

HVS Insights: Journeys Through Uncertainty - The Middle East Crisis and Its Impact on India's Hospitality Sector

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Global travel is being reshaped once again, as the Middle East crisis disrupts aviation networks and reshapes how and where people choose to travel, but demand rarely disappears, it simply evolves. For India, this moment presents a strategic opportunity to capture shifting flows, strengthen domestic leisure, and position itself as a safe global destination. Read more to find out.

Geopolitical tensions across the Middle East have once again brought uncertainty to global travel, disrupting aviation networks and influencing traveler sentiment. While such crises are not new, their impact today is amplified by the region's critical role as a global transit hub linking Europe, Asia, and Africa.

Globally, the immediate impact has been visible in-flight cancellations, rerouted air corridors, and rising fuel costs. Airlines are operating longer routes to avoid conflict zones, increasing travel time and cost, while higher crude oil prices are translating into elevated airfares. At a time when long-haul travel was steadily recovering, this added a new layer of friction to international mobility.

Since the escalation of hostilities in late February 2026, more than 40,000 flights to and from the Middle East have been cancelled or rerouted, according to aviation analytics provider Cirium. At major regional hubs such as Dubai, Doha, and Abu Dhabi, significant disruptions have been reported, with airlines rapidly adjusting schedules and capacity. In several cases, airlines have also suspended flights to key Gulf destinations entirely, while others have begun rerouting aircraft along longer paths that bypass closed airspace across Iran, Iraq, Israel, and parts of the Gulf. These adjustments increase fuel consumption, extend flight times, and raise operating costs for carriers, highlighting how quickly geopolitical developments can ripple through the global aviation network.

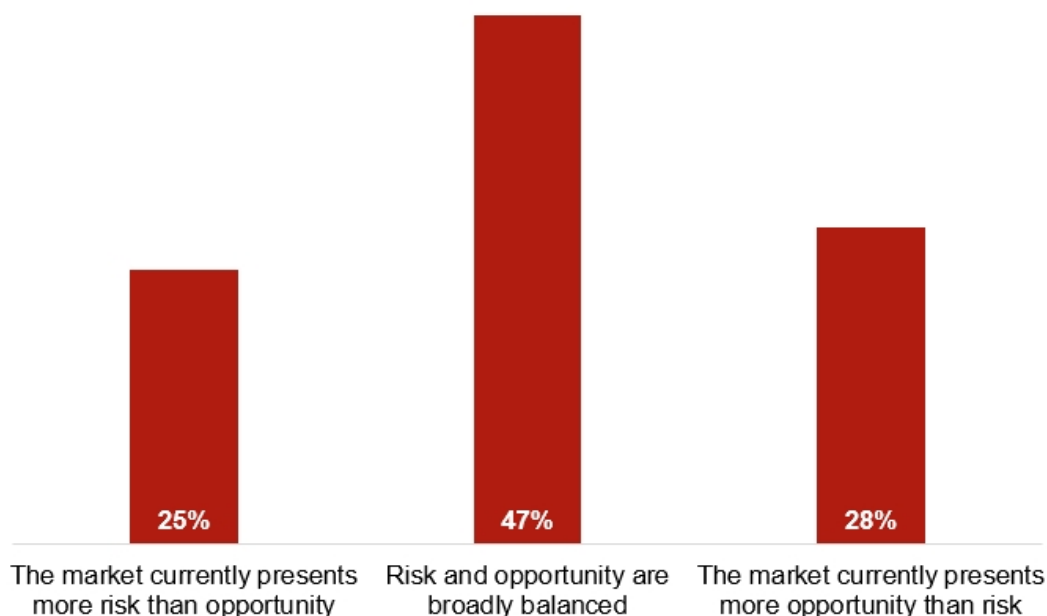
What is equally noteworthy is that despite the sector having endured an unprecedented disruption during the COVID-19 pandemic and subsequently committing to stronger crisis preparedness, the current situation has exposed clear gaps in execution. Even with significant investments in digital infrastructure, automation, and AI-led systems, airlines have struggled to manage large-scale operational disruptions smoothly. Reports of stranded passengers facing long wait times, limited communication, and challenges in rebooking highlight that the sector's response mechanisms remain

under stress. This raises an important point of introspection for the industry, particularly given earlier assertions that it was better equipped to handle future disruptions.

Rising fuel costs add to travel friction

The disruption has been compounded by rising energy prices and aviation turbine fuel costs, forcing airlines around the world to adjust ticket prices and introduce additional surcharges. Brent crude prices have surged past USD 100 per barrel, raising concerns across the global aviation industry where fuel can account for 30% to 40% of airline operating costs.

In India, multiple carriers have already implemented fuel surcharges across domestic and international routes to offset these rising costs. Airlines such as Air India and IndiGo have introduced additional charges ranging roughly between INR 199 and INR 1,300 per ticket depending on distance and route, directly passing a portion of the higher fuel costs to passengers. For travelers, this translates into an immediate increase in airfare, particularly on long haul routes where fuel constitutes a significant share of operating costs.



Source: Pexels

Global uncertainty, a strategic opportunity for India?

For India, the implications extend beyond aviation. Higher energy prices and supply-side uncertainties could impact sectors such as logistics, petrochemicals, and trade-linked industries, which in turn influence corporate travel demand. As companies recalibrate costs and defer non-essential travel, business travel may see some moderation in the near term.

At the same time, shifting global travel patterns could redirect demand. As travelers reassess long-haul itineraries, some demand may shift toward destinations that remain operationally stable and accessible. This creates a potential opportunity for India, alongside Southeast Asian destinations such as Thailand and Vietnam, to capture incremental

international demand. While India may not be a direct substitute for traditional Mediterranean or Gulf leisure circuits, the shift presents an opportunity that can be strategically leveraged. Additionally, the current environment also presents a clear opportunity for India to emerge as a stronger MICE destination. With world-class convention infrastructure now in place, India is well-positioned to capture demand that may shift away from established hubs such as Dubai.

India also holds a unique trifecta advantage in this context: geopolitical neutrality, unmatched cultural and geographic diversity, and a well-established luxury hospitality ecosystem that continues to expand across metros and leisure destinations. However, this shift in global demand will not happen organically. It requires deliberate national positioning and coordinated action. The country must now actively market itself internationally as a safe and stable travel destination more aggressively than ever before. A renewed “Incredible India 2.0” campaign, focused on safety, accessibility, and experiential diversity, deployed through targeted global outreach, can play a pivotal role in repositioning the country. The objective should be clear: to move from being an alternative destination to becoming a preferred default for long-haul travel into Asia.

Domestic travel to gain further momentum

In many ways, the current environment is reshaping how people choose to travel rather than suppressing demand altogether, with current circumstances already encouraging travelers to stay closer to home.

India's domestic tourism market remains a key strength and is likely to play an even more defining role in the current environment. While the country is presently in a relatively lean travel period, the approaching summer holiday season could amplify a clear behavioral shift. With ongoing uncertainty around international travel, a growing segment of Indian travelers is expected to pivot toward domestic destinations, reinforcing the sector's already strong demand base.

This shift is likely to be particularly pronounced among upper-middle and affluent travelers, who may substitute outbound holidays with domestic luxury leisure experiences. As a result, the summer season could see a meaningful rise in leisure market ARR's across established resort destinations, supported by stronger demand concentration and sustained pricing power.

Short-haul and road travel set to increase

Another clear trend is the growing appeal of short-haul and road-based travel. As airfares increase, travelers are likely to favor destinations within driving distance of major cities. India's national highway network has expanded significantly over the past decade, supporting stronger demand for regional leisure destinations, hill stations, pilgrimage circuits, and emerging boutique markets located within driving distance of major metropolitan centers. As long-haul travel becomes more expensive, these accessible destinations are likely to see sustained demand.

For hotels, the impact will be mixed. While cost pressures, particularly on energy and logistics, may affect margins, demand fundamentals remain intact. Leisure destinations within driving distance of key metros could outperform, while business hotels may experience some moderation in corporate demand in the short term.

At a policy and industry level, this moment calls for coordinated and accelerated structural action. Industry bodies such as

the Federation of Indian Chambers of Commerce and Industry (FICCI), Federation of Associations in Indian Tourism and Hospitality (FAITH), Confederation of Indian Industry (CII), Hotel Association of India (HAI), and state tourism boards must work in closer alignment with the government to fast-track long-pending reforms.

The broader takeaway is that tourism rarely disappears during periods of global uncertainty. Instead, it evolves. Destinations shift, travel durations change, transportation choices adapt to new economic realities, and cost considerations may play a more prominent role in decision-making.

For India, this moment is not just about navigating disruption, but about stepping into opportunity. As global travel demand recalibrates, there is a clear window to capture demand shifting away from the Middle East and towards Southeast Asia, strengthen its position as a credible MICE hub, and deepen its already robust domestic travel base. As echoed at the HOPE Conference in Goa earlier this year, the industry recognized that India stands at a critical inflection point and must proactively convert this moment into a structural shift in global tourism flows toward the country, not merely absorb displaced demand but fundamentally reposition itself within the global travel ecosystem. In an increasingly fragmented travel landscape, the destinations that move quickly and strategically will emerge stronger, and for India's hospitality sector, this is not just a phase to manage, but a moment to lead as global travel routes and preferences continue to evolve.