

Central Bank of Kenya

Monetary Policy Committee Hotels Survey

May 2022

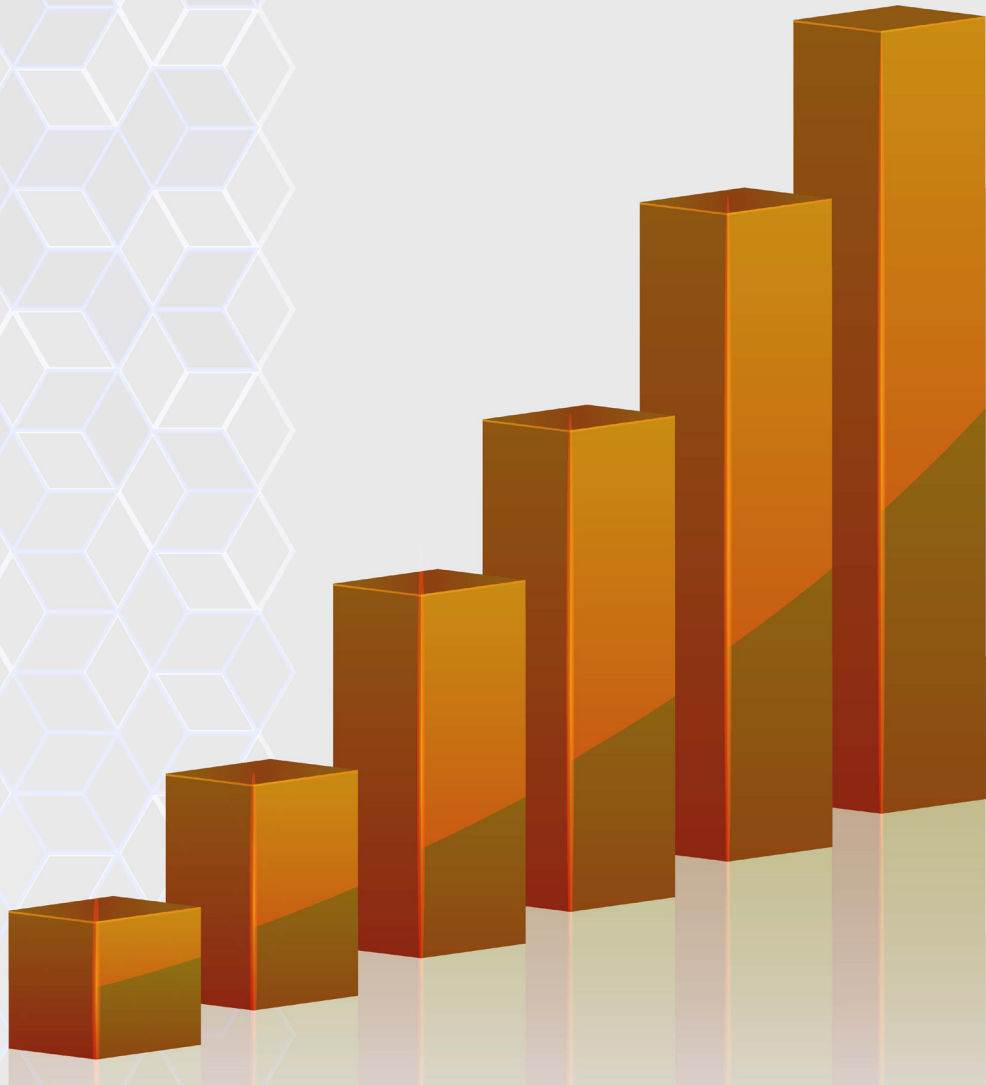


TABLE OF CONTENTS

1. BACKGROUND.....	1
2. SAMPLE AND METHODOLOGY	1
3. KEY HIGHLIGHTS OF THE HOTELS SURVEY FINDINGS.....	1
4. HOTELS IN OPERATION	2
5. LEVELS OF OPERATIONS.....	2
6. EMPLOYMENT IN HOTELS.....	4
7. EXPECTATIONS ON RETURN TO NORMAL LEVELS OF OPERATIONS	5
8. CHANGES IN HOTEL CLIENTELE.....	6
9. HOTEL FORWARD BOOKINGS	6
10. OTHER COMMENTS	7
11. CONCLUSION.....	8

1. BACKGROUND

The Central Bank of Kenya (CBK) conducted the Survey of Hotels between May 11 and 18, 2022, to assess the recovery of the sector, following full reopening of the economy. During the period, the COVID-19 positivity rate declined to below 1 percent, and the COVID-19 uncertainties had significantly reduced. In addition, the vaccination exercise continued with about 18 million doses of vaccines having been administered as of May 11, 2022. This represented about 30.6 percent of total adult population.

The survey was also undertaken against the backdrop of the ongoing Russia-Ukraine war resulting in global supply disruptions and sharp rise in commodity prices.

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 May to July 2022.

The hotel sector benefited from the lifting of the COVID-19 mitigation measures both overseas and domestically in 2021. According to the Economic Survey (2022), the sector grew by 52.5 percent in 2021 compared to a contraction of 47.7 percent in 2020. The sector was supported by improved international visitor arrivals that grew by 50.3 percent from 579,600 visitors in 2020 to 871,300 visitors in 2021. During the year, bed occupancy increased by 50.3 percent while the number of conferences held increased significantly from 1,204 in 2020 to 8,409 in 2021. Consequently, employment in the sector rose by 23.9 percent to 61,700 employees in 2021.

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 May 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.

The Survey questionnaire was sent to the hotels via their email addresses and a link was shared for online responses. Follow up emails and phone calls were made to ensure responses were received. A total of 60 hotels across the country participated in the Survey. 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 May 2022 include:

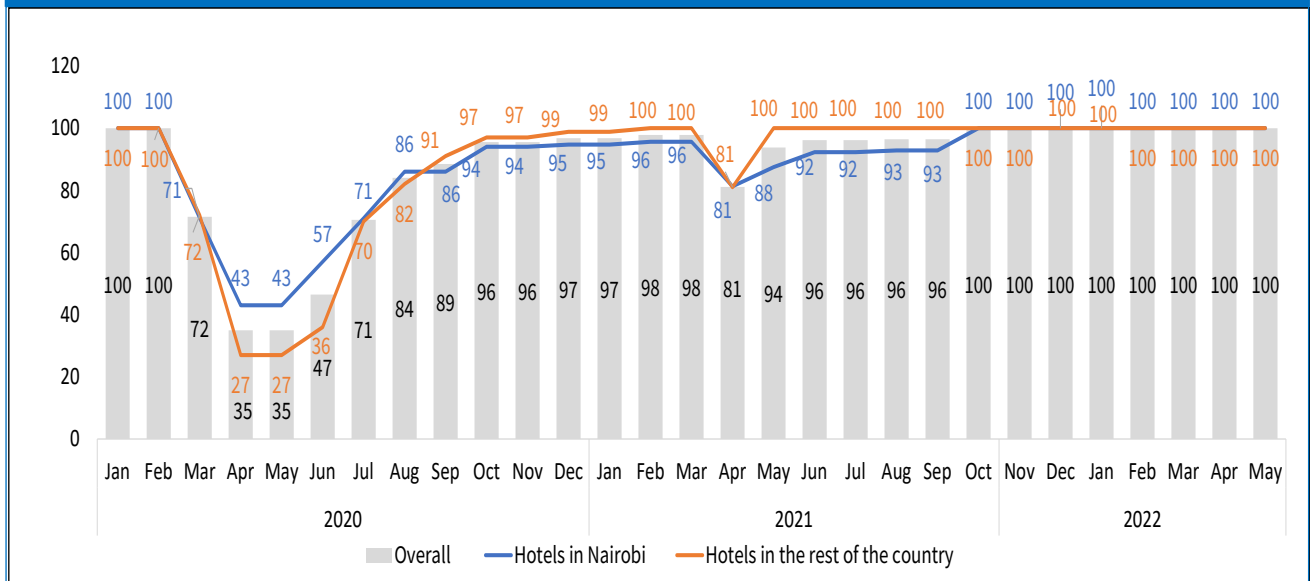
- All the hotels that responded were in operation with two key hotels that had closed two years ago having reopened between April and May.
- The average bed occupancy and conference services remain strong with levels above the pre-COVID-19 levels especially in Mombasa.
- In line with the levels of operations, employment levels in the sector remained strong with casual employees responding to changes in business activity. However, employment levels are yet to reach the pre-COVID levels.
- On average, under the prevailing conditions, 41 percent expected to attain the pre-covid levels of operation by the end of the year 2022.
- Foreign clienteles continue to improve towards the pre-COVID-19 levels.
- Forward hotel bookings have improved particularly for Mombasa.
- Hotels are concerned about increased costs of input due to the Russia-Ukraine war.

4. HOTELS IN OPERATION

Respondents were requested to indicate whether their enterprises were operating in April and May 2022. All the respondent hotels reported to have operated 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 reopened in April and May after more than two years of closure.

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

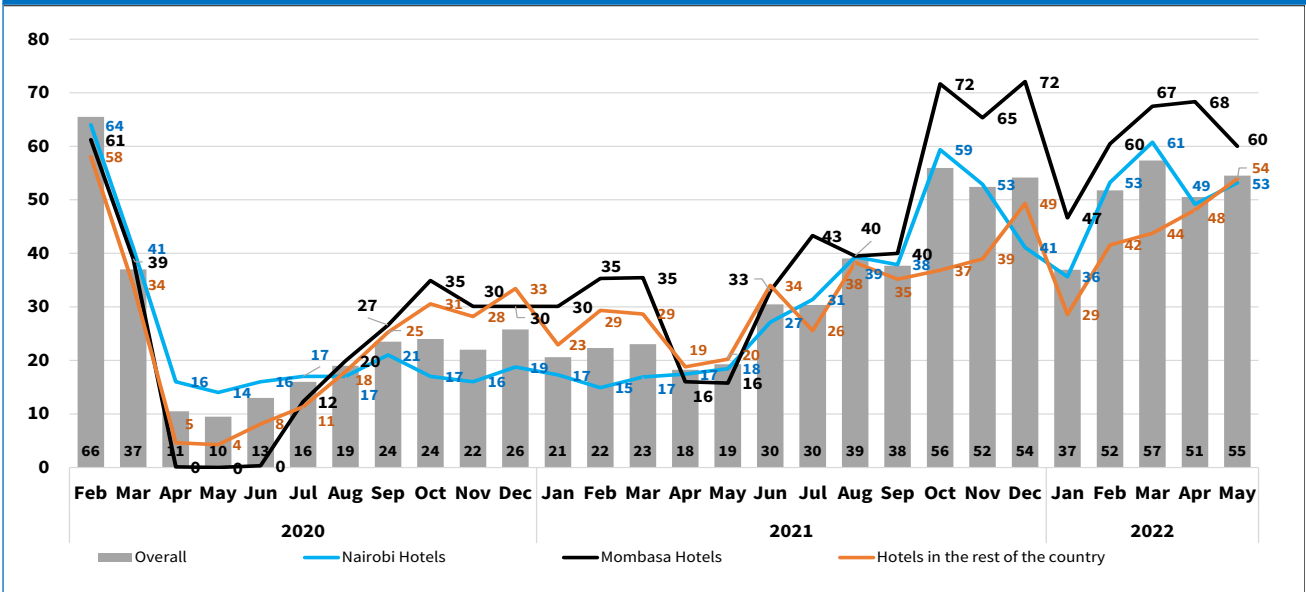


5. LEVELS OF OPERATIONS

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 April and May 2022.

On average, bed occupancy improved in April in Mombasa and the rest of the country but declined in Nairobi, associated with the school holidays. Bed occupancy in Mombasa was particularly high with some hotels reporting full occupancy. In May, however, bed occupancy improved in Nairobi and the rest of the country while it declined in Mombasa (**Figure 2**).

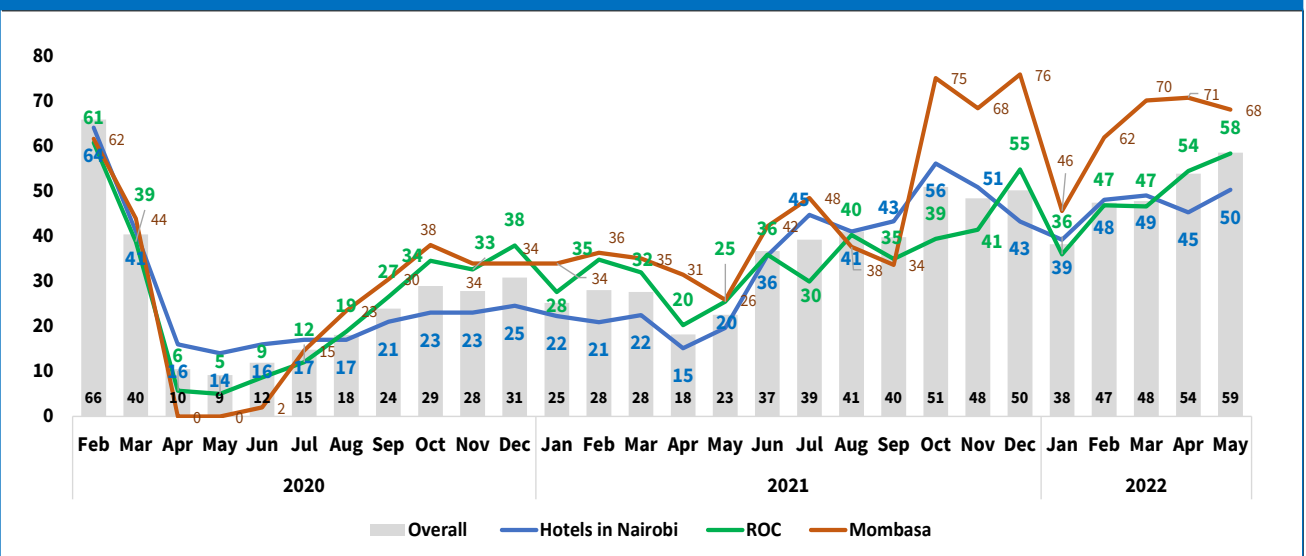
Figure 2: Bed Occupancy Rate (Percent of Total Capacity)



In line with the level of bed occupancy and seasonal nature of the sector, the average utilization of restaurant services improved in April and May 2022

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

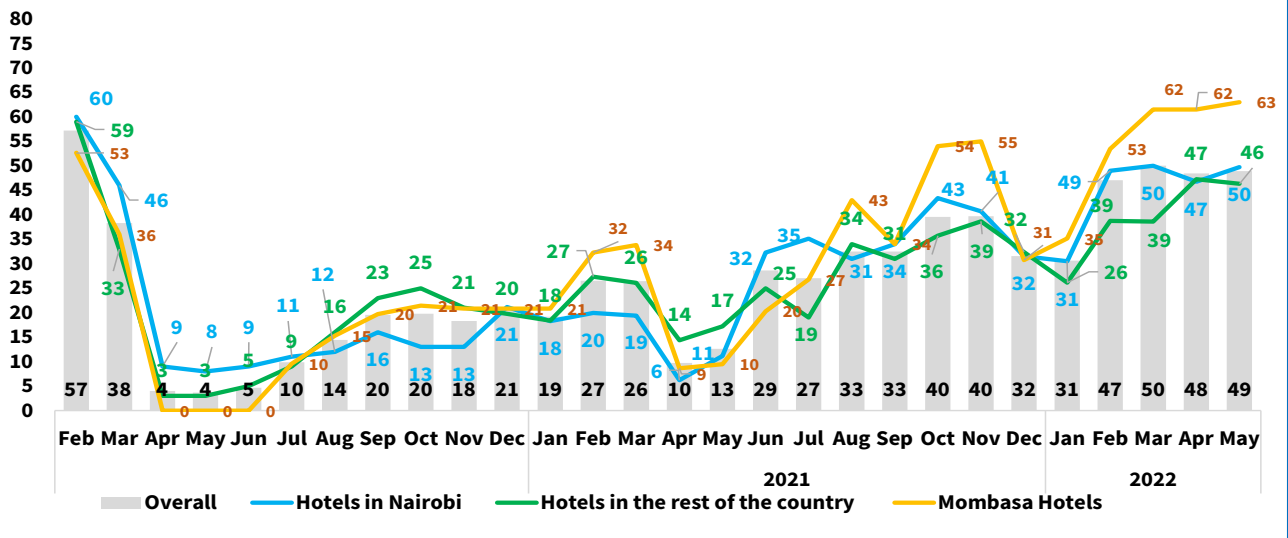
Figure 3: Utilization of Restaurant Services (Percent of Total Capacity)



Respondents indicated that on average, the utilization of conferencing services improved to above the pre-COVID-19 levels especially in Mombasa as well as those in the rest of the country (Figure

4). This growth is attributed to normal business cycles in conferences services as corporate and government institutions increase their conferences and workshops towards the end of the fiscal year.

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 April and May 2022. The results were analyzed as a share of the pre-COVID-19 number of employees. The findings show that the overall employment levels remained stable at 83 percent

in April and May 2022 (**Figure 5**). The respondents noted that they reduce casual employees when demand declines and hire them as business increases. As shown in **figure 6**, as demand for the hotel services decreased in May, so did the share of the casual employees from 29.2 percent to 28 percent.

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

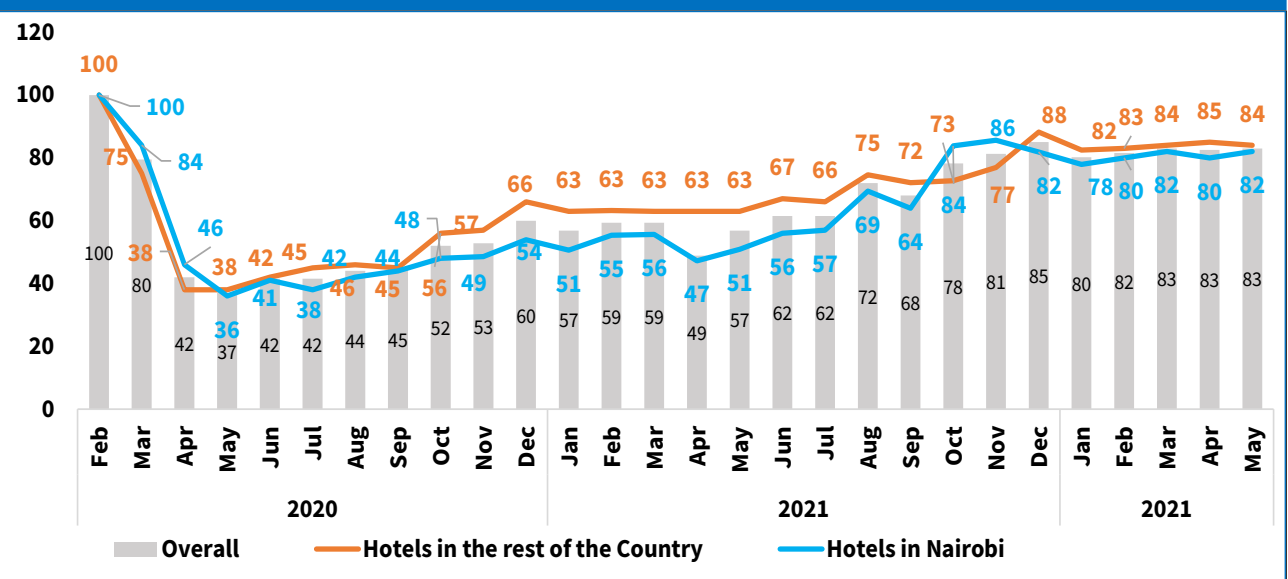
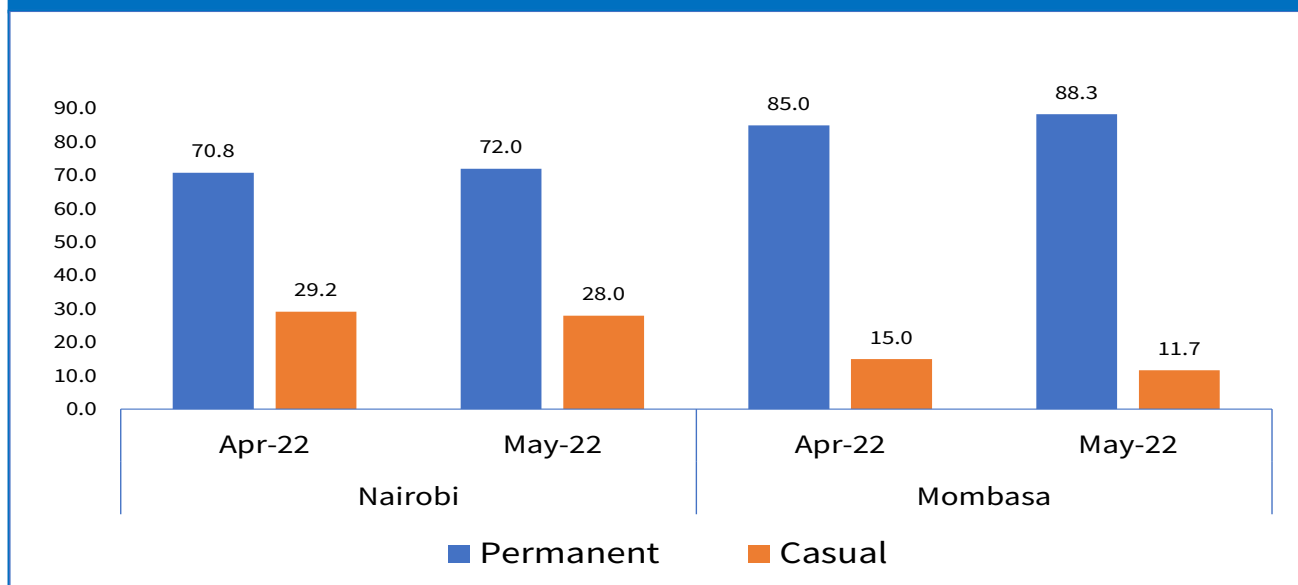


Figure 6: Employment levels by type (Percent of total employees)

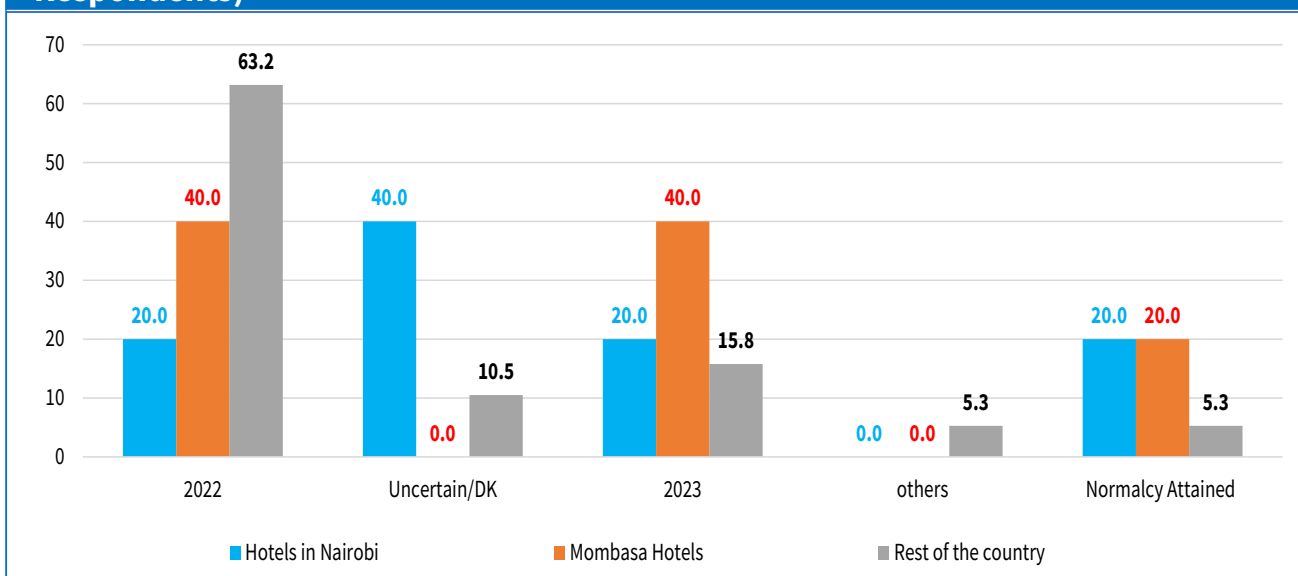


7. EXPECTATIONS ON RETURN TO NORMAL LEVELS OF OPERATIONS

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, 15 percent of the responding hotels reported having already attained the pre-COVID level of operations indicating continued

recovery of the sector. On average, about 41 percent of the respondents expected to resume normal levels of operations by end of 2022 (**Figure 7**) which they attributed to reduced COVID-19 uncertainties following removal of all restrictions and intensified the vaccination exercise.

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



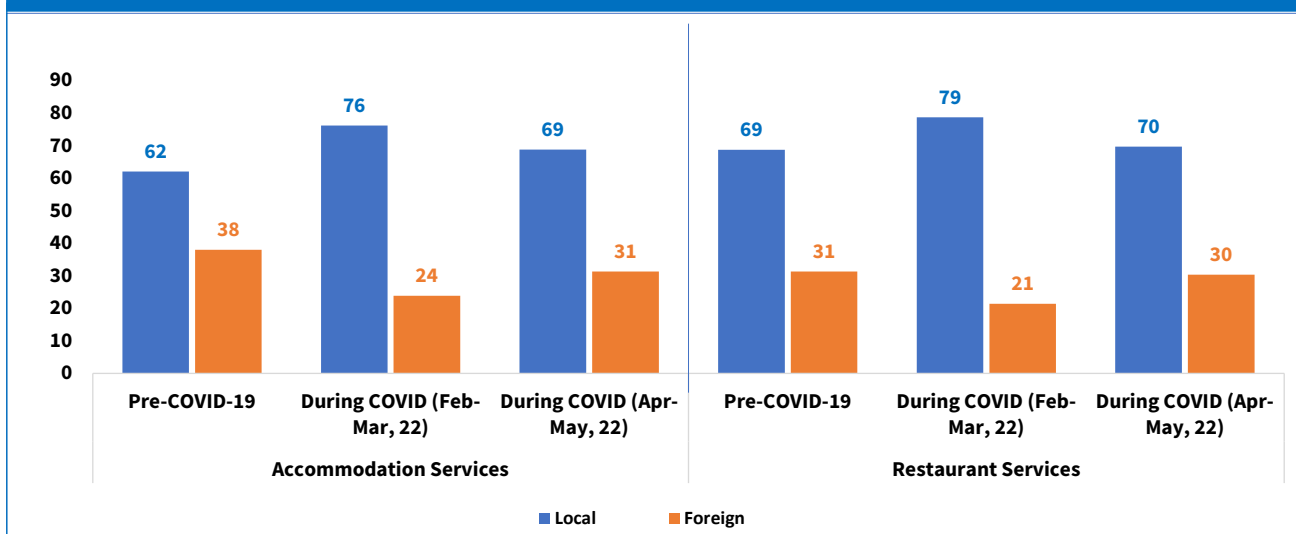
8. CHANGES IN HOTEL CLIENTELE

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, domestic clients took up 69 percent and 70 percent of accommodation and restaurant services between April and May 2022, compared to 62 percent

and 69 percent, respectively, during the period before the pandemic (**Figure 8**). The share of domestic clientele in both accommodation and restaurant services decreased between April and May in line with the rising international arrivals. Consequently, the share of the foreign clients rose during the period to almost the pre-COVID period particularly for the restaurant services.

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



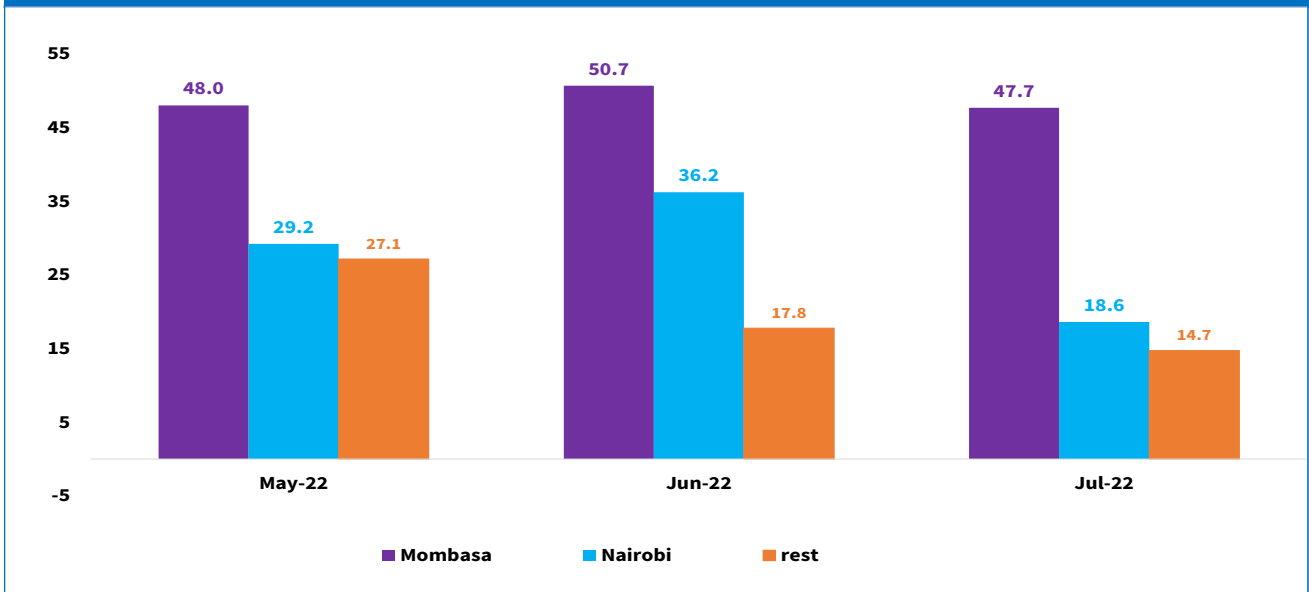
9. HOTEL FORWARD BOOKINGS

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

Generally, forward bookings in the next three months (May - June) have improved particularly for

Mombasa hotels, highest since the onset of COVID-19 indicating continued recovery of the sector (**Figure 9**). Majority of hotels in Nairobi and the rest of the country reported improved bookings, although they depend significantly on walk-in clients or bookings on short notice.

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

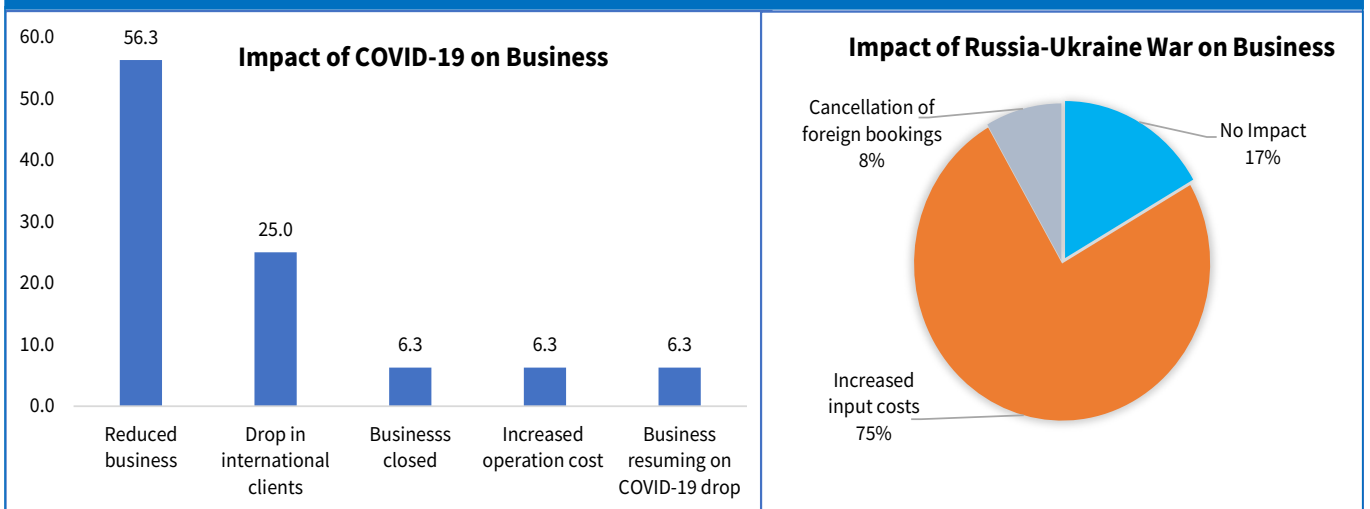


10. OTHER COMMENTS

The Survey requested the respondents to make any other comments on the sector including the current impact of COVID-19 pandemic and the Russia-Ukraine war on their business operations. As summarized in **figure 10**, about 56 percent of the respondents noted that COVID-19 had resulted in reduced business while another 16 percent indicated a drop in international clients. However, 6 percent indicated that business activity was improving. Regarding the Russia-Ukraine conflict, 75 percent

of the respondents noted that the war had resulted in increased operational/ input costs. In particular, respondents flagged prices of oil, wheat and cooking oil as some of the key products impacted by the war. Further, 8 percent noted that the impact of the war was cancellation of international bookings from the affected countries. However, 17 percent of the respondents indicated that the conflict had no impact on their business activity.

Figure 10: Key Comments and Concerns of the hotels (% of respondents)



11. CONCLUSION

The CBK conducted a follow-up Survey of Hotels on May 11 to 18, 2022 to assess recovery of the sector from the effects of COVID-19 pandemic, after full reopening of the economy, reduction in COVID-19 positivity infection rates amid intensified vaccination exercise, and the on-going Russia-Ukraine war.

The Survey showed that the sector has continued to recover towards the pre-COVID-19 levels. Two hotels that had remained closed since COVID-19 started, reopened in between April and May indicating further reduced uncertainties. Overall levels of employment as a share of the pre-COVID-19 employment levels remained stable at 83 percent with casual employees responding to seasonal changes in business demand.

Average bed occupancy, utilization of conference services continued to recover particularly in Mombasa to above the pre-COVID-19 levels. Foreign guests in both accommodation and restaurant services continued to improve in line with the rising number of international tourist arrivals. Forward hotel bookings for the period May to July 2022 are strong especially in Mombasa hotels, indicating recovery in demand towards the high season for the sector. Majority of the respondent hotels expect the sector to continue recovering back to the pre-COVID-19 levels of operations before the end of the year.



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