

Southern European tourism back to pre-Covid levels

Tourism has made a dramatic comeback in Southern Europe. The number of room nights is set to exceed pre-Covid levels for the first time, with Portugal experiencing a record year in 2023. While this brought welcome economic relief to many, the dramatic effect on growth rates will fade this year



Portugal was a particularly popular tourist destination in Europe last year

Tourism in southern Europe surpasses pre-Covid levels in 2023

Eurostat figures reveal that the tourism sector in Southern Europe (including Spain, Portugal, Italy, France, Greece, and Portugal) fully recovered from the covid pandemic in 2023. From January to October, the total number of room nights reached 1.46 billion, surpassing pre-pandemic levels. The surge was driven by a robust growth of 11% in the number of nights spent by foreign visitors; similar resident numbers remained stable compared with the previous year.

The year of the big return

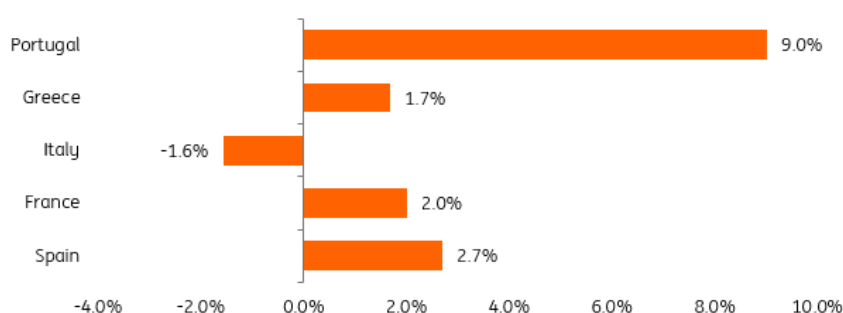
We don't yet have the data for the final months of 2023 for all countries but current figures already show that tourism in southern Europe has fully recovered from the effects of the pandemic in 2023. This rebound occurred despite economic challenges such as high inflation, a slowdown in growth, and escalating geopolitical tensions and conflicts. Don't forget, there was an absence of Russian tourists and a significant decline of Chinese visitors compared with 2019. There was high demand from North American travellers, and we saw a notable growth in intra-European tourist flows. The substantial pent-up demand last year from households unable to travel during the pandemic contributed to 2023 being the “year of the big return”.

An uneven recovery

While the rapid recovery was evident in Southern Europe as a whole, there were disparities among countries. Portugal outperformed, with a 9% increase in the number of nights spent compared to pre-Covid levels, while Italy lagged at 1.6% below its 2019 level, mainly due to a decline in domestic tourism. The latter was still 3.8% below its pre-pandemic level from January to October, while the number of nights spent by inbound tourists was already 0.5% above the 2019 level.

Evolution of number of nights spent from January to October

2023, compared with 2019



Source: Eurostat

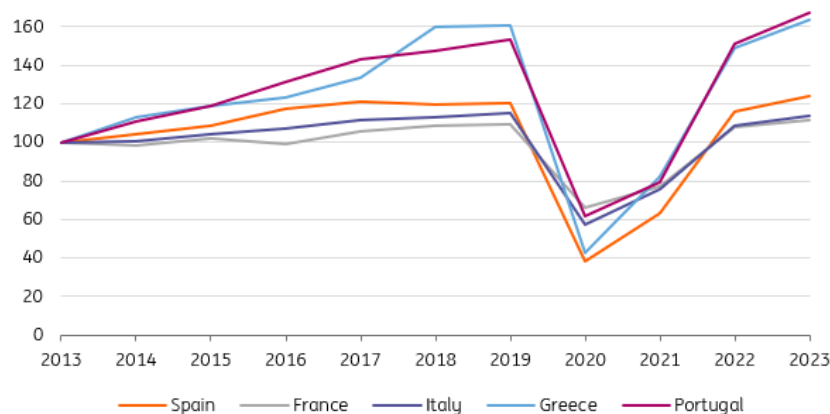
Portuguese tourism hits record year

2023 was a record-breaking year for Portugal's tourism sector. Several factors contribute to Portugal's rapid growth as a favoured tourist destination. The country is relatively cheap compared to other tourist destinations, has a pleasant year-round climate, and benefits from shorter flight durations from North and South America, contributing to the notable influx of visitors from the US, Canada, and Brazil.

Portugal's tourism sector growth again exceeded GDP growth in 2023, a pattern that was already in place before the pandemic. In 2019, tourism already accounted for nearly 15 per cent of gross domestic product, making it a key factor for growth in the country. As the chart below shows, the number of nights spent by tourists has surged by 67% since 2013, surpassing GDP growth. Apart from Portugal, Greece's tourism sector has consistently grown faster than the rest of the country over the past decade. The number of nights spent by tourists in Greece rose by 63%, which starkly contrasts with the other Southern European countries. Spain, Italy and France witnessed an increase of respectively 24%, 13% and 11% since 2013.

The number of nights spent in different southern European countries

First 10 months of each year (2013 = 100)



Source: Eurostat

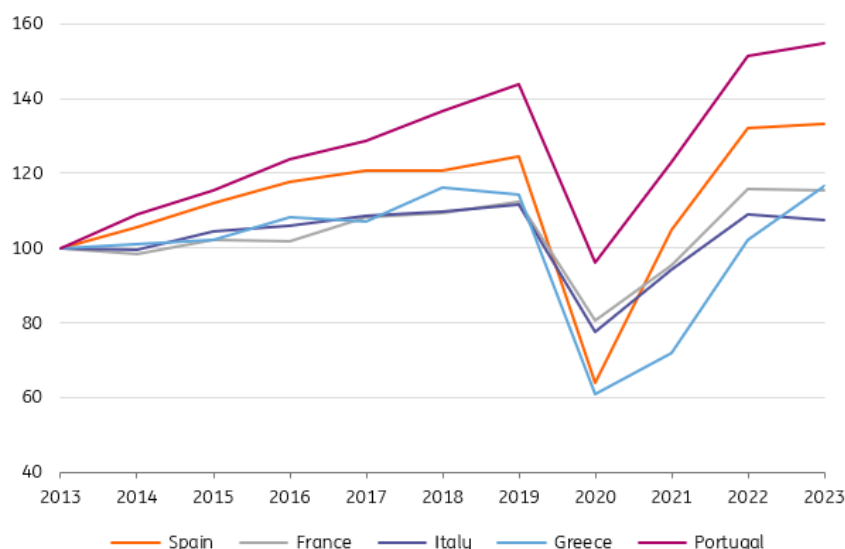
Strong growth of domestic tourism on the Iberian Peninsula

With 47% of tourist nights booked by residents in Southern Europe, it is also key to analyse the domestic tourism market. Notably, the Iberian Peninsula is benefiting from strong growth in domestic tourism, with domestic overnight stays between January and October surpassing 2019 levels in 2023 by 6.8% in Spain and 7.5% in Portugal. Both countries are continuing the trend that had already started before the pandemic.

Since 2013, domestic overnight stays have increased by 55% in Portugal and 33% in Spain, as the chart below shows. Various factors contribute to this trend, such as growing environmental awareness, the convenience of domestic travel, budget considerations and a rise in the number of young people making multiple shorter trips, such as city trips a year. The sustained growth in domestic tourism last year may have also been bolstered by government measures aimed at supporting purchasing power in both countries.

The number of nights spent by domestic tourists in different southern European countries

First 10 months of each year (2013 = 100)



Source: Eurostat

The recovery in tourism was a welcome economic relief in 2023

Thanks in part to the ongoing recovery in tourism, GDP growth in Southern Europe exceeded the average for the Eurozone in 2023. Additionally, the revival of the tourism sector contributed to job creation in these countries. The influx of tourists posed challenges for many hotels in Southern Europe, struggling to adequately staff their establishments before the official start of the tourist season. This shortage was exacerbated by individuals who had left the sector during the pandemic and had since found employment in other industries.

Now that the tourism sector has fully recovered, such a positive impact on growth and employment in 2024 is expected to be somewhat diminished. Also, some external factors, such as the unusually hot and dry weather conditions of the previous year, may prompt certain tourists to choose alternative destinations. Nonetheless, indications suggest that the tourism sector will experience growth this year, as cooling inflation and a pick-up in wage growth which ensures that real purchasing power will rise again. Moreover, the number of visitors from China to Europe is still well below pre-Covid levels. This year, a growing number of Chinese visitors could further support the tourism sector.

Author

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific
Deepali.Bhargava@ing.com

Ruben Dewitte
Economist
+32495364780
ruben.dewitte@ing.com

Kinga Havasi
Economic research trainee
kinga.havasi@ing.com

Marten van Garderen
Consumer Economist, Netherlands
marten.van.garderen@ing.com

David Havrlant
Chief Economist, Czech Republic
420 770 321 486
david.havrlant@ing.com

Sander Burgers
Senior Economist, Dutch Housing
sander.burgers@ing.com

Lynn Song
Chief Economist, Greater China
lynn.song@asia.ing.com

Michiel Tukker
Senior European Rates Strategist
michiel.tukker@ing.com

Michal Rubaszek
Senior Economist, Poland
michal.rubaszek@ing.pl

This is a test author

Stefan Posea
Economist, Romania
tiberiu-stefan.posea@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research
jeroen.van.den.broek@ing.com

Edse Dantuma
Senior Sector Economist, Industry and Healthcare
edse.dantuma@ing.com

Francesco Pesole
FX Strategist
francesco.pesole@ing.com

Rico Luman
Senior Sector Economist, Transport and Logistics
Rico.Luman@ing.com

Jurjen Witteveen
Sector Economist
jurjen.witteveen@ing.com

Dmitry Dolgin
Chief Economist, CIS
dmitry.dolgin@ing.de

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov
Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke
Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga
Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier
Head of Corporates Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru
Chief Economist, Romania
valentin.tataru@ing.com

James Smith
Developed Markets Economist, UK
james.smith@ing.com

Suvi Platerink Kosonen
Senior Sector Strategist, Financials
suvi.platerink-kosonen@ing.com

Thijs Geijer
Senior Sector Economist, Food & Agri
thijs.geijer@ing.com

Maurice van Sante
Senior Economist Construction & Team Lead Sectors
maurice.van.sante@ing.com

Marcel Klok
Senior Economist, Netherlands
marcel.klok@ing.com

Piotr Poplawski
Senior Economist, Poland
piotr.poplawski@ing.pl

Paolo Pizzoli
Senior Economist, Italy, Greece
paolo.pizzoli@ing.com

Marieke Blom
Chief Economist and Global Head of Research
marieke.blom@ing.com

Raoul Leering
Senior Macro Economist
raoul.leering@ing.com

Maarten Leen
Head of Global IFRS9 ME Scenarios
maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com