SPAIN AMONG THE WORST PREPARED FOR POST-COVID RECOVERY

Spain is behind countries such as France, Germany or the United Kingdom in terms of its ability to recover from the economic crisis caused by the coronavirus pandemic due to its lack of digitization and foreign investment, among other reasons. This is the conclusion of the competitiveness report published last week by the World Economic Forum, which ranks Spain twentieth out of the 37 countries in the study.

To establish the classification of countries according to the outlook of post-Covid recovery, the organization considers 11 factors such as market digitization, the health networks strength, the openness to foreign investment, citizen trust in institutions, energy transition, and the updating of education for the jobs of tomorrow. Among them, **Spain only showed a good score in opening its market to national and international competitiveness, where it ranked sixth**, and in relation to adopting new technologies, where it was seventh. However, in categories such as R&D or tax progressivity, it remains below the positive score.

The best positioned to recover and adapt to the world after the pandemic are Finland, Sweden, Denmark, the Netherlands, and China.

More Restrictions on Christmas

The recovery in 2021 may be affected by severe restrictions due to the spike in cases in recent days. These new measures that affect travel and opening of businesses on Christmas “will weigh on the economic recovery of 2021,” warned the experts from the Spanish think tank Funcas, since December greatly influences the GDP data for the fourth quarter, which in turn will impact the first quarter of the next year.

However, the lack of tourists will continue to be a strong issue in the post-Covid recovery era. Although Funcas foresees that 40% of international visitors will recover in 2021, a large volume compared to the 10% welcomed in 2020, the country will still be very far from reaching 2019 levels, when 83 million foreign tourists arrived to Spain. In fact, the large dependence on tourism of some autonomous communities is what makes the great difference of the coronavirus impact between them.

For Funcas, they can be divided into three groups. First, those most affected by the crisis because most of their economy depends on tourism: the Balearic Islands and the Canary Islands, for example, which will register GDP falls much higher than the national average (-12%). In the case of the Balearic Islands, its GDP will shrink by 22%, while the Canary Islands will register a 17.9% fall, according to Funcas estimates.

Secondly, the communities more in line with the national decline, where although tourism has an important weight, their economy is “somewhat more diversified” and domestic travelers are more important than foreigners, the experts explained. Here we can find Madrid, Catalonia, Valencian Community and Andalusia.

And finally, the communities that come out better off the crisis correspond to the less economically dynamic ones, who live more from the primary sector and where there is a greater presence of the public sector. These are Murcia, Castilla-La Mancha, Extremadura, Aragon, Navarra and Cantabria.

Reduction of VAT

Due to the considerable losses and not very positive outlook for post-Covid recovery, many stakeholders demand a reduction in VAT on tourism. Among them are companies working in the sports tourism sector, which asks for a reduction from 21% to 10%. The Tourism Board itself, together with its president, Juan Molas, demands a VAT reduction. Mr. Molas reaffirmed a few weeks ago his request to adopt a VAT rate reduced to 7% for tourism until the end of 2022, since he considers that it would maintain Spain's tourist competitiveness.

Many other groups have a similar opinion – the VAT reduction was requested by The National Association of Active Tourism Companies (ANETA), the Cantabrian Association of Active Tourism and Hostels (ACANTA), the Spanish Association of Mountain Guides (AEGM), and many others.

Minimum Wage Increase

One of the consequences of the collapse has been the mass layoffs. According to experts, **the plans to help the self-employed due to cessation of activity and the ERTEs (Spain’s furlough scheme) have mitigated the increase in unemployment much more than in other crises, even with the affiliations to Social Security falling throughout Spain, especially in communities where the tourism dependence is greater.**

Regarding the controversy caused by the minimum wage increase set for 2021, Carlos Ocaña, general director of Funcas, warned that the priority now is “to protect the largest number of companies and jobs possible”.

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