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**Competitiveness factors in the Spanish tourism sector**

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## Introduction

I would like to thank the organisers for inviting me to take part in this forum, enabling me to share with you the Banco de España's analysis of the Spanish tourism sector, with a particular focus on recent developments and the challenges ahead.

Allow me to begin with a brief comment on the content of my address today. As a member of the Governing Council of the European Central Bank, I am currently subject to the so-called "quiet period" preceding the meetings at which monetary policy decisions are taken. Accordingly, my reflections in this speech should not be taken as indicative of the monetary or economic outlook.

The importance of the tourism sector for the domestic economy and at an international level is widely acknowledged. Tourism is the **country's main productive sector**: in 2022 it contributed 11.6% to GDP and 9.3% to employment,<sup>1</sup> and tourism exports accounted for 5.7% of GDP in 2023,<sup>2</sup> with the tourism surplus standing at 3.4%, not far off the all-time high seen in 2017.

Spain is also **the number one European country in terms of international visitors**,<sup>3</sup> and the preferred destination for German, English, French, Italian and Dutch tourists, while five Spanish tourist destinations (Mallorca, Barcelona, Tenerife, Alicante and Malaga) are among the top ten most popular in Europe.

Thus, the growth of the Spanish economy in the coming years will depend in large part on how this sector develops. And maintaining the recent momentum will require **improvements to the factors driving competitiveness in a complex international setting**.

## Recent developments

The **tourism sector** has recovered notably thanks to the post-pandemic lifting of international travel restrictions, **making it a key engine of growth for the Spanish economy over the last two years**.

Tourism increased by 58.6% in 2022, contributing 4.5 percentage points (pp) to the 5.8% GDP growth seen that year. **In 2023**, the available indicators testify to the sector's ongoing recovery, and **its share of GDP looks to have exceeded the pre-health crisis figure** (12.8%, vs 12.6% in 2019).<sup>4</sup>

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<sup>1</sup> According to the National Statistics Institute's Tourism Satellite Account.

<sup>2</sup> By way of comparison, in 2019 this share (also 5.7%) was significantly larger than the figures for France (2.3%), Italy (2.5%) and Germany (1.1%), albeit smaller than those for Portugal (8.5%) and Greece (9.9%).

<sup>3</sup> 2022 figures on overnight stays.

<sup>4</sup> According to the tourism GDP estimated by Exceltur.

Similarly, **tourism flows appear to have returned to their 2019 levels, in terms of both passenger arrivals and overnight stays.** In particular, overnight stays by Spanish travellers in summer 2023 were 1.1% up on their pre-pandemic levels,<sup>5</sup> while overnight stays in Spain by international travellers exceeded such levels by almost 9 pp in November 2023.

The strong figures posted by Spanish destinations came amid a sharp rise in tourism flows towards the country's main Mediterranean competitors, such as Turkey or Greece, which are more competitive on price. However, overnight hotel stays by non-residents recovered **more strongly in Spain than in either the euro area as a whole** or other European countries.<sup>6</sup>

By country of origin, **the momentum was primarily driven by tourists from Europe,**<sup>7</sup> with the exception of the Nordic countries (affected, among other reasons, by the financial difficulties of some companies in the airline industry) and the German market, in line with the country's weaker economic performance last year. Also striking was the upturn in tourists arriving from the United States and the rest of the Americas (boosted last year by the weakening of the euro against the dollar), though it appears that tourism from Asia<sup>8</sup> has yet to recover its pre-pandemic levels.

By region, Andalusia, Catalonia and Valencia were the preferred destinations of Spanish residents in 2023, whereas the islands were the destination of choice for non-residents. Compared with their pre-pandemic levels, **the Canary Islands, the Balearic Islands and the regions along the Cantabrian coast saw the biggest increases in overnight stays,** whereas Navarre, Aragon and Madrid are some way behind.

Meanwhile, **tourism expenditure has risen sharply.** In particular, the total nominal expenditure of international tourists between January and November 2023 stood 16.9% above its pre-pandemic levels, while average daily tourism expenditure was up 14.2% and the average stay of international tourists was 1.4% longer. While higher prices made a significant contribution to this increase, **spending in real terms by foreign tourists without transport and with a package tour rose by 6.8% with respect to the same period of 2019,** while real expenditure without transport was in line with the figures observed for the same period of 2019.

By type of establishment, while **higher quality (four- and five-star) hotels appear to have comfortably surpassed their pre-pandemic levels,** overnight stays at their lower category counterparts still fall short of such levels.

As for tourism by Spanish residents, in the first three quarters of 2023 overall, average daily tourism expenditure and the average stay per traveller exceeded their pre-pandemic levels

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<sup>5</sup> Overnight stays both in Spain and abroad were up on the 2019 figures (by 0.9% and 2.1%, respectively).

<sup>6</sup> The 2023 Q3 figures for Italy, Croatia and Cyprus were down 8.2%, 5.6% and 6.8%, respectively, on 2019.

<sup>7</sup> Mainly from the Netherlands, France, the United Kingdom and Ireland, with the figures for November 2023 up 16.6%, 10.4%, 14.3% and 70.9%, respectively, on the same month of 2019. In November, the United Kingdom accounted for 22.7% of all overnight stays by foreign tourists in Spain, followed by Germany (16.8%) and France (6.1%).

<sup>8</sup> For example, in November 2023 overnight hotel stays by Japanese tourists remained well below their pre-pandemic level, while the US market continued to perform strongly.

(by 19.6% and 4.7%, respectively). Average daily expenditure grew more for domestic destinations, whereas the average stay increased to a greater extent for overseas travel.

Overall, in the first three quarters of 2023, **real tourism exports were 5.7% up on the figure for 2019**,<sup>9</sup> whereas tourism imports recovered more slowly, remaining slightly below their pre-pandemic levels.<sup>10</sup> Consequently, **the overall travel surplus for the last four quarters passed the €50 billion-mark**, exceeding the entire external deficit on trade in goods.

The strength of tourism demand has helped to **reinvigorate the sector's turnover**. **Total sales by tourism firms**<sup>11</sup> up to 2023 Q3 **were 28% higher than those reported in the same period of 2019**.<sup>12</sup> Nonetheless, to a large extent, this upward trend in turnover also reflects higher prices.<sup>13</sup> In turn, tourism firms have had to contend with a notable rise in production costs, which are 18% up on their pre-pandemic levels.

This increase in turnover has led to **healthy corporate profits**. According to the Spanish tax authorities' records, in the first three quarters of 2023, on average, the gross operating profit (GOP, in other words, before financial costs, depreciation and amortisation, and taxes) of the tourism sector stood appreciably above its 2019 level,<sup>14</sup> while margins (i.e. GOP as a proportion of total sales) also appear to have surpassed that level.<sup>15</sup>

The adverse effects of the pandemic on the sector have resulted in **higher levels of debt**. Based on data from the sample of firms in the Central Balance Sheet Data Office integrated database for 2022, it appears that the debt-to-income ratio (external interest-bearing debt as a proportion of GOP) in these sectors remains above its pre-pandemic levels, although the healthy revenues posted in 2023 should have helped to progressively reduce this indicator.

This trend was accompanied by **very buoyant job numbers**. Tourism-related social security registrations<sup>16</sup> were 6.4% higher than in 2019.

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<sup>9</sup> On QNA figures.

<sup>10</sup> According to Balance of Payments data, nominal tourism payments are 0.3 pp below their 2019 levels (as a percentage of nominal GDP). On QNA figures, nominal tourism imports are also 0.3 pp down on 2019 (as a percentage of nominal GDP).

<sup>11</sup> Including the air transport (NACE Rev. 2, 51), accommodation (55), food and beverage service activities (56) and travel agency (79) sectors.

<sup>12</sup> Source: Spanish tax authorities

<sup>13</sup> For example, in the case of accommodation and food service activities, while sales rose by 26% between 2019 and 2023, the hotels and restaurants category of the consumer price index increased by 15.6%.

<sup>14</sup> A 52.9% increase on 2019.

<sup>15</sup> 34.9% in 2023 versus 29.4% in 2019.

<sup>16</sup> Including the air transport (NACE Rev. 2, 51), accommodation (55), food and beverage service activities (56), travel agencies (90) and arts, amusement and recreation (90-93) sectors.

This encouraging trend in social security registrations was particularly striking in leisure and entertainment activities, which ended the year 12.4% up on 2019, followed by the accommodation (+11.4%), hotel and restaurant (+4.1%) and air transport (+2.9%) sectors. Against this, only travel agencies (affected by the post-pandemic shifts in consumption and destination search patterns) have yet to return to the level of employment seen in 2019, with 2.0% fewer social security registrations.

By region, tourism employment was particularly buoyant in the islands (which rely more on international tourism) and along the Mediterranean coast.<sup>17</sup>

### **Outlook for the tourism sector**

Allow me to move on to a brief analysis of the outlook for tourism in Spain in the coming years.

According to the latest Exceltur report,<sup>18</sup> business owners in the sector are optimistic and the prospects are encouraging in the short term. Nonetheless, this outlook will depend heavily on **how global (and, in particular, European) demand evolves**. Following a marked slowdown in global GDP growth between 2022 and 2023 (albeit varying considerably from region to region), the Eurosystem's macroeconomic projections do not anticipate an uptick in 2024. Specifically, they project **global GDP growth** of 3.3% in 2023 and 3.1% in 2024 (3.2% in 2025 and 2026), **falling significantly below the historical average for the last two decades** (3.8%).

**In the case of the euro area**, the same projections forecast **growth** of 0.6% and 0.8% **for 2023 and 2024**, respectively, below potential growth, and of 1.5% in 2025.

Against this backdrop, the Banco de España's December 2023 projections forecast a slowdown in GDP growth between 2023 and 2024 (from 2.4% to 1.6%), before picking up slightly between 2025 and 2026, when it is expected to stand at 1.9% and 1.7%, respectively. In the case of tourism, exports are expected to slow given that, as already noted, they have already surpassed their pre-pandemic levels.

Moreover, **the risks to economic growth remain tilted to the downside**, as a result, above all, of geopolitical developments. An escalation of the wars in Ukraine and the Middle East could significantly drive up energy prices and adversely impact growth. Indeed, the consensus forecast for the euro area in 2024 (0.5%) is lower than that of the Eurosystem.<sup>19</sup>

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<sup>17</sup> Taking the hospitality sector as an example, employment in 2023 was between 8% and 9% higher than in 2019 in the Balearic Islands, Andalusia, Valencia and the Canary Islands, whereas the employment levels in 2023 were between 1% and 2% higher in the central and Cantabrian regions.

<sup>18</sup> Perspectivas turísticas nº87. January 2024. Valoración turística empresarial de 2023 y perspectivas para 2024. <https://www.exceltur.org/wp-content/uploads/2024/01/Informe-Perspectivas-N87-Balance-del-ano-2023-y-previsiones-para-2024.pdf>

<sup>19</sup> Tourism demand in some economies, such as the United Kingdom in particular, may also depend heavily on exchange rate developments. In any event, arrivals of UK tourists had already returned to their pre-pandemic levels in October and November 2023.

In the case of the tourism sector, it is nonetheless worth noting that, in a context of heightened geopolitical risks (particularly in the Middle East), the outlook may benefit from Spain's position as a safe destination.

Indeed, **Spain traditionally reaps the rewards of its greater stability in times of geopolitical uncertainty**. In particular, according to the Banco de España's External Sector Satellite Model, the positive gap between real tourism exports and the figure that would be expected given the traditional determinants of Spanish tourism exports (such as income in source countries, price competitiveness and the cost of oil) widens at times of geopolitical tensions in Spain's neighbouring countries.<sup>20</sup>

From a tourism **supply** standpoint, risks can also emerge in relation to **higher financing costs** and greater difficulties in accessing credit, as well as **uncertainty over the cost of travel** in the face of fluctuating energy commodity prices. **Competition on prices also remains strong on the part of competing destinations in the eastern Mediterranean**, such as Egypt, helped in large part by their weaker currencies.

### **Strengths and challenges in the medium term**

Taking a more medium-term view, Spain has some significant **structural advantages**. In its latest report on tourism development, the World Economic Forum<sup>21</sup> ranked Spain **third in its global Travel and Tourism Development Index**, behind Japan and the United States.

According to this competitiveness index, **our most notable strengths lie in our tourist service and transport infrastructure, as well as our cultural and natural assets**. These factors, alongside **security and health services**, have helped to counter, at least partially, the competition on prices from emerging tourist destinations in the Mediterranean.

In this regard, although the investment drive in public capital and non-residential construction in Spain has been weaker than in the euro area as a whole this past decade,<sup>22</sup> tourism flows appear to have been boosted by a **range of improvements in transport**, such as **the liberalisation of the country's railway services**<sup>23</sup> (with a greater number of

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<sup>20</sup> When the Arab Spring broke out in 2011, this gap stood at around 45%. Likewise, it stood at 35% during the attempted coup d'état in Turkey in 2016. See Banco de España. (2017). "Box 7. Dynamism of non-resident tourism in 2016 and its determinants". *Economic Bulletin - Banco de España*, 1/2017, pp. 24-26.  
<https://repositorio.bde.es/handle/123456789/8952>

<sup>21</sup> [Travel & Tourism Development Index 2021](#). In the organisation's 2019 report, Spain took top spot in the Travel and Tourism Competitiveness Index.

<sup>22</sup> As a result, the stock of public capital weighted by population, which was above the euro area average until 2015, has now fallen below that figure.

<sup>23</sup> According to the National Commission on Markets and Competition, the number of high-speed rail passengers increased by 76% in 2022, rising twofold on the Madrid-Valencia route thanks to the entry of new competitors on the market. According to Exceltur, the increase in frequencies and high-speed rail connections has boosted passenger numbers by 40.9% compared with 2019. The National Statistics Institute's Passenger Transport Survey reports similar growth figures (for instance, a 35.8% increase in high-speed rail transport between January-November 2022 and January-November 2023).

firms competing on different lines connecting various parts of the country, mainly on the coast) and **greater airline capacity on the islands**.<sup>24</sup>

Moreover, the **emerging Asian economies**, which already attract a sizeable share of the tourists from neighbouring countries, and **older travellers, are expected to account for an increasingly large share of tourism flows**.

Consolidating and improving on these comparative advantages is therefore key to laying the groundwork for the future growth of our tourism sector.

However, **other factors could also slow down tourism in Spain in the future**. Allow me to highlight some of them.

First, **mention must be made of the labour market**. It is well known that **the tourism sector is highly labour-intensive**.<sup>25</sup> In a setting of adverse supply shocks like the one we have experienced in recent years, this structural feature makes the sector less vulnerable to increases in the prices of intermediate goods (energy, for instance), but **more vulnerable to second round effects through wage increases**. In addition, tourism is **one of the sectors with the highest concentration of young and low-skilled employees**,<sup>26</sup> making it **more sensitive to minimum wage rises, which have been very significant in recent years**.<sup>27</sup>

In fact, in 2023 **wage increases have been higher in the tourism sector than in other sectors**.<sup>28</sup> Also, in general, **unit labour costs have grown substantially in Spain**. Specifically, the rise in compensation per employee in the market economy (which has outpaced the wage increases negotiated in collective agreements), together with higher non-wage labour costs (in particular, social security contributions) and weak productivity, have led to unit labour costs rising **more than the euro area average** since the start of the pandemic. This could **ultimately affect the price competitiveness of Spanish firms** and, in particular, firms in the tourism sector.

More recently, **business owners in the sector have become increasingly concerned about labour shortages**. Thus, according to the latest Banco de España Business Activity

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<sup>24</sup> For example, thanks to the enlargement of the Tenerife Sur airport in 2022, passenger numbers are now only 3% short of their 2019 levels (according to Aena).

<sup>25</sup> By way of illustration, personnel costs account for nearly 30% of turnover in tourism firms, compared with 22% in construction, 12.3% in industry and 9% in trade.

<sup>26</sup> For example, in the hospitality sector, the percentage of employees below the age of 25 and with a primary education stood on average in 2023 at 16% (10 pp above the national average) and 14% (7 pp more than the average), respectively.

<sup>27</sup> Cristina Barceló, Mario Izquierdo, Aitor Lacuesta, Sergio Puente, Ana Regil and Ernesto Villanueva. (2021). "Los efectos del salario mínimo interprofesional en el empleo: nueva evidencia para España". Documento Ocasional N.º 2113. Banco de España. <https://www.bde.es/f/webbde/SES/Secciones/Publicaciones/PublicacionesSerriadas/DocumentosOcasionales/21/Fich/do2113.pdf>

<sup>28</sup> According to the collective bargaining agreement statistics of the Ministry of Labour and Social Economy, the average annual wage rise agreed for 2023 was 4.0% for both the hospitality sector and the arts, entertainment and recreation sector, compared with the national average of 3.5%.

Survey (EBAE) relating to 2023 Q4,<sup>29</sup> the shortage of workers is perceived by 42.5% of the firms surveyed as a factor that is adversely affecting their activity. This percentage is notably higher in the hospitality and transport sectors, where 55% and 51%, respectively, of firms reported that they were experiencing this problem, around 20 pp up on the same period in 2021.

This heterogeneity across sectors is key to understanding the differences in labour cost expectations one year ahead, since the sectors hardest hit by these labour shortages tend to be those with higher labour cost expectations.

In a setting in which Spain's unemployment rate remains high and well above that in other euro area countries, these labour shortages evidence the **need to improve active employment policies** to foster employability, and to coordinate these policies with the unemployment benefit and subsidy system to help the unemployed get back into work.

**The capacity of migration policies to effectively smooth any mismatches arising in the Spanish labour market** also needs to be continuously monitored. **Policies fostering an increase in the supply of rental housing** may also be key to enabling workers to move more easily between regions.

**Second, productivity** in the hospitality sector stands 33% below that recorded in the Spanish economy as a whole (owing to the sector's labour-intensive nature). However, in contrast to most other productive sectors,<sup>30</sup> productivity in hospitality in Spain is higher than in other euro area countries (30% above Italy, 26% above Germany and 9% above France).<sup>31</sup>

The drivers of productivity are diverse and complex. There is evidence that a high level of temporary employment, which was particularly notable in the tourism sector,<sup>32</sup> generates adverse effects on this variable. In this connection, the latest labour reform, which limited the types of temporary contracts available, has reduced the temporary employment ratio substantially in the sector.<sup>33</sup> This was possible thanks to the widespread take-up of permanent seasonal contracts, which grew from 11% in 2021 to 20.8% on average in 2023, above the figure for the economy as a whole. In any event, it will be necessary to **assess the reform's capacity, beyond its impact on temporary employment, to reduce job churn**, since this may be a basic determinant of labour productivity.<sup>34</sup>

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<sup>29</sup> Alejandro Fernández-Cerezo and Mario Izquierdo. (2023). The Banco de España Business Activity Survey: 2023 Q4. *Economic Bulletin* - Banco de España, 2023/Q4, Article 07. <https://doi.org/10.53479/35654>

<sup>30</sup> Pilar Cuadrado, Enrique Moral-Benito and Irune Solera. (2020). "A Sectoral Anatomy of the Spanish Productivity Puzzle". Occasional Paper No 2006. Banco de España. <http://dx.doi.org/10.2139/ssrn.3565767>

<sup>31</sup> Source: Eurostat, national accounts aggregated by sector.

<sup>32</sup> In 2019 it stood at 30% in the tourism sector, compared with 26.3% in the economy as a whole.

<sup>33</sup> For instance, the temporary employment ratio (defined as the ratio of employees with a temporary contract to total employees) in the accommodation and food and beverage service sectors stood on average in 2023 at 15.5% and 21.0%, respectively, 17 pp down on 2019 in both sectors, a much greater fall than that recorded for the economy as a whole (9 pp).

<sup>34</sup> Juan J. Dolado, Salvador Ortigueira and Rodolfo Stucchi. (2016). "Does dual employment protection affect TFP? Evidence from Spanish manufacturing firms." *SERIESS. Journal of the Spanish Economic Association*, 7(4), pp. 421-459.



Meanwhile, much like the Spanish economy as a whole, the tourism sector is **dominated by SMEs**, with many small firms and few large ones.<sup>35</sup> Firm size is important because it is related to aspects determining business productivity, since small firms tend to face more difficulties in harnessing economies of scale, fostering innovation, accessing diversified sources of funding and investing in lifelong training for employees.

In this connection, **a regulatory environment with a large number of rules – increasingly complex and heterogeneous across regions and municipalities – may negatively affect firms’ growth-related decisions and market unity, among other aspects.** Different studies have pointed to the importance of this channel in our country.<sup>36</sup> There are, furthermore, **several employment and tax-related regulatory thresholds (linked to arbitrary categories of firm size) that adversely affect business growth**<sup>37</sup>. These reforms are also key to maintain a competitive framework that will facilitate a flexible supply and profit margin containment.

Third, **the future course of tourism, and of the rest of the economy, will be highly influenced by the impact of new technologies.**

Specifically, the use of new technologies is becoming widespread among the younger generations. Among other effects, this changes the nature of tourism service providers, such as travel agencies, which now face stiffer competition from digital platforms. In turn, the rise of working from home could blur the separation between leisure and business trips, increase average stays and reduce the seasonality of tourism.

Against this backdrop, industry players need to actively adopt the new technologies to adapt to the new demand patterns and to harness the management and cost advantages offered by the new digital tools.

This is a field in which public and private-sector cooperation may be particularly important, with the public sector acting as a catalyst for innovation, since the positive externalities generated by firms’ innovation activities for the rest of the productive system may lead to a less than optimal level of private investment in innovation.<sup>38</sup>

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For a more recent analysis, see Valeria Cirillo and Andrea Ricci. (2022): “Heterogeneity matters: temporary employment, productivity and wages in Italian firms.” *Economia Politica*, 39, pp. 567-593.  
<https://doi.org/10.1007/s40888-020-00197-2>

<sup>35</sup> According to the INE’s Tourism Satellite Account, around 82% of tourism firms had two employees or fewer (83% in the national total) and only 0.2% of the total had 100 employees or more (0.4% in the national total). However, the aggregate data conceal very different realities by sub-sector. On the upside, within the hospitality sector, accommodation services stand out, with 1% of firms having more than 100 employees.

<sup>36</sup> See, for example, [Bardhan \(2002\)](#), [Mora-Sanguinetti and Pérez-Valls \(2020\)](#), [De Lucio and Mora-Sanguinetti \(2021\)](#), [De Lucio and Mora-Sanguinetti \(2022\)](#), [Mora-Sanguinetti \(2022\)](#) and [Mora-Sanguinetti, Quintana, Soler, Spruk and Rok \(2023\)](#).

<sup>37</sup> Miguel Almunia and David Lopez-Rodriguez. 2015. “Under the Radar: The Effects of Monitoring Firms on Tax Compliance.” *American Economic Journal: Economic Policy*, 10 (1): 1-38. <https://dx.doi.org/10.2139/ssrn.2654802> and López-Rodríguez (2018).

<sup>38</sup> Pablo Hernández de Cos. (2023). “16th Cinco Días Business Innovation Awards ceremony, 2023”.  
<https://www.bde.es/f/webbe/GAP/Secciones/SalaPrensa/IntervencionesPublicas/Gobernador/Arc/Fic/IIPP-2023-12-04-hdc-en-tr.pdf>

The public sector can mitigate this problem through various instruments. Noteworthy among these are tax incentives for innovative firms. The most significant tax incentives for innovation in Spain currently revolve around corporate income tax deductions. However, although the subsidy implicit in these incentives is, in theory, among the highest in the OECD, they are actually deployed notably less in practice owing to the existence of different administrative requirements and the way in which corporate taxes are calculated.<sup>39</sup> Also, the effectiveness of these incentives would be reinforced if concrete measures were deployed to support innovative firms in their early stages.

Fourth, the tourism sector will also be very affected by **climate change** and the energy transition.<sup>40</sup>

In particular, **the transition towards an emissions-free economy will be a challenge for air transport**, which accounts for 40% of the total greenhouse gas emissions generated by tourism.<sup>41</sup> This is a challenge, since the bulk of our international tourism (around 80%) uses air transport. **Spain is also exposed to physical risks**,<sup>42</sup> exacerbated by the significant share of the sun and sand segment, which raises the tourism sector's climate dependency,<sup>43</sup> and by the negative externalities caused by the saturation of certain destinations.<sup>44</sup>

These vulnerabilities highlight the need to achieve sustainable growth for tourism, to which end a predictable energy transition framework must be set in place.

The nature of these challenges calls for an ambitious and coordinated response on the part of the public and private sectors, focusing on **furthering the progress made** in recent years **in improving the quality of the tourism services on offer**<sup>45</sup> and on **diversifying** such services. This would allow a balance to be struck between generating revenue and easing the strain on the environment and the saturation of certain areas. The increase in business, urban and cultural tourism is associated with greater expenditure per tourist, and it is also

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<sup>39</sup> AIReF. (2020). *Evaluación del gasto público 2019*. <https://www.airef.es/wp-content/uploads/2020/PDF-WEB-BF-1.pdf>

<sup>40</sup> OECD. (2018). *OECD Tourism Trends and Policies 2018*. <https://www.oecd.org/cfe/tourism/2018-Tourism-Trends-Policies-Highlights-ENG.pdf>

<sup>41</sup> In turn, it is estimated that, as a whole, tourism generates between 8% and 11% of the world's total greenhouse gas emissions. See OECD. (2022). *OECD Tourism Trends and Policies 2018*. <https://www.oecd.org/cfe/tourism/2018-Tourism-Trends-Policies-Highlights-ENG.pdf>

<sup>42</sup> According to a European Commission study, overnight stays in Spain could decrease between 0.3% and 3%, depending on whether global warming remains within the goals of the Paris Agreement (between 1.5°C and 2°C) or exceeds them and reaches 4°C. See European Commission, Joint Research Centre. (2023). *Regional impact of climate change on European tourism demand*. <https://op.europa.eu/en/publication-detail/-/publication/6185be71-faab-11ed-a05c-01aa75ed71a1/language-en>

<sup>43</sup> Leisure and holidays are by far the main reason for foreign tourist arrivals in Spain (around 85% of the total, according to FRONTUR). Additionally, sun and sand destinations account for the lion's share of overnight hotel stays. In 2019 they represented approximately 80% of the total, according to the Hotel Occupancy Survey, mainly driven by foreign tourism (over 95% of these hotel stays were by non-residents, whereas hotel stays in coastal areas by residents in Spain represented around 55%).

<sup>44</sup> For instance, the share of hotel stays in Q3, coinciding with most of the summer season, was approximately 37% in 2019, with a similar pattern for stays of residents and non-residents. This percentage is around 12 pp higher than it would be if there were a uniform distribution over the course of the year.

<sup>45</sup> Coral García-Esteban, Ana Gómez Loscos and César Martín-Machuca. (2023). "The recovery of international tourism in Spain after the pandemic". *Economic Bulletin* - Banco de España, 2023/Q1, Article 08. <https://doi.org/10.53479/29461>

less seasonal than sun and sand tourism. Likewise, promoting inland regions would lead to more balanced tourist inflows, both spatially and seasonally.

Tourism's long-term growth capacity would also benefit from investments aimed at regenerating saturated and environmentally degraded tourist areas, at adapting tourist destinations to climate change and at improving transport infrastructures, especially long-distance airline connections and, domestically, connectivity between different means of transport.

Lastly, the programmes financed through **the Next Generation EU (NGEU) funds are an opportunity** to make progress in these goals. In recent years the pace at which tenders have been awarded under the Recovery and Resilience Facility of the NGEU programme has been slower than initially envisaged. Nonetheless, over the first ten months of 2023 the volume awarded increased by around 40% compared with the same period in 2022. It is essential for the roll-out of the NGEU programme to gain traction in 2024 and 2025, alongside the structural reforms mentioned earlier.

I would like to conclude by highlighting that, ultimately, **tourism's competitiveness depends on firms' and workers' capacity to provide quality services and flexibly adapt to changes in demand patterns.** To this end, **the general economic policy framework must foster legal certainty, an efficient operation of the markets and business activity.**