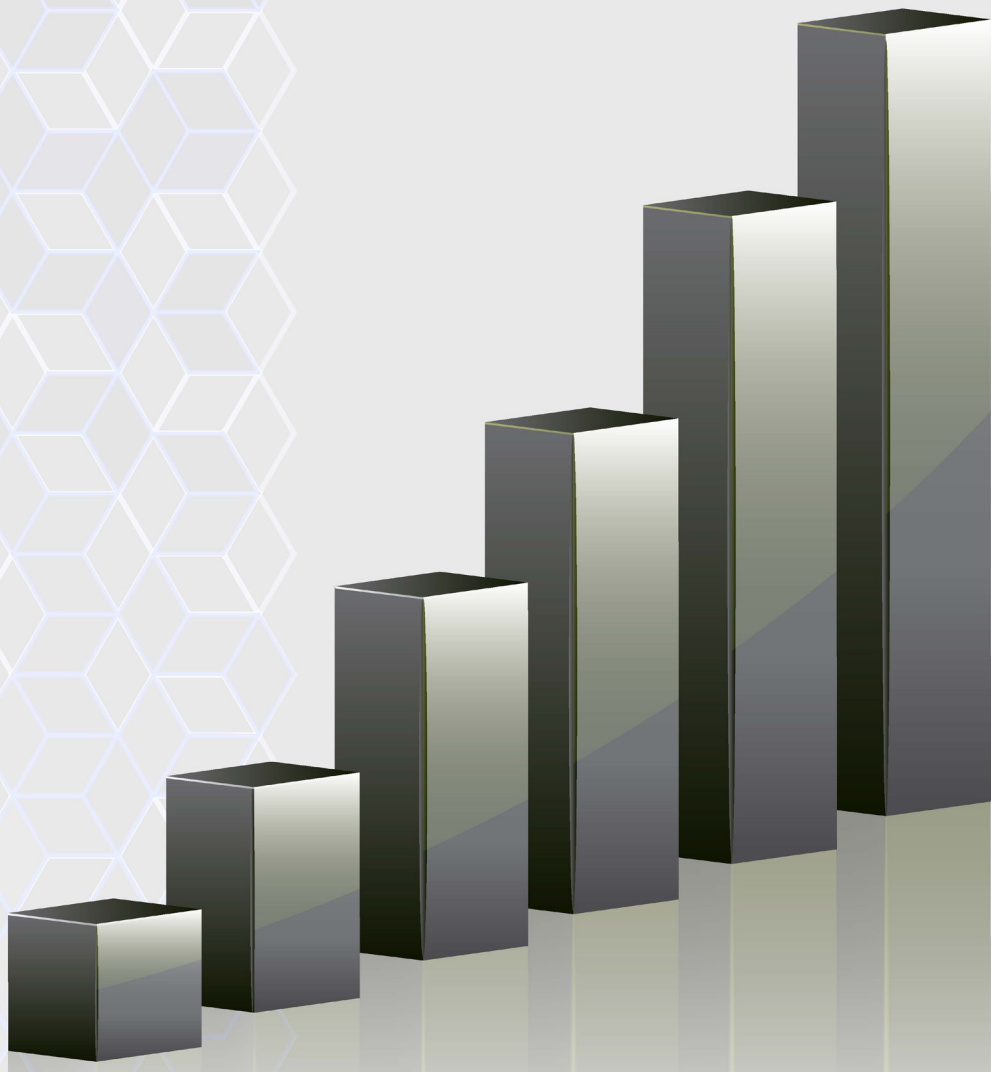




**Central Bank of Kenya**

# **Chief Executive Officers' (CEOs) Survey**

MAY 2024





## TABLE OF CONTENTS

---

1. BACKGROUND.....	1
2. INTRODUCTION.....	1
3. SURVEY METHODOLOGY .....	1
4. KEY HIGHLIGHTS OF THE SURVEY.....	1
5. BUSINESS CONFIDENCE/ OPTIMISM OVER THE NEXT 12 MONTHS.....	2
6. BUSINESS ACTIVITY IN 2024 Q2 COMPARED TO 2024 Q1.....	4
7. OUTLOOK FOR BUSINESS ACTIVITY IN 2024 Q3 COMPARED TO 2024 Q2.....	6
8. FIRM EXPANSION AND GROWTH OVER THE NEXT 12 MONTHS.....	8
9. FACTORS TO STRENGTHEN FIRMS' OUTLOOK OVER THE NEXT 12 MONTHS.....	11
10. TOP COMPANY STRENGTHS.....	12
11. STRATEGIC PRIORITIES.....	13
12. CONCLUSION.....	14

## 1. BACKGROUND

The Central Bank of Kenya (CBK) Chief Executive Officers' (CEOs) Survey complements the other surveys (Market Perceptions Survey and Agriculture Sector Survey) conducted every two months prior to the Monetary Policy Committee (MPC) meetings. The objective of the Survey is to capture information on top firms' perceptions, expectations, and issues of concern. The Survey supports key decisions including monetary policy.

The Survey seeks CEOs views/perceptions on selected indicators including business confidence and optimism, current business activity, and outlook for business activity in the near term. The Survey also seeks to establish the key drivers and threats to firms' growth, internal and external factors that could influence the business outlook, and strategic priorities over the medium-term.

The Survey targets CEOs of key private sector organizations including members of the Kenya Association of Manufacturers (KAM), the Kenya National Chamber of Commerce and Industry (KNCCI) and the Kenya Private Sector Alliance (KEPSA).

## 2. INTRODUCTION

This Survey was conducted between May 13 and 24, 2024. The Survey inquired from CEOs their levels of confidence/optimism in the growth prospects for their companies and sectors, as well as the growth prospects for the Kenyan and global economies over the next 12 months. In addition, the Survey interrogated CEOs on business activity in 2024 quarter two (Q2) compared to 2024 quarter one (Q1), and their expectations for economic activity in the third quarter of 2024 (Q3). The Survey also sought to obtain the significant factors likely to affect business expansion/growth in the next one year (May 2024 – April 2025), as well as the strategic directions and solutions to address their key constraining factors over the medium term (May 2024 – April 2027). This report provides a summary of the findings of the Survey.

## 3. SURVEY METHODOLOGY

The Survey targeted CEOs of over 1000 private sector firms through questionnaires administered via a direct online survey.

The respondents were from the following sectors: financial services (17 percent), manufacturing (12 percent), professional services (11 percent), agriculture (10 percent), healthcare and pharmaceuticals (9 percent), tourism, hotels, and restaurants (8 percent), ICT and telecommunications (7 percent), transport and storage (4 percent), real estate (3 percent), and education (3 percent). Other sectors such as wholesale and retail trade, building and construction, mining and energy, and media accounted for two percent each or less.

Majority of the respondents (62 percent) were privately-owned domestic firms, while the rest were privately-owned foreign businesses (28 percent), publicly listed domestic companies and government owned entities. Forty eight percent of the respondents had a turnover of over Ksh 1 billion in 2023. In terms of employment, 49 percent of respondents employed less than 100 employees, while 26 percent of respondents employed over 500 people. The responses were aggregated and analysed using frequencies, percentages, and simple averages where appropriate.

## 4. KEY HIGHLIGHTS OF THE SURVEY

The key findings from the Survey include:

- Sustained business optimism for company, sector, Kenyan, and global growth, attributed to easing inflation, stable exchange rate and good weather prospects. However, this is likely to be tampered by subdued consumer demand, elevated cost of doing business and the impact of fiscal measures in the Finance Bill 2024.
- Respondents reported improved business activity in 2024 Q2 compared to 2024 Q1. Improved economic activity was reported by firms in the agriculture, finance, education, Information, and Communications Technology (ICT).

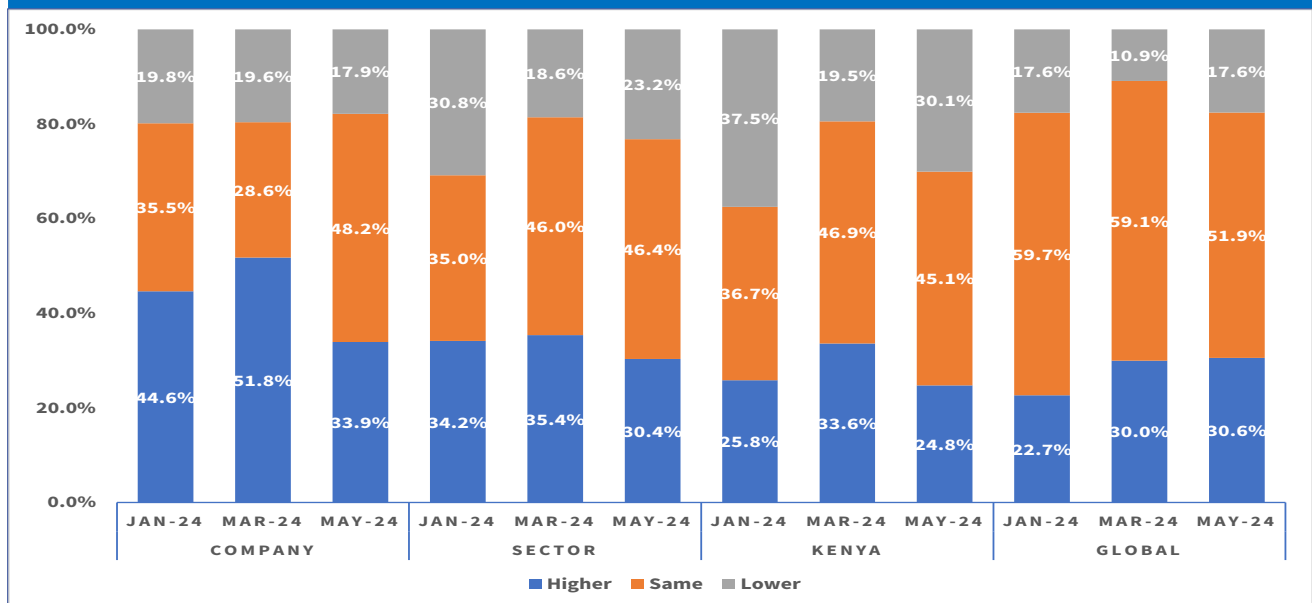
- Firms expect moderated business activity in Q3 2024 compared to Q2 2024, largely on account of the proposed fiscal measures in the Finance bill 2024, which are expected to increase cost of doing business and dampen business activity.
- Talent management, customer centricity and expansion into new markets are the key drivers of firms' growth in the next one year.
- Increased taxation and the cost of doing business (economic environment), are the key domestic factors that could constrain firms' growth in the next 12 months. External threats to firm's expansion include macroeconomic volatility, increase in energy prices and geopolitical tensions. However, firms plan to mitigate these constraints by managing their costs, diversification of operations and lobbying with relevant stakeholders.
- Respondents reported improved efficiency and innovation, diversification of revenue streams, development of new products and internal measures to control costs as the main internal factors that could strengthen their economic outlook.
- Firms reported stable economic environment, easing cost of doing business (enabling business environment), and certainty around taxation issues as factors that could strengthen firms' outlook in the next 12 months.

## 5. BUSINESS CONFIDENCE/OPTIMISM OVER THE NEXT 12 MONTHS

The Survey assessed the CEOs optimism in the growth prospects for their companies, sectors, and the Kenyan and global economies over the next 12 months. Business optimism for company, sector, Kenyan, and global growth prospects over the next 12 months was sustained but with respondents raising concerns on impact of the proposed fiscal measures in the Finance Bill 2024 (**Chart 1**). Firms in the financial sector expect improved performance supported by the country's economic expansion, and sector specific strategies such as introduction of new products and increased focus on the MSMEs. Increased digitalization of the economy is expected to spur expansion of the ICT sector, while growing demand for quality education services continues to support the sector. The agriculture sector firms report expected growth, supported by favorable weather conditions, although concerns linger around the impact of heavy rains on supply chains disruptions and output.

On the other hand, the health sector is expected to recover from the impact of the doctor's strike

**Chart 1: Growth prospects over the next 12 months (percent of respondents)**



experienced in Q2 2024, supported by the roll out of the government's universal healthcare (UHC) program. The real sector, building and construction sectors are expected to expand, largely on account of Government's affordable housing programme. Activity in the manufacturing sector is expected to be moderated due to the subdued demand and the increased cost of doing business. Concerns over fiscal measures and the economic environment were generally identified as possible constraining factors to firms' growth in the next 12 months.

The survey shows moderated growth prospects for the Kenyan economy, but easing inflation, stability of the Shilling, and good weather prospects are expected to continue to support growth. Optimism for global growth continues to improve, supported by easing global inflation and consequent expectations of lower interest rates, nevertheless concerns over geopolitical risks remain.

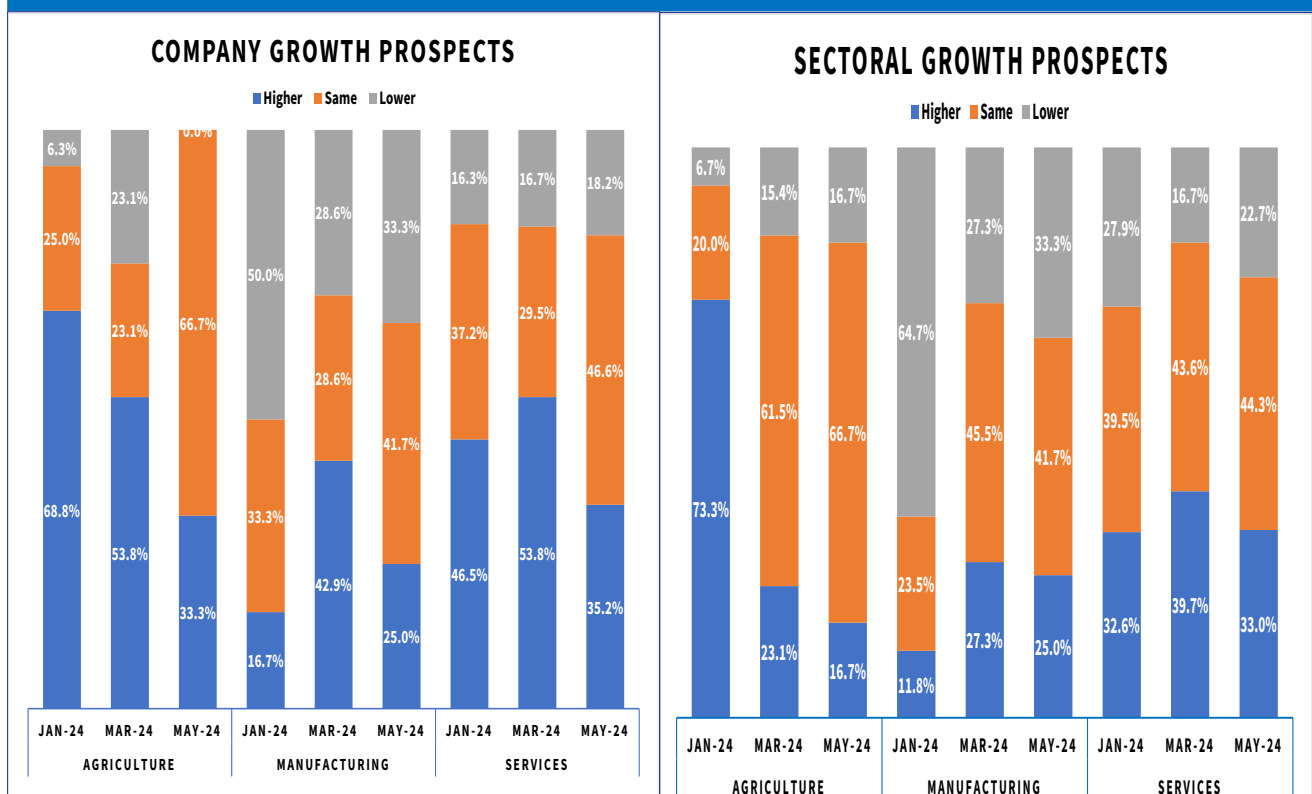
Optimism in the agriculture sector is supported by favourable weather conditions and expectations of good harvests. However, there are concerns of erratic

weather patterns and challenges accessing credit to finance activity within the sector **(Chart 2)**.

The manufacturing sector growth prospects are moderated in the next 12 months, largely due to the expected fiscal measures as outlined in the Finance Bill 2024. This is expected to further push the cost of doing business and subdue consumer demand. Nevertheless, firms indicated that they are able to increase production or meet unexpected increase in demand through utilization of existing idle capacity, innovations, diversification and organizational reorganization.

Growth prospects for the services sector over the next 12 months remain strong, driven by sector specific strategies and seasonality in sectors such as ICT, education, finance, real sector and health. However, activity in the wholesale and retail trade, transport and storage sectors remain low due to subdued consumer demand.

**Chart 2: Sectoral Analysis of Growth Prospects over the next 12 months (percent of respondents)**



## 6. BUSINESS ACTIVITY IN 2024 Q2 COMPARED TO 2024 Q1

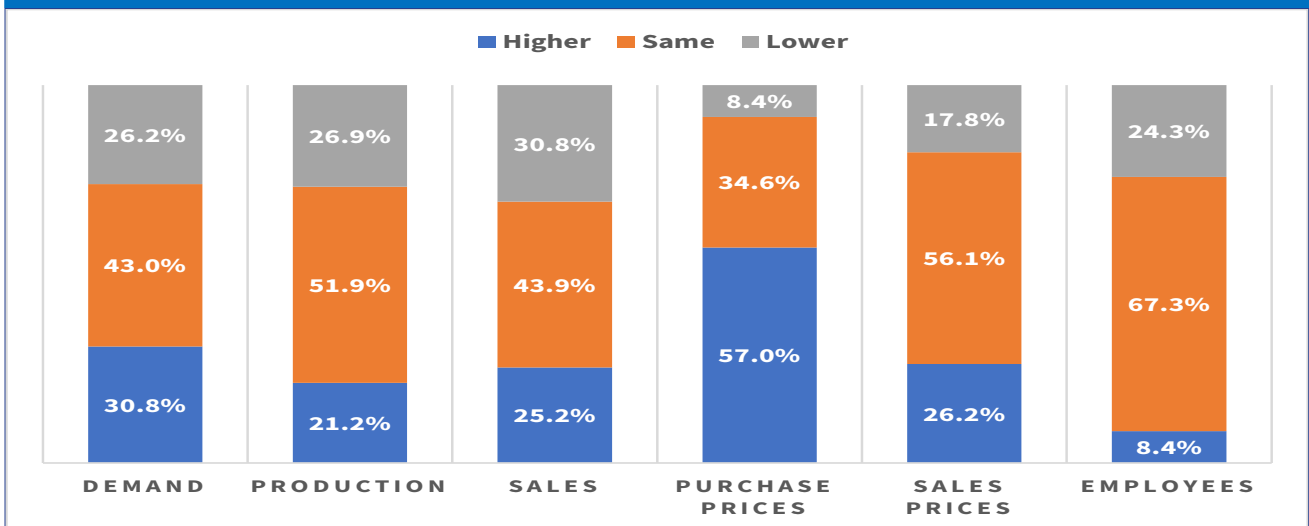
The Survey sought CEOs perceptions on business activity in the second quarter of 2024. Improved business activity was recorded in 2024 Q2 compared to 2024 Q1 (**Chart 3**). Respondents reported increased demand orders, production volumes and growth in sales, however the number of full-time employees remained largely the same. Firms reported lower inputs purchase price and sales prices compared to the previous quarter, supported by declining commodity prices and the appreciating Kenya Shilling.

Firms in the agriculture sector reported stable demand, production, and sales supported by favorable weather conditions. However, the increased cost of production, especially during times of erratic weather, remains a challenge.

Respondents in the manufacturing sector reported subdued business activity, largely on account of increased cost of doing business and constrained consumer demand.

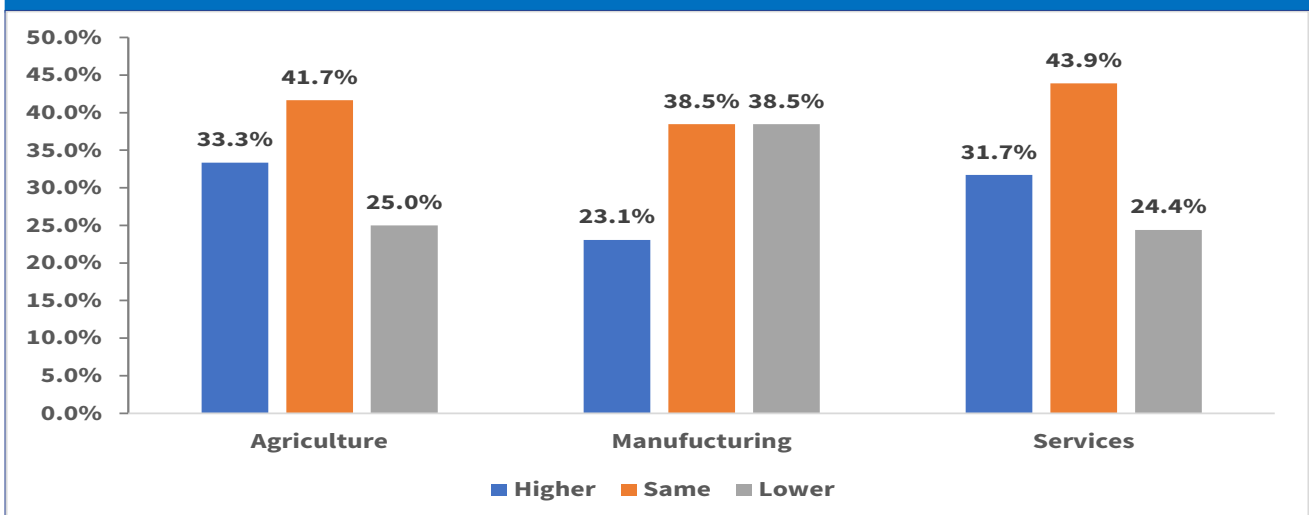
In the services sectors, firms in the financial services, education and ICT reported increased activity supported by sector specific opportunities.

**Chart 3: Business Activity in 2024 Q2 Compared to 2024 Q1 (percent of respondents)**

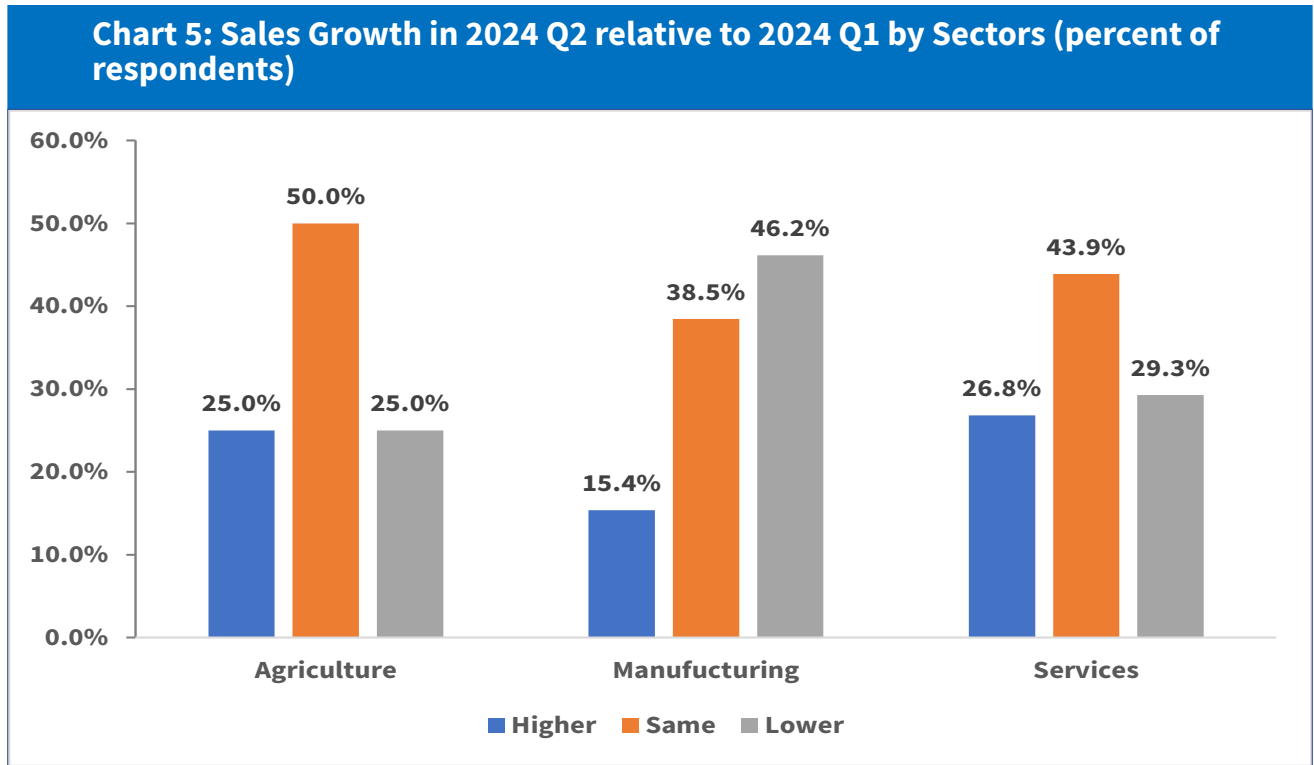


Firms in the agriculture sector reported higher demand orders in the second quarter of 2024 compared to the other sectors (**Chart 4**).

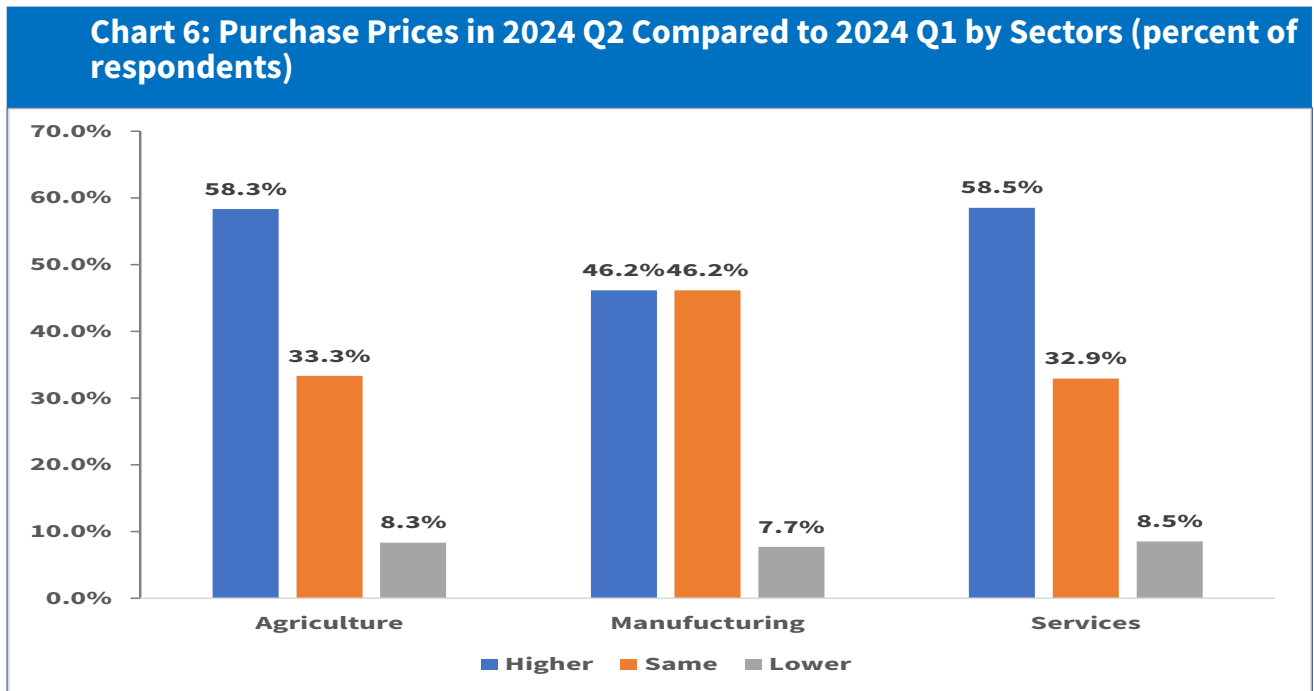
**Chart 4: Demand/Orders in 2024 Q2 Relative to 2024 Q1 by Sectors (percent of respondents)**



Firms in the services sectors reported more sales growth compared to the other sectors (**Chart 5**).

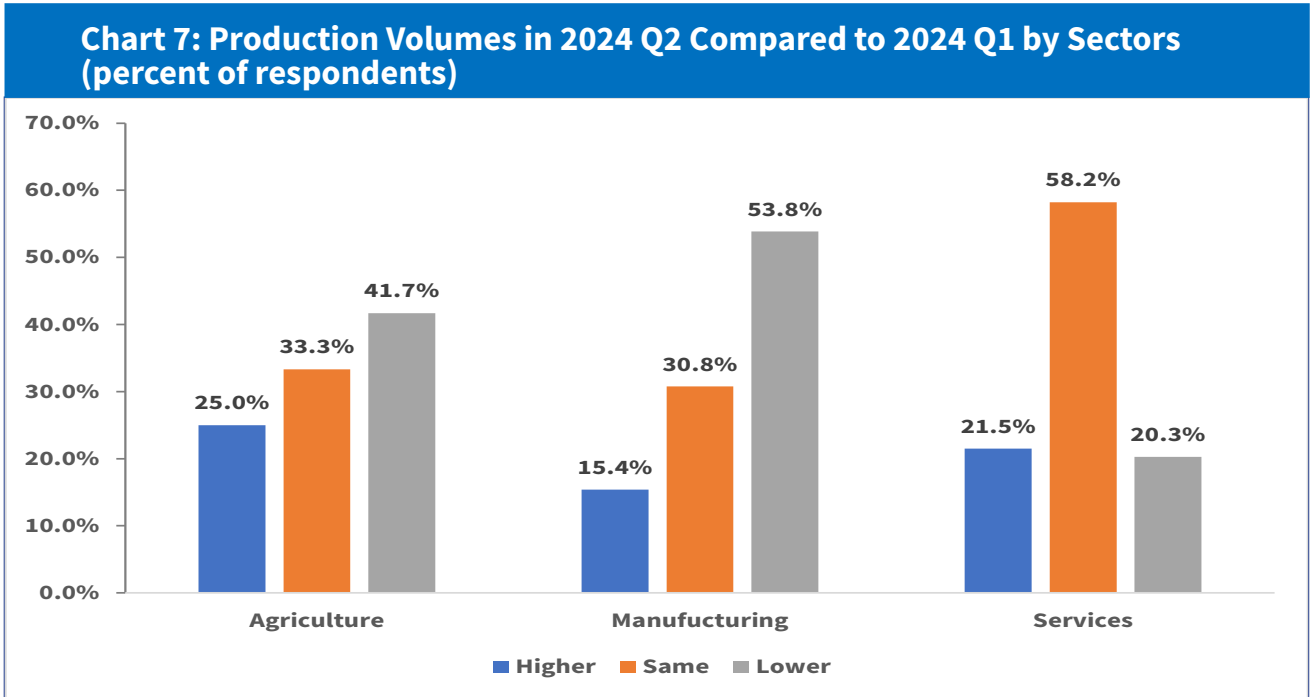


The proportion of respondents that reported higher purchase prices was lower across all sectors compared to previous surveys (**Chart 6**).





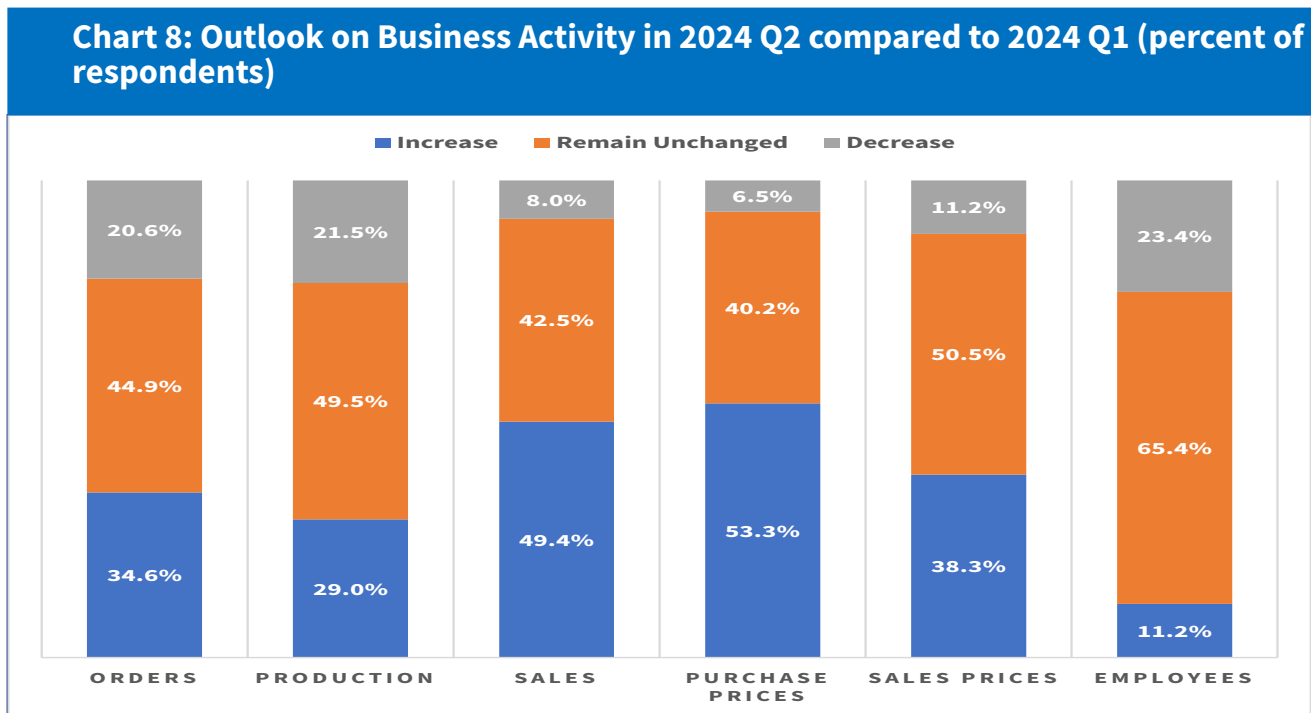
The agriculture sector firms reported the highest increase in production volumes during the quarter, attributable to the favourable weather conditions experienced during the period. On the other hand, the manufacturing sector reported the lowest growth in production volumes, largely on account of low consumer demand (**Chart 7**).



## 7. OUTLOOK FOR BUSINESS ACTIVITY IN 2024 Q3 COMPARED TO 2024 Q2

The Survey sought CEOs expectations of business activity in the third quarter of 2024 relative to the second quarter of 2024. Majority of respondents

reported expectations of subdued business activity in the next quarter, largely due to the expected fiscal measures in the Finance Bill 2024 (**Chart 8**).



Firms in the agriculture sector expect production to increase in the next quarter, supported by favourable weather conditions and seasonality (onset of harvest season). Demand orders and sales prices are expected to remain stable.

Business activity in the manufacturing sector is expected to remain subdued, as shown by the proportion of respondents expecting production volume, demand order and sales growth to be lower. Firms will utilize their existing idle capacity to meet an unexpected increase in demand in the next 12 months.

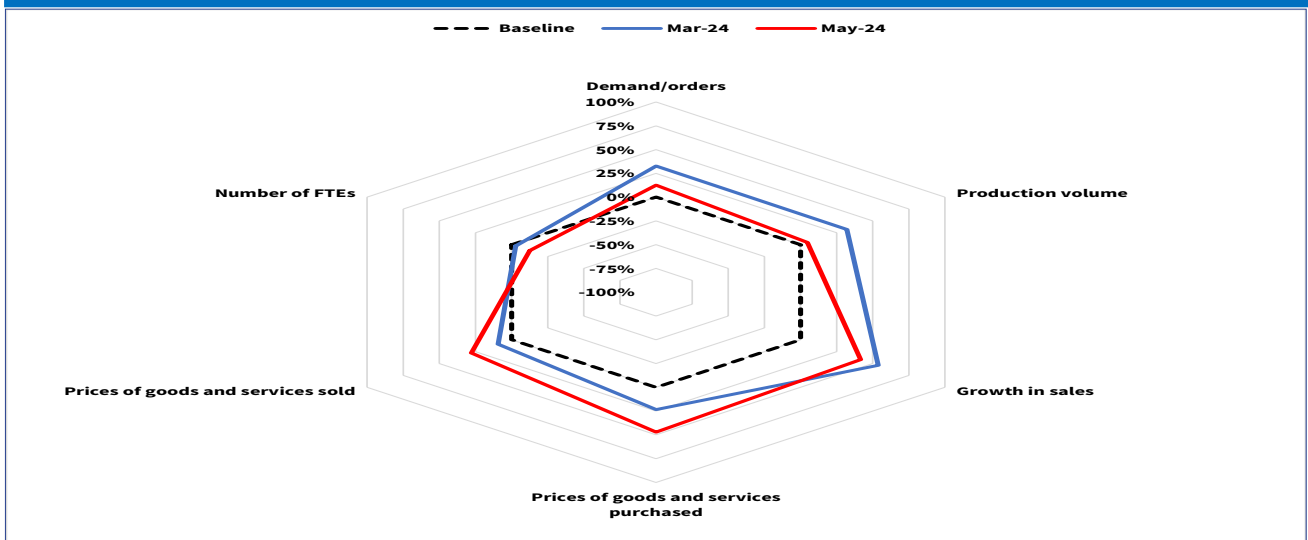
The services sector is expected to record enhanced activity in the next quarter, largely on account of seasonality and sector specific growth in demand, driven by expansion strategies that firms are

employing. However, uncertainty around fiscal measures, liquidity challenges, high cost of doing business and geopolitical risks are constraining factors.

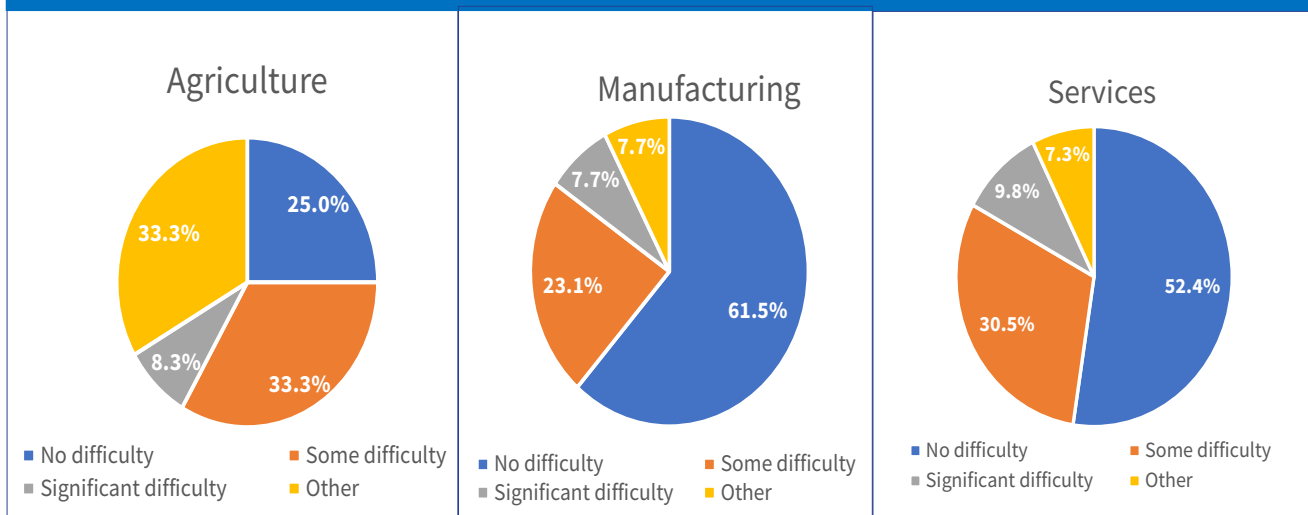
The findings of the survey show that most respondents are operating below capacity and could utilize the idle capacity to meet an unexpected increase in demand/orders (**Chart 10**). Majority of the firms reported high inventories, sufficient to cover a sudden increase in demand.

Some firms reported possible difficulties in expansion, particularly due to increased cost of doing business, liquidity constraints due to the increased cost of borrowing, and elevated taxes and levies.

**Chart 9: Expectations of business activity in 2024 Q3**



**Chart 10: Potential Level of Difficulty in Meeting Increased Demand (percent of respondents)**

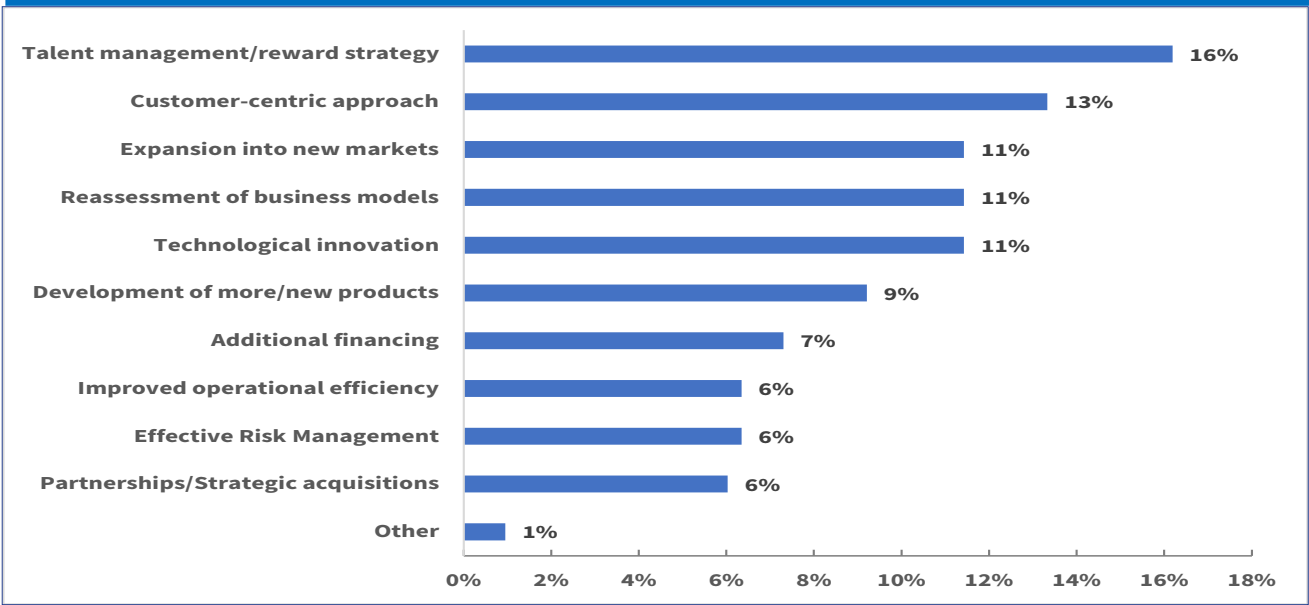


## 8. FIRM EXPANSION AND GROWTH OVER THE NEXT 12 MONTHS

The Survey sought to establish the drivers of firm expansion and growth, domestic and external factors that could constrain their growth and/or expansion over the next one year and their mitigating factors. Respondents reported talent management,

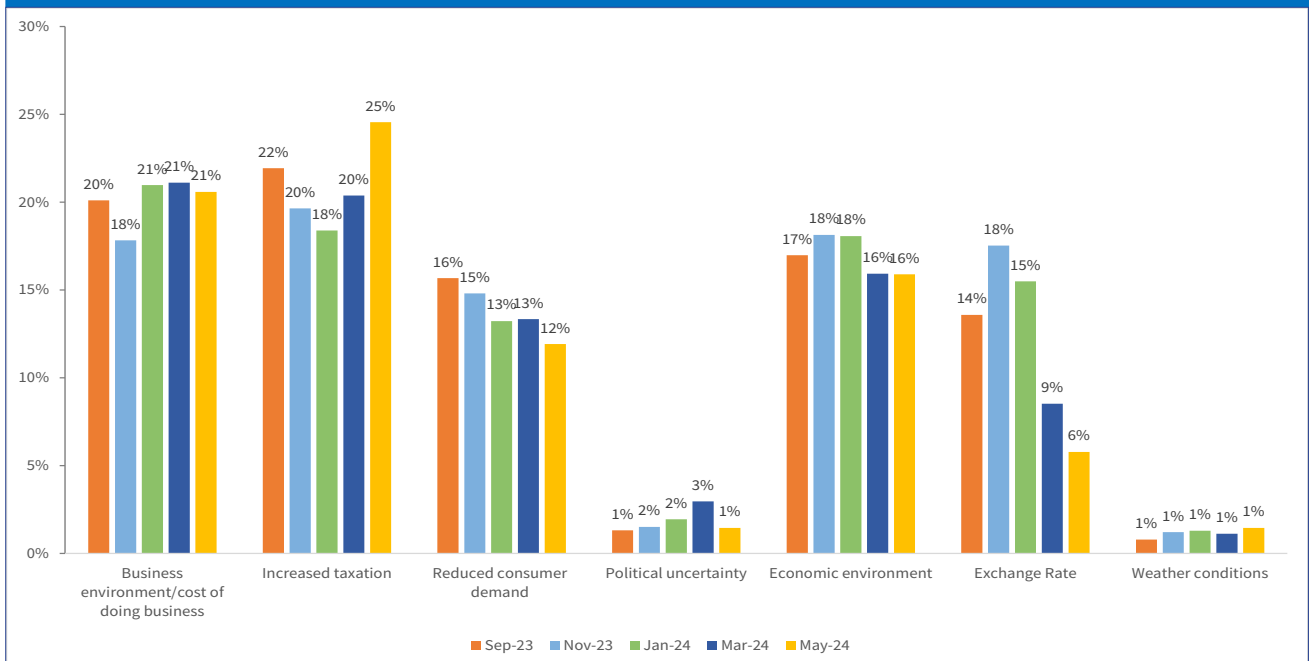
customer centricity, expansion into new markets, development of new products and technological innovation as the key drivers of firms' growth over the next one year **(Chart 11)**.

**Chart 11: Drivers of Firm Expansion (percent of respondents)**



Firms continue to report business environment (cost of doing business), increased taxation, the economic environment, specifically the cost of borrowing, and reduced consumer demand as domestic factors that could constrain their growth. However, exchange rate concerns have waned **(Chart 12)**.

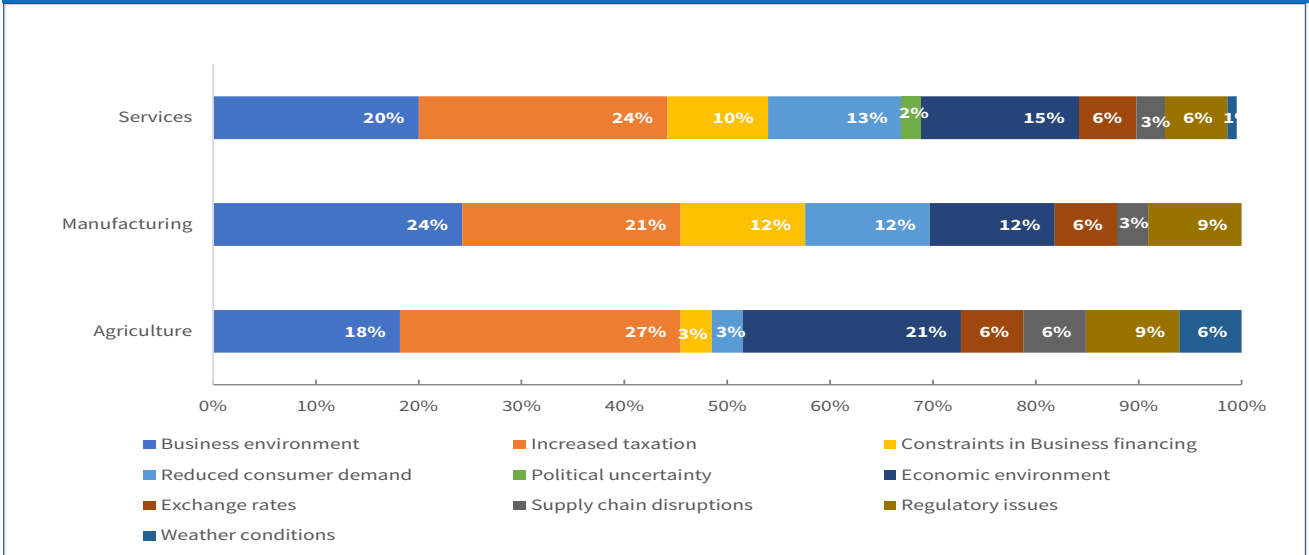
**Chart 12: Domestic Factors Constraining Firms' Expansion (percent of respondents)**



Key concerns for firms in the services sector include business environment, increased taxation, and the economic environment (high cost of borrowing). In addition to the concerns raised by firms in the services sectors, manufacturing sector firms were also concerned about subdued consumer demand

and constraints to business financing. Meanwhile, firms in the agriculture sector were more concerned with increased taxation, economic environment (cost of borrowing) and business environment (cost of production) **(Chart 13)**.

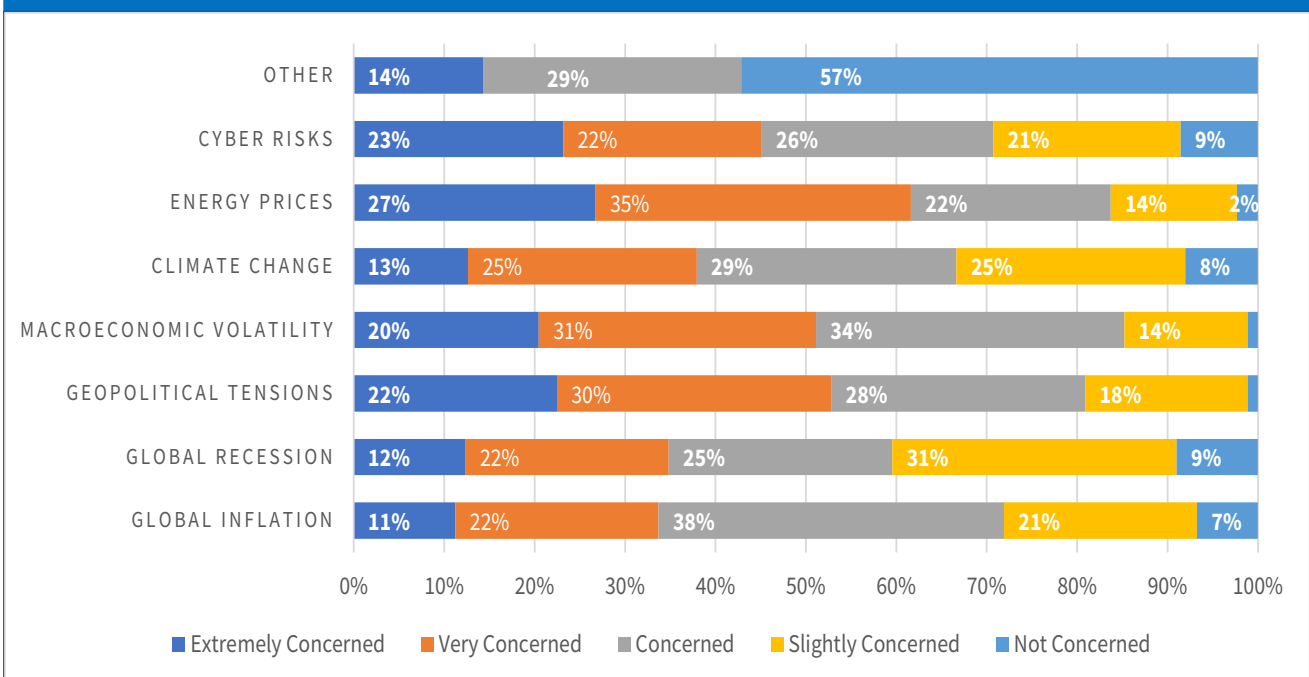
**Chart 13: Domestic Factors Constraining Firms' Expansion by Sectors (percent of respondents)**



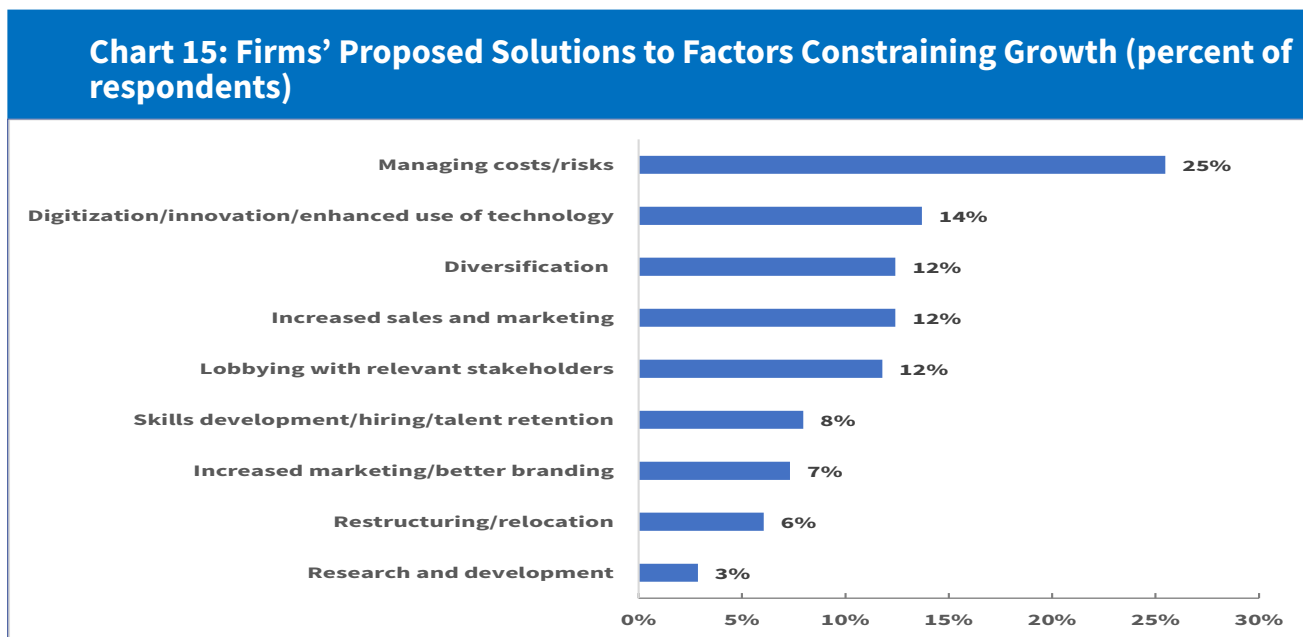
Regarding the major external (non-domestic) threats to business expansion and growth, respondents reported concerns about the energy prices due to their impact on cost of operations, macroeconomic volatility and its effects on business activity, cyber

risks as firms continue to adopt technology and digitize their operations, as well as geopolitical tensions and their impact on supply chains **(Chart 14)**.

**Chart 14: External Threats Impacting Firms' Expansion (percent of respondents)**

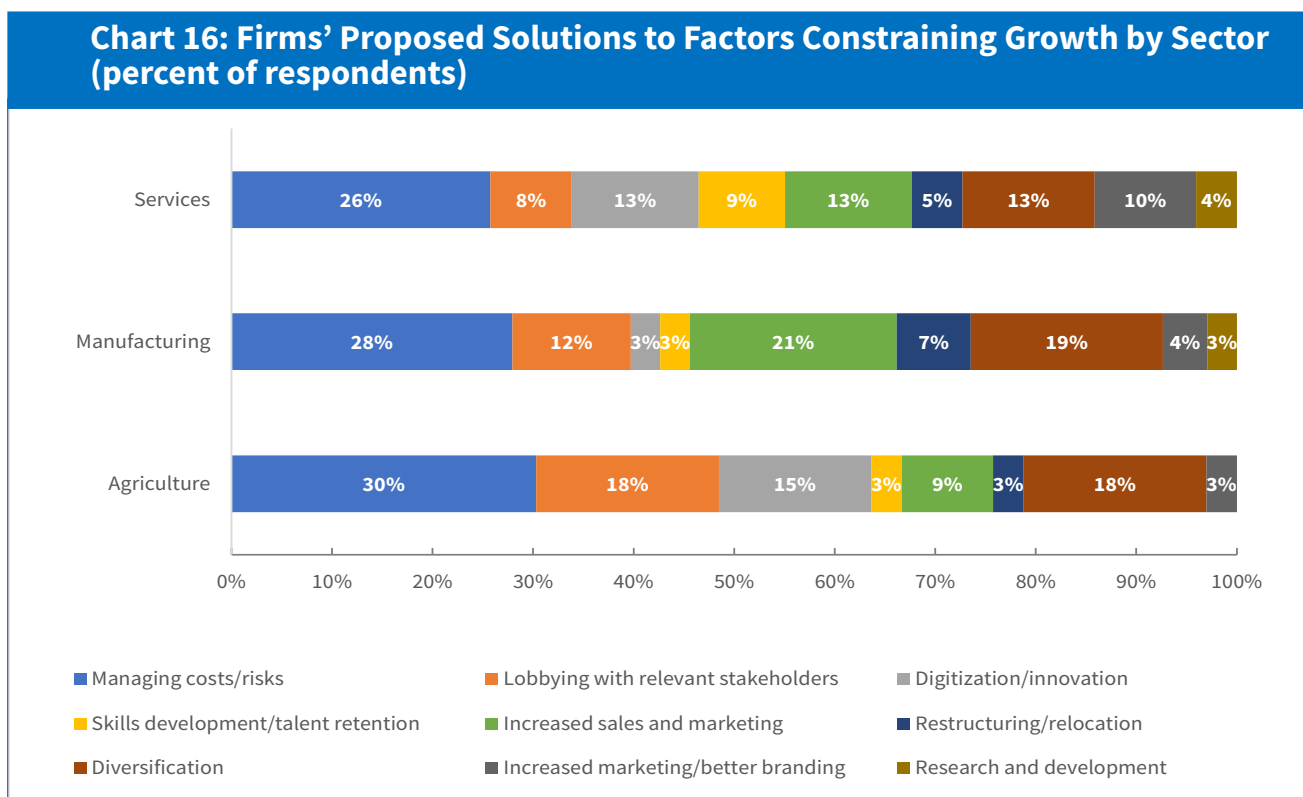


Firms highlighted managing costs and risks, digitization of their operations and innovation, diversification of operations, increased sales, and marketing to reach a wider customer base and lobbying with relevant stakeholders as some of the solutions to the growth constraints **(Chart 15)**.



Sector specific solutions to growth constraints include managing costs, diversification, increased sales, and marketing (services and manufacturing sector firms) and lobbying with relevant stakeholders

(agriculture sector and manufacturing firms) and digitization and innovation (services and agriculture sector firms) **(Chart 16)**.

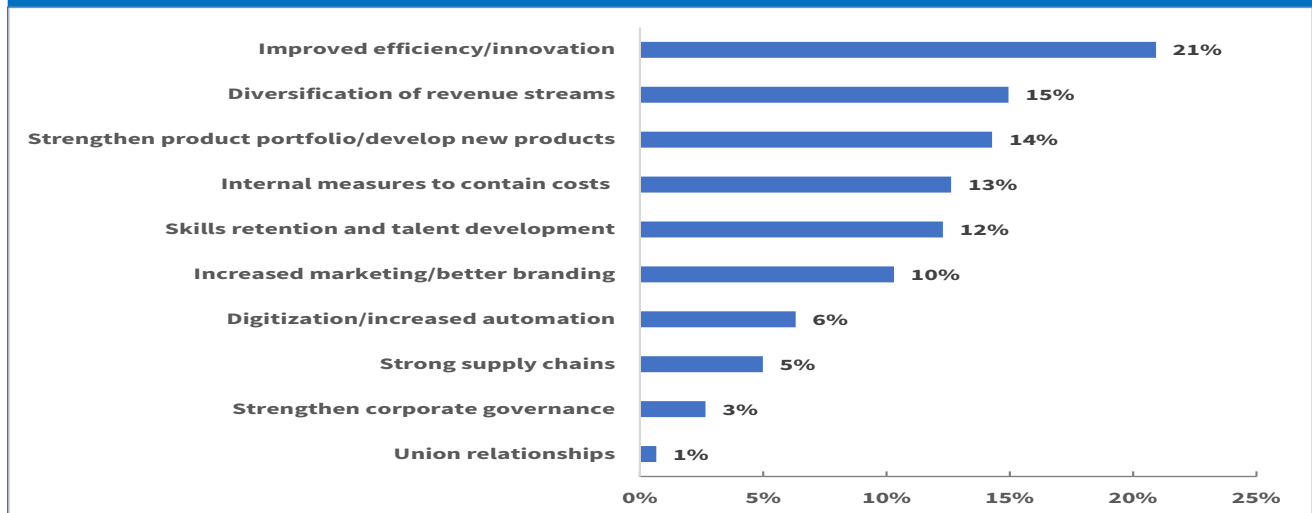


## 9. INTERNAL AND EXTERNAL FACTORS TO STRENGTHEN FIRMS' OUTLOOK OVER THE NEXT 12 MONTHS

The Survey sought to establish internal and external factors that could strengthen firms' outlook over the next 12 months. Respondents highlighted improved efficiency and innovation, diversification of revenue

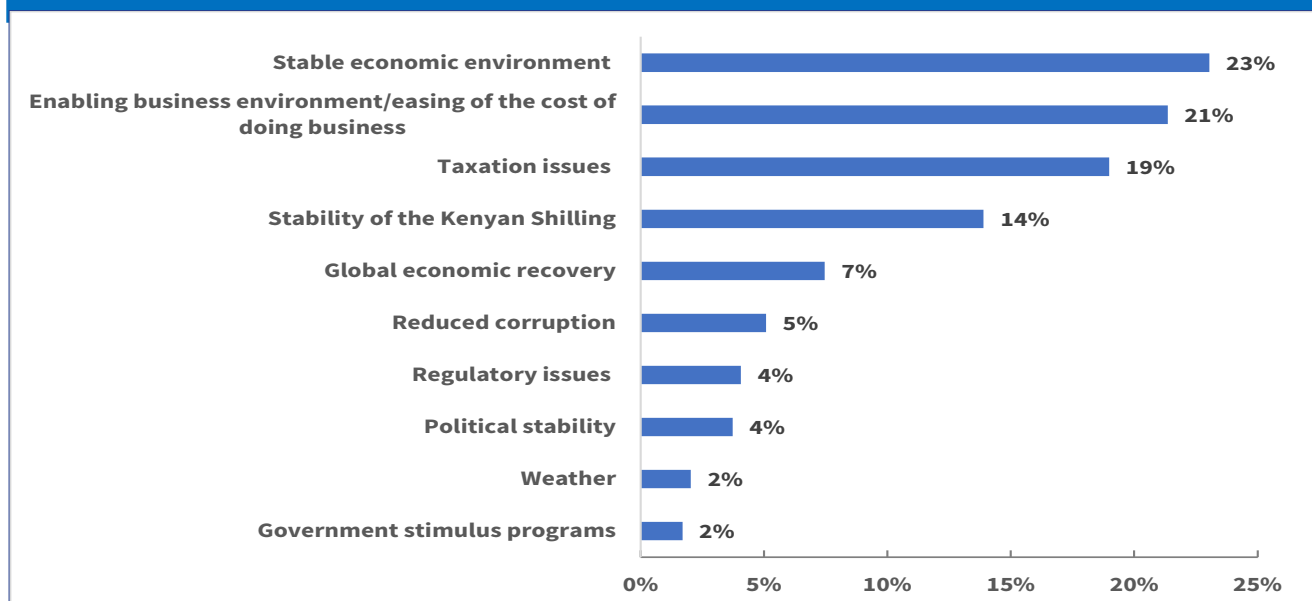
streams, development of new products and internal measures to control costs as the main internal factors that could strengthen outlook across all sectors (Chart 17).

**Chart 17: Internal Factors that could Strengthen Firms' Outlook (percent of respondents)**



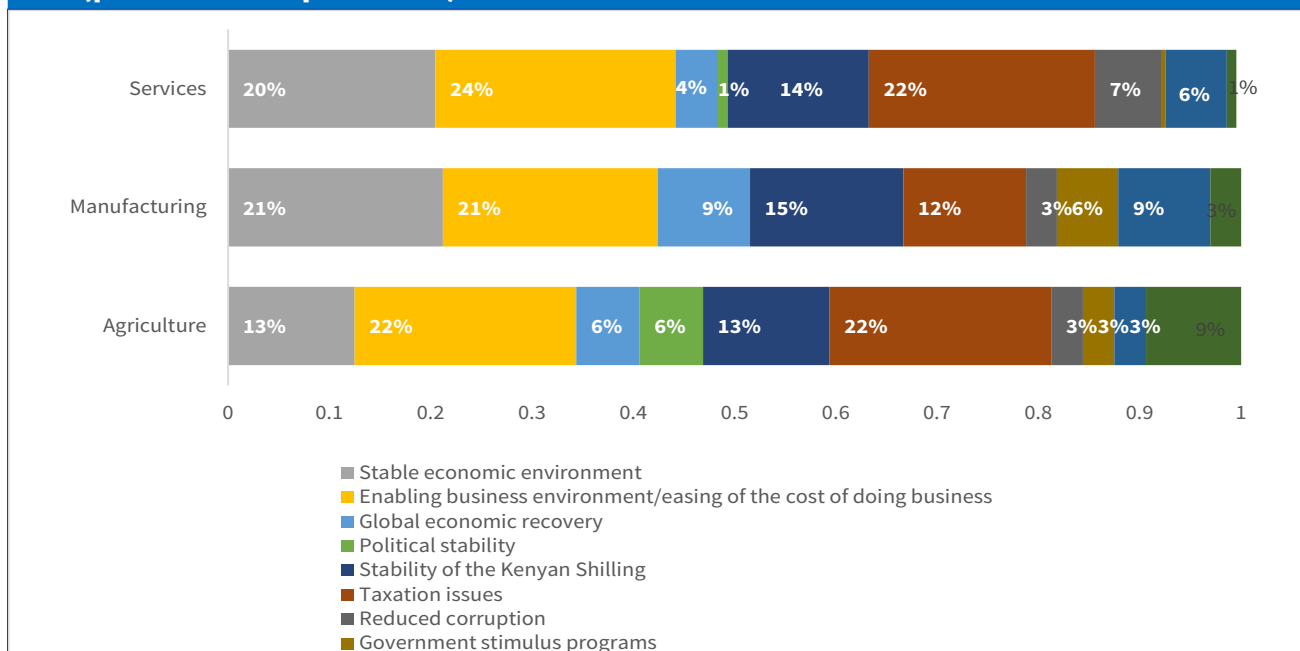
External factors that could strengthen firms outlook over the next 12 months include a stable economic environment, easing cost of doing business (enabling business environment), and certainty around taxation issues (Chart 18).

**Chart 18: External Factors that could Strengthen Firms' Outlook (percent of respondents)**



Other factors that could strengthen firms' outlook, besides those highlighted in **Chart 18** include stable exchange rate, as well as sector and company specific strategies to improve business activity **Chart 19**.

**Chart 19: External Factors that could Strengthen Firms' Outlook by Sectors (percent of respondents)**



## 10. TOP COMPANY STRENGTHS

The Survey required respondents to indicate their company's strengths. Respondents highlighted trusted brands/product quality, technical

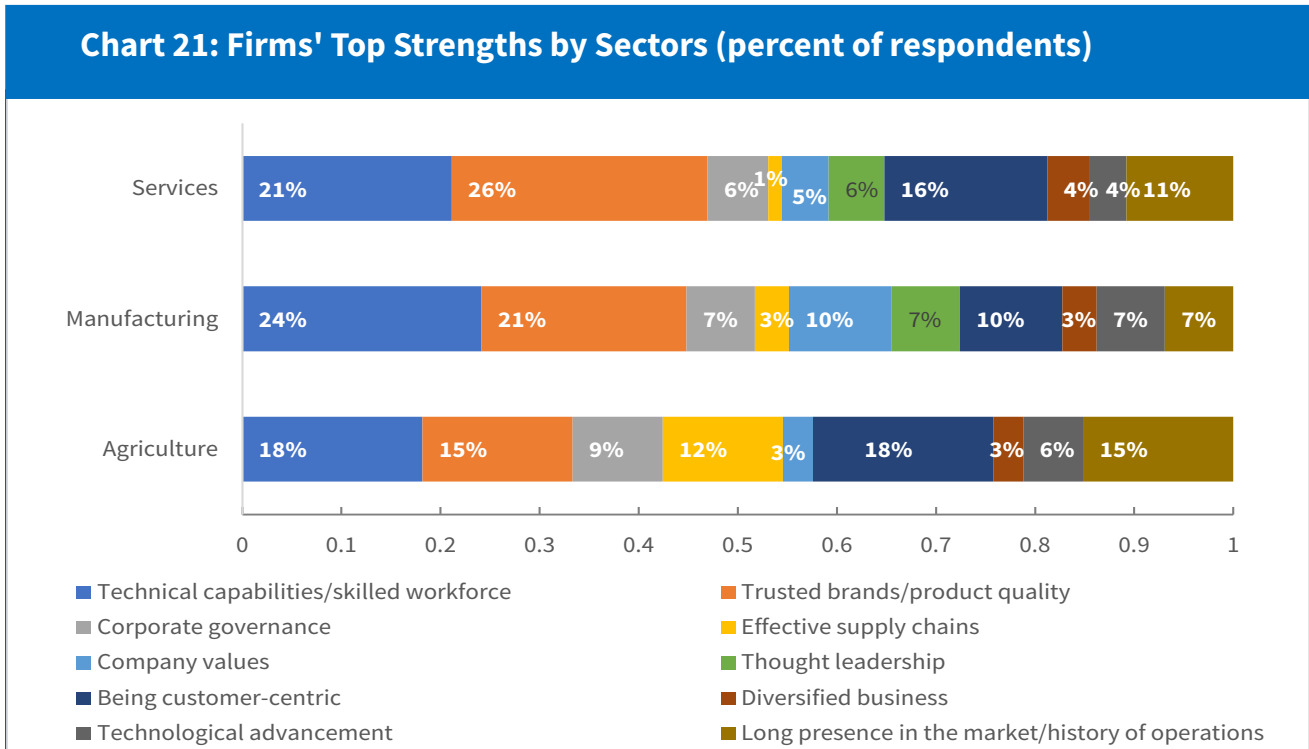
capabilities/skilled workforce, and customer centricity as their top strengths and history/length of presence in the market (**Chart 20**).

**Chart 20: Firms' Top Strengths (percent of respondents)**



At the sector level, besides the factors identified in **Chart 20**, technological advancement, diversification of operations and corporate governance was important across all sectors, Company values

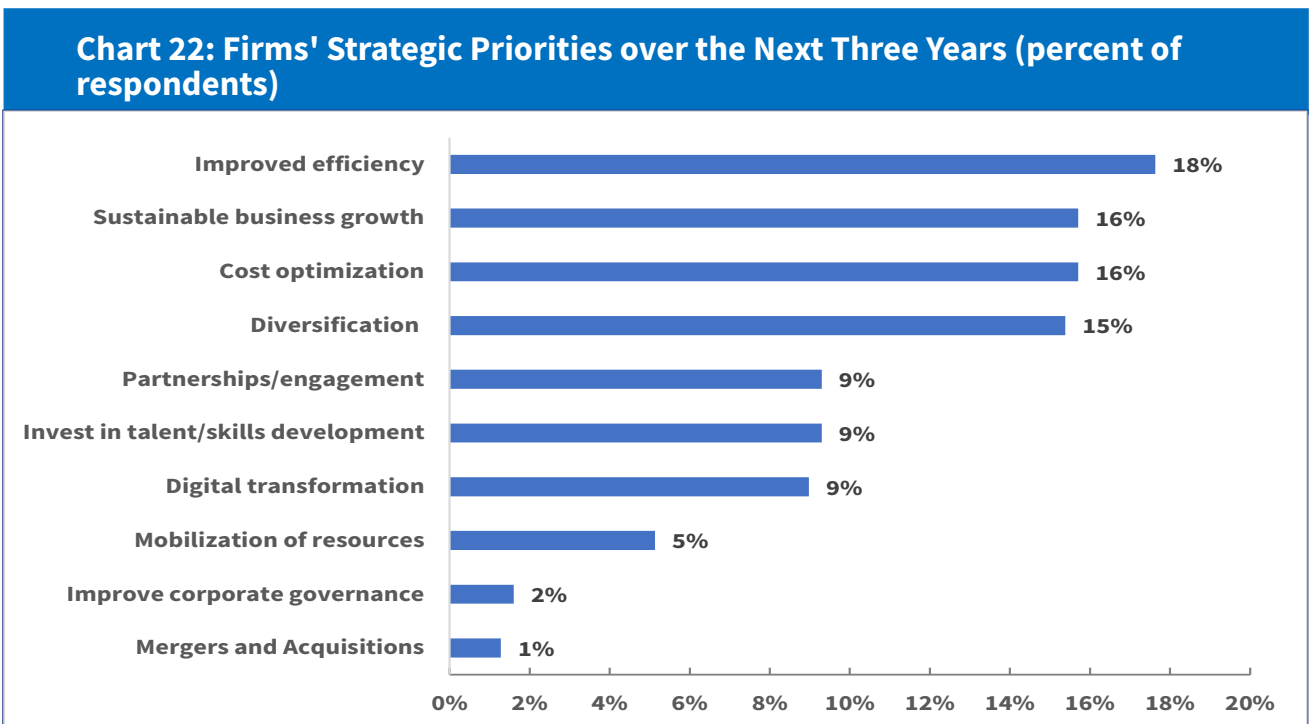
and thought leadership was an important factor for manufacturing and services sector firms while effective supply chains important for agriculture sector firms (**Chart 21**).



## 11. STRATEGIC PRIORITIES

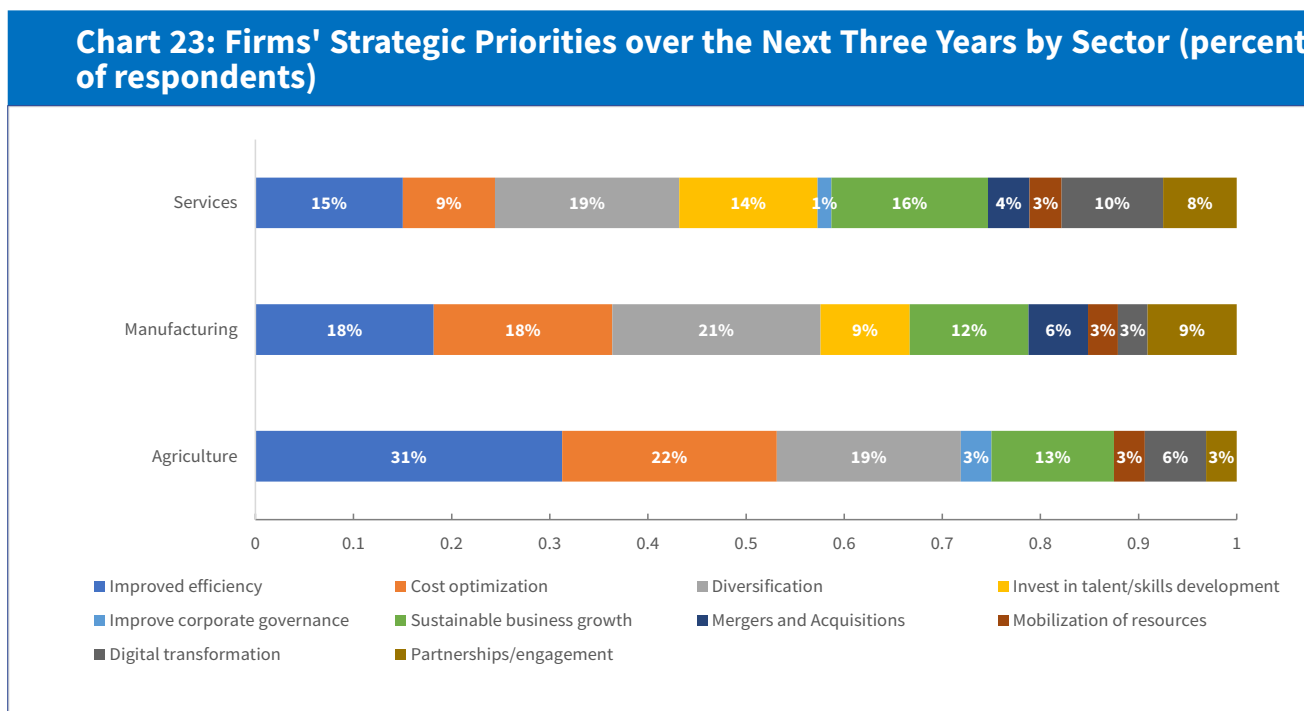
The Survey concluded by enquiring from respondents on their strategic priorities over the next three years. Respondents are prioritizing to improve efficiency,

grow their businesses sustainably, optimize costs, and diversify their operations (**Chart 22**).





Other than the common factors identified across all sectors, firms also identified partnerships as an important factor (**Chart 23**).



## 12. CONCLUSION

The May 2024 CEOs Survey showed sustained optimism for company, sectoral, Kenya and global growth prospects in the next 12 months on account of macroeconomic stability, specifically, easing inflation and declining commodity prices, stability of the Shilling and good weather prospects. However, respondents expressed concerns on the proposed fiscal measures in the Finance Bill 2024, whose implementation is expected to push further the cost of doing business and dampen activity. Global growth prospects remained largely unchanged relative to the March Survey, supported by easing inflation and expectations of interest rate declines, despite concerns over geopolitical risks.

Firms reported enhanced business activity in 2024 Q2 compared to 2024 Q1. Respondents in sectors such as finance, agriculture, education, and ICT recorded improved activity, while firms in sectors such as health, real sector, wholesale and retail trade, tourism, transport, and storage recorded decelerated activity.

Respondents identified talent management, customer centricity, expansion into new markets, development of new products and technological innovation as internal factors likely to drive firm's growth in the next one year. Business environment

(cost of doing business), increased taxation, the economic environment, specifically the cost of borrowing, and reduced consumer demand were identified as domestic factors that could constrain growth. External (non-domestic) threats to business growth identified by the respondents included energy prices, macroeconomic volatility, cyber risks, and geopolitical tensions. To mitigate against these constraints, firms have employed strategies such as management of costs and risks, digitization of operations and innovation, diversification of operations, increased sales and marketing and lobbying with relevant stakeholders.

Firms reported improved efficiency and innovation, diversification of revenue streams, development of new products and internal measures to control costs as the main internal factors that could strengthen outlook across all sectors, while a stable economic environment, easing cost of doing business (enabling business environment), and certainty around taxation issues were highlighted as external factors impacting on growth in the next one year.





**Central Bank of Kenya**

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