

# PORTUGUESE TOURISM BENEFITS FROM THE WAR IN UKRAINE



The outlook for Portuguese tourism during this summer is positive and the demand should reach the figures close to 2019. Foreign tourists are fleeing destinations such as Turkey and Greece and the Portuguese tourism market is benefiting from this. The idea of a net beneficiary is becoming increasingly popular.

Portugal could be considered a “net beneficiary” in East Europe’s current geopolitical situation. **If, until the war, the country’s peripheral location could be considered a handicap, it is now considered an asset capitalizable by tourism.**

The results are visible: the Algarve is expected to reach records this summer, welcoming not only traditional tourists, but also those who want to flee destinations such as Turkey, due to the proximity to the armed conflict.

## Positive Outlook

Several tourism industry experts agree that the outlook of the Portuguese tourism sector is encouraging. In addition to Portugal being far from the conflict, the country is safe and the inflation rate, although high, is below other countries, which influences the final price. According to the most recent data from the European Commission, inflation should rise to 4.4%, still below the Eurozone, which should exceed 6%.

The president of the Portuguese Tourism Confederation is not surprised by Portugal’s success. Last week, the European Commission revealed that it is even more optimistic than the Government, predicting that Gross Domestic Product (GDP) will grow by 5.8% this year. The services sector, particularly international tourism, will recover “intensely” from the slump of the pandemic years. The first positive sign was Easter, with hotel occupancies above 80%.

“We expect this level of hotel occupancy to occur this summer, it will definitely be the year of tourism’s initial recovery, after two years of pandemic and the near-stagnation of tourist activity,” the president of the Confederation of Tourism of Portugal, Francisco Calheiros stated. He added: “We must stress the March data from the International Air Transport Association (IATA). They show that air travel is returning to normality. The impacts of the conflict in Ukraine on demand for air travel were quite limited overall. And the effects of the pandemic are largely limited to Asian domestic markets. With some confidence, we can say that we could be back to 2019 figures by 2023.”

## 2019 Figures

This opinion is shared by Cristina Siza Vieira, executive president of the Portuguese Hotel Association (AHP). She vouches that the summer outlook is positive, just as she had already said at the beginning of the year. “Growth is intense, demand for Portugal is very high, and bookings in the Algarve predict an excellent summer,” she noted.

Still, she does not guarantee that the pre-pandemic 2019 numbers will be achievable for now. “We

don't know yet if we will match 2019. Either way, all indications are that we'll be very close. Then we will see what the end of the year looks like, but the summer should reach all the 2019 scores."

On the possibility of the hotels reaching occupancy rates close to 100%, the head says that "it is still too early to talk about that". However, she acknowledges that the summer months are very near to that, and prices should boost the hotel industry's profitability". But she sounds a warning: "Despite being a destination much sought after by national tourists, the profits achieved by foreign tourists are higher. It is a prime destination for the English, French, Italian and Spanish markets".

### **Prices Could Rise**

Faced with this increase in demand and the rise in inflation, the executive president of the Portuguese Hotel Association expects growth of Portuguese tourism in terms of value. "Inflation obviously exists. Prices will have to match and stay above inflation if we want to grow, or else the result is neutral."

And, according to the official, the results are visible: "Prices will rise because of inflation and supply and demand. With greater demand caused by events like the war in Ukraine, the diversion of flows to the Algarve is natural, and prices increase".

For the head of Algarve tourism, this recovery has a large volume and higher prices. "Our prices are high because we also have significantly higher costs in all production factors: human resources, energy, raw materials. Retail also has to bear those additional costs. But, fortunately, with the current data, **the summer demand level will be very close to 2019 and could be above that, in volume and price.** This is important for Algarve businesses and Portuguese people in general. It has been two years of losses that will take many years to recover".

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