SPAIN: TOURISM LOSSES SURPASS 7.1 BILLION AND THREATEN TRADE SURPLUS

Spain has announced its plan to gradually open borders to tourists from countries deemed the safest in the fight against the COVID-19 pandemic, starting from June 22, according to a spokesman for the Ministry of Tourism. In Madrid, the set date to reopen borders for tourism is July 1.

The closing of borders already shows consequences for the economy in tourist terms. Specifically, over 7.1 billion euros, the amount Spain would have made if tourism had performed like last year, have been lost between mid-March, when the borders were closed, and April 30. Just over 2.9 billion correspond to March, and the rest (about 4.2 billion) to April, once **Spain's National Statistics Institute (INE) has confirmed that international tourist receipts were zero during that month.**

This means that trade surplus is at stake, which has been a constant in the Spanish economy since 2012 when the country finally came out of a double recession thanks to the export industry. In particular, in addition to the trade balance, tourism accounted for 3.7% of the GDP in 2019 according to the Bank of Spain.

Taking into account that Spain's balance of payments (BoP) showed last year a 2.3% financing capacity as a percentage of GDP, this means that if the tourism losses are prolonged or visitors drop dramatically during the high season, which has just started, the trade surplus could be in danger.

In this sense, the country could see the end of its historical eight consecutive years with export finance capacity, something that had not happened since the time of developmentalism. Since then, frequent commercial deficits have always been resolved through devaluations or severe adjustment plans.

This explains why Spain has accumulated a huge net external debt (international investment position) by the end of 2019, equivalent to 921 billion euros, which represents 74% of the GDP. That is, 6% less than the previous year. This improvement is due to a better performance of the export industry, which is now at risk due to the collapse of the tourist balance, making it a vulnerable factor to an external financial crisis.

The Bank of Spain itself draws attention to this fact in its annual report on the country's BoP and recalls that the future evolution of tourism is conditioned by two factors.

On the one hand, due to the "rate of lift of travel restrictions", and, on the other, due to the risk perception that tourists may have of the pandemic, which could lead "to the adoption of measures of voluntary social distancing by potential tourists ". In other words, the Bank of Spain is doubtful about the country's ability to regain tourists, especially when other countries that compete with Spain in the sun-and-beach category, such as Greece or Portugal, are showing better health records.

It should also be noted that 83.7 million tourists arrived in Spain last year, and while there is a certain degree of stagnation (a 1.1% increase compared to the previous year), revenues grew threefold (3.2 %), basically by travelers from non-EU countries. In addition, 40 of the 83 million tourists who visited Spain last year were from the United Kingdom (18 million), France and Germany (11 million each). Therefore, Spain is highly dependent on these countries, which have also been heavily affected by the pandemic (less in the case of Germany).

Replacing these tourists by others of different nationalities is, in any case, not likely, since the following markets are made up of Nordic countries, which last year represented for Spain slightly over 5.5 million travelers according to the tourist movement survey.

For Spain, the season between June and September is crucial. Of the almost 84 million arrivals of 2019, over 38 million crossed the border in the middle months of the year, when, unfortunately, the pandemic will still be an issue. Some experts believe that this is the reason why the Spanish government, aware of the impact this has on the economy, decided to accelerate the different phases of the de-escalation plan.

The announcement is not a surprise when taking into account that tourism (in terms of GDP and including GNP) generated 147,946 million euros in 2018, which represents 12.3% of the GDP. As for employment, tourism, directly and indirectly, employs 2.62 million people; in other words, 12.7% of Spain's total population of employees.

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