



Central Bank of Kenya

Monetary Policy Committee Hotels Survey

September 2020



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1. BACKGROUND

The Central Bank of Kenya (CBK) conducted a survey between September 21 and 23, 2020 to assess the extent of recovery in the hotels sector, particularly accommodation and restaurant activities. Prior to the COVID-19 pandemic, the accommodation and restaurant services sector, according to the Economic Survey 2020, was a key contributor to the strong performance in services in the economy. The sector recorded double digit growth rates of 10.3 percent in 2019 and 16.6 percent in 2018 largely supported by a 14.0 percent growth in conference tourism during the period. Additionally, the sector formally employed over 82,900 people and engaged over 9 million people together with trade services in 2019. However, activity in the sector contracted by 9.3 percent in the first quarter of 2020, mainly reflecting the impact of COVID-19 pandemic on global travel. Against this backdrop, the CBK conducted this 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 movement in and out of Nairobi and Mombasa in July, and the resumption of international passenger flights in August 2020.

The Survey was a one-off supplement to the regular Monetary Policy Committee (MPC) Surveys, 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, an assessment of other activities that the hotels carried out, 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 to the MPC in its decision process. The Survey 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 sample comprised 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 Kajjido) and the rest of the country particularly in Mombasa, Kisumu, Eldoret and Nyeri towns.

The Survey was administered to the chief executives, managing directors, owners, and /or senior employees of a sample of 37 hotel enterprises, comprising 8 five-star, 6 four-star, 4 three-star and 19 two-star and other small hotels and restaurants. The respondents were people with good knowledge of the activities in their respective hotels and the entire sector. Direct interviews were conducted 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 SURVEY FINDINGS

The Key takeaways from the survey of hotels in September 2020 are:

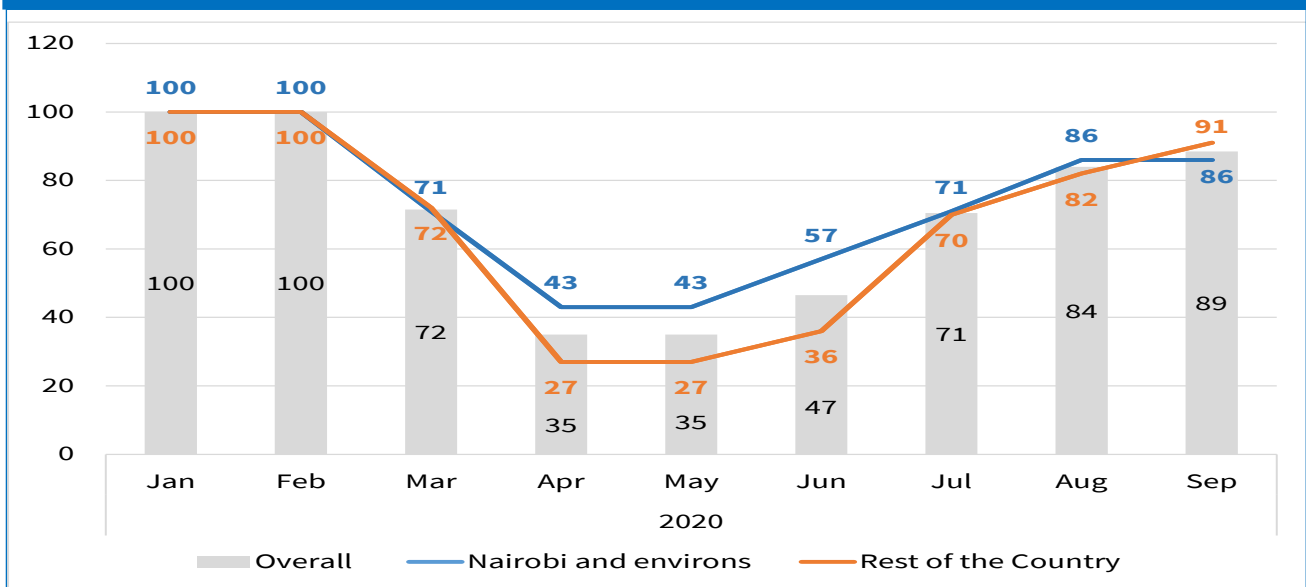
- 89 percent of hotels that were sampled across the country were operating in September compared with only 35 percent in May, mainly reflecting the continued easing of COVID-19 restrictions and increased compliance with the health protocols.
- Employment in the sector continues to recover, averaging 45 percent of pre-COVID (February 2020) levels in September compared with 37 percent in May.
- The average bed occupancy has also improved to 24 percent of the total bed capacity in September from its lowest levels of 10 percent in May, largely reflecting the lifting of travel restrictions in and out of Nairobi and Mombasa, and resumption of international flights.
- Local guests continue to support accommodation and restaurant services in the sector during the COVID-19 pandemic period.
- On average, under the existing conditions, 58 percent of hotels expect to attain normal (pre-COVID) levels of operations between late 2020 and 2021, while the rest report that this will depend on the evolution of the pandemic and related containment measures.
- Respondents expressed views that the COVID-19 restrictions were too stringent for the sector, the compliance costs to health protocols remained high, revenues were too low to meet expenses, and there was need to consider some measures to support a faster recovery of the sector. However, respondents indicated that the outlook for the sector is positive.

4. STATUS OF HOTEL OPERATIONS

Hotel respondents were requested to indicate whether their enterprises were operating in each of the months between January and September 2020. All respondents indicated that they were operating in January and February. However, 65 percent of the hotels surveyed had closed their operations by April with 57 percent in Nairobi and its environs, and 73 percent in the rest of the country (**Figure 1**). The closures were mainly attributed to the COVID-19

containment measures including the imposition of movement restrictions in and out of Nairobi and Mombasa as well as suspension of international flights. However, an average of 89 percent of hotels indicated that they were operating in September attributing the reopening mainly to the easing of restrictions and increased compliance with the required health protocols.

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



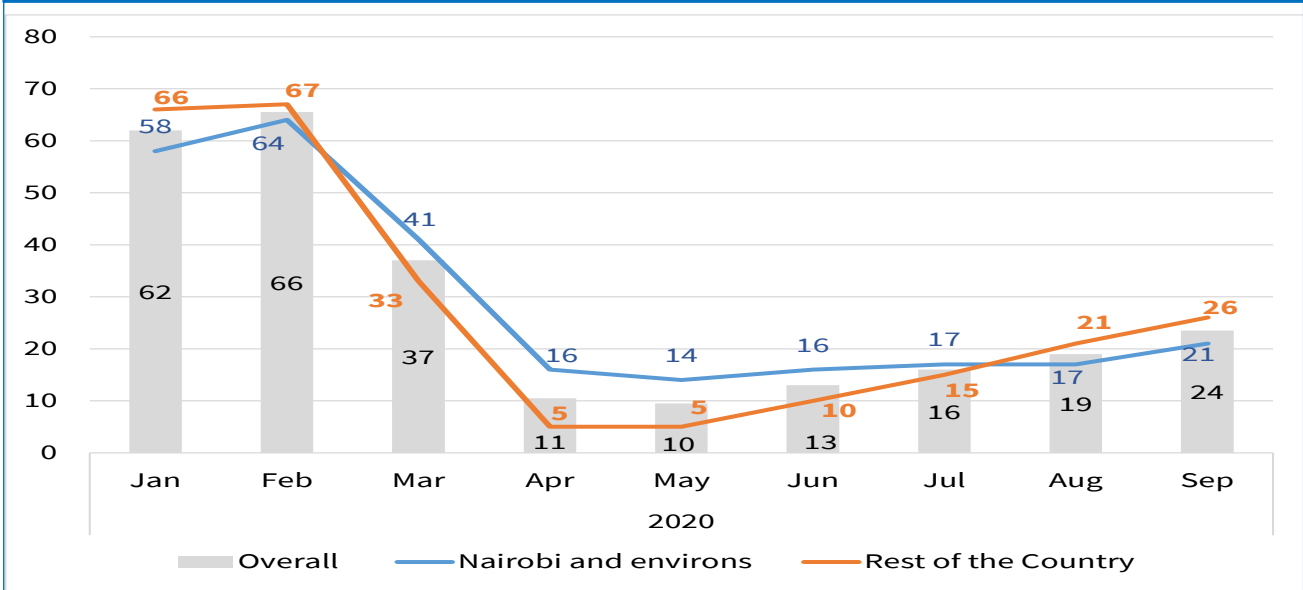
5. LEVELS OF OPERATIONS

Respondents were also requested to indicate, on a scale of 0-100 percent, the level of hotel operations in terms of bed capacity utilization in each of the months of 2020.

The Survey shows that, on average, bed occupancy declined from 67 percent in February to bottom out at 10 percent in May, and recovered partially to 24 percent by September (**Figure 2**). The respondents, particularly those in the rest of the country, indicated

that the recovery in bed occupancy rate reflected the removal of travel restrictions in and out of Nairobi and Mombasa that allowed guests from Nairobi to visit other parts of the country. Hotel respondents, particularly those located in the rest of the country (other than Nairobi), also indicated that they had engaged in active promotion of their services including offering reduced charges on accommodation services which attracted local tourists/guests particularly in August and September.

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



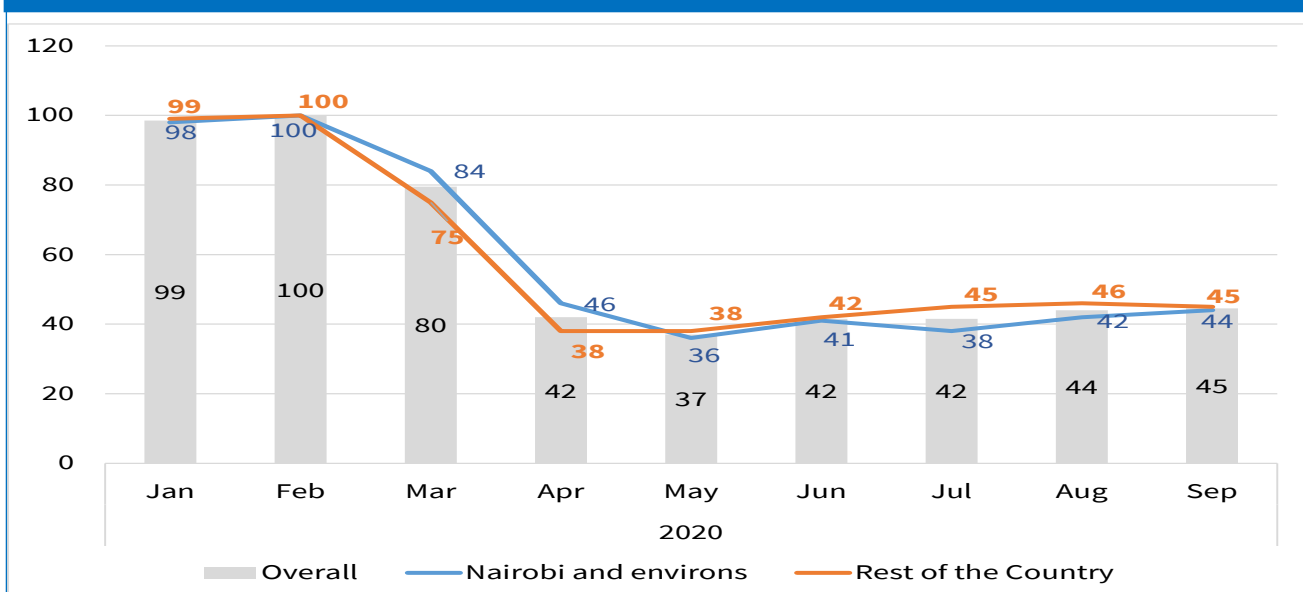
6. EMPLOYMENT STATUS

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 between January and September 2020. Relative to the employment numbers in February, findings show that employment continues to recover to pre-COVID (February) levels, averaging 45 percent in September compared with 37 percent in May (**Figure 3**). Respondents attributed the decline in employment between March and May to hotel closures during the period due to low

business activity following the implementation of COVID-19 movement restrictions and containment measures.

Nonetheless, a majority of the hotels indicated that the reduced employees mainly reflected furloughs and postponement of employment contract renewals. The recovery reflects the effects of the gradual easing of restrictions, increased compliance with health protocols by the hotels and recovery of economic activity.

Figure 3: Employment (percent of the number of employees in February 2020)



7. EXPECTATIONS ON RETURN TO NORMAL (PRE-COVID-19) LEVELS OF OPERATIONS

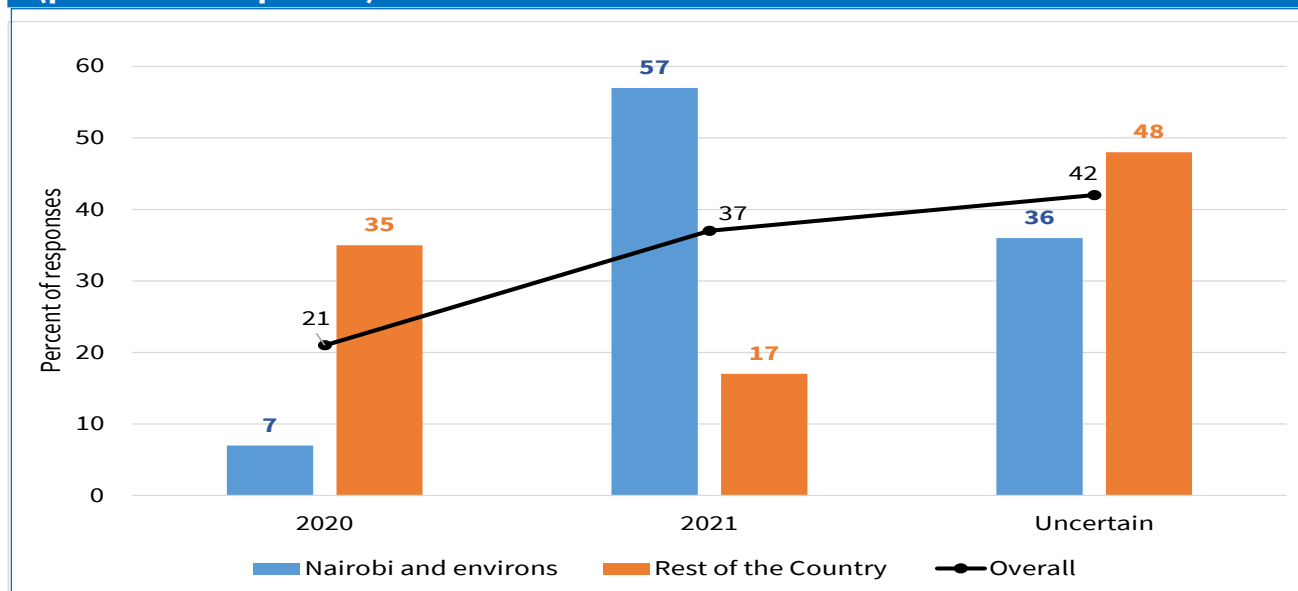
The Survey also sought expectations by hotels on when they would attain normal (pre COVID-19) operations in accommodation and restaurant services. On average, 58 percent of hotels expect to resume normal (pre-COVID) levels of operations by end of 2021. In particular, this comprised 21 percent in the fourth quarter of 2020 and 37 percent in 2021 (Figure 4).

The Survey showed that 64 percent of hotels in Nairobi expect to have resumed normal operations by end 2021, compared with over half of hotels (52 percent) in the rest of the country.

Nairobi hotels mainly cited the expected increase in conference activities following the resumption of international flights and easing of COVID-19 restrictions. However, a few hotels indicated that the main impediment to their resumption of normal operations was high costs of compliance with the required health protocols amid low business revenues.

However, an average of 42 percent of hotels (36 percent in Nairobi and 48 percent in the rest of the country) were uncertain on when they expect to attain normal operations, citing dependence on how the pandemic evolves.

Figure 4: Expected year of return to normal Pre-COVID-19) levels of hotel operations (percent of responses)



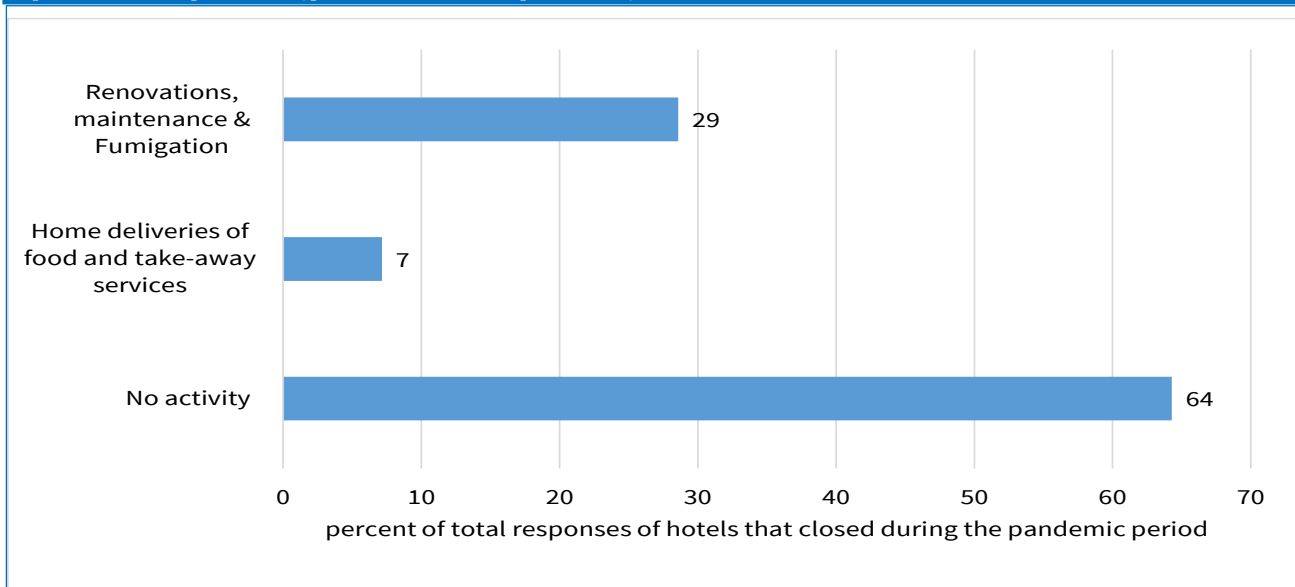
8. OTHER ECONOMIC ACTIVITIES UNDERTAKEN BY HOTELS DURING COVID-19 PANDEMIC PERIOD

The Survey also assessed other economic activities that the hotel enterprises were engaged in during the COVID-19 pandemic period. (Figure 5) shows a summary of proportions of activities that hotels were engaged in when the enterprises had closed their normal accommodation and restaurant services.

The Survey showed that 64 percent of hotels that had closed during the pandemic period did not

participate in any alternative economic activity. However, a majority of the rest (29 percent) were engaged in renovations, maintenance and fumigation (particularly those that were used as COVID-19 quarantine centers) in preparation for reopening, while a few (7 percent) provided home deliveries and takeaway food services that they were not engaged in before the pandemic.

Figure 5: Summary of economic activities undertaken by hotels during COVID-19 pandemic period (percent of responses)



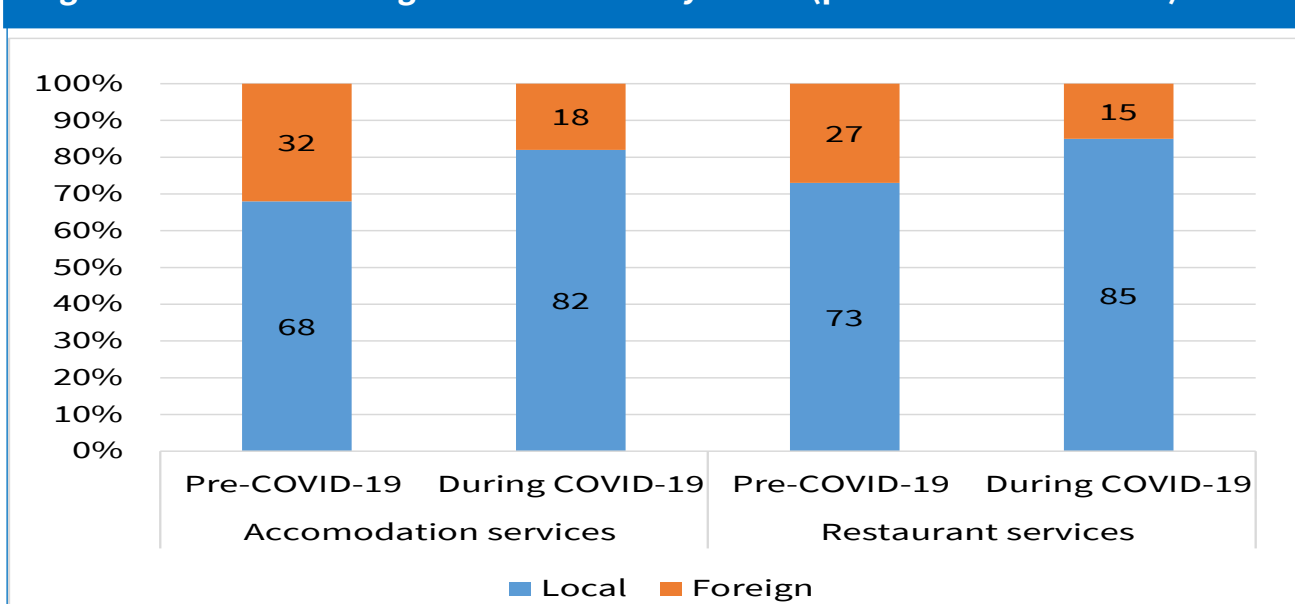
9. CHANGES IN HOTEL CLIENTELE

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 COVID-19 pandemic period.

The findings showed that, on average, local guests took up 82 percent of accommodation and 85 percent of restaurant services during the pandemic period, compared with 68 percent and 73 percent,

respectively, during the period before the pandemic (**Figure 6**). Respondents attributed the slowdown in the proportion of foreign clients mainly to the international travel restrictions imposed during the pandemic period. They nonetheless, indicated that the lifting of restrictions in and out of Nairobi supported local travel and promotional packages in hotels supported utilization of hotel services by local guests.

Figure 6: Local and foreign clients served by hotels (percent of total clients)



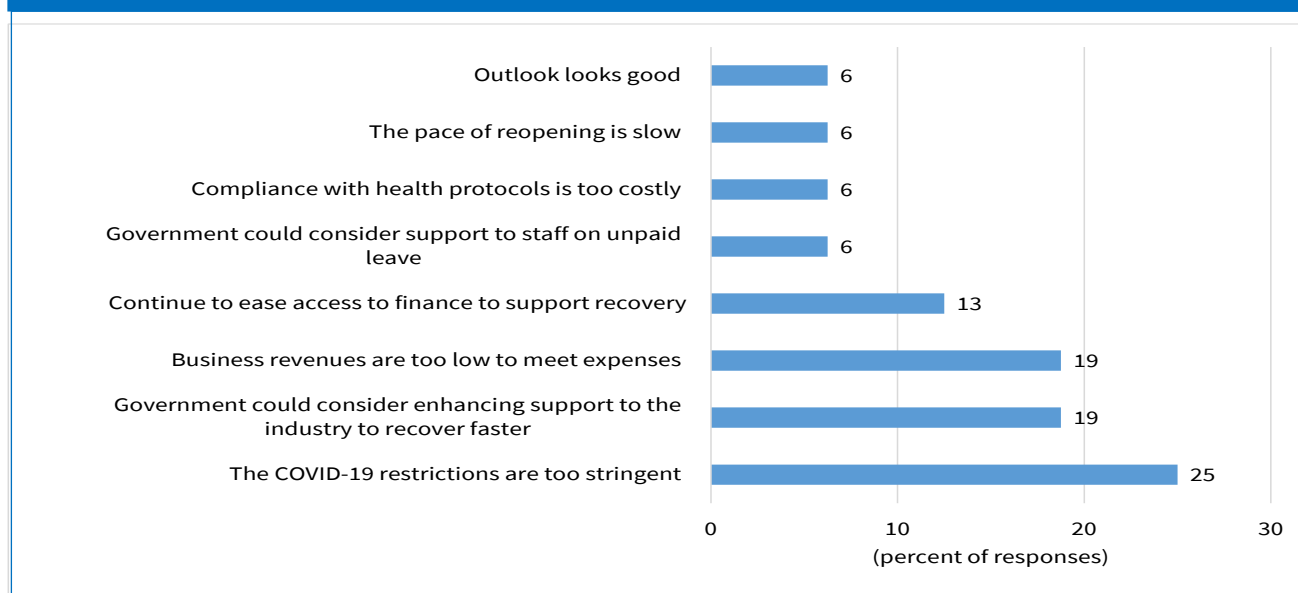
10. OTHER COMMENTS

The Survey allowed respondents to make general comments that are summarized in **(Figure 7)**. Based on the summary, 25 percent of respondents indicated that the COVID-19 restrictions were too stringent for the sector. Other concerns were that their revenues were too low to meet expenses; that the pace of the reopening of the economy was slow; costs associated with compliance with health protocols were too high; and that there was need to

provide support to staff on unpaid leave.

The respondents also felt that the Government should continue its support measures to the sector, including extending the tax measures and continue easing access to finance to support recovery of the sector. Nonetheless, hotels indicated that the outlook for the sector was positive.

Figure 7: General comments (percent of total responses)



11. CONCLUSION

The survey of hotels conducted by CBK on September 21 to 23 shows improving activity from the COVID-19 disruptions in April and May.

In summary, 89 percent of hotels sampled across the country were operating in September compared with 35 percent in May, mainly reflecting the continued easing of COVID-19 restrictions and increased compliance with the health protocols. Employment continues to recover to pre-COVID (February 2020) levels; averaging 45 percent in September compared with 37 percent in May. The average bed occupancy has also improved to 24 percent of the total bed capacity in September from its lowest levels of 10 percent in May, largely reflecting the lifting of travel restrictions in and out of Nairobi and Mombasa, and resumption of international flights.

Local guests continue to support accommodation and restaurant services in the sector during the COVID-19 period pandemic. On average, under the existing conditions, an average of 58 percent of hotels expect to attain normal (pre-COVID) levels of operations between late 2020 and 2021, while the rest depend on the evolution of the pandemic and related containment measures.

Respondents indicated several concerns: that the COVID-19 restrictions were too stringent for the sector, the compliance costs to health protocols remained high, revenues were too low to meet expenses, and that there was need to consider some measures to support a faster recovery of the sector. Respondents however, viewed that the outlook for the sector was good.



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