Tourism is one of the most important growth factors in the Spanish economy. Along with France and the United States, Spain is one of the main recipients of international tourism flows. The annual arrival of foreign tourists amounts to over 50 million. Meanwhile, domestic tourism reaches values above 12 million annual trips. These figures represent an annual volume of overnight stays around 370 million, of which approximately 60% correspond to the inbound tourism and 40% to the domestic tourism. Thus, the contribution of tourism to the economy in terms of output, employment, and foreign relations is very significant. The tourism sector contributes around 10% of GDP, accounts for over 11% of total employment and their revenues have covered an important part of Spanish trade deficit (77% coverage in 2011, for example).

The aim of this paper is twofold. First, analyze tourism growth cycle in the Spanish economy, distinguishing between domestic and inbound tourist behaviour. On the other hand, investigate the synchronization between tourism cycles and economic cycles. The issue is of interest because it reveals the linkages that can be expected between tourism and economic activity. The conclusions will be important for future policy makers’ decisions. Different decisions have to be taken if it is found that tourism is ahead of the economic cycle and therefore has a drag effect, or if it is the economy that is ahead of the tourism cycle and pulls it. Similarly, decisions must be different if the cyclical behaviour of tourism demand of residents and non-residents achieves a high degree of synchronization or if instead it is observed that there are lags between cyclical phases.

The tourism activity is approximated by nights spent in hotel accommodation and similar establishments (seasonally adjusted monthly data) distinguishing between nights spent by residents and non-residents. Economic activity is approximated by monthly data seasonally adjusted of the industrial production index (IPI). All data are obtained from the Eurostat database and the sample period considered is January 1990:1 to December 2011:12.
The results obtained suggest, on average, seven full cycles from minimum to minimum. Taking the IPI as a reference variable it is observed the existence of extra-cycles. Specifically, tourism of residents shows two extra-cycles and non-resident tourism one. If we add the analysis of the lags and taking the IPI as reference series, it is observed that the IPI has a slight time lag in the peaks compared to domestic tourism and is advanced in compared to inbound tourism. In the troughs the situation is reversed, when inbound tourism reaches the minimum, the economic activity follows it with little delay. While, if is the economic activity that reach the minimum, domestic tourism continues to fall with a lag in the phase of almost three months. If we analyze the lag between both tourist activities, we can see that the turning points of domestic tourism are delayed more than three months in relation to the inbound tourism, in both peaks and troughs.

The characterization of the duration of cycle phases suggests that the average duration in expansion is 15.7 months for the tourism demand of residents and somewhat lower for non-residents, 13.9. In both cases it is shorter than the economic cycle duration which is stood at 19.6 months. In contraction, the shorter length is the one of the resident tourist activity, which on average reaches not even a year compared to 18.7 and 16.3 months of non-resident tourism and economic activity, respectively. Resident tourism results are consistent with the empirical regularity in this field which says that the acceleration periods are longer than the contraction. In contrast, the non-resident tourism shows an opposite behaviour and comparatively pronounced since in expansion shows the lowest duration and in contraction the largest.

The amplitude of tourism demand indicates that in expansion, domestic tourism shows greater capacity to grow than the inbound tourism, but lower than the overall economic activity (activity gains are 2.8%, 1.6 % and 3.8%, respectively). In times of contraction, domestic tourism has greater ability to maintain their activity than the inbound tourism and the economic activity as a whole, (activity losses are 1.1%, 3.3% and 2, 5% respectively).

In general, there is a great degree of synchronization between tourism and economic activity, more pronounced in the case of inbound tourism. In contrast, the intensity of the synchronization between the internal and inbound tourism is not especially significant. Synchronization between cyclical phases of the resident tourism with both, IPI and non-resident tourism demand, increases when we include the dynamic relationship between series. Lags are significant enough to affect the cyclical synchronization. In contrast, the non-resident tourism demand reaches greater synchronization with the IPI when considering the contemporaneous relationship between the series, so the lags are not determinant factors in cyclical synchronization of both series. The business cycle shows more synchronization and more contemporaneous with the non-residents tourism demand cycle than with the residents tourism demand cycle.

The main conclusions are summarized below. Non-resident tourism demand influences the Spanish business cycle which in turn drags the resident tourism demand. The expansion phase of the inbound tourism is followed with a minimum lag by the IPI expansion phase, thus this tourism is an important driving force in the Spanish economy. However, the advancement in the peaks of the IPI and the fact that in the contractions presents greater steepness and deep than in the expansions, just the opposite of what happens in
the case of inbound tourism, show that other factors have a more significant influence on the arrival and the degree of slowdown in the Spanish economy.

The significant lag in the troughs and low lead in peaks of the tourism demand of residents regarding the IPI suggests that in times of high expectations, residents put off the tourism demand until the economy reaches the expansion phase and reduce it when there are bad expectations. It is a behaviour that can be found in economies where there is a relatively higher unemployment rates and uncertainty about future income and employment. This behaviour is also linked to increased household debt, result of an easy credit in the expansion phases. In the maximum and with prospects of a slowdown phase, with greater credit constraints and expectations of falling revenues, increases precautionary savings and consumption is postponed (Cook and Speight, 2007). As indicate Gelper et al. (2007), the lack of confidence in the economic future and the family’s financial situation tend to reduce the willingness to consume. We have then that the domestic tourism decreases or chooses closer destinations, it reduces the length of stay or the amount of expenses, even before the economy enter in the recession phase. This behaviour of the residents tourism demand in relation to the cycle is similar to that described by Smeral (2012) for international tourism demand in the EU-15. According to the author, the international tourism from the EU generates increased demand in high growth phases while in the deceleration phases, before entering the recession, adjusts downward his international travel plans. Others elements that those we have described in the previous paragraph, explain this behaviour. They derived in part from fear of liquidity problems and in part to a cautious attitude towards saving. If we consider that the main source of Spanish tourism are the EU countries and if we accept the results of work of Smeral, we can say that tourism demand from the EU reaches important figures in expansionary phases of the European economy while it falls in downturns. The growth of European economies is very important to generate Spanish non-resident tourism demand, to drag it economic growth and subsequently, to increase the volume of domestic tourism. From which we can conclude that weakness in economies like UK, Germany, France or Italy, traditional source markets for Spain, affects us, as their economic situation has a direct impact on tourism demand of our market.

For policy makers it is important to know that attract non-resident tourism demand have a major impact to strengthen the change in cycle phases and to start the process of expansion. But once there, take steps to stimulate domestic tourism demand increases the possibilities of growth and job creation in our economy.

The results obtained have also a significant territorial impact. It is expected that the effects of tourism demand will be different for the regions that receive more domestic tourism than those that receive more non-resident tourism. Considering how both types of tourism are distributed geographically, the major destinations of domestic tourism are these regions: Andalucía, Cataluña, Comunidad de Valencia and Comunidad de Madrid. While the largest number of international arrivals take place in Cataluña, Islas Canarias, Islas Baleares, Andalucía, Comunidad de Valencia and Comunidad de Madrid.

Thus, in front of recession or crisis, we will need that the main issuing countries tourism outpace the recession and get in an expansion phase to increase again inbound tourism. The Mediterranean regions, together with the Comunidad de Madrid and the Islas Canarias
will be the major beneficiaries. While in regions that largely depend on the domestic tourism, the expansionary effect will arrive with some lag. So, there are two speeds in the regional tourism recovery. This aspect must be considered when policy makers take decisions about the strategy to follow in regional policy.