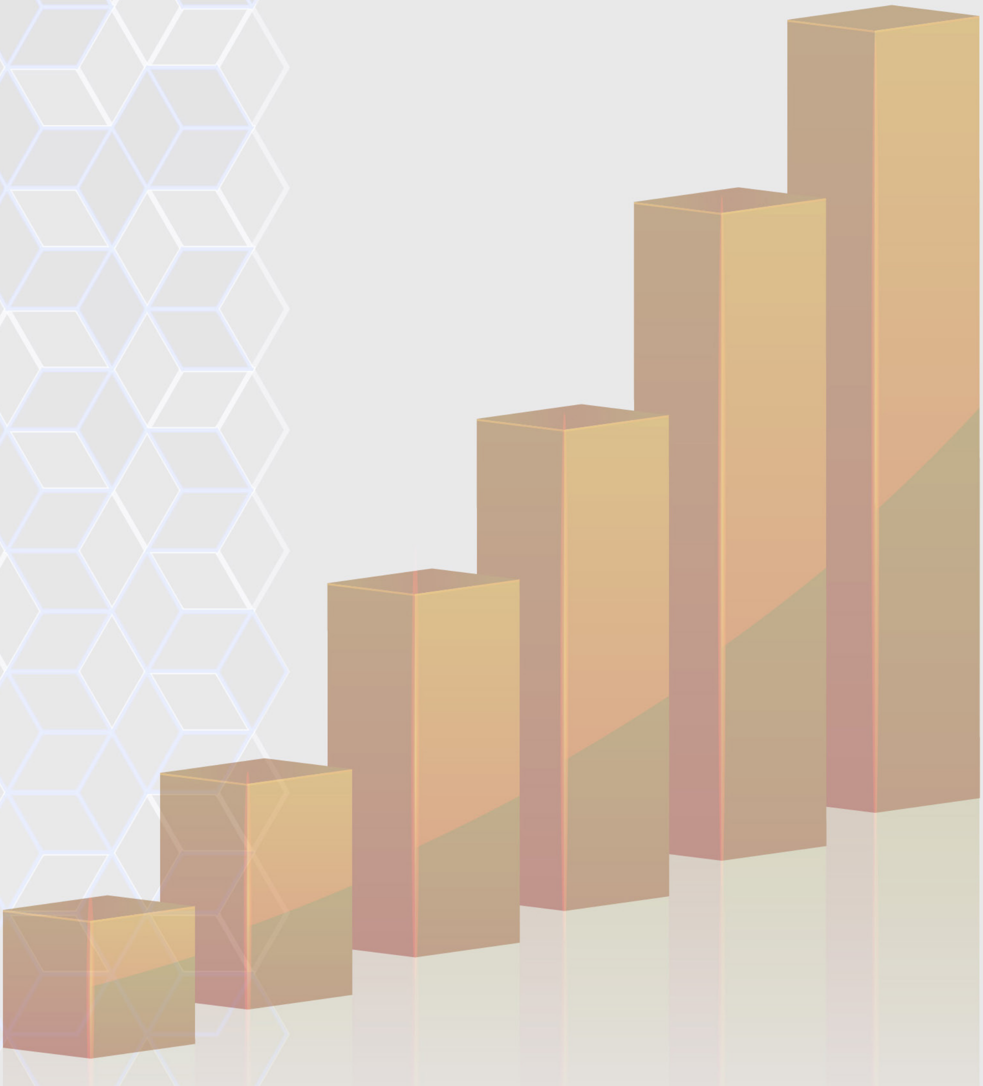
Central Bank of Kenya

# Monetary Policy Committee Hotels Survey

September 2021



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## 1. BACKGROUND

The Central Bank of Kenya (CBK) conducted a survey of hotels between September 15 and 17, 2021, to assess the extent of recovery of the sector, particularly following the slowdown in COVID-19 cases in the month of September after the sharp rise recorded in August. As a consequence, some of the COVID-19 containment measures such as the 10 pm to 4 am curfew and ban on public gatherings remained in force. However, the 50 percent carrying capacity restriction in public service vehicles was lifted on August 9, 2021.

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 Hotel 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 September to December 2021.

Prior to COVID-19 pandemic, accommodation and food services sector was a key contributor to the robust performance of the economy. The sector was the worst hit by the pandemic, contracting by 47.7 percent in 2020. The sector is estimated to have also contracted in the first quarter of 2021, indicating the continued impact of the containment measures that were put in place to curb the spread of the pandemic. Consequently, the number of formal employees in the sector declined by 38.7 percent to 51,500 in 2020 from 82,900 in 2019.
According to KNBS Economic Survey 2021, the wage payments in the accommodation and food services sector wages paid by the private sector declined by 42.0 percent to KSh 21.4 billion in 2020. This was as a result of closure of hotels and accommodation establishments and declaration of staff redundancies 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 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 supplements the regular Monetary Policy Committee (MPC) Market Perceptions Survey and the CEOs survey. The findings provide important inputs and information to the MPC during its September 2021 meeting. This report provides a summary of findings from the Survey.

## 2. SAMPLE AND METHODOLOGY

The Survey covered hotels, ranging from the top rated 5-star hotels to the smaller facilities, 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, where 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 73 hotels across the country (20 in Nairobi metropolitan area, 12 in Naivasha, 18 in Mombasa and 33 in the rest of the country) participated in the survey. In addition, the sample included a number of hotels located in the Mara game reserve and Amboseli National Park. This was to help assess the levels of the hotels that depend significantly on foreign clientele. The Survey response rate was about 60 percent.

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 September 2021 include:

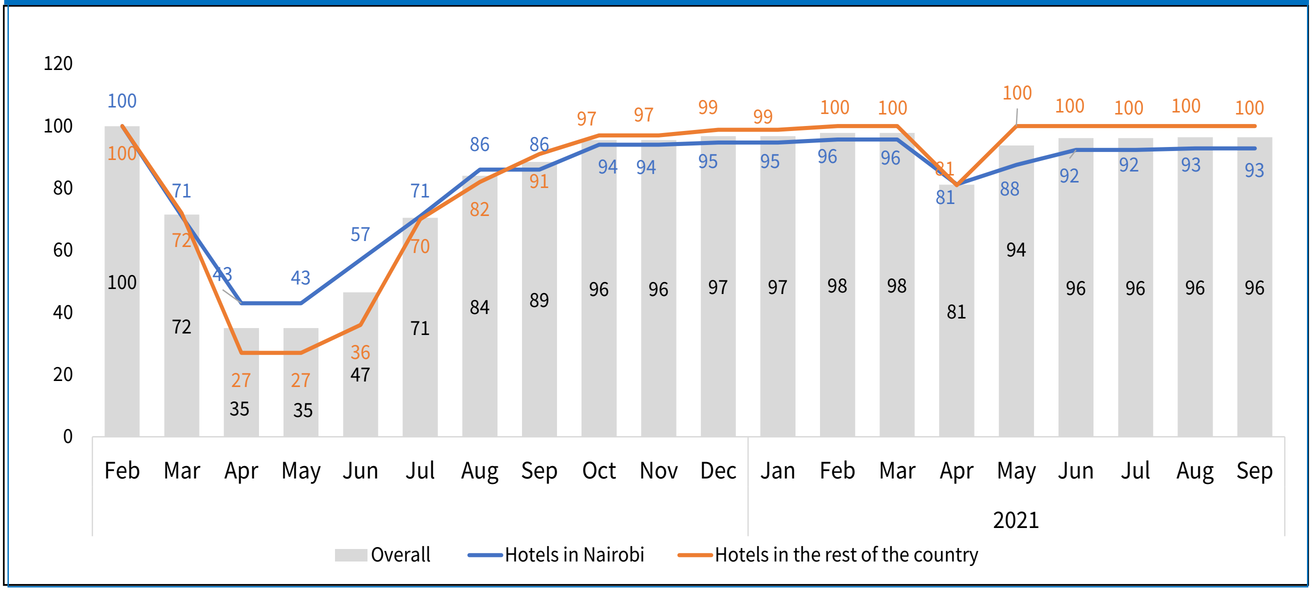
- Virtually all the sampled hotels, except in Nairobi, are now operating reflecting continued recovery of the sector after the lifting of the COVID-19 containment measures.
- In line with the levels of operations, employment levels in the sector improved in August to 72 percent of the pre-COVID-19 levels but declined slightly in September. This is the highest level of employment recorded since March 2020 reflecting continued recovery of the sector from the impact of the pandemic.

- The average bed occupancy, utilization of restaurants and conference services also improved in September compared to July.
- In line with the continued lifting of international travel restrictions, the foreign clientele has continued to increase, taking 20.5 percent and 21.1 percent of the accommodation and restaurant services, respectively, in September.
- On average, under the prevailing conditions, 14 percent of respondent hotels expect to attain normal (pre- COVID) levels of operations in 2021, an increase from 13 percent in July 2021 reflecting improved optimism as the restrictions are lifted and COVID-19 vaccination intensified.

## 4. HOTELS IN OPERATION

Respondents were requested to indicate whether their enterprises were operating in August and September 2021. On average, 96 percent of the sampled hotels were in operations in September, the same level as in July 2021 **(Figure 1)**. In particular, 100 percent of the respondent hotels in the rest of the country and 93 percent of hotels in Nairobi were in operation. The few hotels in Nairobi that were still closed cited low business as the main reason, since they largely depend on foreign business for both accommodation and conference facilities. Nevertheless, respondents reported concerns and risks related to possible resurgence of COVID-19 infections arising from the enhanced political activities that are defying the MOH protocols on COVID-19 prevention.

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

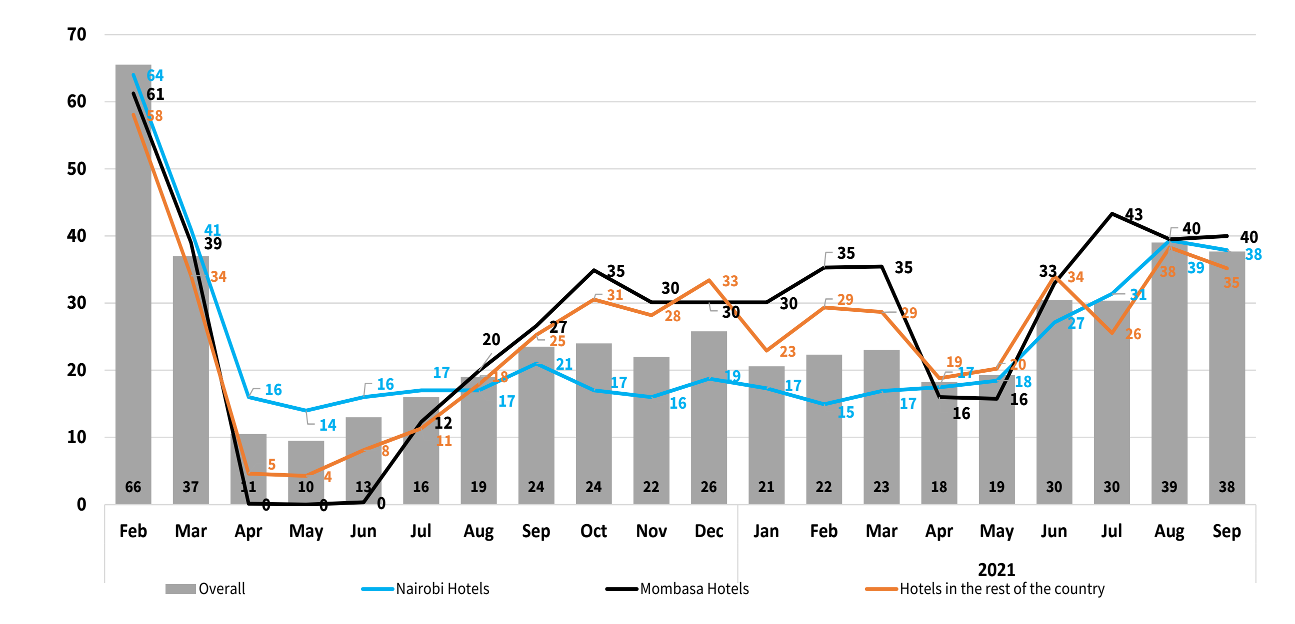



## 5. LEVELS OF OPERATIONS

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 bed capacity, restaurant and conference services in August and September.

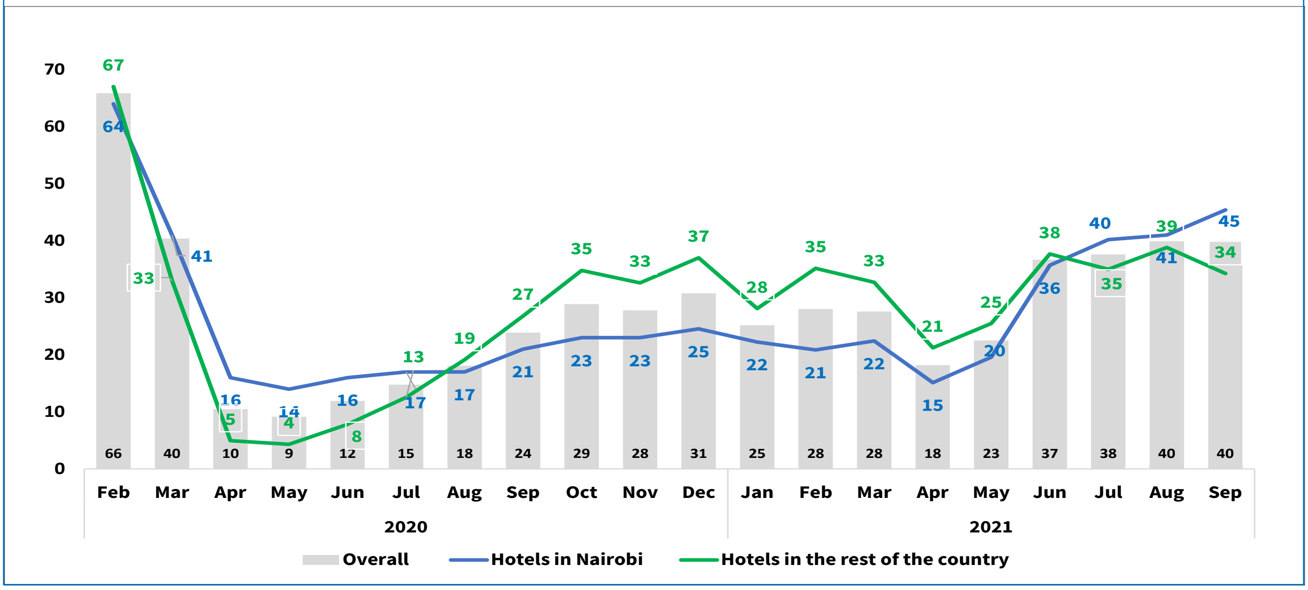
On average, bed occupancy improved from 30 percent, of the pre-COVID-19 levels, in July survey to 39 percent in August, before dropping slightly in September **(Figure 2)**. In particular, bed occupancy for hotels in Nairobi, Mombasa and in the rest of the country improved, according to the September Survey. The Nairobi hotels were boosted by the World U20 athletics championships in August while those in Mombasa reported some decline in August after the July school holidays.

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



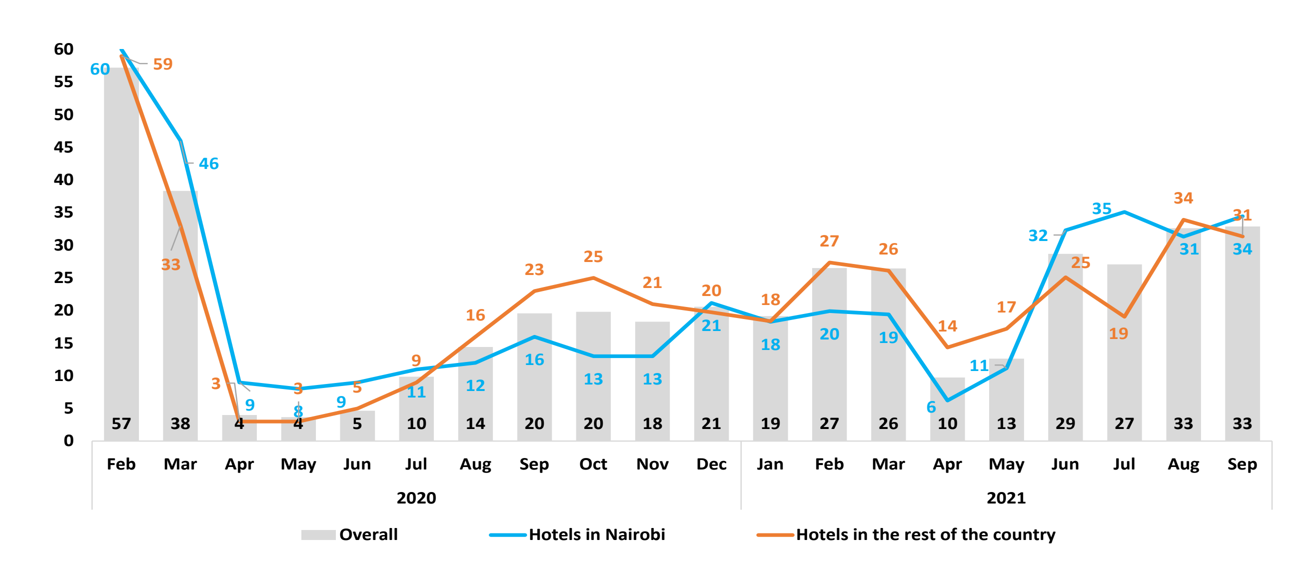

In line with the level of bed occupancy, the restaurant services improved to 40 percent in August and September from 38 percent in July **(Figure 3)**. The utilization of the restaurant services in Nairobi has continued to improve since April following the lifting of COVID-19 restrictions on May 2, 2021. The uptake of the restaurant services in the rest of the country also continues to improve as facilities and their clientele adhere to the MOH guidelines.

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




The respondents indicated that on average, the utilization of conferencing services improved to 33 percent in September compared to 27 percent in July. This reflected an improvement in the uptake of the services by the national and county governments as well as other organizations **(Figure 4)**. However, performance of the conferencing services by hotels in the rest of the country dropped slightly in September.

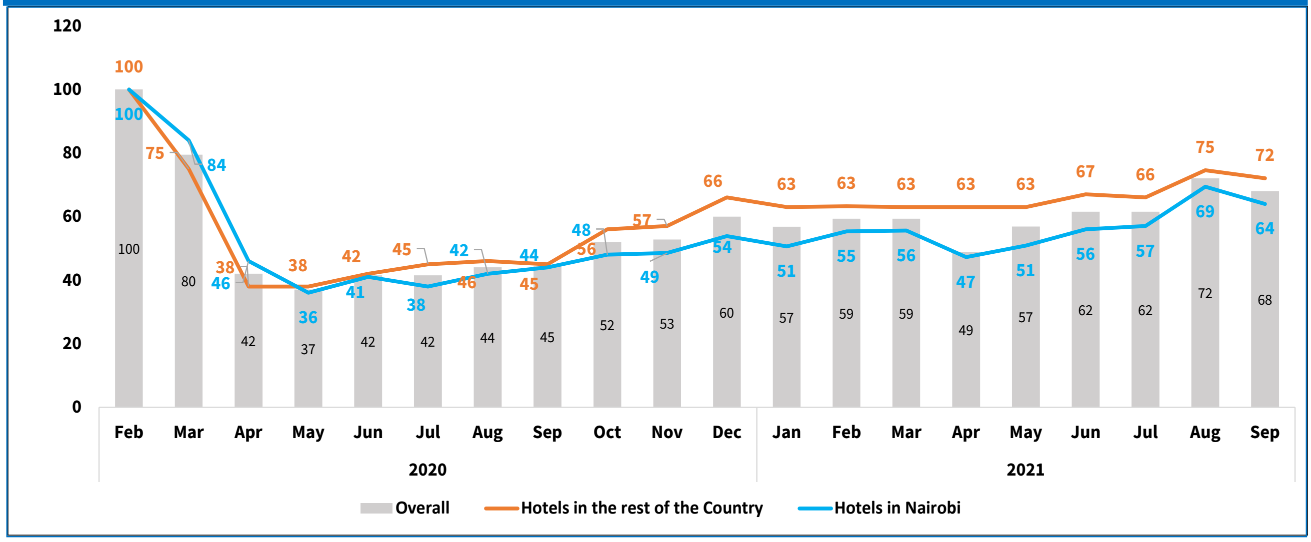
**Figure 4: Utilization of conference services (percent of total capacity)**




## 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 August and September 2021. The results were analyzed as a share of the pre-COVID-19 number of employees. The findings show that the overall employment levels improved from 66 percent in July to 75 percent in August before declining slightly to 72 in September. This indicated that the hotels recalled the temporarily suspended staff or employed new workers after the scale down in April 2021 occasioned by the enhanced COVID-19 restrictions, particularly for the Nairobi hotels. The slight decline in the employment levels in the Nairobi hotels in September reflected higher employment levels recorded in August during the World U20 athletics championship that gave the hotels higher business.

**Figure 5: Employment (percent of employees relative to February 2020)**



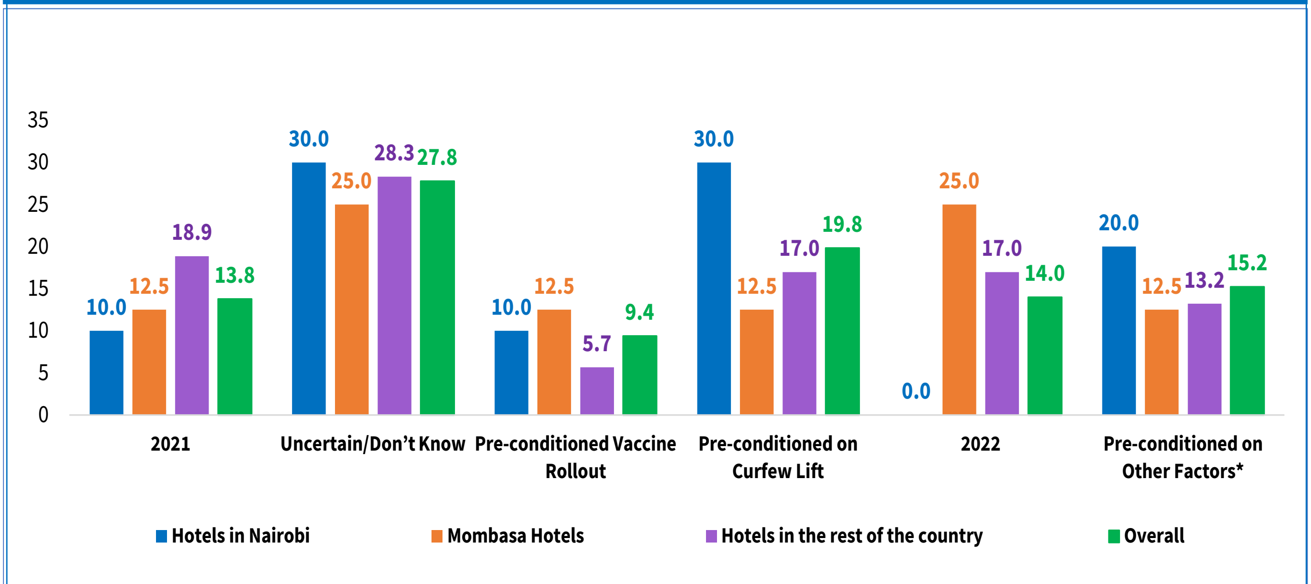
## 7. EXPECTATIONS ON RETURN TO NORMAL LEVELS OF OPERATIONS

The respondents were asked to say when they hoped their businesses would return to the normal levels of operations (pre-COVID-19) given the prevailing conditions. On average, 14 percent of hotels expected to resume normal levels of operations by end of 2021 **(Figure 6)**. This was a slight increase from the 13 percent recorded in the July survey reflecting improved optimism driven by declining reported cases of COVID-19 infections and enhanced vaccinations. In addition, the respondents particularly in Mombasa expected their businesses to be boosted by the December holidays and festivities.

About 28 percent of the respondent hotels were uncertain or didn't know when their businesses would return to the pre-COVID-19 levels. This was attributed to the possibilities of another lockdown or enhanced restrictions should the reported cases surge again. While COVID-19 vaccination is ongoing in Kenya, only about 9 percent indicated vaccination as the pre-condition for returning to normal level of operations. This was attributed to imposition of restrictions in other countries following a rise in reported COVID-19 cases even when a significant proportion of their population have been vaccinated.

About 20 percent of respondent hotels were of the view that their businesses would get back to normal operations if the curfew was removed. Particularly, the 10 pm curfew had affected the sector directly, and indirectly from the spillover from other sectors particularly transport that has continued to be affected by night travel ban. Furthermore, 14 percent of respondents are hopeful that their business will recover in 2022.

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

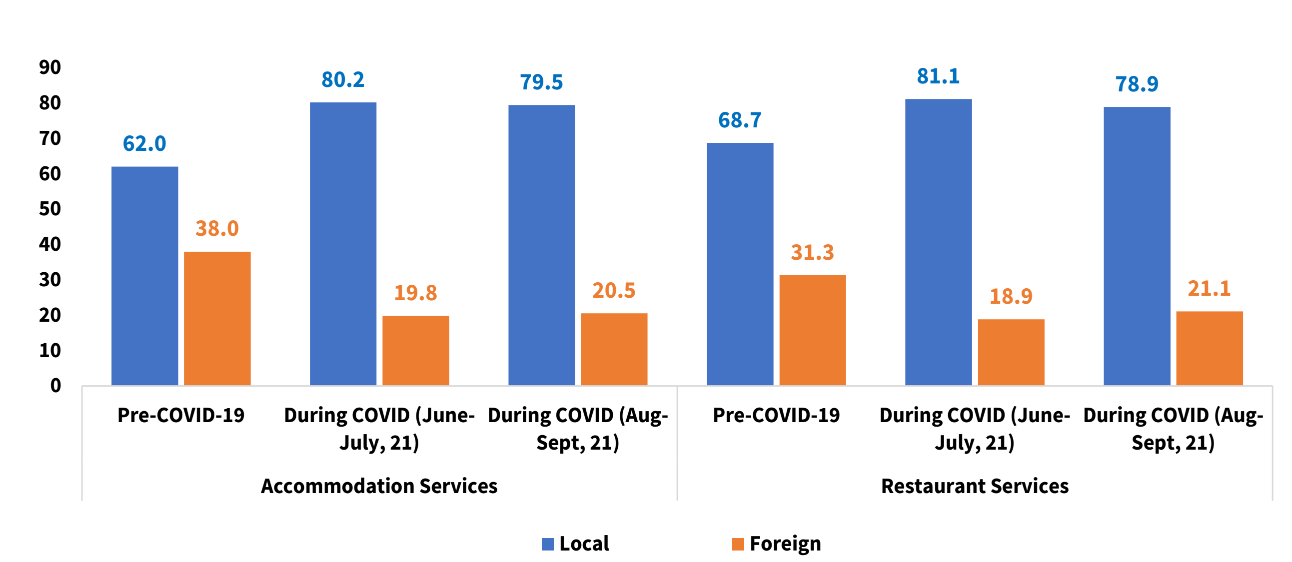



## 8. CHANGES IN HOTEL CLIENTELE

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 79 percent of restaurant services between August and September, 2021, compared to 62 percent and 69 percent, respectively, during the period before the pandemic **(Figure 7)**. The Survey recorded an improvement in the share of foreign clientele in both accommodation and restaurant services. This is supported by the continued reduction in international travel restrictions as countries intensify COVID-19 vaccination. This is reflected in the number of international tourist arrivals that increased by 15 percent between July and August 2021. In addition, the World U20 athletics championship boosted the number of foreign guests using the hotel services.

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

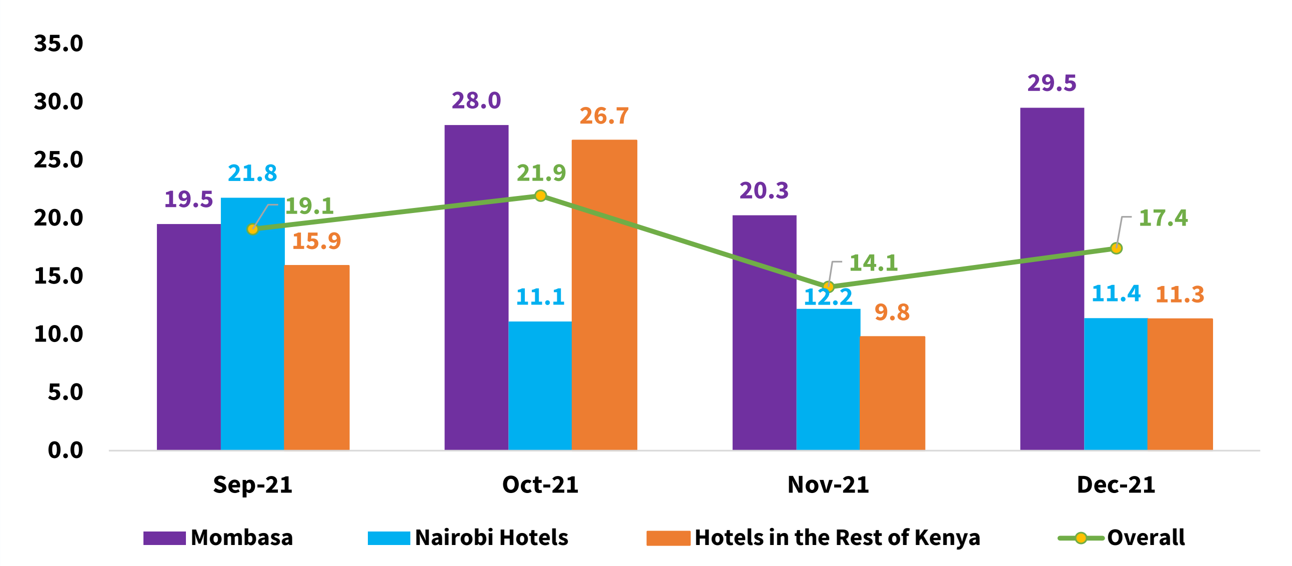



## 9. HOTEL FORWARD BOOKINGS

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

Generally, forward bookings in the next four months is recovering slowly despite concerns about the evolving nature of the pandemic. Average bookings for September (unutilized services) were about 19 percent, similar to July. Mombasa hotels reported the highest number of bookings from October through December. However, the level of bookings was highest in October and December which was associated with the school holidays and the festive season **(Figure 8)**. This was also true for the hotels in the rest of the country but only largely in October as they don't rely on long prior bookings. Majority of these hotels reported that they largely depend on walk-in clients or bookings on short notice. Hotels in Nairobi reported lower bookings since many clients prefer visiting other towns or the rural areas during the festive season.

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



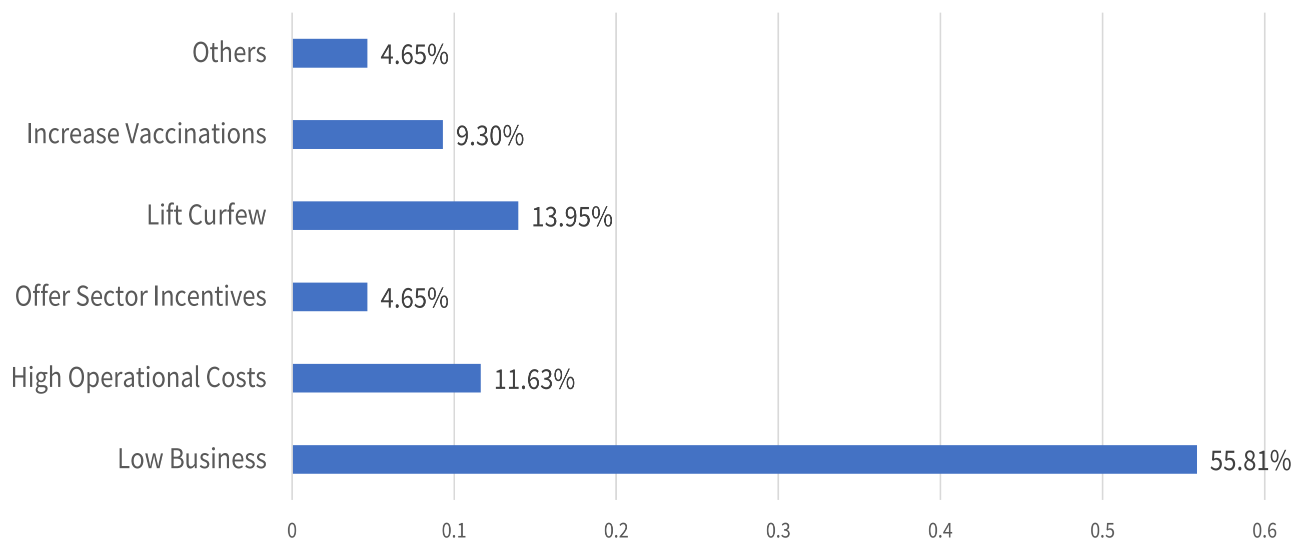
## 10. OTHER COMMENTS

The Survey allowed respondents to make general comments on the impact of the pandemic and the general concerns of their business enterprises. The results are summarized in **(Figure 9)**. Generally, about 56 percent of the respondents noted that the pandemic has affected their businesses negatively. In particular, they noted that it had resulted in cancellation of bookings for both accommodation and conference services, and reduced demand for restaurant services in line with the social distancing requirements.

About 14 percent of the respondent hotels cited short operating hours due to curfew as the main concern of their businesses and appealed for its removal. This mainly affected the entertainment joints especially bars that have to contend with few hours of operations.

About 11 percent of the respondent hotels were concerned about the rising operational costs to the sector. In particular, they highlighted high costs of fuel and electricity, numerous licenses and fees, and various taxes and aggresive collection methods amid low revenues as their key concerns. They requested for scrapping of some licenses and reduction of fuel prices to enable them remain in business.

**Figure 9: Concerns and comments on the impact of the pandemic on the hotel operations (percent of respondents)**




## 11. CONCLUSION

The CBK conducted a follow-up Survey of hotels from September 15 to 17, 2021 to assess the status of recovery of the sector from the effects of COVID-19 pandemic and after lifting of ban on carrying capacity in public transport on August 9. In addition, the period was characterized by continued lifting of international travels amid continued COVID-19 vaccination globally.

The Survey showed that the sector continued to recover since April. In particular, virtually all the hotels sampled across the country were operating in September 2021. Only a few hotels in Nairobi remained closed mainly on account of low business from foreign clientele. Similarly, the overall employment in the sector recovered in September to 68 percent from 62 percent in July. This was the highest level of employment recorded since the beginning of the COVID-19 pandemic.

The average bed occupancy, utilization of restaurant and conference services also recovered in August reflecting increased demand for the hotel services but dipped slightly in September, as a result of seasonal factors. Local guests continue to support accommodation and restaurant services in the sector during COVID-19 period. However, there was an increase in the proportion of foreign clients indicating some improvements in the number of tourist arrivals as the international travels recover.

On average, respondents reported continued uncertainty regarding evolution of the pandemic and observed that maintenance of curfew hours was negatively affecting their businesses. As a result, only about 14 percent of the respondent hotels expected to attain normal (pre-COVID) levels of operations in 2021, while the rest were of the view that return to normalcy would depend on other factors including evolution of the pandemic and related containment measures.

Forward hotel bookings have improved in line with the gradual recovery of the hotel sector from the pandemic supported by seasonal events such as the school holidays and other international activities such as the World U20 athletics championship.

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