

EXPENSIVE ACCOMMODATION ENDANGERS PORTUGUESE TOURISM



The Portuguese government reported that tourist activity achieved unprecedented milestones yet again in 2018. For the first time, hotel guests surpassed the 21-million hallmark and revenues exceeded 16.6 billion euros, a 9.6% growth in relation to 2017.

The tourism balance reached 11.9 billion euros. However, expensive accommodation is a growing problem.

Since 2015, tourism revenues have grown 45%, from 11.5 billion to 16.6 billion, and the tourism balance has grown by 52%. In 2015, foreign tourists spent 31 million euros per day and, in 2018, that figure rose to 46 million euros per day.

Australia (+22,6%), Finland (+22,3%), Canada (+20,3%), USA (+19,1%), China (+18,3%), Russia (+15,8%), Sweden (+14,4%) and Brazil (+10,8%) were the most important contributors to the 2018 revenue.

The golden age of Portuguese tourism may abruptly end if housing prices continue to rise rapidly and if the regions affected by terrorism in recent time manage to rid themselves of this blight, thus attracting foreigners again, something that is actually happening, advises the Organization for Economic Co-operation and Development (OECD) based on Portugal's economic study (Economic Survey of Portugal 2019).

OECD's secretary-general, Angel Gurría, warned the Portuguese government. He praised the country for the reforms recently conducted, for being an international example of a great response to a major financial crisis, but also emphasized that **greater efforts are needed to withstand the shockwaves or a new crisis is down the road.**

Some of his most significant suggestions: put an end to the budget deficit and boost the public sector to generate successive budgetary surpluses to curb the extremely high debt; increase taxes, ending VAT exemptions and reduced rates; tax polluting fuels even more, such as gas oil and natural gas; further promote public transport; stop early retirement; train more nurses to augment the range of primary and home-based care (thus allowing hospitals to save more money).

Furthermore, the OECD has been particularly concerned about tourism, which has been experiencing an unprecedented zenith, one that, nonetheless, may end in the near future.

Portuguese tourism has been a great asset to the recent economic recovery. It has been a boost for many sectors. Hotels, transportation, restaurants, business services, construction, machinery, and equipment, as well as the food and beverage industries. It has directly generated plenty of employment since this is an industry that constantly requires labor.

According to OECD "more than a fifth of the export growth, between 2009 and 2017, has been promoted by tourism" and that "travel and tourism sectors now account for almost half of national service exports".

Expensive houses for everyone

The housing market is experiencing “considerable pressure”. The tourism boom and the gold visa policy have deeply increased the demand for accommodation, “particularly in Lisbon, Oporto, and Algarve”, but the same entity mentions in the study that “housing supply has not followed this pace”. Between 2007 and 2014, annual housing investment dropped more than 50%, and the growth is not enough to offset the level of destruction brought by the years of crisis.

“In recent years, the tourism accommodation supply has been steadily increasing”. The number of beds “increased by 23% between 2013 and 2017”, a third of this growth is related to greater availability of “rooms in local dwellings”. “In Lisbon, Airbnb’s offer more than doubled between 2015 and 2017”, but the total tourist demand continues to exceed supply by a great margin. This is the reality of the last years, the organization declares.

This has been consubstantiating “a strong upsurge of tourist accommodation prices” and contributes to “an ever-increasing pressure on housing rents” and associated costs in Portugal.

All this may “reduce the competitiveness of the Portuguese tourism sector”, thus requiring “political measures that limit tourism expansion”, such as actions to promote affordable housing, something that is already taking place.

Also, higher housing costs “may hinder foreign investment in the business sector”, OECD warns.

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