



**Central Bank of Kenya**

# **Monetary Policy Committee Hotels Survey**

March 2021





# TABLE OF CONTENTS

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1. BACKGROUND.....	1
2. SAMPLE AND METHODOLOGY .....	1
3. KEY HIGHLIGHTS OF THE HOTELS SURVEY FINDINGS.....	1
4. HOTELS IN OPERATION .....	2
5. LEVELS OF OPERATIONS.....	2
6. EMPLOYMENT IN HOTELS.....	4
7. EXPECTATIONS ON RETURN TO NORMAL LEVELS OF OPERATIONS .....	5
8. CHANGES IN HOTEL CLIENTELE.....	5
9. HOTEL FORWARD BOOKINGS .....	6
10. OTHER COMMENTS .....	7
11. CONCLUSION.....	7

## 1. BACKGROUND

The Central Bank of Kenya (CBK) conducted a survey between March 15 and 17, 2021 to assess the extent of recovery in the hotels, particularly with the increased uncertainties due to rising COVID-19 cases with the third wave of the pandemic. The survey was a follow up to the one conducted in January, with coverage expanded to include more hotels.

Prior to the pandemic, 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. After expanding by 10.3 percent in 2019, the sector was the worst hit by the pandemic, contracting by 57.9 percent in the third quarter of 2020 compared to a contraction of 83.3 percent in the second quarter. This contraction was attributed to the measures instituted by the 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 slowly re-opened albeit with strict health protocols, and consequently hotels and entertainment areas started re-opening.

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, following the easing of COVID-19 restrictions particularly on movements within the country in July 2020, resumption of international passenger flights in August and continued reopening of the hotels and entertainments areas in strict adherence to COVID-19 regulations. 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 March to July 2021.

The Survey was a supplement to the regular Monetary Policy Committee (MPC) Market Perceptions Survey, and the newly introduced CEOs survey. It sought information on the status and levels of hotel operations including the utilization of accommodation and restaurant services, changes in employment in the sector, an assessment of other activities that the hotels carried out, changes in the composition of clientele during the pandemic period, and expectations on return to normal operations by the sector.

It also captured general sentiments by players in the hotels sector. This report provides a summary of the findings of the Survey. The Survey provided important input and information to the MPC in its March 2021 meeting.

## 2. SAMPLE AND METHODOLOGY

The Survey covered hotels, ranging from the top rated 5-star hotels to small scale outlets, selected randomly from hotels operating in Nairobi and its environs (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 a sample of 83 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 83 hotels across the country (13 in Nairobi and its environs; 17 in Mombasa; 18 in Naivasha and 35 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 March 2021.

## 3. KEY HIGHLIGHTS OF THE HOTELS SURVEY FINDINGS

The Key takeaways from the CBK Hotels Survey March 2021 included:

- On average, 98 percent of hotels that were sampled across the country were operating compared to 97 percent in January and 35 percent in May 2020, mainly reflecting the continued re-opening of hotels following easing of COVID-19 restrictions and compliance with the health protocols;
- Employment in the sector continues to recover albeit slowly towards the pre-COVID levels, averaging 59 percent in March 2021 compared with 57 percent in January and 37 percent in May 2020, all relative to the pre-COVID-19 levels;
- The average bed occupancy, has also continued to recover gradually, averaging 27 percent in March, compared to 24 percent in January. The

- utilization of restaurants and conference services has also improved gradually since May 2020;
- Local guests continue to support activity in the sector during the COVID-19 period, accounting for over 87 percent and 84 percent of the total clientele for accommodation and restaurant services, respectively; and

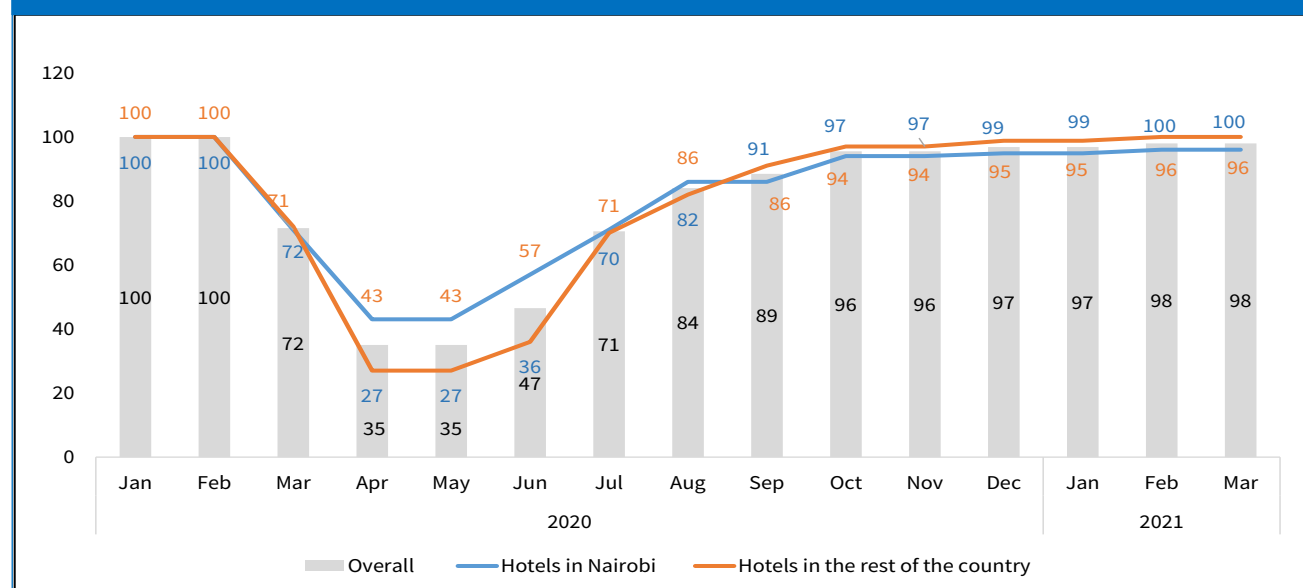
- On average, under the prevailing conditions, 39 percent of hotels expect to attain normal (pre-COVID) levels of operations in 2021. Despite the recent resurgence in COVID-19 infections, respondents were optimistic about a strong recovery of the sector once the pandemic is contained.

## 4. HOTELS IN OPERATION

Respondents were requested to indicate whether their enterprises were operating in each of the months between July 2020 and March 2021. Most hotels that had closed down in April-May, 2020 period due to COVID-19 containment measures, have reopened. On average, 98 percent of hotels were operating in March compared to 97 percent in January and 35 percent in May 2020, mainly

reflecting the continued reopening of the economy and increased compliance with the health protocols (**Figure 1**). While all sampled hotels in the rest of the country were open, a few hotels in Nairobi were still closed due to low business as they significantly depend on foreign clientele. Nevertheless, respondents reported concerns and risks related to the resurgence and increase in COVID-19 infections during the third wave.

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



## 5. LEVELS OF OPERATIONS

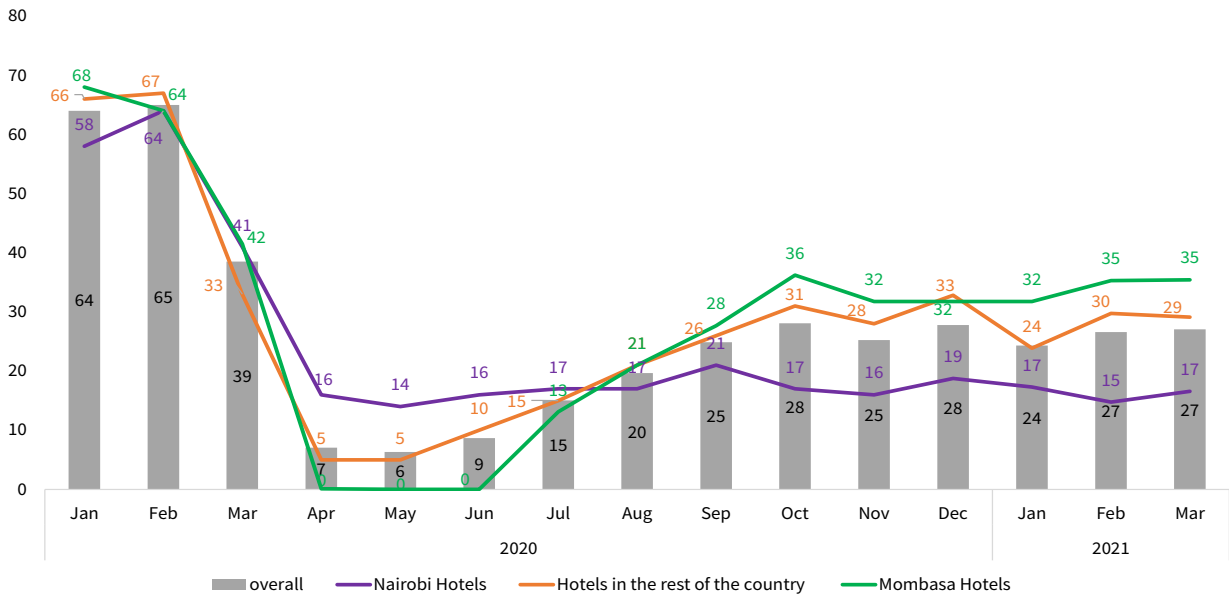
The level of operations of hotels was assessed in terms of accommodation (bed occupancy rates), and restaurant and conference services. In particular, respondents were requested to indicate, on a scale of 0-100 percent, the level of hotel operations in terms of utilization of bed capacity, and restaurant and conference services in February and March 2021.

On average, bed occupancy has continued to recover, albeit slowly, particularly in the hotels in Nairobi. The overall bed occupancy rate averaged 27 percent in March 2021 compared to 24 percent in January (**Figure 2**). The slow recovery of hotels in Nairobi is associated with the increased number of reported COVID-19 cases in Nairobi relative to the rest of the country.

A variation in bed occupancy was noted between hotels in Nairobi and the rest. The average bed occupancy for hotels in Mombasa was higher at an average of 35 percent in March 2021, compared to

32 percent in January 2021. The higher rate of bed occupancy in Mombasa is associated with a higher number of tourists and locals visiting the town for holidays.

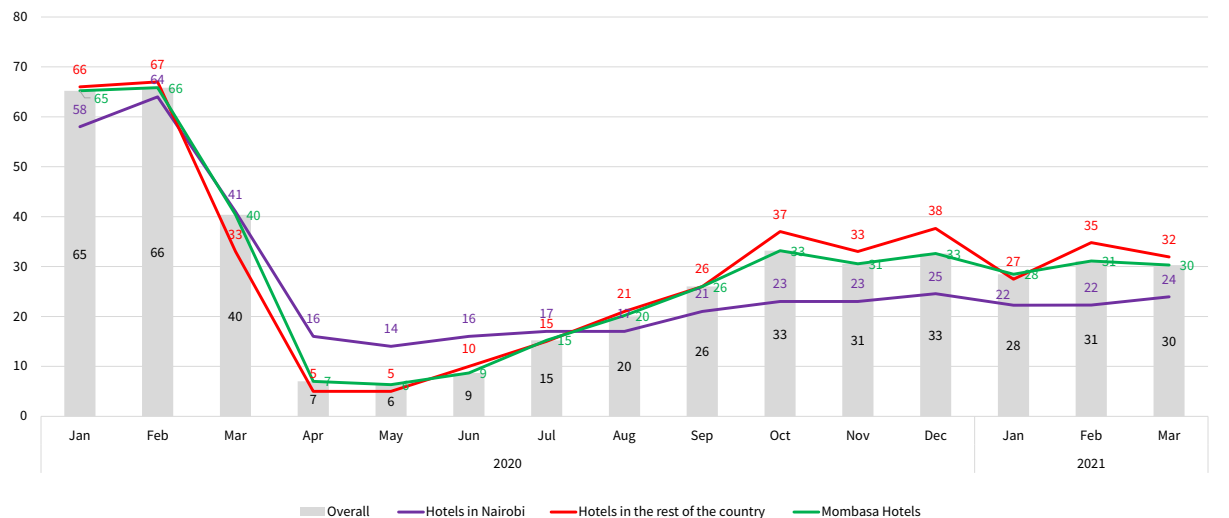
**Figure 2: Bed occupancy rate (percent of total bed capacity)**



However, there is a drop and a stagnation in restaurant services in Hotels in the rest of the country and Mombasa hotels respectively in March 2021 attributed to a rise in the reported COVID-19 cases

affecting this service (**Figure 3**). Nairobi hotels attributed the slower recovery in the utilization of restaurant services to new COVID-19 infections were concentrated in the county.

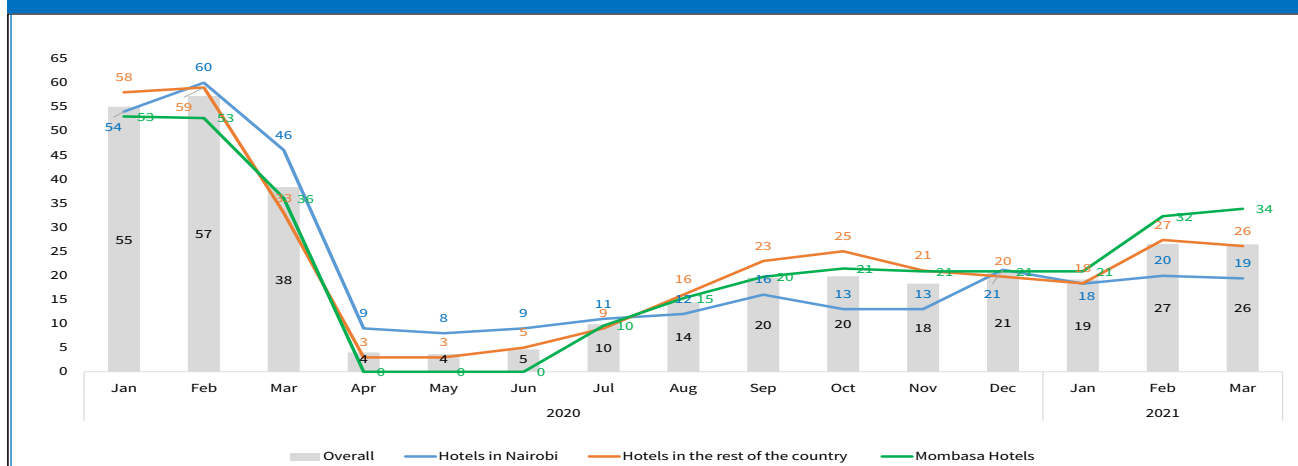
**Figure 3: Utilization of restaurant services (percent of total capacity)**



Respondents indicated that the utilization of conferencing services improved slightly in February compared with levels in January, reflecting increased recovery in the conferencing services especially from both national and county governments **(Figure 4)**. However,

Hotels in the rest of the country and Nairobi reported some decline in conferences services in March 2021 reflecting the impact of resurgence in infections in Kenya. Hotels also confirmed having received cancellations of conferences services.

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



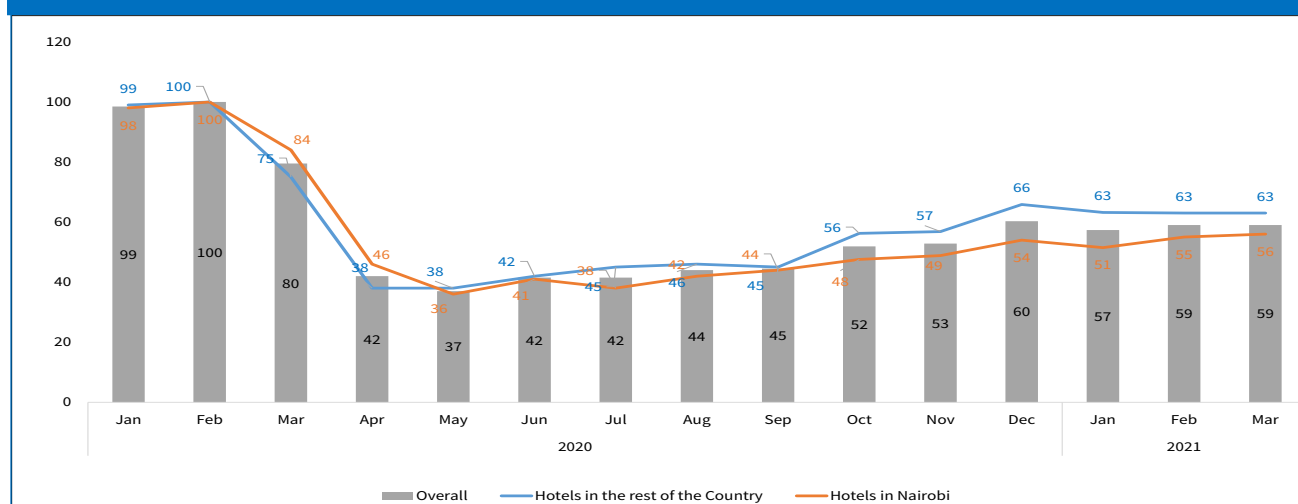
## 6. EMPLOYMENT IN HOTELS

The Survey also assessed changes in employment in the hotels sector. The employment levels declined in April and May 2021 as hotels scaled down operations due to low business on account of COVID-19 restrictions in the sector. Hotels either dismissed their workers, sent them on paid/unpaid leave or worked below their full pay.

In particular, respondents were requested to indicate the number of active employees engaged by the hotels between December 2020 and March 2021. Relative to the employment numbers in February 2020, the findings show that employment in hotels continues

to recover towards pre-COVID levels, averaging 59 percent in March 2021 compared with 57 percent in January and 37 percent in May 2020 **(Figure 5)**. This recovery reflects the easing of COVID-19 restrictions and increased compliance with health protocols. However, the hotel services continue to be affected by fears due to the rising number of reported COVID-19 cases in the country indicating an even-more-serious third wave. Respondents indicated that, in many cases the continued rise in COVID-19 cases globally has affected inflows of foreigners and dented business prospects, particularly for the hotels that significantly rely on foreign clientele.

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



## 7. EXPECTATIONS ON RETURN TO NORMAL LEVELS OF OPERATIONS

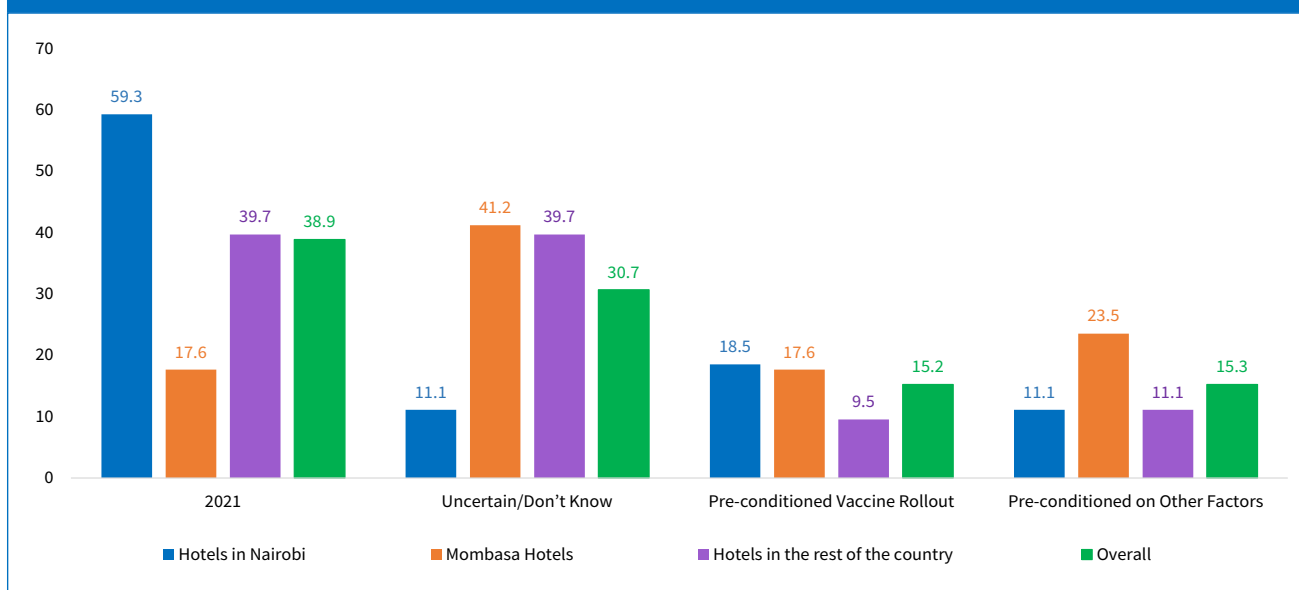
The Survey also captured expectations by hotels as to when they would attain normal (pre COVID-19) operations. On average, 39 percent of hotels expect to resume normal (pre-COVID) levels of operations by end of 2021 (**Figure 6**). This is a decline from the 50 percent recorded in the January survey. This is attributed to the rise in infections denting the hopes of recovering in 2021 further. However, these proportions varied across regions in March 2021, with 59 percent of hotels in Nairobi and 41 percent of hotels in the rest of the country expecting to resume normal operations in 2021.

About 18 percent of respondent hotels in Mombasa expected to attain normal operations in 2021. Most hotels in Mombasa are uncertain as to when normality would resume attributing this to the fact that they host the highest number of foreign tourists.

Additionally, the respondents indicated that the slight rise in infections in the rest of the counties has impacted on the number of visitors and hence their businesses.

While COVID-19 vaccine was discovered in 2020, about 15 percent of respondents expect that it is only after rollout in Kenya that they would return to normal operations. They expressed fears that the vaccine may take long to reach every person in the country and especially the common *mwana*. Only 15 percent of respondents were of the view that their business would get back to normal due to other reasons, particularly lifting of the curfew. This was mainly associated with Mombasa hotels whose services heavily rely on the night life, that is currently restricted by curfew.

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



## 8. CHANGES IN HOTEL CLIENTELE

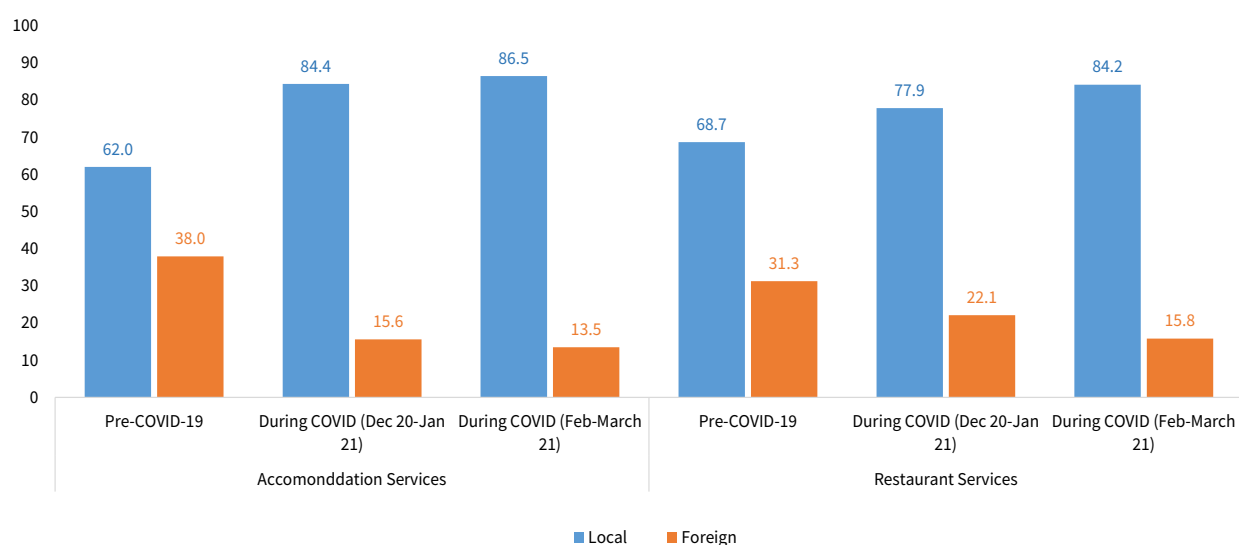
The Survey also sought to assess the type and average proportion of clientele (foreign and local) served by hotels in accommodation and restaurant services before and during the COVID-19 pandemic period.

Overall, local guests took up 87 percent of accommodation and 84 percent of restaurant services between February and March 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 the international travel restrictions imposed during the pandemic period. In addition, increased marketing accompanied by significant discounts offered by the hotels has attracted increased the number of local clientele to take up the services.



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



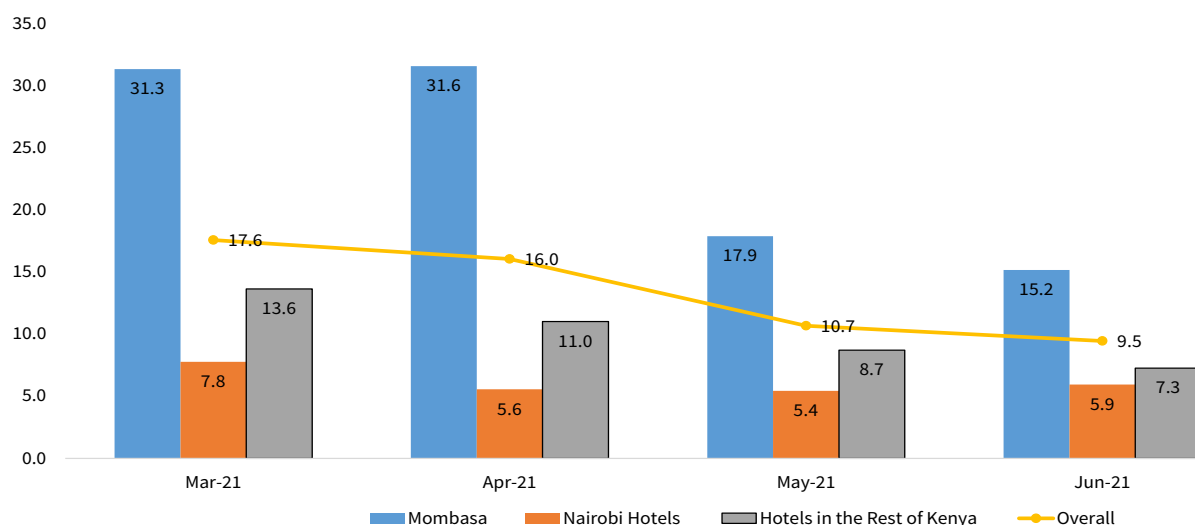
## 9. HOTEL FORWARD BOOKINGS

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

Average bookings for March 2021 (unutilized services) were about 18 percent and 16 percent for April (**Figure 9**). Mombasa hotels lead with the highest number of forward bookings for the period at

31 percent in March and 32 percent in April. The high level of forward bookings in Mombasa is attributed to the high number of foreign clientele in the town compared to other regions. The foreigners are known for prior bookings unlike the local clientele that prefer walk-ins or short prior booking. The low levels of bookings in Nairobi is attributed to the fears caused by the pandemic on customer travels.

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

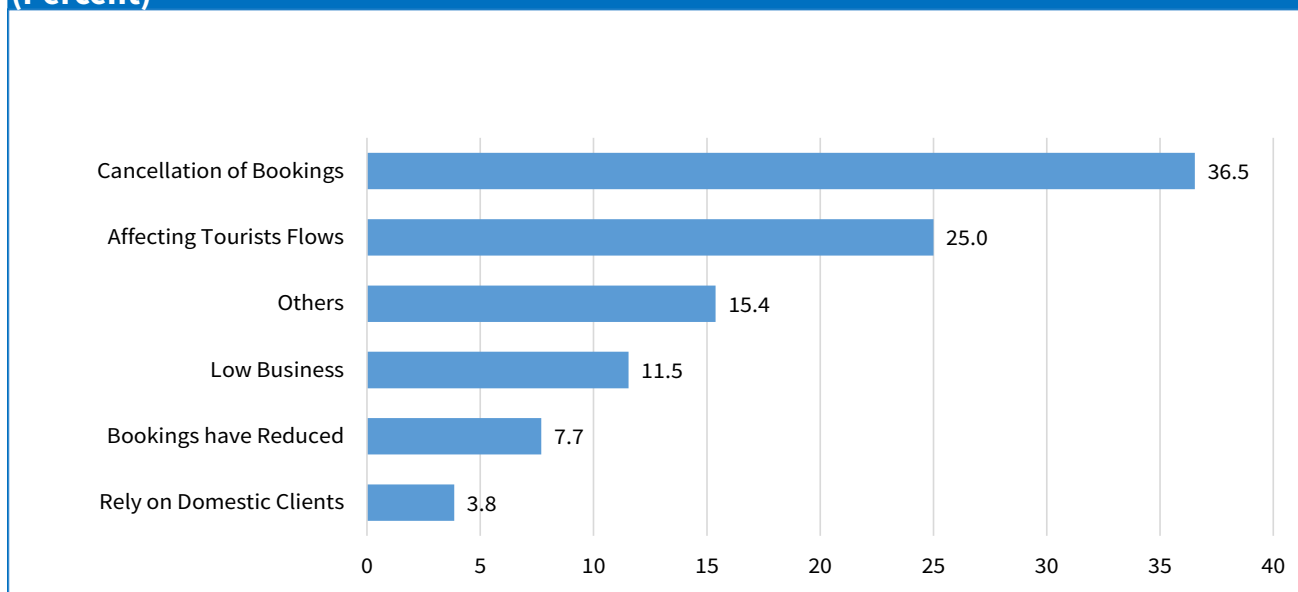


## 10. OTHER COMMENTS

The Survey allowed respondents to make general comments including the impact of the resurgence in infections in Kenya and the rest of the world especially Europe and UK on their operations. The results are summarized in **Figure 10**. About 96 percent of the respondents noted that the resurgence of the infections has had a negative impact on their businesses. About 37 percent of the respondents noted that the resurgence in infections

has resulted in cancellation of booking for their services (accommodation and/or conferences). About 25 percent indicated that the rising infections in Europe have impacted on the flow of tourists into the country thereby affecting their businesses. However, only 4 percent of the respondents were of the view that it had no impact on their operations. These mainly comprised the small hotels that rely 100 percent on local clientele for their services.

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



## 11. CONCLUSION

The Survey of hotels conducted by CBK from March 15 to 17, 2021 as a follow-up to the January 2021 Survey shows continued recovery of the sector from the severe disruptions due to COVID-19 in April and May, 2020.

In Particular, 98 percent of hotels sampled across the country were operating in March 2021 compared with 97 percent in January, mainly reflecting the continued easing of COVID-19 restrictions and increased compliance with the health protocols. Employment in the sector continues to recover towards the pre-COVID (February 2020) levels, averaging 59 percent in March 2021 compared with 57 percent in January and 37 percent in May 2020.

The average bed occupancy, utilization of restaurant and conference services have also improved, albeit slowly, largely reflecting the lifting of some restrictions and resumption of international flights. Local guests continue to support accommodation and restaurant services in the sector during COVID-19. On average, under the existing conditions, 39 percent of hotels expect to attain normal (pre- COVID) levels of operations in 2021, while the rest will depend on 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.







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