

THE INDIAN HOSPITALITY INDUSTRY

**Foreign tourist arrivals – The lagging
growth lever**

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India's FTAs recovered to 9.2 million in CY2025 but remain below the CY2019 peak of 10.9 million. The West Asia conflict has created near-term pressure through airspace closures, higher travel costs and weaker discretionary travel, leading to a contraction in arrivals in March-April 2026.

Over the medium term, FTA growth should be supported by easier travel processes, better infrastructure, wider airport connectivity, India's rising appeal as an events and investment destination, and improved cost competitiveness from a weaker INR. While geopolitical disruptions may weigh on near-term momentum, structural drivers support a gradual recovery in inbound tourism.



- **Foreign tourist arrivals (FTAs) have historically supported travel demand. Despite improving year-on-year (YoY) and reaching 9.2 million in CY2025, they are yet to recover to pre-pandemic levels.** The West Asia conflict from March 2026 caused airspace closures and a moderation in discretionary travel, resulting in a further decline in FTAs into India, with a 9.1% YoY contraction during March-April 2026 and a 2.4% YoY contraction in 4M CY2026. However, some recovery is visible in May-June 2026, wherein the inbound travel grew by 3.9% on a YoY basis.



- **Outbound travel from India grew after the pandemic, supported by rising travel demand, improved disposable incomes, and attractive visa-on-arrival policies in select countries.** The number of outbound travellers increased from 26.9 million in CY2019 to 32.9 million in CY2025. However, outbound travel was affected from March 2026 onwards due to the West Asia conflict, resulting in YoY declines of 29% and 22% in outbound travellers during March 2026 and April 2026, respectively.



- **India is emerging as an attractive destination for hosting business, sporting, and government events, which has supported inbound tourist arrivals.** Government-led initiatives to ease travel, improving infrastructure, expanding airport connectivity, and India's growing appeal as an investment destination are expected to support FTA growth over medium term. In addition, the depreciating INR is making outbound travel more expensive, while enhancing India's attractiveness for price-conscious inbound travellers.



- **ICRA expects revenues of the Indian hospitality industry to rise by 7-9% YoY in FY2027, after an estimated 11% expansion in FY2026,** supported by sustained demand from domestic leisure travel, meetings, incentives, conferences and exhibitions (MICE), weddings and business travel. Pan-India premium hotel occupancy is expected to remain stable at 72-74% in FY2027, broadly in line with FY2026 levels, while average room rates (ARRs) for premium hotels are projected to increase to Rs. 8,600-8,800 in FY2027 from Rs. 8,200-8,500 in FY2026. However, any inflationary or operational pressures arising from the West Asia conflict, along with a potential weakening in travel sentiment if the conflict persists, is a key downside risk.

A wide-angle photograph of a resort pool at dusk. In the foreground, two wooden lounge chairs are positioned on a deck. The pool is calm, reflecting the sky and the surrounding palm trees. In the background, a resort building is visible on a hillside, and the ocean stretches to the horizon under a soft, twilight sky.

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