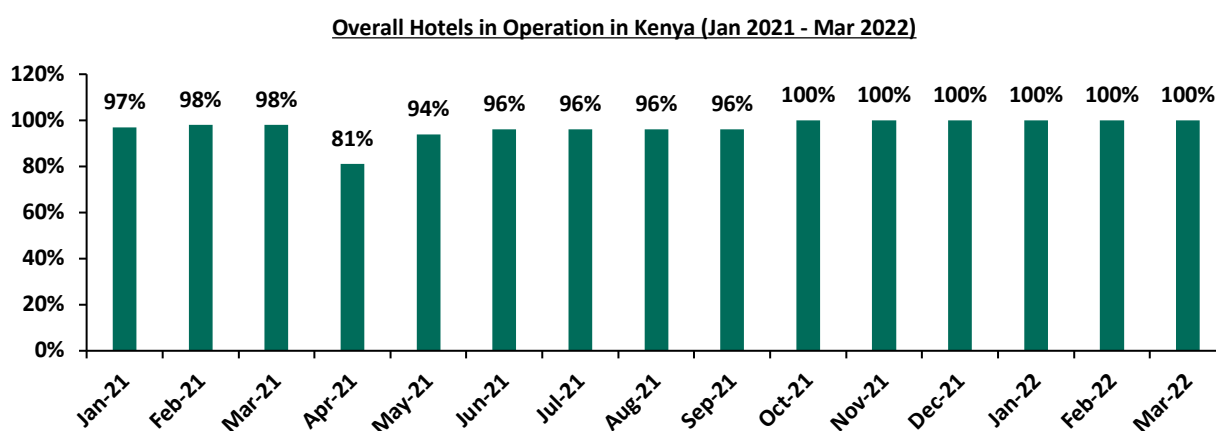


Hospitality Sector Q1'2022 Markets Review Note

Our outlook on the hospitality sector is NEUTRAL following improved performance of hotel operations and occupancies. Travel advisories continues to pose a risk to international arrivals

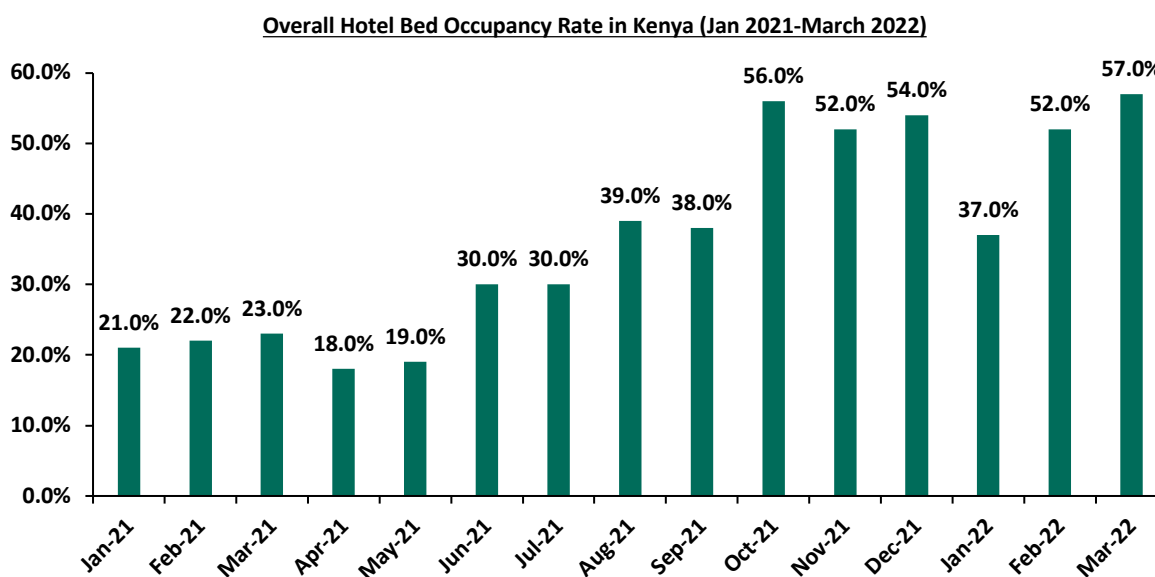
The hospitality sector recorded improved performance in Q1'2022, as highlighted by the [Monetary Policy Committee Hotels Survey-March 2022](#), which indicate that there was an overall improvement in the general operating environment of hotels evidenced by the increased number of hotels in operations, bed occupancy levels, and share of foreign clientele. The key take outs from the survey were;

- i. Overall, all the sampled hotels indicated that they were in operation in Q1'2022, maintaining a 4.0% points increase to 100.0% in March 2022, from the 96.0% operation rate in September 2021. This was attributable to the improved business environment following mass vaccinations that encouraged relaxation of COVID-19 regulations, thus boosting meetings, Incentives, conferences, and, exhibitions. The graph below shows the overall percentage of the number of operating hotels in Kenya between January 2021 to March 2021;



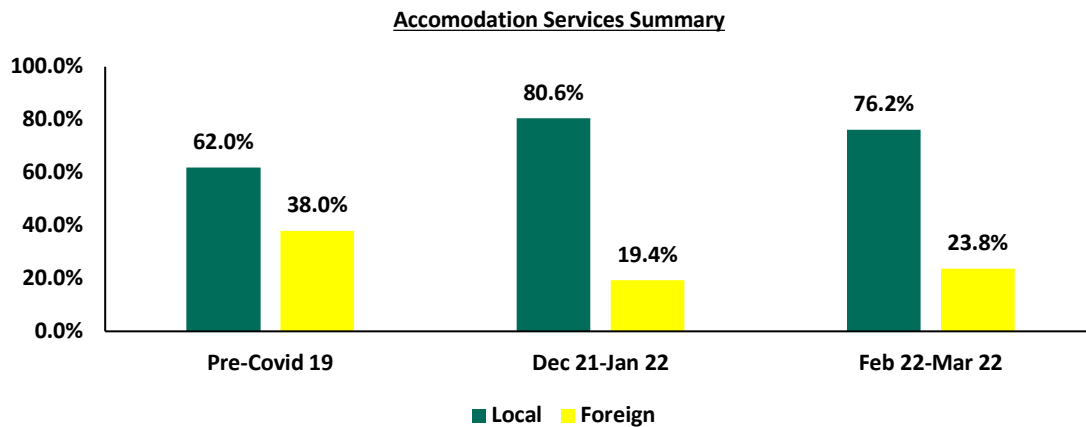
Source: Central Bank of Kenya (CBK)

- ii. The average bed occupancy in the month of March averaged at 57.0%, 5.0% points higher than 52.0% recorded in the month of February 2022. This was attributable to increased demand for hotels during the school holidays in March, particularly in Mombasa and Nairobi. The graph below highlights the hotel bed occupancy rates in Kenya between January 2021 to March 2022;

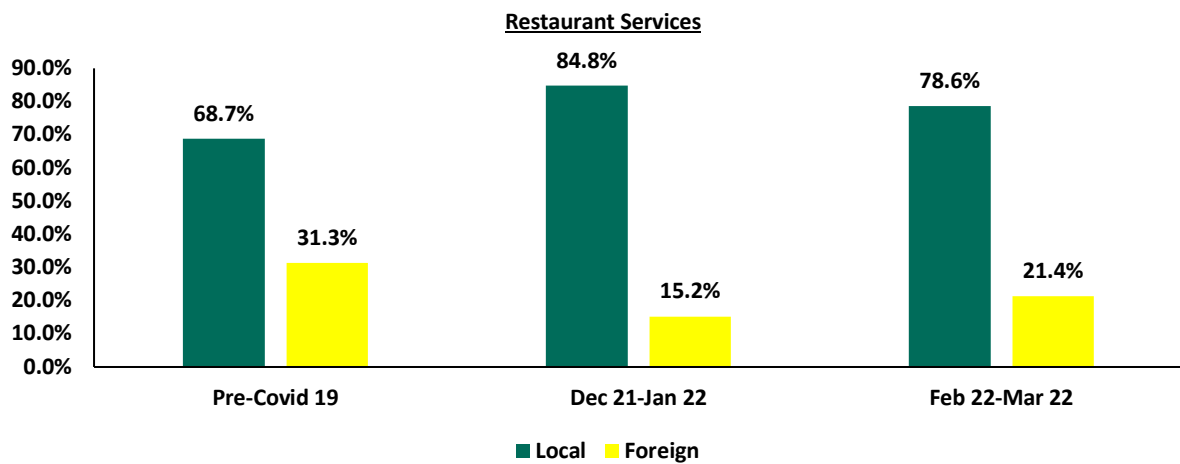


Source: Central Bank of Kenya (CBK)

iii. Overall, local guests continued to account for majority of clientele population at 76.2% of accommodation and 78.6% restaurant services between February and March 2022, compared to 62.0% and 68.7%, respectively, during the period before the COVID-19 pandemic. The share of foreign clientele in accommodation increased by 4.4% points to 23.8% between February 2022-March 2022 from 19.4% between December 2021-January 2022. Foreign clients in the restaurant services also increased in the same period by 6.2% points to 21.4%, from 15.2%, following the increased tourist arrivals with the improving tourism activities. The graphs below indicate the summaries of accommodation and restaurant clients served by hotels in Kenya;

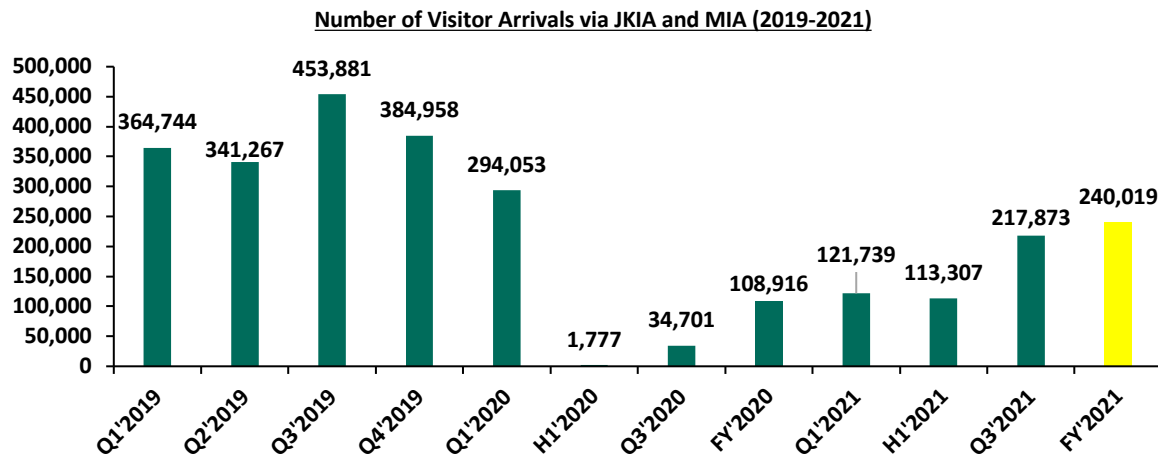


Source: Central Bank of Kenya (CBK)



Source: Central Bank of Kenya (CBK)

For the tourism industry, the sector has been on a recovery with data from [Kenya National Bureau of Statistics\(KNBS\)](#), so far indicating that the number of international visitors in Q4'2021 increased coming in at 240,019 from 217,873 in Q3'2021. Despite this, we expect that continued Travel Advisories might have a damping effect on this improvement. The graph below shows the number of international arrivals in Jomo Kenyatta International Airport (JKIA) and Moi International Airport (MIA) between 2019 and 2021;



Source: Kenya National Bureau of Statistics (KNBS)

We have a NEUTRAL outlook on the hospitality sector following increased international arrivals boosting tourism, improved hotel operations and occupancies. This is attributed to the mass vaccination currently underway in the country, the aggressive international marketing of Kenya as a tourist destination through the Magical Kenya platform, and, positive accolades. However, the increasing Travel Advisories continue to pose a risk on the performance of the sector as this may reduce international arrivals.