



Central Bank of Kenya

Monetary Policy Committee Hotels Survey

November 2020



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1. BACKGROUND

The Central Bank of Kenya (CBK) conducted a survey between November 10 and 12, 2020 to assess the extent of recovery in the hotels, particularly with the reopening of the economy and continued implementation of the Government measures to mitigate the measures of COVID-19. The survey was a follow up to one conducted in September, with coverage expanded to cover hotels in Naivasha.

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 9.3 percent in the first quarter of 2020 and by 83.3 percent in the second quarter, compared to an expansion of 12.1 percent in second quarter of 2019. It is against this backdrop that CBK undertook 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 movements within the country in July, and resumption of international passenger flights in August. 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 December 2020 to March 2021.

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, 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 and information to the MPC in its November 2020 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 particularly 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 a sample of 80 hotel enterprises. The respondents were people with good knowledge of the activities in their respective hotels and the entire sector. A total of 80 hotels across the country (25 in Nairobi and its environs; 7 in Mombasa; 15 in Naivasha and 33 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. This report provides a summary of the findings of the Survey of Hotels conducted in November 2020.

3. KEY HIGHLIGHTS OF THE HOTELS SURVEY FINDINGS

The Key takeaways from the CBK Hotels Survey November 2020 included:

- 96 percent of hotels that were sampled across the country are now operating compared to 89 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 53 percent in November compared with 45 percent in September and 37 percent in May, all relative to the pre-COVID-19 levels.
- The average bed occupancy, has also continued to recover gradually, averaging 23 percent in November and October, compared to 24 percent in September and 10 percent in May. The utilization of restaurants and conference services has also improved gradually since May. Respondents indicated the negative impact of a resurgence in COVID-19 infections in November relative to October.

- Local guests continue to support activity in the sector during the COVID-19 period, accounting for over 80 percent of the total clientele for accommodation and restaurant services.
- On average, under the prevailing conditions, 58 percent of hotels expect to attain normal (pre-

COVID) levels of operations between late 2020 and 2021. Despite the recent resurgence in COVID-19 infections, respondents were optimistic about a strong recovery of the sector once the pandemic is contained.

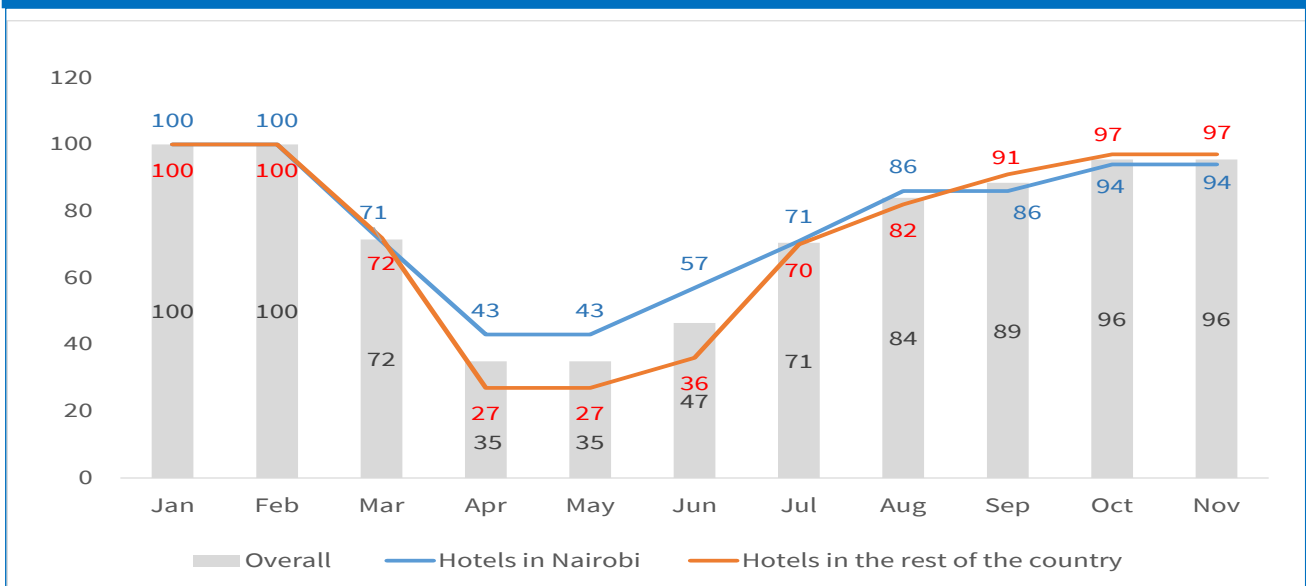
4. HOTELS IN OPERATION

Respondents were requested to indicate whether their enterprises were operating in each of the months between October and November 2020. The results were analysed together with those in the September Survey. Most hotels that closed down in April-May period due to COVID-19 containment measures, have reopened. On average, 96 percent of hotels are now operating in November, compared to 89 percent in September 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 recent resurgence and increase in COVID-19 infections. Some of the hotels which were still closed at the time of the survey indicated that they were engaged in activities such as a COVID-19 isolation centre, training of staff, and in renovations of their facilities in preparation to reopen.

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 October and November. The results were analysed together with those in the September Survey of hotels.

On average, bed occupancy has continued to

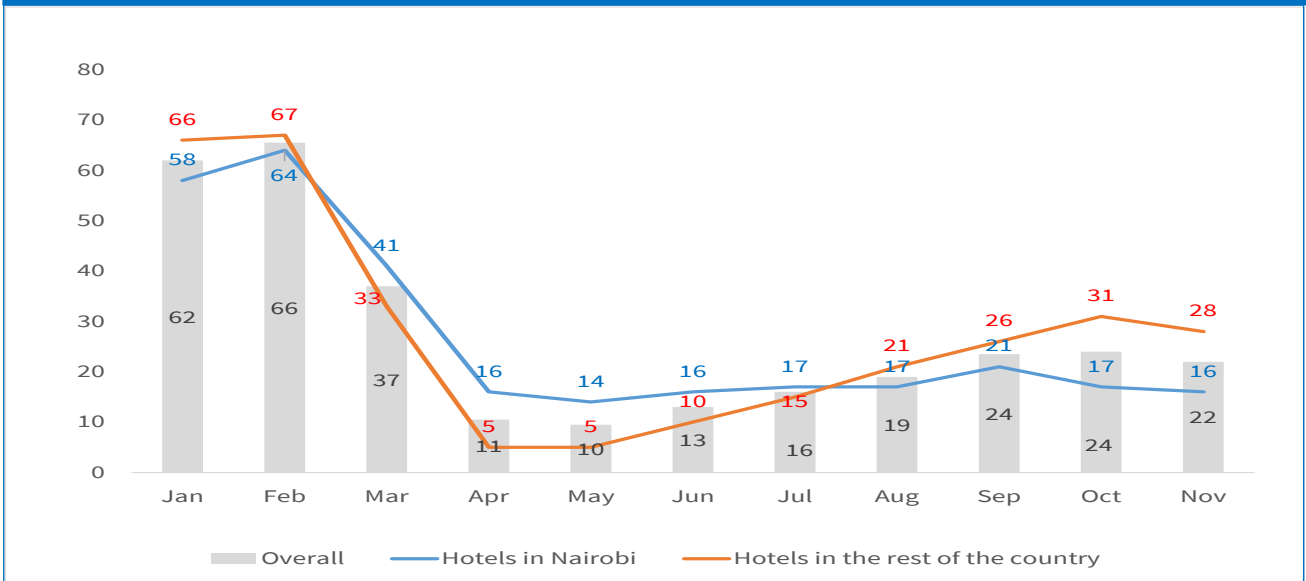
recover, albeit slowly, particularly in the hotels in the rest of the country. The overall bed occupancy rate averaged 23 percent in November and October compared to 24 percent in September and 10 percent in May (**Figure 2**). However, the average bed occupancy for hotels outside Nairobi was higher at an average of 30 percent in October and November, compared to 26 percent in September.

Respondents associated the slight slowdown in bed occupancy in November relative to October

to fears of a resurgence in infections in November that discouraged travel by customers and some cancellations of conferences. For Nairobi hotels,

concerns of escalation in COVID-19 infections were relatively stronger, that respondents felt discouraged utilization of hotel accommodation services.

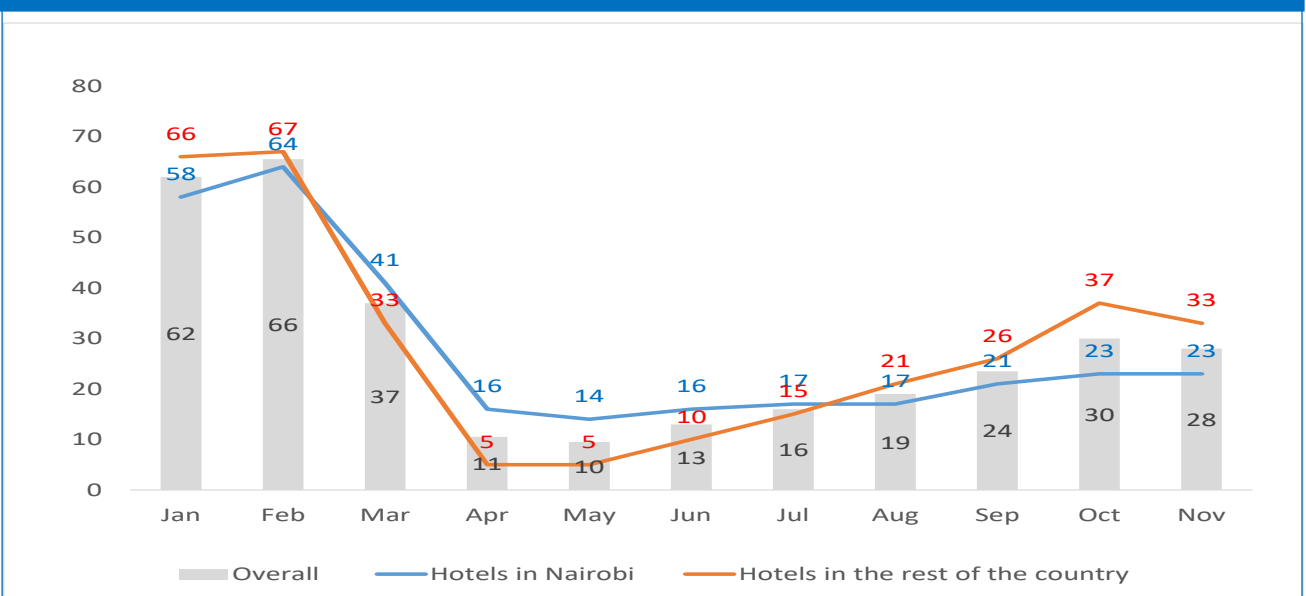
Figure 2: Bed occupancy rate (percent of total bed capacity)



The respondents to the Survey indicated that the utilization of restaurant services recorded a notable improvement on average, to 30 percent in October and 28 percent in November, compared with 24 percent in September (Figure 3). The recovery in restaurant services that had been reported for October following the lifting of restrictions, slowed

down due to the resurgence in the number of infections, particularly in areas away from Nairobi. Nairobi hotels indicated that the main reason for the slower recovery in the services in the area was because most of the new infections were concentrated in the county.

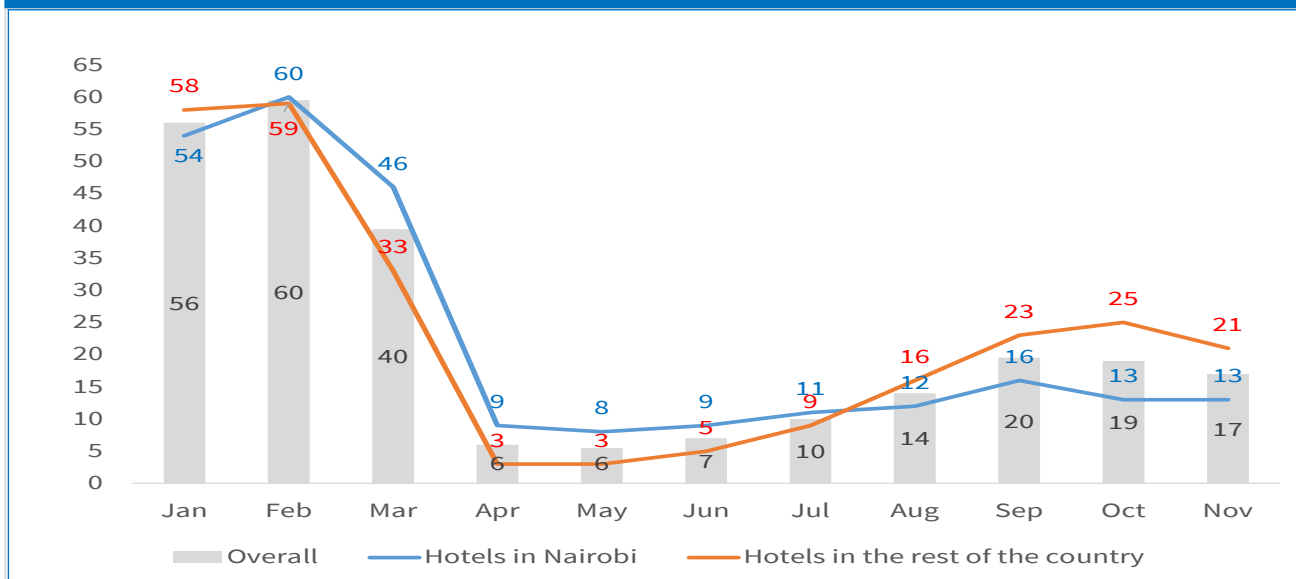
Figure 3: Utilization of restaurant services (percent of total capacity)



Respondents indicated that the utilization of conferencing services somewhat flattened out in November and October compared with levels in September, reflecting fears and concerns on the resurgence of COVID-19 infections (**Figure 4**). 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.

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



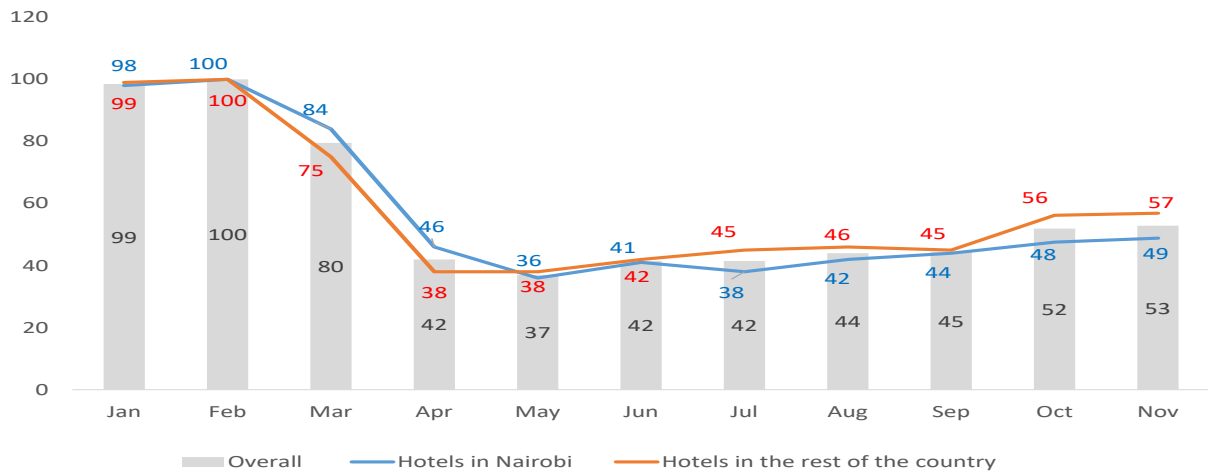
6. EMPLOYMENT IN HOTELS

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 between October and November 2020. The results were analysed together with those in the September Survey. Relative to the employment numbers in February, the findings show that employment in hotels continues to recover towards pre-COVID (February) levels, averaging 53 percent in November compared with 45 percent in September and 37 percent in May (**Figure 5**). This recovery reflects the easing of COVID-19 restrictions

and increased compliance with health protocols.

Respondents indicated that employment levels declined in April and May as hotels scaled down operations due to low business during the COVID-19 period on account of COVID-19 restrictions that resulted mainly in furloughs and staff working on rotational basis in compliance with COVID 19 measures. 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.

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



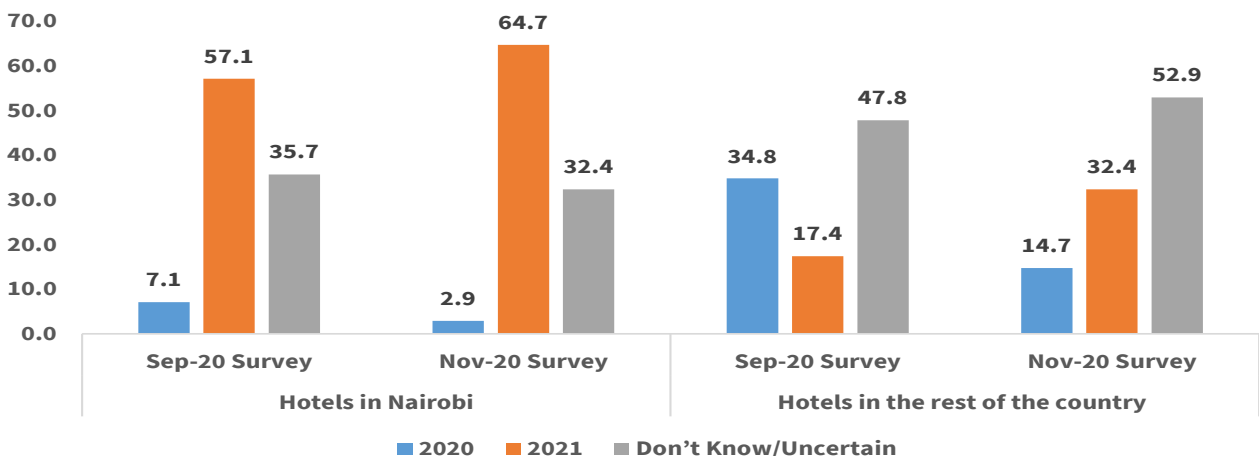
7. EXPECTATIONS ON RETURN TO NORMAL LEVELS OF OPERATIONS

The Survey also captured expectations by hotels on when they would attain normal (pre COVID-19) operations. On average, 58 percent of hotels expect to resume normal (pre-COVID) levels of operations by end of 2021. In particular, an average of 9 percent and 49 percent of the hotel respondents expect to attain normal operations in late 2020 and in 2021, respectively (**Figure 6**). However, these proportions varied across regions in November, with 68 percent of hotels in Nairobi and 47 percent for hotels out of Nairobi expecting to resume normal operations in late 2020 and 2021, compared to 64 percent and 52 percent in the September Survey, respectively.

Some respondents that had previously anticipated to reopen before end 2020, indicated that they had postponed the reopening citing uncertainty with regard to the pandemic, length of time it has taken to discover a vaccine and high costs of compliance with the COVID-19 measures.

Nonetheless, an average of 43 percent of hotels (32 percent of hotels in Nairobi and 53 percent of hotels out of Nairobi) were uncertain on when they would attain normal levels of operations, depending on how the pandemic evolves.

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



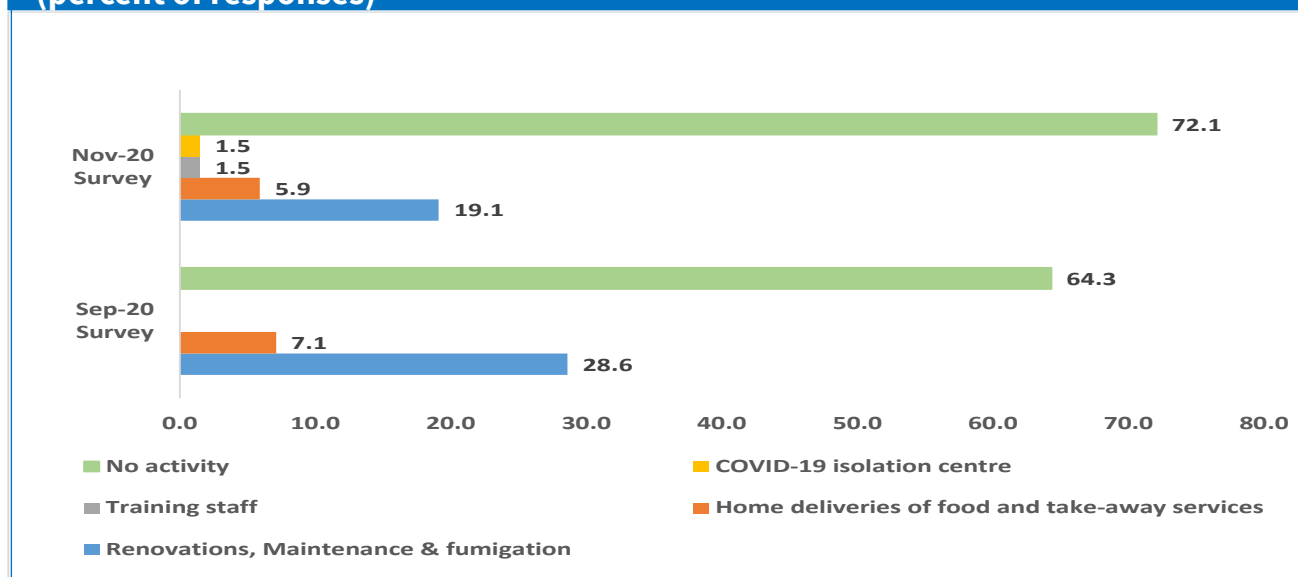
8. OTHER ACTIVITIES UNDERTAKEN BY HOTELS

In view of the expanded coverage of the Survey, the Survey also assessed other activities that hotel enterprises were engaged in during the COVID-19 pandemic period. Figure 7 shows a summary of proportions of activities that hotels were engaged in when the enterprises had closed their normal services.

The Survey showed that 72 percent of hotels that had closed during the pandemic period did not participate in any alternative economic activity.

However, a majority of the rest (19 percent) were engaged in renovations, maintenance and fumigation (particularly those that were used as COVID-19 quarantine centers) in preparation for reopening, some (2 percent) served as COVID-19 isolation centres for some hospitals while some (2 percent) resorted to re-training of staff, and the rest (6 percent) provided home deliveries and takeaway food services that they were not engaged in before the pandemic.

Figure 7: Other Activities undertaken by hotels during COVID-19 pandemic period (percent of responses)



9. CHANGES IN HOTEL CLIENTELE

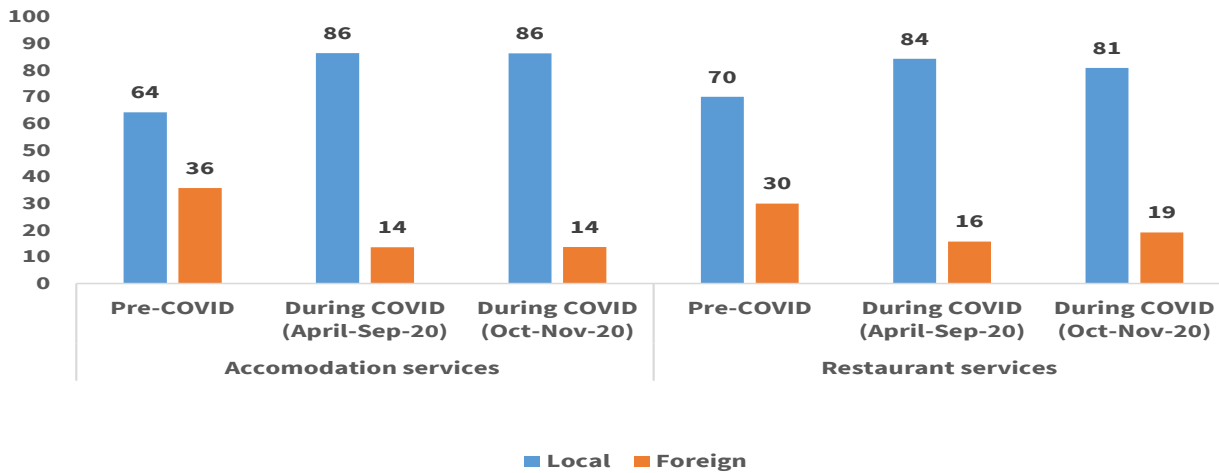
The Survey also sought to assess the type and average proportion of clientele (foreign and local) served by hotels in accommodation and restaurant services before and during the COVID-19 pandemic period.

Overall, local guests took up 86 percent of accommodation and 81 percent of restaurant services during the pandemic period, compared with 64 percent and 70 percent, respectively, during the period before the pandemic (**Figure 8**). Respondents

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

The lifting of restrictions in and out of Nairobi supported local travel and utilization of hotel services for hotels out of Nairobi. Some improvement in foreign clientele particularly for restaurant services, was attributed to an increase in the number of international passenger flights since August.

Figure 8: Local and foreign clients served by hotels (percent of total clients)



10. HOTEL FORWARD BOOKINGS

The Survey also requested hotel respondents to indicate their levels of bookings, relative to the total bed capacity, for the period November 2020 to March 2021.

Average bookings for November (unused services) were about 16 percent for November and 13 percent for December (**Figure 9**). Respondents noted that,

while most hotels take forward bookings for a period of 3 months, the reported bookings were generally lower than normal level bookings with the difference fully attributed to the fears caused by the pandemic on customer travels for the festive season. However, respondents indicated that a significant proportion of local guests were walk in customers, who do not make prior bookings.

Figure 9: Average Hotel Forward Bookings (percent of bed capacity)

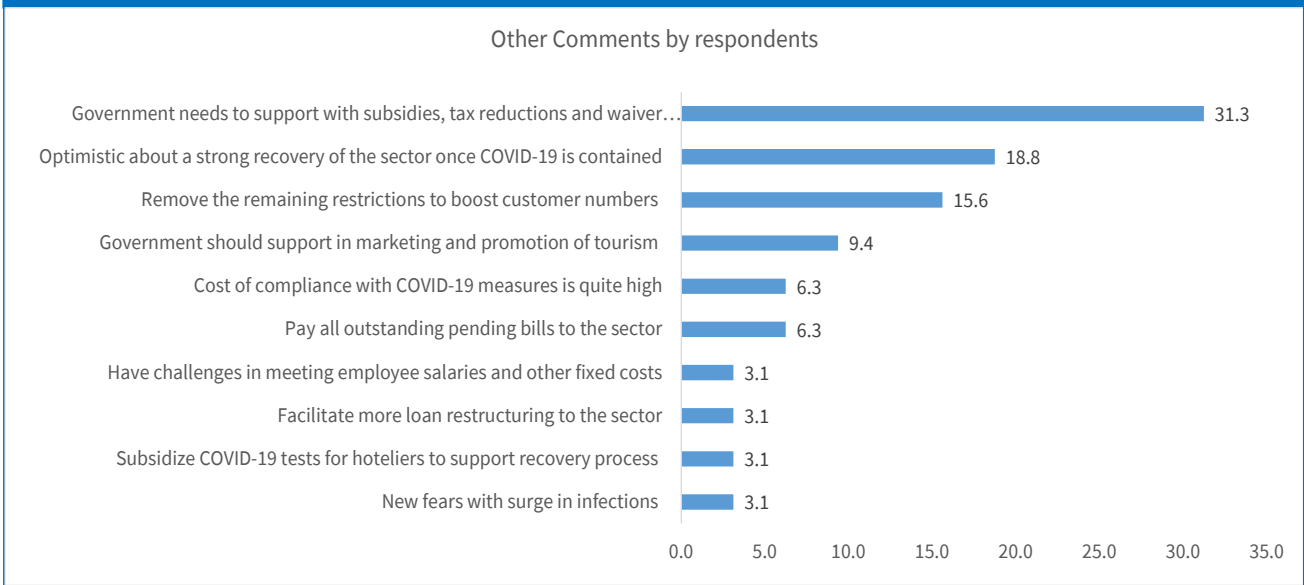


11. OTHER COMMENTS

The Survey allowed respondents to make general comments that are summarized in **Figure 10**. Based on the summary, 31 percent of respondents indicated that the Government needs to provide support to hoteliers in terms of subsidies, tax holidays (waivers) and suspension of levies during the period of the pandemic. Nonetheless, a significant proportion

of respondents (19 percent) indicated optimism about a strong recovery of the sector once COVID-19 is contained (**Figure 10**). Some respondents (16 percent) indicated that the remaining COVID-19 restrictions were restraining customers from utilizing hotel services.

Figure 10: General comments (percent of total responses)



12. CONCLUSION

The Survey of hotels conducted by CBK on November 10 to 12 shows continued recovery of the sector from the severe disruptions due to COVID-19 in April and May, 2020.

In Particular, 96 percent of hotels sampled across the country were operating in November compared with 89 percent in September, 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 53 percent in November compared with 45 percent in September 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 during COVID-19. On average, under the existing conditions, of 58 percent of hotels expect to attain normal (pre-COVID) levels of operations between late 2020 and 2021, while the rest will depend on the evolution of the pandemic and related containment measures.

Respondents indicated that the Government could consider offering subsidies, tax reductions and suspension of some levies as some of the measures that would support a faster recovery of the sector. Despite the recent resurgence in COVID-19 infections, respondents were optimistic about a strong recovery of the sector once the pandemic is contained.



Central Bank of Kenya

Haile Selassie Avenue P.O. Box 60000 - 00200 Nairobi | Tel: (+254) 20 - 286 0000 / 286 1000 / 286 3000