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Most hotel companies will report improved performance, largely restored to pre-covid levels. **(Photo: Bloomberg)**

1 min read . Updated: 23 Jun 2022, 01:58 PM IST

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Realignment of cost structures by the industry players forms a strong base for the profitability of the hospitality sector in the coming months

The hospitality sector is well poised to put the pandemic's destruction behind it with the demand outlook improving and amid the large-scale infrastructure push by the government, found a new report.

Realignment of cost structures by the industry players forms a strong base for the profitability of the [hospitality sector](#) in the coming months, said a report titled 'Hospitality Industry: Heading towards Hospitable Territory' by Care Edge, a credit rating agency.

For FY23, it estimates the majority of its portfolio of hotel companies will report improved performance, largely restored to pre-covid levels. Domestic tourism is expected to be the key growth driver, with international travel slowly gaining momentum, specifically post resumption of international flights. The situation is, however, still evolving and the same remains contingent on the possibility of another Covid wave and its severity on the sector.

But the decline in covid cases, resumption of international flights from March 2022, and strong leisure and wedding demand are the positive factors that should lead to growth in occupancy in FY23.

The operational profitability margins, which remained in the positive zone post Q1FY22, are expected to further improve to the pre-covid levels during FY23, owing to improved demand outlook and sustained cost optimisation measures adopted.

Though international travel continued to suffer in FY22 as well, the report said, there was a sharp recovery as compared to the previous year. Despite the strong upward movement, foreign tourist arrivals remained at about 20% of the pre-covid levels.

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With the resumption of international flights from 27 March, 2022, the travel demand is expected to recover gradually through FY23 till the end of FY24. In April 2022, the number of foreign tourist arrivals recovered to reach 21% of total arrivals in FY21.