



Central Bank of Kenya

Monetary Policy Committee Hotels Survey

May 2021

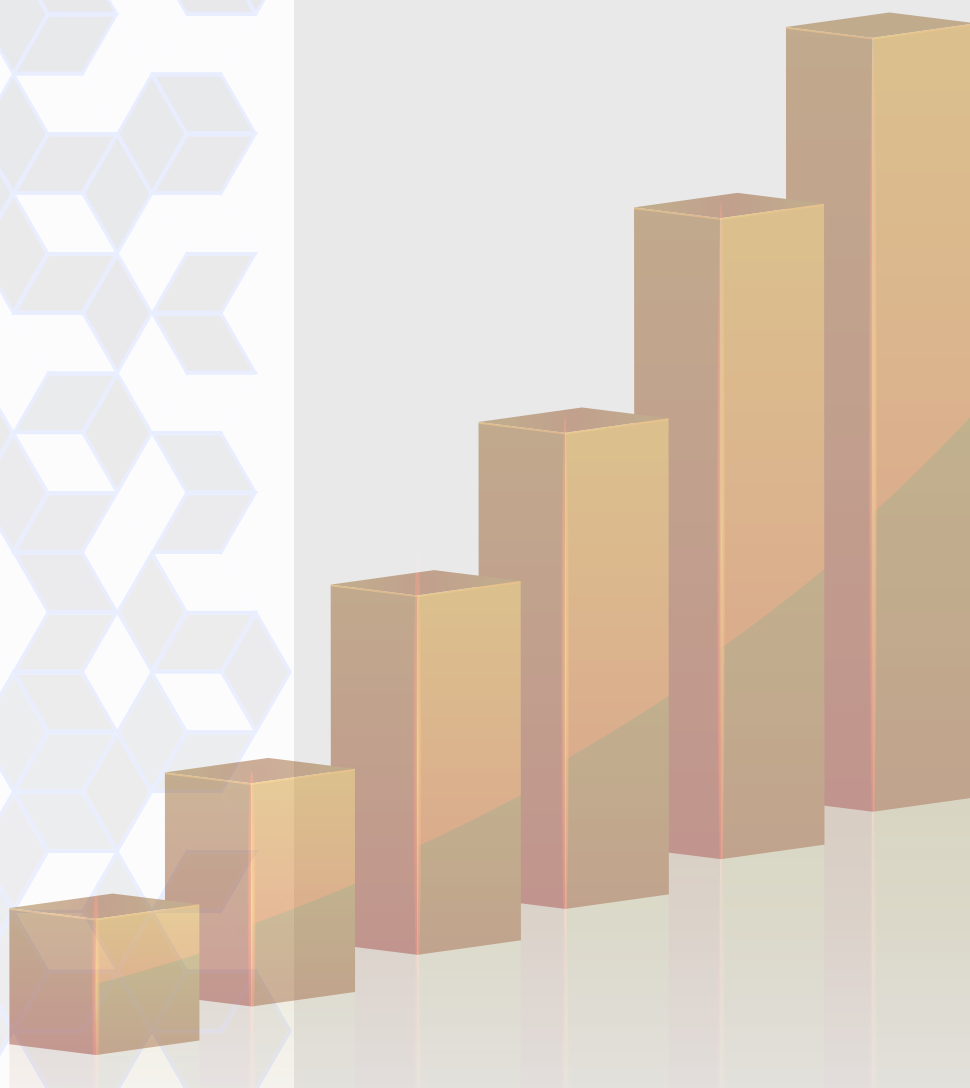


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1. BACKGROUND

The Central Bank of Kenya (CBK) conducted a Survey of Hotels between May 11 and 13, 2021, to assess the extent of recovery of the sector, particularly following the resurgence in COVID-19 cases in the country and the consequent imposition of zoned lockdowns in Nairobi, Kiambu, Nakuru, Kajiado and Machakos counties. In addition, sale of alcohol was banned while the restaurant services were restricted to take-away services only, in the five counties. These restrictions were lifted on May 1, following a reduction in infection rates in the country.

It is against this backdrop that CBK undertook this follow-up survey to assess the extent of impact of the pandemic and the pace of recovery of the sector. The survey assessed the levels of operations in the sector in terms of accommodation, restaurant and conference services, levels of employment, and forward bookings for the period April to May 2021.

Prior to COVID-19 pandemic, the accommodation and food services sector was a key contributor to the strong performance in services in the economy. The sector formally employed over 82,900 people and, together with trade services in 2019, engaged over 9 million people. The sector was the worst hit by the pandemic, contracting by 57.9 percent in the third quarter in 2020, albeit an improvement from the contraction of 83.3 percent in the second quarter of 2020. The sector recorded a growth of 10.3 percent in 2019. The contraction in the second and third quarters of 2020 were attributed to measures instituted by Government to contain the spread of COVID-19. These measures included: suspension of passenger flights, closure of hotels and bar services, and imposition of night curfew. As the rate of infections declined, the economy was gradually re-opened with strict health protocols, and consequently hotels and entertainment areas started re-opening.

The May 2021 Survey was a supplement to the regular Monetary Policy Committee (MPC) Market Perceptions Survey and the CEOs Survey. The Survey of Hotels sought information on the status and levels of hotel operations particularly the utilization of accommodation and restaurant services, changes in employment in the sector, changes in the composition of clientele during the pandemic period, expectations on when the sector would return to normal operations, and general sentiments by the sector. The Survey findings provided important input and information to the MPC in its May 2021 meeting.

2. SAMPLE AND METHODOLOGY

The Survey covered hotels, ranging from the top rated 5-star hotels to the small scale outlets, selected randomly from hotels operating in Nairobi and surrounding towns (Machakos, Kiambu, and Kajiado) and the rest of the country, particularly in Mombasa, Kisumu, Eldoret, Naivasha, Nakuru, Nyeri, Kisii and Meru towns.

The Survey was administered to the chief executives, managing directors, owners, and /or senior employees of the hotel enterprises. The respondents were people with good knowledge of the activities in their respective hotels and the sector as a whole. A total of 67 hotels across the country (27 in Nairobi metropolitan area; 18 in Naivasha, and 22 in the rest of the country) participated in the survey.

The Survey was administered through direct interviews by CBK staff using a structured questionnaire. The responses were aggregated and analyzed using frequencies, percentages and simple averages, where appropriate. This report provides a summary of the findings of the Survey of hotels conducted in May 2021.

3. KEY HIGHLIGHTS OF THE HOTELS SURVEY FINDINGS

The Key takeaways from the 2021 CBK Hotels Survey for May included:

- The proportion of sampled hotels in operations stands at 94 percent compared to 81 percent in April, and 98 percent in March. This reflects the impact of the COVID-19 containment measures imposed in March 2021, following a surge in infections, and consequent lifting of the containment measures on May 1.
- Employment in the sector declined to 49 percent of pre-COVID levels (February 2020) in April, but recovered to 57 percent in May. Despite this decline, employment remains above the May 2020 levels.
- Average bed occupancy, utilization of restaurants and conference services also improved slightly in May after the decline in April 2021.
- Local guests continued to support activity in the sector during the COVID-19 period, accounting for 84 percent and 85 percent of the total clientele for accommodation and restaurant services, respectively, in May 2021.

- On average, under the prevailing conditions, 18 percent of respondent hotels indicated that they expect to attain normal (pre- COVID) levels of operations in 2021, a drop from the 39 percent in the March Survey.
- Despite the recent surge in COVID-19 infections, respondents were optimistic about a strong recovery of the sector once the pandemic is contained, particularly with the continued rollout of vaccines.

4. HOTELS IN OPERATION

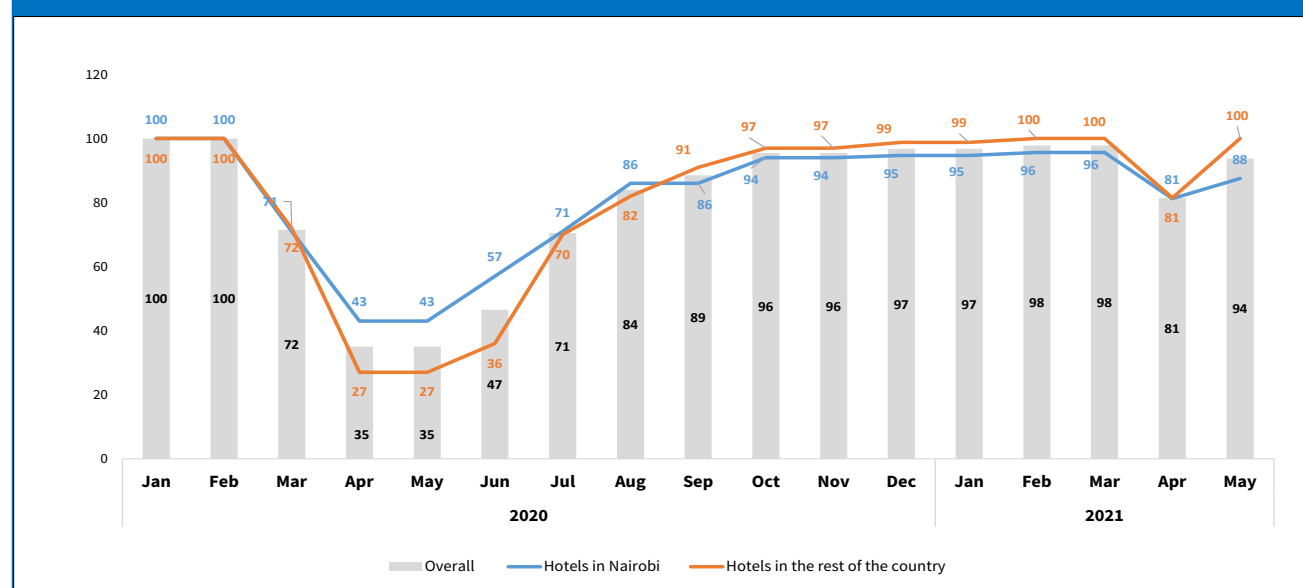
Respondents were requested to indicate whether their enterprises were operating in each of the months between December 2020 and May 2021. On average, 81 percent of the sampled hotels were in operations in April, down from 98 percent in March. This decline was associated with the imposition of lockdown on March 26, following a surge in COVID-19 infections in the country.

Following the lifting of the restrictions on May 1, hotels in operation improved to 94 percent in May (**Figure 1**). In particular, 100 percent of the hotels in the rest

of the country were in operation in May compared to 88 percent of hotels in Nairobi. The few hotels in Nairobi that are still closed cited low business as the main reason, since they largely depend on foreign business. Nevertheless, respondents reported concerns and risks related to the resurgence and increase in COVID-19 infections.

The respondents to the Survey noted that the impact of restrictions announced on March 26 was largely on the hotels in the lockdown counties while it had little impact on hotels in the rest of the country.

Figure 1: Hotels in Operation (percent of hotels that responded)

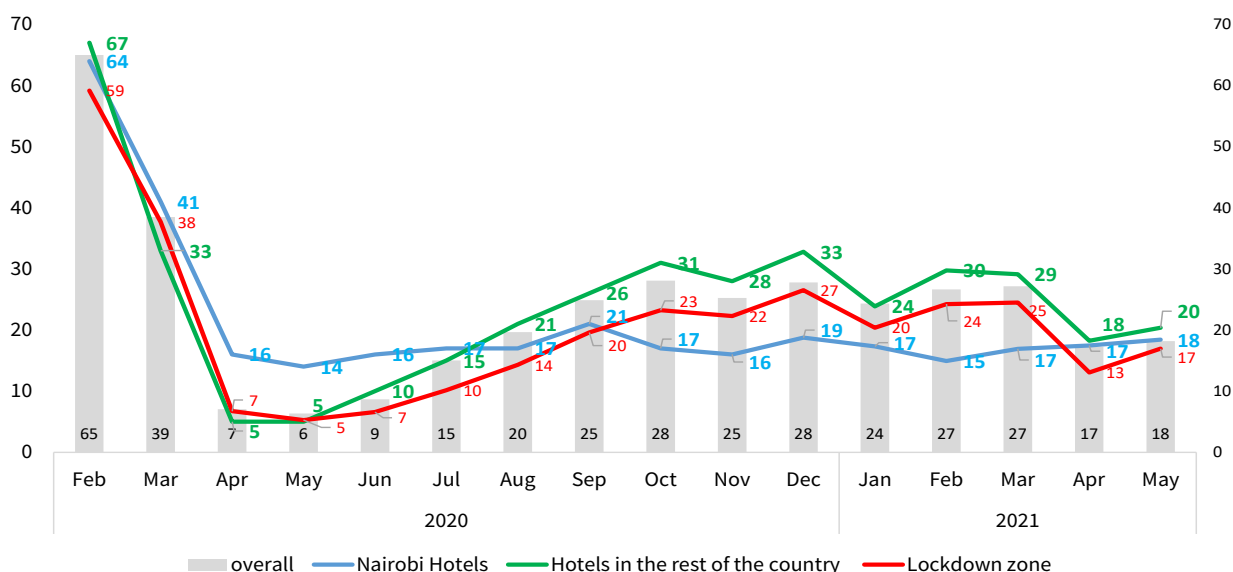


5. LEVELS OF OPERATIONS

The level of operations of hotels was assessed in terms of accommodation (bed occupancy rates), restaurant and conference services. In particular, respondents were asked to indicate, on a scale of 0-100 percent, the level of hotel operations in terms of utilization of bed capacity, restaurant and conference services in April and May.

On average, bed occupancy in April 2021 averaged 17 percent compared to 27 percent in March, but recovered slightly to 18 percent in May following lifting of the restrictions that had been announced on March 26 (**Figure 2**). In particular, bed occupancy in hotels in Nairobi remained stable while that of the rest of the country dipped in April with some recovery

Figure 2: Bed occupancy rate (percent of total bed capacity)

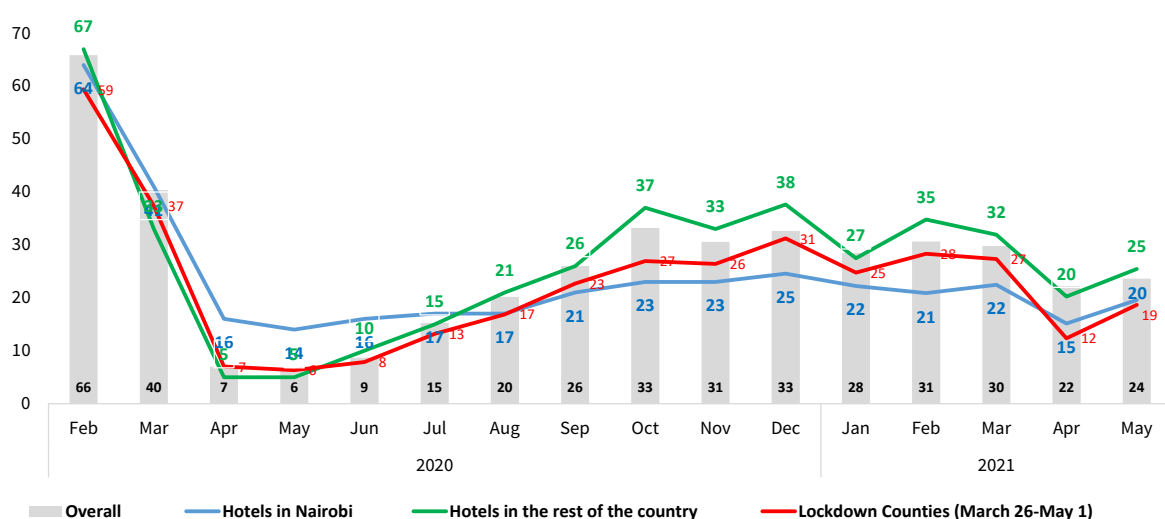


in May. The stability of hotels in Nairobi is associated with the fact that it was still possible to freely move within the lockdown counties.

The impact of the restrictions was largely felt on the lockdown counties except Nairobi county. This is attributed to the fact that despite being allowed to move within the counties, the rise in infections had led to cancellation/postponement of planned events such as conferences, meetings and other workshops that are normally held in the counties surrounding Nairobi.

The restrictions of movement in the five counties also affected the restaurant services across the country. In particular, the ban on sale of alcohol, and the restriction of restaurants to take-away services also affected the sector. In this regard, the restaurant services decline to 22 percent in April from 30 percent in March, but recovered in May after the restrictions were lifted (**Figure 3**). The survey noted that the impact of the restrictions was across the country, but largely in the lockdown counties.

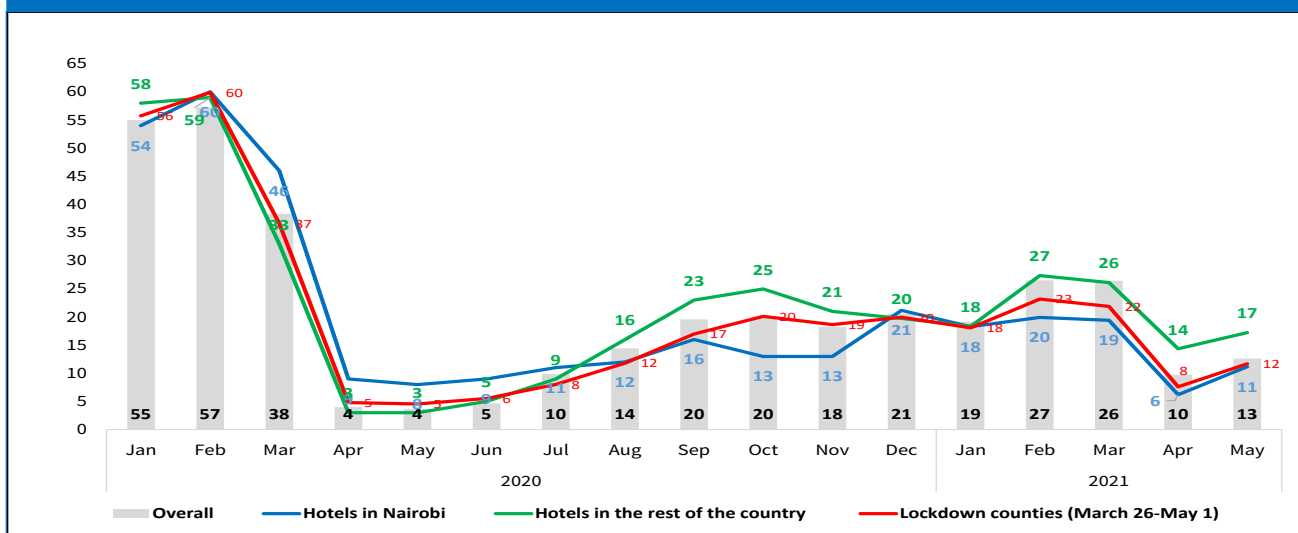
Figure 3: Utilization of restaurant services (percent of total capacity)



The respondents indicated that the utilization of conferencing services declined in April compared with the levels in March, reflecting the impact of the restrictions (**Figure 4**). Hotels also confirmed having received many cancellations of conferences services that had been planned

for the period. The impact of the restrictions was largely on the lockdown counties compared to the rest of the country, reflecting the impact of travel ban to other counties from the lockdown zone.

Figure 4: Utilization of conference services (percent of total capacity)

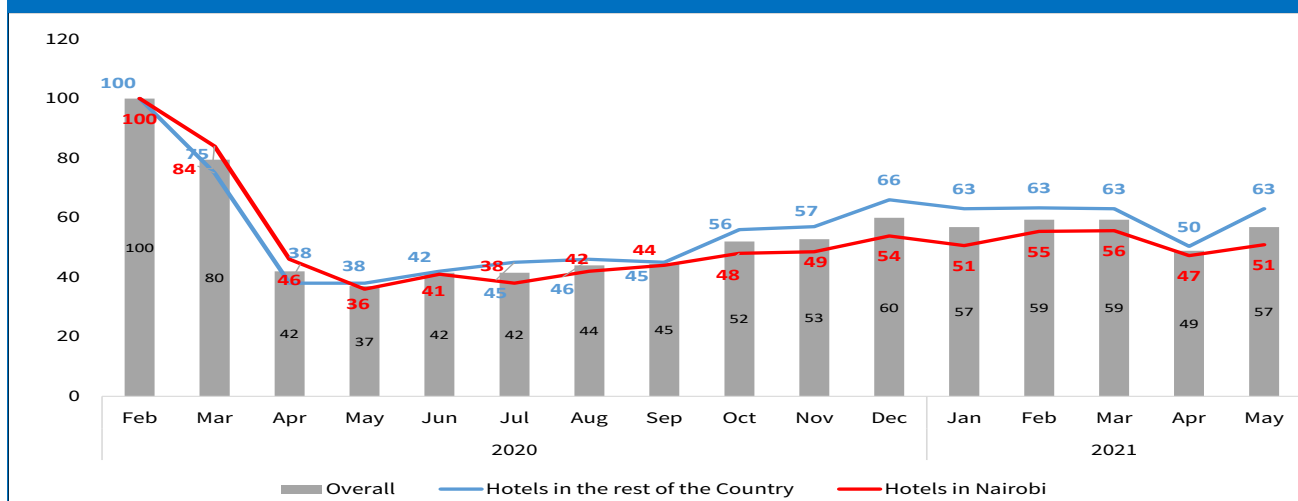


6. EMPLOYMENT IN HOTELS

The Survey also assessed changes in employment in the hotels sector. In particular, respondents were requested to indicate the number of active employees engaged by the hotels between December 2020 and May 2021. The survey findings show that employment levels declined in April and May 2021 as hotels scaled down operations due to low business on account of COVID-19 restrictions. Respondents indicated that Hotels either dismissed their workers, sent them on paid/unpaid leave or worked below their full pay.

The employment levels in hotels averaged 49 percent in April, down from 59 percent in March 2021 (**Figure 5**). This decline reflected a reduction in employment following low demand in the sector since the emergence of COVID-19 in March 2020, and aggravated by the restrictions measures imposed on March 26, 2021. The lifting of the restrictions on May 1 supported the recovery in the month of May, and particularly for hotels in the rest of the country.

Figure 5: Employment (percent of the number of employees in February 2020)



7. EXPECTATIONS ON RETURN TO NORMAL LEVELS OF OPERATIONS

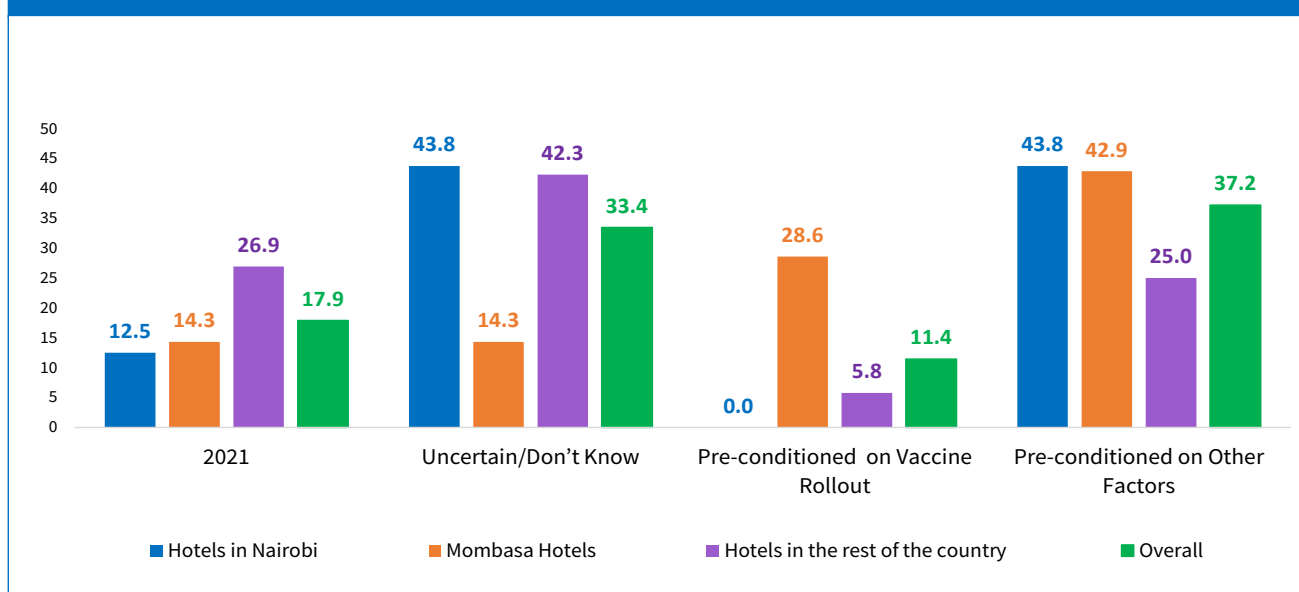
The Survey also captured expectations by hotels as to when they would attain normal (pre COVID-19) operations. On average, 18 percent of hotels expected to resume normal levels of operations by end of 2021 (**Figure 6**). This is a decline from the 39 percent recorded in the March survey. Respondents attributed this to the rise in infections and the recent lockdowns that affected the pace of recovery in 2021. However, these proportions varied across regions in May, with hotels in Nairobi and Mombasa being the most pessimistic about recovery in 2021, while hotels in the rest of the country had relatively higher expectations of recovery before the end of the year.

The level of uncertainty as to when normality would resume increased among hotels in Nairobi and the rest of the country except Mombasa. Respondents attributed this to the discovery of new strains of the virus, the rising cases, the recent lockdowns and the slow rollout of the vaccine. About 11 percent of

respondents expect that it is only after the full rollout of the COVID-19 vaccine in Kenya that their hotels would return to normal operations. In Mombasa, about 29 percent of respondent hotels hedged their recovery on the vaccine rollout. This is not unusual because a significant share of their business is foreign, and hence increased vaccinations both local and foreign would boost their business.

About 37 percent of respondent hotels indicated that their businesses would get back to normal operations if certain pre-conditions are met. Particularly, extension of operating hours and lifting of curfew were cited as the main hindrance to their recovery. The respondents indicated that the current closure time for bars (7 pm) has affected operations of the sector. In addition, they indicated that the 10 pm to 4am curfew hours had affected businesses that previously operated 24-hour services.

Figure 6: Expected return to normal level of operations (percent of respondents)



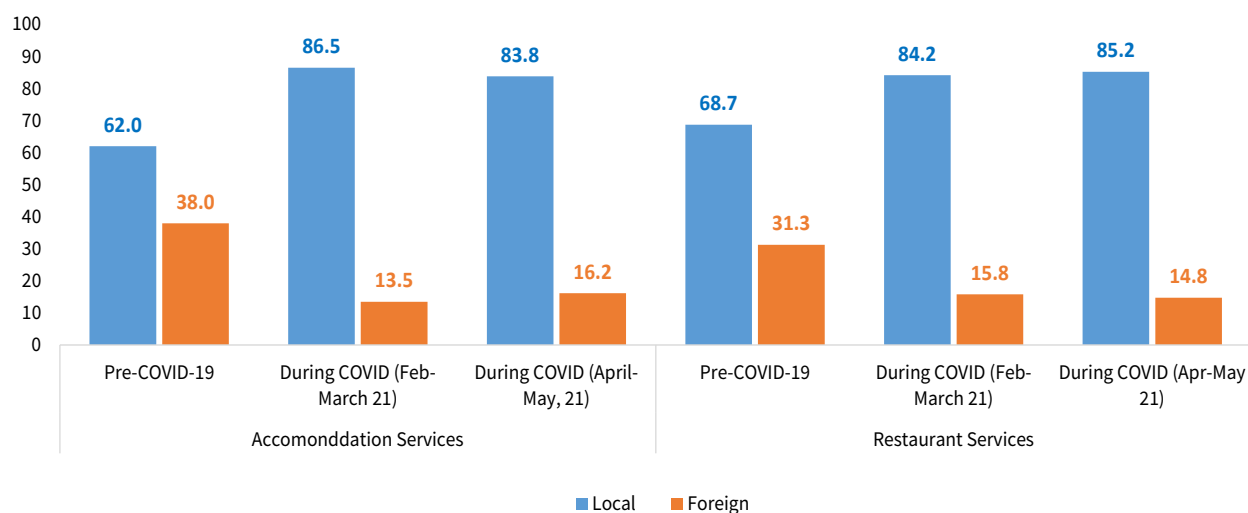
8. CHANGES IN HOTEL CLIENTELE

The Survey also sought to assess the type and average proportion of clientele (foreign and local) served by hotels in accommodation and restaurant services before and during the COVID-19 pandemic period.

Overall, local guests took up 84 percent of accommodation and 85 percent of restaurant services between April and May, 2021, compared with

62 percent and 69 percent, respectively, during the period before the pandemic (**Figure 8**). Respondents attributed the dominance of local guests mainly to low foreign clients due to the international travel restrictions imposed during the pandemic period. In addition, responding hotels indicated that they have intensified their domestic marketing, and also offered discounted rates on their accommodation and restaurant services to attract local clientele.

Figure 8: Local and Foreign Clients Served by Hotels (Percent of Total Clients)



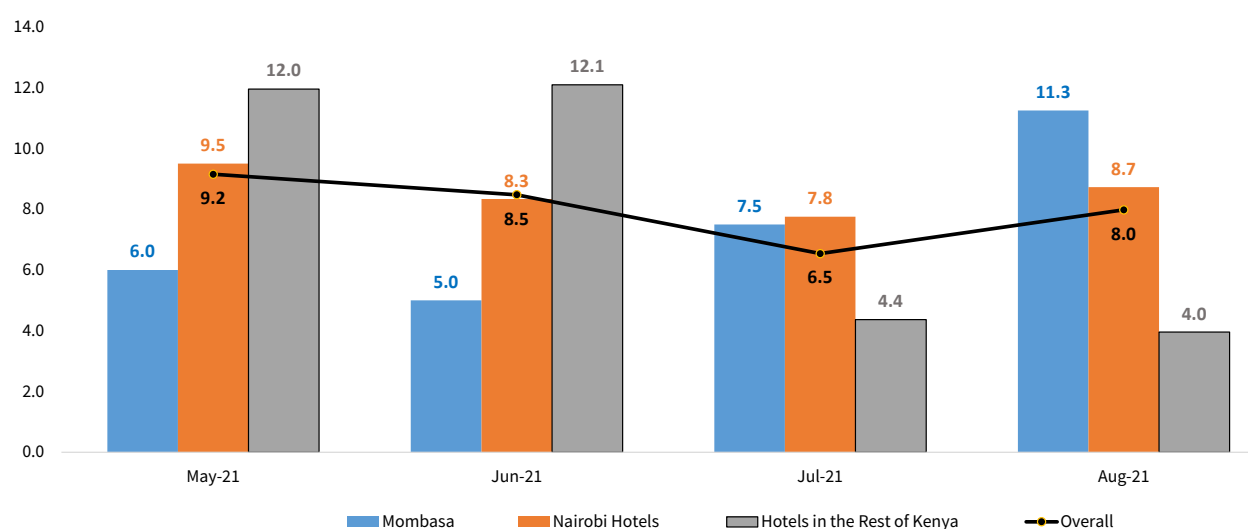
9. HOTEL FORWARD BOOKINGS

The Survey also requested hotel respondents to indicate their levels of bookings, relative to the total bed capacity, for the period May to August 2021.

Generally, forward bookings in the next four months remain subdued due to concerns about the evolving nature of the pandemic. However, most of the respondent hotels reported that they largely depend on walk-in clients or bookings on short notice as clients avoid long prior bookings.

Average bookings for May 2021 (unutilized services) were about 9 percent in Nairobi while the rest hotels in the rest of the country had average bookings at 12 percent (**Figure 9**). Some respondent hotels in Nakuru and Naivasha towns reported to be fully booked for one week in June 2021 mainly for the World Rally Championship event. Mombasa hotels reported a higher number of bookings in August 2021, largely associated with the start of high tourism season.

Figure 9: Average Hotel Forward Bookings (Percent of Bed Capacity)

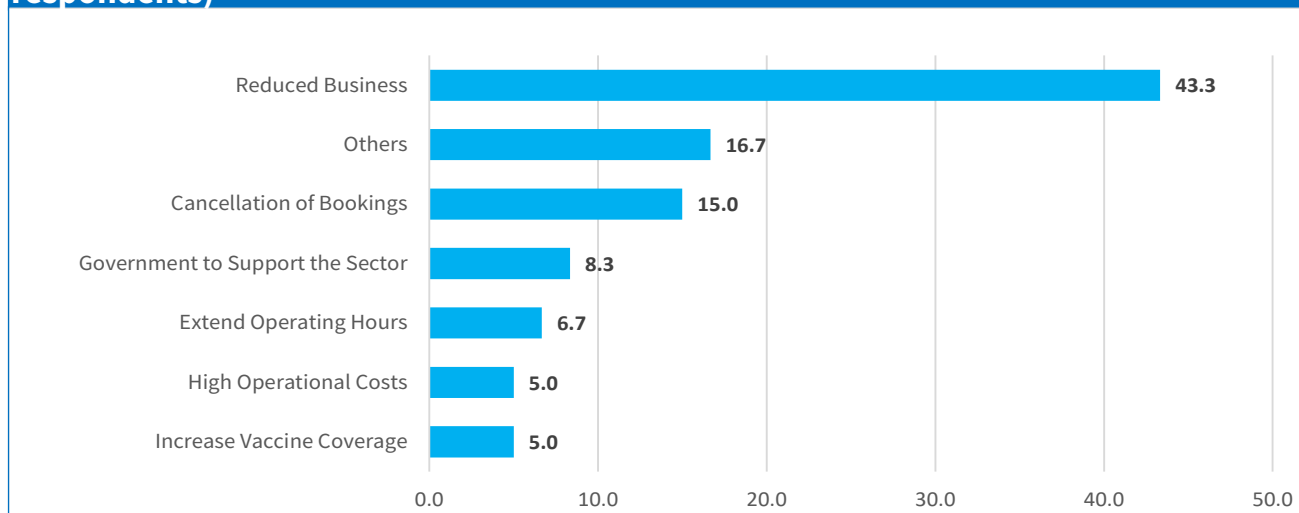


10. OTHER COMMENTS

The Survey allowed respondents to make general comments including on the impact of the resurgence in infections in Kenya and the consequent restrictions, on their operations. The results are summarized in **(Figure 10)**. About 43 percent of the respondent indicated that the resurgence of COVID-19 infections has had a negative impact on their businesses. Other comments from 17 percent of respondents included: heightened uncertainty, jobs lost and request to remove curfew.

About 15 percent of the respondent noted that the resurgence in infections had resulted in cancellation of booking for their services (accommodation and/or conferences). Some respondent hotels indicated the need for the Government to urgently rollout stimulus package to support the hotel sector following the significant impact of the pandemic on their businesses.

Figure 10: Implications of the recent escalation of COVID-19 infections (Percent of respondents)



11. CONCLUSION

The CBK conducted a follow-up Survey of hotels on May 11 to 13, 2021 to assess the status of the recovery of the sector from the effects of the pandemic and the impact of the recent restrictions imposed after a surge in infections.

The Survey shows a recovery of the sector in May 2021 after the decline in operations in April 2021. In particular, 94 percent of hotels sampled across the country were operating in May 2021 compared with 81 percent in April, after easing of the restrictions and increased compliance with the health protocols. Similarly, employment in the sector recovered in May to 57 percent of pre-COVID-19 levels, up from 49 percent in April but lower than the 59 percent in March 2021. However, despite the decline, employment remained above the levels recorded in May 2020, reflecting continued recovery.

The average bed occupancy, utilization of restaurant and conference services declined in April 2021,

largely reflecting the impact of the surge in infections and imposition of restrictions in the five counties. However, the services recovered in May after lifting of the containment measures.

Local guests continued to support the accommodation and restaurant services in the sector during COVID-19 period as international travels remain subdued. On average, under the existing conditions, 18 percent of respondent hotels expected to attain normal (pre- COVID) levels of operations 2021, while the rest indicated that the recovery would depend on other factors including the evolution of the pandemic and related containment measures.

Despite the recent resurgence in COVID-19 infections and discovery of variants of the virus, respondents were optimistic about a strong recovery of the sector once the pandemic is contained.



Central Bank of Kenya

Haile Selassie Avenue P.O. Box 60000 - 00200 Nairobi | Tel: (+254) 20 - 286 0000 / 286 1000 / 286 3000