The Collapse and Recovery of World’s Tourism Industry during the Global Recession

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Abstract

We analyze and compare the tourism industry’s speed of recovery from the crisis in 2008 in Europe, North America and Asia. To assess T&T situation in every continent, we use other variables the abundant literature does not use commonly: international tourism receipts, tourism contribution to GDP, tourist stay length and public and private investment in tourism assets. International Tourism Receipts (ITR) represents all expenditure by international visitors in a destination including transport services. Since it is difficult to record the cost of every service, product or activity a tourist enjoys, the accuracy of ITR figures will not precisely reflect the performance of the tourism industry.

International inbound tourists are easier to record with more precision. For this reason, many academics resort to this variable to analyze T&T evolution. However, the findings of our paper show that considering only tourist arrivals to evaluate tourism is not accurate either. Therefore, we carry a more complex study of T&T industry in the aforementioned continents and we also dedicate one section in particular to delving deeper into the situation of Spain’s T&T industry.
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1. Introduction

The importance of the tourism industry cannot be denied. It contributes to a destination’s economic development not only in terms of jobs and generating GDP, but it also incentivizes the creation of infrastructures and services that locals can also enjoy. The challenge, though, is to define a set of variables to observe tourism performance and the trade-off between wealth generation and social impacts.

While a great part of tourism literature evaluates Travel & Tourism (T&T) by studying the evolution of international tourist arrivals as the main variable (due to its recording simplicity and accuracy), we analyze the tourism industry in North America, Europe and Asia using other variables such as: international tourism receipts, tourism contribution to GDP, tourist stay length, and public and private investment in tourism assets.

To carry out this study, our main data sources are the World Travel & Tourism Council (WTTC) and World Development Indicators. We aim to analyze T&T’s evolution from 2006 to 2016 and compare their recovery as well as the first years of economic prosperity between North America, Europe and Asia. We group and analyze together the 5 main countries in tourism matters in Europe (France, Germany, Italy, Spain and the United Kingdom), Asia (China, India, Japan, South Korea and Thailand) and the 4 countries of North America (Canada, Dominican Republic, Mexico and the US).

Firstly, we compare the contribution of every “player” (country) to its continent’s tourism GDP in 2006 and 2016 in order to bring into comparison the size of each industry in every country. Secondly, we analyze the tourism demand in every continent considering International Tourism Receipts (ITR) and its cumulative annual growth rate. Thirdly, we evaluate T&T volatility in every continent comparing the evolution of international tourist arrivals and ITR all throughout these years. Finally, we measure the competitiveness and profitability of T&T sector during and after the crisis. To do so, we outline two ratios which have public and private investment in tourism assets in the numerator. The aim of this last point is to evaluate the success of tourism investment in attracting new visitors and the return of this investment between 2006 and 2016.

Furthermore, we dedicate one section of this study to delve deeper into Spain’s T&T industry. The latest news about Spain’s tourism are rather promising after Álvaro Nadal, the Spanish Minister of Tourism, announced that Spain became the 2nd world tourism power with 82 million tourists and that overtook US in tourism matters.

The findings of this work show that assessing T&T wealth and recovery by analyzing international tourist arrivals may lead us to misinterpret the industry’s status in a particular country during a particular period of time. We discovered that the recovery and overall performance of these two variables were not similar at all and the Spanish case is a clear example of it. Among the 14 countries that
we analyze, Spain occupies the 3rd position in the ranking of international tourist arrivals and international tourism receipts but occupies the 11th position in terms of international tourism receipts per international tourist arrival, only followed by Italy, France and Mexico. We will see, then, that the recovery of the tourism industry of some destinations consisted mainly of keeping and recovering the occupancy levels by devaluating tourism products. For this reason, the wealth generated by the tourism industry in these destinations may not match their social costs. Therefore, the tourist arrival index is not completely trustful to study Travel & Tourism performance.

2. Analysis of Tourism Demand in Europe, North America and Asia

2.1 General Overview of the Tourism Industries

This study analyses the T&T industry in three broad areas: Europe, North America and Asia. To study Europe’s tourism performance, we take the 5 main countries considering mainly their tourism contribution to GDP, tourist arrivals and international tourism receipts. These countries are France, Germany, Italy, Spain and the UK. Europe’s Travel and Tourism Industry is by far the largest one. Europe’s T&T is the best job generator and it is also the leading industry in the continent, generating over 2 trillion US$ and accounting for almost 10% of European GDP. Europe is deservedly the leader due to its historical, cultural and artistic heritage, but also because there are a lot of international business and headquarters in the continent (WTTC, 2017). However, its immensity has led European T&T’s annual growth to a noteworthy deceleration (0.53% of GDP contribution’s annual growth).

The nature of the tourism demand is principally international. The main source of tourists are the US and other European Union members. Another fact to be considered is that, for the cities with the largest tourism contributions to GDP, T&T represents a small part of their economies. For example, London is the second largest European tourism destination in terms of nominal GDP generation, only behind Paris. Nevertheless, the share of the city’s GDP is lower than 2% because of the presence of other giant industries like the banking and finance sector.

The three countries that make up the North American group are Canada, Mexico and USA, being the last one’s T&T industry the most important GDP contributor in this area (83%). In contrast with Europe, the American T&T industry produces a considerable amount of $608 bn which only accounts for just under 3% of all the GDP production in this region and in addition, North American countries are more reliant on domestic demand. In this study, we are going to add Dominican Republic into this group of countries because of its important tourist flow.
The numbers are not very different in Asia Pacific. Although T&T generates more than $700 billion, it represents just 2.8% of the total GDP in the region. The curious fact is that China and Japan alone represent the half of the wealth generated by the tourism sector in this region. The average contribution to employment is not so high either, it constitutes around 8% of the jobs. However, this is relatively different from country to country. For example, while China and Japan represent the 50% of the whole Asian T&T GDP, India also stands for one of the main countries with “only” 10% of Asia’s tourism GDP, but India’s tourism generates 37.7% of the country’s employment.

According to the last UNWTO Tourism Highlights report, the most visited countries in Europe are France, with more than 82.600.000 international tourist arrivals in 2016, Spain, which had around 75.563.000 arrivals, Italy with 52.372.000 international arrivals and Turkey with 39.478.000 international arrivals in 2015 (2016 data is missing in the UNWTO’s report). However, including Turkey into the group of European countries to be compared with the other group of countries of the other continents can lead to a biased or a not fair comparison as Turkey has shown a sizeable political and economic instability. Since Europe is going to be compared with the greatest powers in Asia and North America, we find more appropriate to take the following country with the most tourist arrivals which, according to the same report, is Germany with 35.579.000 international arrivals in 2016.

The European tourism industry is the most diversified one in comparison with the other continents. To see how the contribution to tourism GDP evolved after the recent economic crisis we analyse the composition of European tourism GDP in 2006 and 2016, years before and after the crisis. Figure 1 shows the countries’ contribution to European tourism GDP in 2006. As we can see on the graph below, there are 5 main players: Germany (19%), UK (16%), France (12%), Italy (12%) and Spain (10%). Although France and Spain occupy the first and second places in the ranking of international tourist arrivals, respectively, their tourism industries are the ones that produced the least out of these 5 players in 2006. Germany appears as the leader followed by the UK. The number of international business headquarters located in Germany and the UK (especially London) are the main purposes of business trips. Furthermore, Germany benefits from the presence of the European Central Bank in Frankfurt and a solid domestic tourism demand. In addition, the tourists who visit the UK tend to stay longer and therefore tourism expenditure is higher than the average figure in Europe (WTTC, 2017a). The other European countries’ contribution accounts for 31%.
Figure 2 shows the countries’ contribution to the European tourism GDP in 2016. The most important producers in tourism matters are still Germany and the UK. However, tourism production is now even more diversified. New markets have gained ground and the 5 players have lost 1% to 2% of their share. On the other hand, Sweden, Austria, Turkey, Switzerland… have significantly increased their contribution to the European Tourism GDP.

Some countries, mainly in Eastern Europe, have experienced a vast growth of their tourism contribution share yet their starting point was rather insignificant. Turkey is the country that had the biggest improvement in Europe and now holds for a 4.47% share. Turkey’s share to the European T&T’s contribution to GDP has increased by slightly more than 1 percentage point over this 10-year period, being the best performer in Europe. Also, Switzerland has increased its share by almost the same amount (+0.9%) during this period.
Concurrently, Italy and United Kingdom are the countries that have regressed the most. Both have seen how their share to the total European tourism production has gone down by more than one percentage point between 2006 and 2016. France’s and Spain’s figure also declined by nearly half a percentage point and Germany managed to gain market share but only got an insignificant 0.2% (own research and calculation).

Moving on to the North American continent, we can see that the tourism industry is clearly dominated by the US market. Figures 3 and 4 show the countries’ contribution to North American Tourism GDP in 2006 and 2016, respectively.

Moreover, US T&T has grown by +2% at the expense of Canada, whose share has decreased by -1%, and Mexico’s has decreased by +2% (everything in percentage points). Similarly, there are also countries that originally had a small share, but between 2006 and 2016 they grew significantly. For example, Dominican Republic, whose share has grown by 40% and Trinidad and Tobago by 55% but their contribution still accounts for around 1%.

Finally, in Figures 5 and 6 we can see the countries’ contribution to Asian tourism GDP in 2006 and 2016, respectively. The Asian case is a curious one. Tourist activity in China rocketed between this period, this time at the expense of Japan. China’s contribution to the total Asian tourism GDP has increased by the same amount as that of Japan’s contribution decreased: 24 percentage points.
The country with best results in Asia has been the Philippines. Their tourism contribution share went from 1.8% to 3.15% which accounts for a total growth of 1.35 percentage points. Without considering the main players of each region, The Philippines is the country that best performed considering its growth and starting point. Indonesia should be pointed out here as being the second country (excluding China) that had a major development of its T&T industry considering also its growth rate and starting point in 2006.

As we have seen above, the variation of the T&T’s contribution to GDP, employment, and the nature of the tourism demand in every country (even cities) show how complex analysing the T&T industry in every region is. For this reason, we selected the four main countries in every continent to carry this study out. The selection of the North American group of countries was easy, but more complex in Europe and Asia. I also chose the countries taking into consideration whether and how the crisis affected them in 2008.

We will study the three North American countries (Canada, USA and Mexico) as they receive 65.5% of all the international arrivals in America in its entirety. As well as, we include Dominican Republic considering that it has almost 6 million of international arrivals, being the most important Caribbean country in this business.

Lastly, the 4 most important Asian countries we will focus on China (excluding Macao and Hong Kong), Japan, Thailand and South Korea. The reason why we exclude Macao and Hong Kong is because, although these regions belong to China, they have a high level of political and economic autonomy and a different culture and business idiosyncrasy and adopted systems and manners that differ from those of its Central Estate’s one. Therefore, the analysis of the actions carried out by the Chinese government will not influence these areas in the same way as the others.
2.2 Tourism Demand in Europe

Europe is probably the continent where the Travel and Tourism industry is the most relevant. "Its grand and historical cities are filled not only with world-renowned art and architecture but also with global and international business and intergovernmental headquarters. They have attracted visitors for centuries" (City Travel & Tourism Impact 2017 – Europe, at https://www.wttc.org/research/economic-research/economic-impact-analysis/city-reports/ Copyright @ WTTC 2017).

It is undeniable that Travel and Tourism is one of the main pillars in Europe’s economic development. The industry generated 2 trillion of euros in Europe and employs around 14 million people, meaning that 1 in 10 jobs are generated by the tourism sector (City Travel & Tourism Impact 2017 – Europe).

Although the T&T’s importance in Europe is obvious, the cities with the largest tourism industry have a rather low percentage of tourism contribution to GDP. For instance, according to the previously-mentioned City Travel & Tourism report, Paris is the most visited city in Europe and the third most visited in the world. It generates almost 25% of France’s economic activity, yet tourism accounts for only 3.2% of city’s total GDP (WTTC Data Gateway). Another relevant city is London where tourism generates over 15 billion € and 228,000 jobs, but the width of the financial and banking system makes the level of tourism look smaller. It only accounts for 1.9% of city’s total GDP (WTTC Data Gateway). Therefore, although it may be that the most important European destinations have a very large nominal contribution from the T&T industry to their GDP, the percentage share of the total GDP that this sector represents in these cities is rather low compared to other popular tourist destinations in the world. Furthermore, this cities or popular destinations normally benefit from domestic demand too.
Throughout this part, I am going to demonstrate why I was pushed to choose 5 players in Europe’s analysis. At the beginning of this thesis, I considered the most relevant countries in tourism matters. Firstly, we decided to choose 4 because taking another small Central American country would distort my study. It is difficult to bring to comparison the performance of those little small countries like Cuba and Honduras with the performance of the US or Canada. We decline taking these countries, on the one hand, because of their political instability, their little tourism industry and their singular economies, and on the other hand, its GDP is so low compared to the other countries analyzed that their impact on the continent’s data accounts for not much more than a 1% contribution to the North America’s tourism GDP. So, as we thought there were no more worth-studying American countries, I opted to choose the 4 main players in every continent.

However, the ranking and sizes of the different European T&T industries in every country are not as clear as the North American ones. We can see in Figures 7 and 8, how ITR levels change among European countries in only 4 years. Since the tourism demand in Europe is mainly intra-regional, the performance of each country is very dynamic. Tourists can find substitutive destinations very easily, especially for coastal areas in the Mediterranean Sea. It is due to these circumstances that the UK ranked in the last position among the 5 European players in 2009 but, came in the 3rd position 4 years later.

Therefore, tourism is crucial as it has a huge effect on a destination’s GDP and employment. Concretely in Spain, the news talk about the industry breaking historical tourism records, yet the truth is slightly different. Although the number of tourists recorded recently reached a pick, Spain’s GDP contribution has declined and as we can see in the graph below (Figure 9), the income earned from international tourists has not risen in the last 10 years.

If we look at Figure 9, it gives us an idea of how the tourism recovery in terms of ITR (if any) in European countries occurred. Except for the UK who endured a remarkable increase of their international tourism receipts, the other countries seemingly have not been able to get over the crisis. It took till 2015 for Spain to reach the pre-crisis levels of ITR once more, France, which is meant to have the strongest T&T industry in Europe, still has not surpassed the $68 thousand million received in 2008, and neither has Italy. This fluctuation suggests that, although the number of tourist arrivals may have rocketed up, the income received per tourist figure performed differently.
All in all, if we consider the tourism income that each destination country has received, we conclude that the European main players are still under the effects of the crisis. The ITR of these 5 European countries fell in 2009 and they struggled to recover their pre-crisis levels. As we can see in the graph above, these countries (except for the UK) seem to be trapped into a fluctuation until these days.

The UK is the exception and curiously, it is the only country that may have more mechanisms to make the effects of the crisis less severe. England did not refuse to their monetary system and kept de currency after becoming part of the European Union. This mechanism is especially useful when a country needs to rebalance its debt ratio. Furthermore, their exports are rather large having Ireland and neighboring countries as the main importers and it is the country with the highest business tourism expenditure during these years.

“It is not only export performance that is weaker in Europe than in Latin America and East Asia; the same is true of private consumption, public consumption and investment alike” (Eichengreen, Jung, Moch, & Mody, 2013). Indeed, excluding the Dominican Republic, European countries show a lower capital investment in tourist assets during the critical years as well as a lower government spending in tourism services such as museums, protected areas and so on. Furthermore, family consumption of domestic tourism services also is the lowest among the countries analyzed, according to WTTC data.

### 2.3 Tourism Demand in Asia

As with the European case, we will include 5 countries into the Asian group. On the one side, the first two countries were obvious (China and Thailand), but on the other side, Japan, South Korea and India had a worth mentioning evolution and growth so that we should not rule out any of them.
The evidence of this research shows that the Asian group of countries has got a fast-growing T&T industry since years even before the crisis. Although they did suffer the recession and their international tourism receipts’ percentage growth was -35% in 2009 (it must be said that it was the least harmful decline among the three continents), their speed of recovery is astonishing. And so are their macroeconomic variables. Asia’s T&T sector’s fluctuations took a v-shaped form in 2009 (Eichengreen et al., 2013). There are three reasons to explain this performance trend.

In the same way as the UK in Europe, Asian countries benefit from having monetary mechanisms available which allow them to devalue their national currencies and gain competitiveness by becoming cheaper destinations. These internal and external adjustments were crucial for these countries increasing their exports. Secondly, the 5 main players in Asia show the highest Government spending in tourism assets, while China and Japan had the largest capital investment in T&T compared to the other groups of countries of this study during and after the crisis. This expenditure was linked to the acquisition of tourism accommodation or passenger transport companies as well as restaurants and other complementary services.

Just having a look at the graph below (Figure 10), we esteem that China and Thailand are clearly dominating the international tourism receipts and the international inbound tourism figures.

![Figure 10. International Tourism Receipts in Asia between 2005 and 2012. Source: World Development Indicators](image)

The Asian T&T industry has been experiencing an unprecedented growth since the 1990’s decade. Thailand was the country that grew the most, followed by China. The other three players were trapped into a fluctuation during the years of the crisis, but they got to recover in the end and Korea and India had a noteworthy cumulative annual growth rate of 12.45% and 13.29% respectively.
### Table 1. CAGR of International Tourism Receipts of the 5 Asian main players. Source: World Development Indicators

<table>
<thead>
<tr>
<th>Country</th>
<th>International Tourism Receipts CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHN</td>
<td>7.94%</td>
</tr>
<tr>
<td>IND</td>
<td>13.29%</td>
</tr>
<tr>
<td>JPN</td>
<td>0.58%</td>
</tr>
<tr>
<td>KOR</td>
<td>12.45%</td>
</tr>
<tr>
<td>THA</td>
<td>17.65%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>10.38%</strong></td>
</tr>
</tbody>
</table>

In Table 1, we can see that Asia presents by far the largest average cumulative annual growth rate of international tourism receipts compared to Europe (3.54%) and North America (4%).

Curiously, the international tourism receipts of these countries did not fall dramatically in 2008-09, and they started to accumulate growth again only one or two years after the crisis struck. For this reason, some authors call this phenomenon the “Phoenix Miracle” (Eichengreen et al., 2013) not only relating to the tourism industry but to the overall economy too.

We would like to highlight India’s compound annual growth rate (13.29%). It is the second highest country growth wise, closely followed by South Korea (12.45%). Nowadays, India is one of the fastest growing economies in the world and this positive trend has been caused by an expansion of the aviation industry. India has adopted several hubs in its most important cities, bets for technology improvement and development and has increased its regional connectivity (WEF, Crotti, & Misrahi, 2017). For this reason, India benefits from foreign direct investment. From 2005 to 2016, private investment in T&T multiplied by 4 going from $8.84bn and rising to $34bn which is the same amount of investment that Japan’s T&T received. Similarly, the T&T productivity in India is the second best (following Thailand) according to the T&T Productivity Ratio which we designed personally, and we will see below.

### 2.4 Tourism Demand in North America

Following Europe, North America has the second largest T&T industry. The three big countries (Canada, Mexico and US) create around 10 million jobs in this region. The tourism sector provides the economy with over $600 billion, but it only accounts for just under 3% of the region’s total economy (WTTC, 2017b). The typology of the American demand is very diversified, from the business tourism in New York to the theme park attractions in Orlando and to the sun and beach tourism in Cancun.

Considering its size and geography, the main tourist destinations in North America are very reliant on domestic tourism. Mexico City is a clear example. 88% of the total tourism expenditure comes from Mexican travelers. There are only a
few destinations whose T&T GDP contribution coming from international tourism accounts for more than 50%. These are destinations such as Toronto and Cancún that receive many tourists from the US (WTTC, 2017b).

In this case, the comparison of the international tourism receipts between Canada, Dominican Republic, Mexico and US is not very helpful due to the differences in the magnitudes of the data. US’s T&T is clearly dominant and when we try to plot the data on a graph we get a result which is difficult to judge. Instead, we can compare in Figure 11 the annual growth rate that North American countries had, and the outcomes are curious.

The Dominican Republic’s CAGR is the closest one to the average CAGR of these 4 countries. This fact suggests that its growth was dragged up and down by the performance of the other countries that form this group.

Also, Dominican Republic experienced the highest volatility of international tourism receipts during the crisis and its aftermath (61% standard deviation from its average), but also all throughout the period between 2005 and 2016. It is closely followed by the US volatility (57.2%).

Therefore, the numbers of this study insinuate that tourism is a resilient industry against economic downturns, and its recovery affects positively foreign exchange trade (exports). Any drink, meal, room or flight sold to an international tourist is technically considered something that a person purchases to a foreign company. Following this definition, a hotel in Cancun may import a *Coca-Cola* from Atlanta and then serve it to a tourist who comes from Chicago. So, the same bottle of coke has been internationally traded twice even though it was consumed by a resident from the same country the coke was produced.

![Figure 11. Growth Rate of International Tourism Receipts between 2006 and 2016 in North America. Source: World Development Indicators.](image-url)
But what happens when a crisis in a country’s target market strikes and the demand collapses? The fact that international trade makes up a large part of the total tourism income can be troublesome for small and developing countries or destinations such as the Dominican Republic. The exports (and in this case tourism account for the largest proportion of it) may decline when a country’s main target markets enter a recession. The risk that entails the high dependence on the US and Canadian markets explains the volatility suffered during these years.

Nonetheless, the North American case is an example of a more balanced recovery. As we have seen before, on the one hand, the European T&T seems to be stuck in an ever-lasting fluctuation with no relevant growth rates. On the other hand, we mentioned the concept “Phoenix Miracle” in Asia that Barry Eichengreen uses in his paper “The Eurozone Crisis: Phoenix Miracle or Lost Decade?”.

Even though these four countries have monetary mechanisms available to make the effects of the crisis less severe, they did not devaluate neither internally (salaries, production…) nor their currencies to the same magnitudes as Europe and Asia did.

We have seen that one size does not fill all when we ask how fast tourism recovery is. The Asia speed of recovery has confirmed the findings of a lot of literature in tourism matters: tourism industry is resilient to crisis outbreaks. Nevertheless, this resilience depends on the mechanisms that tourism participants have available and it depends on how tourism is managed and politicized during these downturns. The number of international tourist arrivals may be re-stimulated by lowering hotel prices and flight fares and consequently tourism business managers seek to push down their operating costs. This internal devaluation may help keep the businesses alive but it “prolongs the duration of rebound tourism receipts” (Sakr & Massoud, 2003).

In Figure 12 we can see the evolution of the international tourism receipt growth in the related continents. This graph shows the “v-shaped” recovery in Asia and North America and their constant recovery. The recovery in Europe, as we can
see, was not that vertical. It is questionable if the word “recovery” stands for the European case. According to the Cambridge Dictionary’s definition, recovery is “the process of becoming successful or normal again after problems.” The European T&T industry seems to be stuck within an unstable gradual change and it has not returned to a “normal” growth as Asia and North America have. We can also see that Asia had a little decrease in 2014, but it accounts for an insignificant 1% compared to a 2.50% and 13% Europe had in 2012 and 2015, respectively.

3. Volatility of Tourism International Receipts and Inbound Tourist Arrivals

International tourism receipts ups and downs do not necessarily move in the same way as international tourist arrivals do. Price cuts, discounts and offers are commonly used by intermediary companies seeking for demand stimulation and occupancy optimization.

![Figure 13. International Tourism Receipts Evolution and International Inbound Tourist Growth in North America between 2005 and 2015. Source: World Development Indicators](image1)

![Figure 14. International Tourism Receipts Evolution and International Inbound Tourist Growth in Europe between 2005 and 2015. Source: World Development Indicators](image2)
In Figures 13, 14 and 15 we can see how the international tourism receipts and international inbound tourists behaved before, during and after the crisis. These variables show a positive covariance in North America. The two lines in Figure 13 move similarly but in different magnitudes.

Asia, in Figure 15, shows curious movements regarding both variables. Whilst the number of tourist arrivals do not grow considerably the years before the crisis (the percentage growth even goes negative by 1% the year before), international tourism receipts do grow, and they also rebound extensively in the years after the crisis with the boom of international inbound tourists. It is worth mentioning the boom in Asia’s tourism arrival growth rate after the crisis. This variable grows between 4% and 10% every year. If we compare this variable with the European case, we find that the Asian lowest percentage growth rate (4.6% in 2011) is nearly the highest growth rate in international tourist arrivals Europe experienced after the crisis (5.4% also in 2011). I will discuss below the effects of this issue in the different countries’ contribution to the world’s tourism GDP.

We can clearly see, then, that Europe’s drop of international tourist arrivals (-4.09%) is similar to the Asia’s (-3.81%) and North America’s (-4.78%) one in 2009. But, the fall of international tourism receipts was dissimilar. Europe had the most drastic fall (-13.80%) compared to the North America’s fall (-11.72%) and the relatively insignificant fall in Asia (-6.41%). As we can see, in the subsequent years after the crisis the number of international tourist arrivals in Europe present a constant increase of around 5% year after year, regardless tourism receipts performance. This fact suggests that European destinations attach importance to the number of tourist arrivals and seek to keep high occupancy levels.

Both occupancy and tourist arrivals are easy to record and predict (as the bookings are usually made a few months in advance). Business managers rely on this information to forecast the resources they are going to need to deliver the tourism service in question. Academics also have trust in international inbound visitor numbers as are easy to obtain and more precise. Enrique Torres Bernier, Rocío Ramírez Sánchez y Beatriz Rodríguez Díaz in their study “Economic Crisis...
in the tourism sector. Analysis of its impacts on Costa del Sol", write a positive conclusion regarding tourist arrival recovery in Costa del Sol (Torres Bernier, Ramírez Sánchez, & Rodríguez Díaz, 2014). Indeed, the recovery of inbound tourism was good and immediate, and Spain set a yearly natural growth rate between 3% and 5% after the crisis. Nonetheless, the international tourist expenditure growth went into negative twice from the aftermath of the crisis until today. Therefore, European destinations, in general, attach importance to the number of tourists even though it might bring an expenditure decline with it.

Furthermore, the increasing presence and competitiveness of low cost carriers are taking the place of flag ship carriers within the continent. The idiosyncrasy of these low-cost airlines consists of high volume of tickets and flights at low fares. This fact explains that even though the number of visitors has a steady increase year after year, the international tourism receipts in 2015 had almost the same bust as in 2009.

The international tourist arrivals figure is worth considering since the new and popular low-cost formulas make possible that more and more people can afford to travel at lower prices. However, we may be mistaken when we rely only on this variable to study a destination’s T&T wealth.

The three continents, after their slump in 2008, did not get back to their “normal” T&T performance in the same way. First, we have seen that the European countries fluctuate and seem not to overcome the impacts of the crisis on international tourism receipts. We can see in Table 13, 14 and 15 that the volatility of inbound tourism and ITR are widely different. In Table 15 Europe’s international tourist arrivals index grows every year between 3% and 5% but ITR index goes from positive to negative several times since the crisis struck.

Second, the adjustment mechanisms that Asian governments used allowed a fast recovery and T&T production recovered the pre-crisis levels rather soon. And lately, the American T&T recovery draws a slower but constant recovery. The reanimation of the industry was not immediate, yet faster than the European one probably because their economies also improved quicker due to a higher labor mobility.

Regardless the way they move, the ups and downs of international tourism receipts tend to be more drastic than the movements of international tourism arrivals. Tourist agents adopt measures to correct market declines such as promotion, price cuts, lower fares, discounts and so on and so forth.

This situation in which we have a constant growth rate of international tourist arrivals with sudden negative ITR figures may cause social impacts in many tourist-dependant destinations. Examples of this are Spain’s and Italy’s coastal areas and main urban tourism destinations like Venice, Barcelona and so on. Tourism receipts may be reallocated among various sectors, including tourism infrastructures (Nsiah & Fayissa, n.d.). The social cost of growing inbound tourist levels in a region whilst income remains constant or sometimes negative results in a loss of marginal social wealth which may lead to tourism aversion. The
consequence of this limited income from the T&T industry is the lack of reinvestment in tourism infrastructures and improvements in quality, destination marketing and also employment: “Jobs, jobs, jobs – but where is the talent?” (WEF et al., 2017).

We have seen, so far, how regional performance was during and after the crisis. However, when we approach this analysis observing global tourism data, the variability of these figures is quite different. “Global data tend to undermine the extent of tourism volatility because the reallocation of travellers’ movements across regions and tourist destinations offset its impacts”(Sakr & Massoud, 2003).

The general perception of the tourism industry is that it is one with a high level of volatility compared to other industries, however, there is no clear evidence on this(Sakr & Massoud, 2003). This particular piece of literature suggests that Europe and America show the smallest volatility index. However, their analyses are normally based on international tourist arrivals as the principal variable. Although the recession periods mean that the data does not follow the normal trend, American countries are the ones that show the highest international tourism receipt volatility.

As we have seen before (Figure 13, 14 and 15), the variability of tourist arrivals is lower than the variability of international tourism receipts. Linder’s Theory “considers similarities the main driving force for international exchange” (Sakr & Massoud, 2003). Europe is a clear example of this theory. Europe’s demand is mainly intraregional because countries have similar economies. The flow of tourists from Spain to Germany or the UK is way larger than the flow of Spanish tourists towards Argelia or Tunisia, even though these destinations are closer.

Figure 16 shows that the fluctuation of global tourism receipts does not follow the same path it took in the other continents. There are two reasons that this happens:

**Substitutive destinations.** People who do not travel to a particular place due to economic, social and political issues may go to other places. Both tourist arrivals and tourism receipts shift from one destination to another. “Yesterday’s tourist aren’t tomorrow’s tourists” (WEF et al., 2017).

**Domestic demand.** During economic downturns families first reduce their spending in leisure and travel might be one of the first expenses they seek to cut back. Therefore, families prefer travelling within the same country or closer destinations trying to reduce transportation costs.
Contrarily to the general thought, in which T&T industry is perceived as more volatile compared to the other industries, Figure 17 compares the evolution of the number of world tourist arrivals and merchandise trade. This graph evinces that:

- Tourism is more resilient and less volatile when facing crises than regular merchandise exports.
- The global approach of tourism data undermines volatility of both international tourism receipts (Figure 16) and international tourist arrivals.

We cannot conclude that the volatility suffered during and after the recession in 2007-08 is the cause of the decline of some countries’ contribution to the world’s tourism GDP. Figure 18 shows that there is not any clear relationship between these variables. Japan had the biggest decline of its contribution to the world’s tourism GDP even though it showed the lowest ITR volatility among all the countries analysed here. The whole of Europe shows a rather low and homogeneous volatility, but they also experienced a decline of its contribution. China presents the highest improvement in contribution throughout all the years but its ITR volatility index is by far the smallest: China’s standard deviation is of $7.192 Million during this period. Thailand’s deviation is slightly higher ($8.079 Million) and the US has a figure of more than $90 Million standard deviation.
4. A general look to the Spanish T&T industry

The literature suggests that international tourist arrival levels recover faster than the international tourism receipts. Mohamed Fathi Sakr & Nada Massoud (2003) in their paper “International Tourism Volatility with Special Reference to Egypt” expose the ratchet effect. They argue that the difference between the recovery of the two aforementioned variables is due to a highly competitive nature within the tourism industry and price elasticity (Sakr & Massoud, 2003).

Particularly in Spain, we have seen on the news that the number of international tourist arrivals overtook that of the US’s one in 2017. The news also say that tourism expenditure increased by 12% reaching 87,000 million Euros (Press, 2018). In this section we will see how international tourist arrival figures performed and why it happened that way.

According to the Travel & Tourism Competitiveness Report 2017, using data from the World Tourism Organization (UNWTO) and the World Travel and Tourism Council (WTTC), Spain received around 68.5 million people from abroad with a total amount of ITR of $56.5 million. United States, however, received 77.5 million of international tourists and a total of $204.5 million of ITR. Thus, the average receipt per arrival is $824.10 and $2.638.70, respectively. These discrepancies in tourism data occur due to the fact that tourism data is normally provided by national statistic institutions and depending on when and who provides this information, it will determine how accurate it is.

However, we still have not got accurate and definitive data from 2017 to be able to check in further detail other variables like for example the expenditure per tourist. If data from 2017 follows the trend Spain’s T&T has shown lately, the number of international tourist arrivals will reach a new high, but we cannot precisely speculate on tourism receipts.

![Figure 19. Tourism Receipts Growth and Inbound Tourism Growth Rates in Spain between 2006 and 2016. Source: World Development Indicators.](image-url)
*Figure 19* illustrates the evolution of the annual growth of international tourism receipts and inbound tourist arrivals in Spain. After the fall in 2008, the number of international tourist arrivals started to grow at a cumulative annual growth rate (CAGR) of 6.14% but the CAGR of international tourism receipts only increased by 1.85%.

Hoteliers and other tourist accommodation establishment owners got to maintain occupancy levels after the crisis. Although it is true that Spain broke its record for international tourism arrivals in 2017, the length of the stays has become gradually shorter over time. *Figure 20* shows the evolution of the length of tourist stays. The number of tourists that stay for more than 8 nights has fallen dramatically and the number of tourists that stays 2 to 3 nights increased considerably. Thus, when tourists stay for a shorter amount of time, more tourist arrivals are needed to keep the natural occupancy level in some particular destinations. This has been possible during the last years due to an exceptional tourist demand caused by the situation of Spain’s Mediterranean competitors. Consequently, the new tourism profile in Spain consists of more tourists but for shorter stays (Garrido, 2017).

Parallelly the hotel prices have gone up in recent times and at a higher growth rate than the same month in the previous year. The refurbishment of the hotels to a higher quality and increasing demand due to a lack of substitutive destinations may excuse the higher prices. Tourist company managers argued that these investments are meant to attract tourists with higher purchasing power. Nonetheless that does not seem to be the reality. We can see the evolution of hotel prices in *Figure 21* and conclude that Spain receives tourists with the same purchasing power but for shorter stays which may lead companies to struggle to keep their occupancy levels in the future. Therefore, tourists have responded with shorter stays to this price rise.
On the contrary to many papers in tourism matters, Spain is an example that illustrates that it is an error to evaluate a destination's T&T wealth while taking into account the number of international tourist arrivals. There are three crucial issues to consider when analyzing inbound tourism during and after economic declines:

- **Demand re-stimulation.** As we have seen in this study, tourist demand can be stimulated in downturn periods by carrying price cuts.

- **Tourist product distribution.** Accommodation establishments sell a great part of their rooms off at lower fares to TTOOs and then the latter ones start packaging, coming up with discounts and offers and dropping the market off.

- **Competitors’ situation.** Spain has benefited from its competitors’ situation (Turkey, Egypt, Greece...) which means more tourist arrivals due to a lack of substitutive destinations.

5. Measuring Competitiveness and Profitability during the Crisis

It is difficult (if possible) to choose only a few indicators for analysing tourism competitiveness. This analysis could be approached from the perspective of the supply side (investment in tourism related activities, investment in tourism assets…) or also from the demand side point of view (number of tourists, tourism expenditure…). The *Travel and Tourism Competitiveness Report 2017* considers more than 90 variables to study the T&T competitiveness in all the countries in
the world grouped together in categories like Business Environment, Safe and Safety, Price Competitiveness, Human Resources and Labour Market among others. The same report defines the term “competitiveness” as follows:

“Tourism competitiveness for a destination is about the ability of the place to optimize its attractiveness for residents and non-residents, to deliver quality, innovative, and attractive (e.g. providing good value for money) tourism services to consumers and to gain market shares on the domestic and global market places, while ensuring that the available resources supporting tourism are used efficiently and in a sustainable way” (WEF et al., 2017). So, it is not competitive to exploit resources until their depletion.

I recognized two aspects in the previous definition that have a special attention in this study. The first one is “to optimize ATTRACTION for residents and non-residents.” The attractiveness of a destination is a key issue for both inbound and domestic tourist arrivals. Therefore, I evaluate the attractiveness of the main players of this study with the following ratio:

\[
\text{Attractiveness} = \left(\frac{\text{Public Investment} + \text{Private Investment}}{\text{Inbound Tourist Arrivals}}\right) \times 100
\]

Public investment includes the government spending in touristic assets like museums, protection and maintenance of natural parks and areas and other cultural and recreational services.

Private investment consists of all the expenditure in the set-up or refurbishment of accommodation establishments and passenger transport, not forgetting other complementary services like restaurants, excursions and so on.

By using this ratio, I aim to analyse how successful public and private investments were when destinations tried to boost their attractiveness. We will see, though, that public and private investment has little to do to increase a destination’s attractiveness when investments are reduced to one or few subsectors within the T&T industry. It is important, then, to diversify this investment in protecting natural resources, local heritage, connectivity, as well as promoting the proper environment for businesses to flourish and to operate.

The second aspect that drew my attention was: “to gain market shares on the domestic and global market places, while ensuring that the available resources supporting tourism are used efficiently and in a sustainable way.” This entails, then, productivity. For this reason, the second ratio will again take into account both public and private investments and T&T’s contribution to tourism GDP. The ratio is as follows:

\[
\text{Tourism Destination's Productivity} = \frac{\text{Public Investment} + \text{Private Investment}}{\text{T&T Contribution to GDP}}
\]

By analysing this ratio, we can find out the capacity of a destination to turn its investment in touristic assets into income.

In both cases we set the supply side in the numerator and the demand side in the denominator. Thus, by analysing these ratios we can estimate how much tourist
agents in a given destination are able to produce (and sell) and how much these agents improve the attractiveness of the destination in question.

When it comes to attractiveness, Figure 22 suggests that countries with a higher investment in T&T are not necessarily the countries with a higher ratio. The blue area represents the T&T Attractiveness Ratio and the orange bars represent the amount of total investment in tourism assets (private + public). Then, there is little (if any) relationship between the amount invested in tourism assets and international inbound tourists. For example, India and Japan have the best investment per tourist arrival ratio. There are two key issues that make this happen: the proximity to the most populated regions in the world and their technological development these two countries enjoy.

India is the country that attracts more international tourists with a lower investment. This fact suggests that the attractiveness of a destination is not directly linked to the amount of investment but to the nature of the tourist attractions. As mentioned before, it is difficult to assess the efforts of a destination when trying to boost their competitiveness. Investing in a totally sustainable environment or a rich natural heritage maintenance may not be enough if connectivity and air transport infrastructure does not permit an easy access to these destinations. Canada and the US rank the 1st and 2nd position, respectively, regarding air transport infrastructure and Spain, France and Germany (the three most competitive tourist destinations according to The Travel and Tourism Competitiveness Report 2017) are in the top 15 of both the air transport infrastructure ranking and the ground and port infrastructure ranking (WEF et al., 2017).
In Figure 23 we can see the relationship between the total investment (public + private) in tourism assets and the T&T contribution to GDP. On average, our European players kept a ratio of just above 8% every year. The European return on T&T investment is the least diversified and the most stable compared to Asia and North America. In the graph we can appreciate the amplitude of Asia’s and North America’s fluctuation.

We can find the reason of these variations in the tables below. Table 2 shows the average T&T productivity ratio for each European country during and after the crisis. The productivity ratio, in general, varies between 7% and 10% from country to country.

<table>
<thead>
<tr>
<th>European Countries' T&amp;T Productivity Ratio</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>15.14%</td>
</tr>
<tr>
<td>Germany</td>
<td>7.33%</td>
</tr>
<tr>
<td>Italy</td>
<td>7.57%</td>
</tr>
<tr>
<td>Spain</td>
<td>12.19%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>7.51%</td>
</tr>
<tr>
<td>Europe</td>
<td>9.61%</td>
</tr>
</tbody>
</table>

Table 2. T&T Average Productivity Ratio of the main European Countries between 2005 and 2016. Source: WTTC

As we have mentioned before, the average productivity ratio for the five European countries together is around 9% between 2005 and 2016. Spain and France, though, are the exceptions. Spain had an average of 12.19% return for their T&T investments during this period. Nonetheless, Spain’s ratio follows a decreasing trend from 2005 (16.85% return) to 2016 (10.8% return). On the contrary, France starts off in 2005 in accordance with the average of the European Productivity Ratio (around 9%). However, France’s T&T productivity rocketed up during the crisis years and led the country to its economic recovery. This performance is an evident consequence of their environmental sustainability improvement, as well.
as a good environment for investment and business development with lower construction costs (WEF et al., 2017).

Apart from all this, Italy experienced a 2-percentual-point lessening productivity ratio, and this might be the reason of their percentage share loss in the contribution to the European tourism GDP previously seen in this paper.

Asia’s evolution of the productivity ratio was quite different. Table 3 shows how this ratio differs from one country to another. Although also decreasing, Thailand presents an average of 45.16% return on T&T investment, the largest figure among all the countries analysed.

<table>
<thead>
<tr>
<th>Asian Countries' T&amp;T Productivity Ratio</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>19.25%</td>
</tr>
<tr>
<td>India</td>
<td>25.28%</td>
</tr>
<tr>
<td>Japan</td>
<td>10.81%</td>
</tr>
<tr>
<td>South Korea</td>
<td>21.40%</td>
</tr>
<tr>
<td>Thailand</td>
<td>45.16%</td>
</tr>
<tr>
<td>Asia</td>
<td>17.98%</td>
</tr>
</tbody>
</table>

*Table 3. T&T Average Productivity Ratio of the main Asian Countries between 2005 and 2016. Source: WTTC*

Excluding Thailand, the range between the country with lowest productivity ratio (China, 19.25%) and the country with largest one (India, 25.28%) is still way wider than the range between European countries.

<table>
<thead>
<tr>
<th>North American Countries' T&amp;T Productivity Ratio</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>12.82%</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>6.20%</td>
</tr>
<tr>
<td>Mexico</td>
<td>4.37%</td>
</tr>
<tr>
<td>United States</td>
<td>12.71%</td>
</tr>
<tr>
<td>North America</td>
<td>11.79%</td>
</tr>
</tbody>
</table>

*Table 4. T&T Average Productivity Ratio of the main North American Countries between 2005 and 2016. Source: WTTC*

We should analyse the North American case in a different way compared to the other continents. The four countries form two pairs with similar T&T productivity ratio. On average, Canada and the US show a return on tourism investment of around 12%, while Mexico and Dominican Republic present a range that goes from 4% to 6%, respectively. Another curious fact is that the US is the only country that had a fall in its productivity, the other countries' ratio increased by a little bit more than 1 percentage point. We can have a look at the evolution of this ratio in the graphs below:
It is worth mentioning that, as we can see in the Figures 24, 25 and 26, productivity ratios in every country tend to converge to a similar ratio. France is the exception. Among the 14 countries we analyse here, France has one of the lowest average receipts per arrival figure ($543.7)(WEF et al., 2017). However, the margin between investment and the GDP contribution is one of the widest ones. This means that their capacity to turn their investment into tourism GDP is high, compared to the other countries.

Spain begins from a higher T&T productivity ratio in 2005, but it falls over the years, except for during the years of the recession (2008 and 2009). that shows a slightly improvement.

The Asian case is quite like the European one. Thailand had a very high T&T productivity ratio the years before the crisis. It was the highest ratio among all the countries. However, these countries tend to converge towards an average of

---

Figure 24. Evolution of European Countries’ T&T Productivity Ratio between 2005 and 2016. Source: WTTC

Figure 25. Evolution of Asian Countries’ T&T Productivity Ratio between 2005 and 2016. Source: WTTC
almost 18% still 10 percentage points above Europe’s ratio. Like in Europe, in Asia none of the countries analysed presented a significant productivity growth except for Japan and Germany which both increased their productivity by nearly 2 percentage points.

However, we must point out the North American case. The four countries do not converge in the same way and their size might have something to do with that. Therefore, Canada and USA fluctuate together at higher percentages than Dominican Republic and Mexico do. The northern countries fluctuate between 12% and 14% with the US showing a relevant decline. The smaller countries present an average not much larger than 6% of T&T productivity ratio over the years. As well as, apart from the US, the three countries exhibit a slightly but steady growth.

We must obviously point out that there is normally a deceleration effect in almost every large boom over the time and Thailand’s and Spain’s T&T in this case are not an exception. These results show how countries tend to converge to the average continent’s ratio as they become mature destinations. According to this conclusion, mature and “immature” destinations now face different sets of challenges.

On the one hand, developing countries like Mexico and Dominican Republic (by now I take these two examples because it is clearer to see and compare in the graphs above) ought to boost their productivity by ensuring quality services and experiences. This will only be achieved by improving safe and security services, increasing connectivity (both air transport and ground and port infrastructure) while taking care of their natural heritage. These are key factors for the gap between these developing countries and the T&T leaders to be reduced. On the other hand, we have seen how T&T leaders (except for UK) have started to show small declines in the industry’s contribution to their continent’s tourism GDP. For this reason, the main challenge these mature destinations may now face is how to upgrade its destinations by fostering quality, job talent and meaningful experiences while also dealing with environmental sustainability issues and social impacts that have recently emerged.

With regard to the recent news about Spain overtaking US’s competitiveness and international tourist arrival volumes, I created a table (Table 5) with the top three
destinations for each variable. I only took into account the three best countries among the countries analysed in this study and according to the *Travel and Tourism Competitiveness Report 2017*’s findings. This report was carried out using data from the World Tourism Organisation (UNWTO) and World Travel and Tourism Council (WTTC) and these are mainly the same sources I also use throughout the rest of this thesis.

<table>
<thead>
<tr>
<th>Position</th>
<th>Country</th>
<th>International Tourist Arrivals</th>
<th>International Tourism Receipts ($)</th>
<th>ITR / Arrival ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>France</td>
<td>84 Million</td>
<td>US – 204.523 Million</td>
<td>US – 2.638,7</td>
</tr>
<tr>
<td>2nd</td>
<td>US</td>
<td>77 Million</td>
<td>China – 114.109,4 Million</td>
<td>India – 2.617,7</td>
</tr>
<tr>
<td>3rd</td>
<td>Spain</td>
<td>68 Million</td>
<td>Spain – 56.468 Million</td>
<td>China – 2.005,9</td>
</tr>
</tbody>
</table>

Table 5. T&T Rankings. Source: UNWTO and WTTC cited in “The Travel & Tourism Competitiveness Report 2017”.

Spain is doing relatively well in this ranking: 3rd position in the world in the inbound tourism ranking and it is the country with the highest international tourism receipts in Europe. However, this large tourism receipt variable is not due to the arrivals of international tourists with a high purchasing power. The UK and Germany rank the first and second positions in Europe regarding ITR per arrival respectively followed by Spain. However, both receive the amount of tourist arrivals as Spain receives (roughly 34 Million). France’s figures are even worse. France leads the ranking in relation in inbound tourist arrivals yet its ITR per arrival is the lowest one among the 5 European players analysed here. The thing is that France, specially Paris, receives a lot of passengers who just stop over on their way to other destinations.
6. Conclusion

We may find many reasons for using international tourist arrivals to evaluate a destination’s tourism performance. This variable is reliable as it is accurate and easy to collect. In contrast, tourism spending data is collected by conducting surveys to tourists who might not know or accurately share their actual expenditure.

Furthermore, measuring the tourism contribution to a country’s GDP is also complicated. It is difficult to track the effects of tourism on the spending of both direct and indirect employees. To do so we “fill in the gaps by supplementing data with estimates” (WTTC, 2014).

However, through this study, we have observed that taking international tourist arrivals into account, the tourism performance analysis may not fully reflect the situation of the tourism industry as the tourist income generated is not considered alongside the social impacts and effects on a destination.

We can also conclude that the different mechanisms available in every country conditioned the recovery speed of the industry. We have seen that Europe’s T&T has not completely got over the consequences of the global recession and their ITR are trapped in fluctuation with no relevant growths.

In Spain, international tourists have responded with shorter stays due to the latest hotel price increases. This fact and a temporary deviated demand have kept the occupancy rates. For this reason, the number of international tourist arrivals has reached a new peak and created the illusion that Spain’s T&T is in a good health.

In conclusion, it is said in Travel & Tourism Competitiveness Report 2017 how difficult it is to find a variable or set of variables that could help assess the overall tourism performance fairly. There is not a country showing a transversal success in all the variables. France and Spain are two of the most visited countries in the world but their international tourism receipt per tourist arrival are considerably lower than all the other players analysed in this study. And contrarily, China shows a rapid recovery of international tourism receipts even though its international tourist arrival figure is lower than France’s or Spain’s one.
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