

### In 2017, tourism should no longer impede French growth after costing 0.2 GDP points in 2016

Since 2014, the tourism balance in France has declined sharply: it dropped to 1.3 billion euros in value in 2016, its lowest level since 1988. In volume, the decline in the tourism balance took 0.2 points off economic growth in 2016. This downturn, which goes against the grain in the European Union, is due above all to the disaffection of foreign tourists, mainly as a result of the major terror attacks that hit the country in 2015 and 2016. Their spending in the country declined sharply over this period. By comparison, tourism in Spain has been exceptionally buoyant: in 2016, tourism exports contributed around +0.4 points to Spanish growth in volume, after an increase of +0.2 points in 2015. This popularity has come largely at the expense of countries in the southern and eastern Mediterranean basin, rather than France. At the start of 2017, more and more signs began to emerge suggesting the return of tourists to France, with tourism exports looking set to bounce back in volume in 2017 (+2.5%) after two years of decline.

#### A sharp downturn in the French tourism balance since 2014

Since 2014, the tourism balance in France has fallen sharply. This atypical deterioration is mainly attributable to the fall in spending by foreign tourists in France. In the national accounts, tourism exports in value, i.e. spending by foreign tourists in France, declined to 38.6 billion euros in 2016 compared with 43.7 billion euros in 2014. Over the same period, tourism imports – i.e. spending by French tourists abroad, which follows the trend of their income – were almost unchanged, at 37.3 billion euros in 2016 against 37.5 billion euros in 2014. Thus the tourism balance, the difference between these two figures, stood at 1.3 billion euros in 2016, its lowest level since 1988, having been at 6.2 billion euros in 2014. This was therefore a loss of 4.9 billion euros in two years (Graph 1). In volume, this fall in the tourism balance cost 0.2 points of gross domestic product growth in 2016.

#### An unusual downturn among the European countries

This trend in tourism exports sets France apart from its main European partners. As shown in the balance of payment data, which are more widely available than figures in the national accounts,<sup>1</sup> exports decreased by 5.5 billion euros between 2014 and 2016, dropping from 43.8 billion euros to 38.3 billion euros, a 12.8% decline in real terms. Over this same period, tourism exports grew in real terms by 12.3% in Spain, 7.2% in

Italy, 3.2% in Germany and 2.2% in the United Kingdom (Graph 2). This drop in tourist income in France began in 2014 and continued until late 2016, mainly as a result of the major terror attacks that hit the country, in January 2015 and November 2015 in the Paris region, then in July 2016 in Nice.

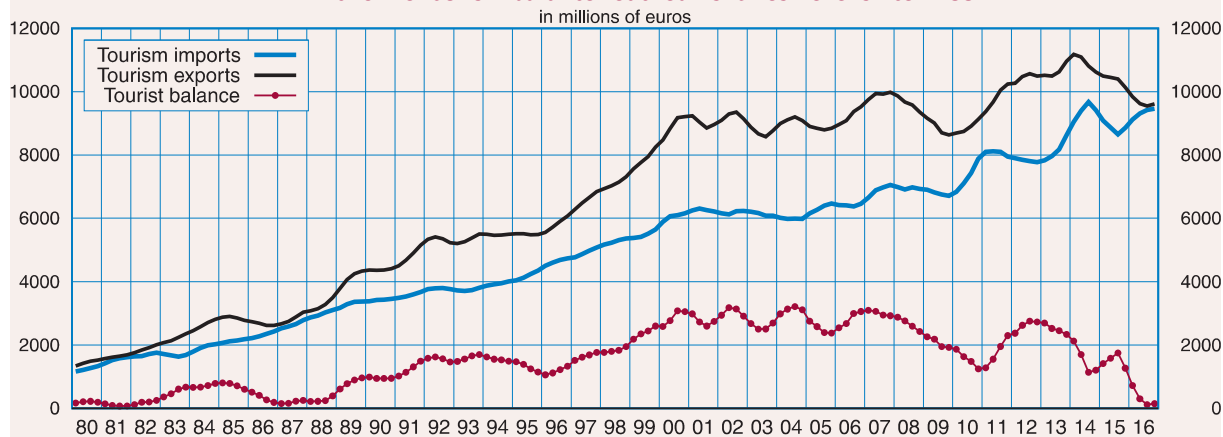
#### Since 2014, Italians, Japanese and Russians have avoided France

This observation is confirmed by the figures for tourism nights. In 2016, foreign customers spent a total of 123.2 million nights in tourist accommodation in France, all types of accommodation combined (hotels, campsites and other types of tourist accommodation). This number of overnight stays is 7.0 million down on the 2014 total, or a decline of 5.4% in two years<sup>2</sup> (Graph 3). Over the same period, the number of overnight stays by foreign tourists increased by 34.4 million in Spain (or a rise of 13.2%), 11.0 million in Croatia (+18.0%), 9.8 million in Italy (+5.2%) and 6.0 million in the United Kingdom (+5.3%).

1. Balance of payments figures are the source for the national accounts and, with just a little reprocessing required, they are very similar. For international comparisons, they have the advantage of being available for many countries, including those that do not produce quarterly national accounts.

2. If the sharp rise in overnight stays in tourist accommodation offered by private individuals via Internet platforms were taken into account, this would reduce this decline. Thus, between 2015 and 2016, overnight stays by foreign tourists would decrease by only 3.9% against -5.2% if only professional accommodation were considered (Franceschi, 2017).

1 - In 2016 the tourism balance reached its lowest level since 1988



Concerning only overnight stays in hotels, foreign tourist stays fell by 3.4 million between 2014 and 2016. This decline is due mainly to Italian tourists (-1.3 million overnight stays), Japanese tourists (-1.2 million) and Russian tourists (-1.0 million). Conversely, tourists arrived in greater numbers from the Near and Middle East (+1.0 million) and China (+0.4 million), thus limiting the decline overall.

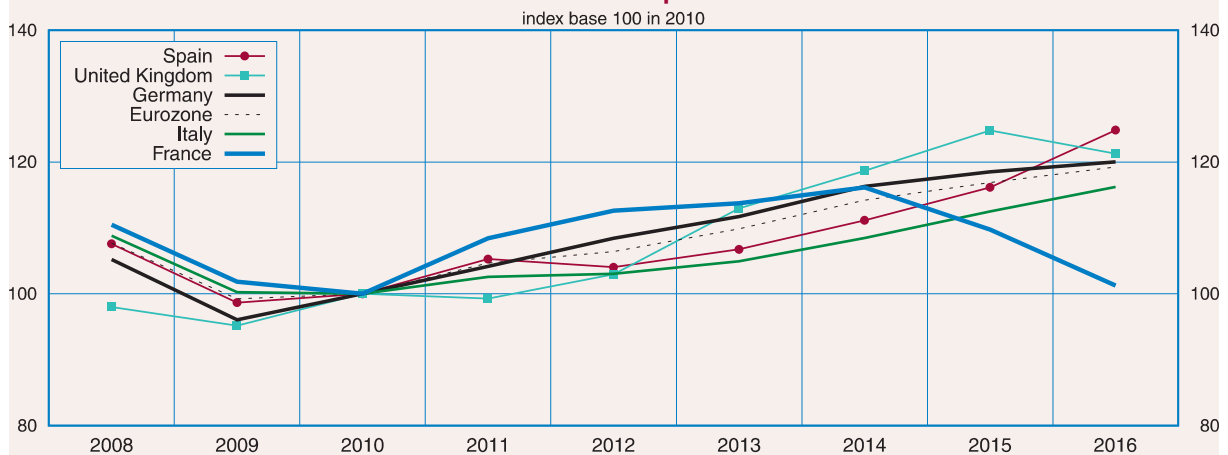
In terms of geographical distribution, Paris and Île-de-France suffered most from the drop in tourist numbers, with 4.6 million fewer foreign overnight stays in 2016 than in 2014. Conversely, in the Auvergne-Rhône-Alpes region the number of overnight stays by foreigners increased by 0.9 million over the same period. Finally, in the coastal areas in the south of the country, a drop in numbers in the Provence-Alpes-Côte d'Azur region (-0.3 million overnight stays) was more than made up for by a rise in Nouvelle Aquitaine (+0.3 million) and Occitanie (+0.2 million).

There may have been a counterpart to the fall in tourist numbers in France, especially in the Paris area, with a substantial increase in numbers in the United Kingdom over the same period. Tourist arrivals in London, where foreign visitor numbers increased by 9.5% between 2014 and 2016, are likely to rival those in Paris where numbers dropped by 9.3%.

## Coastal tourism has strongly favoured Spanish growth since 2014

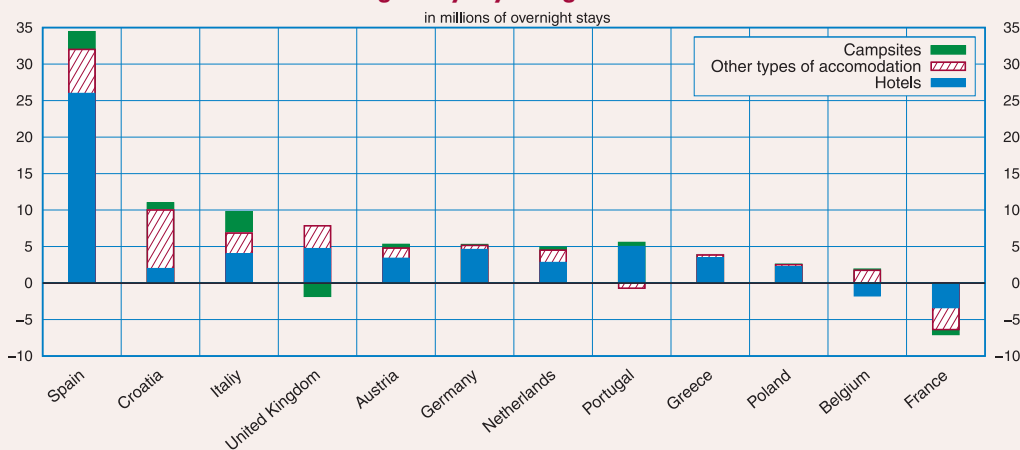
French tourism is holding up well in coastal areas, making it less likely that similar substitution phenomena will occur between France and Spain, since the exceptional vigour of Spanish tourist exports (+12.3% between 2014 and 2016 in real terms) is due mainly to the coastal areas. Thus the large increase in the number of overnight stays in hotels alone for the period under consideration (+25.9 million) is mostly concentrated in three regions: the Canary Islands (+6.5 million overnight stays), the Balearic Islands (+5.8 million) and Andalusia (+5.3 million). Almost half of this sharp increase can be attributed to British nationals (+10.1 million) and, to a lesser extent, French nationals (+3.0 million). Conversely, Spain is also affected by the decline in the number of Russian tourists (-3.7 million), whose purchasing power has fallen considerably since the Russia-Ukraine crisis and the sharp depreciation in the rouble. All in all, in 2016, tourism exports contributed as much as +0.4 points to Spanish growth, which had already seen a rise of +0.2 points in 2015.

### 2 - Tourism exports



Sources: Eurostat, INSEE Calculations

### 3 - Variation of overnight stays by foreigners between 2014 and 2016



Source: Eurostat

## French developments

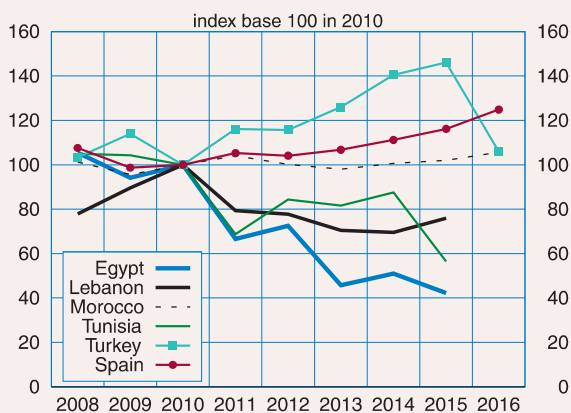
### The recent buoyancy of tourism in Spain is mainly due to a substitution for countries in the southern and eastern Mediterranean

Spain has been able to benefit from a transfer of tourists, at the expense of several other countries in the southern and eastern Mediterranean basin. Tourism exports from several countries in the region have certainly declined substantially since the 2011 “Arab spring” and the ensuing political troubles: in real terms, tourism exports shrank by 58% in Egypt between 2010 and 2015, by 43% in Tunisia and by 24% in Lebanon (Graph 4). Only Moroccan tourism has stood up well (+6% between 2010 and 2016). More recently, Turkey has undergone the most serious deterioration in its tourism (–25% between 2014 and 2016), with the many terror attacks it has suffered and increasing geopolitical tensions. Thus the exceptional dynamics of Spanish tourism for the last two years seems to be more a consequence of transfer phenomena at the expense of these countries, rather than a substitution for tourism in France. Nevertheless, the French context may have limited the ability of the national tourism sector to take advantage of these transfers.

### In early 2017, tourists are returning to France

However, towards the end of 2016 tourists gradually began to return to France. For the first time since 2015, overnight stays by foreigners increased year on year in Q4 2016 (+3.0%) then in Q1 2017 (+4.7%). This was particularly true for Île-de-France: overnight stays by foreigners began to recover towards the end of 2016 (+3.1% compared with the end of 2015), then much more clearly at the start of 2017 (+12.8%). These overnight stays are now back to levels similar to pre-2015 (Graph 5). Passenger numbers in French airports have also increased significantly since the end of 2016: in December 2016, the number of passengers on international flights to France was 10% higher than in December 2015.

4 - Tourism exports (in real terms)



Sources: IMF, INSEE calculations

The business climate in accommodation and food services confirmed an overall improvement and in early spring there were also some encouraging signs: from the beginning of 2015 to autumn 2016 it was hovering around 95, i.e. 5 points below its long-term average, and dipping occasionally after the terror attacks, but since then it has picked up and in May 2017 stood above its long-term average.

All in all, in the scenario described in this *Conjoncture in France*, tourism exports are expected to bounce back in volume in 2017 (+2.5%) after two years of major decline (–4.7% in 2015 and –6.9% in 2016). Imports are set to increase more moderately, in a similar way to French households’ purchasing power. Overall, the tourism balance should pick up substantially and should no longer hamper growth in 2017 (after –0.2 points in 2016). This scenario is subject to several uncertainties. On the one hand, it assumes that there will be no major terror attack in France between now and the end of the year. On the other hand, the return of foreign tourists is currently being observed over the winter months, and compared with the previous year. Since numbers of foreign visitors are highest during the summer months, it will only be at the end of the summer period that a more accurate diagnostic can be made for 2017 overall. ■

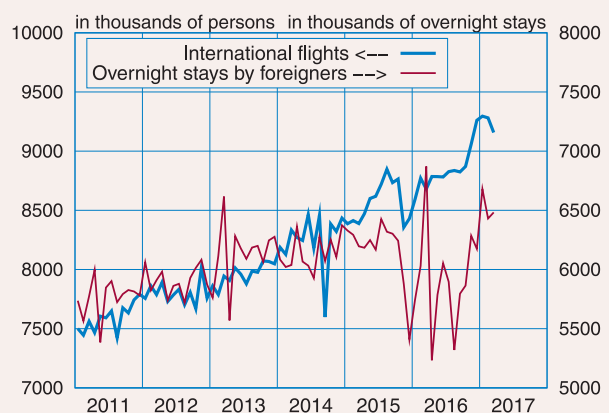
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Franceschi P. (2017), “Tourist accommodation offered by individuals via internet”, *Insee Analyses* n° 33, February.

5 - Airport passenger arrivals and overnight stays by foreigners in France



Sources: SOES, DGAC, INSEE calculations