



Central Bank of Kenya

Monetary Policy Committee Hotels Survey

November 2021



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1. BACKGROUND

The Central Bank of Kenya (CBK) conducted a survey of hotels between November 17 and 19, 2021, to assess the extent of recovery of the sector, particularly after the lifting of the 10 pm to 4 am curfew on October 20, and the reduction in COVID-19 cases in the month of October after the sharp rise recorded in August. This followed reduction in the COVID-19 positivity rate to below 2 percent amid the enhanced vaccination exercise in the country.

The CBK undertook this follow-up Survey to assess the impact of the pandemic and the pace of recovery of the sector following the disruptions witnessed in 2020 due to COVID-19 containment measures. 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 October to November 2021.

Prior to the COVID-19 pandemic, accommodation and food services sector was a key contributor to the strong performance of the economy. The sector was the worst hit by the pandemic, contracting by 47.7 percent in 2020. In the first half of 2021, the sector contracted by 31.1 percent compared to a contraction of 31.6 percent in a similar period in 2020, indicating the impact of the containment measures put in place to curb the spread of the pandemic. The Kenya National Bureau of Statistics (KNBS) estimates that the impact of the pandemic was a reduction in the number of formal employees in the sector by 38.7 percent to 51,500 in 2020 from 82,900 in 2019. The wage payments by the private sector in the accommodation and food services declined by 42.0 percent to KSh 21.4 billion in 2020 compared to 2019. This resulted from closure of hotels and accommodation establishments and hence staff layoffs due to the pandemic. In addition, some hotels sent staff on unpaid leave or on less than full pay. However, wage payments by the public sector in the accommodation and food services increased by 13.0 percent over the same period.

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 pandemic period, expectations on return to normal operations, and the general sentiments by the sector. The Survey compliments the regular Monetary Policy Committee (MPC) Market Perceptions Survey and

the CEOs survey. The findings provided important inputs and information to the MPC in its November 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, Naivasha and Kajiado) and the rest of the country, particularly in Mombasa, Kisumu, Eldoret, Nakuru, Nyeri, Kisii and Meru towns. Hotels in the rest of the country are located in towns in which the CBK operates branches or currency centers.

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 70 hotels across the country (21 in Nairobi metropolitan area, 18 in Naivasha and 31 in the rest of the country including Mombasa) participated in the survey. In addition, the sample included a number of hotels/lodges located in the Mara game reserve to help in assessing the levels of the hotels that significantly depend on foreign clientele.

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.

3. KEY HIGHLIGHTS OF THE HOTELS SURVEY FINDINGS

The key findings of the CBK hotels Survey in November 2021 include:

- All the sampled hotels are now operating reflecting continued recovery of the sector, after the lifting of the COVID-19 containment measures.
- In line with the levels of operations, employment levels in the sector improved in November to 78 percent of the pre-COVID-19 levels. This is the highest level of employment recorded since March 2020 reflecting continued recovery of the sector from the impact of the pandemic.
- In November, the average bed occupancy, utilization of restaurants and conference services also improved to their highest levels since the onset of the pandemic.

- On average, under the prevailing conditions, 25 percent of respondent hotels expect to attain normal (pre- COVID) levels of operations in 2021 while 35 percent expect to normalize operations in 2022. This follows lifting of curfew and intensified COVID-19 vaccination.
- In line with the continued increase in tourist arrivals, the share of foreign clientele has

continued to increase, taking 24.5 percent and 23.6 percent of the accommodation and restaurant services, respectively in November.

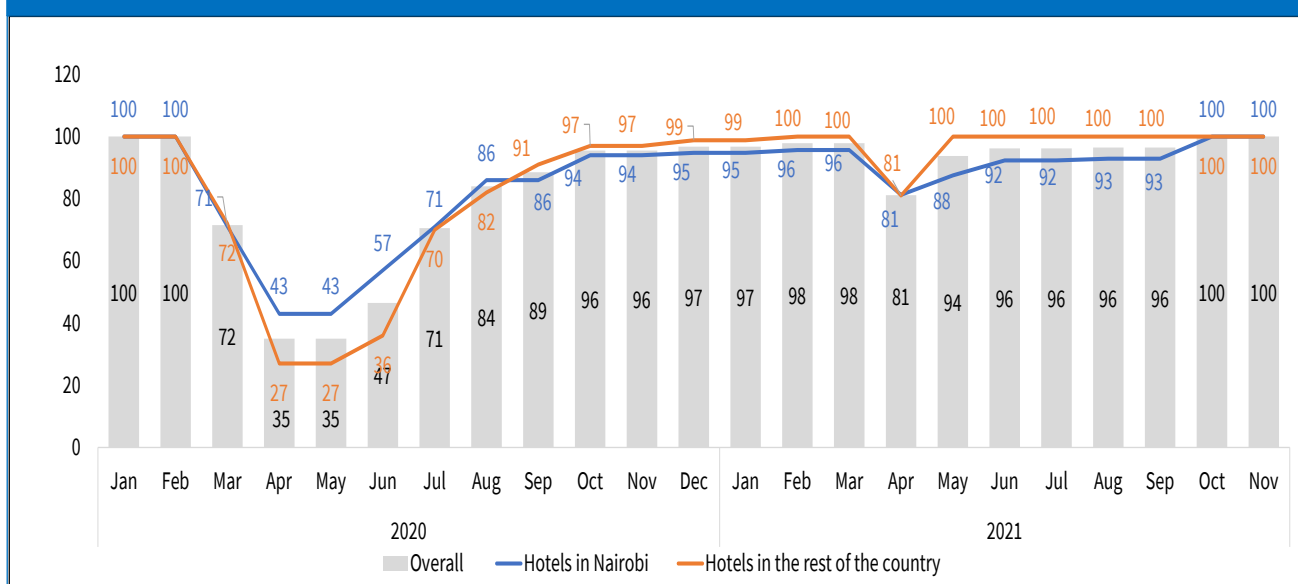
- Hotels average bookings increased in November compared to September, with Mombasa hotels reporting the highest levels of bookings of over 70 percent.

4. HOTELS IN OPERATION

Respondents were requested to indicate whether their enterprises were operating in October and November 2021. On average, all the sampled hotels were in operation in October and December, up from 96 percent in September (**Figure 1**). This followed reopening of some hotels that had previously been

closed. However, some high-end hotels were yet to reopen to-date for various reasons. Nevertheless, respondents reported concerns and risks related to a possible resurgence of COVID-19 infections arising from the rising cases of infections in some countries in Europe.

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

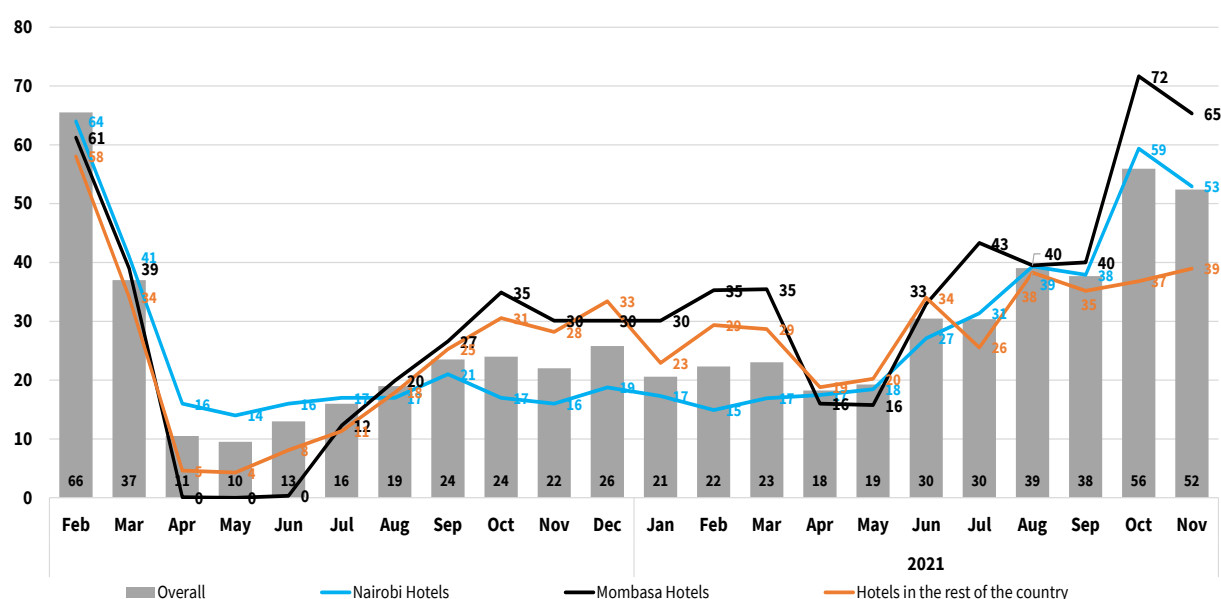


5. LEVELS OF OPERATIONS

The level of operations of hotels was assessed in terms of accommodation (bed occupancy rates), restaurant and conference services. In particular, respondents were requested to indicate, on a scale of 0-100 percent, the level of hotel operations in terms of utilization of accommodation, restaurant and conference services in October and November. Generally, the level of operations has improved to the highest levels since the start of the pandemic

On average, bed occupancy improved from 38 percent in September to 52 percent in November (**Figure 2**). There was a slight decline in bed occupancy in November from the levels reported in October particularly in Mombasa and Nairobi Hotels. This was on account of the increased demand for hotel during the school holidays in the first week of October. This was further boosted by the lifting of curfew and restrictions on public gathering.

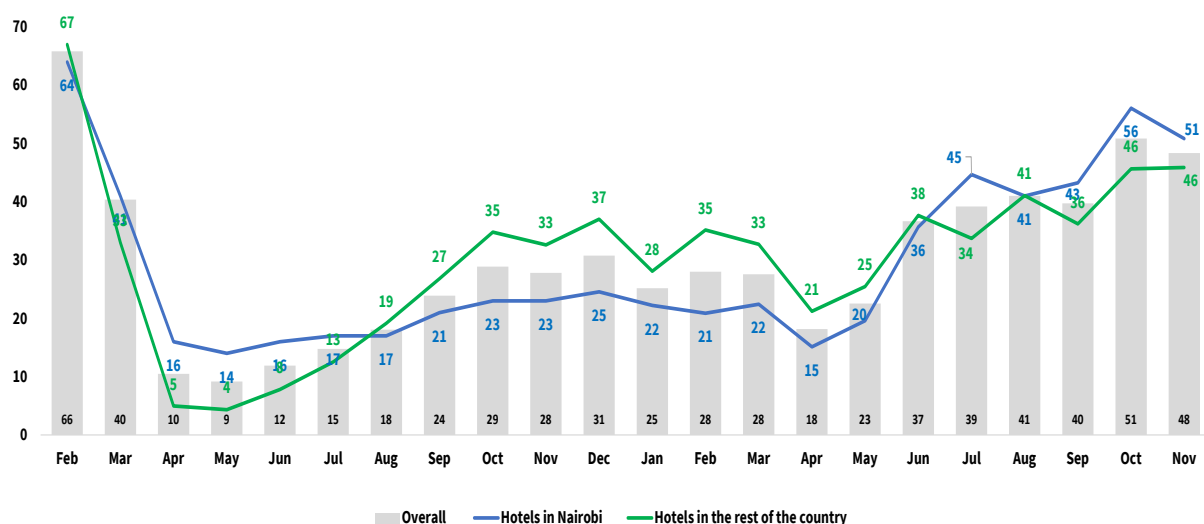
Figure 2: Bed Occupancy Rate (Percent of Total Bed Capacity)



In line with the level of bed occupancy, the restaurant services improved to 48 percent in November from 38 percent in September after the slight increase in October (**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 also continues to improve as hotels and their clientele adhere to the Ministry of Health guidelines.

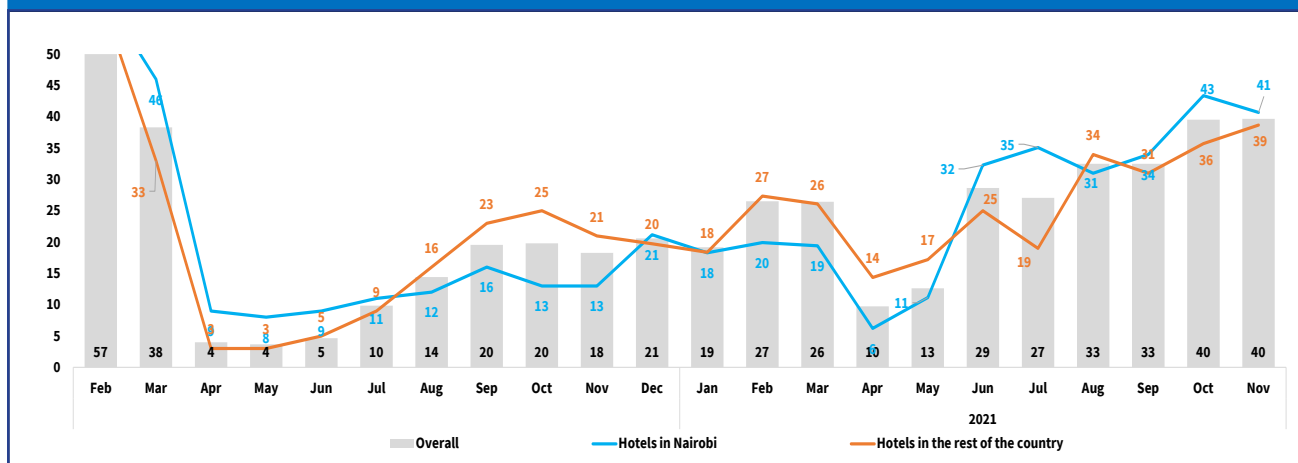
Figure 3: Utilization of Restaurant Services (Percent of Total Capacity)



The respondents indicated that on average, the utilization of conferencing services improved to 40 percent in November compared to 27 percent in September (**Figure 4**). The slight

decline from the October level was attributed to normal cycles in conferences services by the national and county governments as well as other organizations towards the end of the year.

Figure 4: Utilization of Conference Services (Percent of Total Capacity)

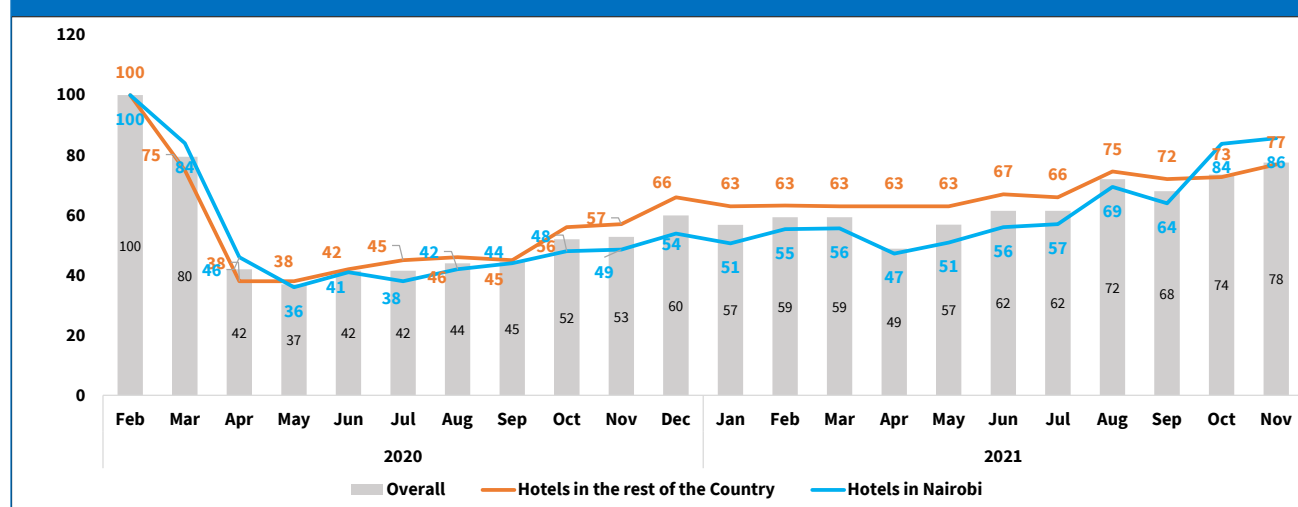


6. EMPLOYMENT IN HOTELS

The Survey also assessed changes in employment in the hotels sector. In particular, respondents were requested to indicate the number of active employees engaged by the hotels in October and November 2021. The results were analyzed relative to the pre-COVID-19 number of employees. The findings show that the overall employment levels improved from 68 percent in September to 78 percent in November.

This indicates increased demand for hotel services leading to recalling of the suspended and/or hiring of new workers. For the first time since the first case of COVID-19 was reported in the country, the levels of employments in Nairobi exceeded that of the rest of the country reflecting the positive impact of lifting of curfew on the sector.

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



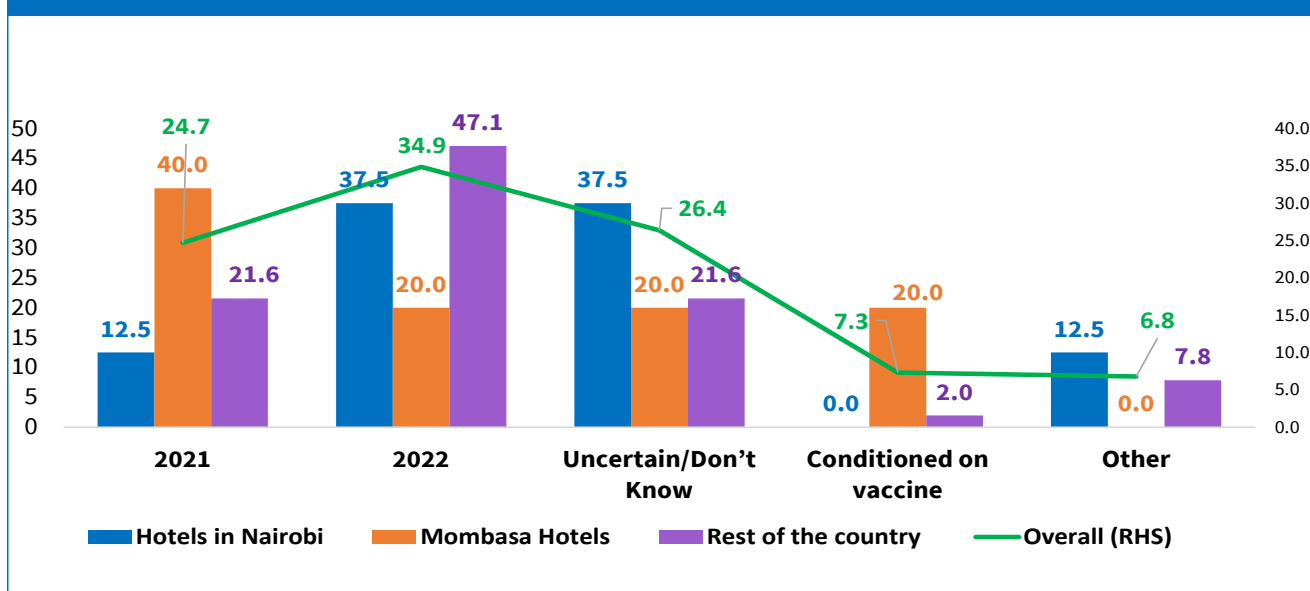
7. EXPECTATIONS ON RETURN TO NORMAL LEVELS OF OPERATIONS

The respondents were asked to indicate when they hoped their businesses would return to normal levels of operations (pre-COVID-19) given the prevailing conditions. On average, 25 percent of hotels expected to resume normal levels of operations by end of 2021 (**Figure 6**). This was an increase from the 14 percent recorded in the September survey. The shift in expectation is attributed to lifting of curfew that had constrained business since the beginning of the pandemic. This was particularly so for the hotels in Mombasa. In addition, the optimism is further driven by low infection rates and intensified vaccinations in the country. Contrary to 2020, the businesses expect to significantly benefit from the December holidays and festivities.

About 35 percent of respondent hotels expect to achieve normal levels of operations in 2021. The respondents believe that the economy is still recovering and requires some times for the sector to start benefiting from the recovery.

Additionally, 25 percent of respondent hotels were uncertain or didn't know when their businesses would return to pre-COVID-19 levels, down from the 28 percent recorded in September. Respondents attributed the continued uncertainty to rising cases of infections in Europe that could spread to the country with possibilities of enhanced restrictions. While COVID-19 vaccination is ongoing in Kenya, about 7 percent indicated it as the pre-condition for returning to normal operations.

Figure 6: Expected Time of Return to Normal Level of Operations (Percent of Respondents)



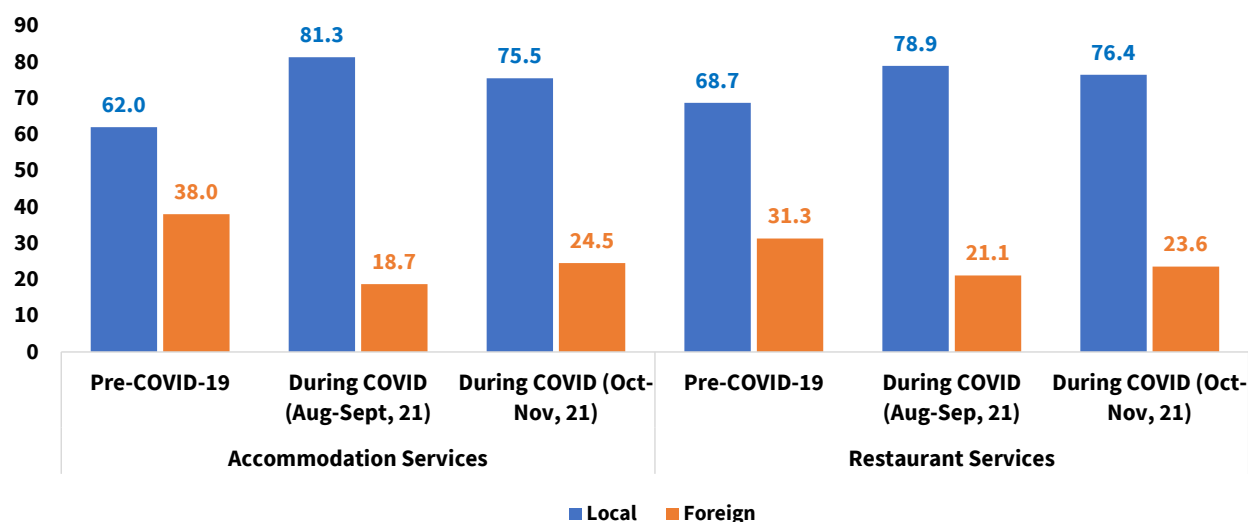
8. CHANGES IN HOTEL CLIENTELE

The Survey also sought to assess the type and 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 76 percent of accommodation and restaurant services between October and November, 2021, compared to 62 percent and 69 percent, respectively, during the

period before the pandemic (**Figure 7**). The share of foreign clientele in both accommodation and restaurant services increased in line with the reduction in international travel restrictions and increased tourist arrivals. In particular, data from the Kenya Tourism Board shows that the number of international tourist arrivals increased by 4.3 percent between September and October 2021.

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



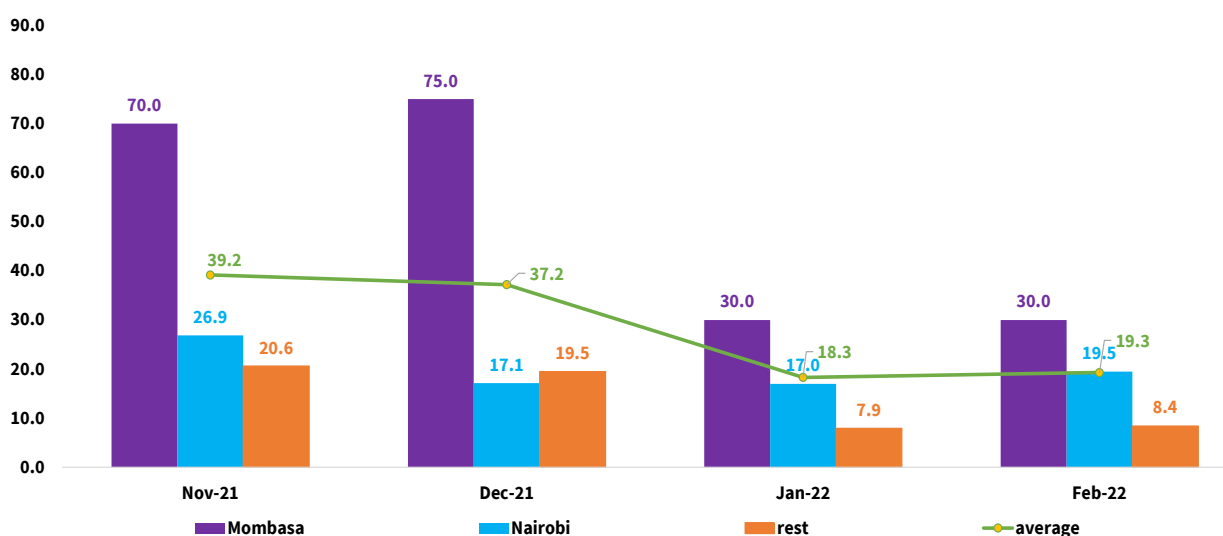
9. HOTEL FORWARD BOOKINGS

The Survey also requested hotel respondents to indicate their levels of forward bookings, relative to the total bed capacity, for the period November 2021 to February, 2022.

Generally, forward bookings in the next four months were recovering slowly despite concerns about the evolving nature of the pandemic. Average bookings for November (unutilized services) were about 39 percent, up from 19 percent in September. Mombasa

hotels reported the highest levels of bookings from November through February. However, the level of bookings is highest in December, associated with bookings for the Christmas holidays (**Figure 8**). Mombasa hotels indicated that they are fully booked during the Christmas and new year weekends. Majority of hotels in Nairobi and the rest of the country reported that they largely depend on walk-in clients or bookings on short notice.

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

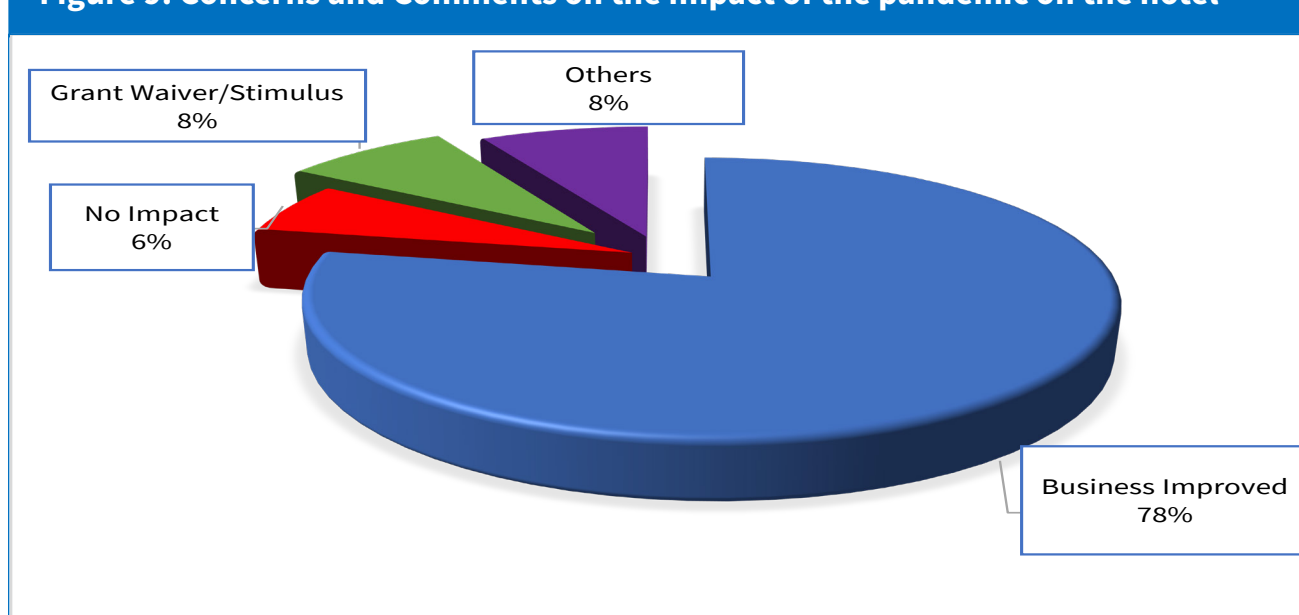


10. OTHER COMMENTS

The Survey requested the respondents to provide any other comments including the impact of the recent lifting of curfew and other restrictions on their business operations. As summarized in **Figure 9**, about 78 percent of the respondents noted that their businesses had improved with lifting of curfew and other restrictions. They reported that the short operating hours due to curfew had affected the restaurants and entertainment activities especially bars. Only 6 percent of respondents felt that the lifting of the curfew had no impact on their business.

About 8 percent of the respondents stated that the sector was hardest hit and requested that the government offers them stimulus, grants tax waivers as well as reduces some levies to support their recovery. In addition, some respondents cited challenges with payments of pending bills by county governments and taxation as issues of concern. Other respondents noted harsh economic conditions as well as a competition, and high operational costs as key concerns for their businesses.

Figure 9: Concerns and Comments on the Impact of the pandemic on the hotel



11. CONCLUSION

The CBK conducted a follow-up Survey of hotels in November 17 to 19, 2021 to assess the status of recovery of the sector from the effects of COVID-19 pandemic and after relaxation of the restrictions in the transport sector on August 9 and lifting of the countrywide curfew on October 20. In addition, the period was characterized by continued vaccination drives both globally and domestically, and also continued easing of restrictions in international travels.

The Survey showed that the sector has continued to recover following the lifting of the curfew. In particular, all the hotels sampled across the country were operating in November 2021. A few hotels in Nairobi remained closed mainly on account of other factors which may not be exclusively related

to COVID-19, but rather management/ownership issues. As a percent of the pre-COVID period, overall employment in the sector continued to recover in November.

The average bed occupancy, utilization of restaurant and conference services also continued to recover on account of increased demand supported by increased conferences following the full reopening of the economy. Local guests continued to support the accommodation and restaurant services sector even as the share of foreign clientele improves as the international travels recover.

Forward hotel bookings have improved particularly for Mombasa hotels as the country approaches the school holidays and Christmas season.



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