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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

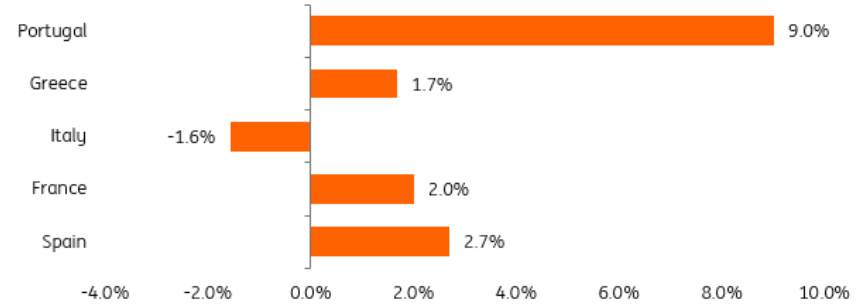
We don't yet have the data for the final months of 2023 for all countries but current figures already show that tourism in southern Europe has fully recovered from the effects of the pandemic in 2023. This rebound occurred despite economic challenges such as high inflation, a slowdown in growth, and 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

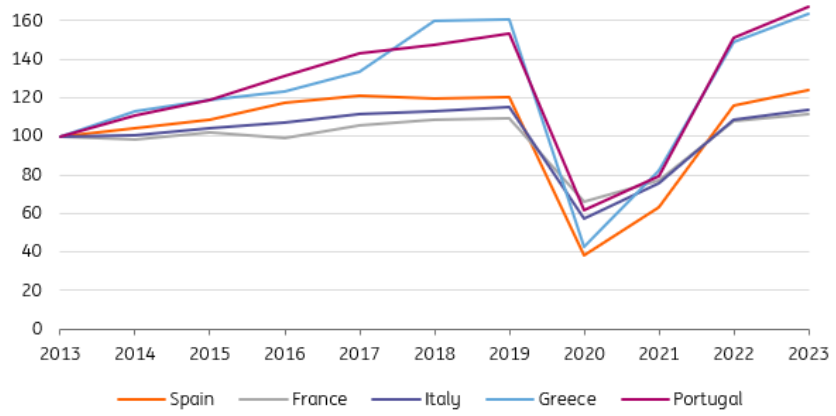
Portuguese tourism hits record year

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

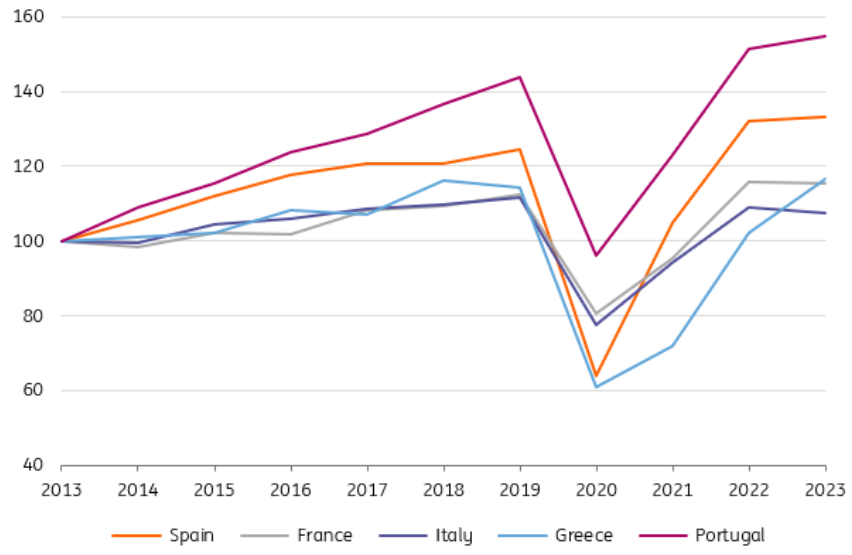
Strong growth of domestic tourism on the Iberian Peninsula

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.

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