

RECENT DEVELOPMENTS IN INBOUND TOURISM IN SPAIN

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Since the outbreak of the pandemic in March 2020, restrictions on social interaction have had to be adopted on a global scale, in particular to limit personal mobility, especially in terms of cross-border travel. As a result, one of the most affected areas of economic activity has been international tourism, which is especially relevant for Spain, where this sector accounts for a large share of overall value added and employment. The decline in Spain's tourism exports was particularly marked at the onset of the health crisis, between March and May 2020, when the state of alert and border closures brought the sector's activity to a complete standstill. Subsequently, the persistence of the pandemic has resulted in a recovery of tourism flows that is still far from complete, in step with the gradual lifting of restrictions (see Chart 1).¹

Against this background, the purpose of this box is to offer an initial assessment of the changes in inbound tourism in Spain during 2021 Q3 (high season, except in the Canary Islands). This assessment is necessarily very preliminary, as the quarter has not yet ended and only a very limited dataset is available. The box first describes the main factors that may have influenced the course of the summer tourist season. It then outlines the most recent changes in the sector's main activity indicators. Lastly, it briefly presents the results of an econometric model providing an estimated rate of growth of inbound tourism for Q3 as a whole, based on the information available.

In recent months, several opposing factors have influenced the course of the summer tourist season. First, the progress of vaccination campaigns in Spain and some of its main source countries for tourism in the first half of the year, the lifting of the state of alarm in early May, the opening of international borders to vaccinated tourists in June and the entry into force of the EU Digital COVID Certificate on 1 July appear to have significantly boosted the recovery of tourist flows. Conversely, the spread of the COVID-19 Delta variant in Europe at the start of the summer, which led some of the main source markets to advise against international travel and to introduce restrictions for unvaccinated travellers, has adversely affected the recovery of international tourism activity.²

To assess the net effect of this set of factors, information can be drawn from the official monthly indicators typically used to measure inbound tourism in Spain. However, this information is only available up to the month of July. It therefore has to be supplemented by other higher-frequency indicators from different sources that allow the most recent developments to be analysed.

This body of data points to a considerable upturn in inbound tourism in Spain during recent months, as compared with the developments observed up to the spring of 2020. However, this recovery remained far from complete as at July, when activity was still well below pre-pandemic levels according to the inbound tourist data for (i) arrivals from the Inbound Tourism Survey (FRONTUR), (ii) hotel overnight stays from the Hotel Occupancy Survey, and (iii) spending from the Tourism Expenditure Survey (EGATUR) (see Charts 2 and 3).

As mentioned earlier, the data available regarding developments over the rest of the summer season comes, for the time being, from various high-frequency indicators (weekly or daily), which have become increasingly important in the monitoring of economic activity since the onset of the pandemic. Overall, and with all due caution, these indicators suggest that the gradual recovery of foreign tourism continued in August. For example, foreign card spending in Spain, air traffic, hotel bookings and international Internet searches for accommodation in Spain all point in that direction (see Chart 4 and 5).³

The information available for monitoring tourism activity, which includes both the traditional monthly indicators available up to July and the high-frequency indicators, can be used as a starting point for estimating the growth, in National Accounts terms, of inbound tourism in Spain in 2021 Q3. This is done using the usual models for the treatment of time series explaining changes in real tourism exports based on inbound tourist arrivals (from FRONTUR) and their nominal spending (from EGATUR). The performance of these two explanatory variables in August and September is estimated based on auxiliary models that include various explanatory variables (regressors).

1 However, the most recent developments represent an improvement on the data for 2020 as whole, when real tourism exports plummeted by 75.9% on the previous year and the travel surplus in the balance of payments fell by almost 3 percentage points of GDP, to 0.7%.

2 In particular, the United Kingdom kept most of Spain on its amber list (requiring travellers to quarantine upon return even if fully vaccinated) until 19 July, while Germany imposed quarantines on tourists returning from Spain from 23 July to 29 August.

3 The indicators of foreign credit card spending, air traffic, hotel and flight bookings and searches are based, respectively, on information from CaixaBank, Eurocontrol, the online platform Sojern and Destination Insights with Google.

RECENT DEVELOPMENTS IN INBOUND TOURISM IN SPAIN (cont'd)

Chart 1
REAL TOURISM EXPORTS

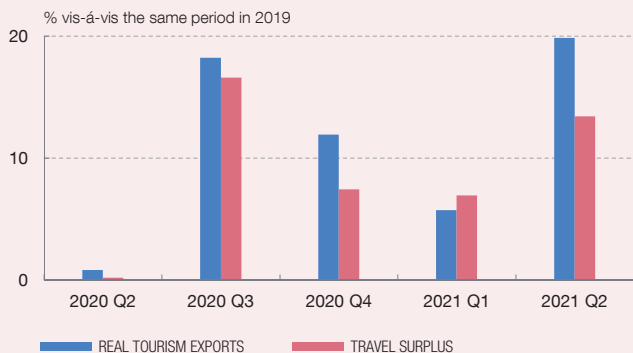


Chart 2
INBOUND TOURIST SPENDING. Comparison 2019-2020-2021

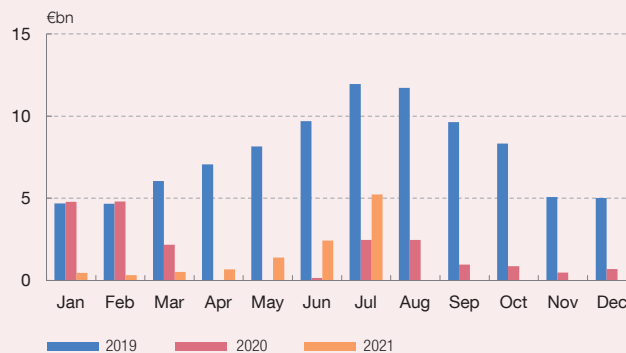


Chart 3
INBOUND TOURISM INDICATORS

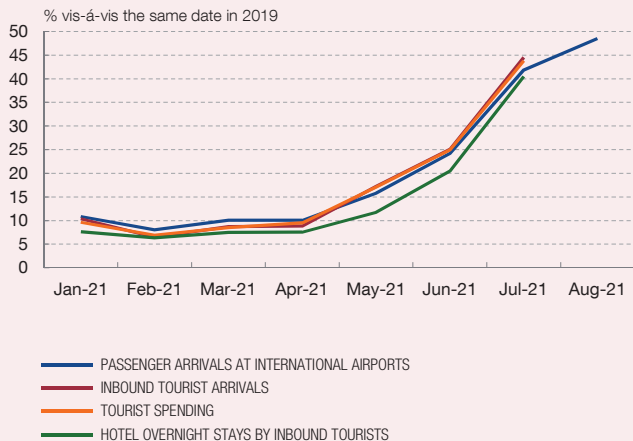


Chart 4
INDICATORS FOR BOOKINGS, CARDS AND AIR TRAFFIC

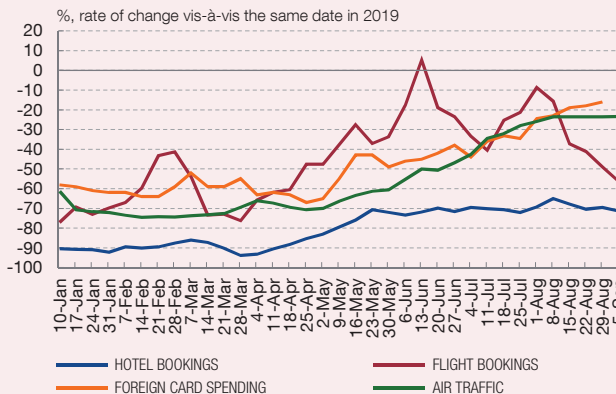


Chart 5
INTERNATIONAL SEARCHES FOR ACCOMMODATION IN SPAIN
7-day moving average

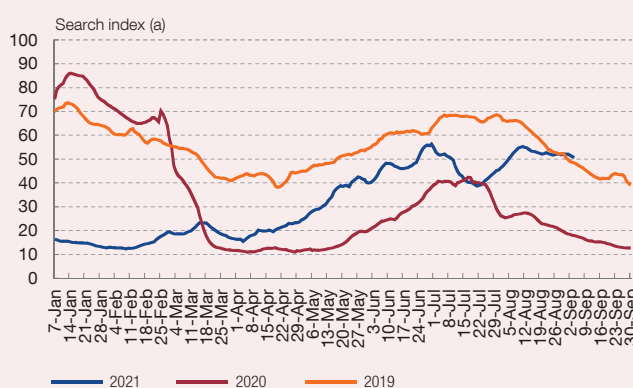
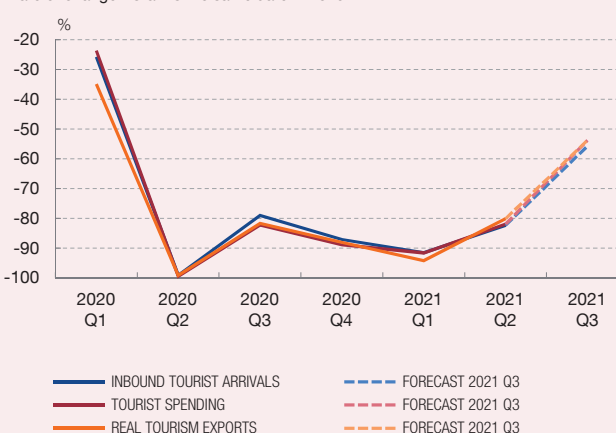


Chart 6
TOURIST ARRIVALS, TOURIST SPENDING AND REAL TOURISM EXPORTS
Rate of change vis-à-vis the same date in 2019



SOURCES: INE, Banco de España, Aena, CaixaBank, Eurocontrol, Sojern and Destination Insights with Google.

a A value of 100 denotes the maximum popularity of the search term in one day of the period considered.

RECENT DEVELOPMENTS IN INBOUND TOURISM IN SPAIN (cont'd)

For example, for inbound tourist arrivals the regressor is the high-frequency indicator for passenger numbers on international flights (extended to end-September using projections based on the expected seat figures for those flights). Similarly, to forecast the nominal spending of foreign tourists in August and September, the regressor used is foreign card spending in Spain, whose trajectory is likewise projected to the end of the analysis horizon based on different assumptions.

Chart 6 summarises the results of this exercise. These suggest that the increased dynamism recently observed in the main indicators for inbound tourism in Spain would be consistent with a negative gap between real exports of tourism services (in National Accounts terms) in 2019 Q3 and 2021 Q3 of around 54% (compared with 80.2% in

2019 Q2 vs 2021 Q2). In any event, as mentioned above, these estimates must be approached with particular caution, not only because Q3 has not yet ended, but also because the information available for the quarter to date is still very limited and not always easy to interpret.

Beyond 2021 Q3, the outlook for inbound tourism remains highly uncertain. In particular, the future performance of tourism-related productive sectors will be determined by the course of the pandemic, the extent to which certain structural changes materialise in the habits of tourists and business travellers (e.g. owing to the wider adoption of remote working and new applications reducing the need for face-to-face meetings), and the possible lasting damage that the prolonged duration of the health crisis may have inflicted on firms linked to the sector.