MARKET REPORT

HVS Monday Musings: Indian Hospitality Sector – 2022 in Review

DECEMBER 25, 2022

The Indian hospitality sector made a strong comeback in 2022, driven by domestic travel. Read on to know more.

The year 2022 painted a mixed picture for the global hospitality sector. It was the year that travel finally made a comeback after a majority of countries lifted their travel restrictions and most people resumed their pre-pandemic way of life. As a result, travel demand increased significantly across the globe with people trying to make up for the lost time. However, inflation, the Russia-Ukraine war, and the "great resignation" negatively impacted the hospitality business in several countries. The Indian hospitality sector also witnessed similar trends during the year but was more resilient than its global counterparts.

The year began on a challenging note for the Indian hospitality industry with weak demand in the first few weeks because of the emergence of omicron cases and the re-introduction of travel restrictions across states. However, unlike the previous COVID waves, this setback was short-lived, and travel demand recovered much more quickly than before. The lower severity of omicron, increased vaccination rate, swift response by the government, quick revisions in restrictions, and the significant pent-up demand for travel contributed to this quick rebound. As a result, hotel occupancy in India crossed the 60% mark in March 2022 – a first since the onset of the pandemic – as several markets began outperforming their pre-pandemic occupancy levels, and the industry has not looked back since.



Domestic travel remained the industry’s primary growth engine in 2022. While leisure destinations continued to thrive, the resurgence of corporate travel and large-ticket conferences and events helped in reshaping the fortunes of commercial markets and popular MICE destinations. Meanwhile, the resumption of regular international flights in India in March 2022 helped kickstart outbound and inbound travel in the country. However, due to the inconsistencies in COVID protocols across countries, visa challenges, and high airfares, international travel continued to be volatile, which aided the continued growth of domestic tourism. The "Big Fat Indian Wedding" also made a comeback after two years of incredibly personalized and intimate weddings, with several hotels sold out during the wedding season. Moreover, due to the difficulties associated with visas and the high cost of international travel, many couples seeking celebrity-style destination weddings in picture-perfect foreign locations turned to luxury and upscale hotels and resorts in India for their wedding ceremonies.

Although strong demand brought some cheer to the sector, the rising costs of raw materials, high manpower costs, and increasing borrowing costs due to rising interest rates hurt hotel operations and GOP. However, every cloud has a silver lining, and thanks to the significant pent-up demand, hoteliers were no longer afraid of passing on some of the rising costs to customers in the form of higher room rates. Ancillary revenue streams also gained momentum, with hotel companies becoming more innovative in their pursuit of new revenue streams. Finally, near the end of the year, the government discontinued the pre-boarding requirement of completing the Air Suvidha form for international arrivals and the mandatory requirement of wearing face masks on board an aircraft, ending the country’s travel-related restrictions.

The outlook for the Indian hospitality industry for 2023 is positive because domestic demand will remain strong and international travel will also pick up, despite growing concerns about the US and Europe entering a recession, rising global geopolitical issues, and an increase in COVID cases in some countries. In addition, the G20 presidency of India and the fact that India is hosting a number of events, including the ICC Men's World Cup, will increase demand for hotels in the cities where these events will take place.