



Central Bank of Kenya

Monetary Policy Committee Hotels Survey

January 2022

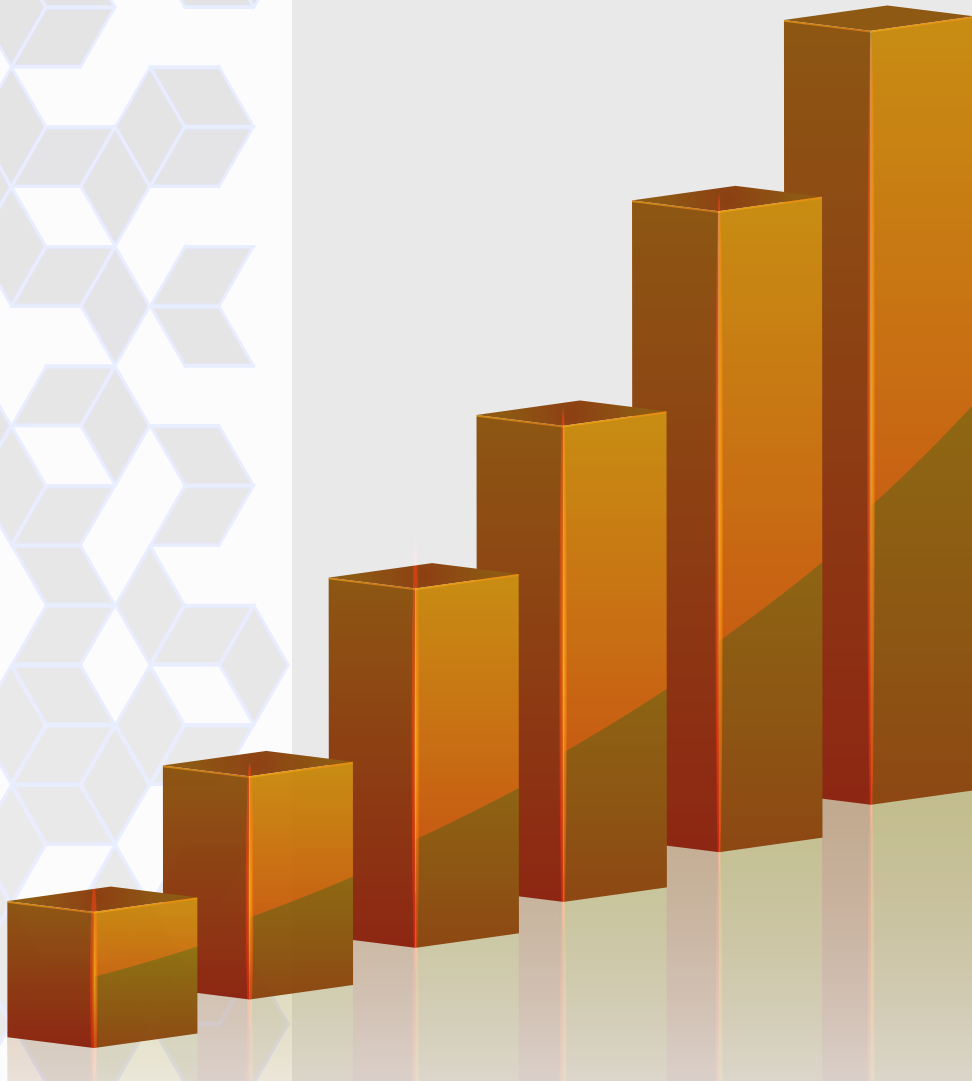


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1. BACKGROUND

The Central Bank of Kenya (CBK) conducted the Survey of Hotels between January 12 and 14, 2022, to assess the recovery of the sector, particularly after resurgence of the COVID-19 Omicron variant in mid-December 2021. The positivity rate had peaked at over 35 percent towards the end of December 2021. However, the government did not impose stringent containment measures such as the lockdowns and restrictions in movement as in the previous periods. This enabled people to travel during the Christmas and new year festivities, albeit with increased caution.

The CBK undertook this follow-up Survey to assess the impact of the pandemic and the extent 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 in December 2021 and January 2022. The Survey was conducted in the second week of January 2022, when most institutions had not yet resumed full operations.

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 had recovered to grow 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 growth moderated to a contraction of 19.5 percent compared to a contraction of 31.1 percent in the first half of the year, indicating continued recovery of the sector. This recovery was partly due to lifting of the containment measures that were put in place to curb the spread of the pandemic. In particular, the lifting of the countrywide 10pm to 4am curfew in October 2021, supported the sector's recovery.

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 January 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. Hotels in other parts of the country were selected in towns with CBK branches or currency centers.

The Survey was administered 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 as a whole. A total of 86 hotels across the country (21 in Nairobi metropolitan area, 19 in Naivasha and 46 in the rest of the country) participated in the Survey.

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 January 2022 include:

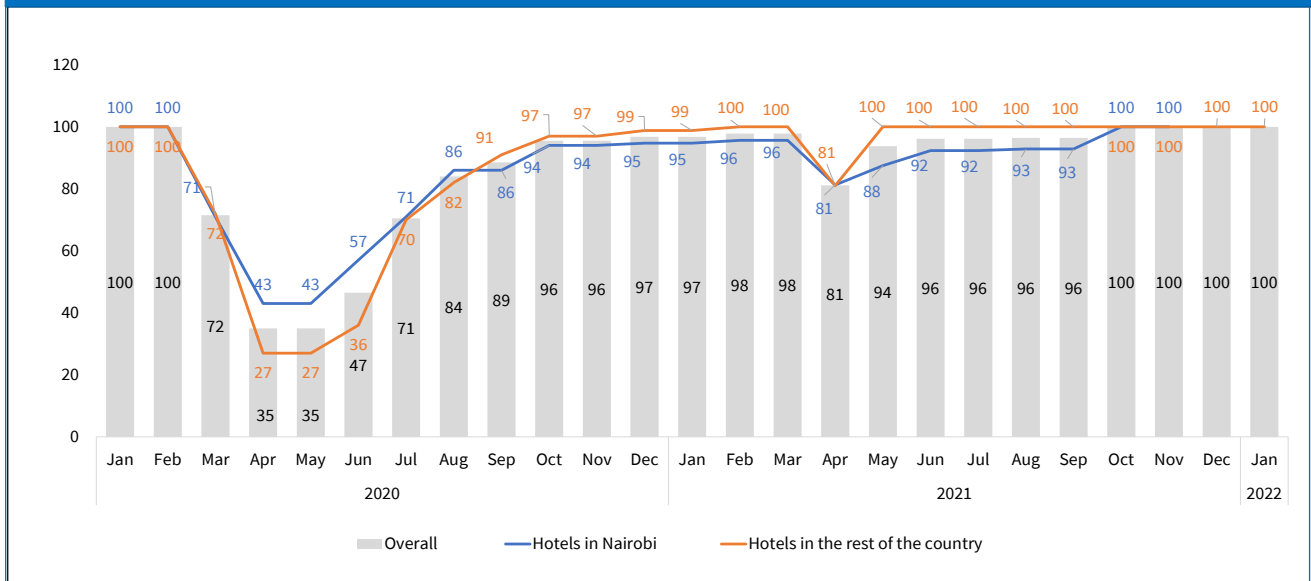
- All the sampled hotels continue to operate reflecting continued recovery of the sector.
- The average bed occupancy and utilization of restaurants services improved in December 2021 compared to November 2021, on account of seasonal factors.
- In line with the levels of operations, employment levels in the sector improved in December 2021 to 85 percent of the pre-COVID-19 levels, the highest level recorded since March 2020 reflecting continued recovery of the sector.
- On average, under the prevailing conditions, 41 percent of respondents expect to attain normal (pre-COVID) levels of operations in 2022. Despite the uncertainties, 6 percent of the respondents reported having return to their pre-COVID-19 levels of operations.
- Local clientele continued to support the sector during the COVID-19 period contributing to 80.6 percent and 84.8 percent of the accommodation and restaurant services, respectively in December 2021.

4. HOTELS IN OPERATION

Respondents were requested to indicate whether their enterprises were operating in December 2021 and January 2022. All the sampled hotels were operating in December 2021 and January 2022, similar to what was reported in November 2021 (**Figure 1**).

However, a few hotels in Nairobi remained closed due to reasons unrelated to COVID-19. Nevertheless, respondents reported concerns and risks related to the evolving nature of the COVID-19 pandemic.

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



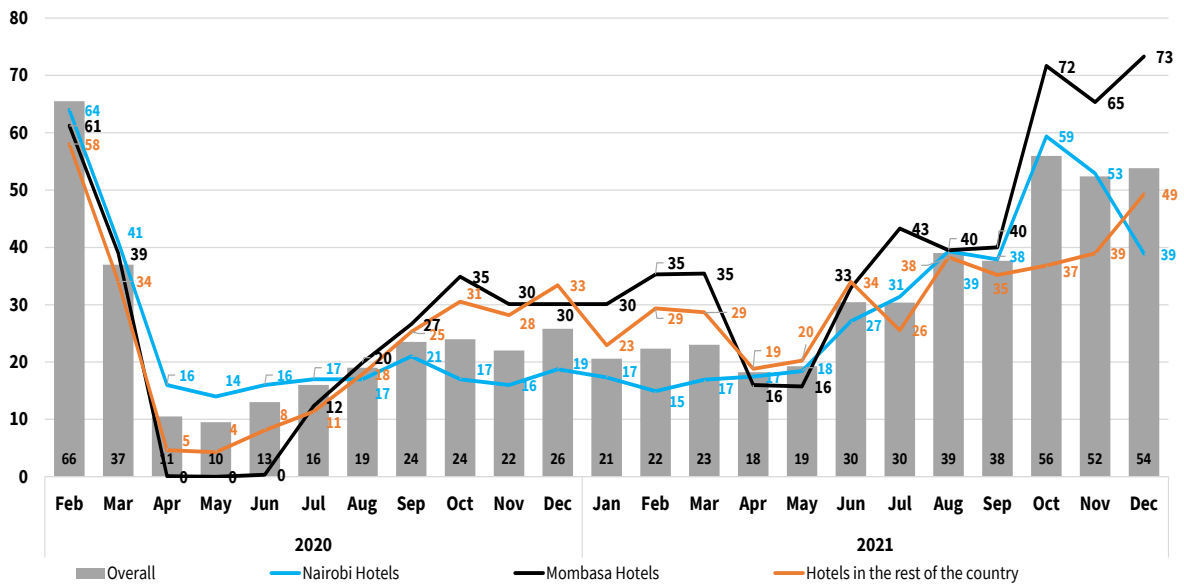
5. LEVELS OF OPERATIONS

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 December 2021.

On average, bed occupancy improved in Mombasa and the rest of the country in December 2021, largely on account of the December school holidays that

boosted Christmas and new year festivities. The decline in bed occupancy in Nairobi was associated with travel to upcountry towns including Mombasa and other holiday destinations, for the festivities (**Figure 2**). However, occupancy in January 2022 was expected to be lower in line with seasonality as many institutions resume their operations in the second and third week of January 2022. This is compounded by the back to school expenditures for many households.

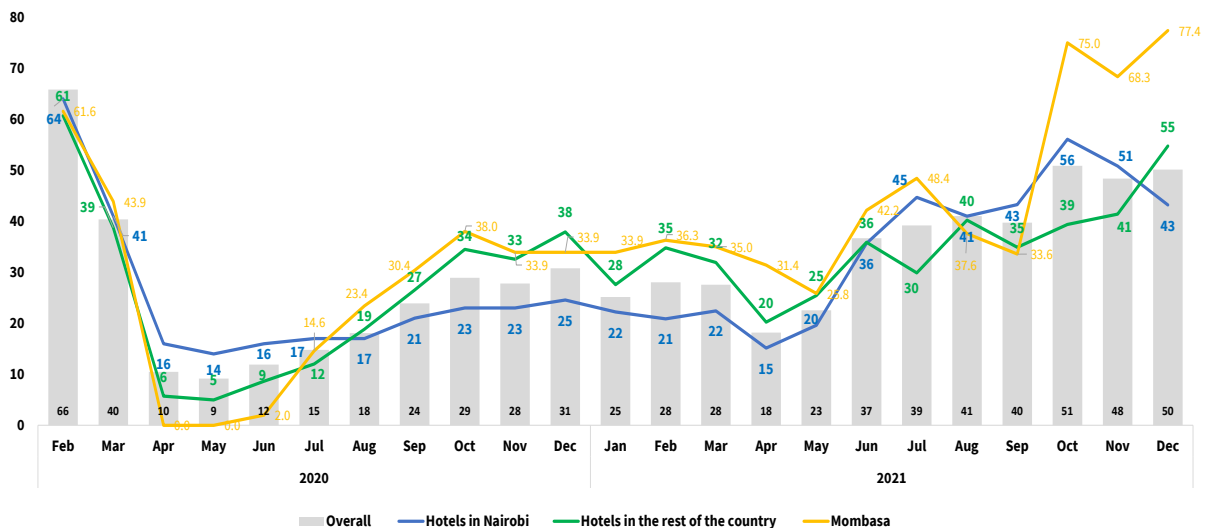
Figure 2: Bed Occupancy Rate (Percent of Total Bed Capacity)



In line with the level of bed occupancy and seasonal nature of the sector, the average utilization of restaurant services improved to 50 percent in December 2021 from 48 percent in November 2021 indicating the impact of Christmas holidays. Hotels in Mombasa and the rest of the country benefited from

the festivities and recorded the highest levels since the start of the pandemic. Hotels in Nairobi reported lower restaurant services as citizens chose to visit Mombasa or upcountry towns for holiday (Figure 3). The average utilisation of restaurant services for Mombasa hotels was 77.4 percent in December.

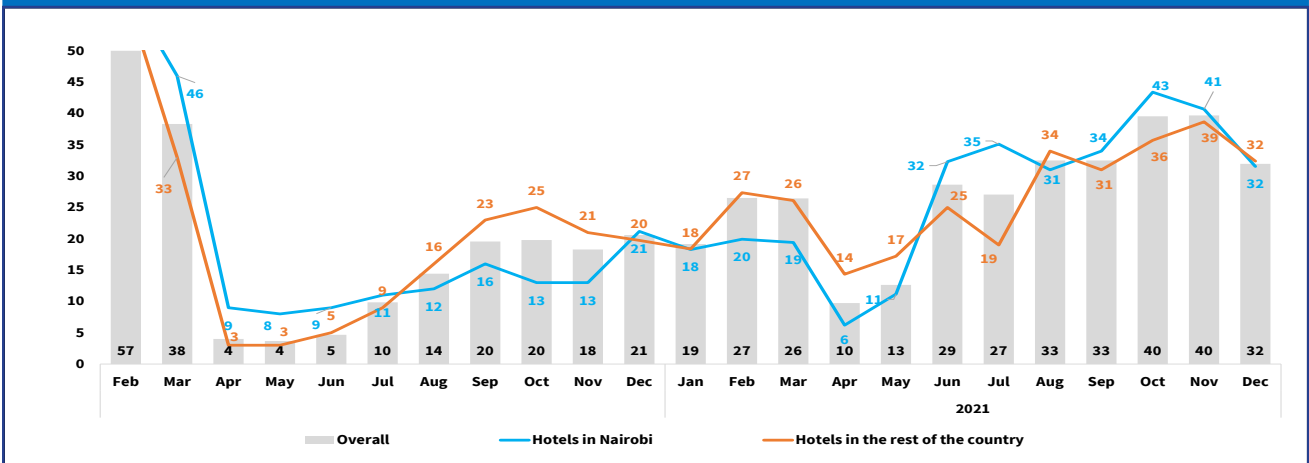
Figure 3: Utilization of Restaurant Services Relative to Pre-Covid 19 Levels



Respondents indicated that on average, the utilization of conferencing services eased to 32 percent in December 2021 compared to 40 percent in November 2021 (**Figure 4**). This decline was attributed to normal business cycles in conference services occasioned by Christmas holidays break particularly by the national and county governments as well as other institutions. In addition, most

institutions resume operations in the second and third weeks of January 2022, with most respondents expecting conference services to resume towards the end of the month.

Figure 4: Utilization of Restaurant Services Relative to Pre-Covid 19 Levels

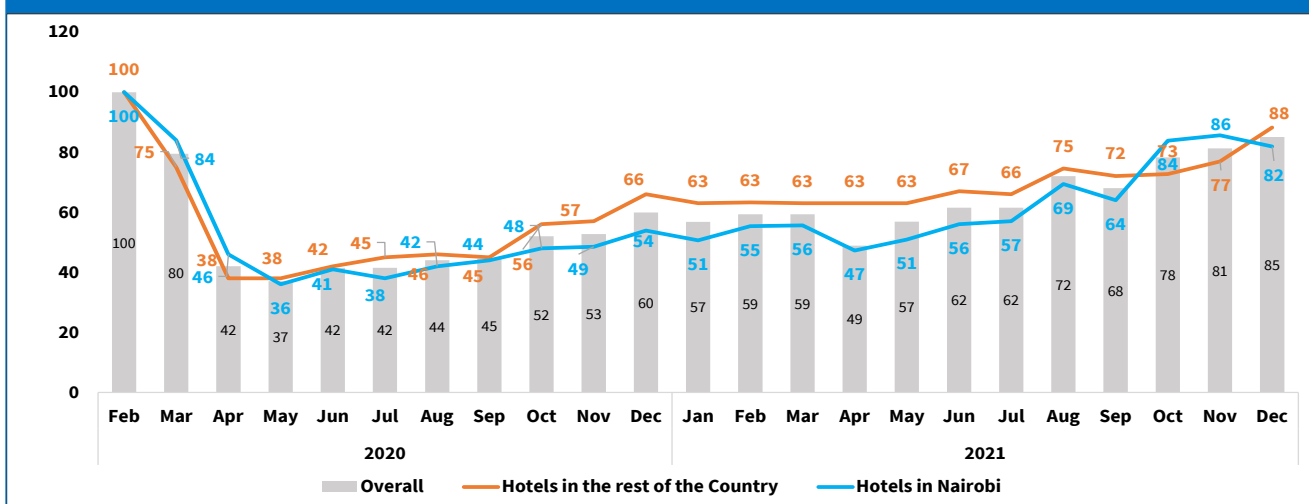


6. EMPLOYMENT IN HOTELS

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 December 2021 and January 2022. 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 77 percent in November 2021

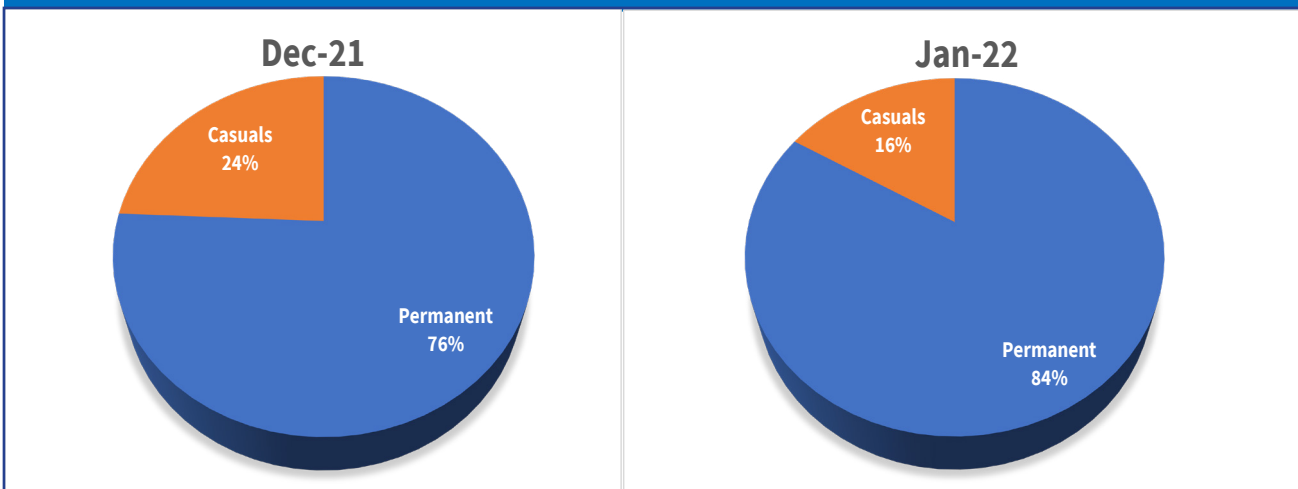
to 88 percent in December 2021 but declined in January 2022 for hotels in other parts of the country (**figure 5**). The increase was supported by the rise in demand during the Christmas holidays. However, employment levels declined slightly in December 2021 and January 2022 for hotels in Nairobi reflecting reduced demand as most people preferred to spend holidays upcountry.

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



The share of the casual employees to total employees of the sampled hotels declined from 24 percent in December 2021 to 16 percent in January 2022 indicating that the hotels had hired additional workers in response to the increased demand in December 2021 (**figure 6**).

Figure 6: Employment (Share of Casual and Permanent employees)



7. EXPECTATIONS ON RETURN TO NORMAL LEVELS OF OPERATIONS

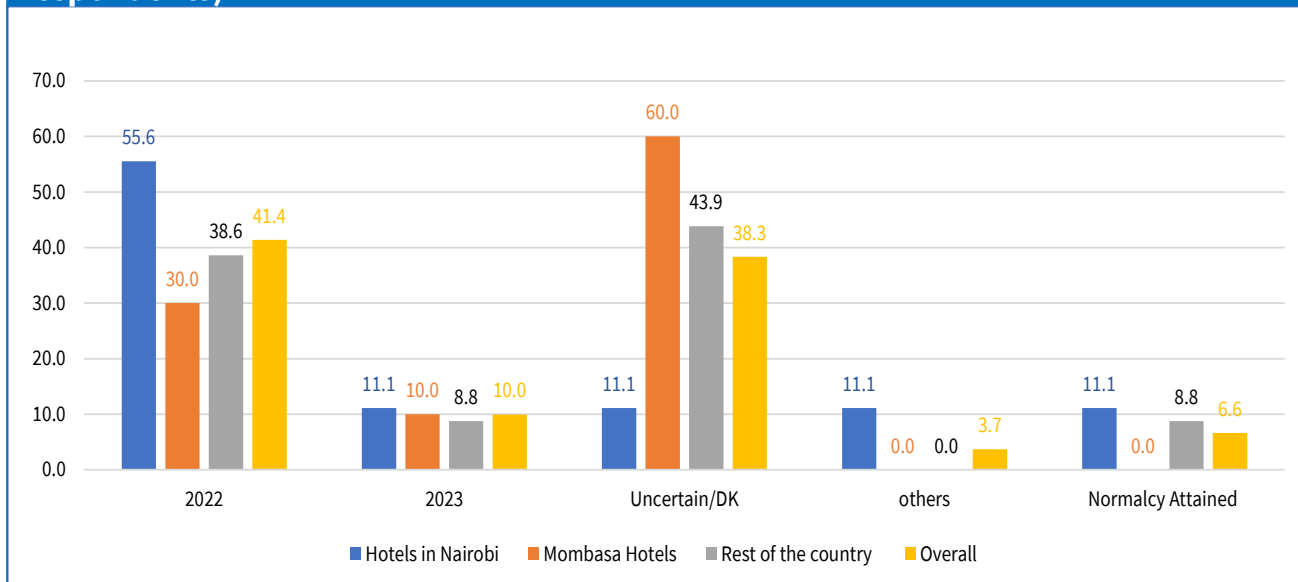
Respondents were asked to indicate when they expected their businesses to return to normal levels of operations (pre-COVID-19) given the prevailing conditions. On average, 41 percent of hotels expected to resume normal levels of operations by end of 2022 (**Figure 7**). The increase is attributed to easing of restrictions related to COVID-19 as the country continues to intensify the vaccination exercise.

About 10 percent of respondent hotels expect to achieve normal levels of operations in 2023 the economy is still recovering and needs some time for

the sector to start benefiting from the recovery. Unlike in the previous Surveys, 7 percent of the responding hotels reported to have attained the pre-COVID level of operations indicating continued recovery of the sector.

However, uncertainties remain with 38 percent of the responding hotels still not sure of when they will attain the pre-COVID levels of operations. Respondents indicated that the continued uncertainty over the evolution of the pandemic remains a threat to full recovery of the sector.

Figure 7: Expected Time of Return to Normal Level of Operations (Percent of Respondents)



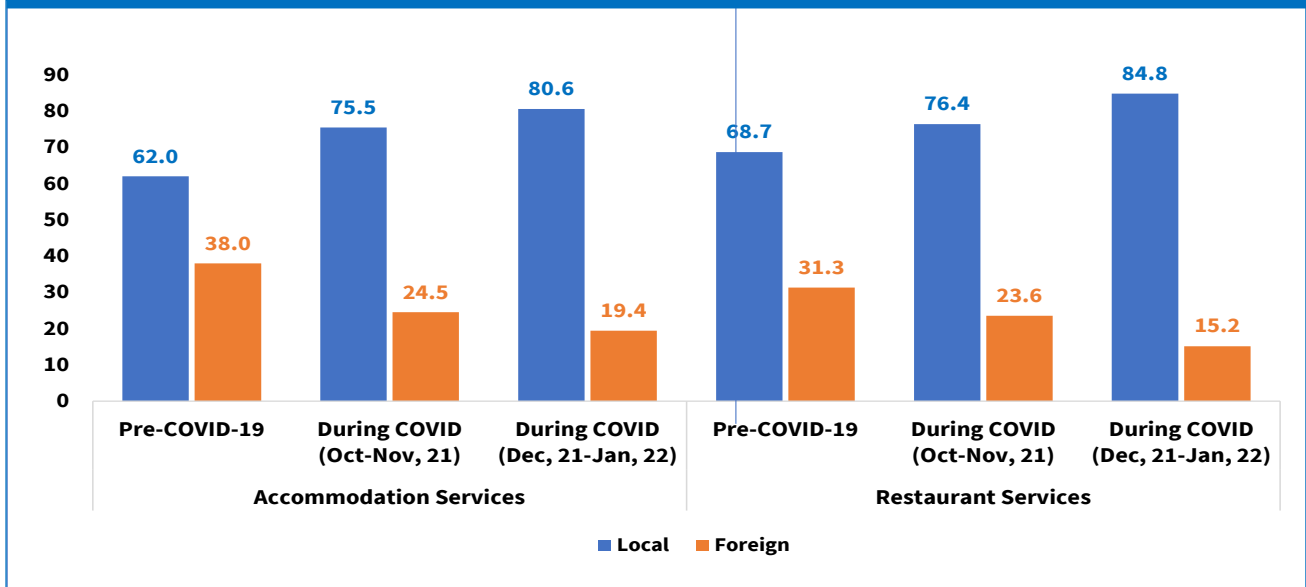
8. CHANGES IN HOTEL CLIENTELE

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, local guests took up 81 percent and 85 percent of accommodation and restaurant services between December 2021 and January, 2022, compared to 62 percent and 69 percent,

respectively, during the period before the pandemic (**Figure 8**). The share of local clientele in both accommodation and restaurant services increased between December and January as the demand for the services increased during the school holidays and Christmas festivities. Consequently, the share of the foreign clients declined during the period, but remained below the pre-COVID period.

Figure 8: Local and Foreign Clients Served by Hotels (Percent of Total Clients)



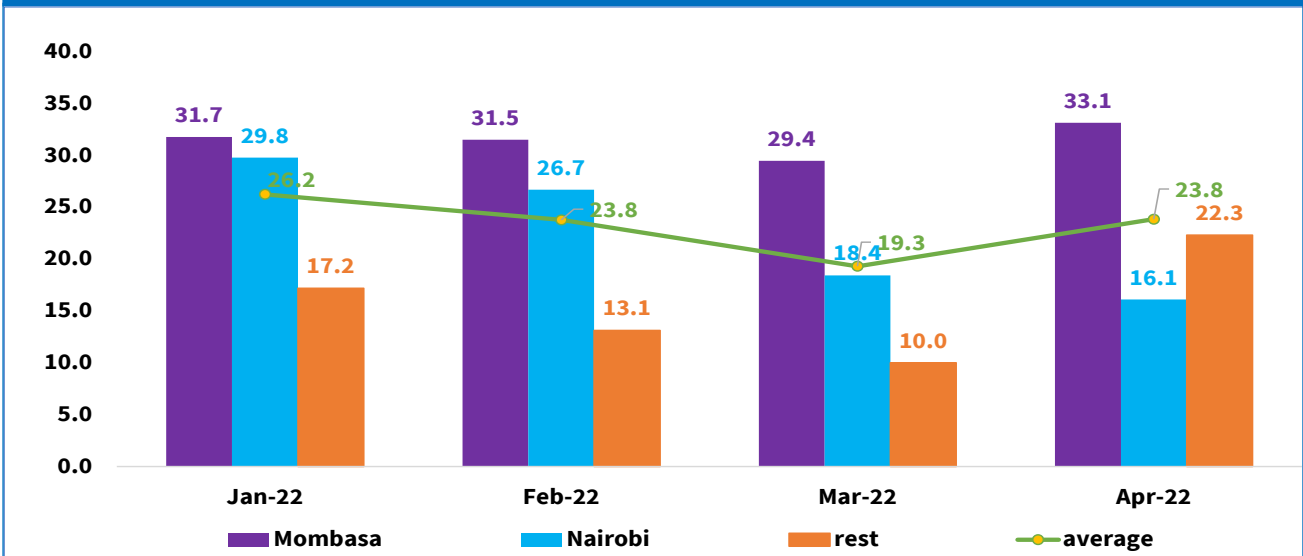
9. HOTEL FORWARD BOOKINGS

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

Generally, forward bookings in the next four months remained low due to concerns about the evolving nature of the pandemic. Average bookings for January 2022 (unutilized services) were about 26

percent, down from 37 percent in December 2021. Mombasa hotels reported the highest levels of bookings from January through April 2022 with the highest bookings April, associated with school holidays (**Figure 9**). 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 and therefore the low forward bookings.

Figure 9: Average Hotel Forward Bookings (Percent of Bed Capacity)



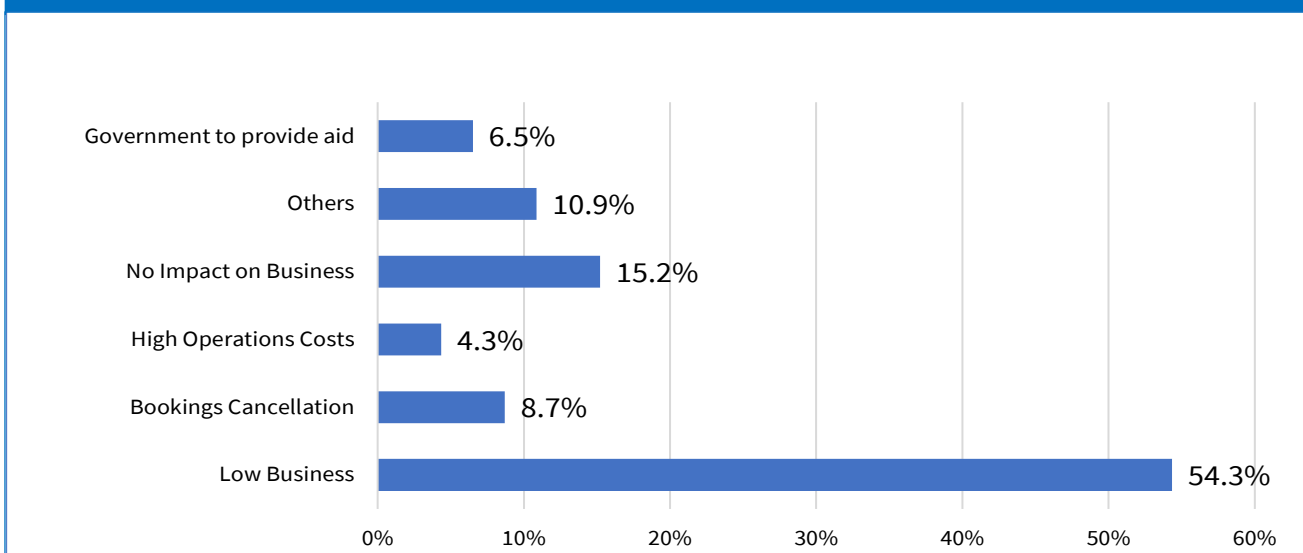
10. OTHER COMMENTS

The Survey requested the respondents to make any other comments on the sector including the impact of the recent escalation of COVID-19 infections on their business operations. As summarized in **Figure 10**, 54 percent of the respondents noted that business remained low compared to the pre-COVID-19 period. This reflects the impact of the pandemic on the incomes of citizens, collapse of businesses, laying off of workers and reduced job opportunities. In addition, the pandemic resulted in increased operational costs related to COVID-19 management, compounded by a rise in fuel prices.

Additionally, 7 percent of the respondents feel that the sector was hardest hit and urged the government

to consider providing a stimulus to the sector, or tax waivers, as well as reduction of some levies to support their recovery. Concerning the recent escalation of the infections under the Omicron variant, 15 percent of the respondents indicated that it had no impact on their business. This was attributed to the fact that the government did not impose restrictions such as lockdowns, travel bans or curfew as was the case in 2020. The hotels were therefore able to continue with their operations without interruptions. Only 9 percent of the respondents reported cancellations of bookings due to the infections. These were mainly hotels in Mombasa that largely rely on international clients.

Figure 10: Key Comments and Concerns of the Hotels (Percent of Respondents)



11. CONCLUSION

The CBK conducted a follow-up Survey of Hotels in January 12 to 14, 2022 to assess recovery of the sector from the effects of COVID-19 pandemic, after a surge in infections of the Omicron variant in December 2021. In addition, the period was characterized by restrictions in the international travels in developed countries amid continued COVID-19 vaccination both globally and domestically.

The Survey showed that the sector has continued to recover significantly following the lifting of the curfew in October 2021 registering the highest levels of bed occupancy since the beginning of the pandemic. In particular, all the hotels sampled across the country were operating in December 2021 and January 2022. However, a few hotels in Nairobi remained closed mainly on account of factors unrelated to COVID-19. As a percent of the pre-COVID period, overall employment in the sector has continued to recover,

rising to 85 percent in December 2021 up from 81 percent in November 2021.

Average bed occupancy and utilization of restaurant services also continued to recover on account of increased demand during Christmas and New year festivities. However, conference services declined in December 2021 on account of seasonal factors mainly closure by various institutions for Christmas break. Local guests continued to support accommodation and restaurant services. Forward hotel bookings for the period January to April 2022 are lower due to seasonal factors compounded by COVID-19 uncertainties affecting long future planning. Local clients prefer walk-ins or bookings on very short notice. The responding hotels expect the sector to continue recovering towards the pre-COVID-19 levels of operations before the end of the year.



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