

SPANISH TOURISM BOOSTED BY GENEROUS BUDGET, ECONOMIC SLOWDOWN EXPECTED ANYWAY



The optimistic figures for Spanish tourism pointing to a rebound during the third quarter extinguished following the slowdown due to the newest lockdowns imposed after the second wave of COVID-19. Spanish tourism is to receive a budget that is more than 331% higher than in 2018.

Forecasts published by the European Commission recently confirm the worst economic slowdown yet to come. Numbers for Spain continue to dip, estimating a 12.4% fall in GDP this year, one point and a half more than July's forecast. **In addition, the recovery will be slower than expected and will progressively occur over the next two years, with a growth of 5.4% next year and 4.8% in 2022.**

The budget for Spanish tourism in 2021 amounts to 1,349.5 million euros, which represents an increase of 1,036 million or 331.29% compared to the extended amount in 2018, a sizeable increase thanks to the 1,121.6 million euros investment allocated under the EU Recovery and Resilience Facility program.

The budget program includes a total of 683 million euros allocated to the 'Tourism Sustainability Plans at Destination' and 143 million to promote the digitization of the tourism model, with the goal that Spain continues to be a leader in competitiveness.

Part of the funds has been designated for tourism resilience strategies in certain extra-peninsular territories, including the Canary Islands, the Balearic Islands, Ceuta and Melilla. Specific resilience strategies will be created for the Canary and Balearic Islands in 2021, with 20 million euros for each of the communities. Ceuta and Melilla will also follow specific programs to promote sustainable tourism and hospitality offers, receiving 3 million each.

An economy like Spain's, one so dependent on tourism, pays dearly the price of the coronavirus. The 12.4% contraction this year is the highest in the eurozone, above that of Italy (9.9%) and France (9.4%), and contrasts sharply with that of Germany, which has managed to limit it to 5.6%

At the same time, the deficit and debt figures continue to look worse. This year, the Spanish deficit will be 12%, shrinking to 9.6% in 2021. Regarding the debt, it will skyrocket to 120% this year and the following two. While it is true that fiscal rules of the Stability and Growth Pact are suspended, and will be at least throughout 2021, this will not prevent Spain from having to face the high debt at some point.

Brussels has stressed the importance of ERTes (the Spanish furlough scheme) and other measures in limiting job losses; despite this, unemployment has risen to 16.7% this year and will continue to do so next year when the progressive withdrawal of these support measures begins. Until September, 2,621 million euros have been allocated to ERTes of the tourism industry.

At eurozone level, the EU recognizes that the second wave of COVID-19 has interrupted a recovery

that was only just beginning, and now the pandemic poses a scenario of great uncertainty. In this context, it foresees a 7.8% contraction of GDP in the eurozone this year, with projected recoveries in the next two: 4.2% in 2021 and 3% in 2022.

“Europe’s rebound has been interrupted due to the resurgence in COVID-19 cases. Growth will return in 2021 but it will be two years until the European economy comes close to regaining its pre-pandemic level,” said EU Commissioner Paolo Gentiloni. In this situation, the commissioner calls for the national policies to support the economy to be maintained, and **urges the swift approval of the European recovery plan to allow it to be effectively implemented in the first half of 2021.**

The dream of a quick recovery has been crushed by the second wave of the pandemic that has forced countries to reinstate lockdowns of different degrees, but all reducing the margin of the economy to return to full capacity. In this context, the EU commission revised its forecasts, confirming the much-expected slowdown; nevertheless, there’s relative reliability given the uncertainty in which all countries are moving.

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