

SPANISH TOURISM EXPECTS MASS LAYOFFS AFTER THE DROP IN ARRIVALS



The high number of tourist reserves in Spain during the first half of July, right in the midst of the most complicated summer in history, has been abruptly slowed by the new coronavirus outbreaks in different parts of Spain, threatening vital markets like France, and prompting border closures again in order to avoid contagions from the most affected areas, such as Catalonia.

Juan Molas, president of the Association of Spanish Hotel Chains (ACHE), an organization made up of 50 companies in the tourism and hospitality industry, is very concerned about this deterioration and the impact it may have on the productivity of the industry. “We didn’t foresee a successful summer, but there are many who hoped not to lose money. Now the situation is different and that can cause a massive wave of layoffs in the sector due to the lack of income,” he says.

Currently, travel agencies barely sell 10% of what they did in the same period of 2019, and that can lead to the permanent closure of a third of those businesses. Carlos Garrido, President of the Spanish Confederation of Travel Agencies (CEAV), says it is vital to extend ERTes (temporary employment regulation files) until March 2021, to avoid these mass closures.

Molas details the distressing results of a survey carried out last week, in which occupation indexes plummeted for all destinations, especially in Catalonia, which combines the new ‘wave’ of contagions and the threat of the French market closure, its main source market.

“International tourism has disappeared from Barcelona and the forecasts for Costa Brava, where 80% of occupancy was already expected in July and 60% in August, have suddenly stopped. The closure of borders with France can be devastating.”

Other peninsular destinations, such as Benidorm or Costa del Sol, only have a third of hotel businesses open and also face the pressure of a rising number of cancellations. “In both destinations, occupancy barely surpasses 50% on weekends thanks to domestic tourism.”

The arrival of travelers to the Balearic and Canary Islands is also not working as expected. Molas says that in Mallorca only 40% of hotels have opened and that the arrival of German tourists hasn’t been as great despite the creation of a tourist corridor in early July to sell the image of the Balearic Islands as a safe destination. The Canary Islands is performing better, although the president of the Association recognizes that it depends on airlines opening to new places and routes, something that seems difficult considering that currently they barely operate with 20% of the fleet.

José Luis Zoreda, Executive Vice President of the Alliance for Tourism Excellence (EXCELTUR), is even more pessimistic and believes that there is no reason to change the forecast on losses for the industry, currently estimated at EUR 83 billion for 2020, broken down into EUR 40 billion in the first six months, and EUR 43 billion in the rest of the year.

“There is no element that suggests things are going to improve. Volatility is rising and visibility is decreasing. Forecasts can hardly be made beyond ten days”.

Zoreda is also very critical of the changes in criteria in the administrations when it comes to imposing the mandatory use of face masks, as has happened in the Balearic Islands. "It has discouraged traveling. If we use masks on the beaches, fewer people will want to fly."

Zoreda warns that if a lockdown is finally announced in Barcelona, it will have a direct impact in other urban destinations, such as Madrid, Seville, Zaragoza and Santiago de Compostela. "The international image that is being portrayed in Spain and Spanish tourism is that the virus has not been controlled and that creates panic. All the work done to rebuild trust has faded away".

Last week, "Hostelería de España", the hospitality industry organization of Spain, announced the figures had reached its limit, confirming that only two out of three establishments have opened and a large majority is working without making profits. **The data as of today is that 40,000 establishments have already closed, and that the number could surpass 70,000 by the end of the year.** A worsening of the health crisis, something quite possible as the organization stated, could lead to the number of closed businesses to shoot up to 85,000.

Since the state of alarm was lifted on June 21, 19.6% of hospitality businesses have not opened. In the survey carried out by the organization on those who haven't reopened, 45.9% of the businesses say that there's not enough demand to open yet, 27.3% opened and had to close again, and 26.8% chose to open in September. On the other hand, among those who decided to reopen, 43.6% keep part of the workforce that they had before March on ERTes, and 7.5% have decided to lay off the workforce faced with a prolonged absence of profits.

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