



Central Bank of Kenya

Monetary Policy Committee Hotels Survey

January 2021



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1. BACKGROUND

The Central Bank of Kenya (CBK) conducted a survey from January 12 to 15, 2021 to assess the extent of recovery of hotels, particularly with the reopening of the economy and continued implementation of the Government measures to mitigate impact of COVID-19. The survey was a follow up to the one conducted in November 2020, with scope expanded to cover more hotels.

Prior to COVID-19 pandemic, the 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. The sector was the worst hit by the pandemic, contracting by 83.3 percent in the second quarter of 2020 compared to an expansion of 12.1 percent in the second quarter of 2019. This contraction was attributed to the measures impact implemented by Government to contain the spread of COVID-19. These measures included: suspension of passenger flights, closure of hotels and bar services; imposition of night curfew; and ban in movement to and from the counties of Nairobi, Mombasa and Mandera. However, as the rate of infections declined, the Government eased these restrictions gradually and re-opened the economy with necessary health protocols in place. As a result, activity in the sector improved and it recorded a lower contraction of 57.9 percent in the third quarter of 2020 compared to the sharper contraction in the second quarter.

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, and resumption of international passenger flights in August.

The Survey was a supplement to the regular Monetary Policy Committee (MPC) Market Perceptions Survey, and sought information on the status and levels of hotel operations particularly the utilization of accommodation and restaurant services, changes in employment in the sector, forward bookings from January to April 2021, changes in the composition of clientele during the pandemic period, and expectations on return to normal operations by the sector.

The Survey provided important input and information to the MPC in its January 2021 meeting.

It also captured general sentiments by players in the hotels sector. This report provides a summary of the findings of the Survey.

2. SAMPLE AND METHODOLOGY

The Survey covered hotels, ranging from the top rated 5-star hotels to small scale outlets, selected randomly from those operating in Nairobi and its environs (Machakos, Kiambu, and Kajiado) and the rest of the country 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 120 hotel enterprises. The respondents were people with good knowledge of the activities in their respective hotels and the entire sector. Out of the 120 hotels that participated in the survey, 40 were in Nairobi and its environs, 10 in Mombasa, 16 in Naivasha and 54 in the rest of the country.

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 January 2021.

3. KEY HIGHLIGHTS OF THE HOTELS SURVEY FINDINGS

The Key takeaways from the CBK Hotels Survey of January 2021 included:

- 97 percent of hotels that were sampled across the country were operating compared to 96 percent in September and 35 percent in May, mainly reflecting the continued easing of COVID-19 restrictions and compliance with the health protocols.
- Employment in the sector continues to recover towards the pre-COVID levels, averaging 57 percent in January 2021 compared with 53 percent in November 2020 and 37 percent in May, all relative to the pre-COVID-19 levels.
- The average bed occupancy, has also continued to recover gradually, averaging 26 percent in December 2020, compared to 23 percent in November and 10 percent in May. The utilization of restaurants and conference services has also improved gradually since May.
- Local guests continued to be the main support of activity in the sector during the COVID-19 period,

accounting for over 84 percent and 79 percent of the total clientele for accommodation and restaurant services, respectively.

- Despite the recent resurgence in COVID-19 infections and discovery of new variants of the

virus, respondents were optimistic about a strong recovery of the sector once the pandemic is contained. On average, under the prevailing conditions, 50 percent of hotels expect to attain normal (pre- COVID) levels of operations in 2021.

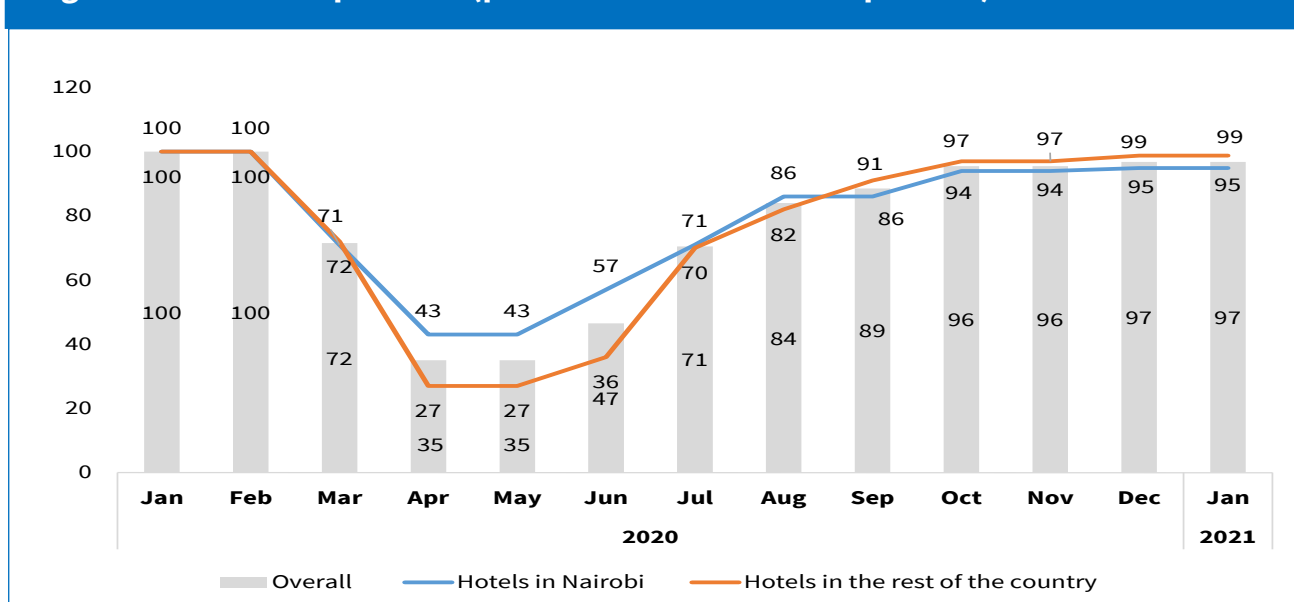
4. HOTELS IN OPERATION

Respondents were requested to indicate whether their enterprises were operating in each of the months between January 2020 and January 2021.

Most hotels that had closed down in April-May period due to COVID-19 containment measures, have re-opened. On average, 97 percent of hotels were operating in January 2021, compared to 96 percent

in November 2020 and 35 percent in May, mainly reflecting the continued reopening of the economy and increased compliance with the health protocols (**Figure 1**). Nevertheless, respondents reported concerns and risks related to the resurgence in COVID-19 infections.

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 December 2020 and January 2021. The responses were analysed in comparison with those in the previous hotel surveys.

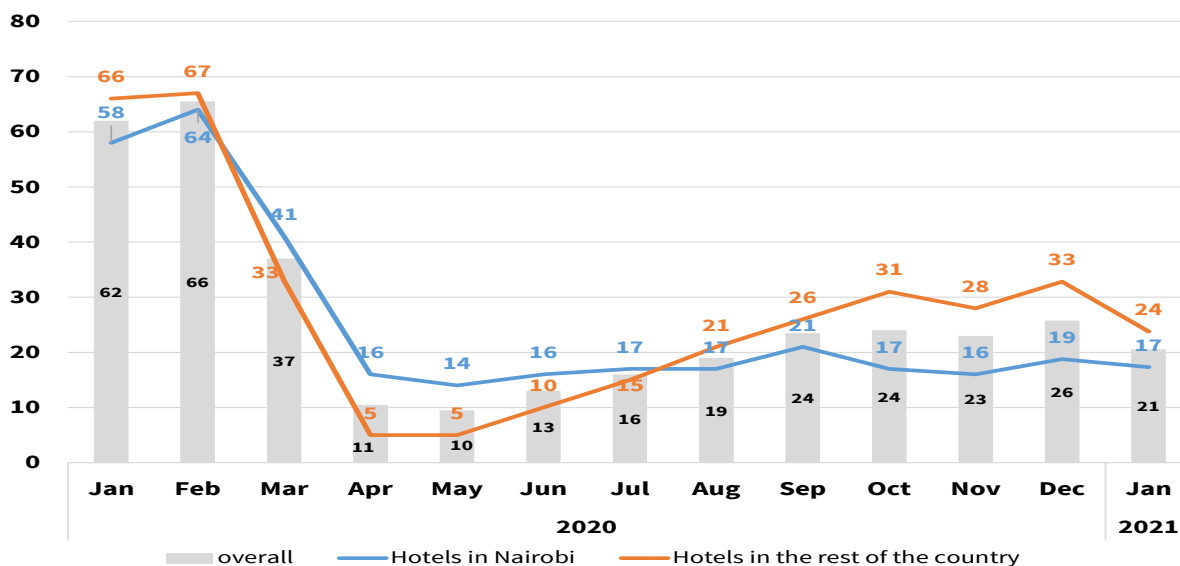
On average, bed occupancy has continued to recover,

albeit slowly, particularly in the hotels in Nairobi. The overall bed occupancy rate averaged 26 percent in December 2020 and 21 percent in January 2021 compared to 23 percent in November 2020 and 10 percent in May (**Figure 2**). Respondents attributed the decline in bed occupancy between December 2020 and January 2021, mainly to return to the cities by the people who had traveled during the Christmas festivities.

A variation in bed occupancy is noted between hotels in Nairobi and those outside Nairobi. The average bed occupancy for hotels outside Nairobi was higher at an average of 33 percent in December 2020 and 24 percent in January 2021, compared to

19 percent and 17 percent respectively for Nairobi area. The slow recovery of hotels in Nairobi is associated with the increased number of reported cases in Nairobi relative to the rest of the country.

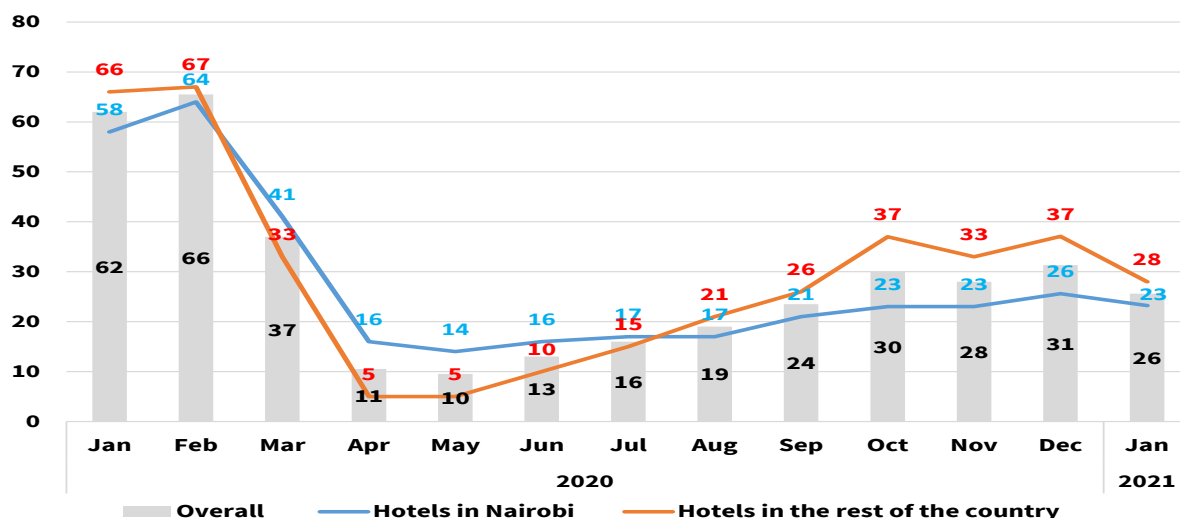
Figure 2: Bed occupancy rate (percent of total bed capacity)



The respondents to the Survey indicated that the utilization of restaurant services recorded a notable improvement on average, to 31 percent in December 2020 and 26 percent in January 2021, compared to 28 percent in November (Figure 3). The improvement in restaurant services reported in December was

associated with Christmas festivities, particularly in areas outside Nairobi. The hotels in Nairobi indicated that the main reason for the slower recovery in the restaurant services in the area was because most of the new COVID-19 infections were concentrated in the county.

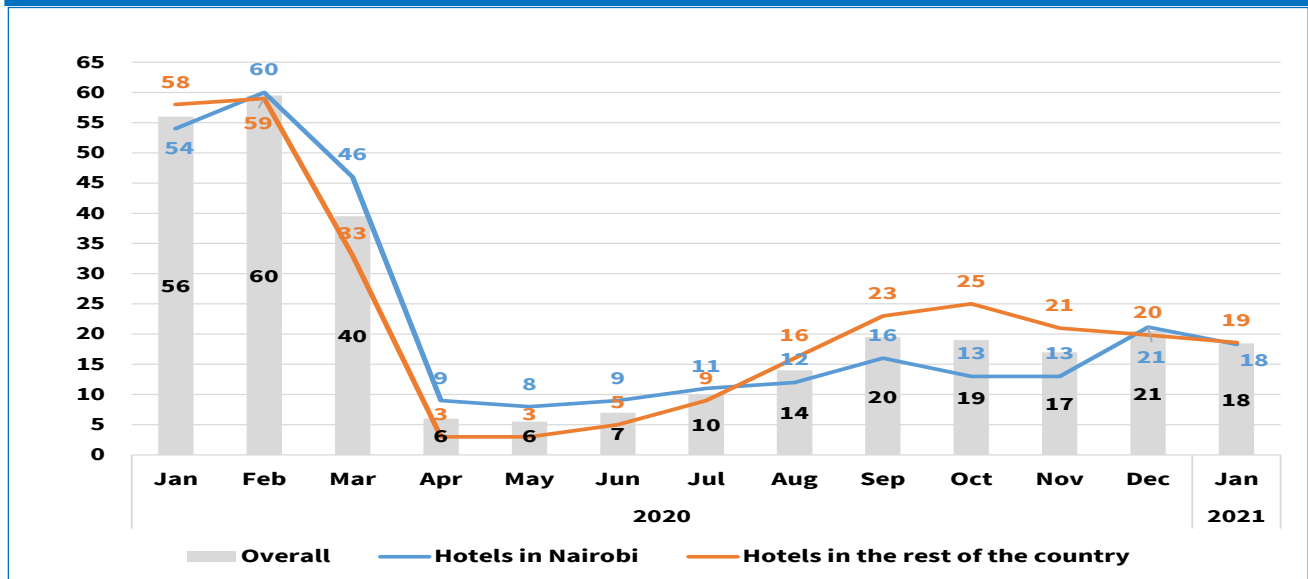
Figure 3: Utilization of restaurant services (percent of total capacity)



Respondents indicated that the utilization of conferencing services in hotels somewhat flattened out in December 2020 and January 2021 compared to levels in November, mainly reflecting fears and concerns on the resurgence of COVID-19 infections (**Figure 4**). The utilization of conferencing services stood at 21 percent in December 2020 and 18 percent in January 2021, compared to 17 percent

in November. Hotels in the rest of the country, particularly in Naivasha and Mombasa, noted some recovery in conferencing facilities particularly with the lifting of restrictions and increased Government-sponsored conferences in October. Nevertheless, this recovery was dealt a blow by the rise in infections in November resulting in some cancellations.

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



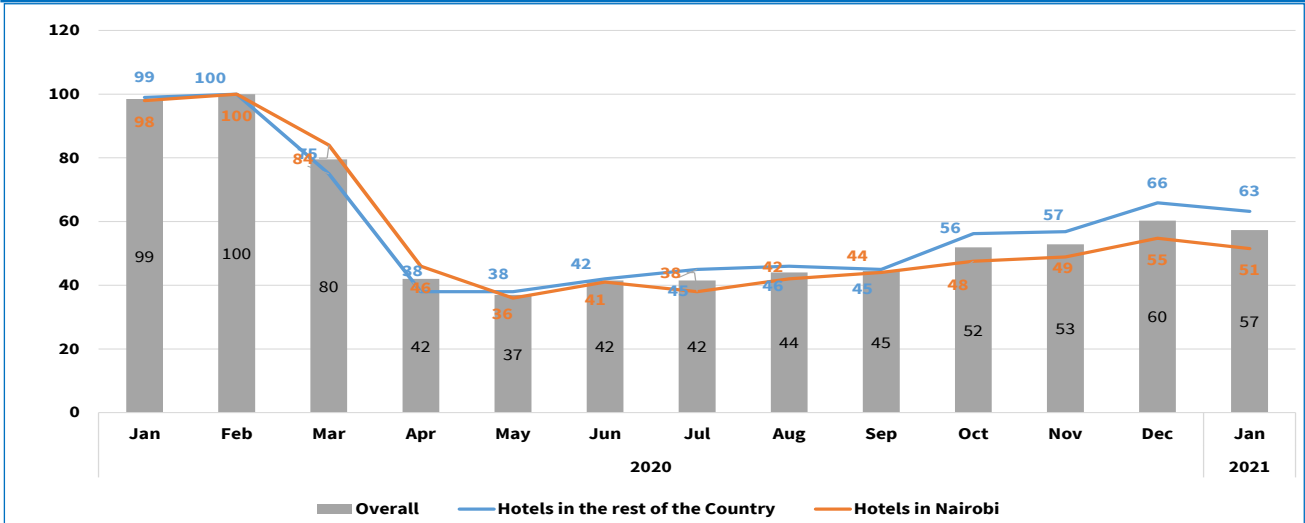
6. EMPLOYMENT IN HOTELS

The Survey also assessed changes in employment in the hotels sector, in comparison to the levels in 2020. In particular, respondents were requested to indicate the number of active employees engaged by the hotels between December 2020 and January 2021. In comparison to the employment levels in February 2020, the results show that employment in hotels continues to recover towards pre-COVID levels, averaging 60 percent in December 2020 and 57 percent in January 2021 compared with 53 percent in November and 37 percent in May (**Figure 5**). This recovery reflects the easing of COVID-19 restrictions and increased compliance with health protocols. In addition, the rise is also attributed to increased demand for hotel services during the Christmas festivities that called for hiring of additional staff.

Respondents indicated that employment levels declined in April and May 2020, as hotels scaled down operations due to low business during the COVID-19 period on account of COVID-19 restrictions in the sector. Hotels had either dismissed their workers, sent them on paid/unpaid leave or worked below their full pay.

The respondents indicated that the pace of recovery in employment for the sector has been tempered by fears of a resurgence in COVID-19 infections. The continued rise in COVID-19 cases globally had resulted in lower inflow of foreigners/tourists, further denting their business prospects.

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



7. EXPECTATIONS ON RETURN TO NORMAL LEVELS OF OPERATIONS

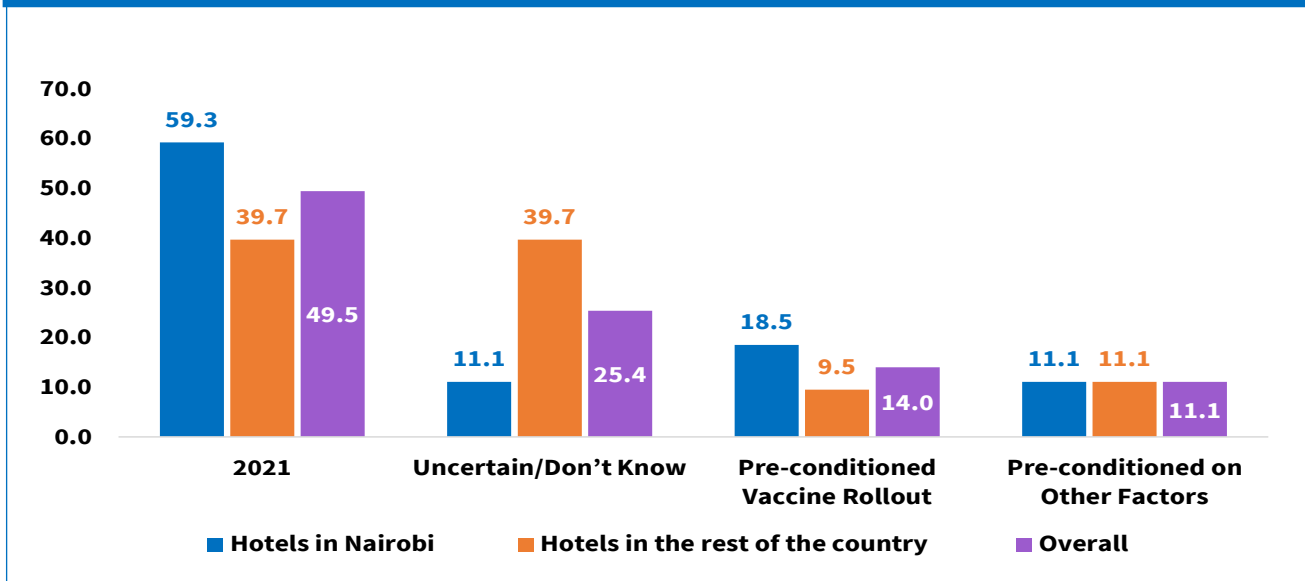
The Survey also captured expectations by hotels on when they expect to attain normal (pre COVID-19) levels of operations. On average, about 50 percent of hotels expect to resume normal levels of operations by end of 2021 (Figure 6). However, these proportions varied across regions in January, with 59 percent of hotels in Nairobi and 40 percent of hotels out of Nairobi expecting to resume normal operations in 2021.

While COVID-19 vaccine was discovered in 2020, about 14 percent expect that it is only after rollout in Kenya, that the hotels would return to normal

operations. They expressed fears that the vaccine may be expensive and could take long to be rolled out across the country to reach every person and especially the common *mwananchi*.

Only 11 percent of respondents were of the view that their business would get back to normal due to other reasons, particularly lifting of the curfew. Nonetheless, an average of 25 percent of hotels (11 percent of hotels in Nairobi and 40 percent of hotels out of Nairobi) were uncertain on when they would attain normal levels of operations, and expected this to depend on how the COVID-19 pandemic evolves.

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



8. CHANGES IN HOTEL CLIENTELE

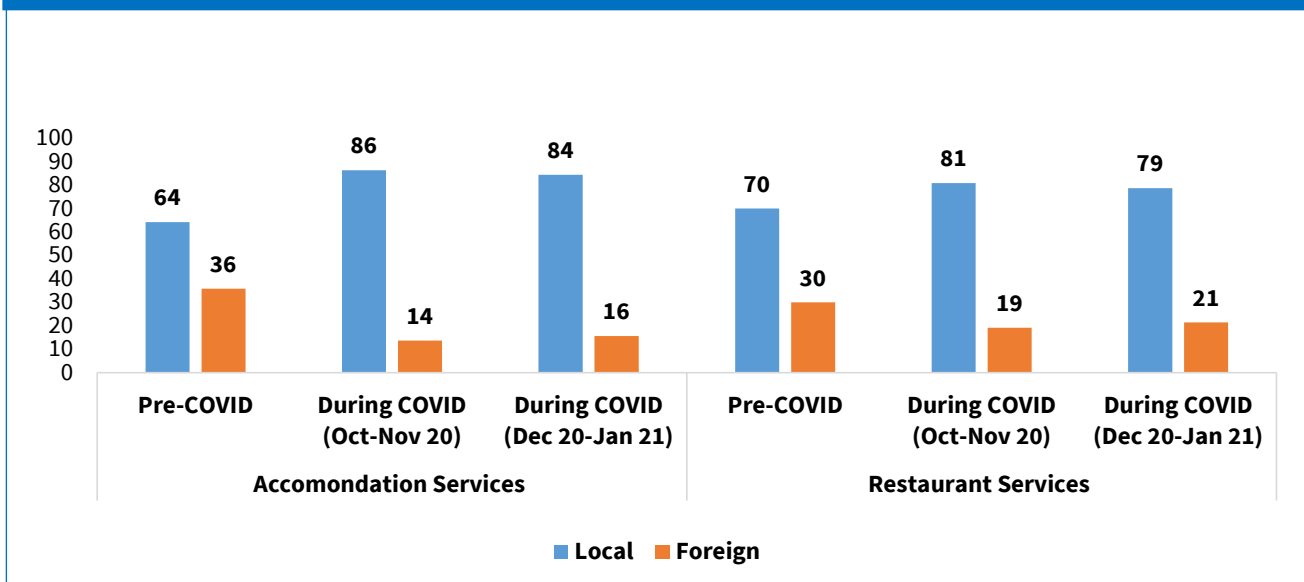
The Survey also sought to assess the type and average proportion of clientele (foreign and local) served by hotels in accommodation and restaurant services before and during the COVID-19 pandemic period.

Overall, local guests took up 84 percent of accommodation and 79 percent of restaurant services during the pandemic period, compared with 64 percent and 70 percent, respectively, during the period before the pandemic (**Figure 7**).

Respondents attributed the dominance of local guests mainly to the international travel restrictions imposed during the pandemic period.

Nevertheless, there was a slight increase in the proportion of foreign clientele in accommodation and restaurant services in the period December 2020-January 2021 compared with October-November 2020, with respondents attributing this to a rise in the number of foreigners following reopening of international passenger flights since August.

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



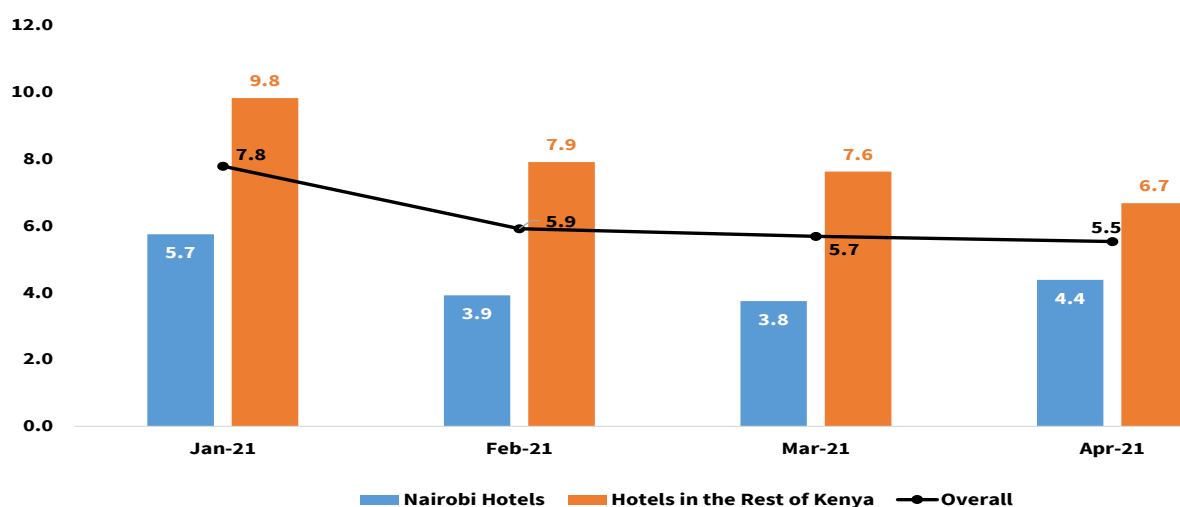
9. HOTEL FORWARD BOOKINGS

The Survey also requested hotel respondents to indicate their levels of bookings, relative to the total bed capacity, for the period January to April 2021. Average bookings for January (unutilized services) were about 8 percent and 6 percent for February (**Figure 8**).

Respondents particularly 5-star and 4-star hotels indicated that, while they take forward bookings for

a period of up to 3 months, the reported bookings were generally lower than normal level of bookings with the difference fully attributed to the fears caused by the pandemic on customer travels. However, respondents in the rest of the hotel categories indicated that a significant proportion of local guests were walk in customers, who do not make prior bookings.

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



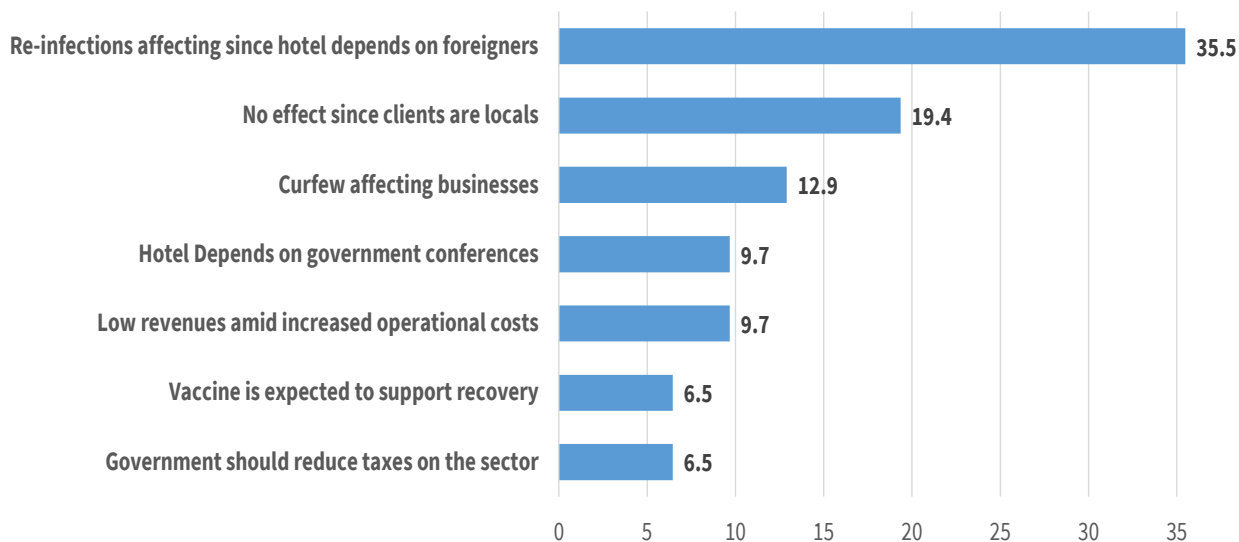
10. OTHER COMMENTS

The Survey also allowed respondents to make general comments including on the impact of the resurgence in COVID-19 infections in Europe and UK on their operations. The results are summarized in **Figure 9**. In particular, about 36 percent of respondents noted that the resurgence in infections in Europe and UK has affected their business operations since they form a significant part of their clientele.

However, about 19 percent of respondents, particularly the small hotels, indicated that the rising infections in Europe have no impact on their hotel

operations. They also noted that the government is a key consumer of their services in terms of conferences and should augment this by offering subsidies, tax holidays (waivers) and suspension of levies during the period of the pandemic. Nonetheless, 6.5 percent of respondents indicated optimism about a strong recovery of the sector once COVID-19 vaccine is rolled out (**Figure 9**).

Figure 9: General comments (percent of total responses)



11. CONCLUSION

The Survey of hotels was conducted by CBK from January 12 to 15, 2021 as a follow-up to the November 2020 survey. It shows continued recovery of the sector from the severe disruptions in April and May 2020 due to COVID-19 containment measures.

In Particular, 97 percent of hotels sampled across the country were operating in December 2020 and January 2021 compared to 96 percent in November, 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 60 percent in December 2020 and 57 percent in January 2021, compared with 53 percent in November and 37 percent in May.

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. On average, under the existing conditions, about 50 percent of hotels expect to attain normal (pre- COVID) levels of operations by end of 2021, while the rest expect to attain normal levels depending 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. Respondents indicated that the Government could consider offering subsidies, tax reductions and suspension of some levies to support a faster recovery of the sector.



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