



**Central Bank of Kenya**

# **Monetary Policy Committee CEO's Survey**

November 2021





## 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. PERCEPTIONS ON BUSINESS ACTIVITY IN 2021 Q4 COMPARED TO 2021 Q3.....	3
7. OUTLOOK FOR BUSINESS ACTIVITY IN 2022 Q1 COMPARED TO 2021 Q4.....	5
8. FACTORS CONSTRAINING EXPANSION OVER THE NEXT 12 MONTHS.....	6
9. INTERNAL & EXTERNAL FACTORS TO STRENGTHEN FIRMS' OUTLOOK OVER THE NEXT 12 MONTH.....	8
10. TOP COMPANY STRENGTHS.....	10
11. STRATEGIC PRIORITIES.....	11
12. CONCLUSION.....	13
ANNEXES:	
BUSINESS CONFIDENCE INDEX METHODOLOGY.....	14
SURVEY QUESTIONNAIRE.....	15

## 1. BACKGROUND

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

The Survey seeks CEOs views on selected indicators including business confidence and optimism, previous quarter business activity, and outlook for business activity in the near term. The Survey also seeks to establish the key 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) and the Kenya Private Sector Alliance (KEPSA). The sectors covered by the Survey include agriculture, mining and energy, manufacturing, wholesale and retail trade, tourism, hotels and restaurants, information and communications technology (ICT), media, transport and storage, real estate, pharmaceuticals, building and construction, and finance and insurance. These sectors account for over 74 percent of Kenya's GDP.

## 2. INTRODUCTION

This Survey was conducted between November 1 and 15, 2021. 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 2021 quarter four (Q4) compared to 2021 quarter three (Q3), and their expectations for economic activity in 2022 quarter one (Q1). The Survey also sought to obtain the significant factors likely to affect business expansion/growth in the next one year (November 2021 – October 2022), as well as the strategic directions and solutions to address their key constraining factors over the medium term (November 2021 – October 2023). This report provides a summary of the findings of the Survey.

## 3. SURVEY METHODOLOGY

The Survey targeted CEOs of 230 private sector firms comprising members of the KAM and KEPSA through questionnaires administered via email, and through a direct online survey.

The respondents were from the following sectors: professional services (26 percent), manufacturing (22 percent), agriculture (11 percent), ICT, media and telecommunications (8 percent), financial services (7 percent), real estate (5 percent), pharmaceuticals and healthcare (4 percent), transport and storage (8 percent) and wholesale and retail trade (5 percent). Other sectors such as tourism, hotels and restaurant, financial services, education and mining and energy accounted for four percent each. Fifty eight percent of respondents were repeat respondents.

Majority of the respondents (67 percent) were privately-owned domestic firms, while the rest were privately-owned foreign business and publicly-listed domestic companies. More than half of the respondents had a turnover of over Ksh 1 billion in 2019. In terms of employment, 39 percent of respondents employed less than 100 employees, while 33 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:

- The Survey revealed the highest level of business optimism about growth prospects since the inaugural survey in March 2021. Optimism was driven by higher confidence in individual companies and sector prospects, particularly for the services sector. This optimism was mainly attributed to resumption of normal business activity following the reopening of the economy, reduction of Covid-19 infections and prospects for strong global economic recovery.
- Growth prospects for the Kenyan economy remained mixed with some respondents citing concerns over heightened political activity and poor weather conditions.
- Performance of business activity for 2021 Q4 compared to 2021 Q3 revealed a slight uptick in business activity, notably in production volumes, sales growth and employment. Nonetheless, consumer demand remained mostly unchanged

for a large proportion of respondents on account of increased inputs costs.

- Surveyed firms continue to be optimistic about business activity in 2022 Q1 and expect this to mirror the Q4 performance. Respondents expect an increase in sales, on account of seasonal demand. They also expect prices of goods/ services purchased to remain elevated owing to supply chain constraints and cost of input pressures thereby limiting the scope for increased production volumes.
- While concerns over the Covid-19 pandemic have eased, respondents expect that expansion/ growth of private sector firms over the next one year could be constrained by heightened political activity and the business environment. To mitigate these constraining factors, firms across all sectors intend to manage costs and risks and diversify their businesses. Firms in the agricultural and manufacturing sectors also intend to lobby with relevant stakeholders.
- Consistent with previous surveys, the business leaders indicated that improved efficiency/ innovation, skills retention and improvement

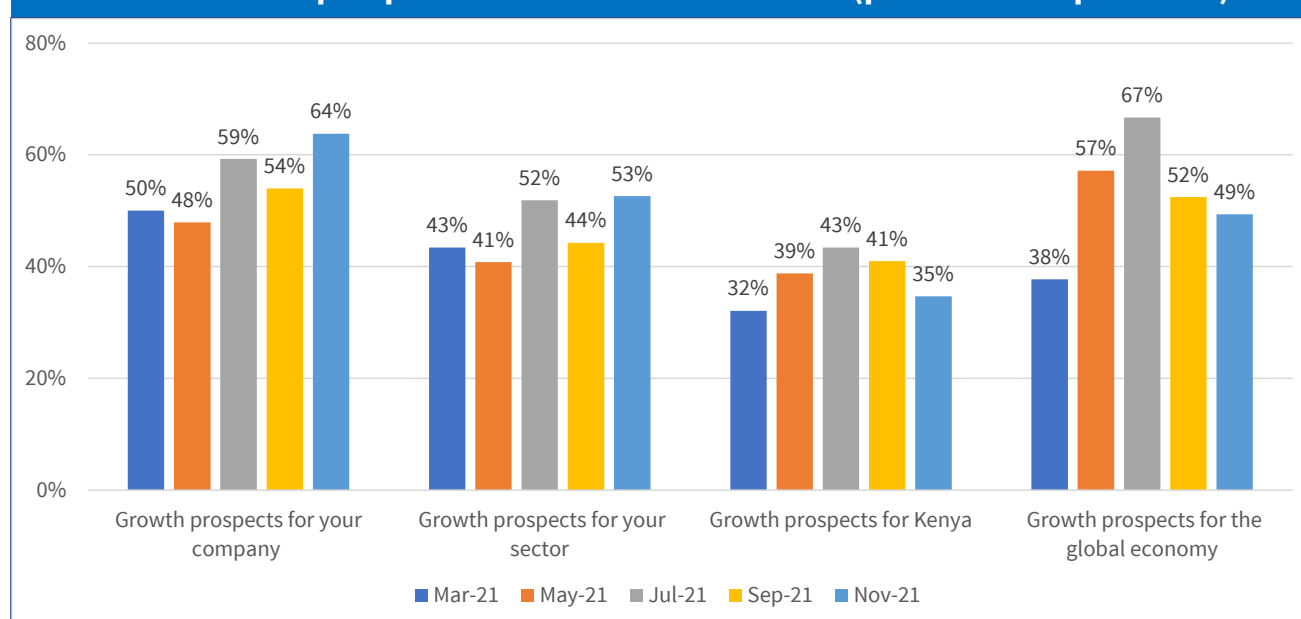
of product portfolio/develop products were key internal factors that could strengthen their outlook. Externally, respondents indicated that an enabling business environment, a stable economic environment and political stability could strengthen the outlook of their firms over the same period.

## 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. Respondents were most optimistic about the growth prospects for their own companies and sectors (**Chart 1a**).

A business confidence index<sup>1</sup> developed for the Survey shows the level of optimism as a single indicator. The index revealed the highest business optimism about growth prospects since the inaugural survey in March 2021 (**Chart 1b**).

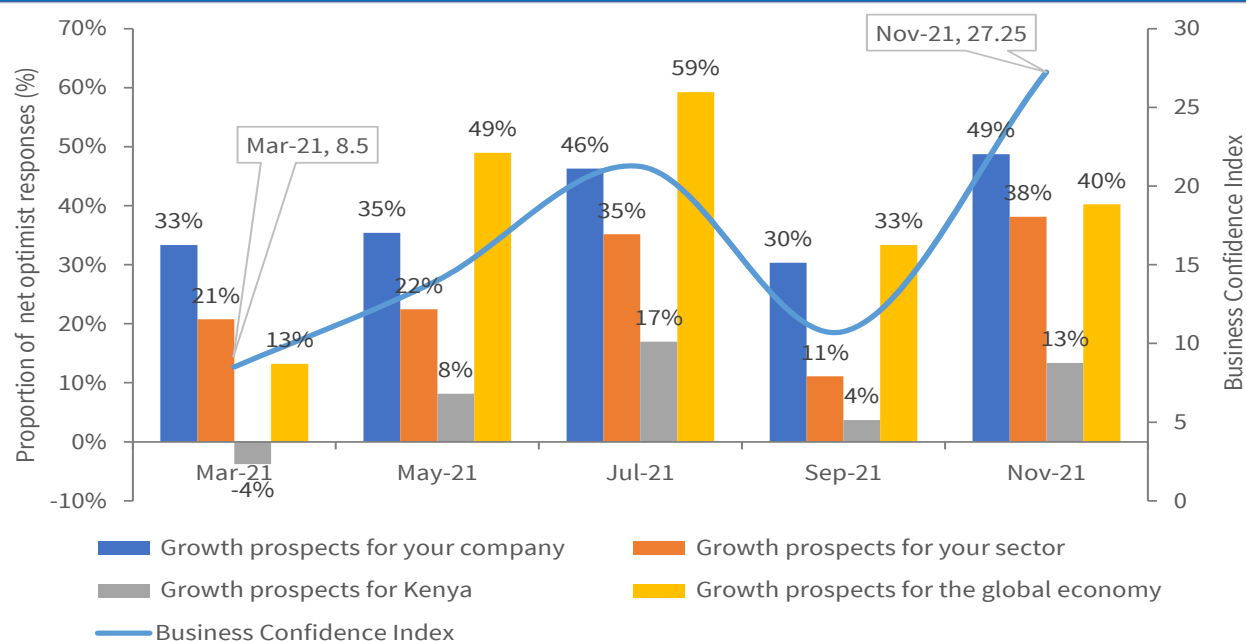
**Chart 1a: Growth prospects over the next 12 months (percent of respondents)**



<sup>1</sup>The methodology for the business confidence index can be found in the Annex.

<sup>2</sup>Services includes professional, hotel/restaurant, media, whole-sale/retail, financial and ICT/telecommunications sectors.

**Chart 1b: Business confidence index and components**



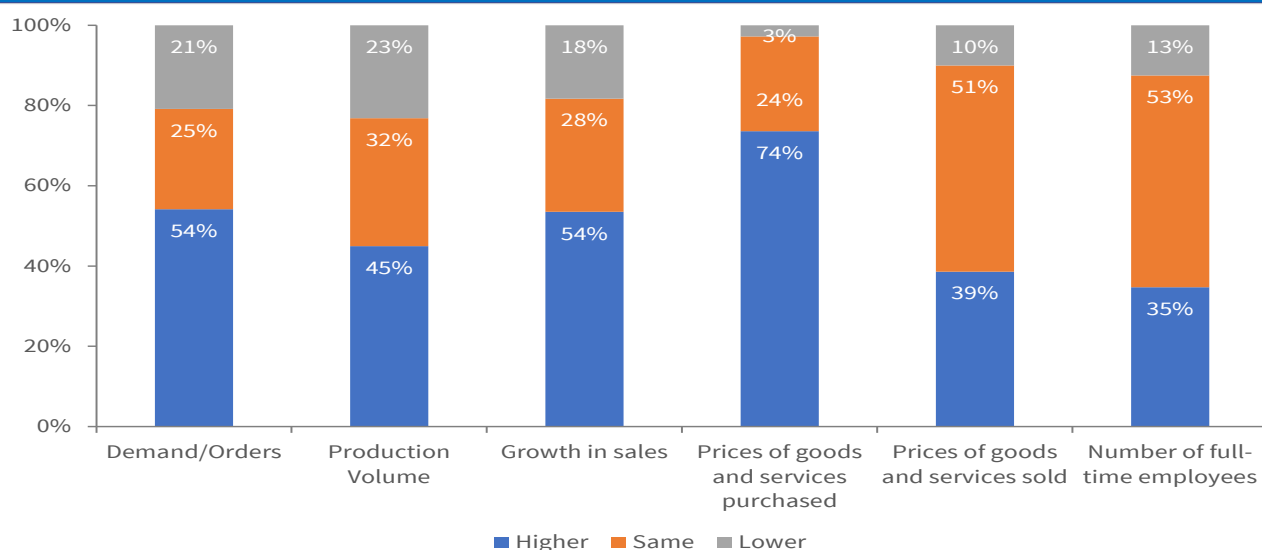
## 6. PERCEPTIONS ON BUSINESS ACTIVITY IN 2021 Q4 COMPARED TO 2021 Q3

The Survey sought CEOs' perceptions on business activity in the fourth quarter of 2021 compared to the third quarter of 2021. The Survey indicated an uptick in business activity, in particular, production

volumes, growth in sales and the number of full-time employees.

Improvements in production sales and employment were supported by the lifting of the Covid-19 restrictions, resumption of optimal production and seasonal factors. Firms reported significant production cost increases owing to supply chain disruptions, constraints in availability of inputs and high freight costs (**Chart 2**).

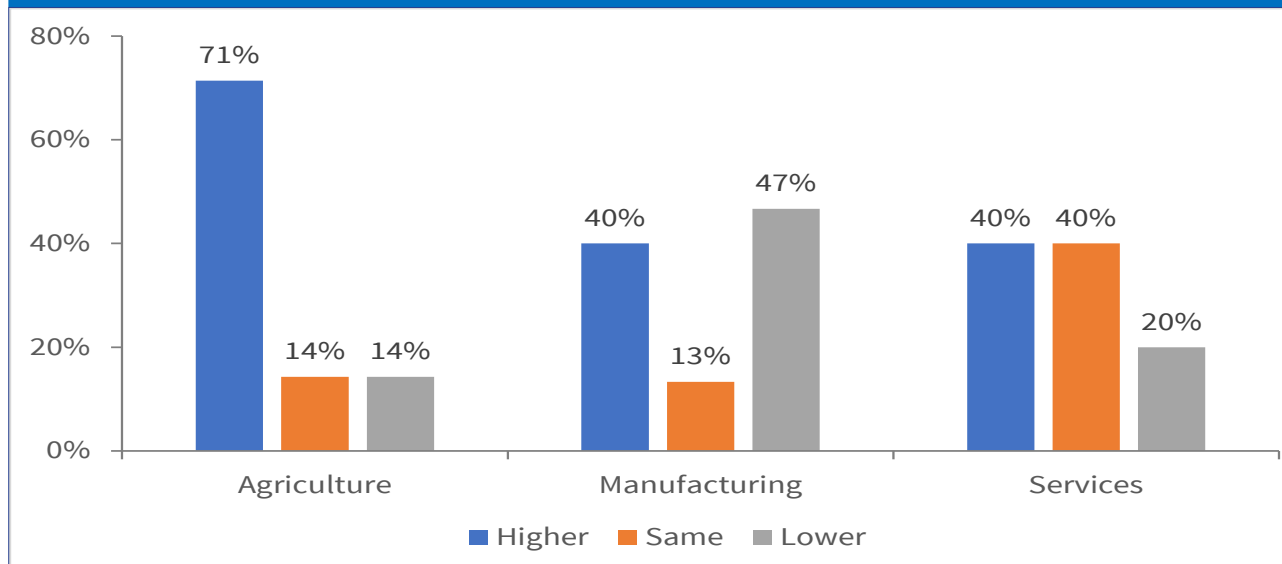
**Chart 2: Perceptions on Business Activity Indicators in 2021 Q4 Compared to 2021 Q3**



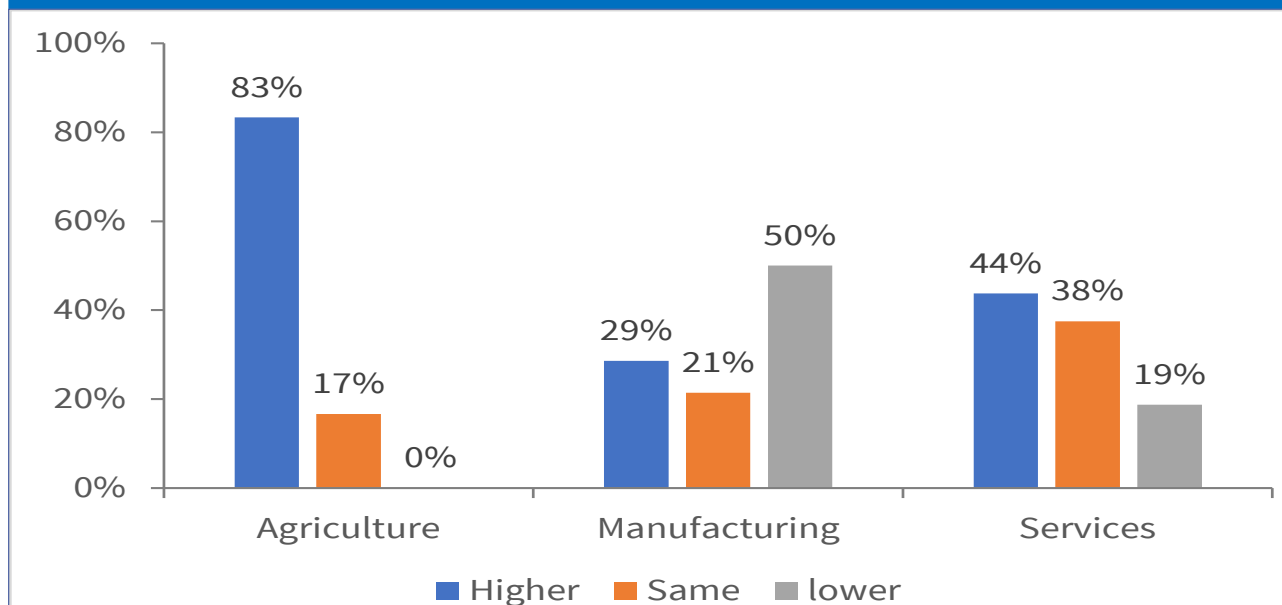
Increased sales and orders were reported in the agricultural sector, on account of increased export opportunities, especially in horticulture.

Global economic recovery also supported export demand thereby boosting sales **(Chart 3a and 3b)**.

**Chart 3a: Perceptions on Demand/Orders in 2021 Q4 relative to 2021 Q3 by Sectors**



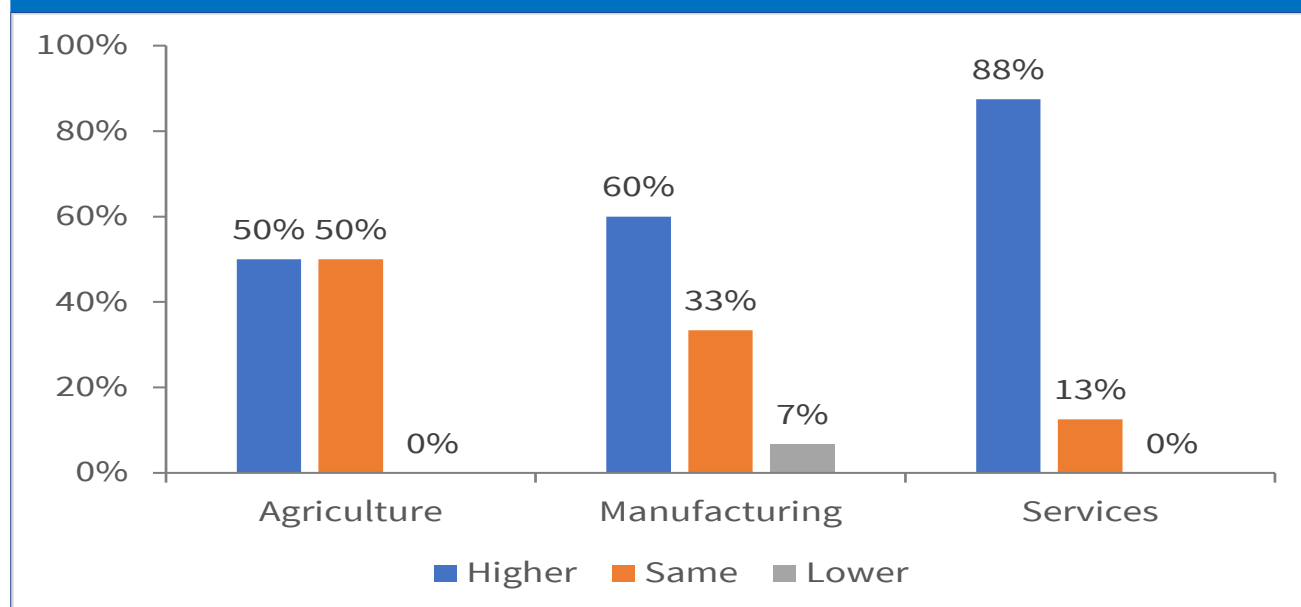
**Chart 3b: Perceptions on Sales Growth in 2021 Q4 relative to 2021 Q3 by Sectors**



High input prices continue to constrain production volumes, especially for firms in the manufacturing sector where supply chain constraints and cost of freight remain a big concern for majority of

respondents (**Chart 4**). Additionally, increases in the price of fuel and gas continued to constrain business activity in Q4.

**Chart 4: Perceptions on Purchase Prices in 2021 Q4 compared to 2021 Q3 by Sectors**

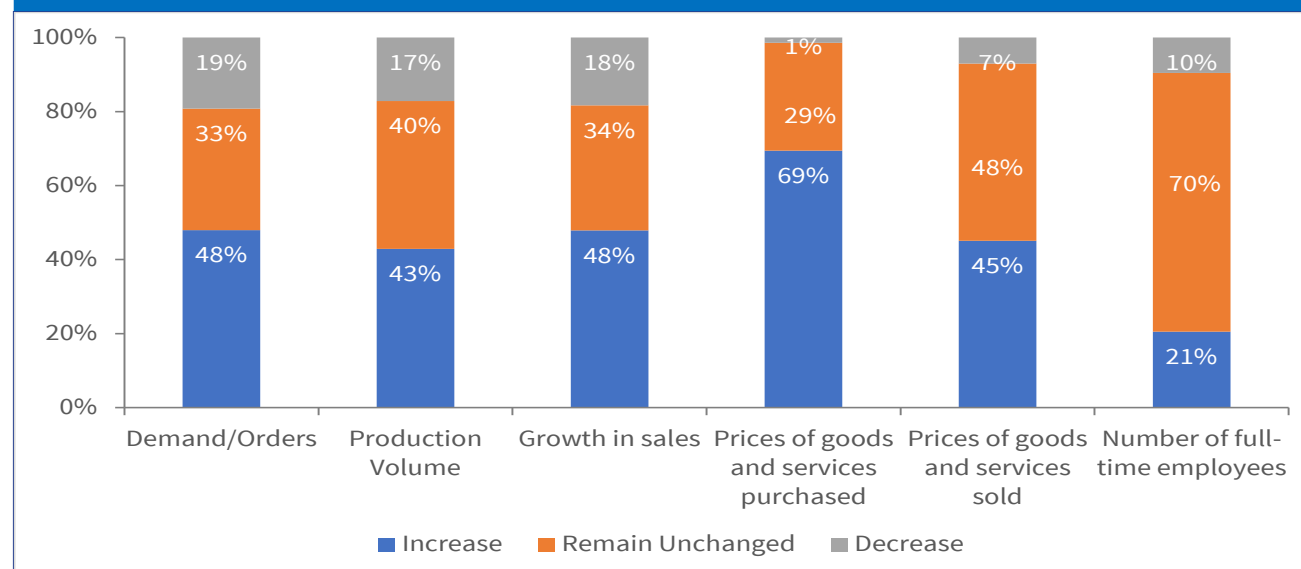


## 7. OUTLOOK FOR BUSINESS ACTIVITY IN 2022 Q1 COMPARED TO 2021 Q4

The Survey sought CEOs expectations of business activity in the first quarter of 2022 relative to the fourth quarter of 2021. Most CEOs expect business activity to mirror the performance in 2021 Q4 (**Chart 5**). Businesses anticipate that the continued resumption of normal operations will support business activity in the first quarter of 2022.

The services sector in particular expects strong performance, with firms in professional services anticipating significant increase in business activity in 2022 Q1, on account of seasonal factors. Respondents in the agricultural sector foresee global economic recovery supporting demand and sales volumes.

**Chart 5: Views on Outlook on Business Activity Indicators in 2022 Q1 compared to 2021 Q4**



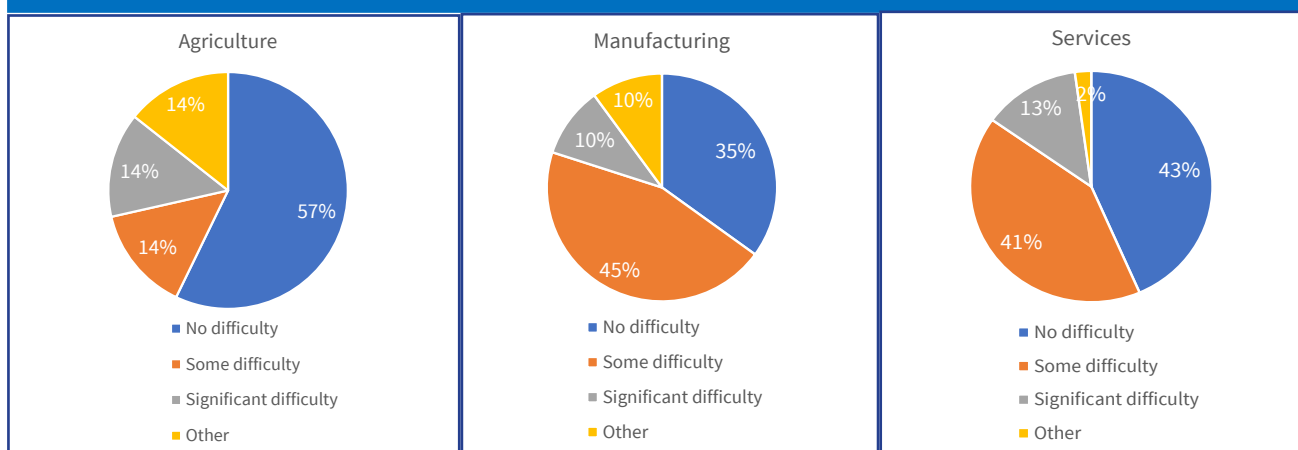


Further, respondents anticipate that supply chain bottlenecks and high input costs including freight costs and fuel prices could persist into the new year, thereby keeping production, sales and employment flat, especially for firms in the manufacturing sector. Firms in the manufacturing were also concerned that increased political noise may affect production in the new year. Similarly, firms in the tourism sector anticipate that their performance in 2022 Q1 remains uncertain and could be impacted by conditions in their source markets.

In terms of operating capacity, the Survey findings show that most respondents were operating below capacity and could increase production if there was an unexpected increase in demand/orders (**Chart 6**).

Firms that foresee some difficulty in meeting an unexpected increase in demand, attributed this to global supply chain disruptions, financing challenges, high cost of doing business and restricted technical capacity following attrition of mid-level staff members requiring replacement.

**Chart 6: Potential Level of Difficulty in Meeting Increased Demand or Sales**

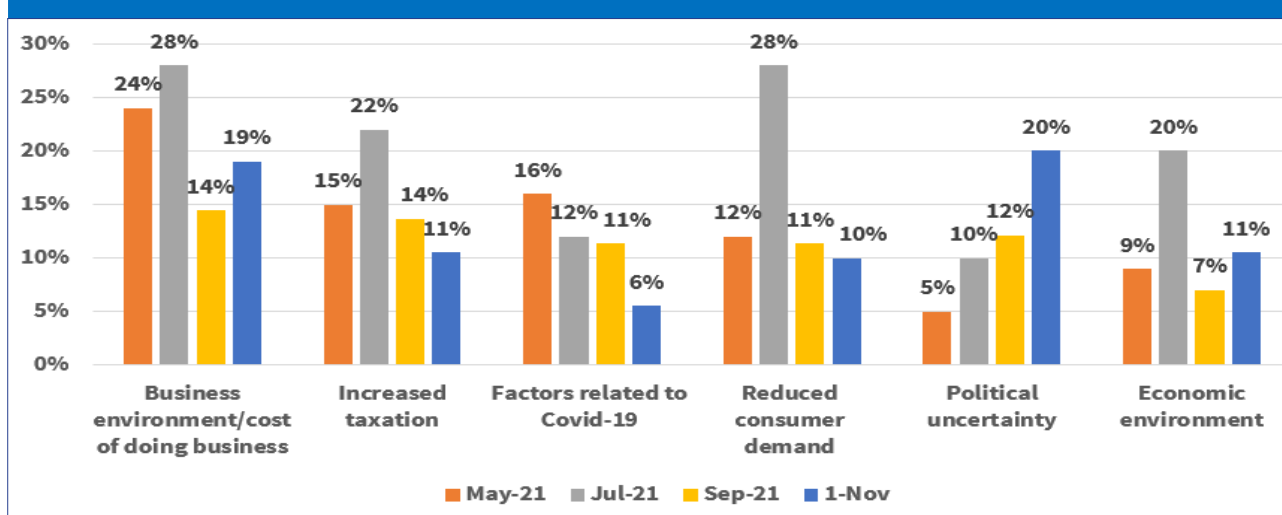


## 8. FACTORS CONSTRAINING EXPANSION OVER THE NEXT 12 MONTHS

The Survey sought to establish from the CEOs factors that could constrain the growth and/or expansion of firms over the next one year. The results show that while concerns over the Covid-19 pandemic have eased, firms continue to be concerned about the business environment and heightened political

activity (**Chart 7**). The CEOs reported that uncertainty created by increased political activity has become a significant risk which inhibits their ability to deliver projects in key service areas. Additionally, increased political activity may result in many clients adopting a 'wait/see' attitude on investment decisions.

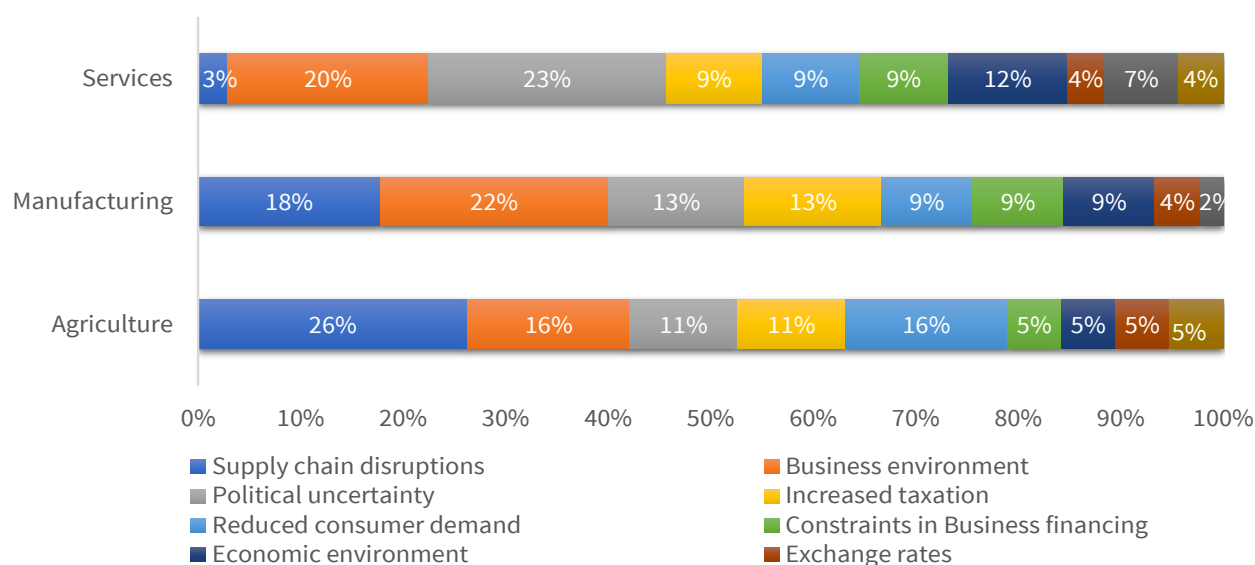
**Chart 7: Significant Factors that Constrain Firms' Expansion**



Business environment and supply chain disruptions were the main constraining factors for respondents in the manufacturing and services sectors (**Chart 8**). Increased taxation and political uncertainty ranked

equally for respondents in the manufacturing sector. Firms in the energy sector highlighted challenges in business environment as being particularly constraining.

**Chart 8: Significant Factors that Constrain Firms' Expansion by Sectors**



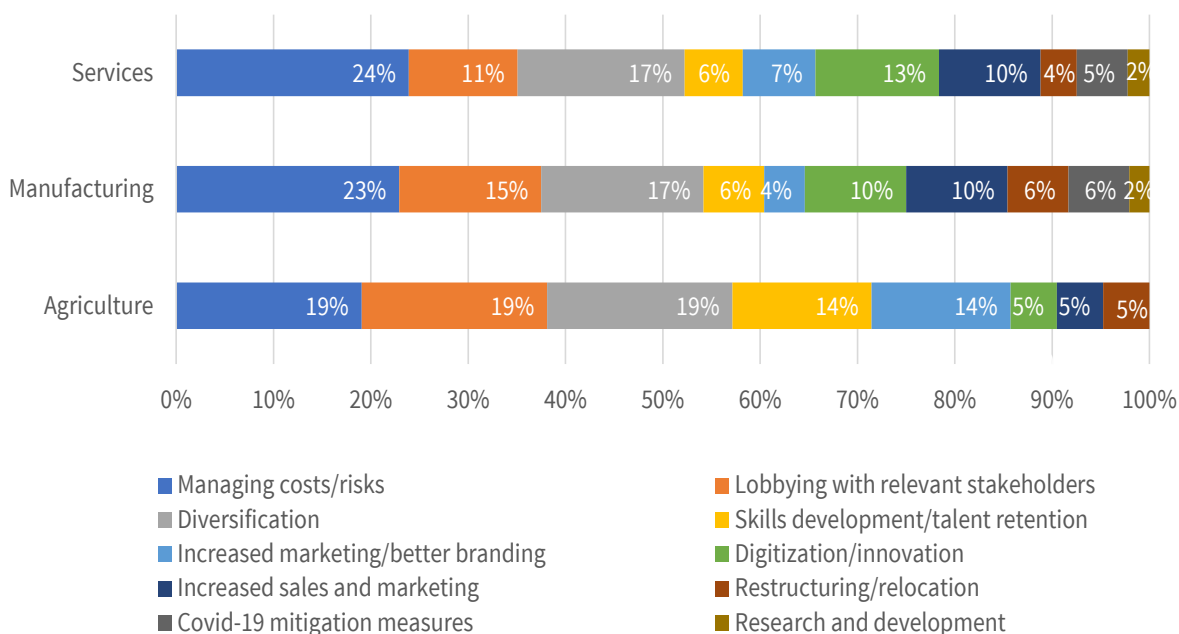
To mitigate the factors constraining growth/expansion, firms proposed various solutions: management of costs and risks, diversification as well as lobbying with relevant stakeholders. (**Chart 9**).

**Chart 9: Firms' Proposed Solutions to Factors Constraining Growth**



Digitization/innovation, and increased sales/marketing were important factors for the manufacturing and services sectors while lobbying with relevant stakeholders was also an important solution for manufacturing and agricultural sectors (**Chart 10**).

**Chart 10: Firms' Proposed Solutions to Factors Constraining Growth by Sector**



## 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. The Survey results highlighted improved efficiency and innovation as the main internal factor that could strengthen outlook

for all sectors. Strengthening product portfolio/development of new products and skills retention/talent development also continue to be important internal factors to strengthen outlook for majority of firms (**Chart 11**).

**Chart 11: Internal Factors that could Strengthen Firms' Outlook**

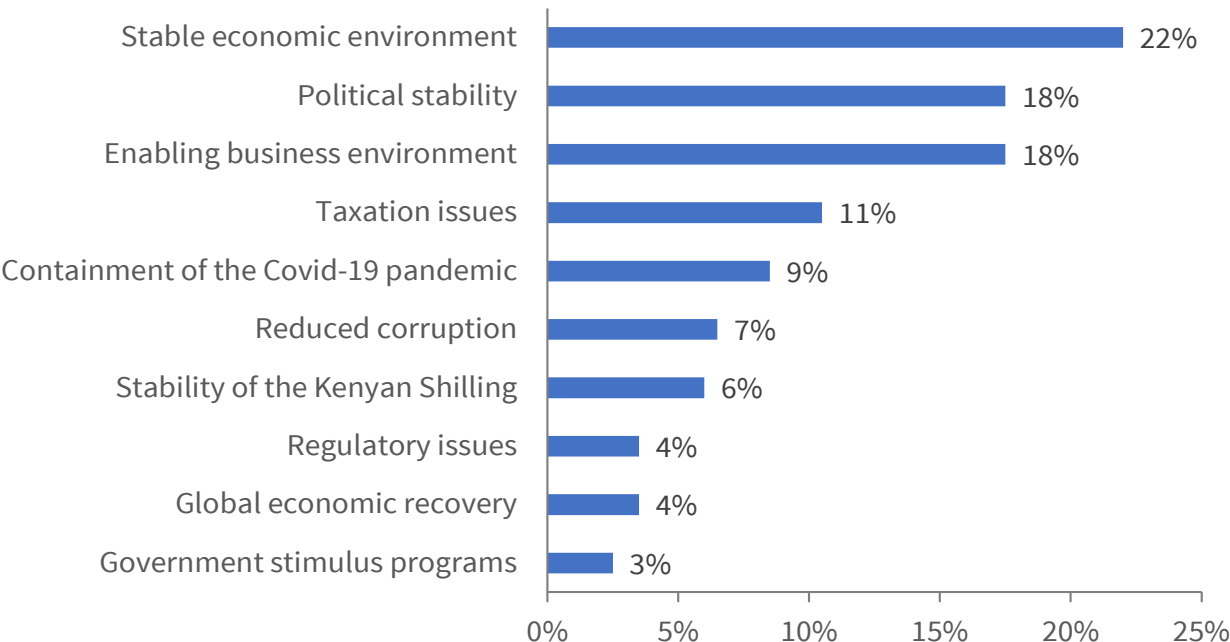


A sectoral analysis of the identified internal factors revealed that skills retention and talent development were important factors for the agriculture and services sector, while for the manufacturing sector, strong supply chains and strengthening product portfolio and increased marketing were important factors.

A stable economic environment, political stability and an enabling business environment were identified as top external factors across all sectors that businesses anticipate could strengthen their company outlook over the next 12 months (**Chart 12**).

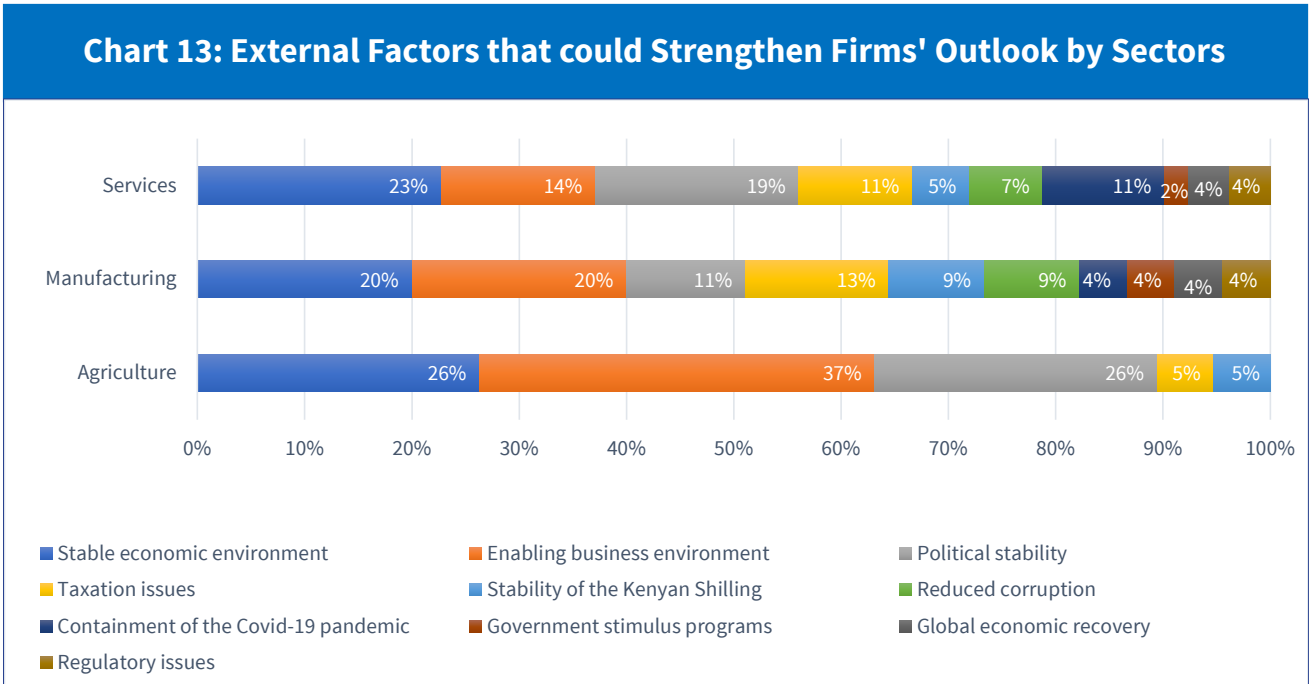
Business leaders pointed out that an easing of global supply chain constraints and a reduction of global crude oil prices would particularly strengthen their outlook. Additionally, CEOs in the energy sector await progress on implementation of a path towards the reduction of the cost of electricity as recommended by the Presidential Taskforce on the Review of Power Purchase Agreements (PPAs). This will provide clear guidance to support their investment decisions going forward.

**Chart 12: External Factors that could Strengthen Firms' Outlook**



A stable economic environment and political stability were top factors that could strengthen firms' outlook for firms in the services sectors. On the other hand, a stable economic environment and an enabling

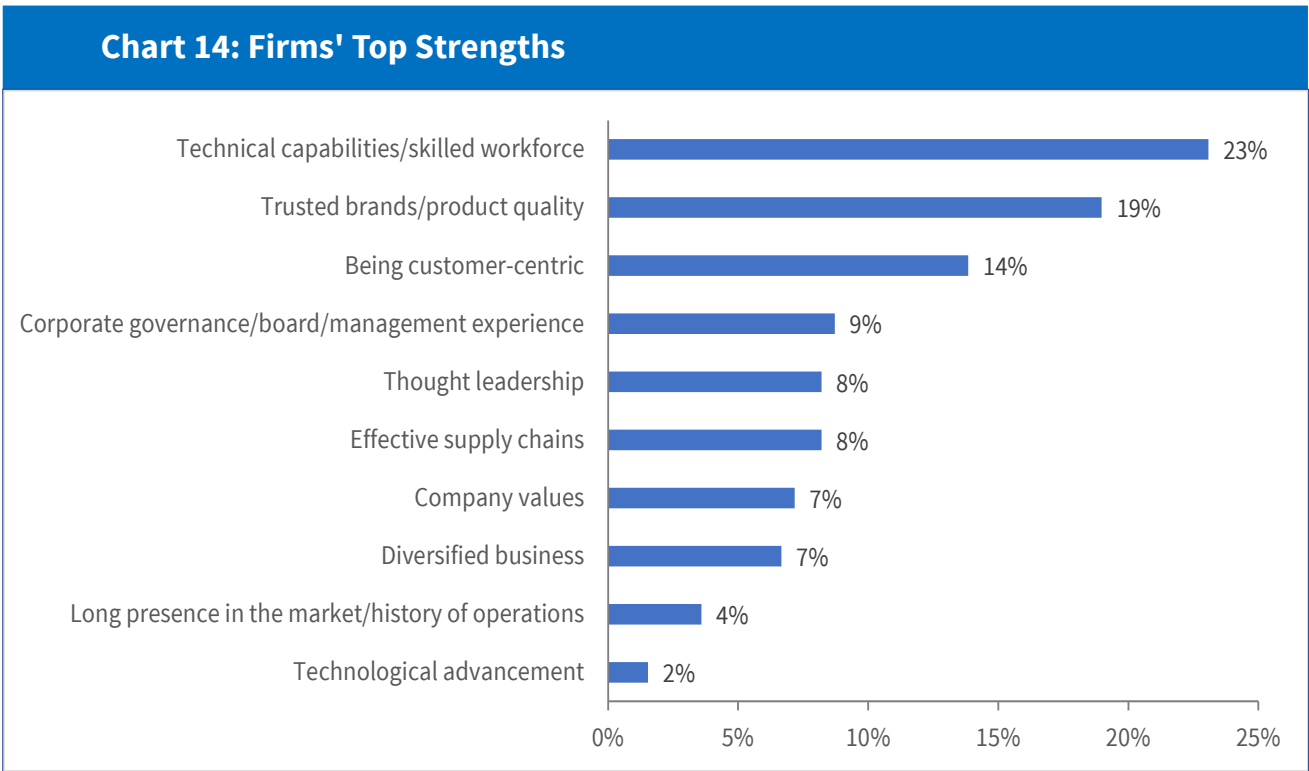
business environment were important factors for manufacturing and agriculture sector firms **(Chart 13)**.



## 10. TOP COMPANY STRENGTHS

The Survey required of respondents to indicate their company strengths. Firms' top strengths have remained consistent since the inaugural Survey in

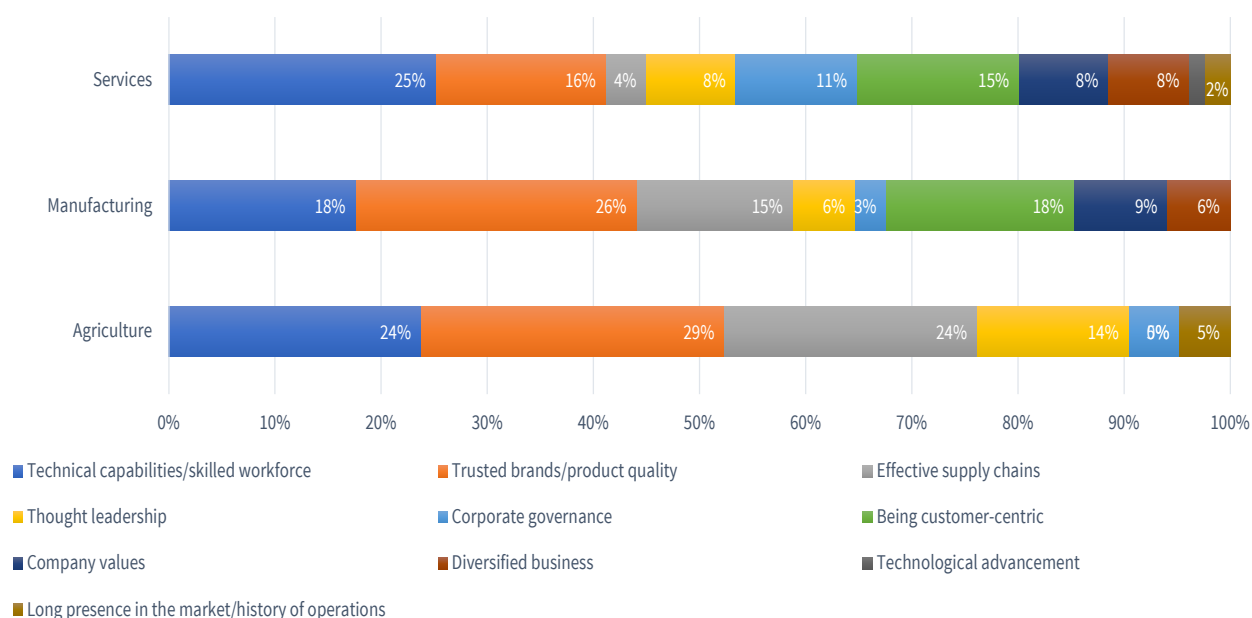
March 2021. Firms reported technical capabilities and skilled workforce as their top strength. Equally important are trusted brands and product quality as well as being customer-centric **(Chart 14)**.



At the sector level, a skilled workforce ranked top for firms in the services sector, while trusted brands were key strengths for the manufacturing and agriculture

sector firms. Also important for the same sectors were effective supply chains **(Chart 15)**.

**Chart 15: Firms' Top Strengths by Sectors**



## 11. STRATEGIC PRIORITIES

The Survey concluded by enquiring of respondents their strategic priorities over the next three years. The Survey revealed that firms' business strategies

over the medium-term have remained consistent since March 2021. Businesses plan to diversify, grow their businesses sustainably and invest in talent development **(Chart 16)**.

**Chart 16: Firms' Strategic Priorities over the Next Three Years**



Besides diversification and sustainable business growth which were ranked as top priorities by firms in the services sector, investing in skills development was also a priority for these firms **(Chart 17)**. Cost optimization and sustainable business growth

were important priorities for the manufacturing sector while for the agricultural sector, top priorities included improved efficiency, cost optimization and diversification.



## 12. CONCLUSION

The November 2021 Survey revealed the highest business optimism about the growth prospects since the inaugural survey in March 2021. Optimism was driven by higher confidence in the services sector, following the reopening of the economy, reduction of Covid-19 infections and prospects for strong global economic recovery. Growth prospects for the Kenyan economy remained mixed with some respondents citing concerns over poor weather conditions and heightened political activity.

Business leaders reported improving performance in business activity in 2021 Q4 relative to 2021 Q3 with respondents expecting an increase in business activity owing to seasonal spending. The CEOs remain optimistic about business activity for Q1

2022, with CEOs in professional services anticipating improved performance owing to seasonal factors. The prices of goods/services purchased is however expected to remain elevated owing to supply chain constraints and input cost pressures thereby limiting the scope for increased production volumes.

While concerns over the Covid-19 pandemic have eased, respondents indicated that expansion/growth of private sector firms over the next one year, could be constrained by heightened political activity and the business environment. To mitigate these constraining factors, firms across all sectors intend to manage costs and risks and diversify their businesses. An enabling business environment, a stable economic environment and political stability could strengthen firms' outlook over the next 12 months.



## ANNEX 1: BUSINESS CONFIDENCE INDEX METHODOLOGY

---

- The Business Confidence Index shows the trend of business confidence, combining perceptions about company, sectoral, Kenya and global economy growth prospects into a single indicator.
- An increasing trend represents increasing business confidence, while a declining trend represents declining business confidence.
- The Business Confidence Index is constructed as follows:
  - The raw data is transformed into 1 (“Higher”), 0 (“Same”), -1 (“Lower”).
  - The 1, 0 and -1 are summed up respectively.
  - A net balance is calculated by subtracting the responses for ‘higher’ growth prospects from those indicating ‘lower’ growth prospects.
  - This is repeated for company growth prospects, sectoral growth prospects, Kenya’s growth prospects and Global Economy growth prospects to obtain 4 net balance indicators.
  - The four net balance indicators are equally weighted (0.25) each and averaged to obtain the Business Confidence Index.

## ANNEX 2: SURVEY QUESTIONNAIRE

### GENERAL INFORMATION

i) What is your **title (Job Role)**?

ii) Please provide your **contact information**

Email: .....

iv) What is the **size** of your company in terms of

a) The number of employees	b) Annual turnover in 2019?
Less than 100 <input type="checkbox"/>	Less than KSh 250 million <input type="checkbox"/>
Between 100 – 250 <input type="checkbox"/>	Between KSh 250 million and KSh 750 million <input type="checkbox"/>
Between 251 – 500 <input type="checkbox"/>	Between KSh 751 million and KSh 1 billion <input type="checkbox"/>
Between 501 – 1000 <input type="checkbox"/>	Between KSh 1 billion and KSh 5 billion <input type="checkbox"/>
Over 1000 <input type="checkbox"/>	Over KSh 5 billion <input type="checkbox"/>
Other (please specify)	Other (please specify)

v) What is the ownership structure of your company?

Privately-owned Domestic	<input type="checkbox"/>
Privately-owned Foreign	<input type="checkbox"/>
Publicly listed Domestic	<input type="checkbox"/>
Publicly listed Foreign	<input type="checkbox"/>
Government-owned	<input type="checkbox"/>
Other (please specify)	
.....	

**vi) What is the main sector that your company operates in? Select one**

Agriculture ☐

Manufacturing ☐

Wholesale and Retail Trade ☐

Transport and Storage ☐

Real Estate ☐

Tourism ☐

Professional Services ☐

Other (please specify)  
.....

**vi) How long has your company been operating in Kenya?**

Less than 1 year ☐

1-5 years ☐

6-10 years ☐

11-15 years ☐

16-20 years ☐

21-30 years ☐

Over 30 years ☐

A. BUSINESS CONFIDENCE/OPTIMISM				
1.	In terms of <b>growth prospects</b> , please indicate your level of confidence in the following <u>over the next 12 months</u> , compared to the current situation. (Please select one option per statement).			
		Higher	Same	Lower
	Growth prospects for your company			
	Growth prospects for your sector			
	Growth prospects for Kenya			
	Growth prospects for the global economy			
	Any additional comment on growth prospects?			
B. OUTLOOK ON BUSINESS ACTIVITY				
2.	a) How would you rate the following performance indicators during <b>Quarter 4, 2021 (October – December)</b> compared with <b>Quarter 3 2021 (July-September)</b> ?			
		Higher	Same	Lower
	Demand/ Orders			
	Production volume			
	Growth in sales			
	Prices of goods and services purchased			
	Prices of goods and services sold			
	Number of full-time employees			
	Any additional comment on performance of business activities?			

	b) How do you expect the indicators below to develop in <b>Quarter 1, 2022 (January-March)</b> compared to <b>Q4 2021 (October-December)</b> ?			
		Increase	Remain Unchanged	Decrease
	Demand/ Orders			
	Production volume			
	Growth in sales			
	Prices of goods and services purchased			
	Prices of goods and services sold			
	Number of full-time employees			
	Any additional comment on expectation of business activities?			

3. Currently, what is the **potential level of difficulty** in meeting an unexpected increase in demand or sales?

No difficulty (operating below capacity)

☐

Some difficulty (at or near full capacity)

☐

Significant difficulty (operating above capacity)

☐

Other (please specify)

.....

Any additional comment on operating capacity?

.....

## C. OUTLOOK ON THE EXTERNAL BUSINESS ENVIRONMENT

4a) In your view, **what are the top three factors that could significantly constrain the expansion/growth of your company over the next 12 months?** List 3

	1	2	3
Business environment/cost of doing business (delayed disbursements, cost of inputs, etc.)			
Increased taxation			
Factors related to Covid-19 (availability of vaccines, increased infections, lockdowns etc.)			
Constraints in business financing (inability to secure credit, cost of credit etc.)			
Reduced consumer demand (reduced consumer purchasing power)			
Political uncertainty			
Economic environment (inflation, economic slowdown etc.)			
Exchange Rates			
Supply chain disruptions			
Regulatory issues			
Other (please specify)			

4b) What **top three** things is your company doing to **mitigate the significant factors that could constrain growth/expansion**

	1	2	3
Managing costs/risks			
Lobbying with relevant stakeholders (governments, business membership organizations etc.)			
Digitization/innovation/enhanced use of technology			
Skills development/hiring/talent retention			
Covid-19 mitigation measures (vaccinations, employee safety, complying with MOH guidelines etc.)			
Increased sales and marketing			
Restructuring/relocation			
Diversification (expansion into new markets, developing new products etc.)			
Increased marketing/better branding			
Research and development			
Other (please specify)			

5. In your view, what **top 3 internal factors** could strengthen your company's outlook over the next 12 months?

	1	2	3
Improved efficiency/innovation			
Skills retention and talent development			
Strengthen product portfolio/develop new products			
Diversification of revenue streams			
Internal measures to contain costs (restructuring, outsourcing etc.)			
Digitization/increased automation			
Strong supply chains			
Union relationships			
Increased marketing/better branding			
Strengthen corporate governance			
Other (please specify)			



6. In your view, what **top three external factors** could strengthen your company's outlook over the next 12 months?

	1	2	3
Containment of the Covid-19 pandemic			
Stable economic environment (controlled inflation, economic growth etc.)			
Enabling business environment/easing of the cost of doing business			
Global economic recovery			
Political stability			
Stability of the Kenyan Shilling			
Taxation issues (reduced taxation, tax refunds, tax incentives etc.)			
Reduced corruption			
Government stimulus programs			
Regulatory issues (licensing, county regulations, proportionate regulation, approvals etc.)			
Other (please specify)			

## D. STRENGTH AND STRATEGIC PRIORITIES

7. What are your company's <b>top three strengths</b> ? (Please give in order of importance, starting with the most important)			
	1	2	3
Technical capabilities/skilled workforce			
Trusted brands/product quality			
Corporate governance/board/management experience			
Effective supply chains			
Company values			
Thought leadership			
Being customer-centric			
Diversified business			
Technological advancement			
Long presence in the market/history of operations			
Other (please specify)			

8. What are the <b>top 3 strategic priorities</b> for your company over the next 3 years?			
	1	2	3
Improved efficiency			
Cost optimization			
Diversification (market expansion/new products)			
Invest in talent/skills development			
Improve corporate governance			
Sustainable business growth			
Mergers and Acquisitions			
Mobilization of resources			
Digital transformation/technological advancements			
Partnerships/engagement			
Other (please specify)			

#### E. Any other comments

9. Do you have any other comments that you would like to give?

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_



**Central Bank of Kenya**

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