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Tourism and climate change: implications for financial stability*

Green Transition Fridays

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* English translation from the original in Spanish.

Allow me to begin by thanking the Mallorca Chamber of Commerce for its hospitality and all of you for joining us today. It is entirely fitting that we gather here in Palma to discuss a vital aspect of tourism, given the sector's key role in the local economy. Moreover, it encourages us to reflect on a sector whose strengths have been harnessed by this region but which now faces far-reaching change.

In recent years we have seen growing interaction between climate factors and economic and financial stability. This has been evidenced in economic and scientific research conducted by European institutions, international organisations and the Banco de España itself. The change has not happened overnight, but rather as a cumulative process that has tightened the links between climate, nature, economic activity, perceived risk and the financial system.

Aspects once viewed as peripheral to economic analysis are now integral to our analytical toolkit and how we understand the world. No longer a mere background element, climate is now a determinant of economic activity, shaping investment decisions, capital allocation, sectoral competitiveness and how firms and households plan for the future.

Such changes matter greatly from a macroeconomic standpoint because they affect sectors with deep interdependencies and substantial capital requirements. Shifts in the relative prices of goods and services, in energy costs and in visitor preferences may, over time, alter investment flows and asset prices. According to recent research by the Banco de España, such effects rarely materialise as sudden shocks; rather, they develop through gradual but persistent shifts in activity patterns.[1] For tourism, this entails a reshaping of its seasonal patterns, geographical distribution and value chain.

Tourism occupies a central position in the economy and connects a wide range of sectors, from transport to catering, housing to cultural services and digital innovation to logistics. This broad footprint explains both its macroeconomic importance and its sensitivity to structural shifts.

In other words, the tourism industry combines three characteristics seldom seen together: deep interdependence with the natural and cultural environment, a track record of adapting to global change and a very considerable macroeconomic footprint. That combination has been key, for this is no marginal sector but one that has contributed decisively to Spain's growth, employment and international standing.

The Balearic Islands are a case in point: with a population of just 1.2 million they receive almost 20 million visitors each year. As a result, the islands are among the Spanish regions with the greatest economic exposure to tourism: close to 45% of the region's GDP is linked to international tourism spending. Therefore, any structural disruption in the sector – even a gradual one – can have amplified effects on the regional economy and financial stability.

[1] Rubén Veiga Duarte, Samuel Hurtado, Pablo A. Aguilar García, Javier Quintana González and Carolina Menéndez Álvarez (2025): "CATALIST: A new, bigger, better model for evaluating climate change transition risks at Banco de España". Documentos de Trabajo, 2504, Banco de España. https://www.bde.es/wbe/en/publicaciones/analisis-economico-investigacion/documentos-trabajo/catalist-a-new-bigger-better-model-for-evaluating-climate-change-transition-risks-at-banco-de-espana.html

Tourism's prominence creates opportunities, but also vulnerabilities that must be managed carefully. Regions such as the Balearic Islands sit at the intersection of shifting global demand, changing visitor expectations and technological developments, all while contending with growing disaffection among local residents and the effects of climate change. Moreover, pressures on infrastructure, water resources and housing generate economic risks that, if not anticipated, could affect financial stability.

A study by Universitat de les Illes Balears (the Balearic Islands University) found that tourism accounts for about 24% of the islands' water consumption, with average per-capita consumption by tourists rising to as much as five times that of local residents during the high season. Further, water reserves often drop below 50% of capacity during the summer, while more than 45% of aquifers are affected by over-exploitation or salinisation, heightening pressure on infrastructure and services.

This pressure on natural resources coincides with climate trends that demand attention. According to the latest Annual Report by the Balearic Islands Coastal Observing and Forecasting System (SOCIB), in 2025 the islands experienced the highest sea surface temperatures since records began. In certain areas of the Mediterranean water temperatures exceeded the 1982-2015 average by up to 6.5ºC, while the basin as a whole accumulated an average of 190 days of marine heatwaves,[2] with direct implications for coastal ecosystems and economic activities.[3]

Recent evidence suggests that such climate-related changes are already reshaping international tourism demand. The data show tourism activity gaining momentum in the autumn and winter months, compared with more muted developments in the summer period, signalling a shift towards lower seasonality. This trend poses considerable challenges from an economic and financial viewpoint, as it changes the temporal distribution of revenues and alters firms' financing requirements, while the profitability of certain investments may need to be re-evaluated.

Moreover, strong tourism demand can influence the prices of housing, services and food, with important implications for price stability and residents' welfare. House prices in the Balearic Islands have risen at rates consistently above the Spanish average for the past decade,[4] reflecting demand-side pressures that are intertwined with tourism and carry both social and macroeconomic implications.

The issue here is not to challenge or endorse a particular productive model – which is not for a central bank to do – but rather to understand how these dynamics affect the sector and, by extension, macroeconomic and financial stability. The key is to recognise that how

[2] Heatwaves are defined as periods when sea surface temperatures exceed the 90th percentile of historical temperatures for at least five consecutive days.

[3] The impacts identified include increased water stratification, reduced oxygen availability and threats to key habitats such as the *Posidonia oceanica* seagrass meadows, which play a critical role in biodiversity, carbon sequestration and the protection of coastlines.

[4] *House prices in the Balearic Islands rise by a staggering 62.5% in five years, almost double the national average*. Article in El Periódico Digital. Baleares Experimenta Un Asombroso Aumento Del 62,5% En El Precio De La Vivienda En Cinco Años, Casi El Doble De La Media Nacional.

firms, households and financial institutions adapt to these changes will be decisive in securing an orderly transition and avoiding imbalances.

International experience shows that periods of structural change require reliable information that accurately reflects the associated risks, as well as long planning horizons. In the case of tourism, this means improving our understanding of how seasonal patterns may shift, what types of investment are more resilient under different scenarios and how visitors' spending behaviour might evolve according to their environmental awareness. It also means asking how infrastructure projects, which often have long payback periods, can adapt to the new landscape.

This brings us to another key aspect of financial analysis: how a changing climate might affect the value of tourism assets, altering their credit risk profiles and, in turn, the exposure of financial institutions. As key credit intermediaries, banks need accurate information to distinguish between projects with differing risk profiles. The aim is not to steer financing towards one sector or another, but to enhance the quality of credit assessments. Resources tend to be allocated more efficiently when risks are properly identified and measured, which contributes to financial stability. By contrast, systematically underestimating risks leads to a build-up of vulnerabilities that can materialise in times of stress.

In this regard, the analytical exercises carried out in recent years highlight that climate change impacts are not limited to sectors directly exposed to emissions but are transmitted through cross-sectoral relationships. Tourism is a clear example: its risk profile depends on both the region's exposure to the sector and its reliance on energy, transport, water and infrastructure. Understanding these interdependencies is essential to avoid underestimating risks that, although not immediate, may build up over time and become amplified during periods of financial stress.

For this reason, coordination among public administrations, firms, financial institutions and research centres is crucial. No single actor can address the complexity of this transition alone. Preparing for the future requires local knowledge, technical analysis and the ability to engage in dialogue.

From the Banco de España's perspective, our role is clear: to strengthen the analytical basis by providing granular data for better risk assessment, to identify emerging risks, to enhance the quality of prudential supervision and to ensure that our policies remain aligned with a changing environment. This is not about predicting the future, but about preparing the financial system for a range of possible scenarios. Economic history teaches us that the most successful transitions are not necessarily the fastest, but those that unfold in an orderly, gradual manner and are grounded in sound information.

Ultimately, financial stability is a collective good. Its preservation depends on the ability to anticipate risks, prevent the build-up of vulnerabilities and maintain the confidence of firms and households. In regions where tourism plays such a significant role, for this confidence to endure the sector must be able to adapt to a changing environment while continuing to generate value and prosperity.

Allow me to emphasise what I consider a crucial point: none of this implies a break from the past. On the contrary, it represents the natural evolution of a sector that has repeatedly demonstrated its ability to adapt. Tourism has successfully reinvented itself in response to new trends, new technologies, new demands and new global competitors. Certainly, it now faces a more structural change, but one that the sector has the experience, knowledge and talent to manage.

What we need now is a stronger long-term vision, because the interaction between climate change, tourism and macro-financial stability is a complex field – yet also fertile ground for new ideas. Predicting the next season's figures is essential, but assessing the impact of investment and innovation is the only way to strengthen financial stability and social well-being.

Information, analysis and institutional cooperation will remain decisive in this process. Events like today's contribute precisely to this: creating a space for informed dialogue, building a shared understanding of the challenges and identifying opportunities that might otherwise go unnoticed.

I would like to thank you once again for being here and for your commitment to this discussion. At the Banco de España we will continue to work prudently and rigorously to provide high quality analysis and to ensure, within our remit, that the financial system supports these transitions in an orderly and stable manner.

Thank you very much. I will now leave you with the first discussion of the day, which will be moderated by Cristina Monge and will focus on the impact of climate change on tourism.