

Regional Analysis Spain

Declining Tourism: A Vulnerability

Expansión (Spain)

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The recovery of the Spanish economy has been characterized by the sectoral concentration of job creation. Of the 2.5 million jobs created in the country between 2013 and 2018, nearly half have come from the hospitality and commerce sectors as well as the entire public sector, which represent just under 40% of the GDP. The hospitality sector, with 320,000 new jobs in recent years, is the sector that has most contributed to job creation.

However, moving forward, the pace of creating jobs in hospitality could decline due to decreased demand in Europe, the stabilization of some competing countries and the possible saturation of some national tourist destinations. In recent months, signs of deceleration have been noted: in 2018, enrolment in Social Security in the hospitality sector grew by 3%, which was below the figure for overall employment for the first time in a decade. In addition, employment data indicates a certain cost saturation in some destinations during the high season.

This deceleration represents a challenge for some areas of Spain. Three types of vulnerable provinces can be distinguished based on their dependence on this sector. First, in the Canary and Balearic Islands, there is a structural dependence on this sector, which represents one-fifth of the total employment in each location. With respect to the Balearic Islands and, to a lesser extent, the Canary Islands, the dependence on the hospitality sector has remained stable since 2016 due to the dynamism of other sectors, such as construction and professional activities, which have grown at higher rates than employment in the hospitality sector. If these sectors maintain their dynamism, they could compensate for the deceleration of the hospitality sector.

The second group features provinces that have substantially increased their dependence on the sector. In the period from 2013-2018, in Málaga, Alicante, Cádiz and Almería, employment from hospitality represented between one-third and 40% of jobs created, and its weight on total employment increased around 1.5 pp. The vulnerability stems from the fact that the increase in employment in tourism has co-existed with the lack of dynamism in the other sectors. In these provinces, the customary effect of activity in the hospitality industry trickling into other sectors has not occurred, suggesting that the conditions are not suitable for diversification toward other activities.

Finally, despite the fact that some provinces in north-eastern Spain are characterized by the limited importance of tourism on the economy, they have still depended on this sector to create employment during the recovery. Zamora and Ávila are notable in this regard. Even if the sector only represents 8.1 and 9.8% of total employment, respectively, the hospitality sector accounts for 39% and 35% of jobs created, a much higher percentage than the one observed in territories that are heavily focused on tourism, like the Balearic Islands. In these provinces, the hospitality sector has partially compensated for the scarce dynamism of job creation overall.

Therefore, the deceleration of tourism represents a phenomenon that will fundamentally change the map of job creation in Spain. Economic policy will be affected by this change in several ways. First, from the point of view of stabilizing the economic cycle within the current context of declining dynamism, it must be taken into account that the provinces that were previously indicated as vulnerable will suffer an especially intense deceleration.

Second, in a more structural manner, some areas like the Canary Islands and the Andalusian coast have a per capita income lower than the national average. Thus, the decline in tourism activity may imply additional challenges for bridging this gap. Finally, tourism is relatively mild in terms of credit, and exterior tourism, by nature, has a positive impact on the balance of payments. Therefore, its rising growth over the years has helped to avoid generating imbalances that in the past have affected the Spanish economy, like high deficits in current accounts or excess credit. As the deceleration of the hospitality industry continues, the Spanish economy's capacity to maintain the current job creation rates without generating macroeconomic imbalances will be tested.

Creating Opportunities

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