

Central Bank of Kenya

Monetary Policy Committee Hotels Survey

July 2022

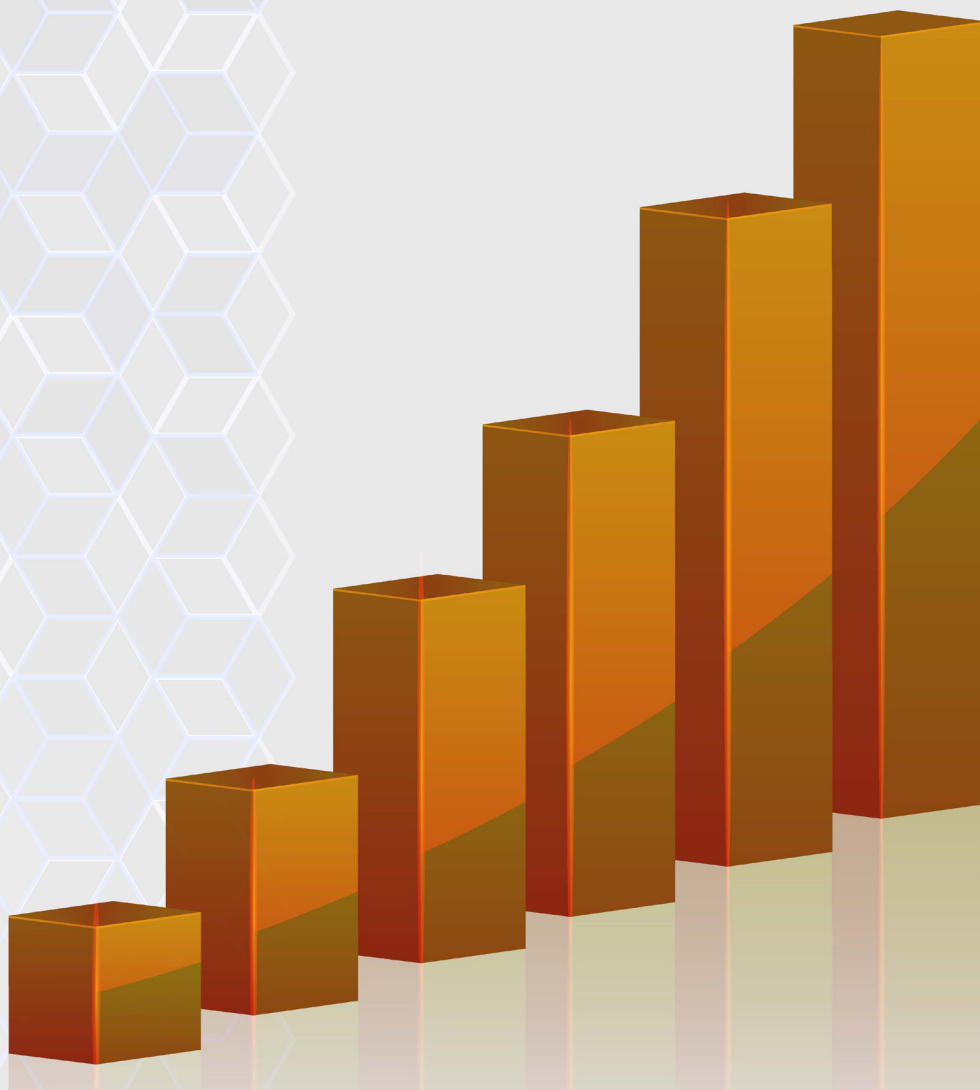


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1. BACKGROUND

The Central Bank of Kenya (CBK) conducted the Survey of Hotels between July 4 and 15, 2022, to assess the extent of recovery of the sector, following full reopening of the economy. As at July 15, the COVID-19 positivity rate stood at 2.8 percent, and the vaccination exercise continued with 19,055,991 doses of vaccines having been administered. The total adult population vaccinated stood at 32.2 percent.

The Survey, aimed at assessing the extent of recovery in the hotels sector from the effects of COVID-19 pandemic, particularly with the significant reduction in infection rates and continued vaccination exercise across the country. The performance of the hotel sector was assessed in terms of accommodation, restaurant and conference services, employment levels, and forward bookings between August and November 2022.

According to the Economic Survey (2022), the hotel sector benefited from the lifting of the COVID-19 restrictions both overseas and domestically in 2021. This led to a 52.5 percent growth in the hotel sector in 2021 compared to a contraction of 47.7 percent in 2020. The sector was supported by improved international visitor arrivals that grew by 50.3 percent from 579,600 visitors to 871,300 visitors in 2021. During the year, bed occupancy increased by 50.3 percent while the number of conferences held increased significantly from 1,204 in 2020 to 8,409 in 2021. Consequently, employment in the sector rose by 23.9 percent to 61.7 thousand employees in 2021. The sector is estimated to have grown by 56.2 percent in the first quarter of 2022.

The Survey 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 post pandemic period, expectations on return to normal operations, and general sentiments by the sector. The Survey complements the regular Monetary Policy Committee (MPC) Market Perceptions Survey, the CEOs Survey and Survey of the Agriculture Sector. The findings provided important inputs and information to the MPC in its July 2022 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, surrounding towns (Machakos, Kiambu, Naivasha and Kajiado) and key towns countrywide, including Mombasa, Kisumu, Eldoret, Nakuru, Nyeri, Kisii and Meru towns.

The Survey instrument was addressed to chief executives, managing directors, owners, and/or senior employees of hotel enterprises. Therefore, the respondents have good knowledge of the activities in their respective hotels and the sector.

The Survey instrument was sent to the hotels via their email addresses and a link was shared for online completion. A total of 80 hotels across the country participated in the Survey. The responses were aggregated and analyzed using frequencies, percentages, and simple averages, where appropriate.

3. KEY HIGHLIGHTS OF THE HOTELS SURVEY FINDINGS

The Survey established that most of the sampled hotels had returned to their normal levels of operations (pre-COVID-19) signaling continued recovery of the sector. This was mainly on account of increased number of vaccinated adult population, and removal of COVID-19 restrictions. Some of the key findings from the CBK hotels Survey in July 2022 include:

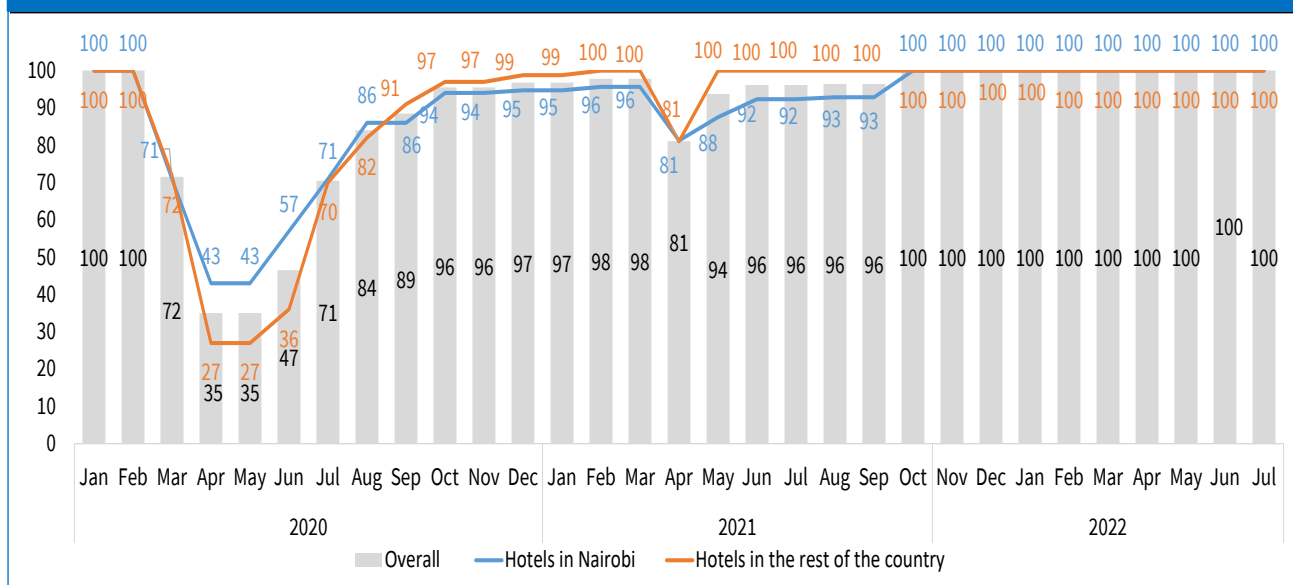
- Business activity remained strong in June and July with conferencing above pre-COVID-19 levels across the country.
- Bed occupancy improved significantly in Mombasa and Nairobi surpassing pre-COVID-19 levels.
- Foreign client numbers are increasing towards the pre-COVID-19 levels.
- Average forward bookings have increased significantly in Nairobi and Mombasa.
- Foreign clientele continue to improve towards the pre-COVID-19 levels.
- Forward hotel bookings have improved significantly particularly for Mombasa.

4. HOTELS IN OPERATION

Respondents were requested to indicate whether their enterprises were operating in June and July 2022. All respondent hotels reported to have been

operating during the period (**Figure 1**), implying that the hotels that had closed due to the COVID-19 pandemic had reopened.

Figure 1: Hotels in Operation (Percent of Hotels that Responded)

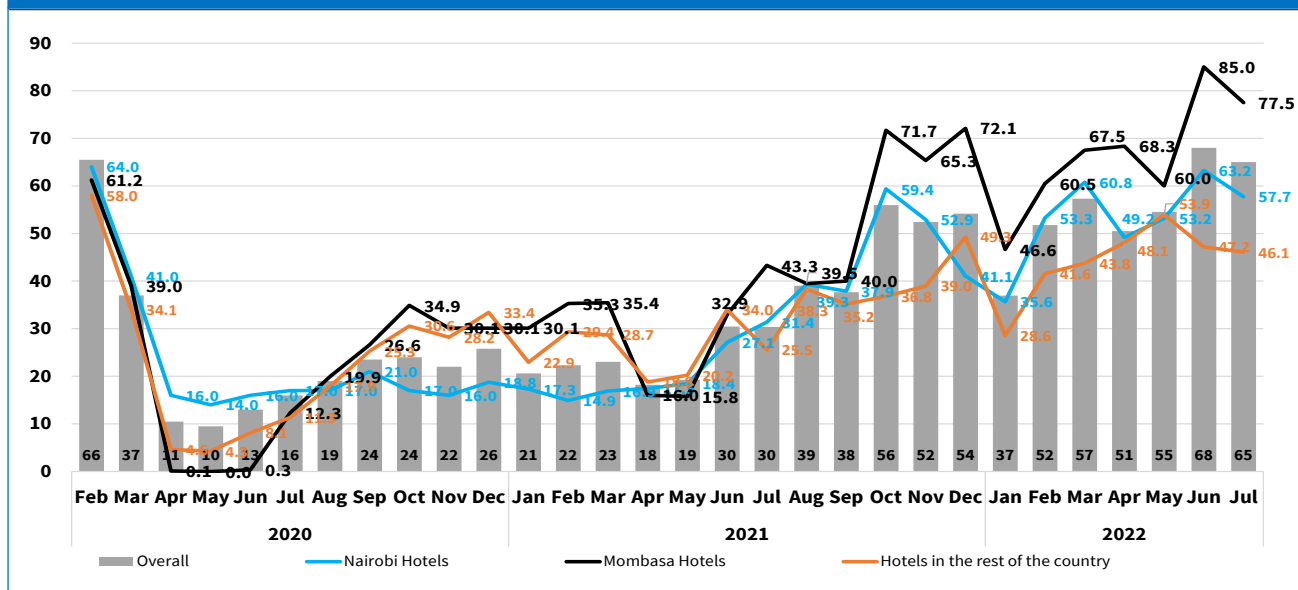


5. LEVELS OF OPERATIONS

The level of operation of hotels was assessed in terms of accommodation (bed occupancy rates), restaurant and conference services. Respondents were requested to indicate, on a scale of 0-100 percent, the level of hotel operations measured using the utilization of accommodation, restaurant, and conference facilities in June and July 2022.

On average, bed occupancy improved significantly in Mombasa and Nairobi in June on account of improved tourist arrivals and the economic environment. Most of these hotels reported full occupancy. However, hotels in the rest of the country reported reduced activity in July, as bed occupancy and conference services dropped across the country at the start of the new fiscal year (**Figure 2**).

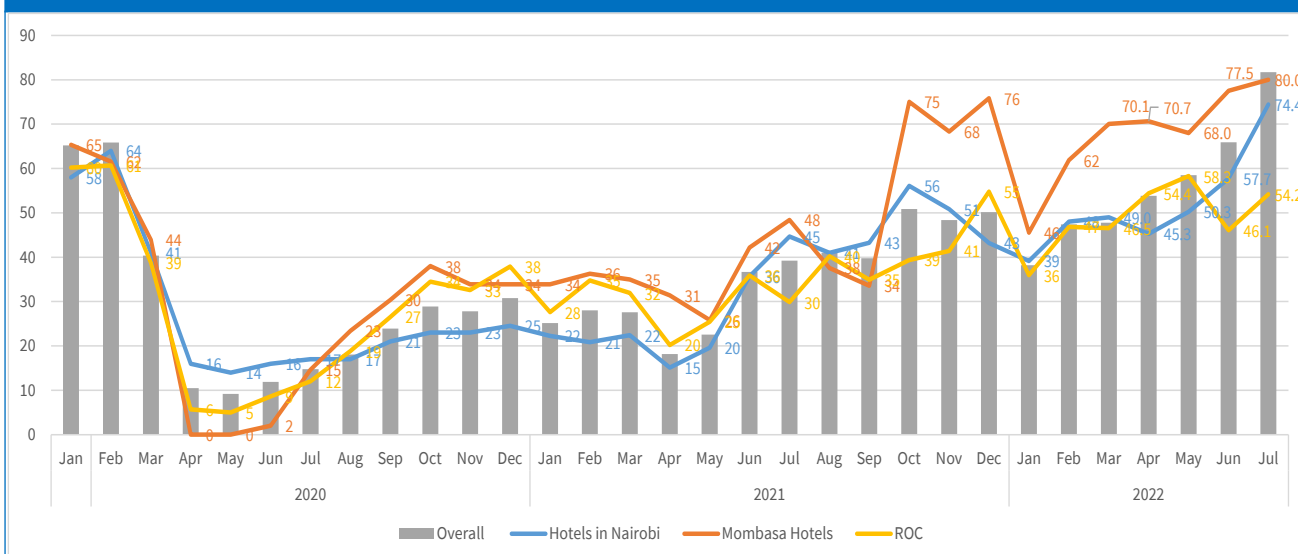
Figure 2: Bed Occupancy Rate (Percent of Total Capacity)



In line with the level of bed occupancy and seasonal nature of the sector, the average utilization of restaurant services improved in June and July 2022

indicating confirmed recovery. Hotels in Mombasa particularly benefited from the high tourist arrivals and improved economic environment (**Figure 3**).

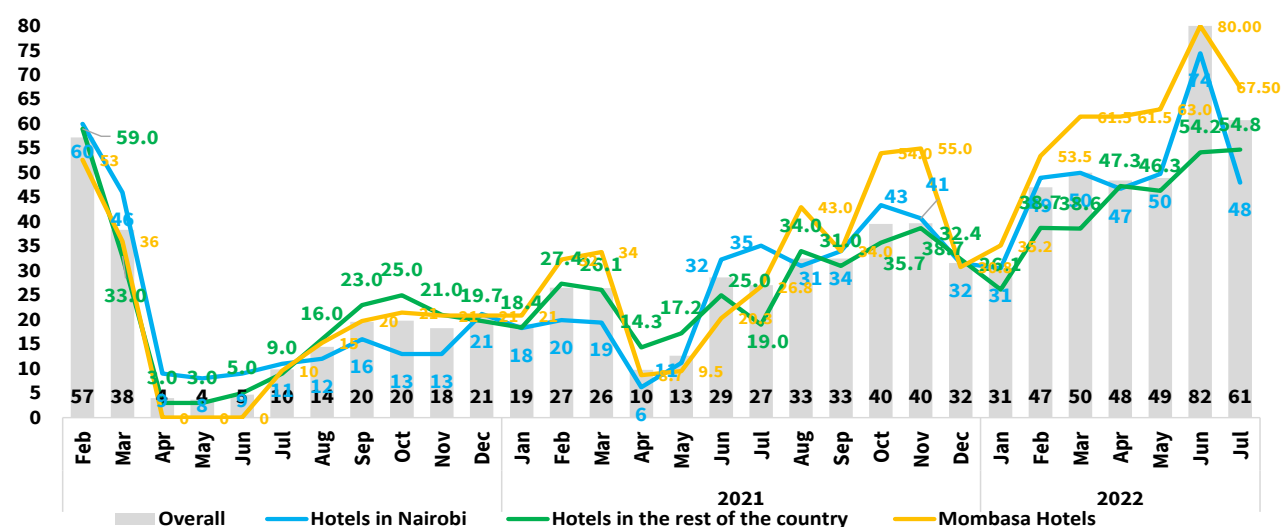
Figure 3: Utilization of Restaurant Services (Percent of Total Capacity)



Respondents indicated that on average, the utilization of conferencing services improved to above the pre-COVID-19 levels across the country (**Figure 4**). This growth is attributed to normal business cycles in

conference services as corporate and government institutions increased their conferences and workshops towards the end of the fiscal year.

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. Respondents were requested to indicate the number of active employees engaged by the hotels in June and July 2022. The results which were expressed as a share of the pre-COVID-19 number of employees show that overall employment levels stabilized around 83 percent in June and July 2022 (**Figure 5**). The Survey further established that businesses generally adjust the number of casual

employees depending on the levels of business, reducing the casual employees when the demand declines and hire them as business improves. As shown in **Figure 6**, as the demand for the hotel services declined in July, the share of casual employees increased from 17.3 percent to 26.9 percent in Mombasa. A similar trend was observed for Nairobi and the Rest of the Country.

Figure 5: Employment (Percent of the Number of Employees in February 2020)

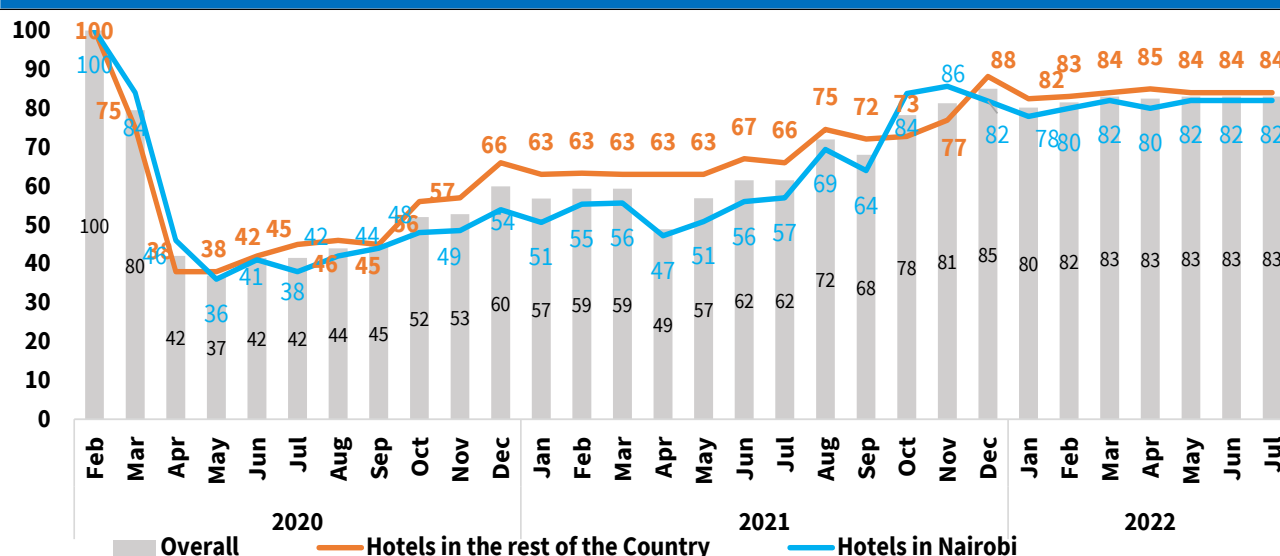
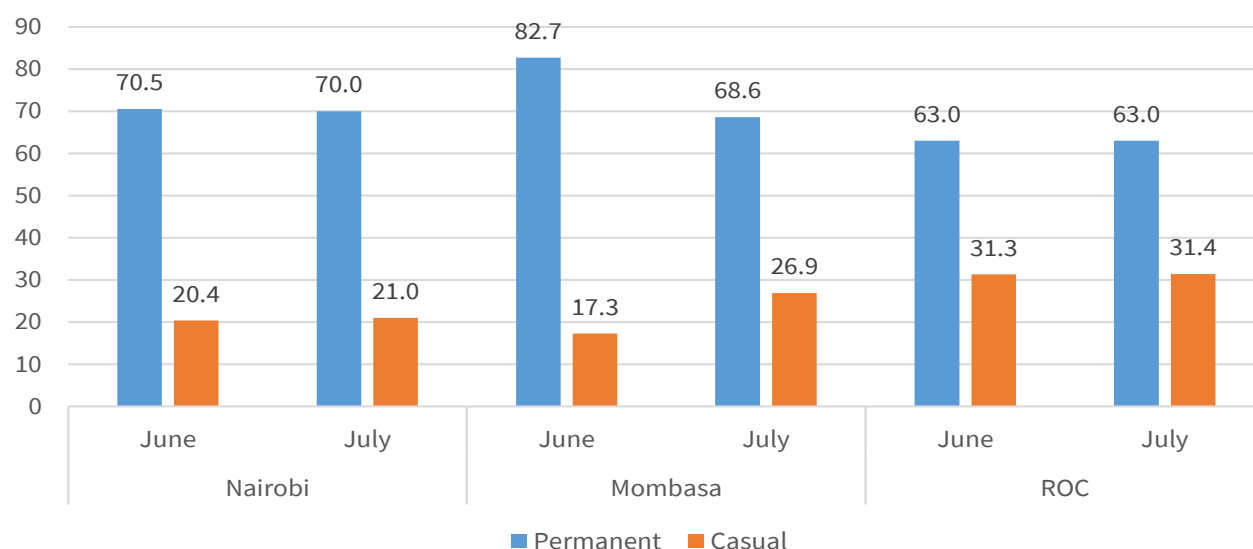


Figure 6: Employment levels by type (Percent of total employees)

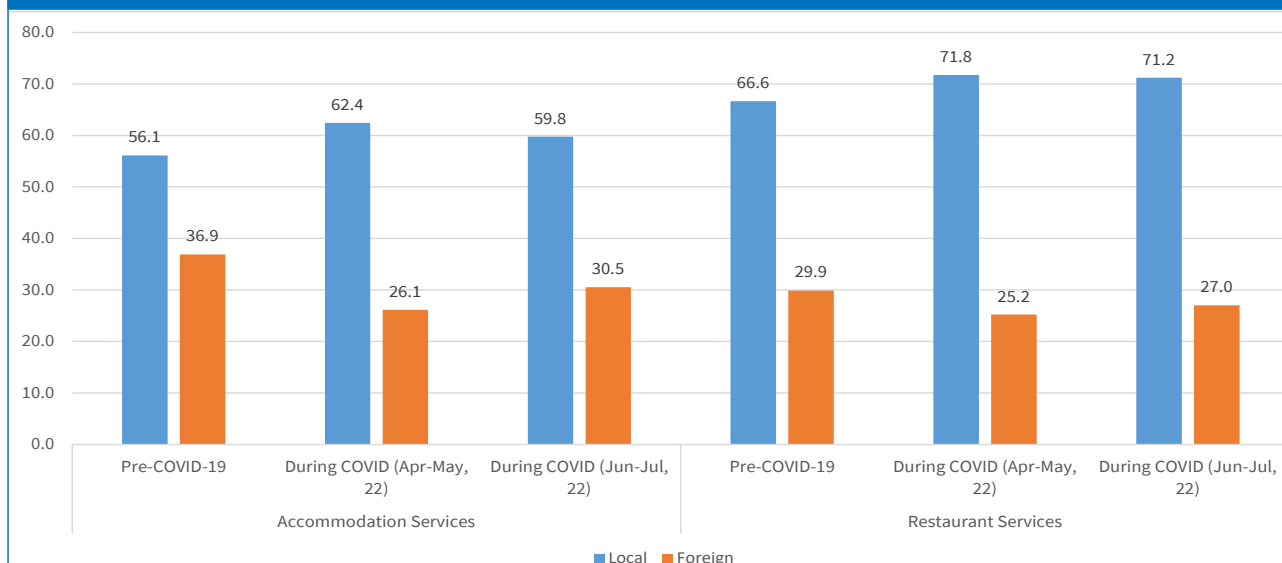


7. CHANGES IN HOTEL CLIENTELE

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. Overall, domestic clients took up 60 percent and 71 percent of accommodation and restaurant services respectively between June and July 2022, compared to 56 percent and 67 percent, respectively, during

the period before the pandemic (**Figure 7**). The share of domestic clientele in both accommodation and restaurant services decreased between June and July in line with the rising international arrivals. Consequently, the share of foreign clients rose during the period towards pre-COVID levels particularly for the restaurant services.

Figure 7: Local and Foreign Clients Served by Hotels (Percent of Total Clients)

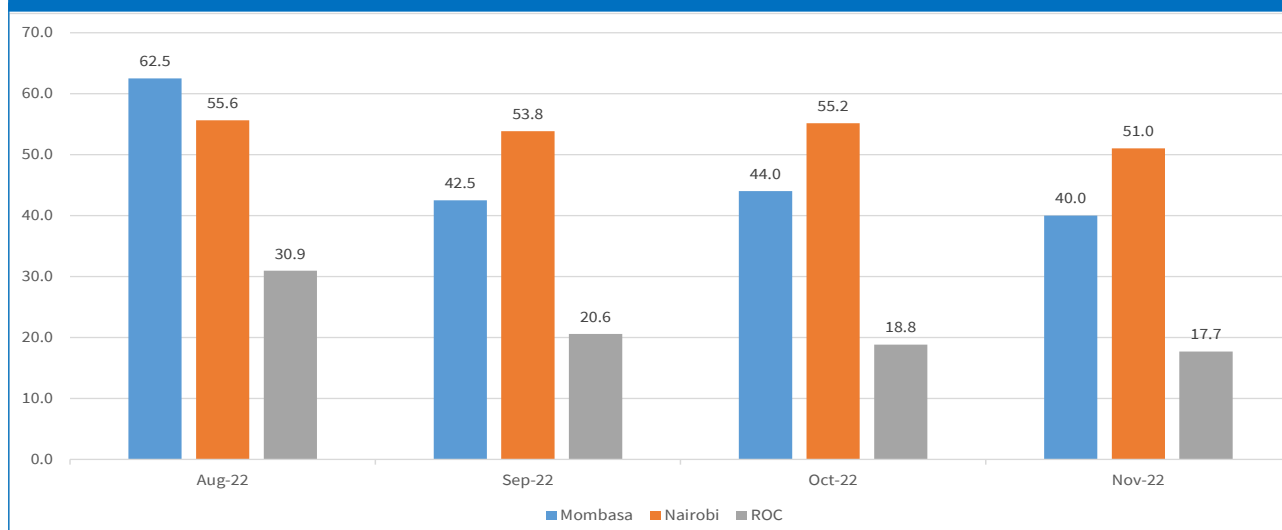


8. HOTEL FORWARD BOOKINGS

The Survey also requested hotel respondents to indicate their levels of forward bookings, relative to the total bed capacity for the period August to November 2022. Generally, forward bookings in the next four months have improved significantly compared to the earlier COVID-19 period, particularly

for Mombasa and Nairobi hotels, indicating continued recovery of the sector (**Figure 8**). Majority of hotels in Nairobi and the rest of the country reported improved bookings and the numbers stands to improve further given their high reliance on walk-in clients and short-term bookings.

Figure 8: Average Hotel Forward Bookings (Percent of Bed Capacity)



9. CONCLUSION

The CBK conducted a follow-up Survey of Hotels from July 4 to 15, 2022 to assess the extent of recovery in the hotels sector from the effects of COVID-19 pandemic, particularly after significant reduction in infection rates and continued vaccination exercise across the country.

The Survey established that the sector has continued to recover towards the pre-COVID-19 levels. Major hotels that had closed due to the Covid-19 pandemic have reopened, signaling further reduction in business uncertainties. Overall levels of employment as a share of the pre-COVID-19 employment levels remained stable at 83 percent.

Average bed occupancy and utilization of conference services has recovered across the country to above pre-COVID-19 levels. Foreign guests in both accommodation and restaurant services continue to improve in line with the rising number of international tourist arrivals. Forward hotel bookings for the period August to November 2022 are strong especially in Mombasa and Nairobi, indicating recovery in demand. Majority of respondent hotels expect the sector to continue recovering back to the pre-COVID-19 levels of operations by the end of the year.



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