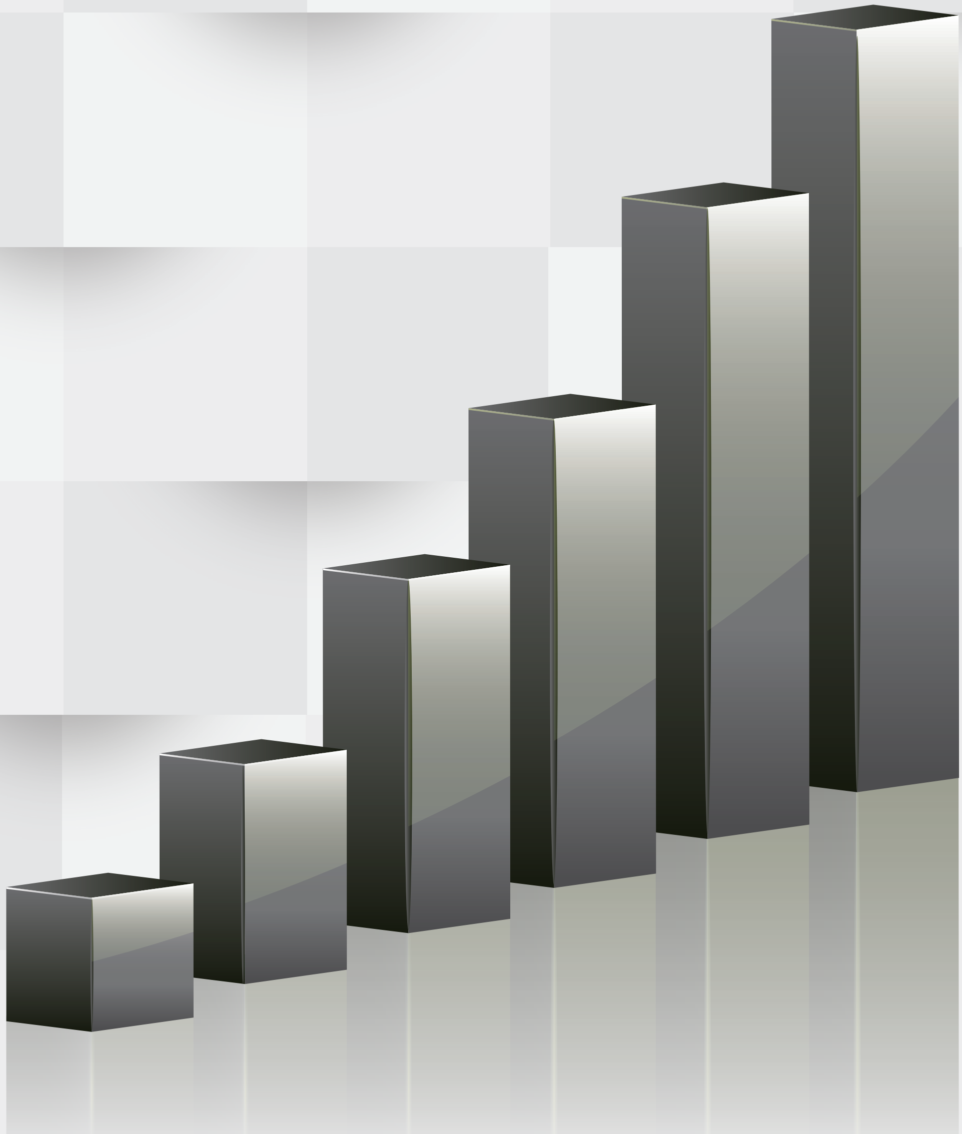
Central Bank of Kenya



CHIEF EXECUTIVE OFFICERS' (CEOs) SURVEY REPORT

March 2026

CONTENTS

1. BACKGROUND

The Central Bank of Kenya (CBK) conducts Chief Executive Officers' (CEOs) Survey every two months prior to the Monetary Policy Committee (MPC) meetings. The objective of the Survey is to capture firm-level information on the perceptions, expectations, and concerns about the business environment.

The Survey targets the CEOs from 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). The CEOs Survey complements other surveys conducted by the CBK, such as the Market Perceptions Survey and Agriculture Sector Survey in informing monetary policy decisions on monetary policy.

The Survey collects views/perceptions on selected indicators such as business confidence and optimism, current business activity, and outlook for business activity in the near term. It also seeks information on key drivers and threats to firms' growth, internal and external factors that could influence the business outlook, and strategic priorities over the medium-term. It obtains feedback in terms of the suggestions that would improve the business environment.

2. INTRODUCTION

The CBK conducted the CEOs Survey between March 9 and 20, 2026. The Survey collected CEOs' views on their levels of confidence/optimism regarding growth prospects for their companies, sectors as well as the growth prospects for the Kenyan and global economies over the next 12 months. The Survey also sought the views of CEOs on business activity in the first quarter of 2026 (2026Q1) compared to the fourth quarter of 2025 (2025Q4), and their expectations for economic activity in the second quarter of 2026 (2026Q2) relative to first quarter of 2026 (2026Q1). In addition, the CEOs were asked to identify key factors likely to affect business expansion/growth in the next 12 months, and to outline strategic directions and solutions to address constraints over the medium term (March 2026 – February 2028). The findings of the survey are summarized in this report.

3. SURVEY METHODOLOGY

The Survey targeted the CEOs from more than 1000 private sector firms through questionnaires administered via a direct online survey. The respondents represented a range of sectors including tourism, hotels, and restaurants (21 percent), financial services (16 percent), professional services (13 percent), manufacturing (12 percent), agriculture (9 percent), wholesale and retail trade (9 percent), healthcare and pharmaceuticals (6 percent), ICT and telecommunications (5 percent), real estate (3 percent), transport and storage (2 percent), and mining and energy (2 percent). Media, building and construction, education, security and other sectors accounted for one percent and below of the respondents.

Most of the respondents (70.6 percent) were domestically owned private firms, while the rest were foreign-owned private firms (15.6 percent), publicly listed domestic firms (4.6 percent), publicly listed foreign firms (2.8 percent), government owned entities (1.8 percent), and other ownership structure(4.6 percent). In terms of firm size, 41 percent had a turnover of less than KSh 250 million in 2025, 15 percent had a turnover of between KSh 250 million and KSh 1 billion, 22 percent had a turnover of between KSh 1 billion and KSh 5 billion, while 20 percent had a turnover of above KSh 5 billion, during the same period.

Regarding employment, 47 percent of respondents had fewer than 100 employees, 42 percent employed between 100 and 1000 employees, while 9 percent had more than 1000 employees. The Survey 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 were:

- Majority of firms reported sustained optimism on growth prospects for the Kenyan economy over the next 12 months, supported by favorable weather conditions, a relatively stable macroeconomic environment, technological innovations, and seasonal factors. However, rising costs of doing business, weak consumer demand, higher energy prices, elevated geopolitical risks, and global macroeconomic volatility were cited as key downside risks to growth.

- Firms reported that economic performance remained broadly stable in the first quarter of 2026 compared to the fourth quarter of 2025 mainly due to seasonal factors. However, business activity indicators point to a mixed outlook for the second quarter of 2026.
- Most firms indicated that they are able to meet unexpected increases in demand or sales, as they are operating below or near full capacity.
- Respondents reported a moderate easing in access to bank credit. However, some respondents noted that commercial lending rates remain sticky despite the easing of policy rates.
- Majority of firms reported adopting new technologies and automating their processes over the past 12 months to improve efficiency.

5. BUSINESS CONFIDENCE/OPTIMISM OVER THE NEXT 12 MONTHS

The Survey assessed CEOs' views on growth prospects for their companies, sectors, and the Kenyan and global economies over the next 12 months. Overall, firms reported sustained optimism about the country's economic outlook.

This confidence is supported by a relatively stable macroeconomic environment, characterized by stable inflation and exchange rates, alongside declining interest rates. Firms also expect favorable weather conditions to continue supporting agricultural activity. In addition, ongoing digital transformation, driven by increased adoption of artificial intelligence, automation, and broader digital innovations, is anticipated to enhance productivity and boost growth. However, respondents highlighted several downside risks that could constrain growth. Domestic risks include reduced consumer demand, relatively high cost of credit and constrained access to financing despite easing policy rates, rising cost of doing business, partly due to the new levies and the potential disruption of import-dependent production. External risks include heightened geopolitical tensions, which may trigger supply chain disruptions, elevated energy costs, and possible imported inflation. Additionally, export volatility, particularly to markets affected by ongoing global conflicts may further dampen growth prospects **(Chart 1)**.

At the company level, respondents remain confident about their growth prospects, supported by continued product and market diversification that is enabling access to new customer segments and broadening revenue streams. Enhanced marketing and stronger branding, particularly through increased use of digital channels, are also supporting company growth, especially in service-oriented sectors such as wholesale and retail trade, professional services, financial services, hospitality, and ICT.

Company growth is expected to be further supported by automation of operations and adoption of new technologies, which are improving efficiency and fostering innovation. Respondents also emphasized the importance of customer-centric strategies, noting that tailored goods and services designed to meet evolving client needs are enhancing competitiveness. Additionally, firms anticipate improved access to financing as lending rates ease, alongside continued diversification of products and services. Ongoing skills development and investment in talent are viewed as critical to sustaining this momentum and supporting long-term growth **(Chart 2)**.

Most respondents expect sectoral growth to remain stable over the next 12 months, supported by sector-specific opportunities (Chart 2). In the agricultural sector, favorable weather conditions and improved access to alternative export markets are expected to sustain production, although elevated input costs and rising freight charges remain key challenges. The financial services sector is expected to maintain its strong growth, driven by automation, enhanced technology adoption, and diversified product and market portfolio. The ICT sector is also expected to grow strongly supported by the continued digitalization of the economy. In the tourism sector, demand for hospitality services is expected to strengthen, supported by accessible and affordable accommodation options, and increased demand for conferencing facilities. However, conflicts in the Middle East and associated travel disruptions pose risks to the sector's growth. Professional services activity is expected to moderate, reflecting subdued consumer demand and reduced funding from development partners. In the manufacturing sector, firms expect a seasonal improvement in demand, although growth could be constrained by supply chain disruptions linked to global conflicts affecting the cost and availability of raw materials and energy inputs.

Activity in the wholesale and retail trade sector is expected to remain subdued, weighed down by weak consumer demand and pending bills. Meanwhile, the health sector is expected to record sustained growth, although pending bills remain a significant constraint to the sector's performance.

Majority of respondents expect weaker growth prospects for the global economy over the next 12 months due to heightened geopolitical tensions and persistent supply chain disruptions that continue to weigh on global trade. In addition, an anticipated rise in global inflation, elevated energy prices and potential volatility in major global currencies would increase import costs, strain financial conditions, and further dampen global growth prospects.

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

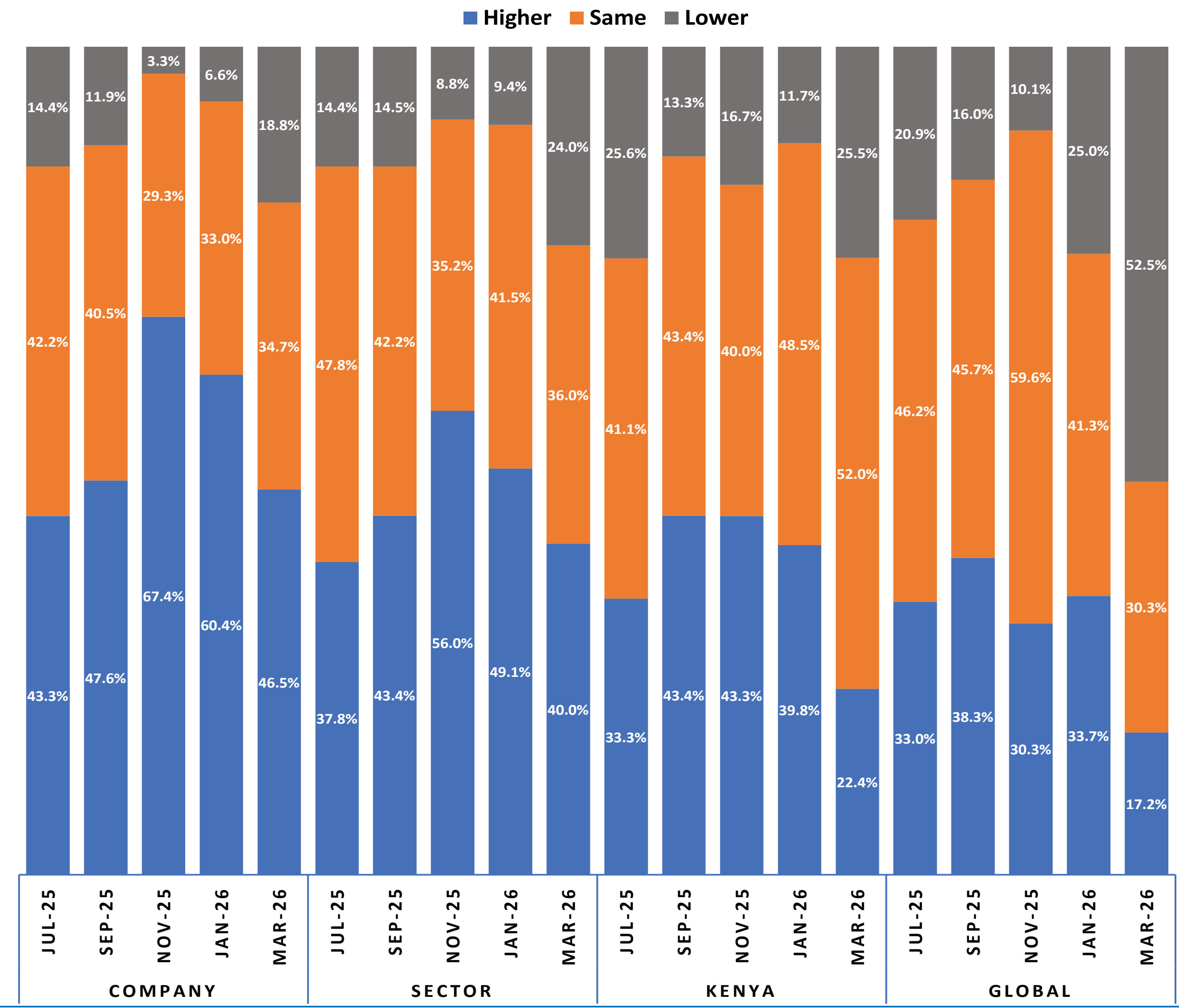
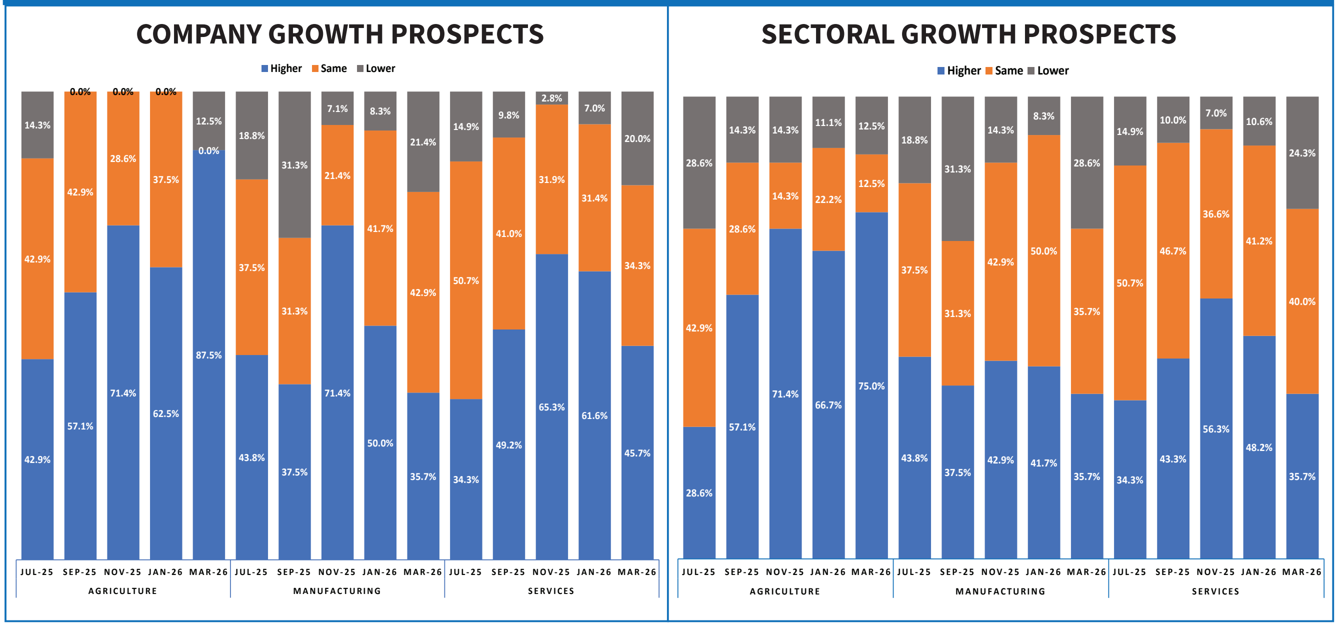


Chart 2: Sectoral analysis of growth prospects over the next 12 months (percent of respondents)



6. BUSINESS ACTIVITY IN 2025 Q4 COMPARED TO 2025 Q3

The Survey gathered information on CEOs' perceptions on business activity in the first quarter of 2026 relative to the fourth quarter of 2025. Overall, indicators point to sustained performance across key business metrics. Most respondents indicated that demand orders either an grew or remained steady, driven by seasonal factors and unanticipated demand, largely from new customers. Production volumes remained broadly stable, supported by carry-overstocks from the previous quarter.

Growth in sales was driven by an expanded product and market portfolio, increased marketing efforts, particularly through digital channels, and improved branding. Purchase and sales prices remained relatively stable, reflecting stability in commodity prices. Meanwhile, the number of full-time employees remained largely unchanged, consistent with prevailing levels of business activity **(Chart 3 to 9)**.

Chart 3: Business activity in 2026 Q1 compared to 2025 Q4 (percent of respondents)

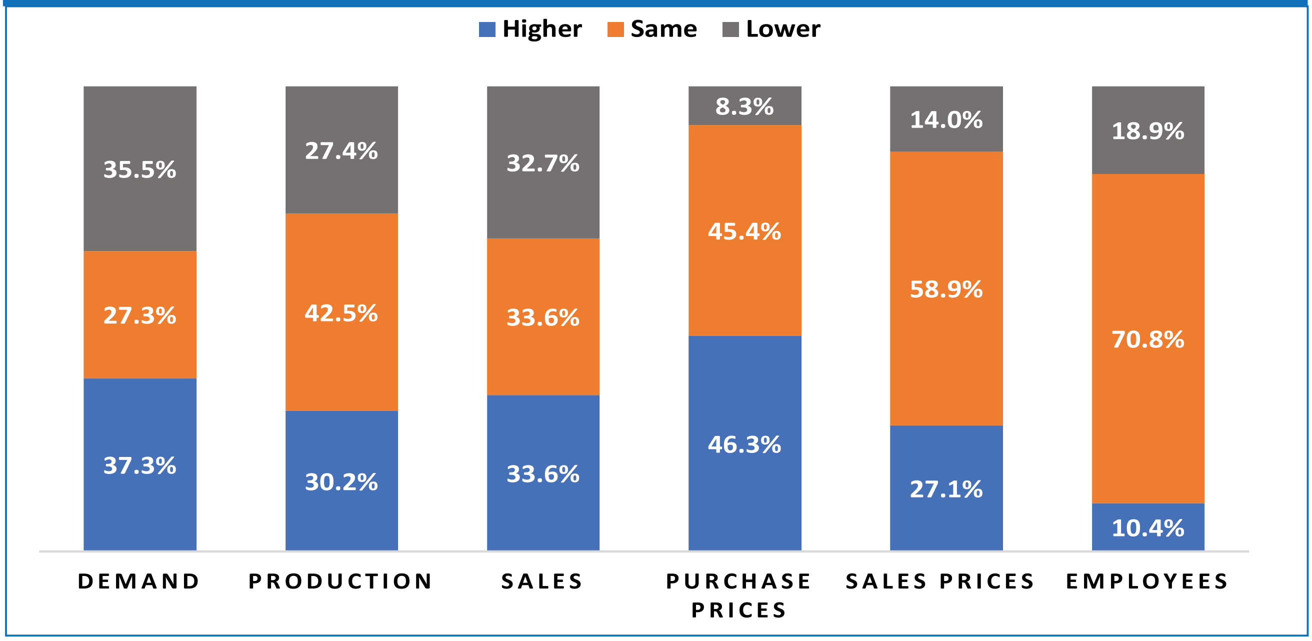


Chart 4: Comparison of business activity in 2026 Q1 relative to 2025 Q4 (balance of opinion)

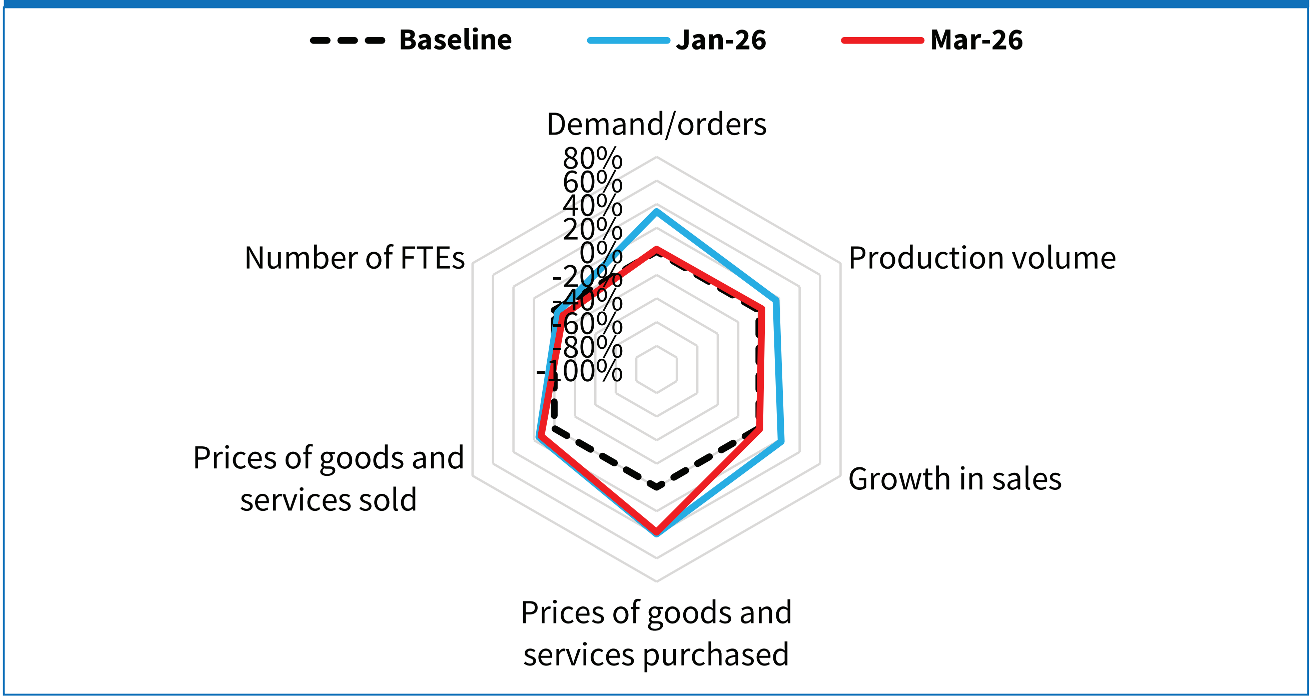


Chart 5: Demand/Orders in 2026 Q1 relative to 2025 Q4 by sectors (percent of respondents)

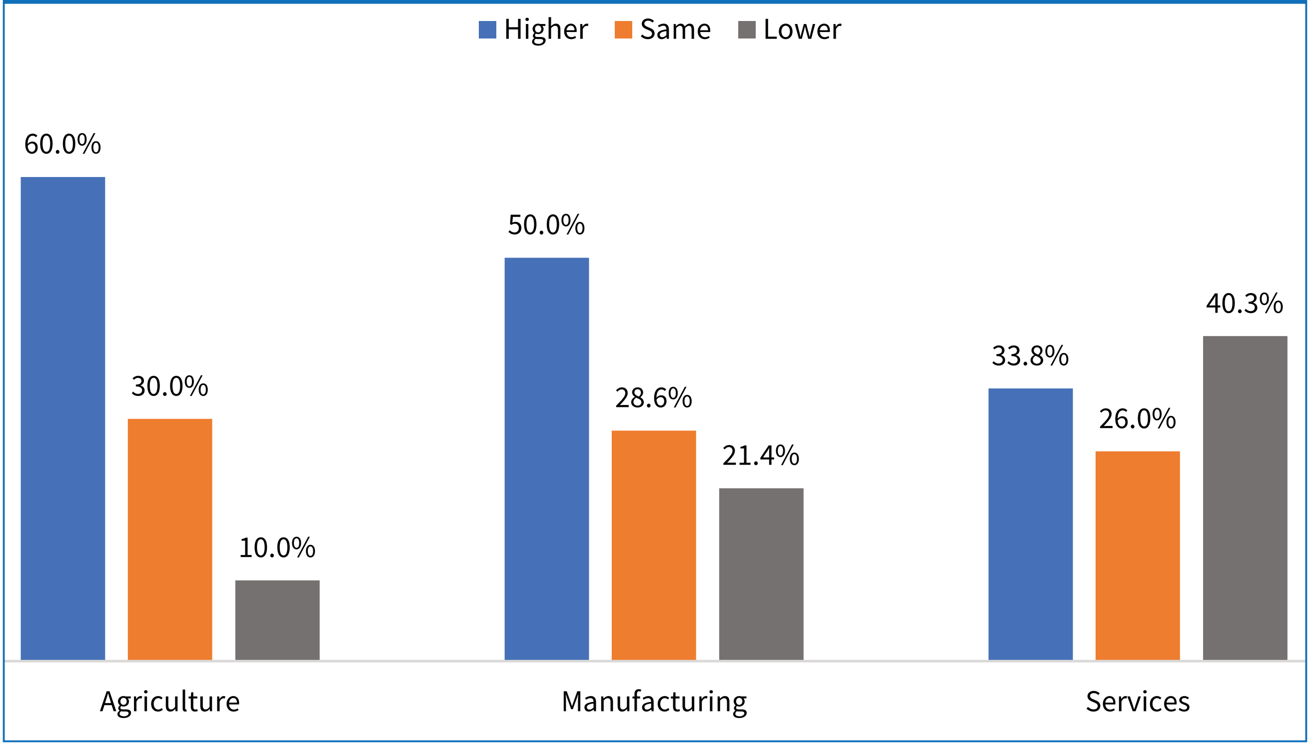


Chart 6: Sales growth in 2026 Q1 relative to 2025 Q4 by sectors (percent of respondents)

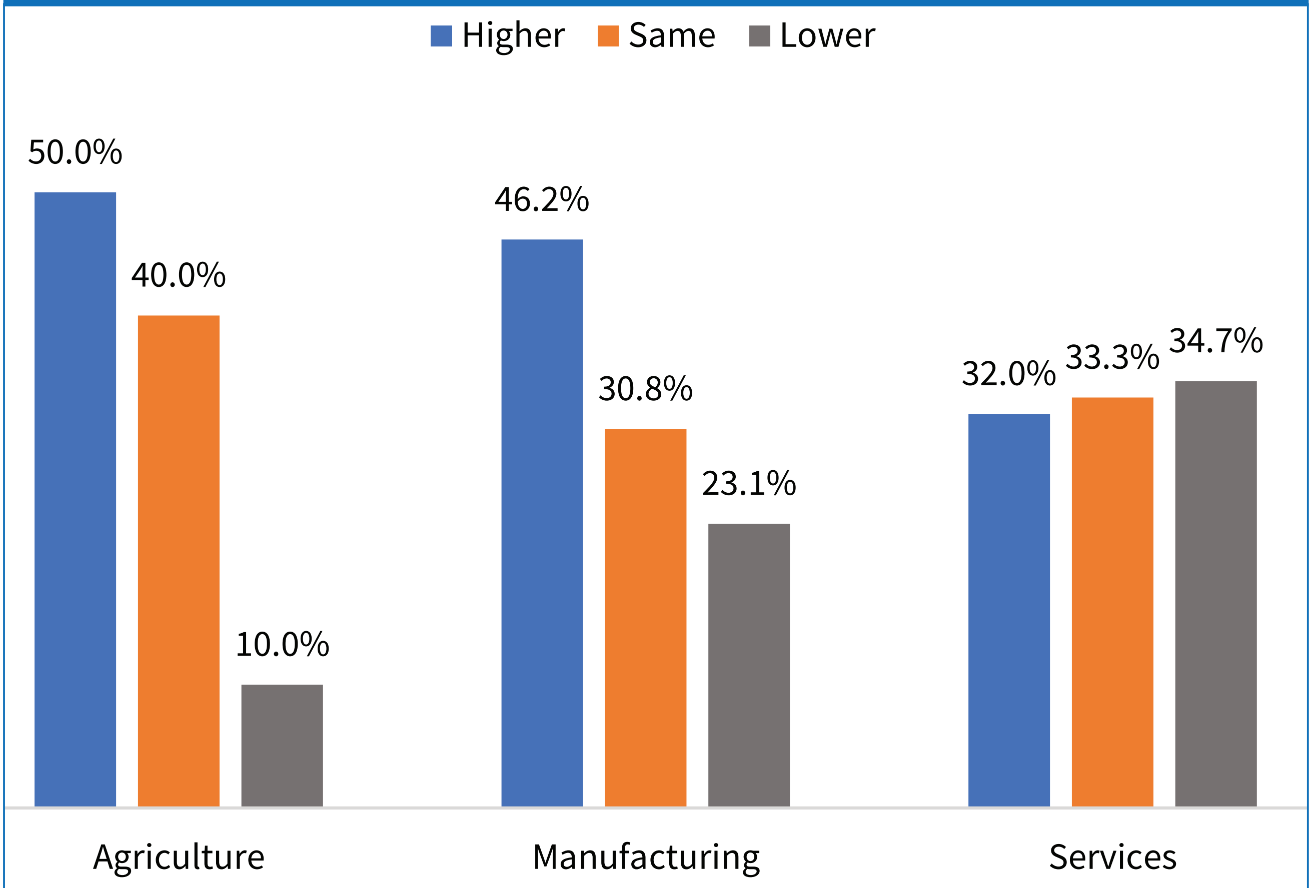


Chart 7: Purchase and sales prices in 2026 Q1 relative to 2025 Q4 by sectors (percent of respondents)

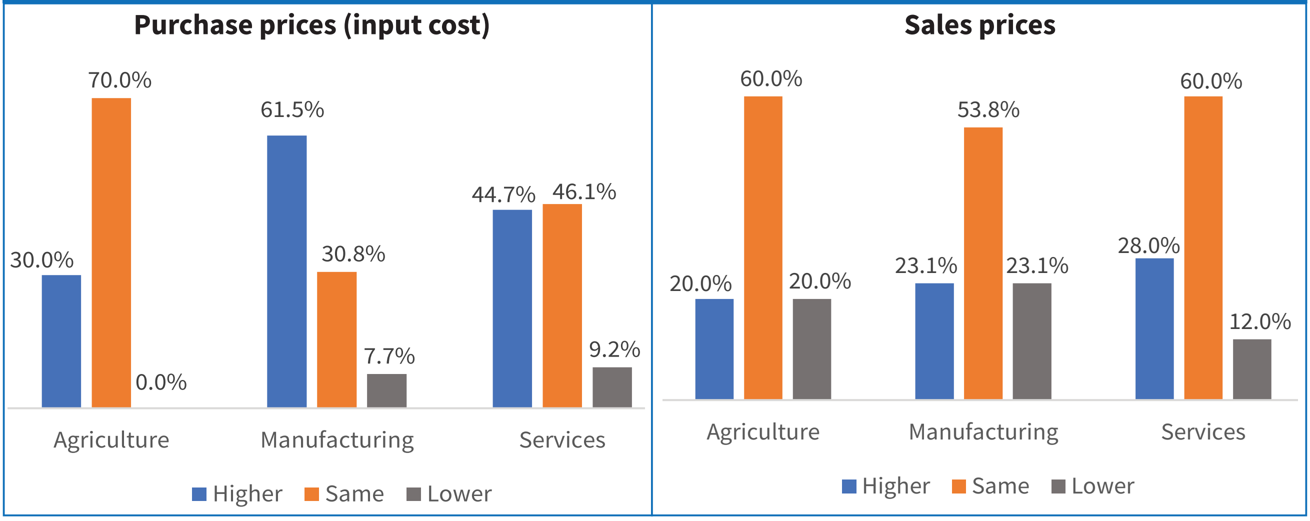


Chart 8: Production volumes in 2026 Q1 relative to 2025 Q4 by sectors (percent of respondents)

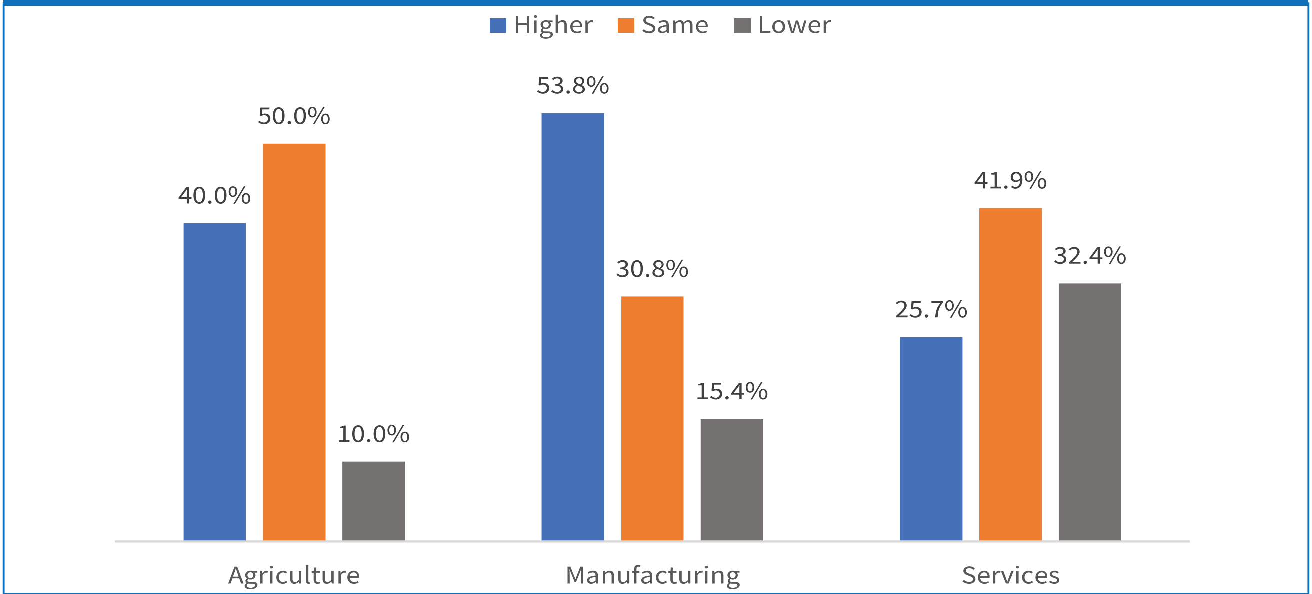
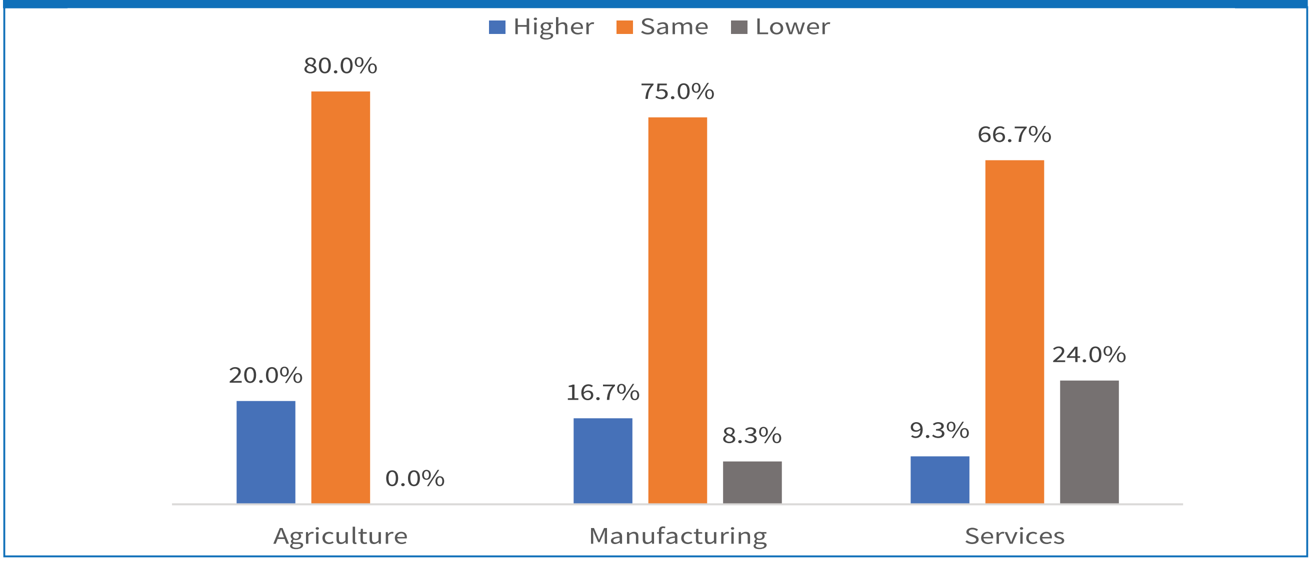


Chart 9: Number of full-time employees in 2026 Q1 relative to 2025 Q4 by sectors (percent of respondents)



7. OUTLOOK FOR BUSINESS ACTIVITY IN 2026 Q1 COMPARED TO 2025 Q4

The Survey sought CEOs expectation on business activity in the second quarter of 2026 relative to the first quarter of 2026. Respondents reported mixed expectations on business activity in 2026Q2. While a larger share anticipates an increase in demand orders, supported by seasonal factors and a pick- up in business activity towards the end of the financial year, production volumes are expected to remain broadly stable. This outlook persists despite rising cost of doing business, driven by higher cost of raw materials, elevated energy prices, expected imported inflation, and supply chain disruptions affecting costs of freight and shipping. Growth in sales is expected to improve, supported by product and market diversification, increased demand, and activities associated with the Easter festivities. At the same time, most respondents expect purchase prices to rise in the second quarter of 2026, largely reflecting higher global commodity prices.

However, sales prices are expected to remain largely stable, as firms absorb the increased operational costs to retain customers. Meanwhile, the number of full-time employees is expected to remain largely unchanged, consistent with the anticipated level of business activity **(Chart 10)**.

Compared to the January 2026 survey, the balance of opinion points to continued stability in demand orders, production volumes, and sales growth. The balance of opinion shows a continued pickup in purchase prices (input costs), driven by heightened geopolitical tensions, uncertainty in global energy markets and continued impact of US tariffs and policy changes. On the other hand, sales prices are expected to register only a marginal increase, as firms cautiously adjust to rising production costs. Meanwhile, the number of full-time employees is expected to decline largely on account of elevated cost of doing business **(Chart 11)**.

Chart 10: Outlook on business activity in 2026 Q2 compared to 2026 Q1 (percent of respondents)

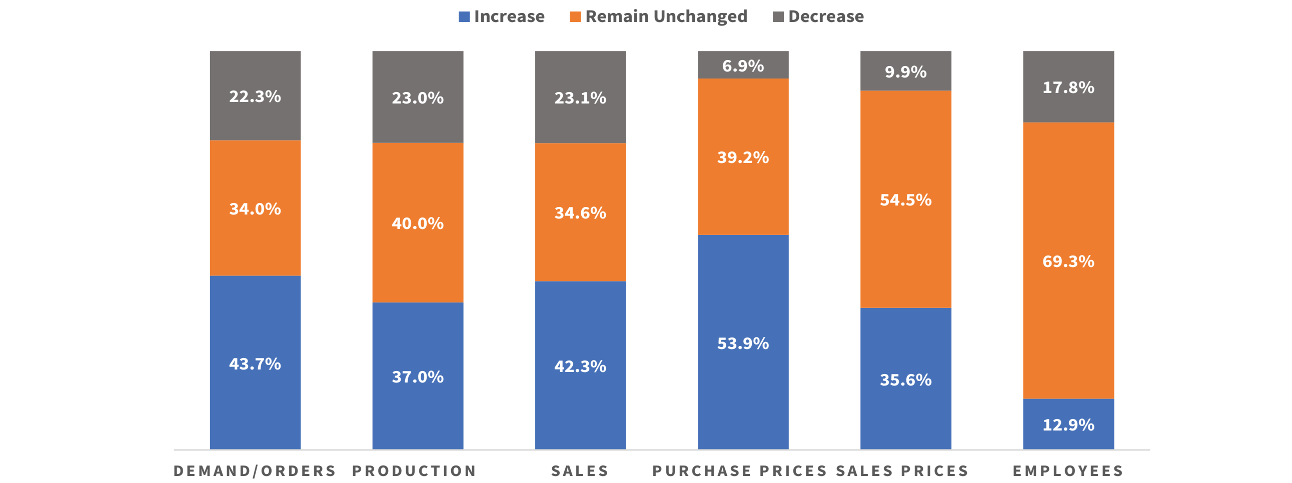
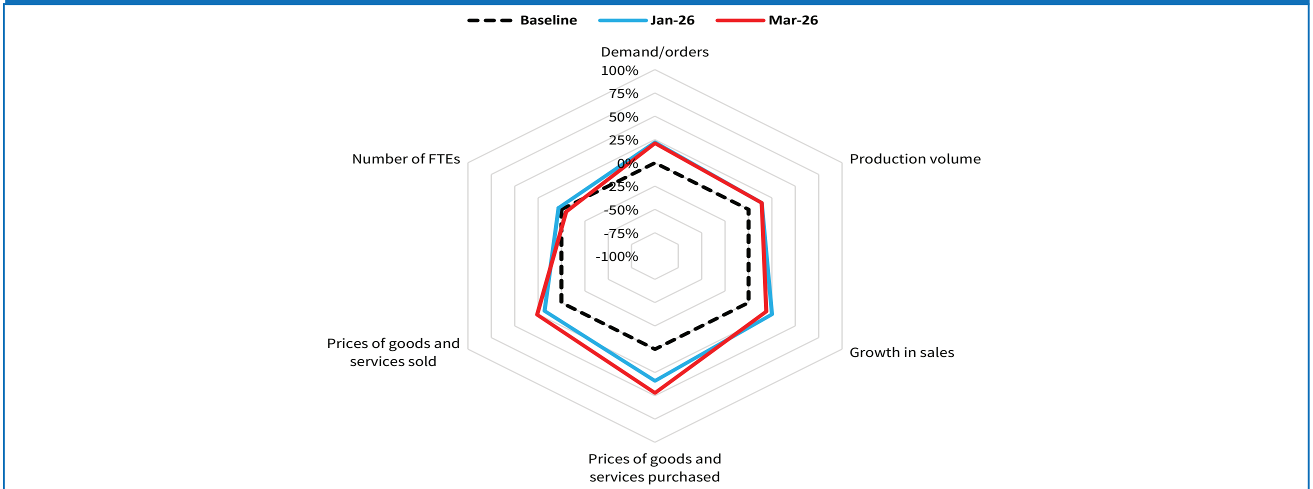


Chart 11: Expectations of business activity in 2026 Q2 relative to 2026 Q1 (balance of opinion)



Most firms indicated that they are well-positioned to meet unexpected increases in demand or sales, as they are currently operating either below or near full capacity. Many respondents noted that such demand could be met by utilizing existing capacity, supported by availability of trained personnel, recent expansions with unutilized capacity, scalable infrastructure, and accumulated inventories resulting from subdued demand. Some firms also highlighted the option of outsourcing operations as a viable option to address unexpected demand.

Nonetheless, several constraints could limit firms' responsiveness to unexpected demand. These include liquidity challenges arising from high credit costs, delayed payments, and low revenues due to slow business, and high operating expenses. Firms also cited regulatory requirements in certain sectors, time required to expand production, and the unavailability of inputs needed to meet sudden demand as key limiting factors **(Chart 12)**.

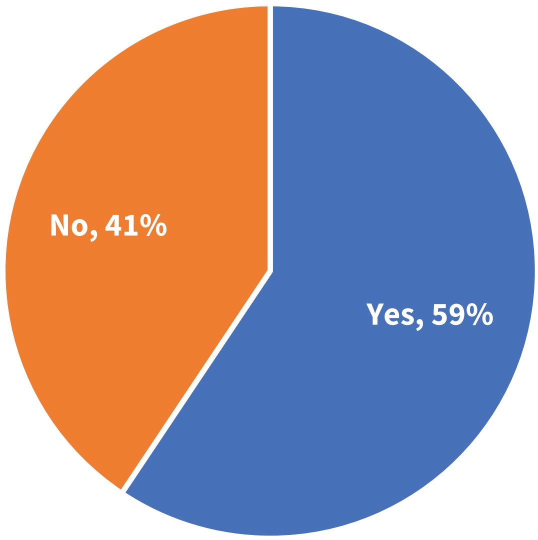
Chart 12: Potential level of difficulty in meeting unexpected increase in demand or sales (percent of respondents)

8. IMPACT OF RECENT U.S. TRADE TARRIFFS AND POLICY CHANGES

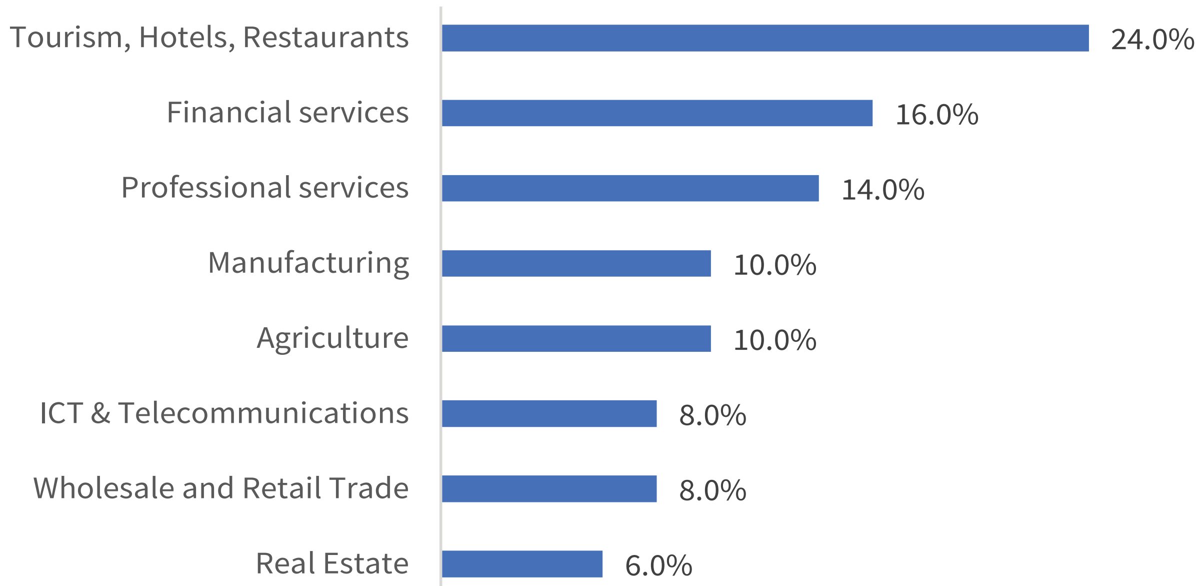
The majority of survey respondents (59 percent) reported that they continue to be impacted by recent U.S. trade tariffs and policy shifts. The most impacted sectors include tourism and hospitality, financial services, professional services, manufacturing and agriculture. These effects are largely transmitted through elevated cost of imported inputs, which have raised domestic production cost, as well as weakened demand in key export destinations, thereby dampening export performance. Respondents also highlighted second-order effects through linked sectors such as hospitality, health, and travel industry, as well as reduced budgetary support for institutions. Nevertheless, these challenges have also created opportunities for firms to strengthen their presence in the domestic market and explore alternative international markets **(Chart 13)**.

Chart 13: Proportion of respondents impacted by the recent U.S. Tariffs/Policy changes (percent of respondents)

Impacted by recent U.S. trade tariffs/policy changes?



Sectoral impact of recent U.S. trade tariffs/policy changes (percent of respondents)

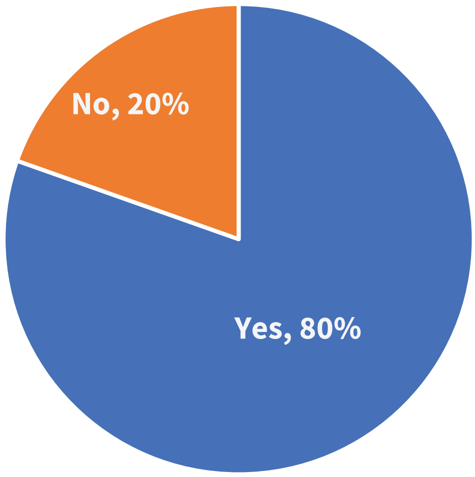


9. TECHNOLOGY ADOPTION AND AUTOMATION IN FIRMS

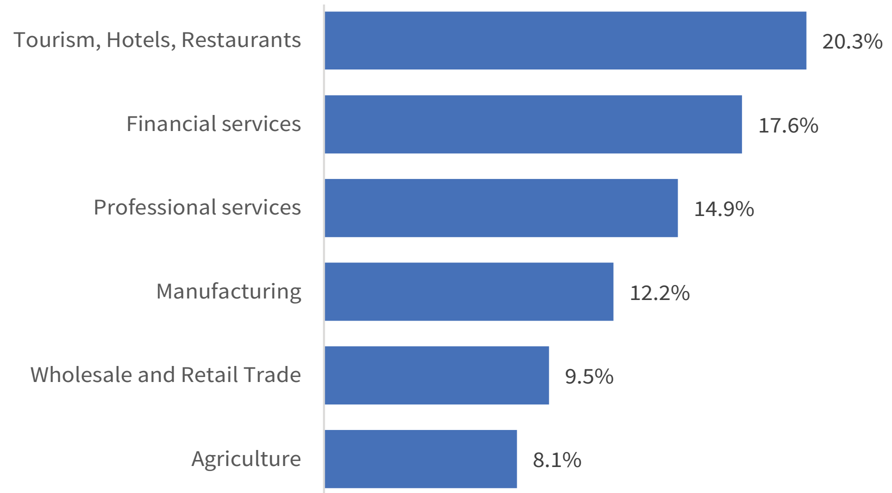
The survey assessed the extent of digitization of firms' operations over the past one year and enquired on intentions to adopt new technologies over the next 12 months. The majority of respondents reported automating various processes to improve operational efficiency. Key areas of adoption include Enterprise Resource Planning systems, which integrate functions such as human resources, finance, supply chain, and sales functions, as well as broader automation across both core and support services. In addition, firms are increasingly leveraging Artificial Intelligence (AI) to improve efficiency. Technology adoption has also played a vital role in strengthening regulatory compliance, with firms utilizing platforms such as e-TIMS and e-GP. Furthermore, there has been expanded use of data analytics to generate real-time business insights and support data-driven decision-making. Other areas of digitization include marketing functions, improvements in database management systems, and enhancements to existing systems to meet evolving business needs **(Chart 14)**.

Despite these advancements in digitization, respondents highlighted several challenges that continue to hinder effective technology integration. These include resistance to digitization among segments of existing workforce, the high cost of acquiring and maintaining digital systems, and increasing exposure to cybersecurity threats. Firms also reported a shortage of skilled personnel to operate and support digital systems. In addition, persistent power outages and poor network or internet connectivity continue to disrupt digital operations. Respondents further cited difficulties in integrating new technologies with existing platforms, which is slowing down the full adoption of digital tools.

Chart 14: Automation/Digitization/Technology Adoption in firms (percent of respondents)



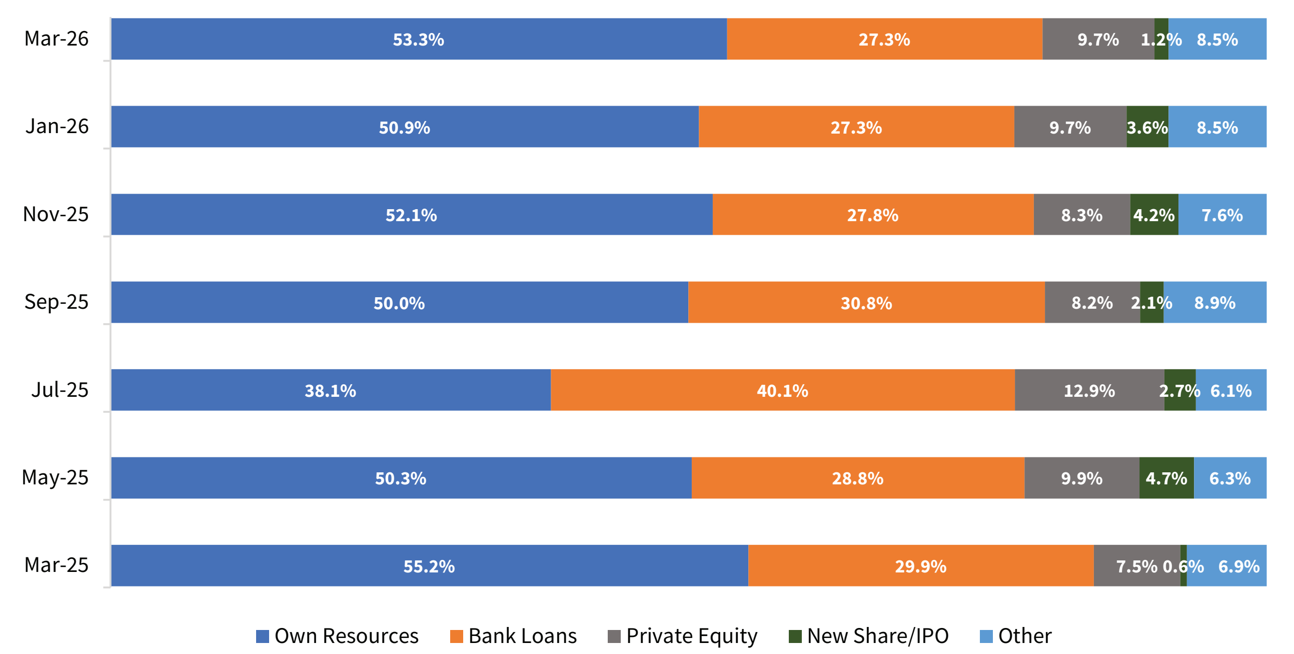
Sectoral integration of technology/automation/digitization of processes (percent of respondents)



10. FIRMS' SOURCES OF FINANCING

The Survey sought to identify the main sources of firms' financing in the fourth quarter of 2025. A larger proportion of the CEOs continued to finance their firm operations using own resources and bank loans **(Chart 15)**.

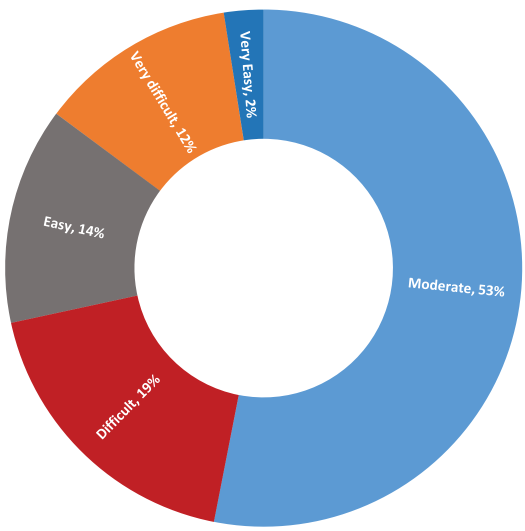
Chart 15: Firms' sources of financing (percent of respondents)



The majority of respondents reported moderately eased access to bank credit, largely due to good credit history, easing though still elevated lending rates, availability of sufficient collateral, and increased automation of loan processing, which has improved efficiency.

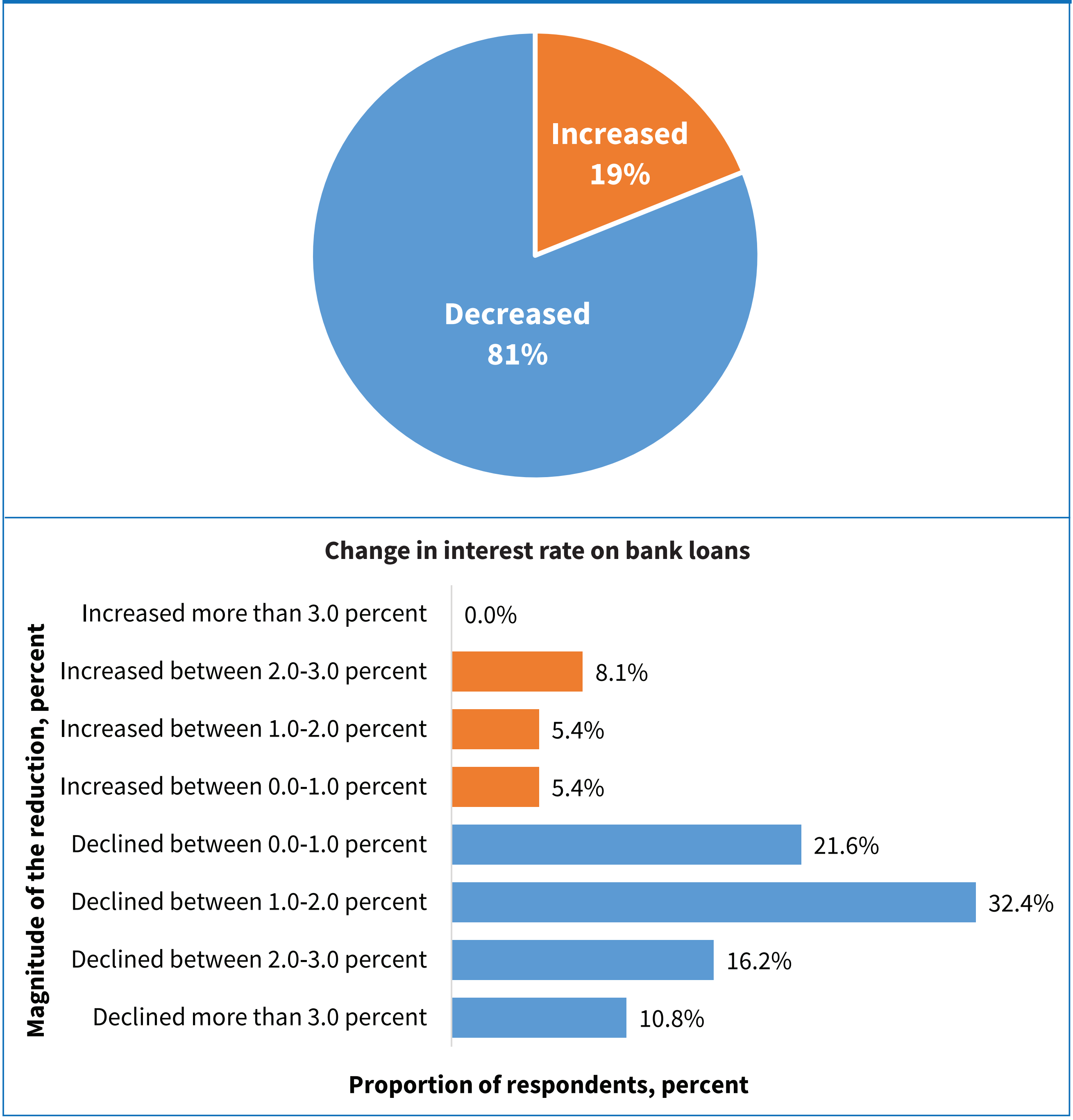
However, some respondents reported difficulty in credit access, citing stickiness of commercial banks' lending rates despite easing policy rates, stringent collateral requirements, tighter underwriting standards, and reduced consumer borrowing due to elevated lending interest rates. Additionally, slow business activity and low credit limits discouraged borrowers from seeking loans s **(Chart 16)**.

Chart 16: Ease of access to credit (percent of respondents)



The majority of respondents (81 percent) reported that interest rates of bank loans have decline since August 2024, although the reductions have been relatively modest. Specifically, 21.6 percent of the respondents reported declines of up to 1.0 percent, while 32.4 percent indicated declines ranging between 1.0 and 2.0 percent. Despite this downward trend, respondents noted that the reductions remained minimal, citing persistent stickiness of commercial bank lending rates even as policy rates have eased **(Chart 17)**.

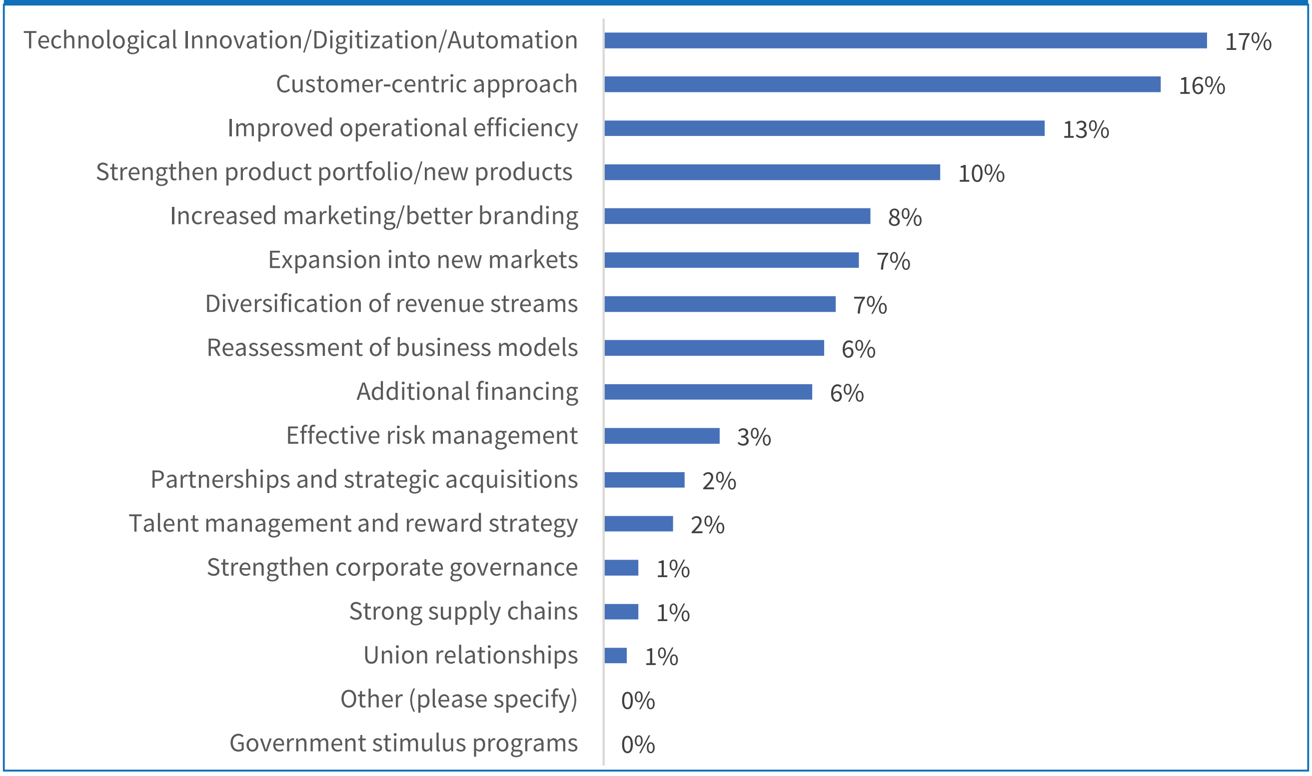
Chart 17: Change in interest rate on bank loans since August 2024 (percent of respondents)



11. FIRM EXPANSION AND GROWTH OVER THE NEXT 12 MONTHS

Respondents highlighted several factors that could support firm growth in the next 12 months. Most respondents cited technological innovations and automation, customer centricity, and improved operational efficiency as the main drivers of business growth and expansion over the next one year **(Chart 18)**.

Chart 18: Drivers of firm growth and expansion (percent of respondents)



In addition, firms highlighted several factors that could constrain growth over the next 12 months including elevated cost of doing business, increased taxation and levies, and reduced consumer demand **(Chart 19 & 20)**.

Chart 19: Domestics factors constraining firms' expansion (percent of respondents)

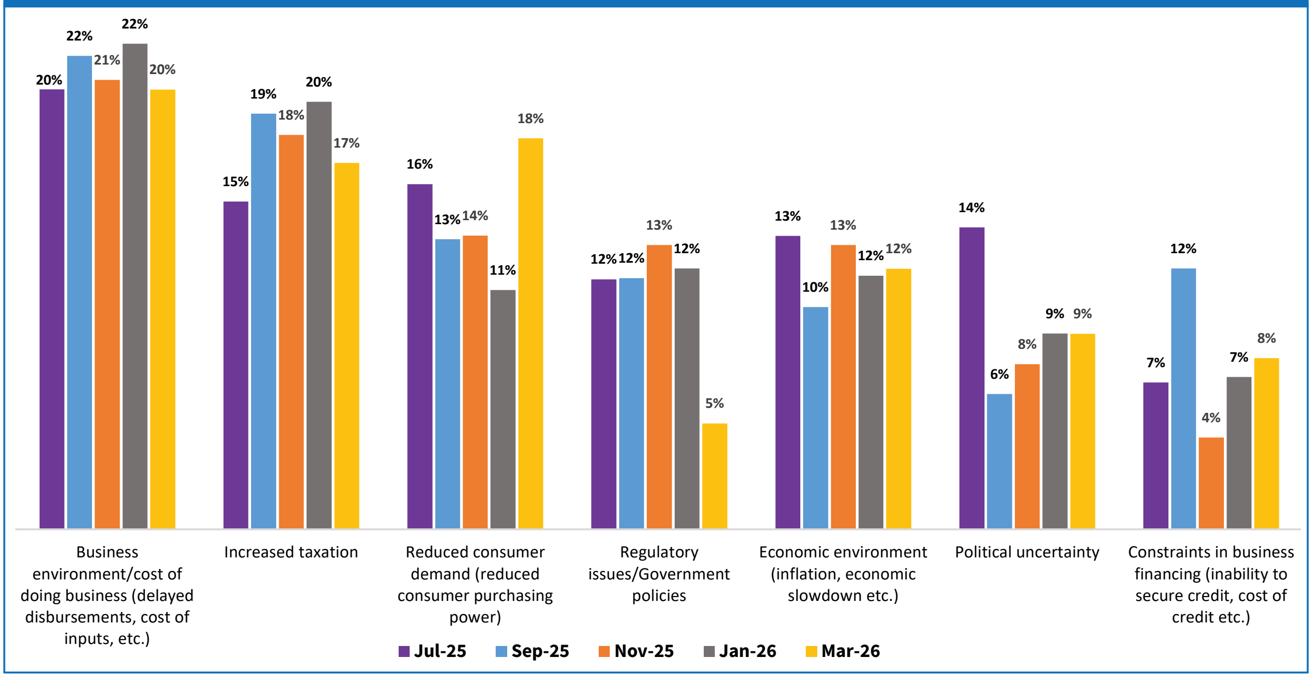
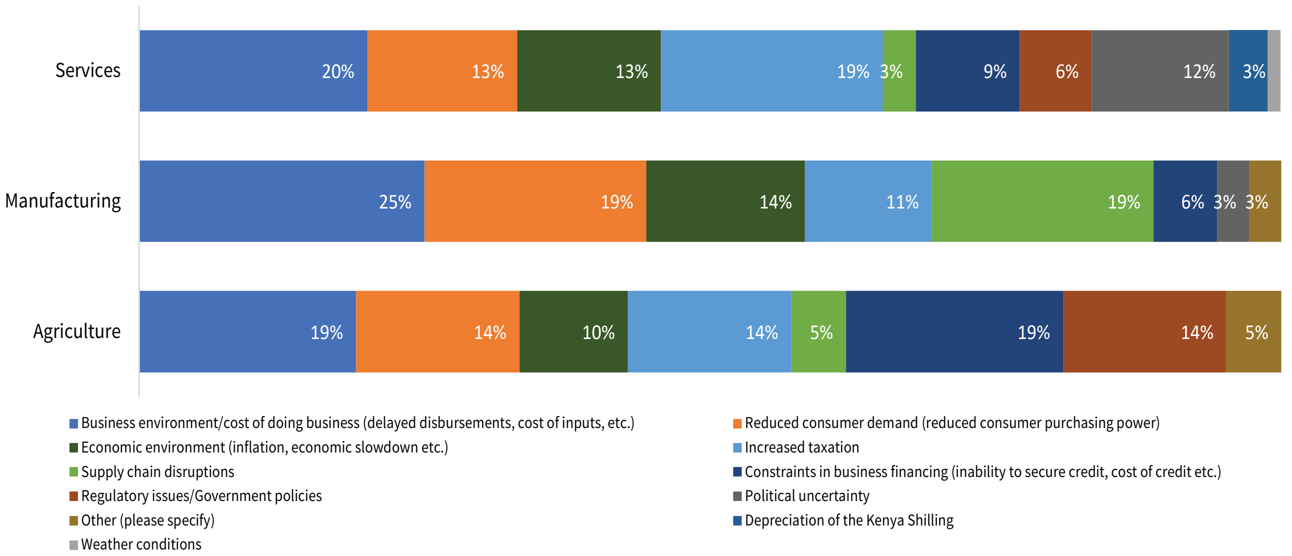
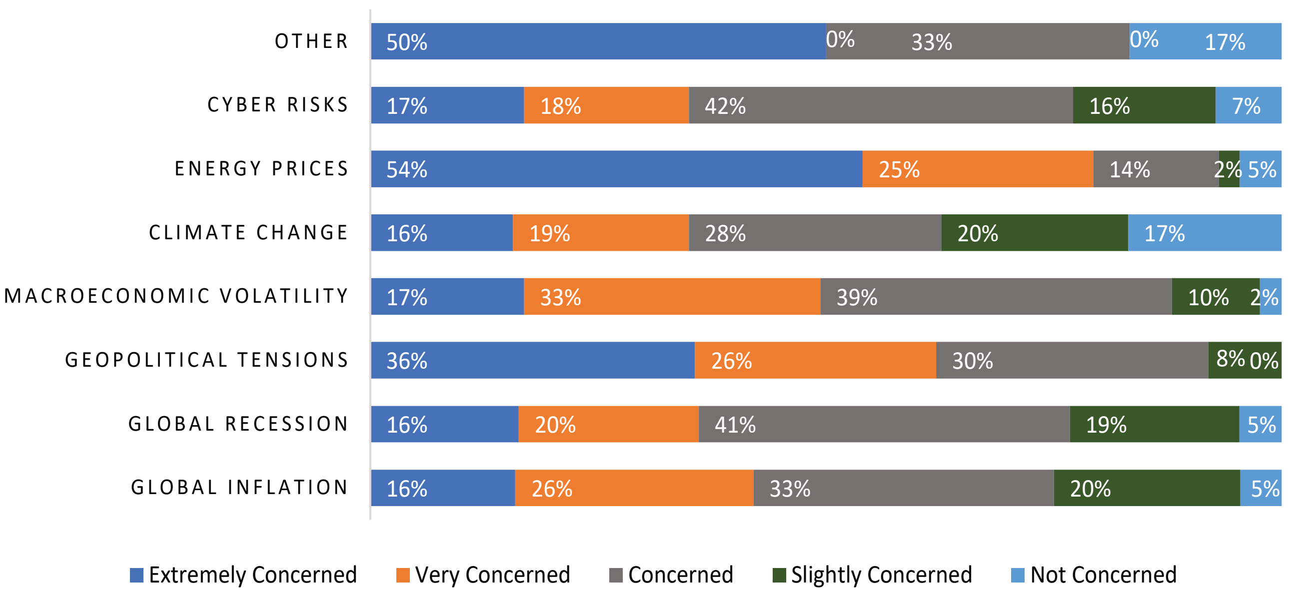


Chart 20: Domestic factors constraining firms' expansion by sectors (percent of respondents)



Energy prices, geopolitical tensions, and global macroeconomic volatility were identified as the main external threats to firms' growth and expansion over the next 12 months **(Chart 21)**.

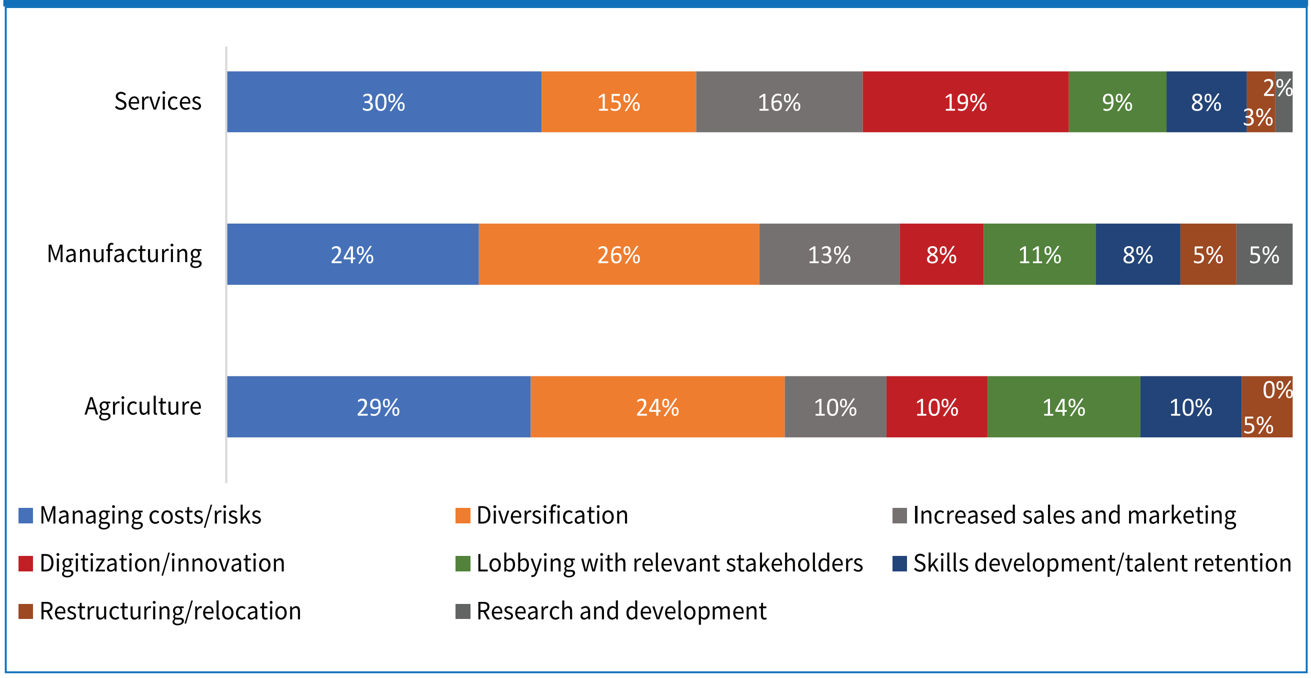
Chart 21: External threats impacting firms' expansion (percent of respondents)



Nevertheless, firms intend to mitigate these constraining factors through improved cost and risk management, diversification of operations (expansion into new markets and development of new products), and enhanced adoption of technology **(Chart 22 & 23)**.

Chart 22: Mitigation of factors constraining firms' growth and expansion (percent of respondents)

Chart 23: Mitigation of factors constraining firms' growth and expansion by sector (percent of respondents)



12. STRATEGIC PRIORITIES

The survey assessed firms' top strategic priorities over the next three years. Most respondents cited improving efficiency, cost optimization, and market and product diversification as their key focus areas in the near term **(Chart 24 & 25)**.

Chart 24: Firms' strategic priorities over the next three years (percent of respondents)

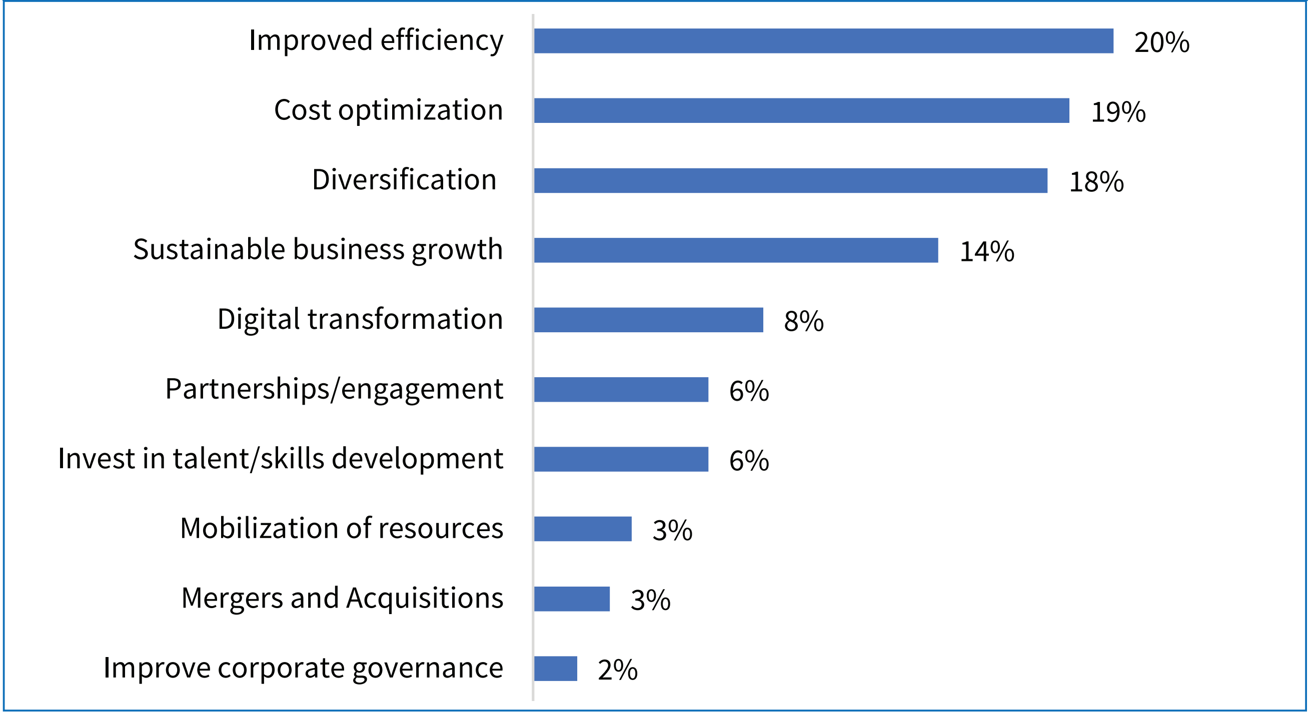
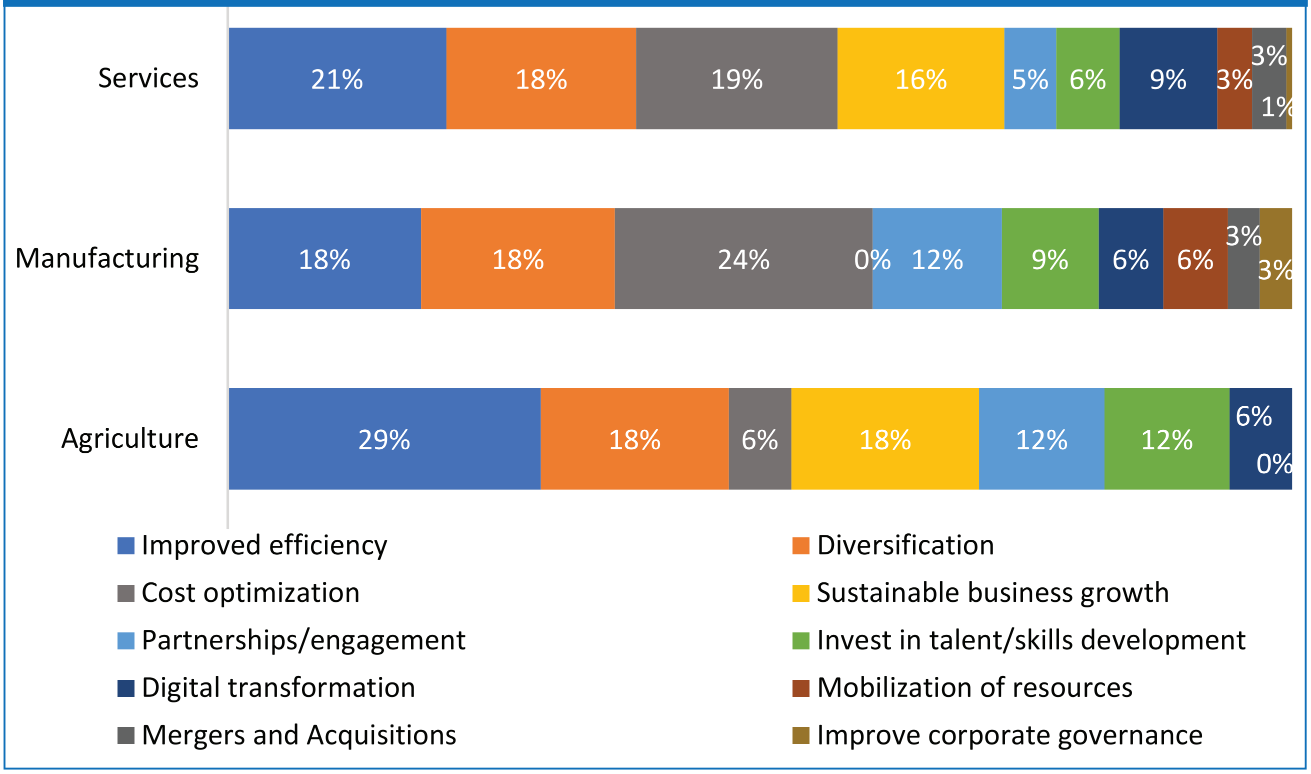


Chart 25: Firms' strategic priorities over the next three years by sector (percent of respondents)



13. CONCLUSION

- The majority of respondents reported sustained optimism on growth prospects for the Kenyan economy over the next 12 months, despite heightened geopolitical tensions. Firms expect growth to be driven by favorable weather conditions supporting agricultural production, a relatively stable macroeconomic environment, technological innovation, and seasonal factors.

- Firms reported stability in business activity in the first quarter of 2026 relative to the fourth quarter of 2025, largely driven by seasonal factors. However, indicators of business activity point to mixed performance in the second quarter of 2026 relative to the first quarter of 2026.

- A larger proportion of firms reported ability to meet unexpected increase in demand or sales as most are currently operating below or near full potential.

- Most respondents reported moderately eased conditions in access to bank credit. However, some respondents cited sticky commercial bank lending rates despite easing policy rates as constraint to credit access.

- The majority of firms have adopted technology and automated their processes in the last 12 months to improve efficiency.

- Elevated cost of doing business, subdued consumer demand, higher energy prices, heightened geopolitical tensions, and global macroeconomic volatility were identified as key factors that could hinder growth. Nevertheless, firms intend to mitigate these constraints through improved cost and risk management, diversification of operations (including expansion into new markets and development of new products) and enhanced use of technology.

Over the next three years, firms' top strategic priorities include improving efficiency, diversifying operations, and optimizing costs.

14. RECOMMENDATIONS ON HOW THE BUSINESS ENVIRONMENT IN KENYA CAN BE IMPROVED

Survey respondents identified several interventions that could foster a more conducive business environment in Kenya and stimulate economic activity. These include:

i) Promoting transparency in credit pricing to facilitate fair competition among commercial banks.

ii) Improving the overall business and economic environment to support enterprise growth.

iii) Ensuring certainty in regulations and legislation, particularly in taxes and levies.

iv) Reducing the number of business operating licenses and associated fees to lower the cost of business operations.

v) Ensuring prompt payment of suppliers to enhance business liquidity.

vi) Strengthening good governance across the public sector to improve efficiency and service delivery.

vii) Implementing measures that promote private sector access to business financing.

viii) Continuing to improve infrastructure as an incentive for investment.

ix) Considering measures that lower the cost of energy, including through subsidies.

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