ALGARVE REGION

The Algarve in Portugal and Europe

THE TERRITORY AND THE GEOGRAPHIC AND ADMINISTRATIVE DIVISION

With a total area of 4,995 square kilometres, the Algarve is the southern most region of Portugal. Occupying 5.4% of the total area of the national territory, this region borders Alentejo to the north, to the east it is separated from the Spanish Community of Andalusia by the Guadiana River and the west by the Atlantic Ocean. In spite of being a small region, the Algarve occupies approximately ¼ of the coastline of the Portugal mainland. The quality and diversity of its natural resources, generally well preserved, are recognized internationally. The city of Faro is the capital of the region.

The Algarve is divided into 16 Municipalities (Albufeira, Alcoutim, Aljezur, Castro Marim, Faro, Lagos, Loulé, Monchique, Olhão, Portimão, São Brás de Alportel, Silves, Tavira, Vila do Bispo and Vila Real de Santo António).

Although relatively small, the Algarve has natural characteristics associated with its geology, quite unique to the region, it is possible to identify several "sub-regions", which are associated with different economic activities.

The “Serra” (Mountains) is almost an amphitheatre open to the ocean that separates the Algarve coast from most of the rest of Portugal. It is here that most of the more traditional activities are developed, usually attached to forest resources and some agriculture, with a low rate of human occupation and by the older generation.
The zone "Barrocal" is the intermediate zone (between the coast and the mountains), it has very favorable conditions for the development of some agricultural activities and because of its proximity to major urban centers, it has become a very attractive region for locating economic activities.

The region further south is the area "Litoral" (coastline) most sought after both for the development of economic activities (predominantly related directly or indirectly to tourism, since this is the main engine of the regional economy) or the largest source of employment.

In the extreme east and west of the region we find the areas of "Costa Vicentina" and "Baixo Guadiana", both with low levels of employment in general aged (over the Baixo Guadiana) and with weak economic dynamics and usually closely associated with the endogenous resources of the primary sector.

The Algarve: The region and the sub-territories
THE ALGARVE: DEMOGRAPHY AND EMPLOYMENT

Demography and Employment (2011)

- **Population**: 451,006 representing 4.3% of the whole population of Portugal; (females 51%, males 49%),
- Regional population growth around 28% in the last 20 years;
- 52.49% of the population lives 2 km from the southern shore (12.61% of the regional territory);
- 48.33% of the population living in 11 towns in the region, none has more than 40,000 inhabitants.
- **Unemployment Rate** – 17.9%
- **Young Unemployment** – 40.3%
- **GDPpc** – 16,774€ (2010)
- **R&D in % of GDP** – 0.45% (2009)
- **Active population with Higher Education** – 17.3%
- **Population pos-productive** - 20%
- **Number of companies** - 57,821 (2010)
- **Main economic sector**: Tourism and related services (around 2/3 of regional economy)

TRANSPORT SYSTEM

On the south and west the Algarve faces the Atlantic and its excellent geographic position on the extreme southwest point of Europe has been strategic for a rapid access to European markets and to the USA eastern seaboard and Africa.

Furthermore the development that has occurred in tourism over recent decades, has afforded the regional socio-economic progress. For the development of this sector the region has had to provide the appropriate conditions and to equip itself with infrastructure tailored to the needs of tourism demand.
Airports
With its modern and functional infrastructure Faro International Airport ensures the air transport of passengers and goods. Every day it welcomes a high volume of air traffic from Portuguese cities (Lisbon, Oporto) and from all over Europe. The traffic increases during the high season with millions of passengers arriving here to spend their holidays at the Algarve and Spanish province of Huelva. There are also other public and private airfields.

Major tourist demand in the Algarve

Road system
The road system has improved dramatically in years. It is basically centred in the coastal area of the Algarve, where the main urban centres are found and very close to Spain.

The “Via do Infante” motorway with toll, provides a fast and decongested route across the entire region stretching from Lagos to Vila Real de Santo António and continuing through the Guadiana Bridge, linking to Spain’s A49 motorway to Seville. And the highway A2, connects the Algarve to Lisbon in approx. 2 hours.

Railway
Railway links are guaranteed by a railway route that extends in the longitudinal direction between Algarve west coast and Spanish border. CP-Portuguese Railways also provides a huge rail network throughout the Portuguese mainland. With the modern “Alfa Pendular” trains it is possible to travel between Lisbon and the Algarve in 2 hours and between Oporto (north of Portugal) and Faro in less than 6 hours, with no connections required.

Seaports
The port infrastructures are of fundamental importance for the economy of the region, serving as a support for activities as fishing, tourism and commerce.

Faro and Arade (Portimão) are the main commercial ports of the region. The port of Portimão is also used as a cruise port.
Industrial areas
The “Algarve Acolhe” Project (http://www.algarveacolhe.com) is a web tool designed to support investors in locating their business activities.

The project provides "georeferenced" information from the municipalities in the region and from the current business areas. This information refers to the areas and/or allotments and it identifies strengths, availabilities, accessibilities and contact information.

ECONOMIC ACTIVITY

The "Great Cluster Tourism" (including the activities associated with the construction, trade and transport services, accommodation and food) is the main driving force of economic activity.

Tourism in the region has a strong seasonal component (for being too dependent on the dynamics of the Sun and beach products) and this is reflected very negatively on economic activity, particularly in the dynamics of business, employment and regional purchasing power.

The activities related to the primary sector (fishing, aquaculture and agriculture) have a proportionally weak economic expression but a strong potential either due to the availability of resources and knowledge, or by the possibility of taking the momentum generated by tourism demand.

The activities related to fishing in addition to the economic role, also have an important social function, as they serve as formal and informal support to many families (particularly in the current socio-economic context). This may also be the sectors with the greatest potential for growth in employment (including the activities associated with aquaculture and the processing of these products). Agriculture, with emphasis on some products already today competitive in the international market, is another highlight areas for similar reasons.

<table>
<thead>
<tr>
<th>CAE</th>
<th>Designation of Activity</th>
<th>N.º of Companies</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Agriculture, livestock, hunting, forestry and fishing</td>
<td>1292</td>
<td>2,23%</td>
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<tr>
<td>B</td>
<td>Extractive industries</td>
<td>15</td>
<td>0,03%</td>
</tr>
<tr>
<td>C</td>
<td>Manufacturing</td>
<td>2032</td>
<td>3,51%</td>
</tr>
<tr>
<td>D</td>
<td>Electricity, gas, steam, hot and cold water and cold air</td>
<td>41</td>
<td>0,07%</td>
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<tr>
<td>F</td>
<td>Construction</td>
<td>8206</td>
<td>14,19%</td>
</tr>
<tr>
<td>G</td>
<td>Wholesale and retail trade, repair of motor vehicles and motorcycles</td>
<td>12709</td>
<td>21,98%</td>
</tr>
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<td>H</td>
<td>Transport and storage</td>
<td>999</td>
<td>1,73%</td>
</tr>
<tr>
<td>I</td>
<td>Accommodation and food services</td>
<td>7451</td>
<td>12,89%</td>
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<tr>
<td>J</td>
<td>Activities of information and communication</td>
<td>481</td>
<td>0,83%</td>
</tr>
<tr>
<td>K</td>
<td>Financial and insurance activities</td>
<td>24595</td>
<td>42,54%</td>
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<td>L</td>
<td>Real estate activities</td>
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<tr>
<td>M</td>
<td>Activities Professional, scientific technical and similar</td>
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<td></td>
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<tr>
<td>N</td>
<td>Activities Administrative and support services</td>
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<tr>
<td>O</td>
<td>Public administration and defense, compulsory social security</td>
<td></td>
<td></td>
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<tr>
<td>P</td>
<td>Education</td>
<td></td>
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<tr>
<td>Q</td>
<td>Human health and social support</td>
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<tr>
<td>R</td>
<td>Activities Arts, entertainment, sports and recreational</td>
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<td>S</td>
<td>Other service activities</td>
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<td></td>
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<tr>
<td>T</td>
<td>Activities of households as employers of domestic personnel and production activities of households for own use</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U</td>
<td>Activities of international organizations and other institutions extraterritorial</td>
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</tbody>
</table>
Despite efforts to diversify the source markets along the Algarve tourism (with positive results), Europe is and will be the main source market in the region.

**Distribution of the Number of Guests in the Algarve by Nationality (1999 and 2011)**

- **1999**
  - Alemanha: 16.19% (278,130)
  - Espanha: 38.83% (663,710)
  - Irlanda: 5.67% (16,870)
  - Países Baixos: 5.30% (15,930)
  - Reino Unido: 24.01% (4,153,500)
  - Outros EU: 0.05% (830)
  - Outros: 4.38% (703,796)

- **2011**
  - Alemanha: 24.00% (2,125,500)
  - Espanha: 38.63% (3,966,120)
  - Irlanda: 4.38% (174,310)
  - Países Baixos: 16.19% (1,598,910)
  - Reino Unido: 11.04% (1,121,530)
  - Outros EU: 0.15% (6,034)
  - Outros: 9.02% (663,710)

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**The current relevance of regional value chains**

- **A** Tourism / Leisure
- **B** Sea – Fisheries and Aquaculture
- **C** Agro-food
- **D** New ICT, Multimedia and Intelligent Systems
- **E** Renewable Energy
- **F** Life Sciences / Health / Recovery

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**THE ECONOMIC ACTIVITY AND THE KNOWLEDGE IN THE REGION**

The ability of activities related to the “Great Cluster Tourism” of the past, generate large and rapid payback, without the need to promote innovation and to adjust scientific and technological expertise.

Despite the limited capacity of regional investment in R & D and economic infrastructure being very focused on tourism, the region has sought to diversify its knowledge base, research and
development, including seeking to develop some areas that are a foundation for growth potential based on the resources locations (E.G: in areas related to the sea, the Fisheries, the Biosciences / Biotechnology and Technology).

The regional expertise

**Scientific expertise of the Algarve**

(Represented by the number of publications in the area of Web of Science – WOS)

The Algarve has an upward trajectory with respect to innovation performance, but still in the penultimate level (moderate innovator), lags far behind the Lisbon region which is one of the leading regions in innovation performance across Europe. Note also that the region has not been able to keep up the level of investment in national R & D, which is already lower than the EU average and tourism is not among the main areas of scientific and technological expertise in the region.

**Algarve is a region:**

- In progress on innovation in the national and European context, but with high deficit of research focused on market and results;
- With high deficit of investment in R&D compared to the other Portuguese and European regions;
- With high deficit of support conditions and the stimulation of research focused on market, promotion of innovation and entrepreneurship.

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1 Proportion of spending on research and development (R & D) in GDP in 2009 - **Algarve**: 0.45%; Portugal: 1.64%;
Proportion of spending on R & D of enterprises in GDP in 2009- **Algarve**: 0.07%; Portugal: 0.78%.
Despite the difficulties, expectations are positive and point to interesting dynamic growth, based heavily on local resources and knowledge.

The estimated growth potential requires the resolution of a set of known obstacles and the ability to promote more and better relationship between the various sectors.