



**Central Bank of Kenya**

# **Monetary Policy Committee Hotels Survey**

July 2021





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## 1. BACKGROUND

The Central Bank of Kenya (CBK) conducted a survey of hotels between July 14 and 16, 2021, to assess the extent of recovery of the sector, particularly following the resurgence in COVID-19 cases and consequent enhancement of containment measures in the Western and Nyanza region on June 18, 2021. At the time, thirteen counties in the region accounted for 60 percent of the country's new infections and more than double the average positivity rate. As a result, the Government introduced a 7 pm to 4 am curfew, banned public gatherings and closed non-food markets in the region.

It is against this backdrop that CBK conducted this follow-up survey to assess the extent to which the pandemic had affected 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 July to October 2021.

Prior to the COVID-19 pandemic, the accommodation and food services sector was a key contributor to the performance of services in the economy. The sector formally employed over 82,900 people and, together with trade services, engaged over 9 million people in 2019. The sector contracted by 57.9 percent in the third quarter in 2020 due to the adverse effects of the pandemic. As the rate of infections declined, the Government gradually re-opened the economy following strict health protocols. Consequently, hotels and entertainment areas started re-opening. Subsequently, the sector was disrupted in April 2020 with the imposition of the lockdown in five counties, including Nairobi following a significant rise in COVID-19 infections.

The July hotels 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 pandemic period, expectations on return to normal operations, and general sentiments on the sector. The survey supplements the regular Monetary Policy Committee (MPC) Market Perceptions and the CEOs Surveys. The findings provided important input and information to the MPC in its July 2021 meeting. This report provides a summary of findings of the Survey.

## 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 a good understanding of the activities in their respective hotels and the sector in general. A total of 86 hotels across the country (25 in Nairobi metropolitan area, 18 in Naivasha, 16 in Mombasa and 27 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 July 2021.

## 3. KEY HIGHLIGHTS OF THE HOTELS SURVEY FINDINGS

The key takeaways from the MPC hotels survey in July 2021 include:

- On average 96 percent of the sampled hotels are now operating compared to 81 percent in April, mainly reflecting continued recovery of the sector after the lifting of the COVID-19 containment measures on May 2.
- Similarly, in line with the levels of operations, employment in the sector improved in June to 62 percent of the pre-COVID-19 levels, up from 49 percent in April.
- The average bed occupancy, utilization of restaurants and conference services have also improved in Nairobi and Mombasa.
- Local guests continue to support activity in the sector during the COVID-19 period, accounting for 80 percent and 81 percent of the total clientele for accommodation and restaurant services, respectively.

- On average, under the prevailing conditions, 13 percent of respondent hotels expected to attain normal (pre- COVID) levels of operations in 2021.
- Forward hotel bookings have improved in line with a gradual recovery of the sector.

#### 4. HOTELS IN OPERATION

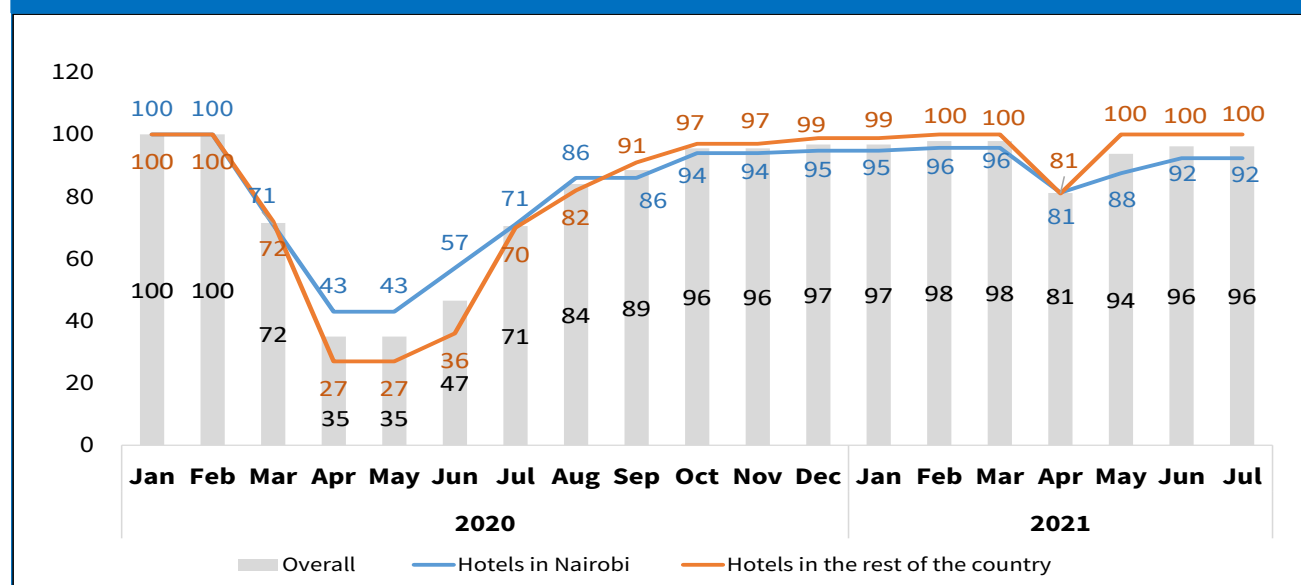
Respondents were requested to indicate whether their enterprises were operating in June and July 2021. On average, 96 percent of the sampled hotels were in operations in July, up from 94 percent in May and 81 percent in April (**Figure 1**). In particular, all the respondent hotels in the rest of the country and 92 percent of hotels in Nairobi are in operation. A 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 to the sectors operations.

#### 5. LEVELS OF OPERATIONS

The level of operations of hotels was assessed in terms of accommodation (bed occupancy), 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, restaurant and conference services in June and July.

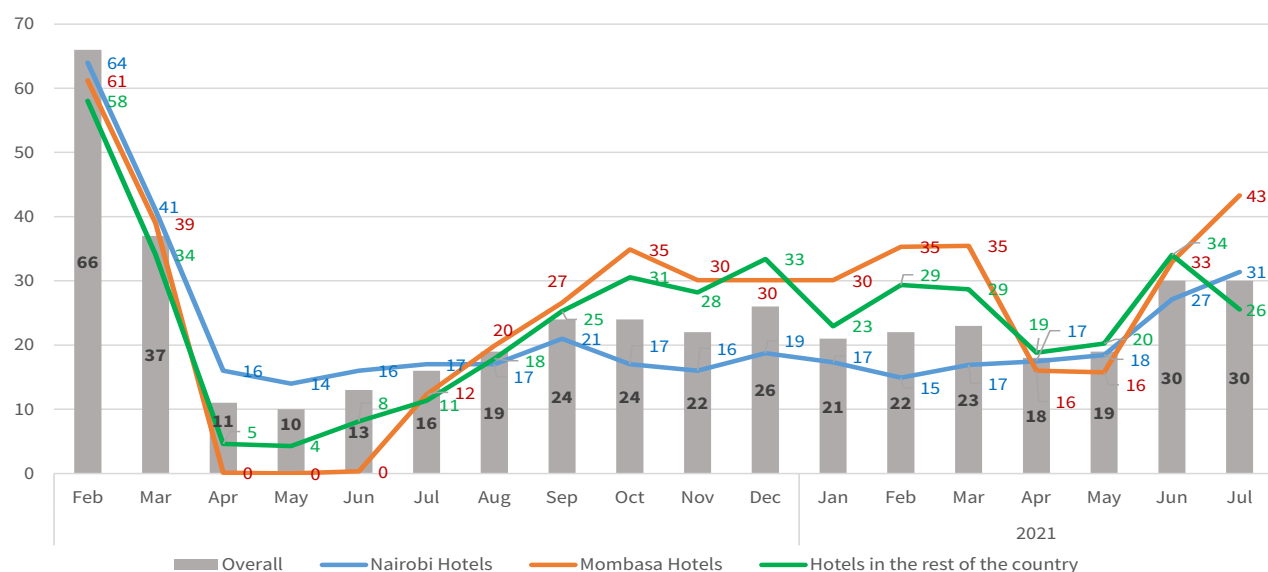
**Figure 1: Hotels in operation (percent of hotels that responded)**



On average, bed occupancy increased to 30 in June and July, respectively, from 19 percent in April (**Figure 2**). Bed occupancy in hotels in Nairobi and Mombasa improved in July, while the occupancy in the rest of the country declined. The occupancy levels in hotels in Nairobi and Nakuru counties was boosted by the World Rally championship in June.

Hotels in Nakuru county reported that they were fully booked during this event. In addition, the end of financial year expenditure by the national and county governments boosted hotels operations in the rest of the country in June. Hotels in Mombasa reported improved business in July 2021, mainly attributed to the July school holiday and the high season for tourists.

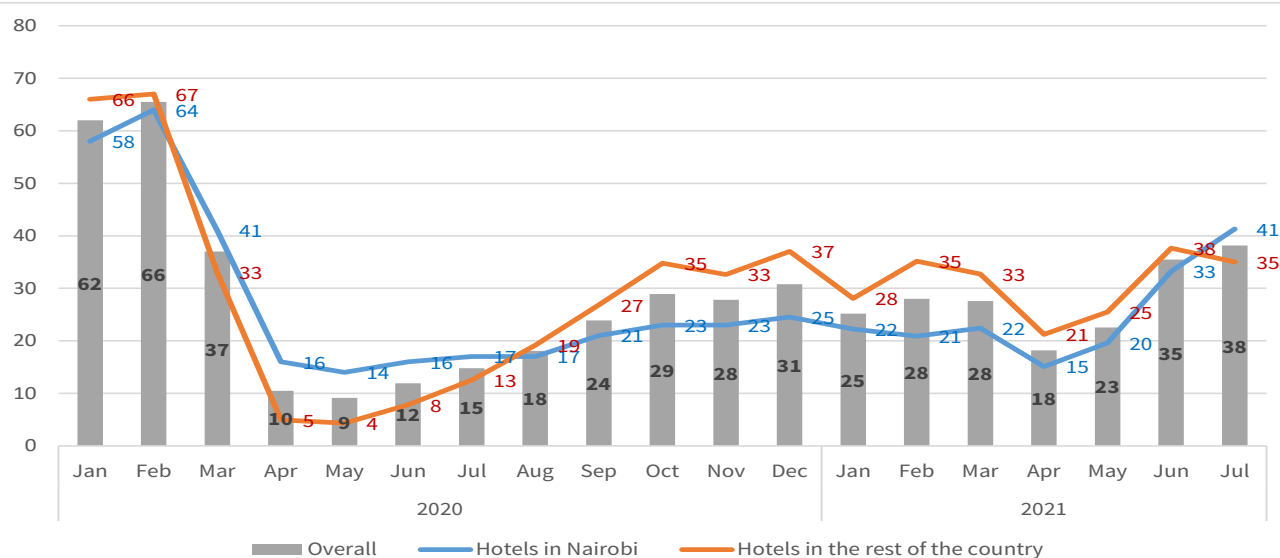
**Figure 2: Bed occupancy rate (percent of total bed capacity)**



Consistent with the improved level of bed occupancy, the utilization of restaurant services improved to 38 percent in July from 35 percent in June (**Figure 3**). The utilization of the restaurant services in Nairobi has continued to improve since April following the

lifting of COVID-19 restrictions on May 2. The uptake of the restaurant services in the rest of the country improved in June boosted by the World Rally Championship (WRC) event in Nairobi and Nakuru.

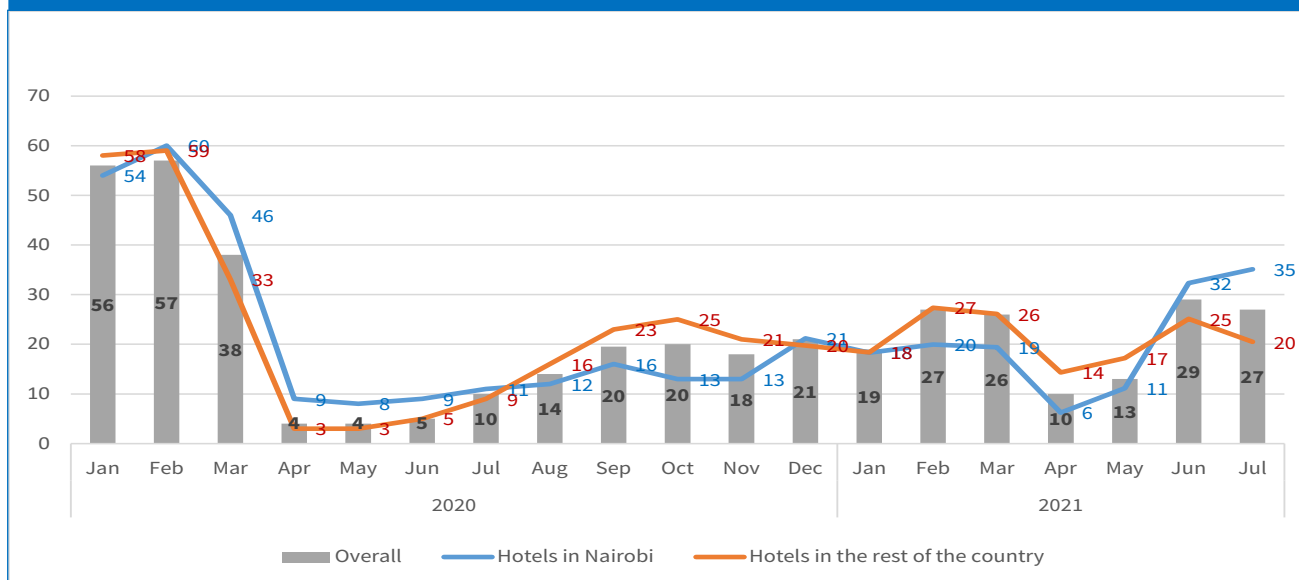
**Figure 3: Utilization of restaurant services (percent of total capacity)**



The respondents indicated that on average, the utilization of conferencing services improved to 29 percent in June compared with 13 percent in May and 10 percent in April. This reflects increased uptake of the services by the national and county

governments at the end of the financial year (**Figure 4**). The average utilization of conferencing services remained relatively stable at 27 percent in July. The utilization of conferencing services in Nairobi continued to increase in July.

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



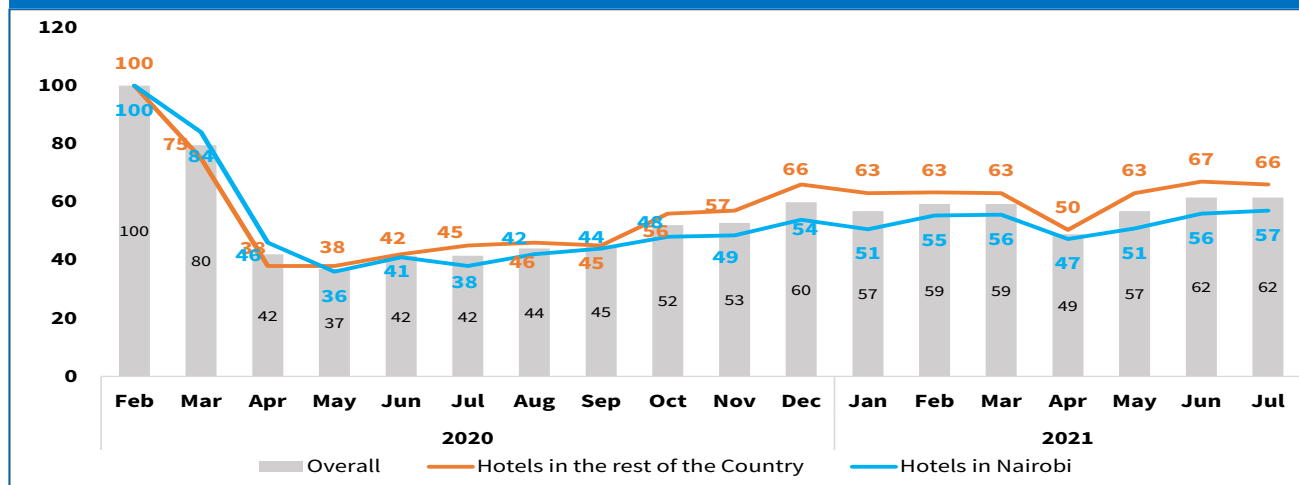
## 6. EMPLOYMENT IN HOTELS

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 in June and July 2021. The survey findings show that the overall employment levels improved to 62 percent of the pre-COVID-19 levels (February 2020) in July from 57 percent in May and 49 percent in April. (**Figure 5**) Hotels recalled or employed new workers after the scale down in April 2021 occasioned by the enhanced

COVID-19 restrictions. While the level of employment in Nairobi improved in July, it declined slightly in the rest of the country, in line with the demand for the hotel services. Most hotels operating in Nakuru county reported hiring more employees in June, during the WRC event.

Hotels in Mombasa reported giring of casual staff to meet demand, while also keeping others on rotational basis or shifts in line with demand.

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

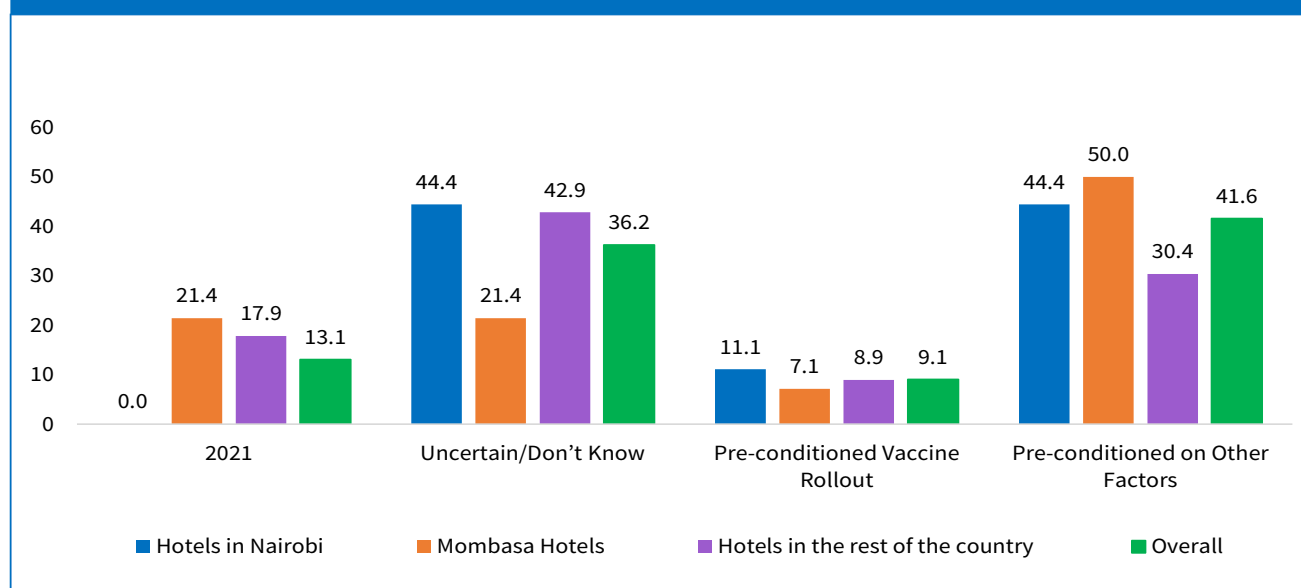


## 7. EXPECTATIONS ON RETURN TO NORMAL LEVELS OF OPERATIONS

The Survey also captured expectations by hotel respondents regarding when they expect to return to normal levels of operations (pre-COVID-19). On average, 13 percent of hotels expected to resume normal levels of operations by end of 2021 (**Figure 6**). This is a decline from the 18 percent recorded in the May survey, with respondents attributing the decline to persistence of the pandemic. However, the proportions varied across regions, with hotels in Mombasa being the most optimistic about recovery in 2021, at 21 percent of respondents. This optimism was attributed to the fact that July-September is usually the high season for the tourism sector in Kenya and this is expected to boost their business. However, hotels in Nairobi did not expect to return to normal levels of operation in 2021, largely on account of increased COVID-19 cases and concern over the lifting of curfew.

The level of uncertainty has increased among all hotels across the country, mainly due to discovery of new strains of the virus, rising cases of infections, effects of recent lockdowns and slow rollout of the vaccine. While COVID-19 vaccination is ongoing in Kenya, only 9 percent of respondents pre-conditioned their return to normal operations on vaccinations. Additionally, 42 percent of respondent hotels were of the view that their businesses would get back to normal operations due to other reasons, particularly, reduction of operating hours and imposition of curfew were cited as the main hindrance to their recovery. The respondents indicated that the current 7 pm closure time for bars had affected operations of the sector, while the 10 pm curfew time had affected other sectors that previously operated 24-hour services.

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





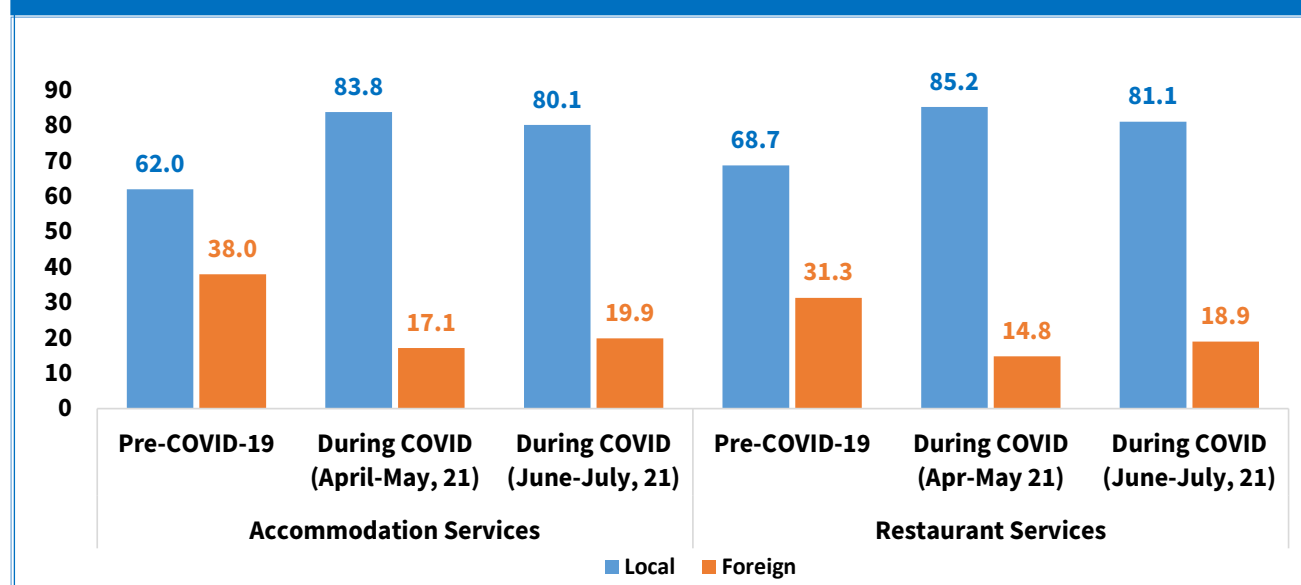
## 8. CHANGES IN HOTEL CLIENTELE

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. Overall, local guests took up 80 percent of accommodation and 81 percent of restaurant services between June and July, 2021, compared to 62 percent and 69 percent, respectively, during the period before the pandemic (**Figure 7**).

Respondents attributed the dominance of local guests to low foreign clients due to the international

travel restrictions imposed during the pandemic period. In addition, respondents indicated that they have intensified their domestic marketing, and also offered discounted rates on their accommodation and restaurant services to attract local clientele. However, there was a slight drop in the proportion of the local clientele in July. This was attributed to the increased inflow of foreign tourists into the country ahead of the high tourist season. In addition, the just concluded WRC also boosted the number of foreigners using the hotel services.

**Figure 7: local and foreign clients served by hotels (percent of total clients)**

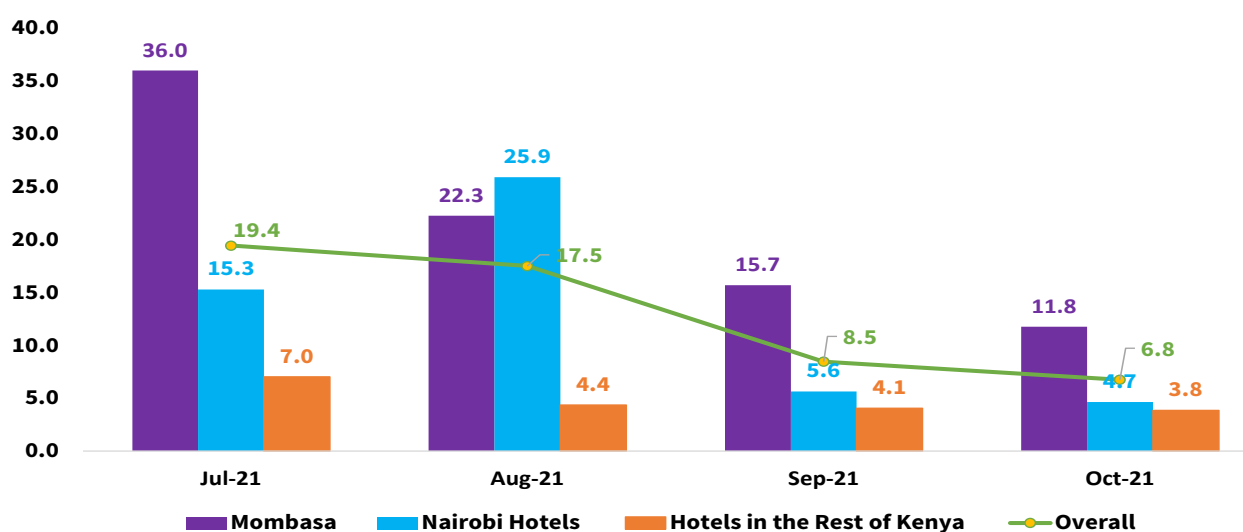


## 9. HOTEL FORWARD BOOKINGS

The Survey also requested hotel respondents to indicate their levels of bookings, relative to the total bed capacity, for the period July to October, 2021. Generally, forward bookings in the next four months showed recovery, despite concerns about the evolving nature of the pandemic. Average bookings for July (unutilized services) were about 19 percent, an increase from 9 percent recorded in May. Mombasa hotels reported the highest number of bookings in July, at an average of 36 percent, largely

associated with the start of high tourist season and the July 2021 school holiday. Nairobi hotels reported high bookings for August, at 26 percent, that was associated with the upcoming World Under 20 (U20) Athletics Championships to be held in Nairobi (**Figure 8**). Majority of the hotels in the rest of the country reported that they largely depend on walk-in clients or bookings on short notice as clients avoid long prior bookings.

**Figure 8: Average hotel forward bookings (percent of bed capacity)**

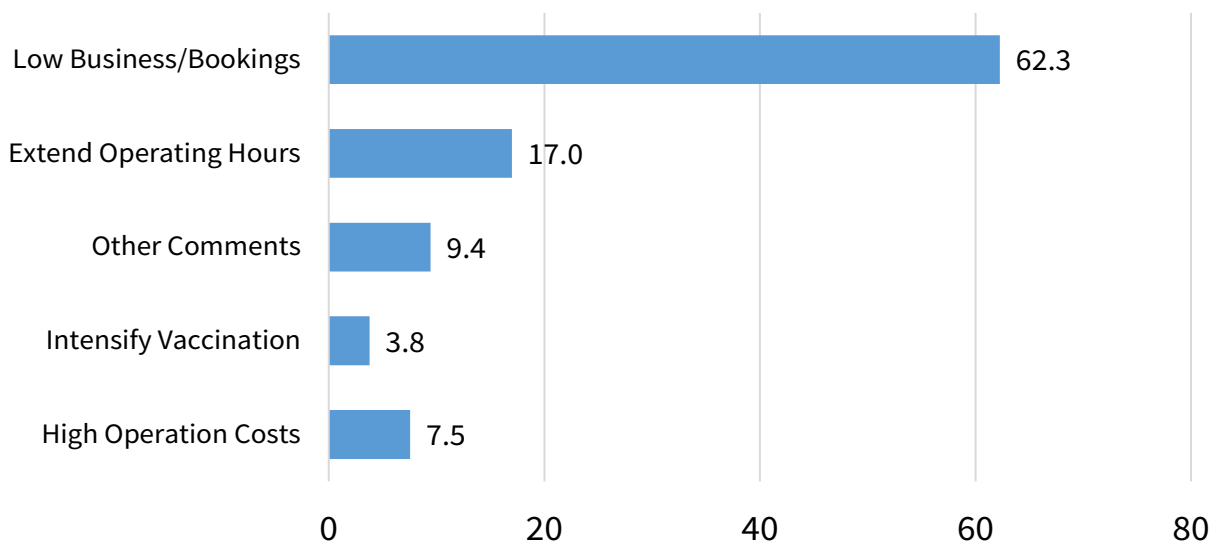


## 10. OTHER COMMENTS

The Survey allowed respondents to provide general comments including on the impact of the resurgence in COVID-19 infections in Kenya and the world on their operations (**Figure 9**). Overall, 62 percent of respondent noted that the resurgence of infections had affected their businesses negatively. In particular, they noted that this had resulted in cancellation of bookings for both accommodation and conferences services, and reduced demand for the restaurant services in line with the social distancing requirements. In addition, other services

especially bars continued to be affected by the short operating hours. Consequently, requests to extend operating hours and high operation costs were noted by 17 percent and 8 percent, respectively, of respondents. About 9 percent of respondents noted other concerns, including heightened uncertainty, jobs losses and requests to remove curfew. About 4 percent of the respondents noted the need to intensify the vaccination exercise to ensure a return to normalcy in their operations.

**Figure 9: General comments (percent of total responses)**



## 11. CONCLUSION

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The CBK conducted a follow-up Survey of hotels from July 14 to 16, 2021 to assess the status of recovery of the sector from the effects of the pandemic and lifting of zoned lockdown in May.

The Survey shows that the sector has continued to recover since April. In particular, 96 percent of hotels sampled across the country were operating in July 2021 compared with 94 percent in May and 81 percent in April. Similarly, the overall employment in the sector recovered in July to 62 percent of pre-COVID-19 levels, from 57 percent in May and 49 percent in April. This is the highest level of employment recorded since the beginning of the COVID-19 pandemic.

The average bed occupancy, utilization of restaurant and conference services recovered in June and July, largely reflecting increased demand for the hotel services. While the bed occupancy in Nairobi and Mombasa hotels increased in July, it declined

slightly in hotels in the rest of the country on account of slow spending/uptake from national and county governments in the new financial year.

Local guests continue to support accommodation and restaurant services in the sector during COVID-19 period. However, there was a slight increase in the proportion of foreign clients in June and July indicating improvements in the number of tourist arrivals. On average, respondents reported increased uncertainty arising from the discovery of new strains of the virus, and the maintenance of curfew hours. As result, only about 13 percent of the respondent hotels expected to attain normal (pre-COVID) levels of operations 2021, while the rest feel that return to normalcy will depend on other factors including evolution of the pandemic and related containment measures.

Forward hotel bookings have improved inline with the gradual recovery of the hotel sector from the pandemic.





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