destinations that managed to attract back 12.5 million visitors. **For the first time, Spanish tourism grew below the national economy, which had not happened since 2009.**

Exceltur, a tourism group that brings together about thirty Spanish tourism companies and agencies, holds that the recovery of competing destinations, the economic slowdown of traditional markets, and the mystery that surrounds the so-called 'Brexit' have an impact on the tourism industry, and will cause it to maintain its diminished growth for 2019 which, according to forecasts, will reach around 1.7%.

"A new cycle and a new competitive setting open up in 2019. Therefore, it is necessary to review tourism management strategies and models for Spanish companies and destinations," explained José Luis Zoreda, executive vice-president of Exceltur. "We have to look for fewer records and more for tourists with higher expenditure at destinations," he said.

## **Job Market Reports 3% Growth**

In 2018, the tourism sector generated a total of 50,093 new jobs, representing a 3.1% annual growth for this sector, according to Social Security affiliations. The creation of employment has been accompanied by a 2.7% increase in salaries after reaching an agreement in the hospitality sector, confirming the industry's commitment to employment.

For Exceltur, this normalization context, in which the Spanish tourism enters, poses the challenge of undertaking a new Spanish tourism policy in the country through greater coordination among tourism agencies, based, above all, on "promotion of investment in renovation and repositioning of the product, [in order] to attract tourists with higher income".

## **Recovery of Competing Destinations**

In 2018, the foreign demand for Spanish sun-and-beach destinations lost strength due to the significant recovery of competing destinations. Tourist arrivals to Turkey have grown by 22.3% (amounting to 7.8 million more tourists), to Egypt by 44.5% (over 3.6 million), and 1.1 million to Tunisia, totaling the exit of 12.5 million tourists from the Spanish market.

As a consequence, foreign demand for Spain, measured in number of overnight stays in licensed establishments, has dropped by 1.4% in 2018 for sun-and-beach communities, while it has grown by

1.1% in the rest of the inland destinations and the entire Green Spain region. The higher competition has had an effect on arrival of tourists to Spain from their traditional markets, namely Germany, the United Kingdom, Italy and France.

According to data from Exceltur, Spain has lost over 21 million overnight stays, in 2018 in comparison to 2017, mainly because the average stay has dropped from 7.7 days to 7.4. Back in 2008, the average stay was 9.4 days.

However, the increase in air connectivity (5.6%) has allowed the increase of long-distance tourists with a higher expenditure at destination. This has increased the number of visitors from the United States (11.8%), Mexico (11.3%), Qatar (15.5%), Japan (11.8%), and China (18.2%), among others.

### **Demand for a Contingency Plan for the Hard Brexit**

Despite everything, revenues from foreign tourism increased by 3.3% last year thanks to the combination of advances in prices for investments in improving existing products and offers, and the arrival of tourists with higher expenditure at destination. As a result, in 2018, revenues per foreign tourist have grown by 2.7%.

In regards to the possible impact of 'Brexit', Exceltur states that, under the possibility of a 'hard Brexit', the Government must establish a national contingency plan to preserve air connectivity between the United Kingdom and Spanish destinations, as a "key to maintain influx from a key market, such as the British one".

The Spanish demand grew considerably in 2018, offsetting a part of the drop in foreign arrivals for the sun-and-beach segment, and showing a strong increase in international destinations.

The inland communities with Castilla (La Mancha, Madrid, Extremadura, Navarra and Aragon) registered the greatest improvement in sales and turnout, while the segment experienced declines in the Canary Islands (3.8%) and Catalonia (3.3%), largely explained in the last one by the strong image of instability the autonomous community portrays, derived from its political situation.

### **Sales Increase and Better Turnout**

According to the data released by Exceltur, business tourism grows significantly and boosts its sales and turnout in transport companies, car rental and urban hotels.

In 2018, Spanish tourism companies recorded a 4.5% increase in sales, with a "very uneven" performance across companies and subsectors, especially those who have invested in product improvement and the use of technological innovations. Transport companies (8.5%), thanks to the opening of new routes and the bright evolution of business tourism, recorded the highest sales increases.

In this sense, turnout continues to improve, increasing by 4.3% in comparison to 2017 thanks to a rise in prices due to product improvement and greater operational efficiency.

### **Slowdown to Continue Throughout 2019**

Exceltur believes that tourism activity in Spain will maintain its slowdown in growth rate throughout 2019, while retaining its good prospects for the medium and long distance markets, encouraged by the increase in air connections.

The company forecasts a new tourism growth of 1.7%, setting 2019 on its way to become the second consecutive year with a growth below average in contrast with the Spanish economy (2.2%), which, according to the organization, opens the path towards normalization of the Spanish tourism sector.

**For Exceltur, the slowdown in the economic sector, expected for Spanish establishments and accommodations, shows a lesser dynamism in expenditure associated with tourism.**

However, most representatives in the business are confident on improving their turnout once more (5.2%) and sales (5.5%) in 2019, with a recovery in prices while resuming creation of job positions, although at a lower rate than in 2018.

The main urban tourism destinations and inland communities stand out from the rest due to their good business prospects for this year, while coastal tourist businesses are more cautious, as explained by the recovery of Eastern Mediterranean markets.

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