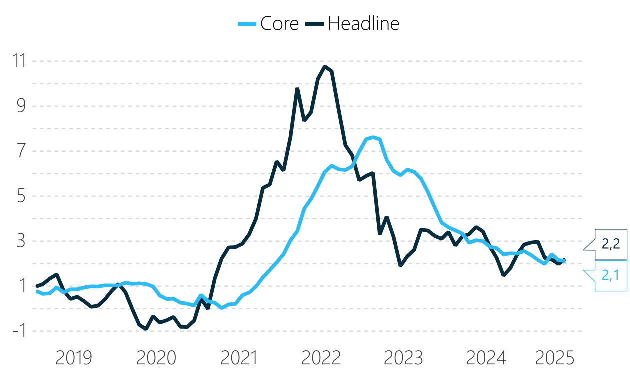
Tourism in Spain: structural pillar, recent transformation and sustainability challenges

The Spanish tourism model is in the midst of transformation to a more diversified and less seasonal model, welcoming visitors from more countries, reinforcing its resilience and sustainability. Nevertheless, the sector faces structural challenges, including overtourism and low productivity, making it necessary to move towards a more sustainable, professionalised and regionally-balanced model.

Inflation:

Inflation rebounded in June, to 2.2% year-on-year, marking a slight uptick from May (2%). Although we do not yet have the breakdown by component, the acceleration is attributable above all to higher fuel prices, which corrected this time last year, as well are more intense price growth in food and non-alcoholic beverages. Core inflation, meanwhile, was stable at 2.2%, unchanged from the May reading. Inflation is tracking slightly above the pathway we were forecasting.

Headline and core inflation (YoY %)



Source: Afi, INE, Macrobond

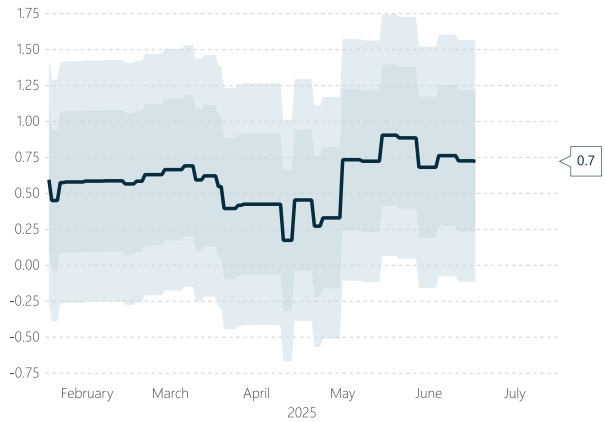
Social security contributors:

In June, the number of job seekers decreased by 48,900, while Social Security contributors increased by 76,700. Employment continues to register healthy growth, particularly in the public sector, and on a widespread basis in other sectors.

The quarterly snapshot is good: over half a million jobs were created (gross), which, adjusting for seasonality, implies continued quarterly growth of 0.6% (130,000 people) for the third quarter in a row.

This signals possible GDP growth of 0.7% in 2Q25, which would be above our estimate (0.3%) and would prompt us to raise our forecasts for 2025 as a whole (from 2.4% to 2.7%, up 0.3pp).

Afi's quarterly GDP growth tracker for 2Q25 (%)



Source: Afi, Macrobond

...and what to watch for next week

From July 7 to July 11		
09-Jul	Mercantile Companies	May
	Financial accounts of the Spanish economy (Quarterly)	1Q-2025

Tourism in Spain: structural pillar, recent transformation and sustainability challenges

Tourism has long been a growth engine for Spain. Beyond the current momentum, which looks to be continuing despite a slight slowdown, here we look at its importance from a structural perspective to better understand its sustained contribution to Spain's GDP, employment and balance of payments. This approach makes it easier to identify the sustainable strengthens and the simmering risks weighing on its sustainability.

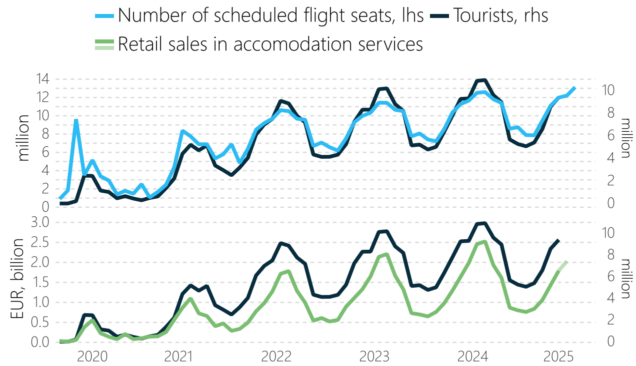
The tourism sector continues to perform well so far in 2025, albeit showing signs of easing in the wake of the uptick around Easter.

The tourism sector has performed in line with expectations so far in 2025. Between January and April, Spain received 25.6 million tourists, which is very close to our estimate of 25.7 million. Flows eased in the first quarter but recovered sharply in April due to the timing of the Easter break.

Tourist expenditure has also performed positively, albeit showing signs (as anticipated) of easing. Excluding April (affected by calendar effects), growth in average expenditure is tracking just under 10% higher year-on-year. In 4M25, total expenditure amounted to €34.3 billion, up 9.3% year-on-year.

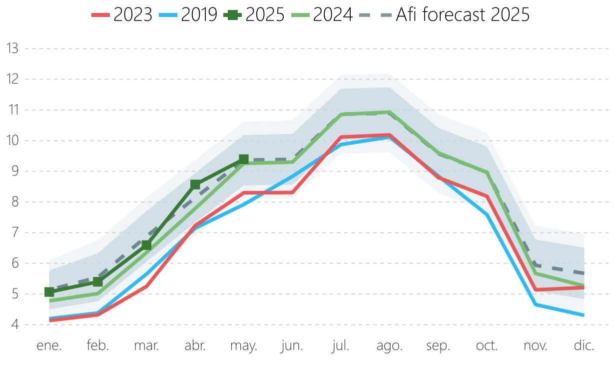
The leading indicators point to gradual normalisation in growth (Exhibit 1). The latest flight booking statistics (for July) and daily accommodation sales figures (for June) foreshadow growth in tourist arrivals of close to 5%. These rates, in spite of slowing, look set to remain positive until at least the middle of the year. Overall, the tourism sector is expected to make a positive contribution to growth in 2025, albeit lower than in previous years (Exhibit 2).

Exhibit 1. Flight seat bookings, daily retail sales in accommodation services and tourist arrivals (millions and € billion)



Source: Afi, Macrobond

Exhibit 2. Tourist arrivals and Afi forecasts (millions)



Source: Afi, Macrobond

A structurally-high contribution to GDP, employment and the balance of payments

The tourism sector's contribution to the Spanish economy is virtually back at pre-pandemic levels. In 2023, the sector's value-added accounted for 12.3% of GDP, while it represented 11.6% of employment, figures that mark clearcut recovery following the contractions sustained in 2020 and 2021 (Exhibit 3). These percentages illustrate the structural role of the sector in Spain's productive landscape.

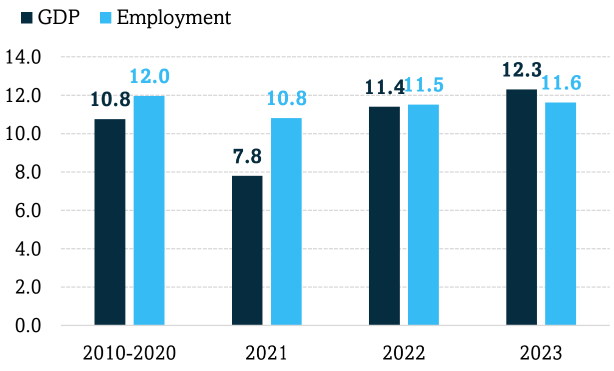
Taking a broader perspective, the sector's contribution to the Spanish economy is even bigger. According to the World Travel & Tourism Council (WTTC), if the indirect and induced effects are added to the direct impact, the tourist sector accounted for around 14% of national GDP in 2023.

The direct impact (close to 6% of GDP) includes tourist expenditure on hotels, transportation, eating out and other activities directly related to travel. The indirect impact includes the knock-on effect on sector suppliers (including energy companies, construction firms, food providers and technological providers, for example) and amounts to close to 5% of GDP. Lastly, the induced effect (roughly 3% of GDP) reflects spending by tourist sector employees (direct and indirect) on other goods and services, such as housing, food and everyday goods and services.

In terms of employment, the WTTC estimates that the tourism sector was responsible for close to 28% of the jobs created in Spain in 2023, considering the multiplier effects on associated areas of activity. Overall, this broader perspective enables a better assessment of the structural role of tourism, which not only generates activity directly but also lights up a broad and diverse economic ecosystem.

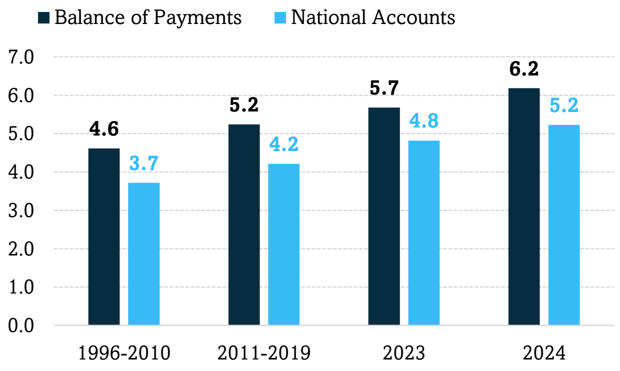
In terms of trade, tourism is a key source of foreign income. According to the national accounts and balance of payments, tourism receipts accounted for over 5% of GDP in 2024, an all-time record (Exhibit 4). The growth was driven by the sharp rebound in international tourism, which once again emerged as one of the key sources of foreign currency for the Spanish economy.

Exhibit 3. Weight of tourism sector in GDP and employment (%)



Source: Afi, INE

Exhibit 4. Weight of travel exports in Spanish economy: Balance of payments and national accounts (%)



Source: Afi, INE, Bank of Spain

The Spanish tourism model is in the midst of transformation to a more diversified and less seasonal model, welcoming

Transformation of tourism patterns

Beyond its recovery in volume terms, tourism in Spain is undergoing transformative changes, moving in the direction of greater sector diversification and resilience. Three key trends illustrate the shift.

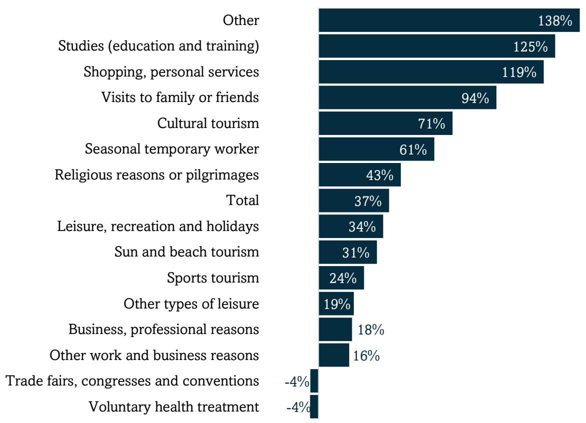
visitors from more countries, reinforcing its resilience and sustainability.

Firstly, tourism in Spain is becoming less reliant on the traditional 'sun, sea and sand' model. Expenditure on those kinds of trips has fallen considerably as a percentage of the total, from 52% in 2016 to 39% in 2019 and 37% in 2024. In parallel other types of travel have gained weight, such as cultural tourism (growth of 71% in spending and of 3% in length of stay compared to 2019), visits to relatives and friends, educational trips and trips for shopping or other services, many of which also tend to be associated with relatively longer stays (Exhibits 5 and 6). Growing diversity in the reasons for travel to Spain is a positive sign for the sophistication and resilience of the Spanish tourism model.

Secondly, the data point to growing deseasonalisation. While still concentrated around the summer months, the comparison between the monthly averages of international tourists between 2023 and 2025 and pre-pandemic readings (2015-2019) indicate a relative increase in arrivals outside of peak season, particularly in March, April, October and November (Exhibit 7). This more even distribution throughout the year eases pressure on infrastructure and the environment, while stabilising employment and activity in the various destinations.

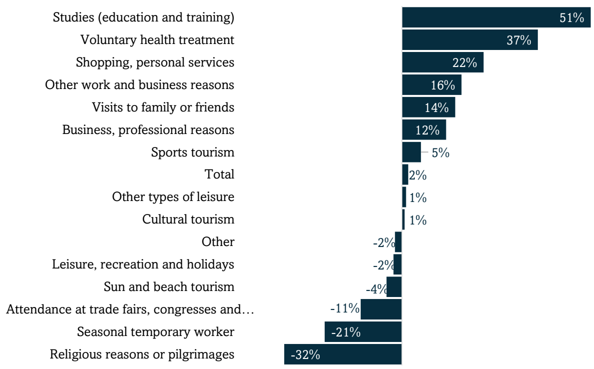
Lastly, there are also signs of diversification in issuer markets. While the UK, Germany and France continue to lead the ranking, their combined share has fallen by comparison with before the pandemic, with markets like the US, Italy, Portugal and RoW picking up the slack (Exhibit 8). This diversification leaves the sector more resilient in the event of regional disturbances and broadens opportunities for winning over tourists who spend more and stay longer.

Exhibit 5. Expenditure by type of travel: change 2019-2024 (%)



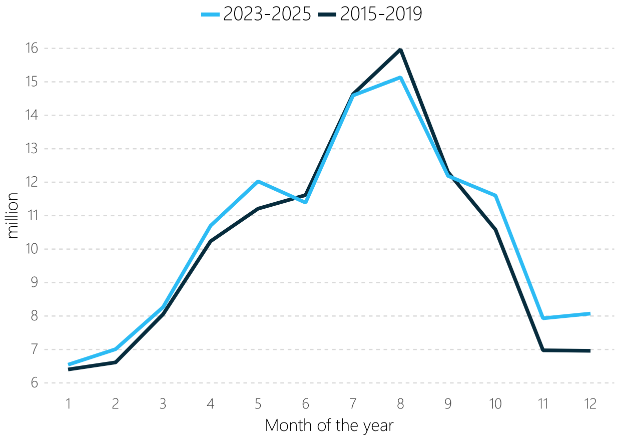
Source: Afi, INE

Exhibit 6. Length of stay by type of travel: change 2019-2024 (%)



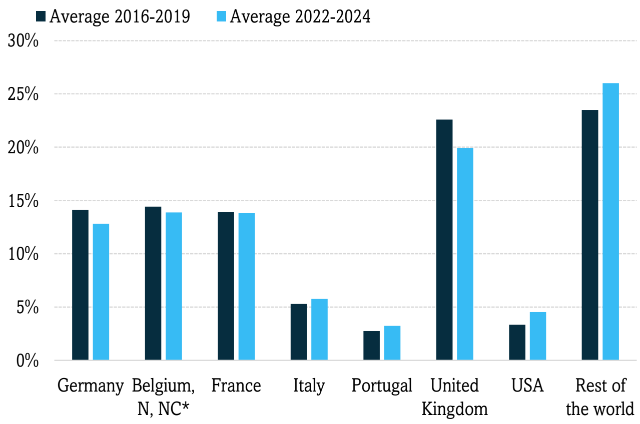
Source: Afi, INE

Exhibit 7. Deseasonalisation of international tourism: monthly averages* (million people)



Source: Afi, INE, Macrobond
*2025 only includes the data already out (i.e., to April)

Exhibit 8. Tourists by issuer market (% of total)



Source: Afi, INE
*Belgium, Netherlands and Scandinavia

Diversification by destination: tourism is spreading around the country

Towards a more balanced tourism model: Geographic diversification of destinations within Spain

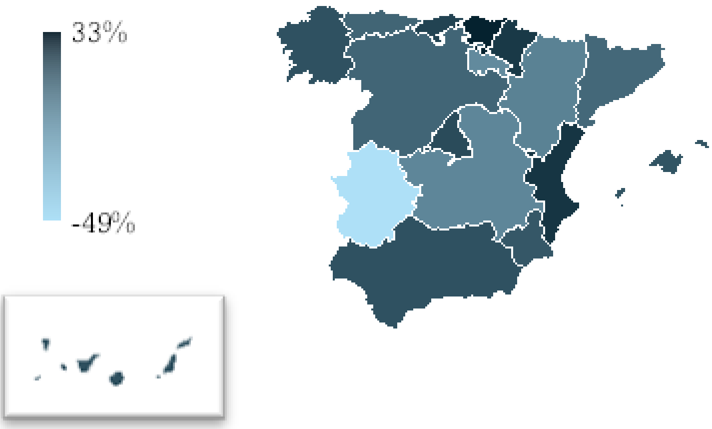
The diversification of Spanish tourism is not limited to its issuer markets but is also spreading to the map of destinations visited. Traditionally concentrated in a small number of regions, international tourism is currently more evenly spread out around the country, with areas that hardly received any foreign tourism in the past registering significant growth.

Between 2019 and 2024, international tourists visiting Spain as a whole increased by 12%, but this average masks considerable differences from one region to the next (Exhibit 7). Some of the traditional strongholds (the Canary and Balearic Islands) have held their shares, but others have registered sharp growth: Valencia (+25%), Navarre (+24%), Basque region (+33%) and Galicia (+13%) have spearheaded the cumulative growth. In contrast, regions such as Extremadura, La Rioja and Castile-La Mancha continue to garner only very small shares, with some even registering fewer arrivals.

Although the weight of the major markets remains dominant (Catalonia, Canaries, Balearics and Andalusia account for nearly 70% of total international tourist arrivals), the breakdown is currently more balanced than before the pandemic. Madrid, for example, has increased its share from 8% and 9%, thanks to growth in cultural, urban leisure and shopping travel. In contrast, regions such as Castile & León, Castilla-La Mancha and Aragón, with scope for inland tourism, command relatively small shares still.

Better destination spread helps distribute the benefits of tourism more evenly, reduces pressure on traditional destinations and creates new opportunities for local economic development, particularly in intermediate urban and rural environments with undertapped cultural and natural capital.

Exhibit 9. Growth in international tourists by region (%, 2019-2024)



Source: Afi, INE

Spain, well positioned in competitiveness terms and visitor feedback

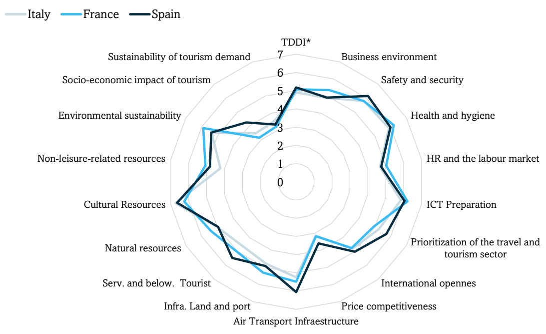
Spain is consolidating its leadership in competitiveness for international visitors

Spain continues to command noteworthy positions on the international tourism competitiveness rankings. According to the World Economic Forum's TDDI 2024 Index, Spain is the world's second most competitive country in the world, second only to the United States. Spain has not only recovered its 2019 level, it has been improving since 2021, outperforming other key European destinations, including France (4th position), Germany (6th), the UK (7th) and Italy (9th) (Exhibit 10).

Its strong positioning its attributable to solid tourist infrastructure, a wealth of cultural and natural resources and good value for money. In addition, international openness, air connections and security are attributes that are strongly rated compared to the country's main competitors.

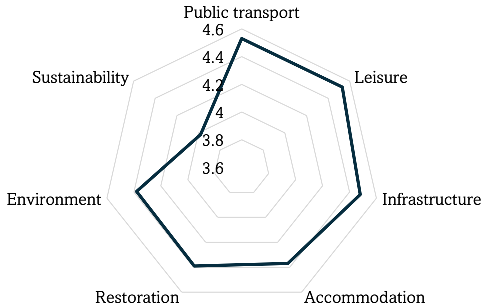
From the standpoint of the traveller experience, satisfaction levels remain high. In 2024, international tourists gave their highest scores to leisure (4.6 out of 5), followed by public transport, accommodation and infrastructure (Exhibit 11). Although the urban environment and eating options receive relatively lower marks, the results depict an overall positive tourist experience, reinforcing Spain's position as a benchmark destination.

Exhibit 10: World Economic Forum's Travel and Tourism Development Index 2024



Source: Afi, World Economic Forum

Exhibit 11: General non-resident traveller satisfaction by dimension (2024)



Source: Afi, Turespaña

Despite its current strength, the Spanish tourism sector faces structural challenges, including overtourism and low productivity, making it necessary to move towards a more sustainable, professionalised and regionally-balanced model.

Structural challenges: sustainability and labour productivity

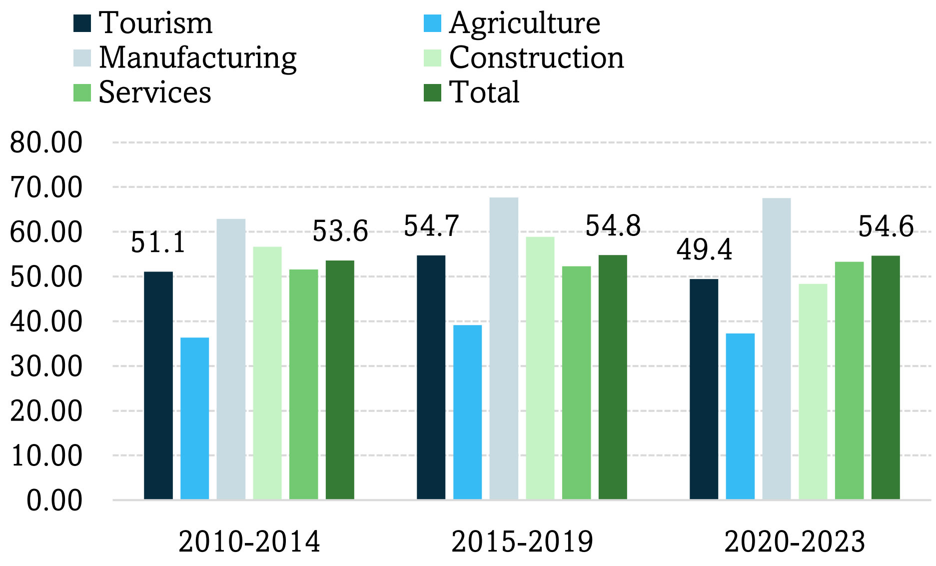
Despite its strategic importance, Spain continues to present structural weaknesses that condition its long-term sustainability. One is the pressure being felt in certain destinations, essentially in the form of mass tourism, pressure on access to housing and rejection by local communities. 'Tourismphobia' and the boom in home purchases by non-residents in certain areas make it necessary to craft deconcentration and deseasonalisation strategies and make decisive progress towards a more sustainable model.

The other major challenge is related to low sector productivity, which is very pronounced in hospitality. The tourism sector is characterised by much lower labour productivity and innovation levels than the economy as a whole (Exhibit 12). This is directly related with the structure of the sector's employment: high turnover, a disproportionate share of young people, low-skilled workers and a significant percentage of foreign employees. This combination impedes sector professionalisation, reduces value added and curbs wage growth. In addition, the sector is finding it increasingly hard to fill vacancies. Over 60% of tourism companies report hiring problems, making it harder and harder to operate at times of peak demand.

In general, productivity gains require a broad redesign of the sector labour model, via active employment policies designed to spark upskilling, stabilise employment and increase its attractiveness relative to other service sectors.

Addressing these challenges is necessary not only to sustain growth in tourism in the long run but also to lift its contribution to inclusive and regionally-balanced economic development.

Exhibit 12: Labour productivity in the tourism sector in Spain (€/employee)



Source: Afi, INE

Enquiries

Email: análisis@afi.es
Tel: +34 91 520 01 08

Team
José Manuel Amor (jamor@afi.es) – Managing Partner
María Romero Paniagua (mromero@afi.es) – Managing Partner
Salvador Jiménez, CFA (sjimenez@afi.es) - Partner
Javier Pino (jpino@afi.es)
David Tinajero (dtinajero@afi.es)
Luciana Taft (ltaft@afi.es)
Filipe Aires (faires@afi.es)
Olivia Álvarez (oalvarez@afi.es)
Marina García (mggil@afi.es)
Juan Jesús García Curtit (jgcurtit@afi.es)
Camila Figueroa (cfigueroa@afi.es)
Tomás Opazo (topazo@afi.es)

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