Growth Scenarios for Tourism to Sri Lanka: 2022 (Updated)

A Time-Series Analysis Conducted by
Sri Lanka Tourism Development Authority
May 2022

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INTRODUCTION

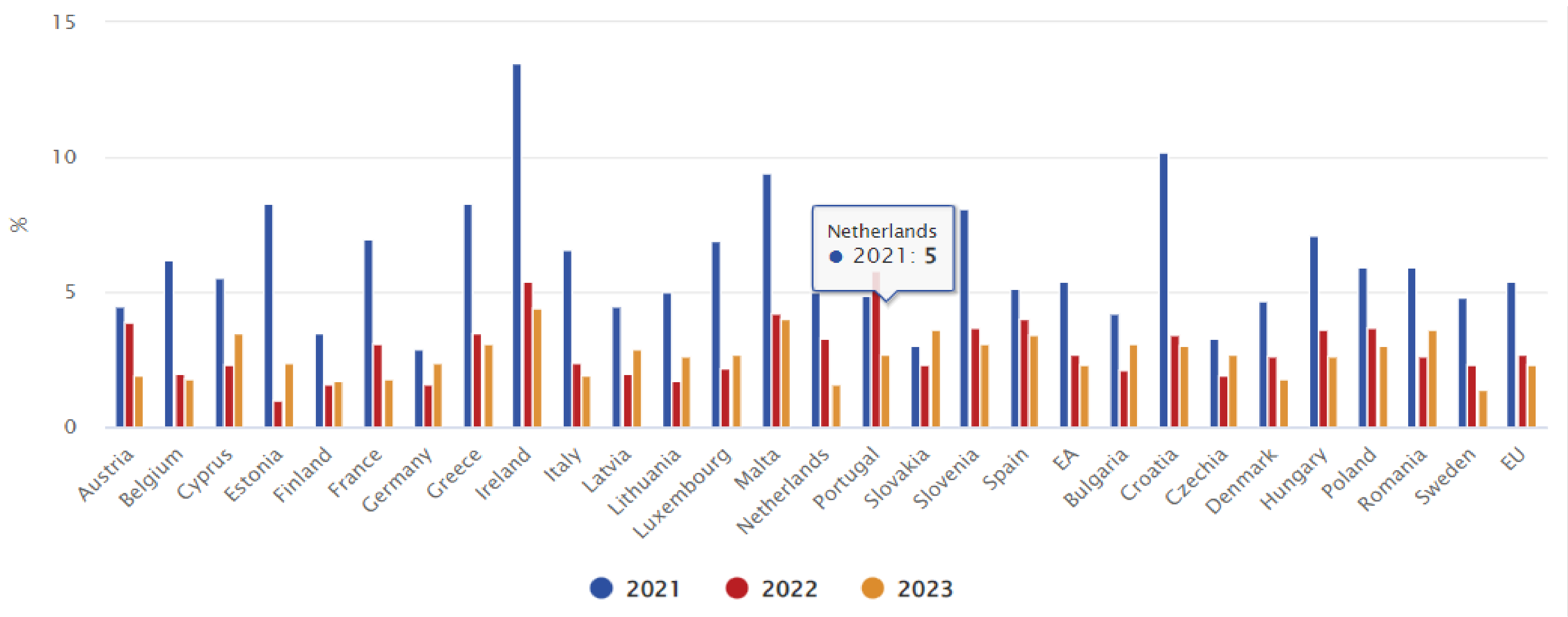
Since the last publication of the growth scenarios for tourism in to Sri Lanka in November 2021, the tourism industry is once again overshadowed by both internal and external uncertainties and pressures. As highlighted by the United Nations World Tourism Organization (UNWTO), the total number of international tourist arrivals at the global level more than doubled (+130%) in January 2022, compared to the same period in 2021. For Sri Lanka, the percentage change recorded for arrivals up to April 2022, in comparison to arrivals up to April 2021, was 365.4%, while the percentage change recorded for the month of April 2022, in comparison to April 2021, was 1,411.4%. The steps taken to reopen tourism through comprehensive health protocols, high level of vaccination rates and curtailment of the pandemic could be pointed out as some of the driving factors for this high growth momentum.

However, this positive trend is once again at risk with the current Sri Lankan economic crisis that has triggered rippling waves of alarm for the industry, both internationally and within Sri Lanka. Advisories against travel to Sri Lanka by main source markets such as the United Kingdom, Germany, and France and negative media coverage on fuel and other shortages, combined with political unrest has left a negative impression of Sri Lanka as a tourism destination. Repercussions are already surfacing as travel companies such as TUI have cancelled all their flights to Sri Lanka departing up to May 2022. In addition to the internal factors, the war in Ukraine has brought renewed disruptions in global food and fuel supply resulting in further price pressures (i.e., inflation). This could create severe impacts especially on European countries which are the main tourism source markets for Sri Lanka. The heavy reliance on imported fossil fuels especially from Russia, high integration of global supply chains and large inflows of people fleeing war pose further challenges for European countries.

In this context of high inflation and falling purchasing power, households tend to devote a smaller fraction of their disposable income to discretionary travel. The savings rate is projected to fall in the European Union zone from 17% last year to 13.8% in 2022, and 12.5% in 2023. This will have detrimental impacts on the travel industry and especially for Sri Lanka. Potential travel consumers will have less disposable income and less desire to travel long-haul for vacations. Further, the emergence of a variant of COVID-19 after the Omicron strain is still a possibility and recent lockdowns in mainland China and Hong Kong provide ample examples for this. This will further exacerbate the supply disruptions which in turn will affect the tourism industry. The growth scenarios for tourism to Sri Lanka for the remainder of 2022 are produced in this context. The following document provides growth scenarios based on two main perspectives, a conservative scenario, and a more optimistic scenario. The scenarios are meant to provide an updated overview of international inbound tourism arrivals to Sri Lanka on an annual basis. The data provides a viewpoint on how Sri Lanka’s tourism recovery could unfold to support investment, marketing and product development decisions.

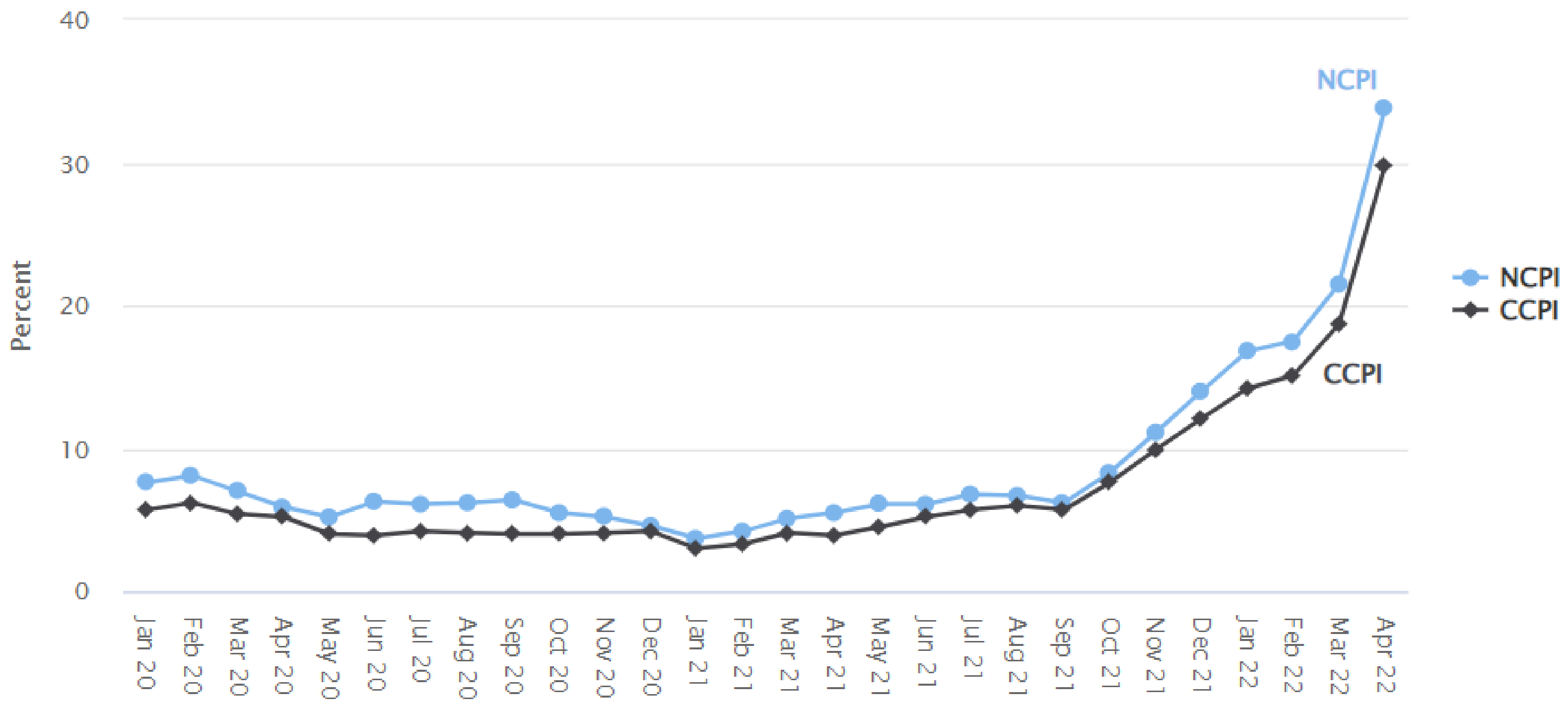
CURRENT CHALLENGES FOR SRI LANKA

Economic forecast for select European countries, 2021 to 2023



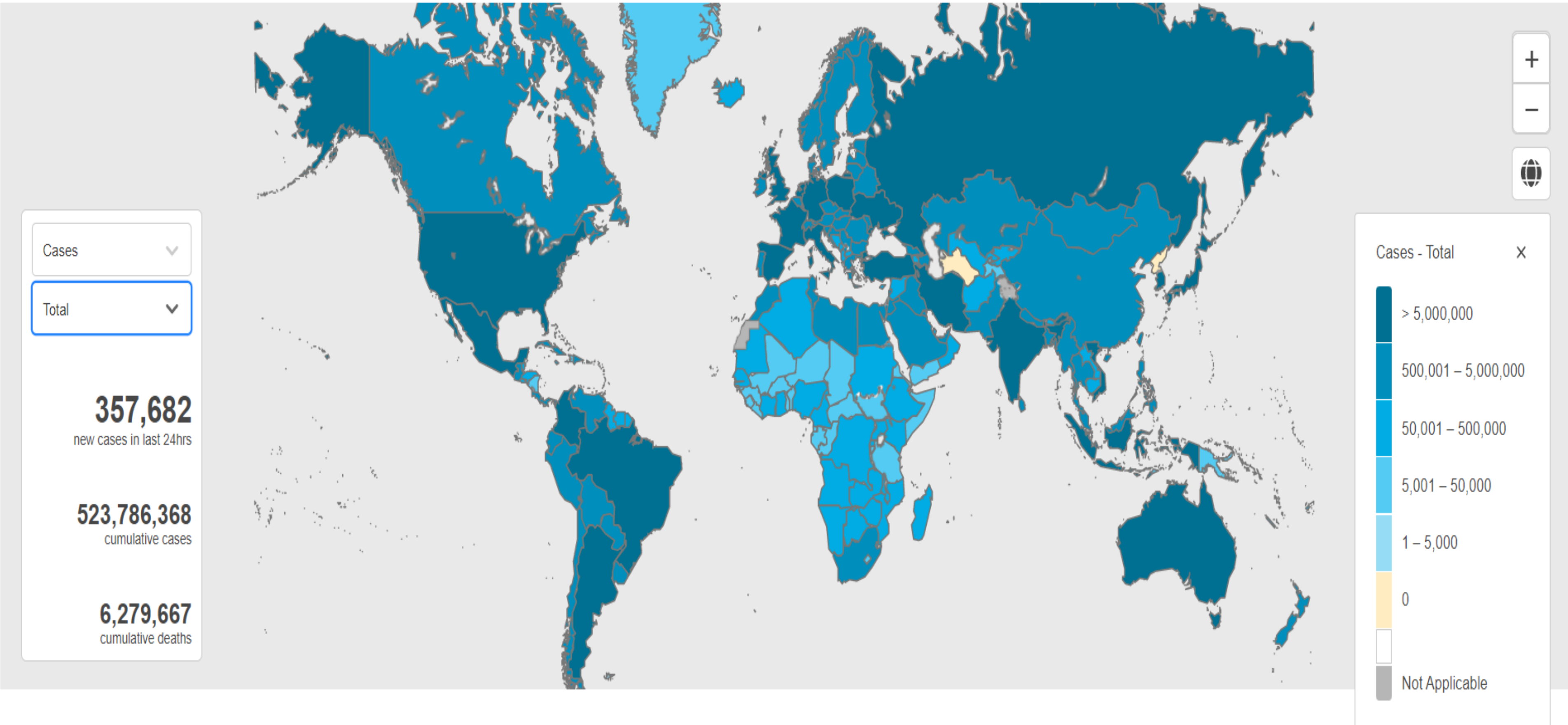
Source: European Commission

Consumer Price Inflation in Sri Lanka, Year of Year Change, 2020 to 2022



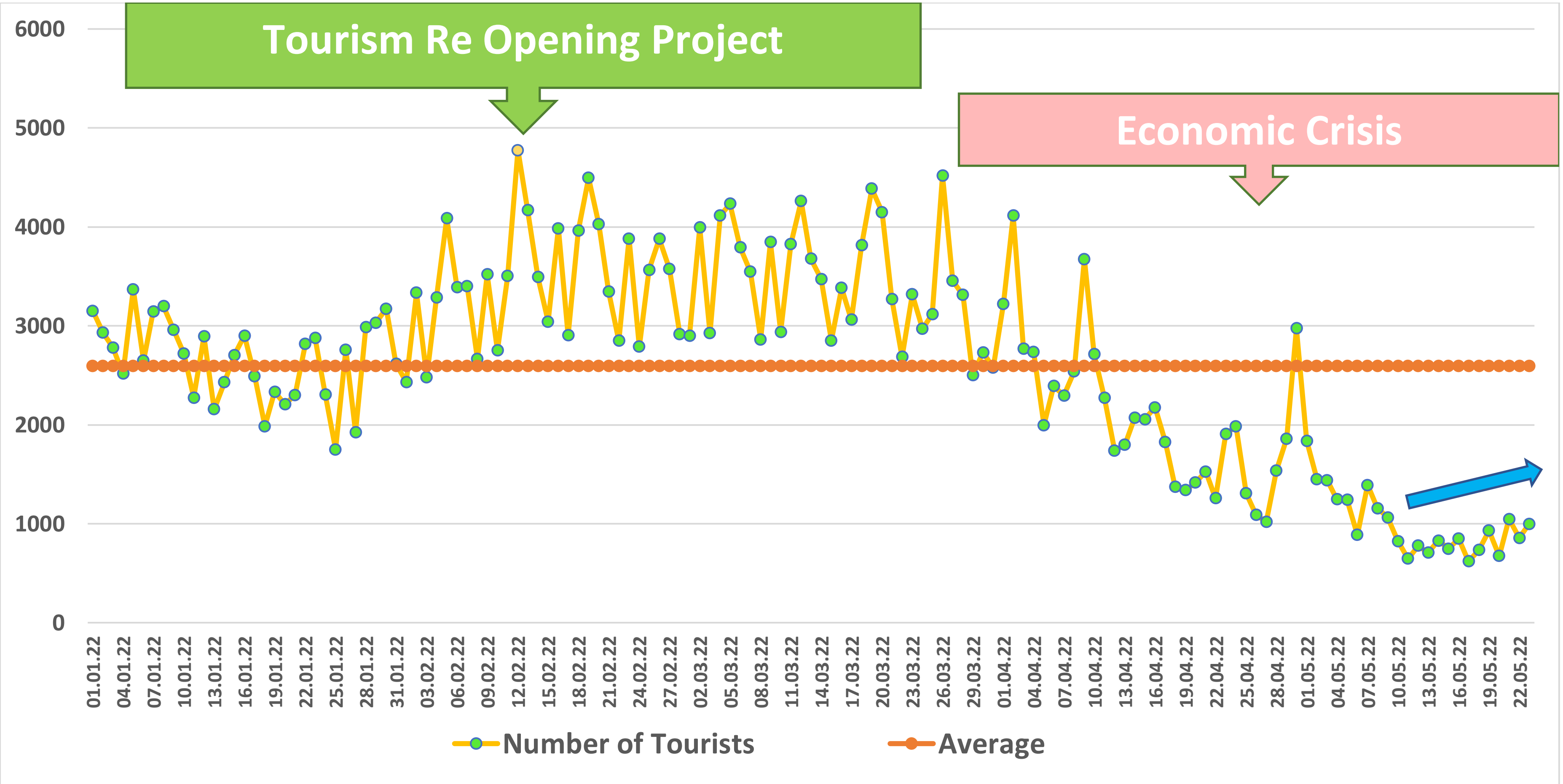
Source: Central Bank

Global COVID situation – cases as of 29th May, 2022



Source: WHO

Tourist arrivals to Sri Lanka, 2022



METHODOLOGY

The growth scenarios have been calculated primarily based on a time series analysis of actual arrivals to Sri Lanka. Two main scenarios namely, a conservative scenario denoting an average level of growth and an optimistic scenario denoting an upper growth level are presented to provide a possible range of international tourist arrivals to Sri Lanka. The growth scenarios for 2022, are depicted under two separate scenarios. The first scenario for the year 2022 denotes the expected arrivals under the current economic uncertainty and pressures in Sri Lanka whereas the second scenario denotes the expected arrivals under the normal conditions and as per the trend from October 2021 to March 2022.

The data presented is current as of the time of publishing (i.e., May 25, 2022) and subject to change given market forces. SLTDA is planning on updating these growth scenarios on a quarterly basis.

INTERNATIONAL TOURIST ARRIVALS TO SRI LANKA - GROWTH SCENARIO 2021 – 2022

(Current as of 24th May 2022)

	2021						
	Forecasting Value		Actual Values	*Scenario if the economic crisis continues		Normal trend (as per the trend from Oct. 21 ~ March 22)	
Month	Conservative Scenario	Optimistic Scenario		Conservative Scenario	Optimistic Scenario	Conservative Scenario	Optimistic Scenario
January			1,682	82,327	82,327	82,327	82,327
February			3,366	96,507	96,507	96,507	96,507
March			4,581	106,500	106,500	106,500	106,500
April			4,168	62,980	62,980	62,980	62,980
May			1,497	32,100	43,348	56,301	91,904
June			1,614	25,650	49,670	76,416	96,154
July			2,429	41,100	58,318	89,720	112,895
August			5,040	56,100	74,633	103,017	126,626
September			13,547	33,660	56,100	86,308	108,602
October			22,771	26,700	58,234	89,591	112,732
November	34,075	42,565	44,294	38,610	73,365	112,869	142,023
December	48,419	82,419	89,506	63,690	92,581	126,142	158,724
Total	**143,189**	**185,679**	**194,495**	**665,924**	**854,564**	**1,088,678**	**1,297,974**

These growth scenarios are based on current market forces and are subject to change.

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