

Cheaper destinations causing problems for hotel industry

Downturn in feeder markets, notably the UK, shakes up sector

- By Mark Mulligan, Financial Times
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Madrid: As befits the civic leader of a city made famous for its cheap and cheerful holidays, Agustin Navarro, Benidorm's mayor, seeks to put a positive spin on the crisis in Spain's all-important tourism sector.

Despite a sharp drop in occupancy rates, "not one hotel in Benidorm has closed since the downturn began", he says. He admits, however, that the weak pound and the recession in the UK, by far the city's most important feeder market, have forced numerous small businesses to shut down.

The picture is similar across Spain, where the downturn in other feeder markets such as Germany, France and Ireland, coupled with domestic austerity, have savaged an industry that once accounted for 12 per cent of the country's GDP. Jose Luis Zoreda, vice-chairman of Exceltur, the industry body, described 2009 as "the year to forget".

According to Navarro, the greatest threat to the country's traditional "sun and sand" model is loss of competitiveness against cheaper, emerging destinations such as Turkey, Tunisia and Egypt, which have all weathered the downturn better. "We have to make sure we get the British back as their economy picks up, and don't lose them to places such as Turkey."