

Tourism, insecurity and opportunity

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The end of 2016 will bring new record figures for the Spanish tourism sector. This development is crucial for an economy that, after the crisis, needed to increase its exposure to external demand and develop labour-intensive sectors. The recent growth of the sector reflects structural improvements, but it is also the result of temporary factors whose impact may be reversed in the medium term, so it is especially important to take advantage of the opportunities the situation offers.

What is the cause of this strong performance? First, the good performance of economies that have traditionally been an important source of tourists, such as the German and British economies. Second, the spectacular growth of exceptional demand, as a result of globalization and the subsequent increase in income in countries that in the past had not been consumers of Spanish services. Third, the sector has considerably improved its competitiveness, partly as a result of strong adjustments in domestic demand and the labour market situation, but also as a result of restructuring and consolidation. To this, we can add lower oil prices and interest rates, which have helped keep costs under control, even in an environment of growth. Finally, the recovery and the implemented reforms have increased investment.

However, these factors cannot fully explain the sector's growth. In particular, while in recent years Spain has established itself as one of the safest countries in the world, some of the main countries, which compete in the sector have gone through events that have damaged their appeal to European tourists. Thus, it is estimated that, of the observed increase in overnight stays by foreigners since 2010, about a third are the result of tourists increasingly perceiving competing countries as being unsafe.

There is no reason to think that this situation will be reversed in the short term. In any event, the sector must grasp the opportunity to retain this group of "borrowed" tourists. To do so, we must consolidate our improved competitiveness by increasing investment in both physical and human resources. This involves working with the public sector to improve the training of workers and increase service quality. The government should implement regulations to support competition on equal terms, to reduce the costs of opening and operating in the sector and to encourage investment. All this would accelerate job creation and improve wages.

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