

Depreciation of rupee-A double-edged sword for the hospitality and tourism industry

A weaker rupee is a double-edged sword for the hospitality and tourism industry. While on the one hand, a depreciating rupee makes India a cheaper destination for foreign tourists to vacation in India, thereby making it more attractive for travellers from developed economies, the import of capital goods and consumer goods will increase in price adding to the costs of the F&B and hospitality industry.

“Import of alcohol and liquor will go up, for instance, and a lot of the revenues of the F&B industry depend upon that,” says Mr. Pradeep Shetty, Joint Honorary Secretary, Federation of Hotel and Restaurant Associations of India (FHRAI).

However, industry observers believe that there is unlikely to be much of an impact on inbound tourists.

The rupee plunged to a record low of Rs 80 against the dollar. It has fallen nearly 7 per cent in the year to date.

For the hospitality sector, a depreciating rupee will add to their costs. “We are just about recovering from Covid, add to that inflation and now this. It may lead to the industry to increase prices,” says Mr. Pradeep Shetty, Joint Honorary Secretary, Federation of Hotel and Restaurant Associations of India (FHRAI). He also points out that a weaker rupee will lead to an increase in price of fuel, energy etc and all this will lead to an increase in prices of food items that will finally trickle down to the customer.

“Hotels will have to look for some revenue to offset all these costs, or an increase in costs for the consumers will be inevitable.”