

Spanish costas feel heat crisis hits Spain's all-important tourism sector

"The English-style pubs and cafés have really felt the impact," he says

Spanish costas feel heat crisis hits Spain 's all-important tourism sector

As befits the civic leader of a city made famous for its cheap and cheerful holidays, Agustín 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 recession in the UK, by far the city's most important feeder market, have forced numerous small businesses to shut down.

"The English-style pubs and cafés have really felt the impact," he says.

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 almost 12 per cent of the country's gross domestic product, compared with about 18 per cent for the now-torpid construction sector.

Contraction in both sectors has helped push the unemployment rate in Spain towards 20 per cent and forced the government to admit that the current economic model is unsustainable.

Tourism's contribution to GDP last year slipped below 10 per cent as the number of foreign tourists arriving in the country fell more than 10 per cent. Total revenues fell about 11 per cent compared with 2008 as price wars among operators and penny-pinching by visitors aggravated a volume decline.

José Luis Zoreda, vice-chairman of Exceltur, the industry body, described 2009 as "the year to forget".

Exceltur estimates that receipts in the sector could drop another 5 per cent this year, continuing a trend that began in 2007.

The steady decline has highlighted excesses on Spain's coasts and islands, where speculative accommodation development as part of a broader property bubble has oversupplied the market and, in places, blighted the original allure.

According to Mr 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 latest downturn better than Spain. "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," says the mayor.

The drop in business travel and trade fairs has also hit hotel operators and ancillary activities such as restaurants and taxis. Exhibitor participation and attendance at the recent Fitur travel fair in Madrid were down markedly.

Gabriele Burgio, chairman of NH Hoteles, a business hotel chain, has warned that profits in the sector could take several years to recover, even if occupancy rates start to pick up this year.

Consolidation among hotel operators, travel agencies and airlines has intensified in the past 18 months and will continue, say analysts.

Nor is it just the inbound market that is suffering. With chronic unemployment and high job insecurity, Spaniards, too, are cutting back on foreign travel. Morocco, a popular destination among Spaniards, has been hard hit, with tour operators noting a 15 to 20 per cent year-on-year decline in holiday bookings in 2009.