

SectorVector

September 2024

Reading the topical trends

Fewer arrivals, more departures

Inbound tourists trail pandemic levels, but forex earnings are up, indicating more spend per arrival; outbound travel higher, too

The post-pandemic recovery in India's inbound tourism is lagging the global trend. In the first half of calendar 2024, foreign tourist arrivals (FTAs) in the country stood at 4.78 million, about 90% of that in the first half of calendar 2019.

In comparison, globally, FTAs in the first seven months of 2024 were at 96% of the pre-Covid levels of 2019, implying India is behind the curve.

A couple of factors are at play here.

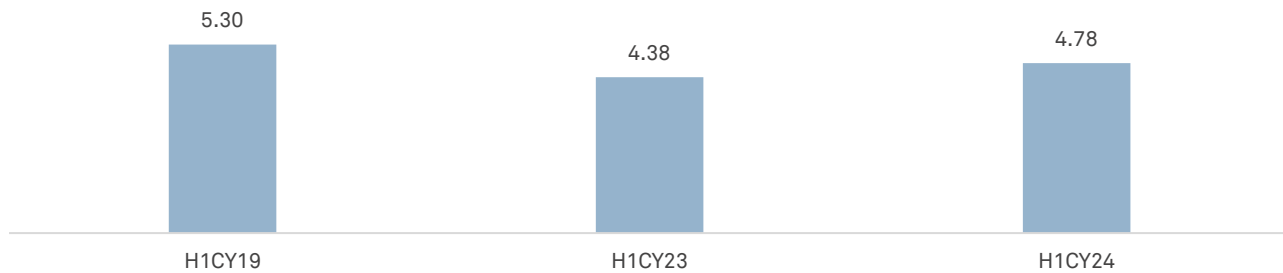
One, reduced demand from Bangladesh on account of the current political scenario there and the suspension of direct flights from China impacting tourist footfalls. Both these

countries were a major source of tourists for India and accounted for 27% of the FTAs in 2019.

Two, countries such as Qatar, Dubai, Vietnam and Sri Lanka are drawing tourists with more affordable options and favourable visa policies. These destinations have exceeded their pre-Covid levels, with FTAs in Qatar up 47%, Dubai 11%, Vietnam 4% and Sri Lanka 0.2% in the first half of the current calendar.

Additionally, aggressive campaigns by emerging destinations such as Azerbaijan, Georgia and Kazakhstan are competing for tourist spends.

Foreign tourist arrivals in India (million)



Source: Ministry of Tourism

Forex earnings surge

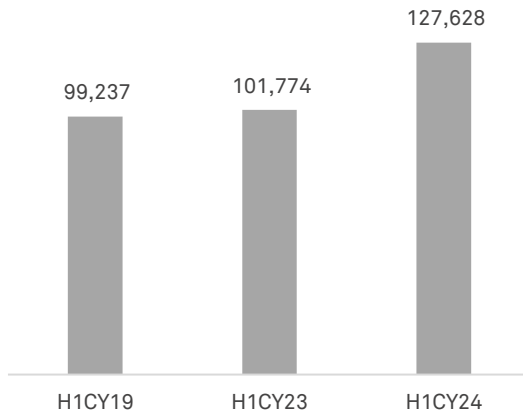
The picture is rosier when it comes to foreign exchange earnings (FEE), which rose 23% in the first half of 2024 over the same period in 2019.

This suggests tourists are spending more during their visits, which can be linked to several factors, including a 20% rise in five-star hotel rates between 2019 and 2024, increasing tourist preference for luxury experiences and higher disposable incomes with travellers indulging in premium services such as fine dining, high-end accommodations and distinctive cultural experiences.

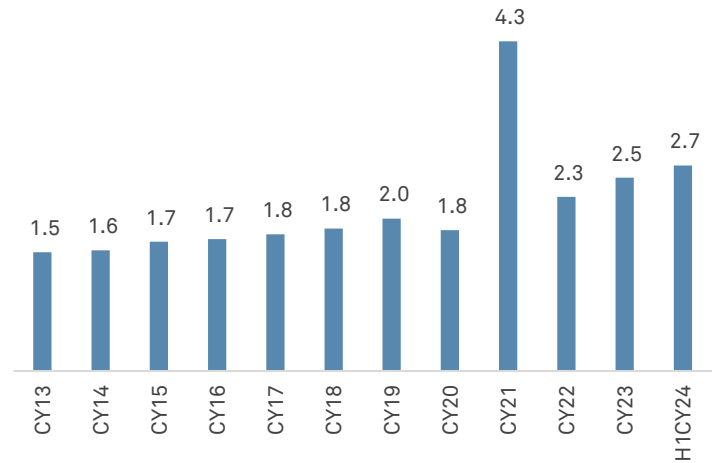
This shift in priority from quantity to quality in travel expenditures is also reflected in FEE per FTA, which increased steadily from Rs 1.5 lakh in 2019 to Rs 2.0 lakh in the first half of 2024, a nearly one-third jump.

The rupee depreciation against the dollar — down 19.4% at 83 per dollar in the first half of 2024 from 69.5 in 2019 — is also a major factor for the rise in FEE per tourist as it has made travel to India more affordable for foreign tourists, thereby enhancing their spending power.

Foreign exchange earnings (Rs crore)



Spend per foreign tourist arrival (Rs lakh)



Note: CY21 saw a Covid-impacted spike in spend per FTA
Source: Ministry of Tourism

Outbound travel surges

India's outbound tourism is, meanwhile, seeing a divergent trend.

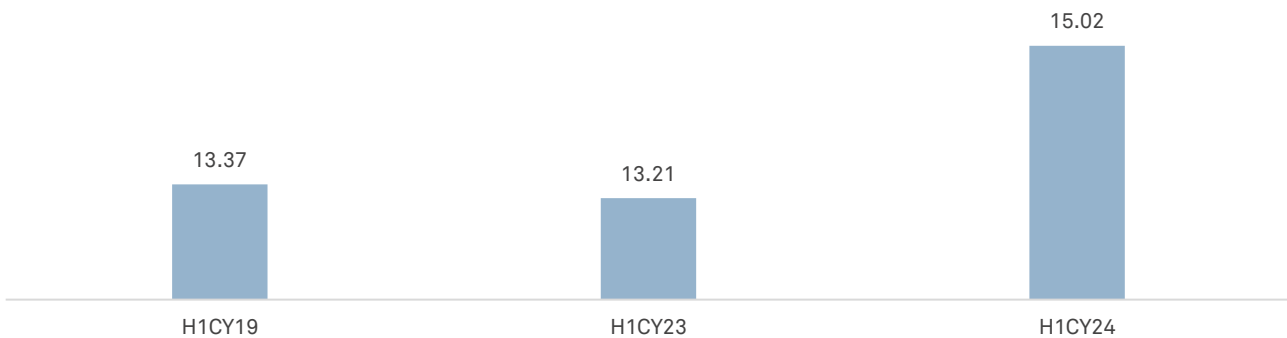
With a notable 12% increase in Indian national departures over pre-Covid levels in the first half of 2024, Indian tourists are rapidly emerging as a significant growth engine for global tourism (India accounted for 2.4% of the global outbound market as of 2019).

The surge is largely driven by the K-shaped economic recovery,

which is playing out in tourism, too. Indians making multiple trips abroad, supported by rising disposable income that has made international travel more affordable and enhanced airline connectivity and streamlined visa processes that have made foreign destinations more accessible.

Changing travel preferences are also influencing outbound travel as demand for unique experiences, such as wellness retreats and adventure trips, is rising.

Indian national departures (million)



Source: Ministry of Tourism

Another factor aiding growth is the emergence of cost-effective international destinations.

For example, a five-day all-inclusive trip ex-Mumbai with accommodation in a five-star hotel during the Diwali week to Bangkok would cost about 7% less than that to Goa. And with a four-star accommodation, the trip cost to Bangkok and Goa will be more or less similar.

Indians are increasingly preferring such international destinations as trips to many of these are on a par or maybe 5-10% more expensive than domestic travel.

Steps that can boost the GDP share of tourism

India needs a two-prong action plan to enhance the contribution of tourism to GDP – first, position itself as a top global tourist destination and, second, woo its potential outbound travellers to prefer domestic destinations instead.

That requires a comprehensive strategy.

In the context, here are some steps that deserve consideration.

Short-term

1. Devise a vibrant marketing campaign showcasing India's rich cultural heritage, diverse landscapes and unique experiences through digital platforms and social media to boost visibility and engagement
2. Simplify the visa process by expanding the e-visa and visa-on-arrival programmes, as seen in countries such as Thailand and Sri Lanka, to make travel easier

3. Focus on the National Strategy for Sustainable Tourism to woo eco-conscious travellers

Medium-term

1. Enhance direct flight connectivity with key source markets, especially those with high tourist outflows, to further ease travel. These efforts can be amplified by leveraging social media influencers in target regions
2. Promote lesser-known attractions and develop circuits within destinations to encourage longer stays
3. Offer diverse activities targeted at specific traveller segments, from luxury to budget. Focus on increasing the spend ratio by encouraging more activities and longer visits to help boost revenue
4. Expand niche sectors such as adventure, medical and wellness tourism to cater to specialised interests. Promote the country's culinary heritage and cultural festivals to attract food and culture enthusiasts
5. Encourage skill development in the hospitality sector to ensure higher service quality. Engage local communities in tourism activities to promote shared benefits while preserving cultural and natural resources

Long term

1. Invest in transportation infrastructure, such as better roads and rail networks, to improve access to remote areas
2. Design digital marketing strategies, including virtual tours, to engage potential visitors before they travel

Analytical contacts

Pushan Sharma

Director
CRISIL MI&A Research
pushan.sharma@crisil.com

Mohit Adnani

Associate Director
CRISIL MI&A Research
mohit.adnani@crisil.com

Media contacts

Sanjay Lawrence

Media Relations
CRISIL Limited
M: +918983321061
D: +91 22 3342 5916
B: +91 22 3342 3000
sanjay.lawrence@crisil.com

Roma Gurnani

Media Relations
CRISIL Limited
M: +91 70662 92142
D: +91 22 3342 5916
B: +91 22 3342 3000
roma.gurnani@ext-crisil.com

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