

Hospitality Industry In Sri Lanka - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2020 - 2029

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Report description:

The Sri Lankan Hospitality Market size is valued at USD 470.76 million currently, and it is expected to witness a CAGR of 7.5% during the forecast period.

Hospitality is a key component of Sri Lanka's culture and plays a significant role in the country's tourism sector and economy. From resort hotels, city hotels, boutique hotels, and homestays to camping sites and restaurants serving authentic Sri Lankan cuisine, there is a wide variety of hospitality options available. Tourism is the third largest source of revenue for the country, and hospitality is the major component of the tourism sector that generates foreign exchange. Tourism accounts for 4.3% of GDP and 13.3% of total foreign exchange earnings and employs 450,000 people directly and indirectly. Tourism has always been Sri Lanka's biggest earner in terms of foreign exchange, and it is still a major source of income. It is a great way to invest and trade, and the government is now offering beach land and islands for tourism development. Eastern Sri Lanka is a great area to explore, with great beaches like Pasekudaha and Arugam Bay. Surfing is a must-do for anyone who loves the ocean. Plus, the country has lots of parks and forests, with lots of wildlife and unique species, and it is even considered a biodiversity hub by some international environmental groups. The hospitality industry in Sri Lanka is heavily influenced by a variety of external and internal factors, including political instability, economic conditions, social issues, technological developments, environmental considerations, and the legal framework. Major international hotel chains, such as Hilton, Starbucks, and Best Western, are present in the country, and a number of major international companies are expected to establish their operations in the country in the foreseeable future.

Sri Lanka, a popular destination for holidaymakers, had an unprecedented economic crisis, and political turmoil has all but wrecked its tourism, with about 40% of the pre-bookings being canceled in 2022. A series of back-to-back crises over the last few years, including the coronavirus pandemic and the 2019 Easter Sunday terror attacks, had brought Sri Lanka's tourist-dependent

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economy to a halt as the country shut its borders and imposed lockdowns and curfews. The government has done recently to help the hospitality sector, which has a big impact on the economy. The government is really trying to work with the hospitality industry and is in constant communication with their representatives. An increase in tourism is driving the hospitality market in the country. 'Tourism Bio Bubble' operation put in place by Sri Lanka Tourism, which has been recognized and acknowledged globally as an innovative concept to resume tourism in the new normal operations. The Sri Lankan government, in December 2022, introduced a mobile app aimed at improving the safety of international tourists. Furthermore, the consistently growing middle class, rising levels of disposable income, and increasing interest among millennials to travel are a few major reasons that are making the travel industry a profitable one, which is indirectly helping in the growth of hospitality. Sri Lanka is hosting a few of the Asia Cup 2023 matches in the country. The Sri Lankan hotel sector stands to gain significantly from this development, as there will be substantial incremental demand for hotels in the cities where the meetings and tournaments will be held.

Hospitality Industry In Sri Lanka Market Trends

Increase in the Number of SLTDA Registered Accommodation is Driving the Market

The total number of SLTDA registered accommodation establishments, as of 31st December 2022, was 3,829. The number of classified tourist hotels was 156, and among them, 37 were five-star hotels. The presence of small and medium enterprises is a strong accommodation sector consisting of Guest Houses, homestay units, and Bungalows. It is noteworthy that Classified Tourist Hotels consist of only 4.1%. The total room inventory for 2021 was 48,120. It is noteworthy that Guest Houses had the highest inventory of 15,438 rooms. A comparison of the total number of establishments and total number of rooms in the consecutive years of 2019, 2020, and 2021 revealed that the total number of establishments in 2022 increased by 46.1% in comparison to 2019, whereas the number of rooms had increased by 19.2%. A comparison of room inventory for 2021 and 2022 revealed that the room inventory increased by 1.6%, and the number of establishments increased by 4.7%. The growth of the small and medium enterprises in these consecutive years is noteworthy. Homestay units increased by 4.6% in 2022 in comparison to 2021, while Bungalows increased in 2022 by 11% in comparison to 2021. The number of establishments in the categories of Boutique Hotels, Classified Tourist Hotels, Heritage Bungalow, Heritage Home, Hostels, and Rented Homes remained unchanged from 2021 onwards.

According to the Sri Lanka Tourism Development Authority (SLTDA), there were more than 480 tourist hotels and resorts comprising a total of 25,958 hotel rooms in Sri Lanka at the end of 2022. In Colombo, the room inventory is expected to increase by almost 4,000 rooms between 2023 and 2024, with most of the upcoming supply in the luxury segment. The room inventory on the South-West Coast is expected to increase by approximately 1,800 rooms in the next two years, with the majority of the upcoming supply in the Upper Upscale segment.

Rise in Tourism in the Country is Driving the Hospitality Industry

The rise in tourism in the country is driving the hospitality industry. In 2022, there was a significant increase in international tourist arrivals to the country, with 719,978 visitors recorded for the year, a 270.2% increase compared to the 194,495 tourists who visited in 2021. The number of tourists arriving in September was the lowest at 29,802, yet overall, there was a trend of increasing arrivals throughout the year, with fluctuations in specific months. The growth in arrivals was attributed to factors such as advances in vaccination, ease of travel, lifted restrictions, and increased consumer confidence. International tourist arrivals to Sri Lanka recovered 31% of pre-pandemic levels (2018). Europe, the largest source of tourists to Sri Lanka, enjoyed the strongest relative increase across regions in 2022, with arrivals climbing to 42.5% of pre-pandemic levels (-57.5 versus 2018). Asia and Pacific recorded 213,537 arrivals in 2022 to reach nearly 20% of arrivals recorded in 2018. Africa and the Americas recovered about 31.5% and 38%, respectively, while the Middle East reached 26% of 2018 arrivals. In the period from January to December 2022, Sri Lanka's top five international tourist markets were India, Russia, the United Kingdom, Germany, and France. India was the largest contributor of tourists, accounting for 17.1% of the total traffic. Russia followed closely with 12.7%, while the United

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Kingdom, Germany, and France accounted for 11.8%, 7.7%, and 4.9%, respectively. Notably, Canada and Poland also appeared among the top source markets compared to the previous year.

Hospitality Industry In Sri Lanka Industry Overview

The hospitality industry in Sri Lanka is fragmented due to the presence of international and local players in the country. It is experiencing fierce competition across all segments, ranging from city hotels to resorts and beyond. However, the location and architecture of the hotels are expected to act as a differentiator for the brands. Furthermore, major brands such as Jetwing Lighthouse are investing more in training programs for their employees to enhance customer satisfaction ratio, sustainability initiatives, and creating new experiences.

Additional Benefits:

- The market estimate (ME) sheet in Excel format
- 3 months of analyst support

Table of Contents:

1 INTRODUCTION

- 1.1 Study Assumptions and Market Definition
- 1.2 Scope of the Study

2 RESEARCH METHODOLOGY

3 EXECUTIVE SUMMARY

4 MARKET INSIGHTS AND DYNAMICS

- 4.1 Market Overview
- 4.2 Market Drivers
 - 4.2.1 Rise in the Tourism industry
 - 4.2.2 Increase in the Number of Hotel Projects and Investments
- 4.3 Market Restraints
 - 4.3.1 Sustainability and Competition Threaten Industry Success
- 4.4 Market Opportunities
 - 4.4.1 Government initiatives can be used to expand the horizons of the sector
 - 4.4.2 Online marketing can be leveraged to grow the customer base
- 4.5 Value Chain / Supply Chain Analysis
- 4.6 Industry Attractiveness: Porter's Five Forces Analysis
 - 4.6.1 Threat of New Entrants
 - 4.6.2 Bargaining Power of Buyers
 - 4.6.3 Bargaining Power of Suppliers
 - 4.6.4 Threat of Substitutes
 - 4.6.5 Intensity of Competitive Rivalry
- 4.7 Impact of COVID-19 on the Hospitality Industry
- 4.8 Insights into Revenue Flows from the Accommodation and Food and Beverage Sectors
- 4.9 Leading Cities in Sri Lanka with Respect to Number of Visitors
- 4.10 Investments (Real Estate, FDI, and others) in the Hospitality Industry
- 4.11 Technological Innovations in the Hospitality Industry

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- 4.12 Insights into Shared Living Spaces' Impact on the Hospitality Industry
- 4.13 Insights into Other Economic Contributors to the Hospitality Industry

5 MARKET SEGMENTATION

5.1 By Type

5.1.1 Chain Hotels

5.1.2 Independent Hotels

5.2 By Segment

5.2.1 Service Apartments

5.2.2 Budget and Economy Hotels

5.2.3 Mid and Upper mid scale Hotels

5.2.4 Luxury Hotels

6 COMPETITIVE INTELLIGENCE

6.1 Market Concentration

6.2 Company Profiles

6.2.1 Shangri-La Hotels and Resorts

6.2.2 Marriott International Inc.

6.2.3 Amaya Resorts & Spa

6.2.4 Cinnamon Hotels & Resorts

6.2.5 InterContinental Hotels & Resorts

6.2.6 Amari Galle

6.2.7 Yoho Lanka (Pvt) Ltd

6.2.8 Tangerine Group of Hotel

6.2.9 Jetwing Hotels

6.2.10 Anatara Hotels, Resorts & Spa

6.2.11 Ramada (by Wyndham hotels & resorts)*

7 FUTURE MARKET TRENDS

8 DISCLAIMER AND ABOUT US

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