

Central Bank of Kenya

Monetary Policy Committee Hotels Survey

March 2022

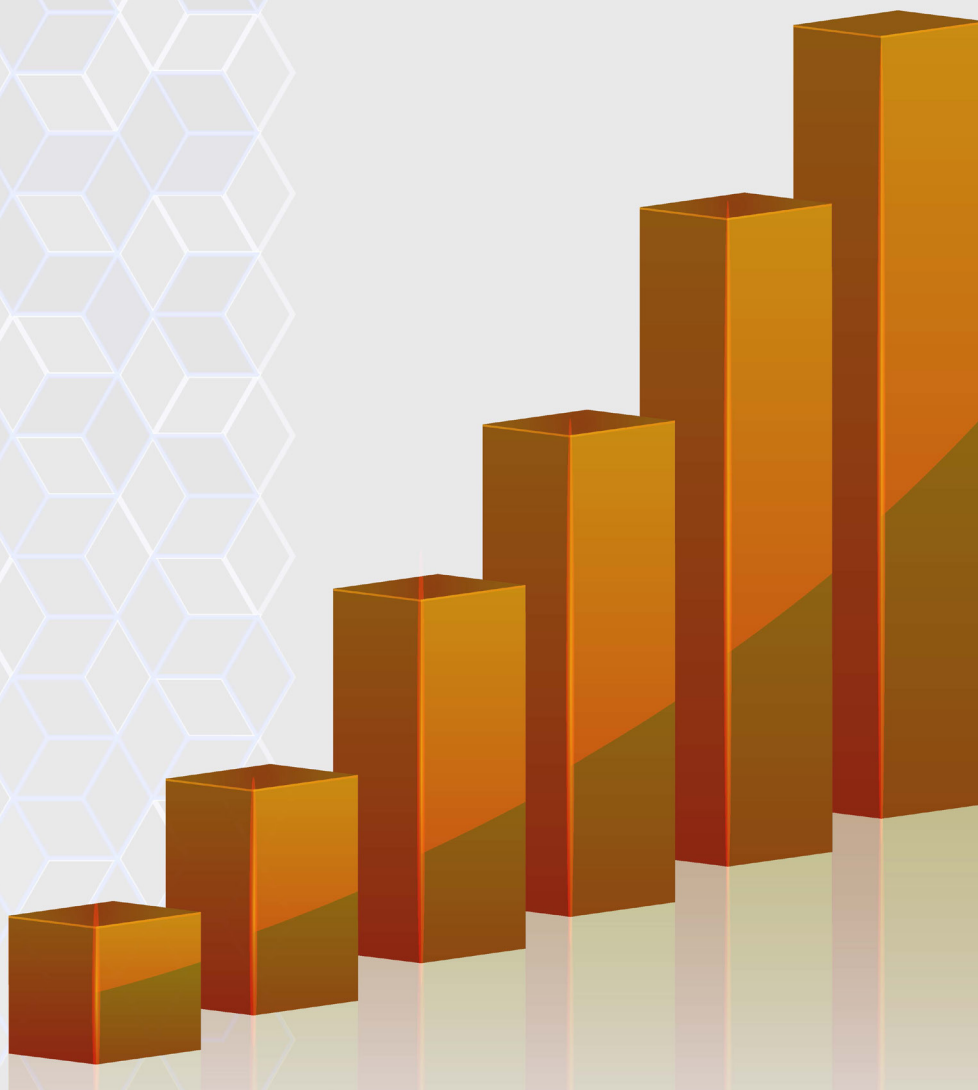


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1. BACKGROUND

The Central Bank of Kenya (CBK) conducted the Survey of Hotels between March 15 and 18, 2022, to assess the recovery of the sector particularly following a drop in reported COVID-19 cases. On March 11, 2022, the Ministry of Health lifted the mandatory wearing of masks, stopped temperature screening in public places, and allowed full resumption of public gatherings and sporting activities. The COVID-19 positivity rate declined from 2.5 percent in the first week of February to below 0.3 percent in the second week of March. This followed continued vaccination in Kenya with about 28.6 percent of the population having been vaccinated. The survey was also undertaken against the backdrop of the ongoing Russia – Ukraine conflict.

The CBK undertook this follow-up Survey to assess the impact of the pandemic and 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, employment levels, and forward bookings for the period February to March 2022.

Prior to the COVID-19 pandemic, the accommodation and food services sector directly and indirectly contributed to the strong performance of the economy. However, the sector was among the worst hit by the pandemic, contracting by 47.7 percent in 2020. By the third quarter of 2021, the sector recovered growing by 24.8 percent compared to a contraction of 63.4 percent in the same period in 2020. Cumulatively over the first three quarters of 2021, the sector's contraction moderated to 19.5 percent compared to a contraction of 31.1 percent in the first half of the year, indicating continued recovery of the sector. In particular, the lifting of countrywide 10pm to 4am curfew in October 2021 supported the recovery of the sector. Leading economic indicators point to a strong growth of the sector in the fourth quarter of 2021 and in the first quarter of 2022.

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 general sentiments by the sector. The Survey supplements 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 March 2022 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, surrounding towns (Machakos, Kiambu, Naivasha and Kajiado) and key towns countrywide, including Mombasa, Kisumu, Eldoret, Nakuru, Nyeri, Kisii and Meru towns.

The Survey questionnaire was addressed to the chief executives, managing directors, owners, and/or senior employees of the hotel enterprises. Therefore, the respondents have good knowledge of the activities in their respective hotels and the sector. A total of 65 hotels across the country participated in the Survey.

The Survey questionnaires were sent to the hotels via their email addresses and follow-ups through phone calls. 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 March 2022 include:

- All the hotels that responded were in operation, with some of the key hotels that had previously closed expected to reopen in April and May.
- The average bed occupancy and utilization of restaurants and conference services improved in March 2022 from the decline witnessed in January.
- In line with the levels of operations, employment levels in the sector improved in March 2022 to 83 percent of the pre-COVID-19 levels.
- On average, under the prevailing conditions, 21 percent of respondent hotels have already attained the pre-COVID levels of operations while another 37 percent expected to attain these levels by the end of the year.
- Local clientele continued to support the sector during the COVID-19 period accounting for 76.4 percent and 78.9 percent of the accommodation and restaurant services respectively, in March 2022.
- Forward hotel bookings for the period March to May 2022 are strong indicating reduced

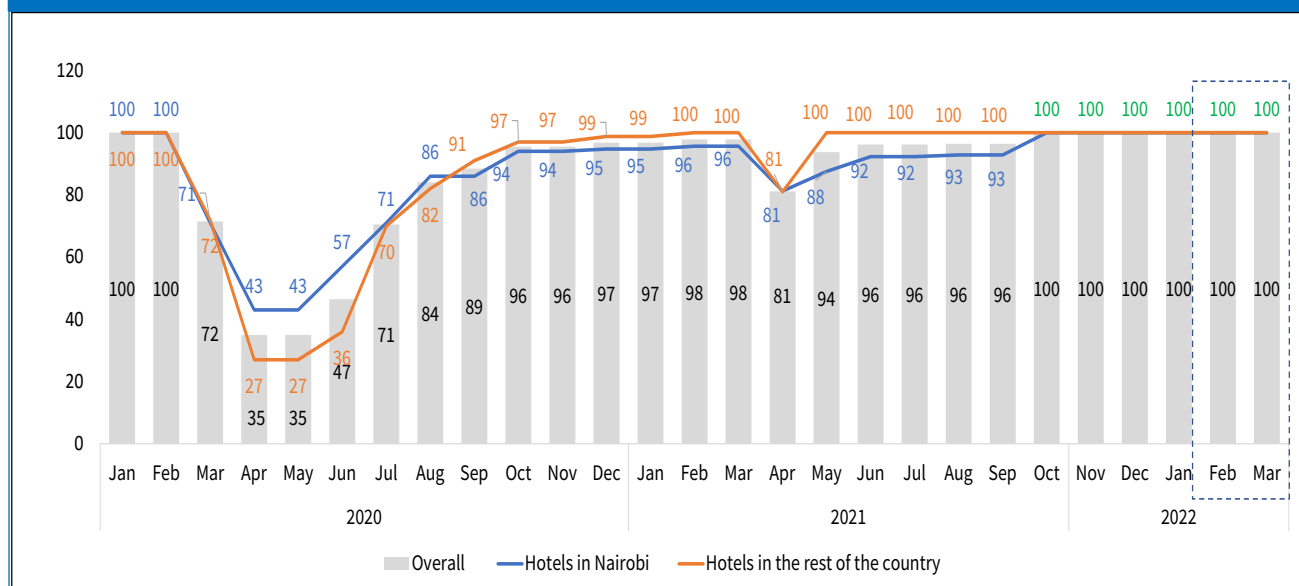
uncertainties. Majority of the respondent hotels expect the sector to attain pre-COVID-19 levels of operations before the end of the year.

4. HOTELS IN OPERATION

Respondents were requested to indicate whether their enterprises were operating in February and March 2022. All the respondent hotels reported to have been operating during the period **(Figure 1)**.

While there were a few hotels in Nairobi that remain closed due to reasons unrelated to COVID-19, two key hotels in Nairobi confirmed their plans to reopen in April and May.

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

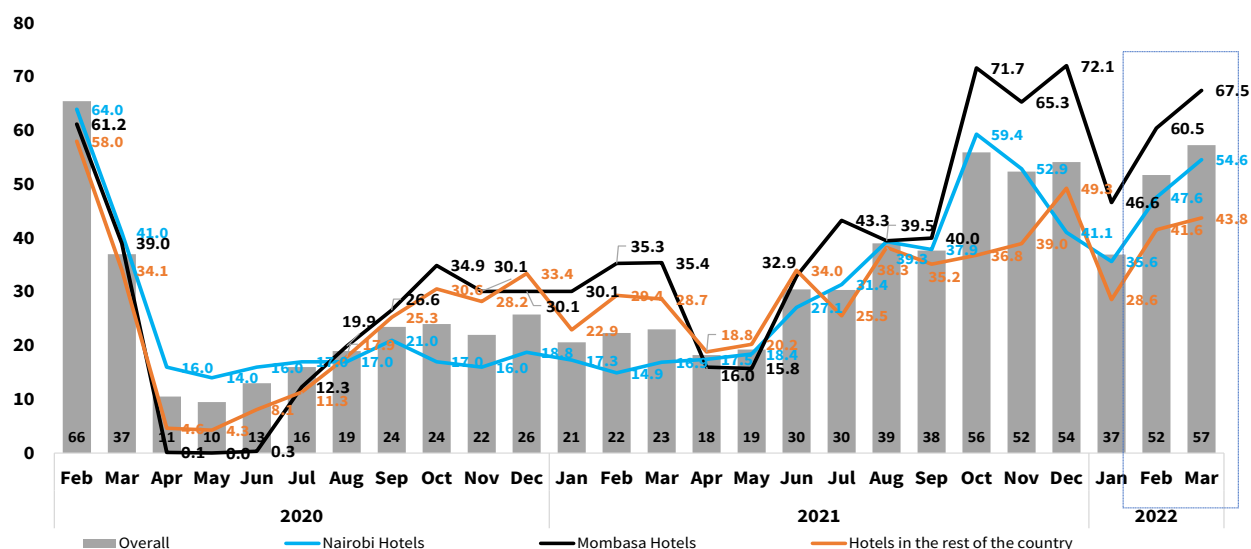


5. LEVELS OF OPERATIONS

The level of operations of hotels was assessed in terms of accommodation (bed occupancy rates), restaurant and conference services. 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 February and March 2022.

On average, bed occupancy improved in all the regions in March after the decline reported in January, due to seasonality factors **(Figure 2)**. Bed occupancy in Mombasa was particularly high with some hotels reporting full occupancy. This was supported by the school holidays despite being a low tourist season.

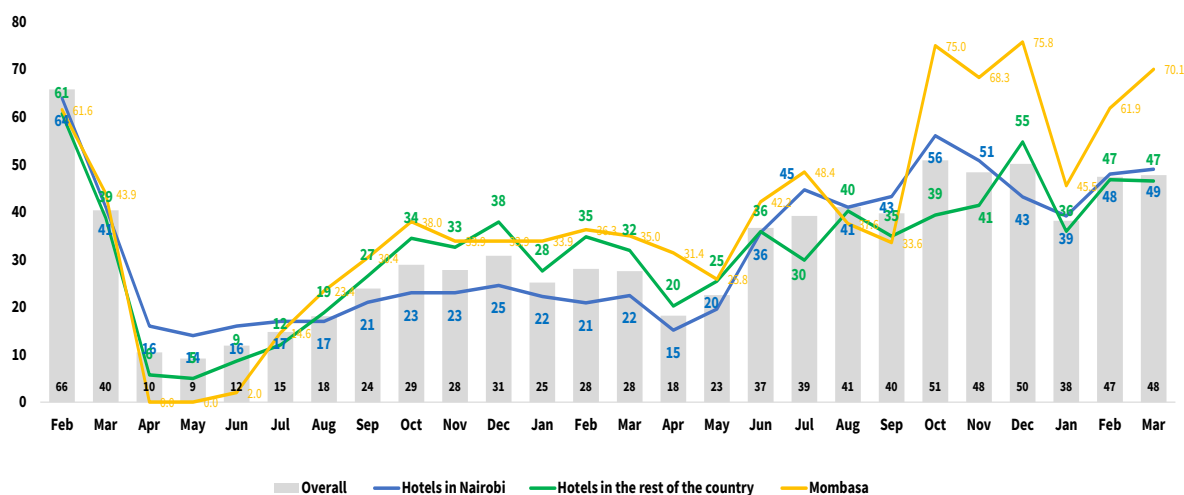
Figure 2: Bed Occupancy Rate (Percent of Total Capacity)



In line with the level of bed occupancy and seasonal nature of the sector, the average utilization of restaurant services improved to 48 percent in March

2022 indicating a gradual recovery from the slowdown in January. Hotels in Mombasa particularly benefited from the March 2022 school holidays (**Figure 3**).

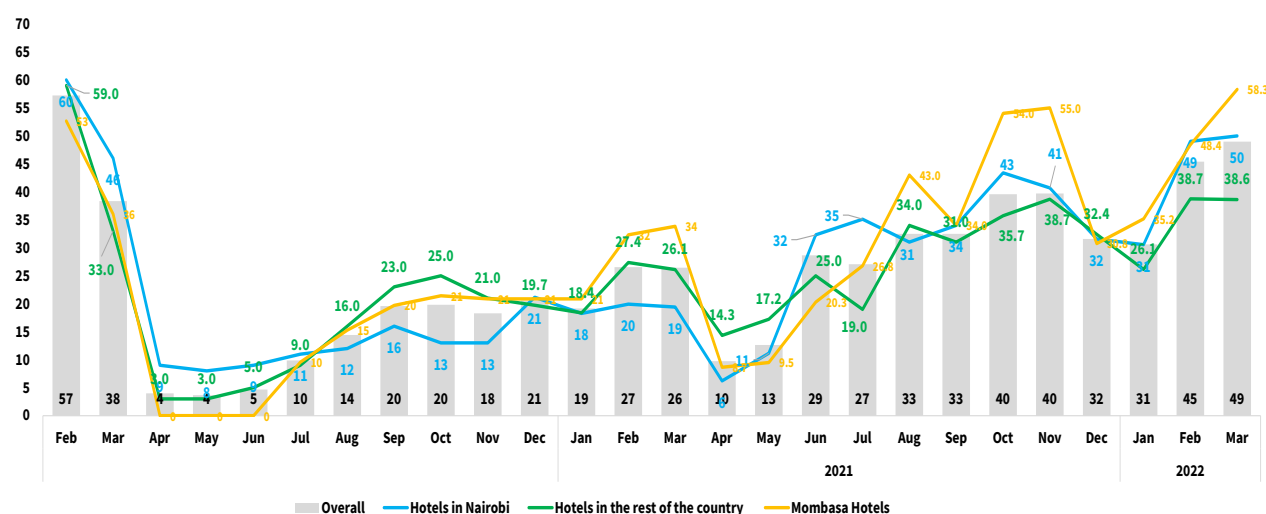
Figure 3: Utilization of Restaurant Services (Percent of Total Capacity)



Respondents indicated that on average, the utilization of conferencing services improved to 49 percent in March compared to 30 percent in January (**Figure 4**). This growth is attributed to normal business

cycles in conferences services as corporate and government institutions resumed their conferences and workshops from the December holidays.

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

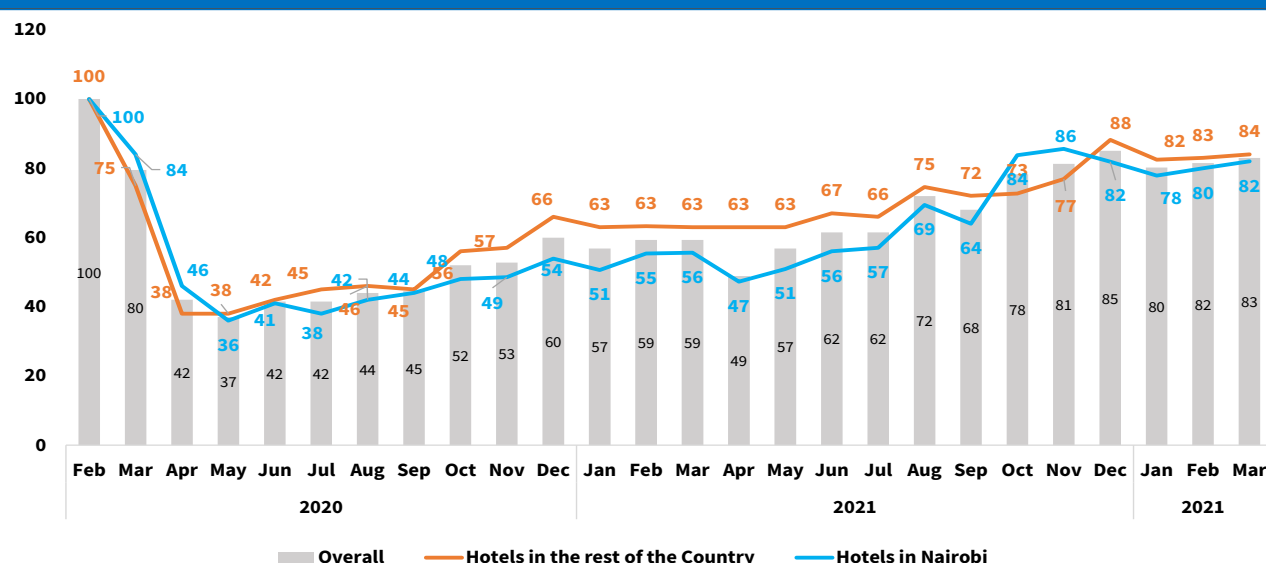


6. EMPLOYMENT IN HOTELS

The Survey also assessed changes in employment in the hotels sector. Respondents were requested to indicate the number of active employees engaged by the hotels in February and March 2022. The results were analyzed as a share of the pre-COVID-19 number of employees (February 2020). The findings show that the overall employment levels improved

from 80 percent in January to 83 percent in March 2022 (**Figure 5**). The improvement was supported by the increased demand after the slowdown in January. The respondents noted that they reduce the casual employees when the demand declines and hire them as business increases.

Figure 5: Employment (Percent of the Number of Employees in February 2020)



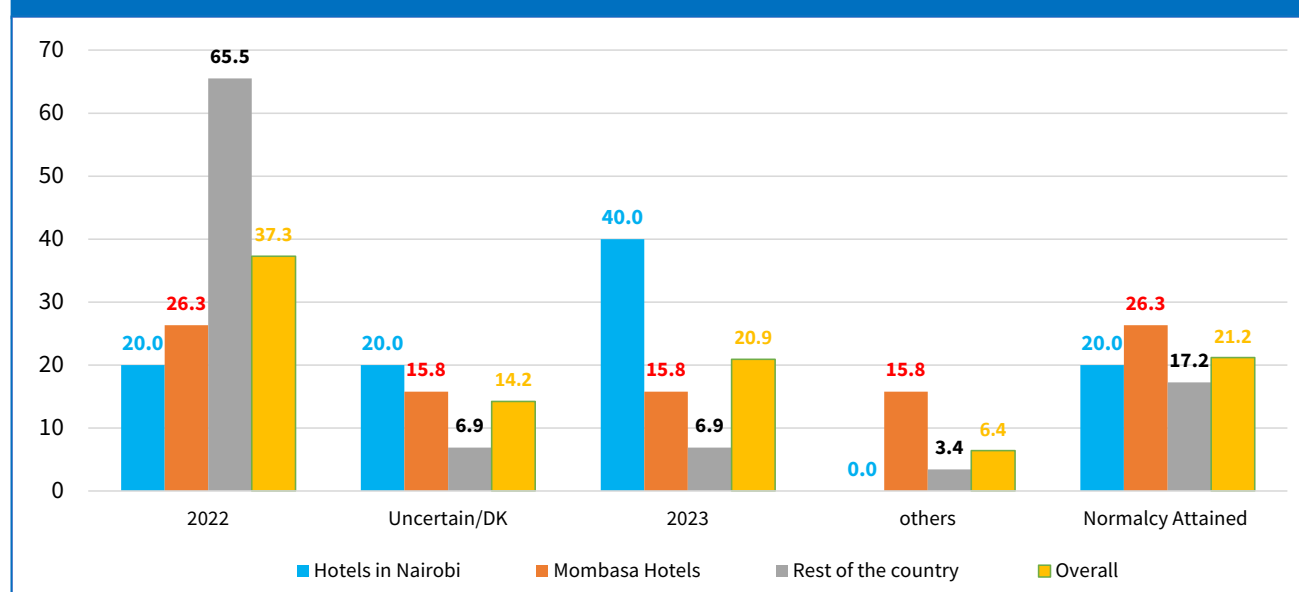
7. EXPECTATIONS ON RETURN TO NORMAL LEVELS OF OPERATIONS

Respondents were asked when they expected their businesses to return to the normal levels of operations (pre-COVID-19) given the prevailing conditions. On average, 21 percent of the responding hotels reported to have already attained the pre-COVID level of operations indicating continued recovery of the sector. About 37 percent of the respondents expected to resume normal levels of operations by end of 2022 (**Figure 6**). The increase in expectation

is attributed to removal of all restrictions related to COVID-19 following reduction in infection rates even as the country intensifies the vaccination exercise.

COVID-19 uncertainties have continued to decline as indicated by 38 percent of the responding hotels who are still not sure of when they will attain the pre-COVID levels of operations.

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



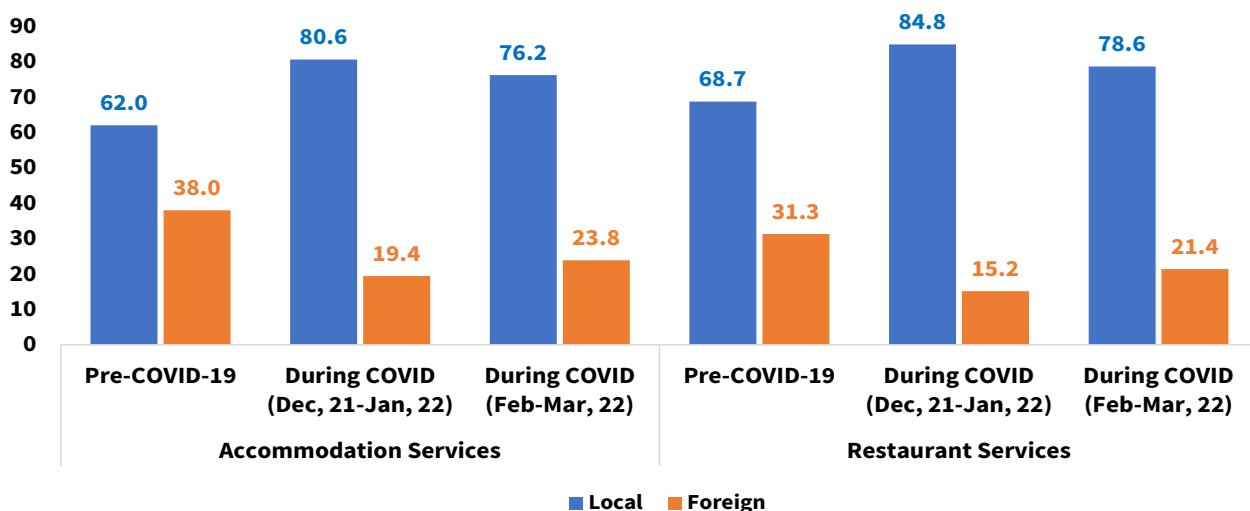
8. CHANGES IN HOTEL CLIENTELE

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

Overall, domestic clients took up 76 percent and 79 percent of accommodation and restaurant services between February and March 2022, compared to

62 percent and 69 percent, respectively, during the period before the pandemic (**Figure 7**). The share of domestic clientele in both accommodation and restaurant services decreased between February and March in line with the rising numbers of tourist arrivals into the country. Consequently, the share of the foreign clients rose during the period although it remained below the pre-COVID period.

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



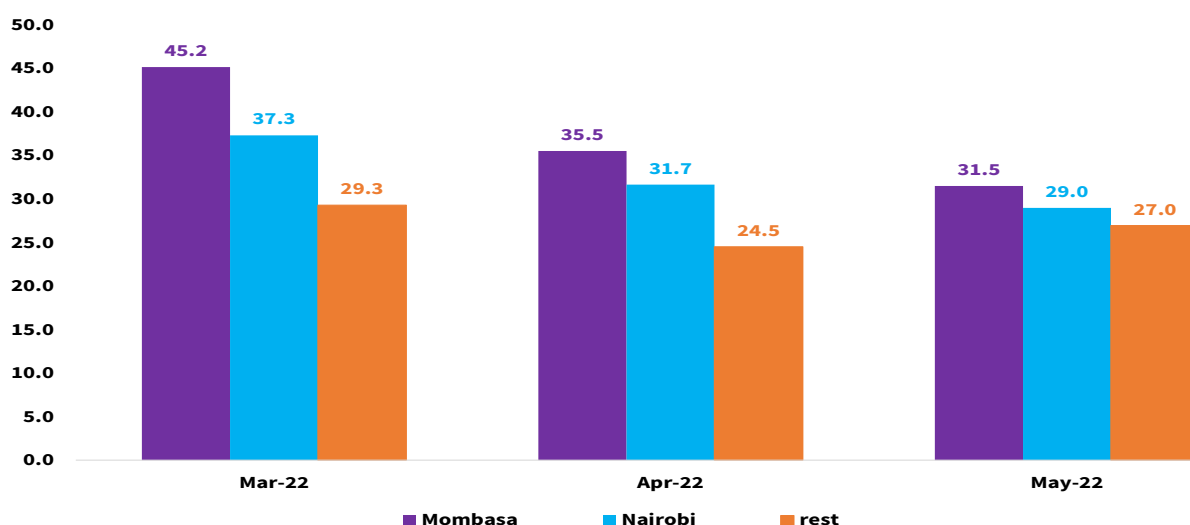
9. HOTEL FORWARD BOOKINGS

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

Generally, forward bookings in the next three months have improved indicating reduced uncertainties and therefore ability to plan. Average bookings for

March 2022 (unutilized services) were highest since the onset of COVID-19 indicating continued recovery of the sector. Mombasa hotels reported the highest levels of forward bookings in March, associated with school holidays (**Figure 8**). Majority of hotels in Nairobi and the rest of the country reported high bookings, although they depend mainly on walk-in clients or bookings on short notice.

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

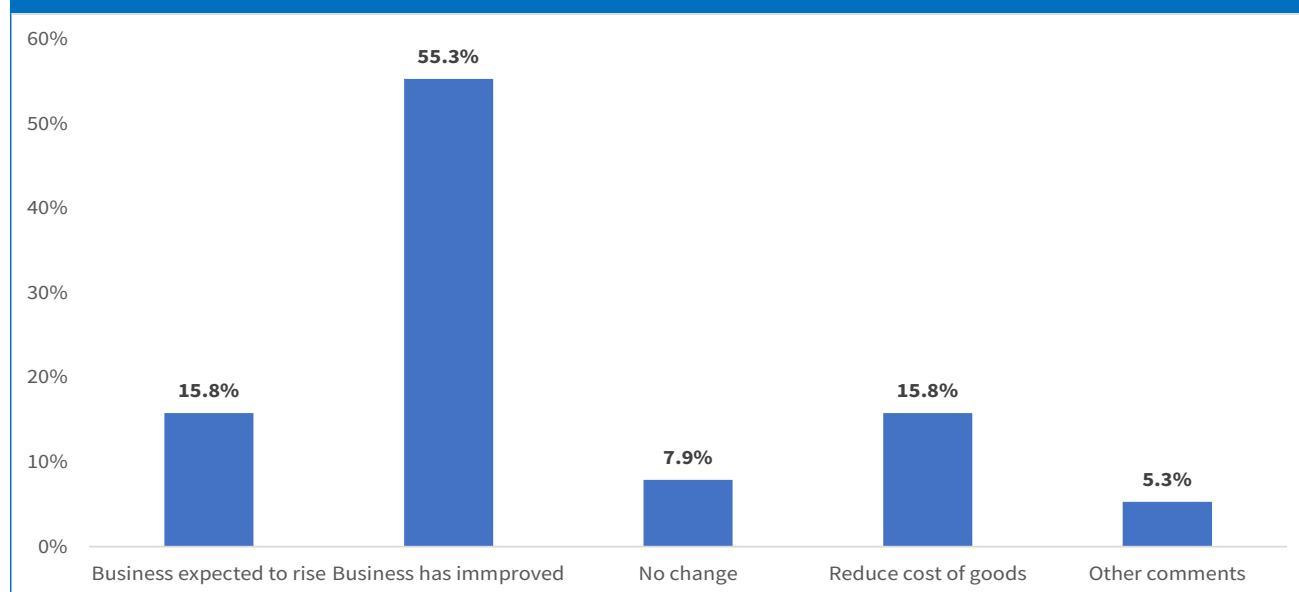


10. OTHER COMMENTS

The Survey requested the respondents to make any other comments on the sector including the impact of the recent drop in COVID-19 infections, removal of mandatory wearing of masks, allowing of full public gatherings, stoppage of temperature check in public places and reopening of sporting activities on their business operations. As summarized in **Figure 9**, 55 percent of the respondents noted that

business had improved while another 16 percent expected business to rise going forward. In addition, 16 percent of the respondents felt that the cost of goods had risen significantly thereby affecting their business. This included the cost of basic inputs like gas, cooking oils and grains that were further compounded by a rise in fuel prices thereby raising cost of running their business.

Figure 9: Key Comments and Concerns of the hotels (percent of respondents)



11. CONCLUSION

The CBK conducted a follow-up Survey of Hotels in March 16 to 18, 2022 to assess recovery of the sector from the effects of COVID-19 pandemic, after a decline in infection rates in February and March 2022. In addition, the period was characterized by removal of COVID-19 restrictions in the country amid intensified vaccination exercise. The survey was also undertaken against the backdrop of the ongoing Russia – Ukraine conflict.

The Survey showed that the sector has continued to recover significantly following the lifting of the curfew in October 2021 despite the seasonal decline in January 2022. All the hotels that responded were operating, and there were planned reopening of

major hotels in Nairobi that had remained closed since COVID-19 started. As a percent of the pre-COVID period, overall employment in the sector has continued to recover, rising to 83 percent in March up from 80 percent in January 2022.

Average bed occupancy, utilization of restaurant and conference services continued to recover from the drop in January associated with seasonality. Local guests continued to support accommodation and restaurant services. Forward hotel bookings for the period March to May 2022 are strong indicating reduced uncertainties. Majority of the respondent hotels expect the sector to attain pre-COVID-19 levels of operations before the end of the years



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