



Central Bank of Kenya

Chief Executive Officers' (CEOs) Survey

May 2025

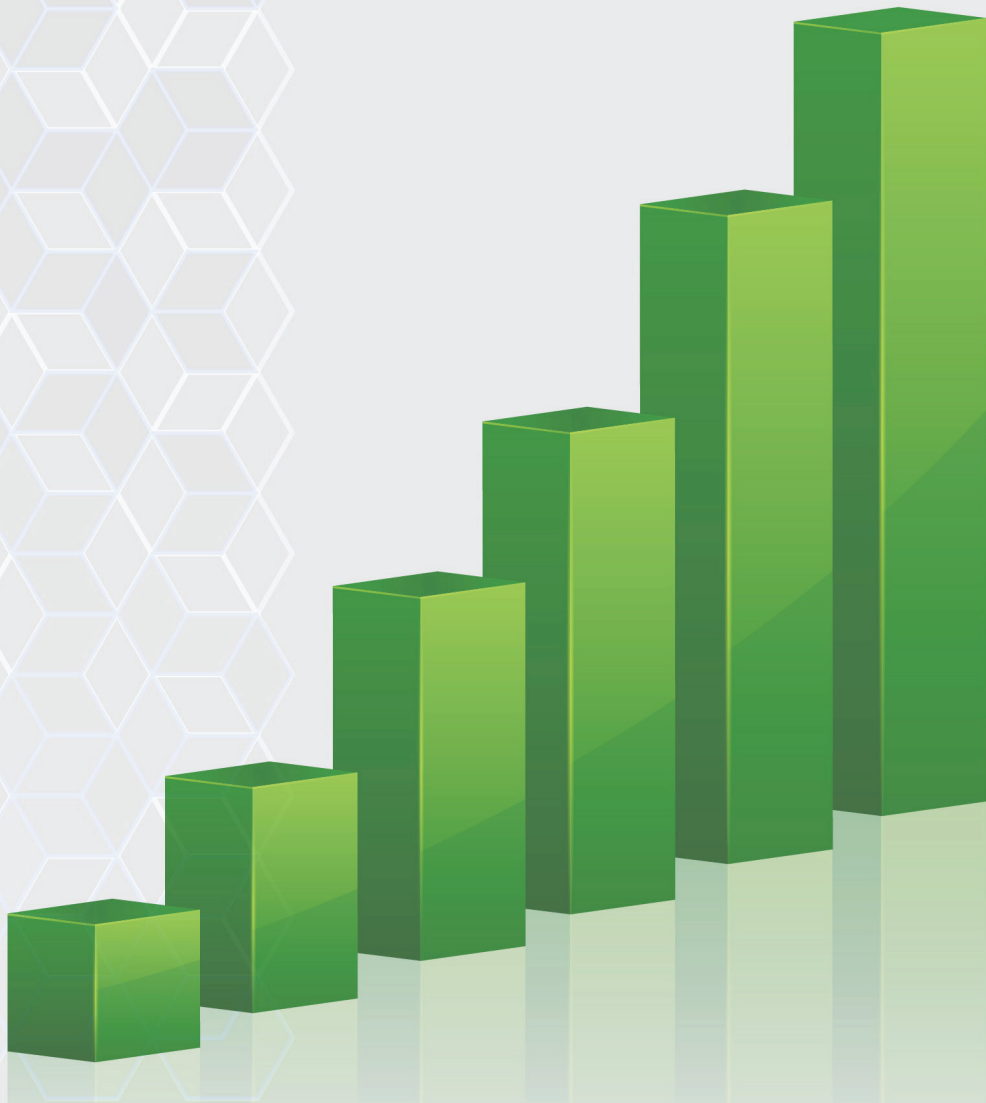


TABLE OF CONTENTS

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 2025 Q2 COMPARED TO 2025 Q1	4
7. OUTLOOK FOR BUSINESS ACTIVITY IN 2025 Q3 COMPARED TO 2025 Q2.....	7
8. FIRMS' SOURCES OF FINANCING	10
9. FIRM EXPANSION AND GROWTH OVER THE NEXT 12 MONTHS	12
10. FACTORS TO STRENGTHEN FIRMS' OUTLOOK OVER THE NEXT 12 MONTHS.....	15
11. TOP COMPANY STRENGTHS	16
12. STRATEGIC PRIORITIES	17
13. CONCLUSION	18
14. RECOMMENDATIONS ON HOW THE BUSINESS ENVIRONMENT CAN BE IMPROVED	19

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 also obtains feedback in terms of the suggestions that would improve the business environment

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 12-23, 2025. 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 2025 quarter two (Q2) compared to 2025 quarter one (Q1), and their expectations for economic activity in the third quarter of 2025 (Q3). The Survey also sought to obtain the significant factors likely to affect business expansion/growth in the next one year (May 2025 – April 2026), as well as the strategic directions and solutions to address their key constraining factors over the medium term (May 2025 – April 2028). 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: tourism, hotels, and restaurants (18 percent), manufacturing (16 percent), financial services (14 percent), agriculture (10 percent), healthcare and pharmaceuticals (10 percent), ICT and telecommunications (8 percent), professional services (8 percent), real estate (4 percent), wholesale and retail trade (3 percent), transport and storage (2 percent), media (2 percent), mining and energy (2 percent) and education (2 percent). Building and construction, security, and all other sectors not specified accounted for one percent and below of the respondents.

Majority of the respondents (68 percent) were privately-owned domestic firms, while the rest were privately-owned foreign businesses (17 percent), government owned entities (4 percent), publicly listed foreign companies (3 percent), publicly listed domestic companies (1 percent) and other ownership structure (6 percent). Forty-five percent of the respondents had a turnover of over Ksh 1 billion in 2024, fourteen percent of the respondents had a turnover of between Ksh 250 million and 1 billion, while thirty eight percent of the respondents had a turnover of less than Ksh 250 million during the same period. In terms of employment, 43 percent of respondents employed less than 100 employees, 42 percent of the respondents had between 100 and 1000 employees, while 15 percent of respondents employed over 1000 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 were:

- Firms reported improved growth prospects for the Kenyan economy for the next 12 months supported by continued macroeconomic stability, favourable weather conditions and expectations of improved liquidity owing to declining bank lending rates.
- Company growth prospects were higher, supported by company specific strategic actions to spur growth.
- Sectoral growth prospects improved, driven by sector specific opportunities. However, some sectors continue to report challenges.

- Global growth prospects for the next 12 months improved. Respondents expect growth to be supported by lower inflation and monetary policy easing in advanced economies. However, concerns around regional and geopolitical tensions, heightened uncertainty and possible trade disruptions remain.
- Indicators of business activity show mixed performance in 2025Q2 relative to 2025Q1, largely driven by seasonality factors. However, economic activity is expected to improve in 2025Q3 compared to 2025Q2.
- Majority of the respondents expect to be impacted by the recent U.S trade tariffs and policy changes.
- More respondents reported declined bank loan rates in the May 2025 survey compared to the March 2025 survey. However, the magnitude of the decline is marginal.
- Improved operational efficiency, customer centricity and expansion into new markets were identified as key drivers of firm's growth over the next 12 months. However, elevated cost of doing business, reduced consumer demand, taxation and levies could constrain growth.

5. BUSINESS CONFIDENCE/OPTIMISM OVER THE NEXT 12 MONTHS

The Survey assessed the CEOs optimism in the growth prospects for their companies, sectors, the Kenyan and global economies over the next 12 months. The survey showed improved growth prospects for the Kenyan economy in the next 12 months, supported by continued stability of the Kenyan shilling and low inflation, improved performance of the agriculture sector and linked sectors supported by favourable weather conditions, expectations of improved liquidity owing to continued decline in bank lending rates, and continued innovations, technology adoption and digitization of the economy. However, respondents raised concerns around the low consumer purchasing power, expectations of increased taxes and levies in the financial year 2025/26, and the potential impact of trade wars, new U.S Administration policies, and geopolitical tensions on the domestic economy **(Chart 1)**.

Majority of respondents reported higher growth prospects for companies, supported by strategic actions to improve performance. These included strategic partnerships and collaborations, increased operational efficiency, customer centricity, effective leadership, increased automation and innovation,

increased marketing and product diversification for wider market reach. However, elevated cost of doing business, cashflow challenges, and muted consumer demand are some of the factors that could constrain growth at company level **(Chart 2)**.

Sectoral growth prospects for the next one year improved, supported by sector specific opportunities. Respondents in the agriculture sector reported expectations of stable performance supported by ongoing long rains and availability of alternate markets for their produce. However, the cost of production within the sector remains high, and access to financing remains constrained, largely due to the risk perception for the sector by financiers. The financial services sector prospects are higher, driven by increasing demand for financial services, increased automation and customer centricity, with varied products tailor made to meet the needs of the various market segments. In addition, players in the sector expect increased demand for financial services, on account of the declining interest rates. Despite the good prospects, the growing non-performing loans pose a risk for the sector. The tourism sector prospects improved, driven by continued recovery reflected in enhanced foreign and domestic tourism, increased investment in tourism infrastructure, and marketing. However, some respondents reported lower conference bookings from Non-Governmental Organisations and other donor funded programs, an impact of the recent U.S policy on donor fund cuts. The ICT sector growth will be driven by strategic partnerships aimed at enhancing performance and expansion, while professional services sector will continue to expand supported by customer centricity and new opportunities for growth.

Despite improved overall sectoral prospects, some sectors continue to face challenges. For instance, the manufacturing sector continues to report liquidity constraints, muted consumer demand and elevated cost of doing business. The health sector players reported liquidity constraints arising from pending bills and donor fund cuts, while the wholesale and retail trade sector continues to be impacted by the lower consumer purchasing power.

Global growth prospects in the next 12 months improved, supported by lower inflation and monetary policy easing in advanced economies. However, concerns remain around regional and geopolitical tensions, heightened global uncertainty and its possible impact on global supply chains, the new U.S. Administration policy changes, global tariffs wars and the resultant inflationary pressures, and overall impact on trade.

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

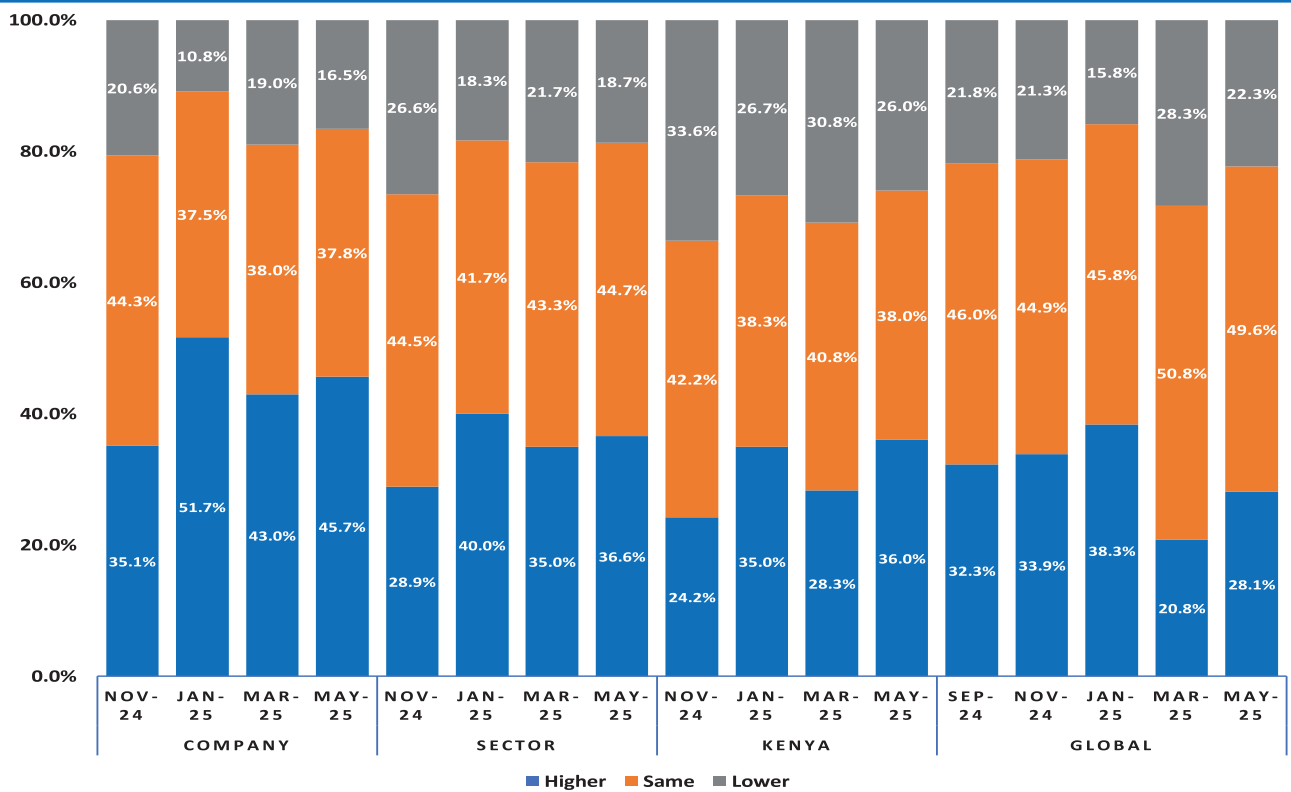
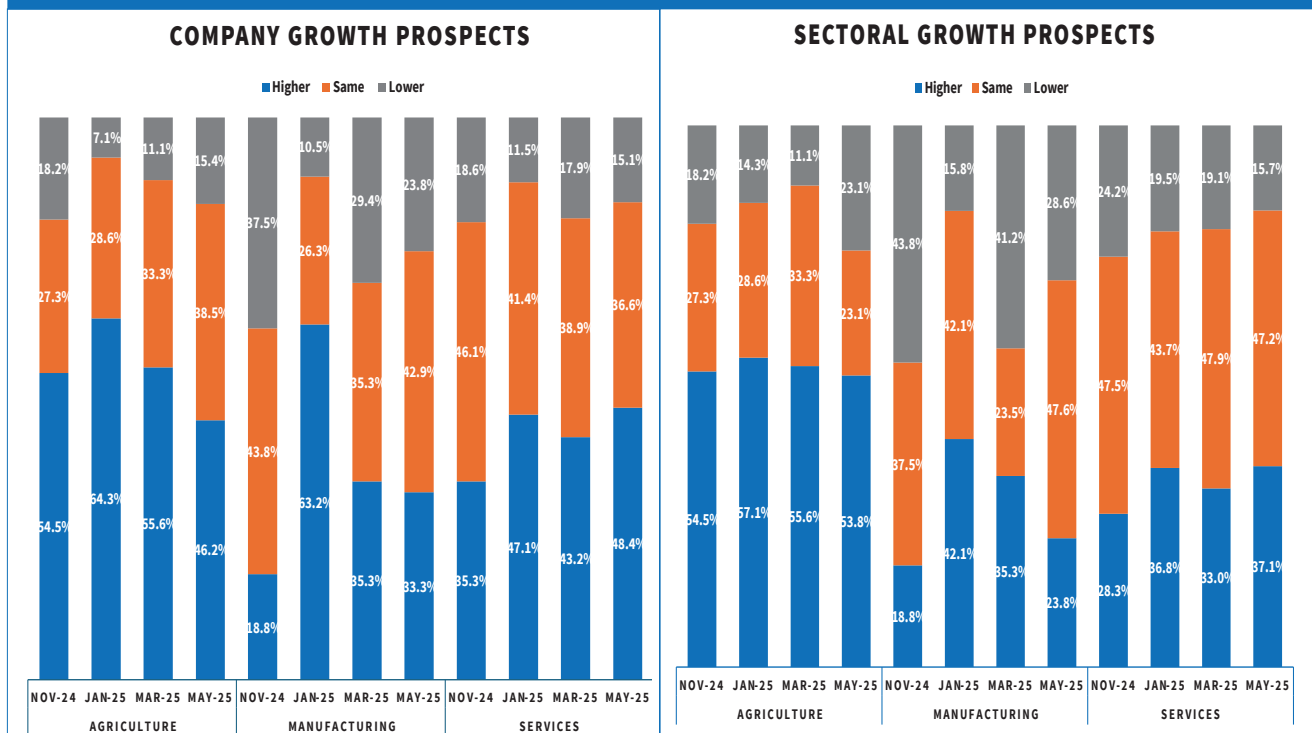


Chart 2: Sectoral analysis of growth prospects over the next 12 months (percent of respondents)



6. BUSINESS ACTIVITY IN 2025 Q2 COMPARED TO 2025 Q1

The Survey sought CEOs perceptions on business activity in the second quarter relative to the first quarter of 2025. The balance of opinion of 2025 Q2 expectations relative to the previous quarter shows mixed performance of indicators of business activity. More respondents reported increased business activity, supported by seasonality factors. This was reflected in higher growth in sales, production volume, demand orders and number of full-time employees in 2025 Q2 relative to the previous quarter. However, prices of goods and services purchased were lower, supported by low commodity prices and stable exchange rate. On the other hand, despite the elevated costs of doing business, prices of goods and services sold remained relatively unchanged as

firms were reluctant to pass on the costs to to retain customers, amidst the muted consumer demand **(Chart 3 and 4)**.

Demand orders and growth in sales were highest in manufacturing sector, while the production volumes and purchase prices (input costs) were highest in the agriculture sector largely on account of seasonality factors in line with the long rains period. Majority of respondents in the services sector reported stability in business activity. Meanwhile, more respondents in the manufacturing sector reported stable or lower purchases and sales prices during the quarter relative to the previous quarter. On the other hand, number of employees remained largely unchanged across sectors **(Chart 5 to 9)**.

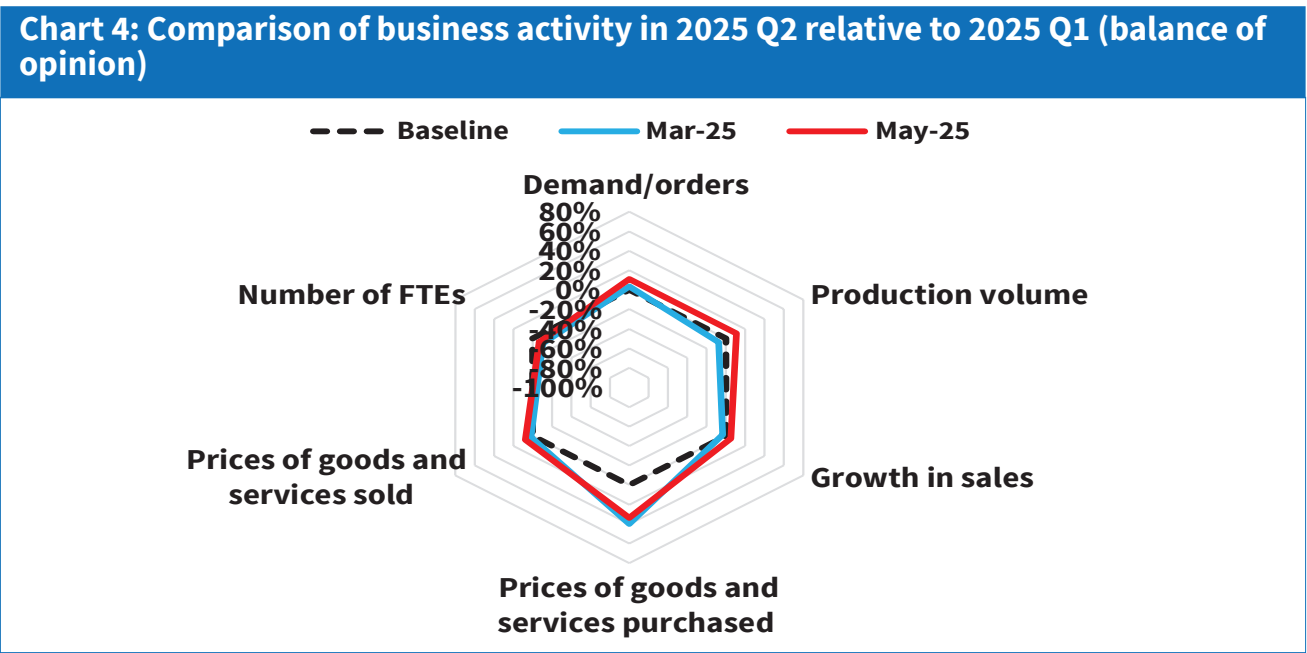
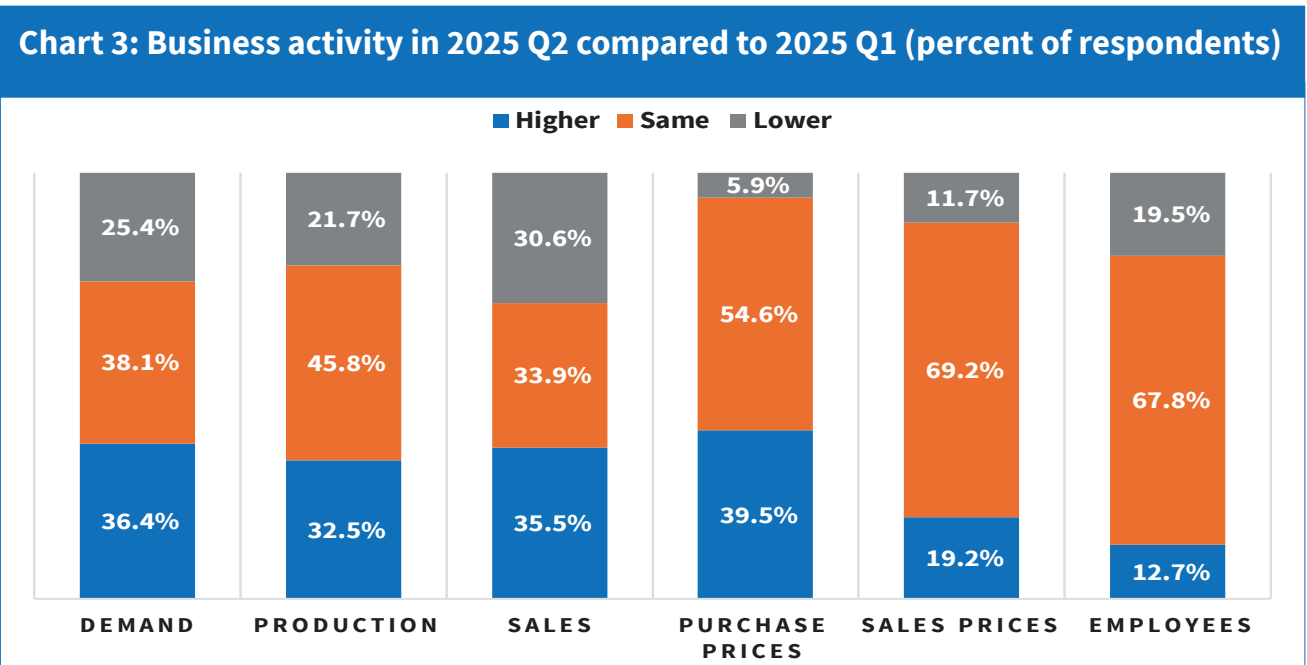


Chart 5: Demand/Orders in 2025 Q2 relative to 2025 Q1 by sectors (percent of respondents)

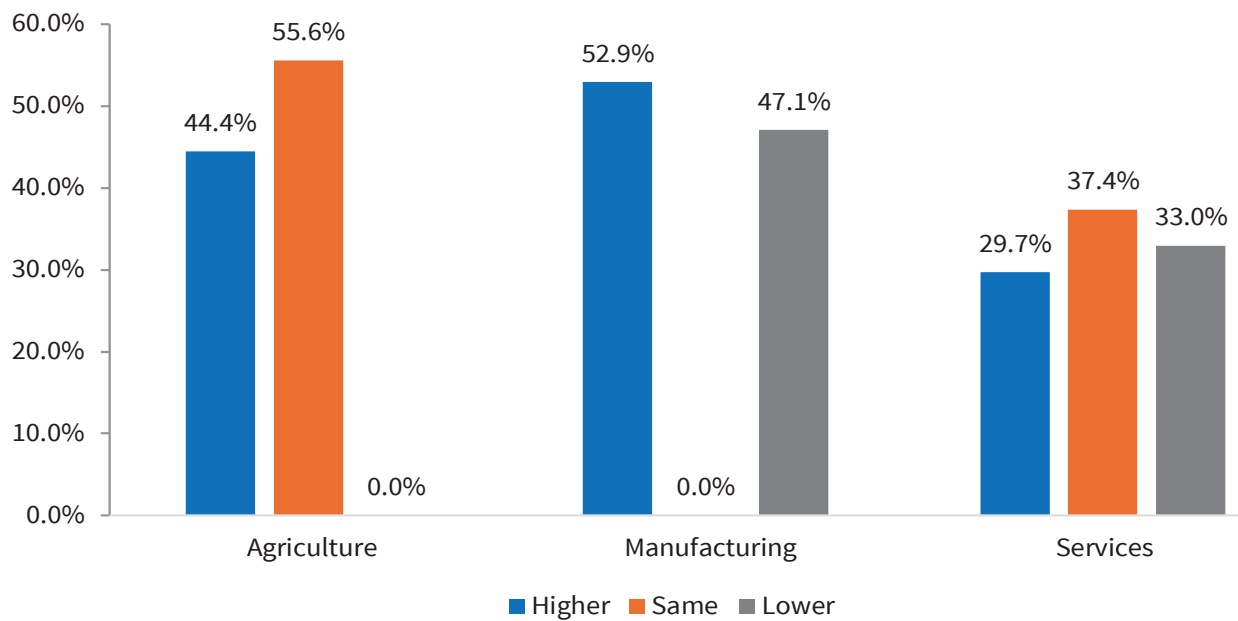


Chart 6: Sales growth in 2025 Q2 relative to 2025 Q1 by sectors (percent of respondents)

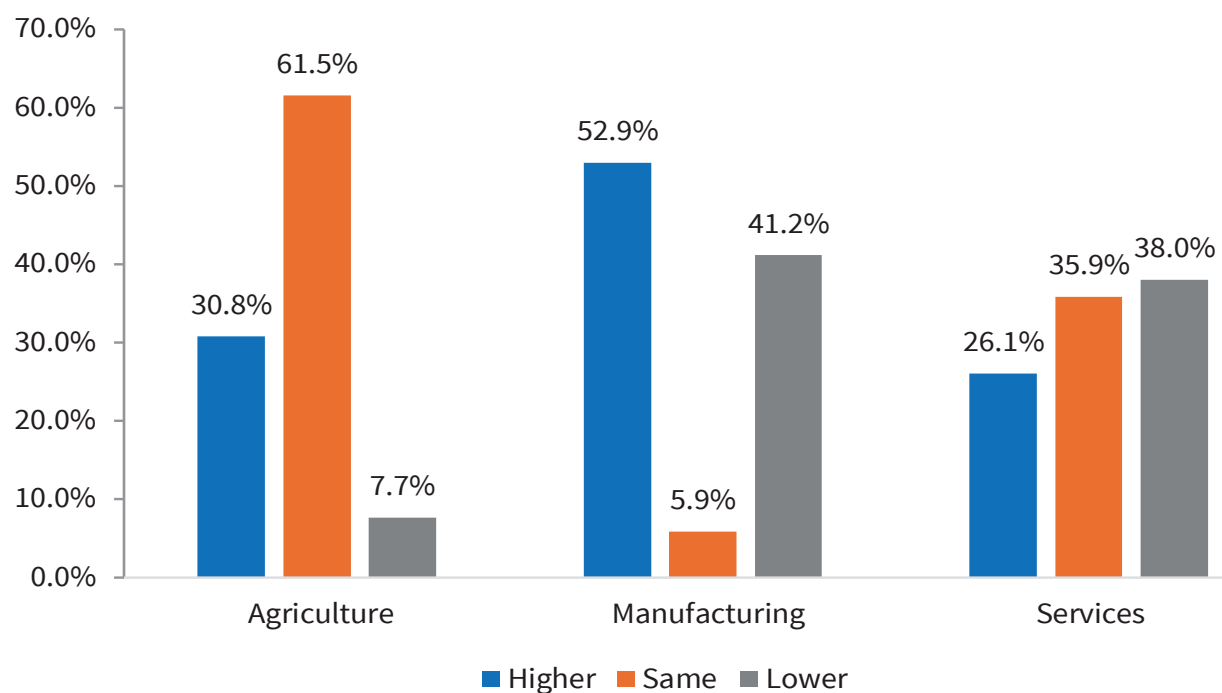


Chart 7: Purchase and sales prices in 2025 Q2 relative to 2025 Q1 by sectors (percent of respondents)

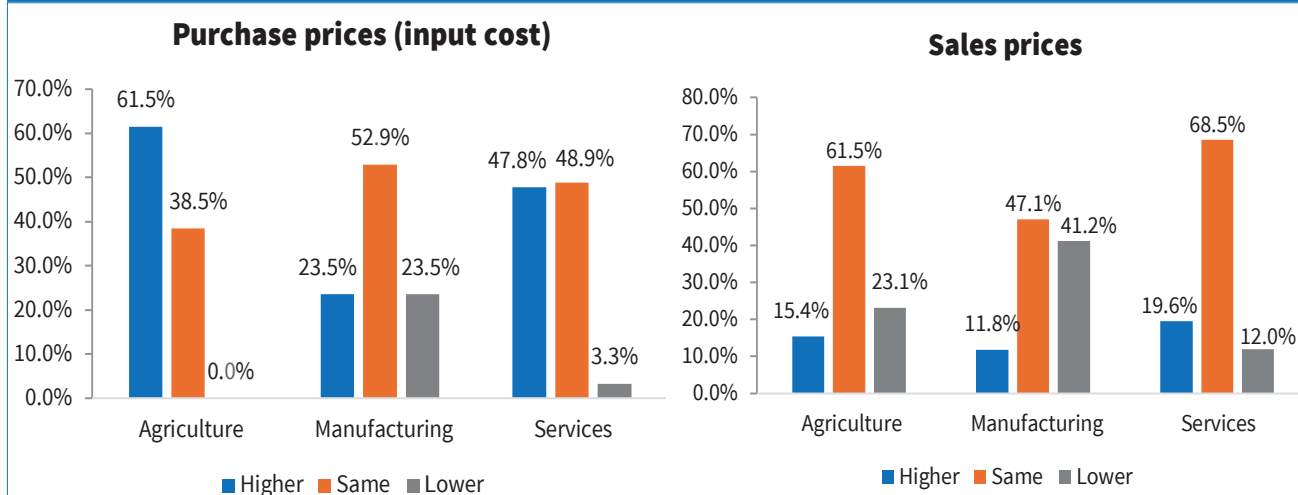


Chart 8: Production volumes in 2025 Q2 relative to 2025 Q1 by sectors (percent of respondents)

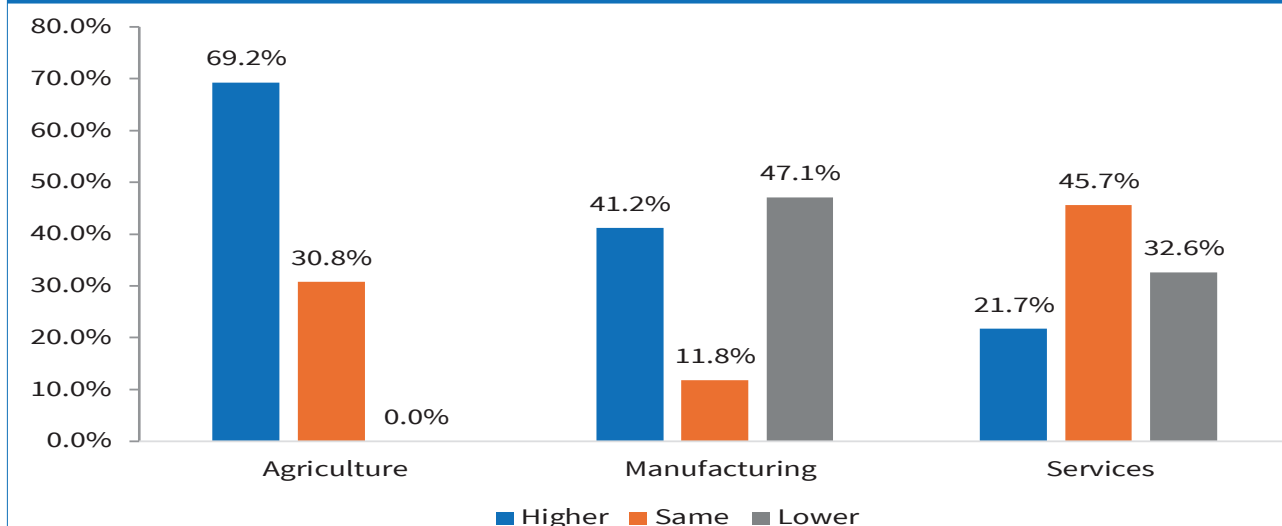
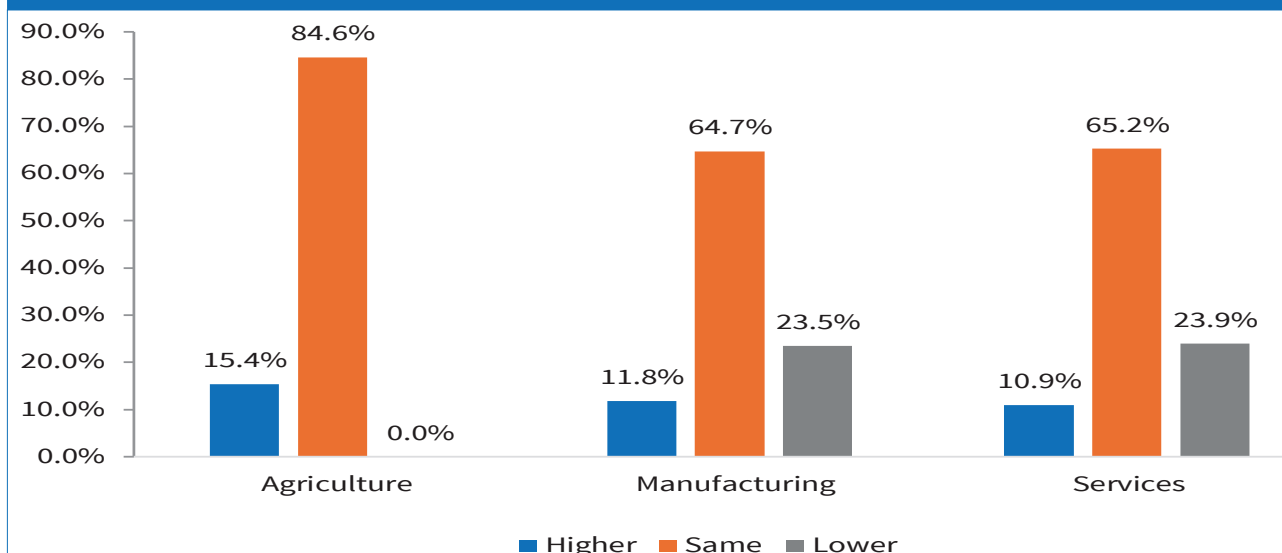


Chart 9: Number of full-time employees in 2025 Q2 relative to 2025 Q1 by sectors (percent of respondents)



7. OUTLOOK FOR BUSINESS ACTIVITY IN 2025 Q3 COMPARED TO 2025 Q2

The Survey sought CEOs expectations of business activity in the third quarter of 2025 relative to the second quarter. More respondents expect improvement in business activity in 2025Q3 relative to 2025Q2 (**Chart 10**). The balance of opinion for the next quarter expectations relative to current quarter shows prospects of higher demand orders, production volume, growth in sales and number of full-time employees due to seasonality factors. The number of full-time employees is expected to increase to support the increased business activity, particularly in the agriculture sector.

However, majority of respondents in the manufacturing sector expect activity to remain largely unchanged, on account of high cost of doing business, low consumer demand, taxation and levies. Despite the improved business activity, purchase and sales prices are expected to be higher in the next quarter due to seasonality with expected price adjustments due to upcoming budget measures and impact of higher global tariffs. Nevertheless, overall activity is expected to be enhanced relative to the baseline (**Chart 11**).

Chart 10: Outlook on business activity in 2025 Q3 compared to 2025 Q2 (percent of respondents)

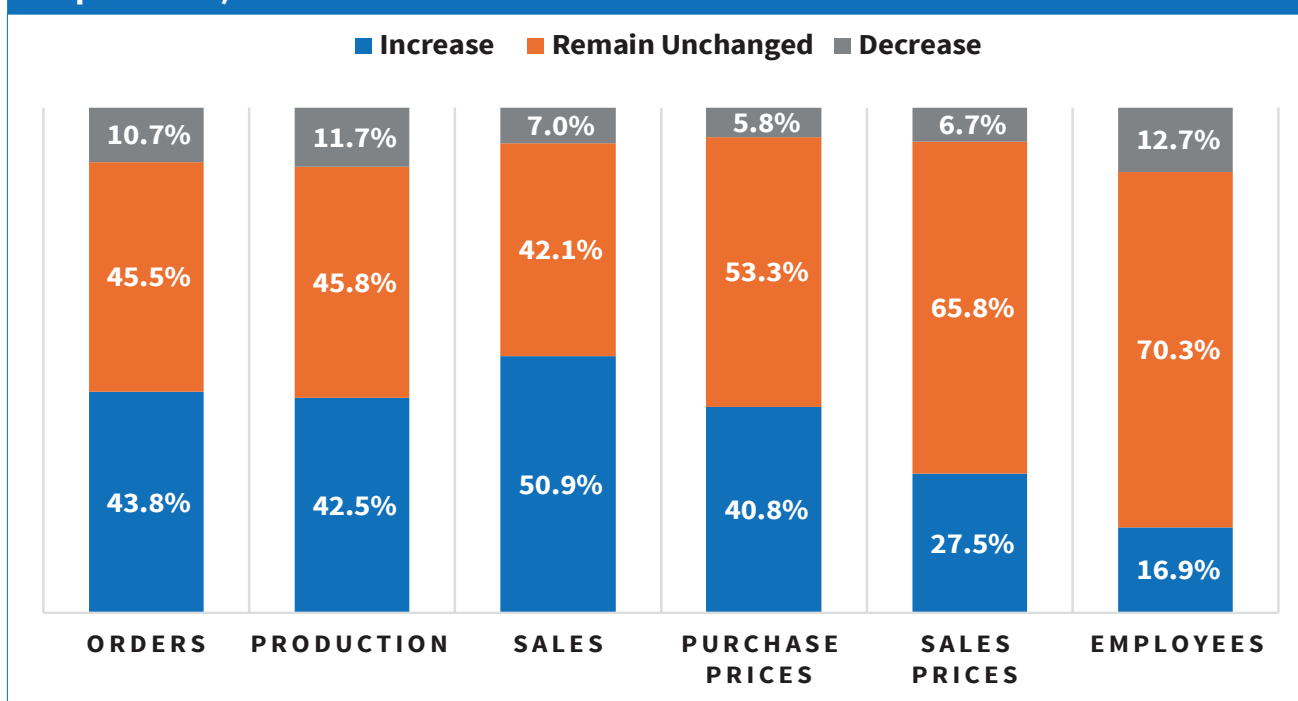


Chart 11: Expectations of business activity in 2025 Q3 relative to 2025 Q2 (balance of opinion)

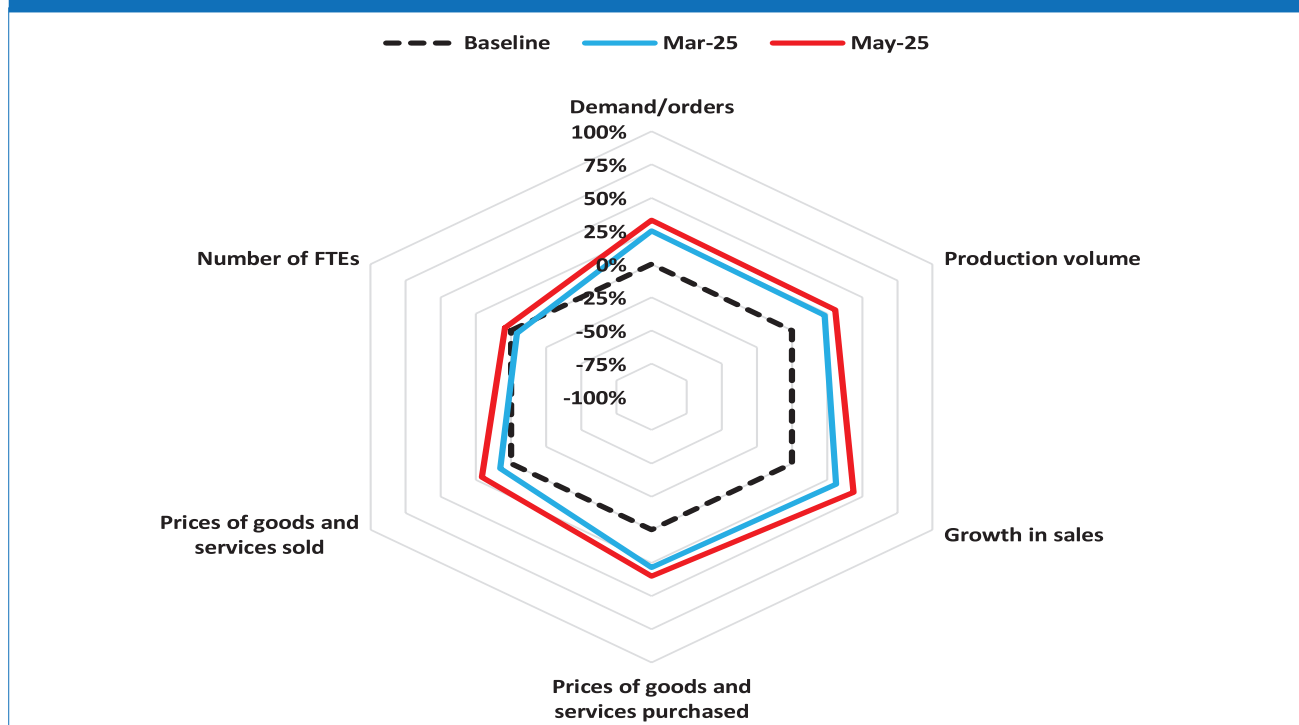
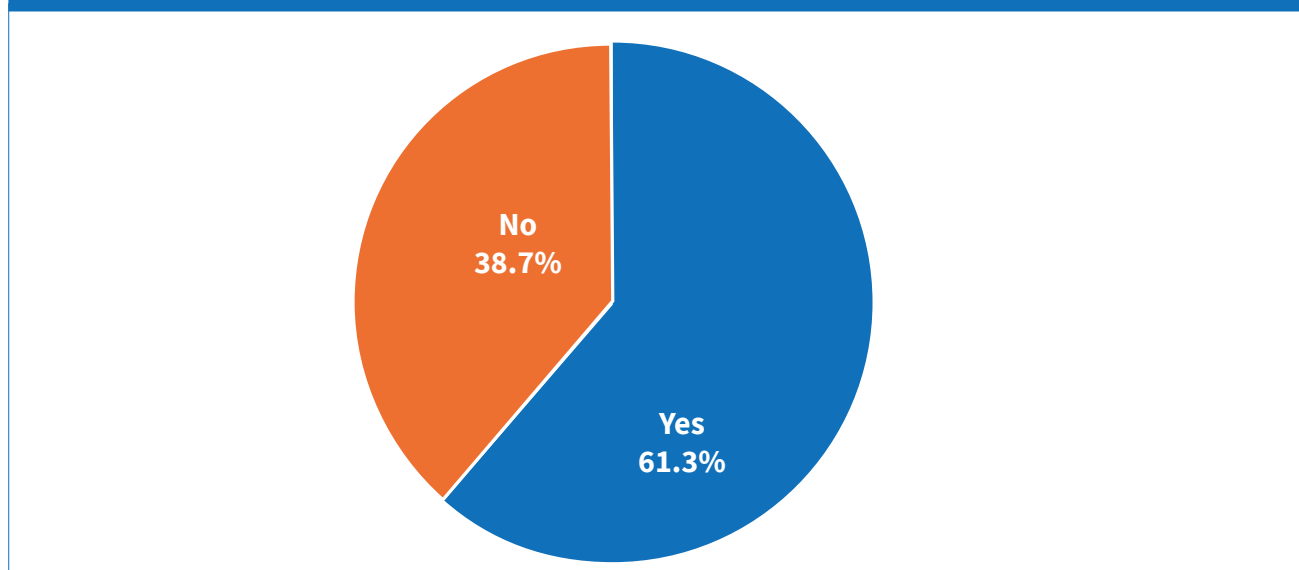


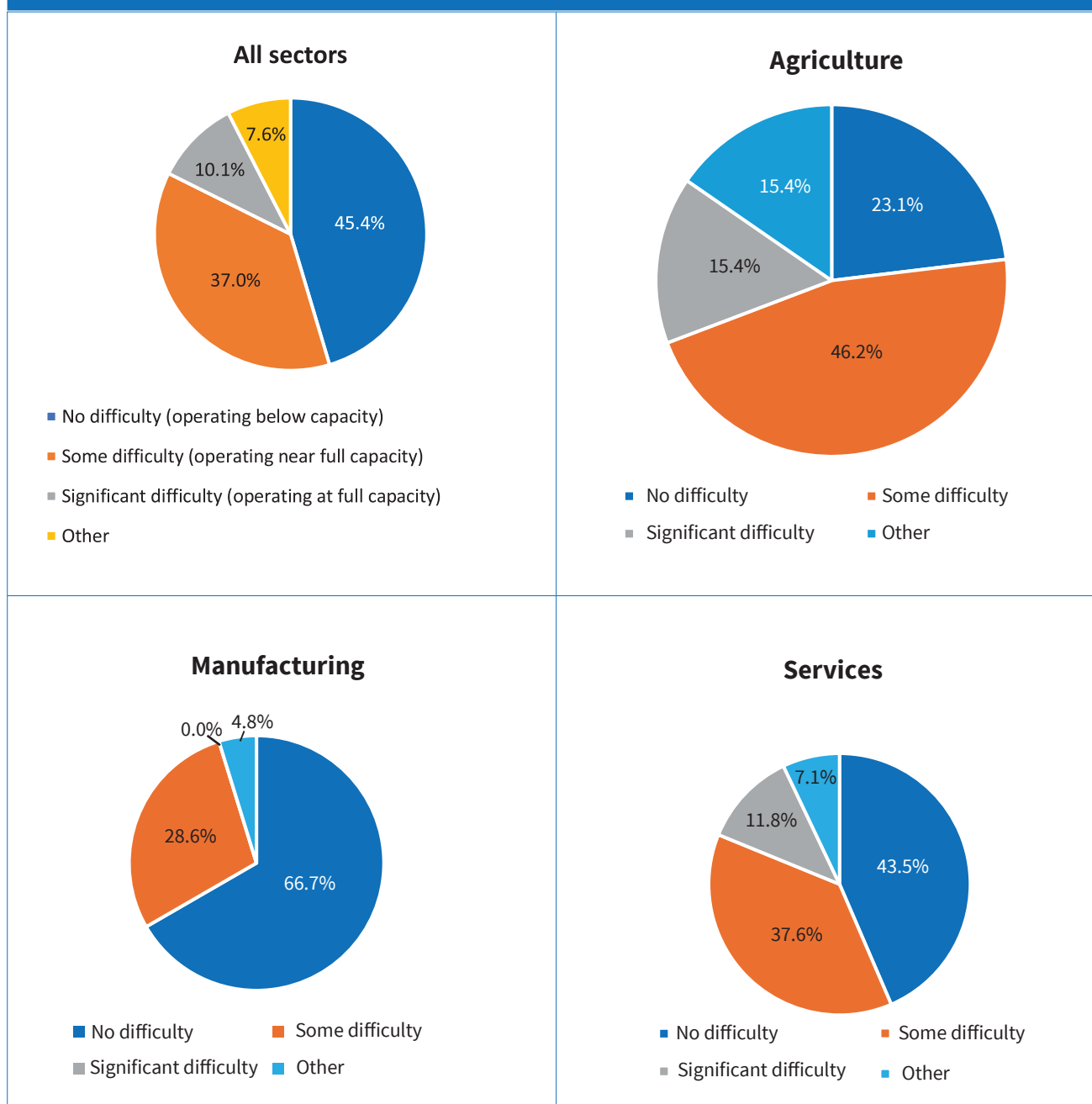
Chart 12: Proportion of respondents impacted by the recent US Tariffs/Policy changes (percent of respondents)



Majority of the respondents expect to be impacted by the recent U.S trade tariffs and policy changes. Firms expect to be impacted through higher cost of imports for inputs and finished goods, lower earnings from exports, particularly to the U.S once African Growth and Opportunity Act (AGOA) Agreement lapses, increased cost of production due to inflationary pressures emanating from higher costs of goods and

services, lower consumer demand due to reduced disposable income resulting from lower profits and loss of incomes, second round effects on local businesses relying on clients that have been affected by the tariffs and policy changes. For instance, the hotel industry players are reported less business due to lower conference bookings, particularly by NGOs and other donor funded programs.

Chart 13: Potential level of difficulty in meeting unexpected increase in demand or sales (percent of respondents)



A larger proportion of respondents reported easing constraints (no difficulty) on firms' capacity to meet an unexpected increase in demand, as most firms are operating below their capacity. In case of a sudden increase in demand, firms would leverage on existing idle capacity and technology, and availability of stocks resulting from inventory buildup due to subdued consumer demand.

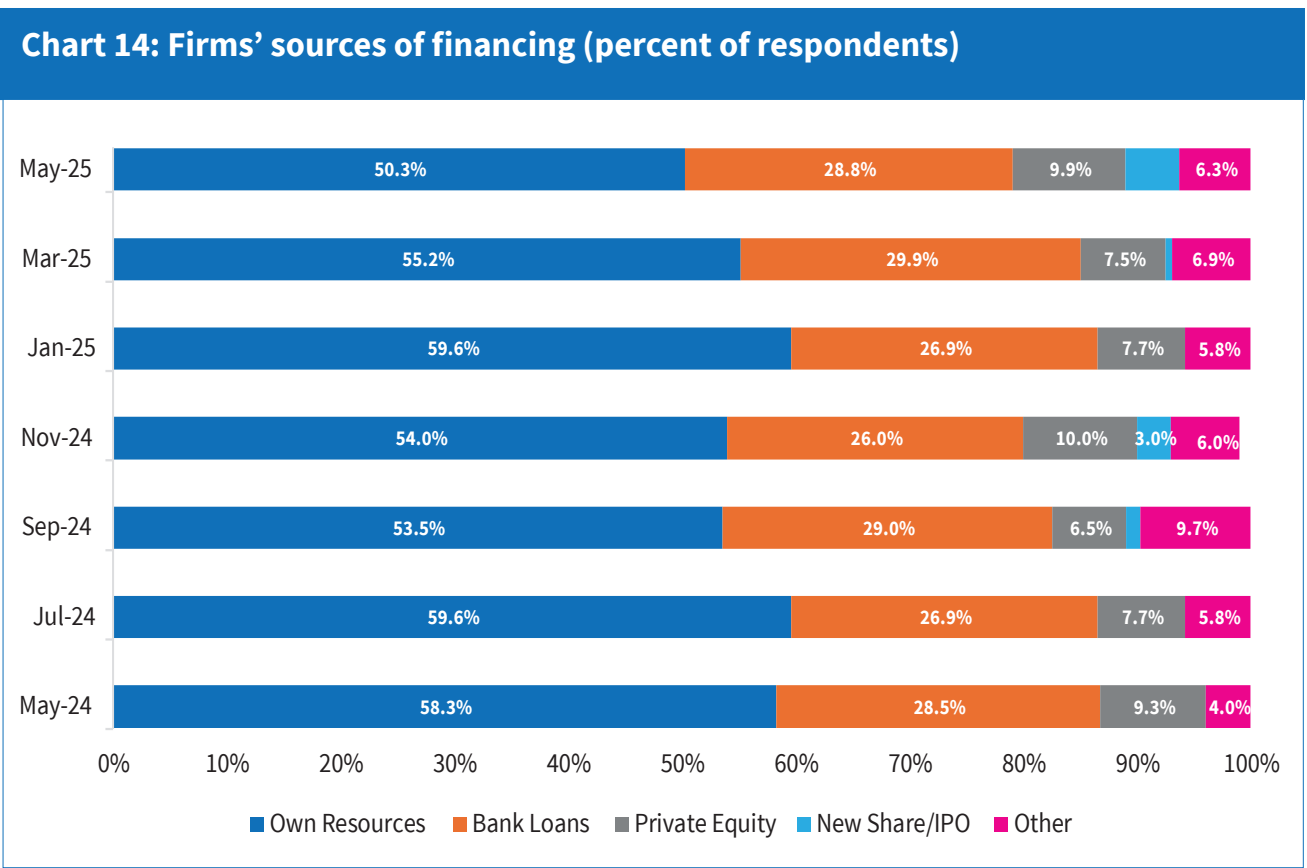
However, challenges in meeting the unexpected increase in demand would arise from stiff competition, lack of resources to install required capacity, cashflow challenges for financing operations, elevated cost of doing business, and lead time required to expand capacity (**Chart 13**).

8. FIRMS' SOURCES OF FINANCING

The Survey sought to determine the sources of firm's financing in the second quarter of 2025. In addition, the survey assessed the situation regarding ease of access to credit to find out whether banks were transmitting the benefits of the lower rates to their customers, in line with the lowering of the Central Bank Rate (CBR) by the Monetary Policy Committee

of the Central Bank of Kenya since August 2024. The findings were as follows:

Most respondents finance their operations through multiple sources of funding. However, own resources and bank loans are the key sources of financing for firms **(Chart 14)**.

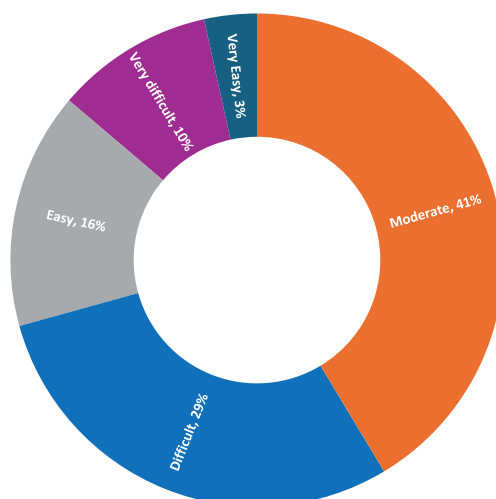


Majority of the respondents with bank loans expressed moderate conditions in accessing credit. Challenges in accessing credit were largely due to higher bank lending rates and lower business incomes – some respondents reported elevated cost of servicing loans as a result of lower incomes due to the general high cost of doing business; rigidity by banks in reducing lending rates or loan restructuring to meet clients' financial needs; long bureaucratic processes such as documentation and collateral

requirements; and risk aversion by banks as shown by the highly cautious lending practices, particularly in sectors perceived as risky, such as the agriculture sector.

Nevertheless, some respondents reported ease in access to credit, supported by existing long lasting relationship with banks, strong cashflows in some firms which gives the lenders confidence to extend credit, and good credit history **(Chart 14 & 15)**.

Chart 15: Ease of access to credit (percent of respondents)



More respondents reported declined bank loan rates in the May 2025 survey compared to March 2025 survey, indicative of banks transmitting the benefit of lower interest rates to their customers.

However, the declines were marginal, with most respondents reporting reduction in their bank loans rates by 1.0 – 2.0 percent (**Chart 16 a & b**).

Chart 16 a. Reduction in bank lending rates (percent of respondents)

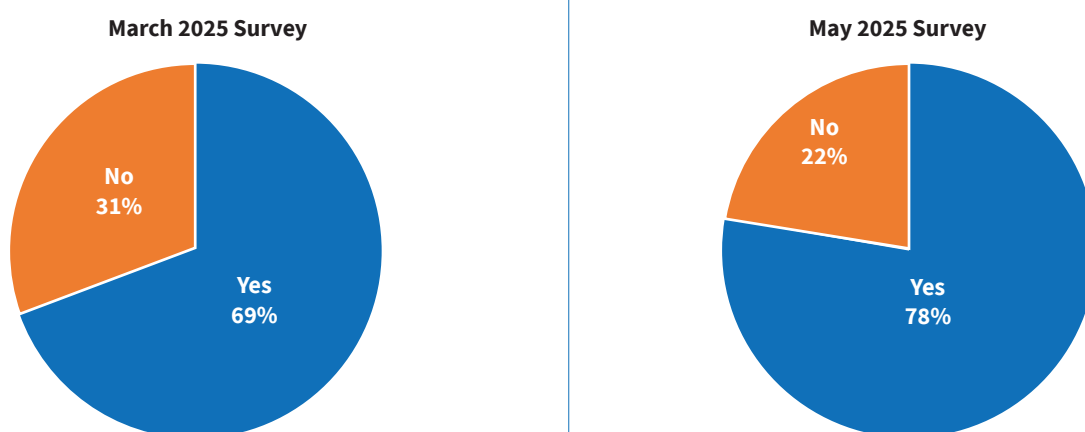
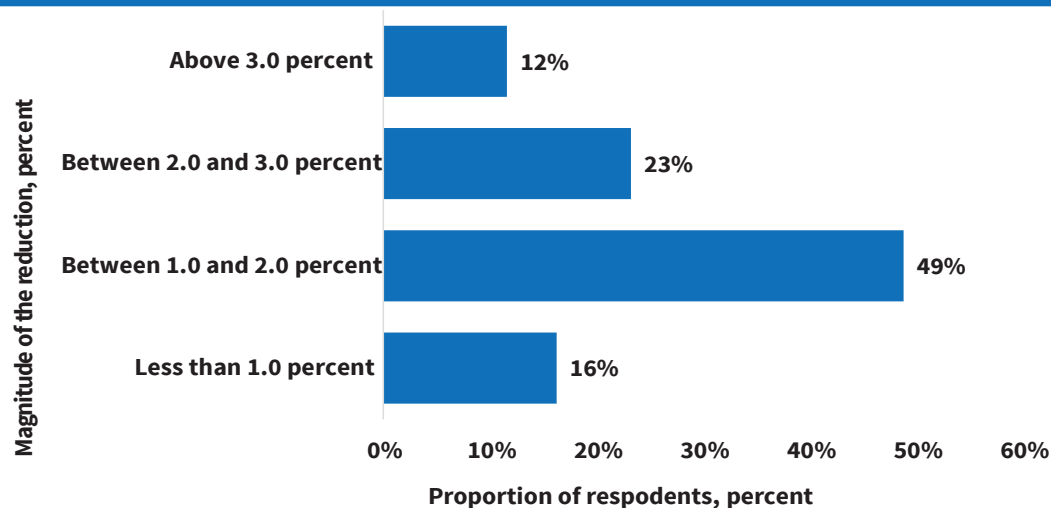


Chart 16 b. Magnitude of reduction in bank lending rates (percent)

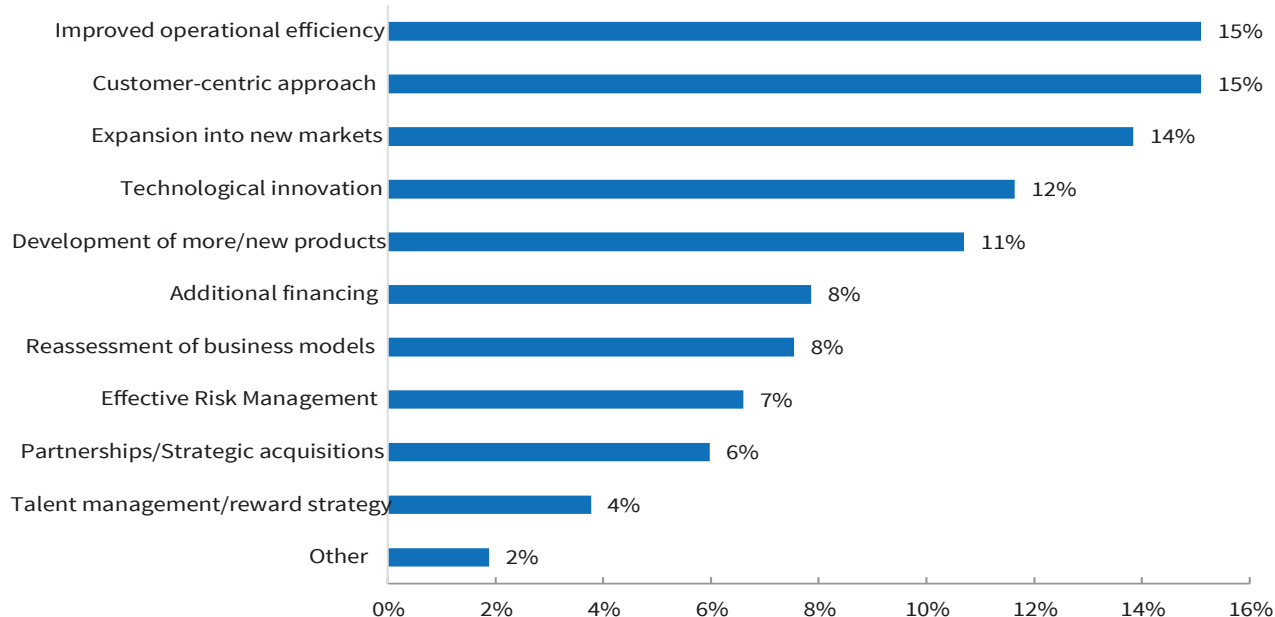


9. FIRM EXPANSION AND GROWTH OVER THE NEXT 12 MONTHS

The Survey sought to find the drivers of firm expansion and growth, and the domestic and external factors that could constrain firm growth and/or expansion over the next 12 months, and the mitigating factors.

Improved operational efficiency, customer centricity and expansion into new markets was identified as the key drivers of growth and expansion over the next one year **(Chart 17)**.

Chart 17: Drivers of firm expansion (percent of respondents)



However, elevated cost of doing business, uncertainty around taxation, and reduced consumer demand are the key factors that could constrain firm's growth and expansion in the next 12 months **(Chart 18 & 19)**.

Chart 18: Domestic factors constraining firms' expansion (percent of respondents)

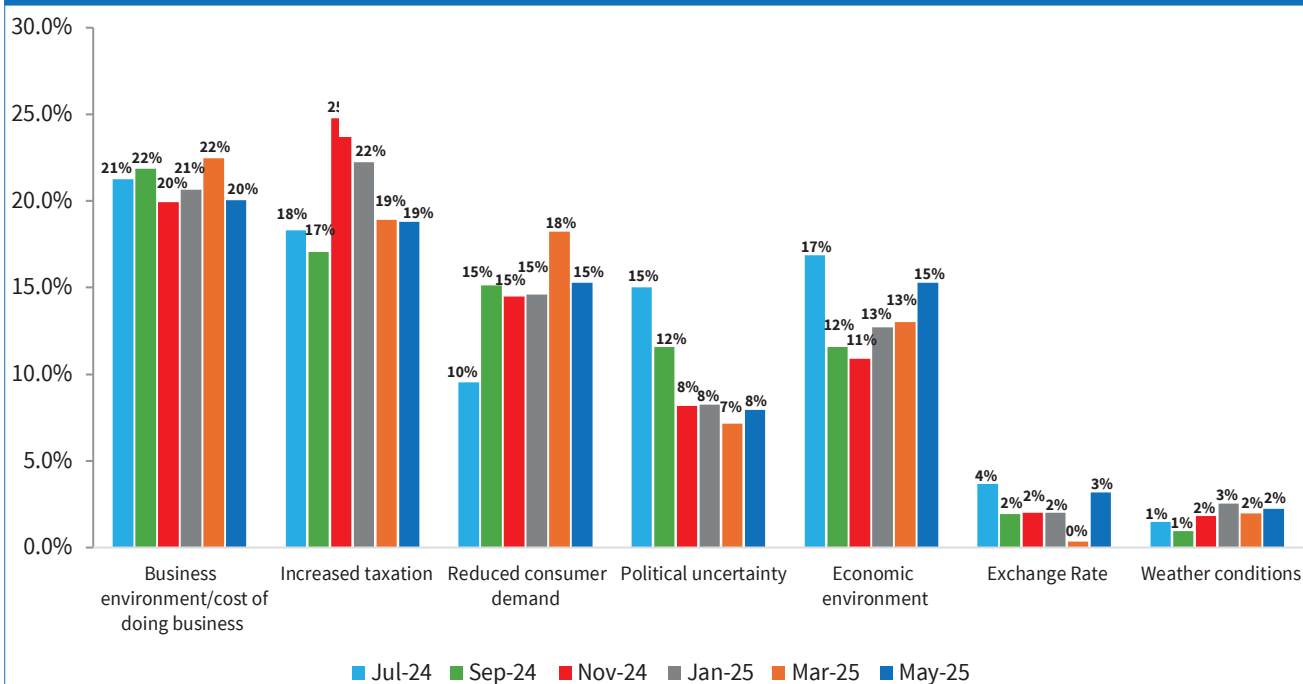
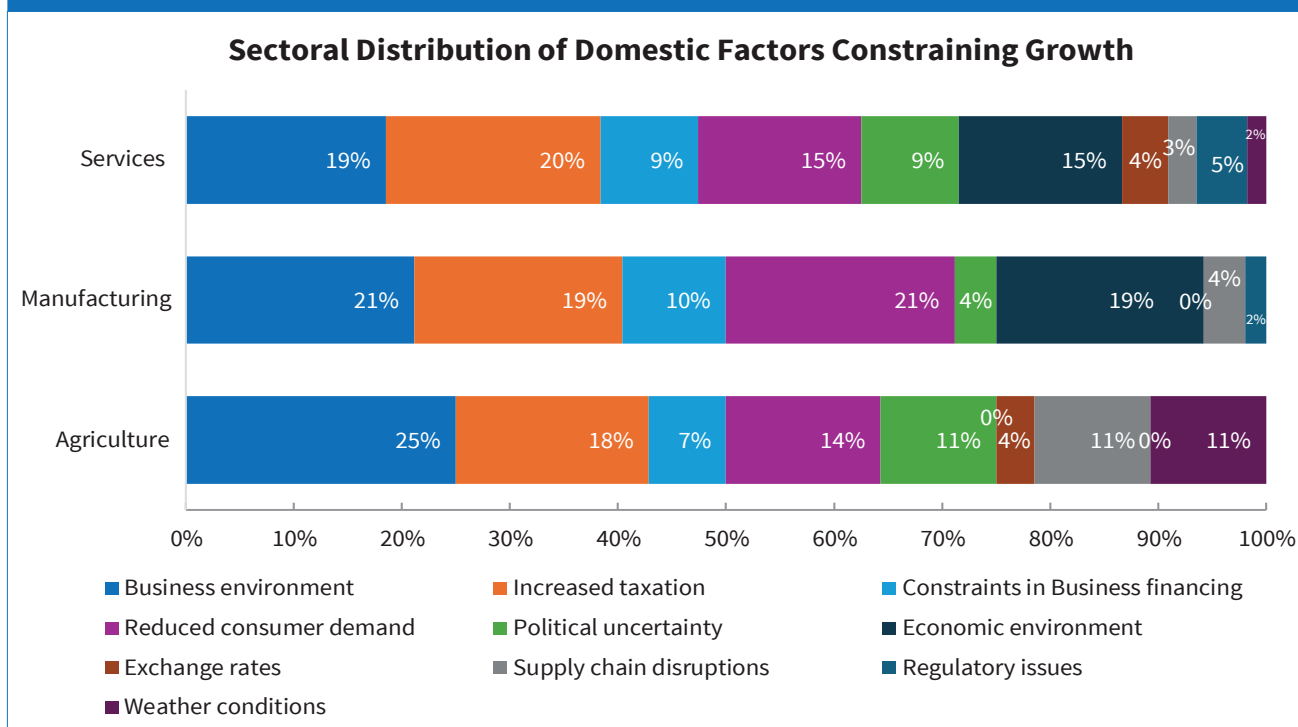
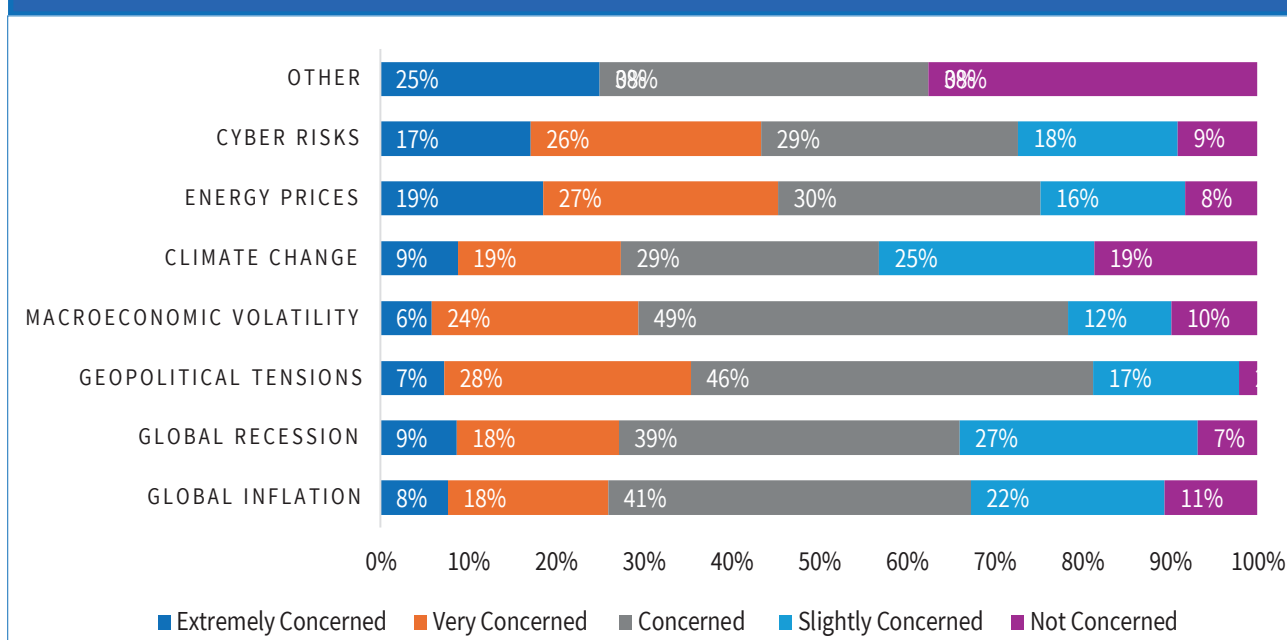


Chart 19: Domestic factors constraining firms' expansion by sectors (percent of respondents)

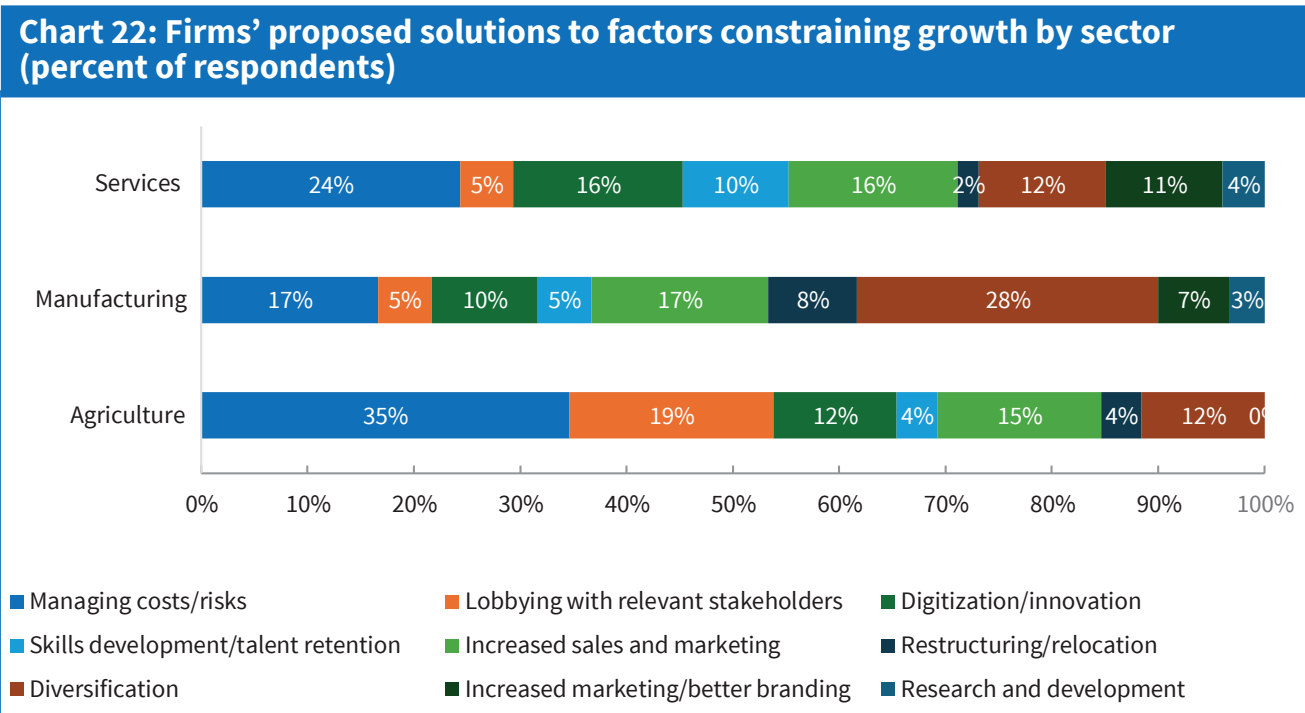
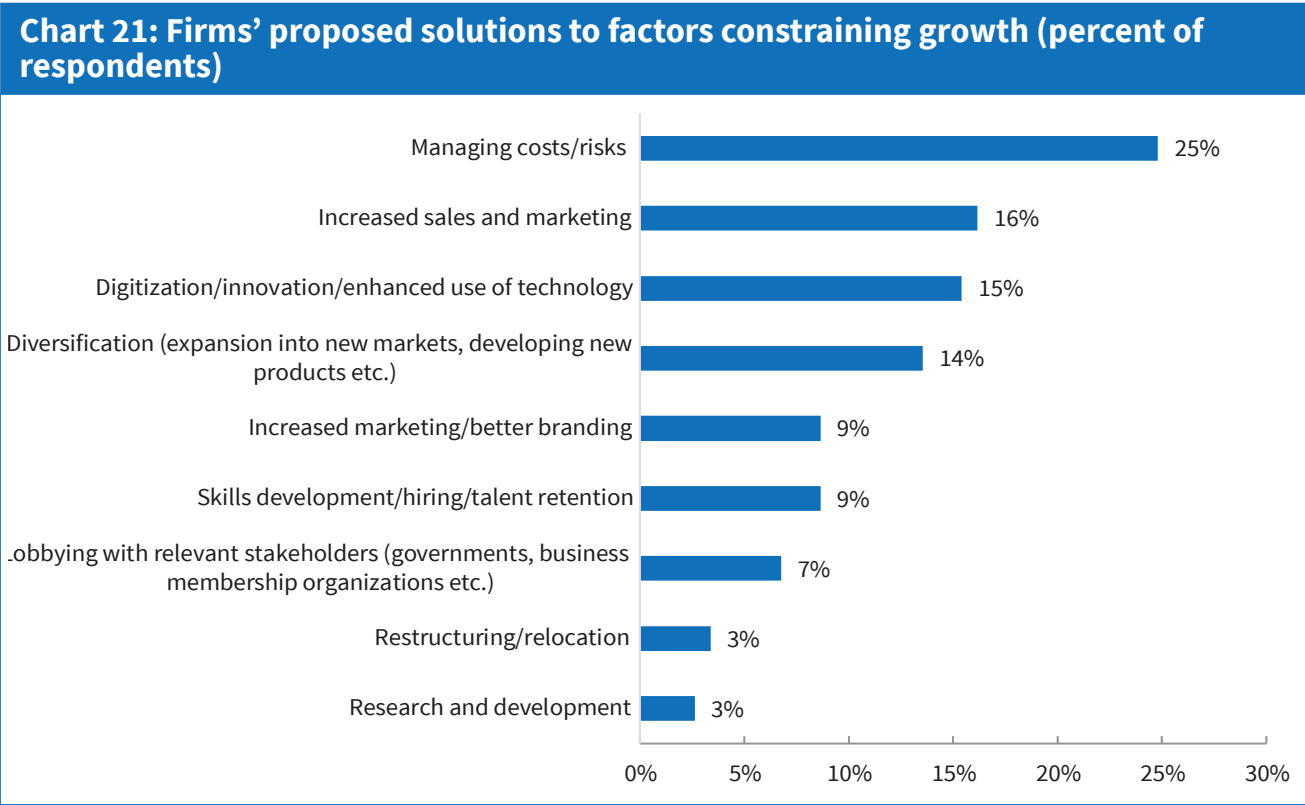


Main external threats to firms' growth and expansion include geopolitical tensions, macroeconomic volatility and energy prices (**Chart 20**).

Chart 20: External threats impacting firms' expansion (percent of respondents)



However, firms will manage costs and risks, amplify marketing of their products and services, automate operations through innovation and technology adoption, to mitigate against the constraining factors **(Chart 21 & 22)**.



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

Firms have put in place internal measures to strengthen their outlook in the next 12 months. These measures include improving efficiency through

innovation, diversifying product portfolio through development of new products and increased marketing for wider customer reach (**Chart 23**).

Chart 23: Internal factors that could strengthen firms' outlook (percent of respondents)



Other factors that could strengthen outlook besides those employed by the firm include a stable

macroeconomic environment, easing cost of doing business and certainty around taxation issues (**Chart 24 & 25**).

Chart 24: External factors that could strengthen firms' outlook (percent of respondents)

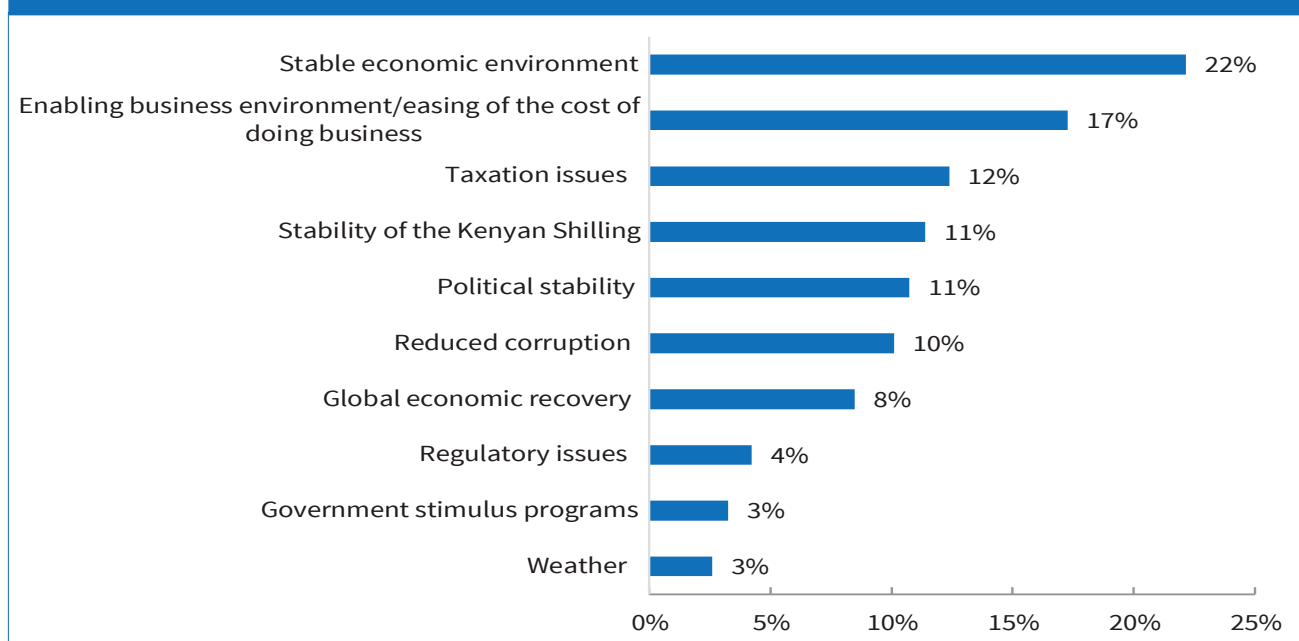
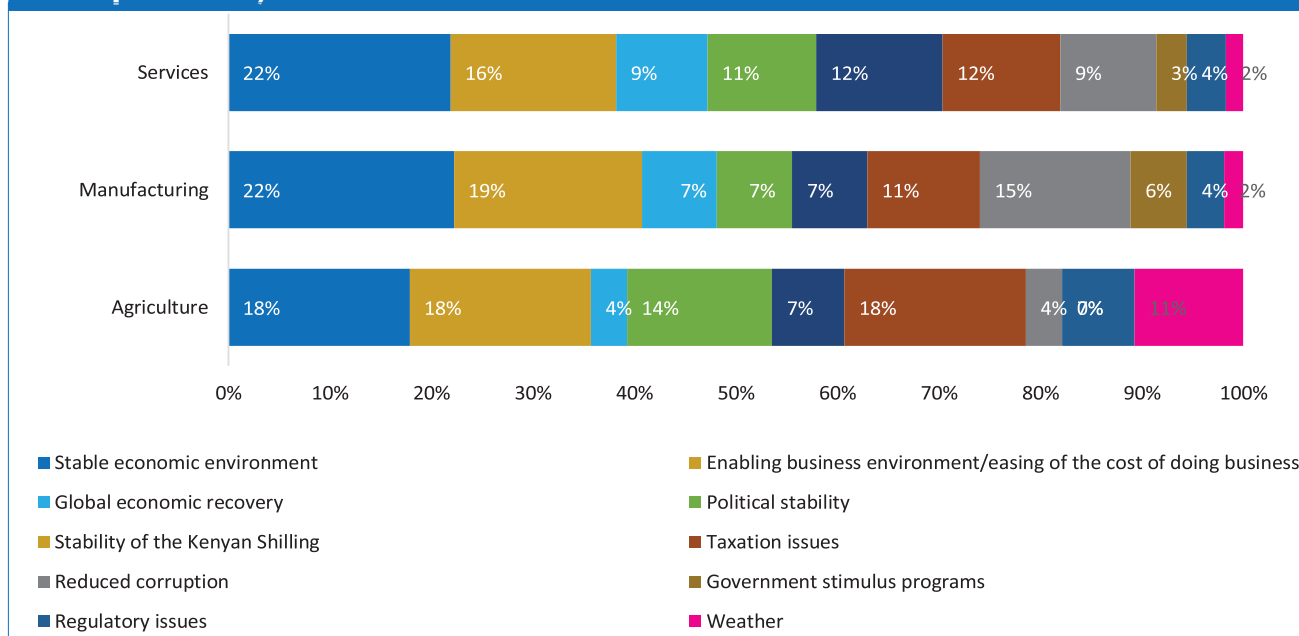


Chart 25: External factors that could strengthen firms' outlook by sectors (percent of respondents)



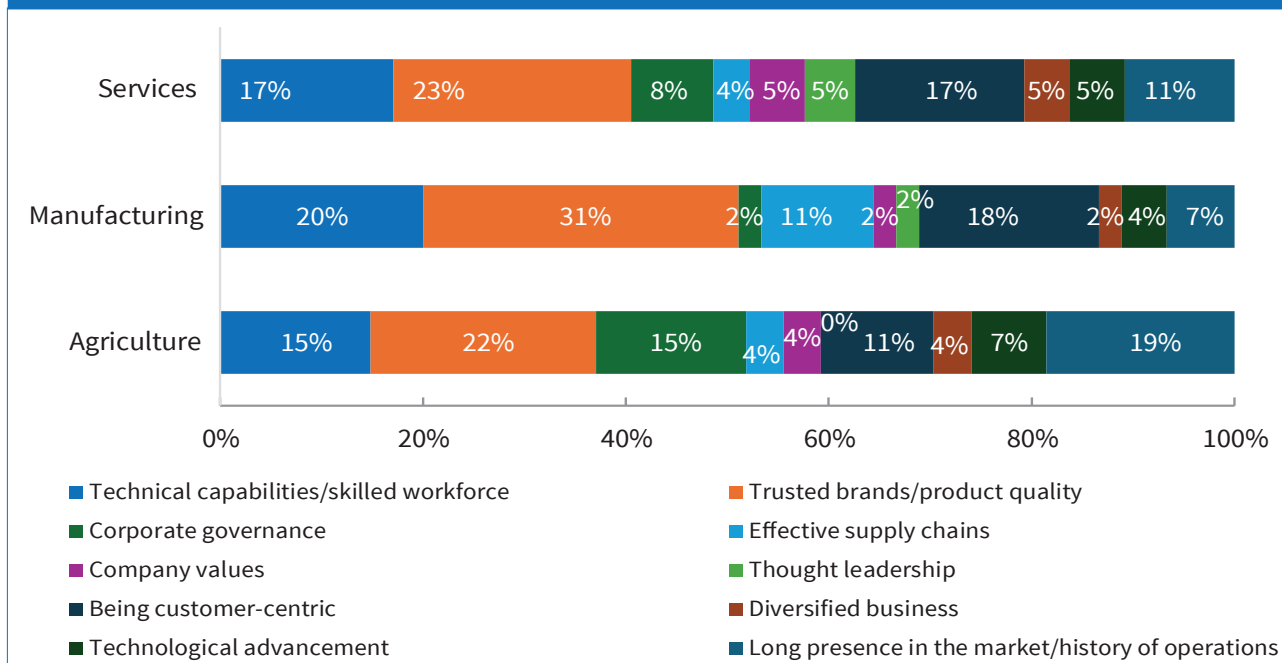
11. TOP COMPANY STRENGTHS

Firms' top strengths include trusted brands and product quality, skilled workforce, and customer centricity (**Chart 26 & 27**).

Chart 26: Firms' top strengths (percent of respondents)



Chart 27: Firms' top strengths by sectors (percent of respondents)



12. STRATEGIC PRIORITIES

Firms' top priorities in the next 3 years are centred around diversifying operations, improving efficiency and cost optimization (**Chart 28 & 29**).

Chart 28: Firms' strategic priorities over the next three years (percent of respondents)

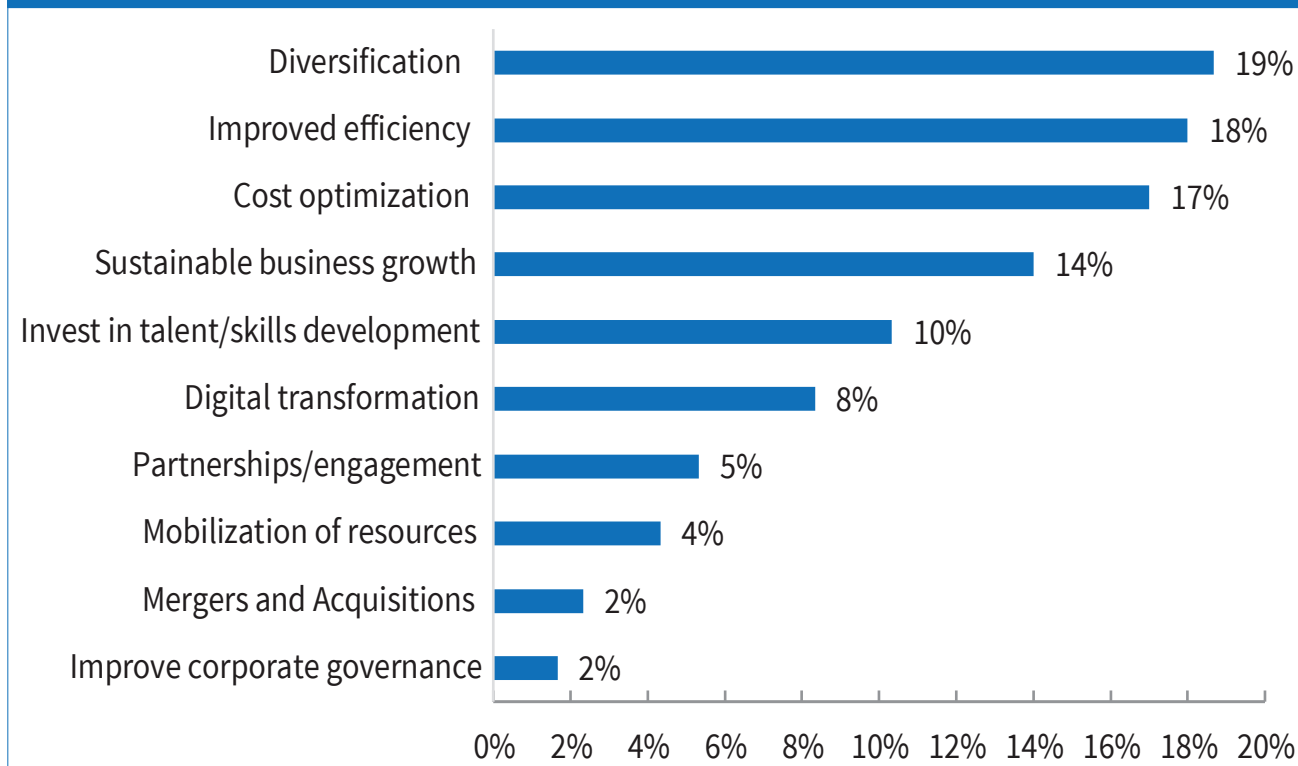
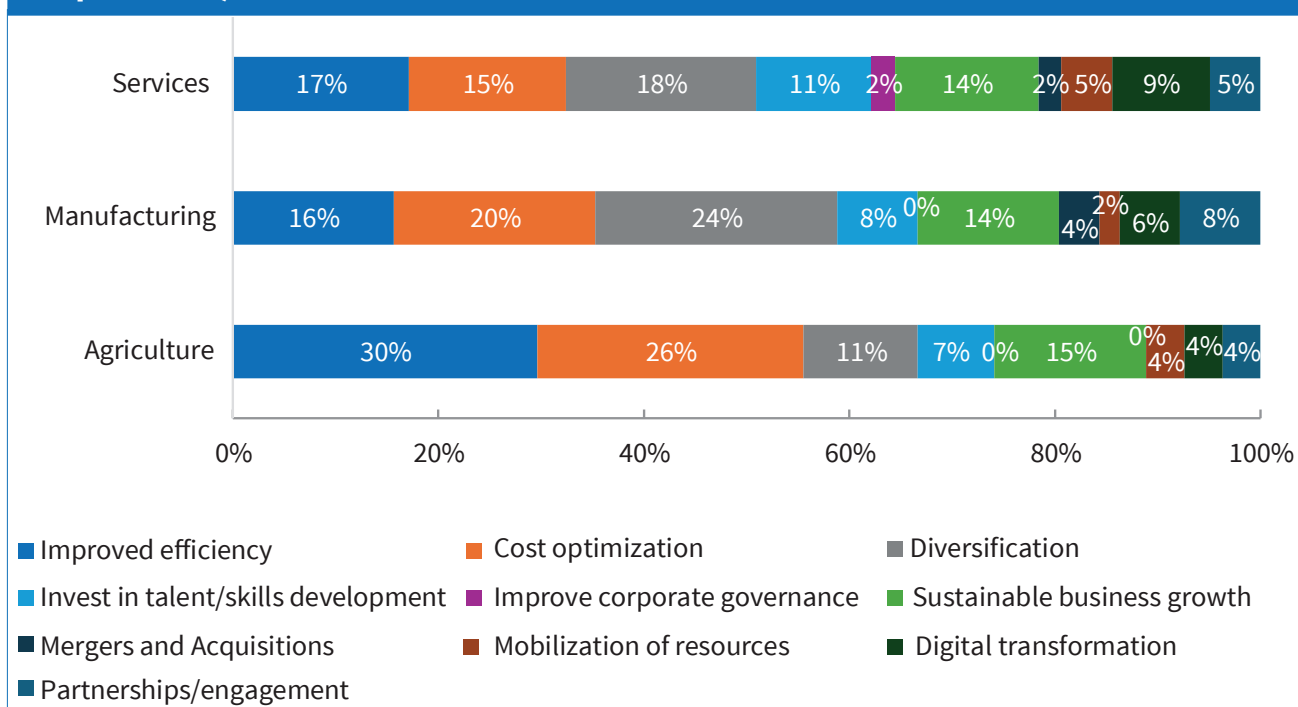


Chart 29: Firms' strategic priorities over the next three years by sector (percent of respondents)



13. CONCLUSION

- The May 2025 CEOs Survey shows improved growth prospects for the Kenyan economy in the next 12 months, supported by macroeconomic stability, favourable weather conditions and expectations of improved liquidity owing to declining bank lending rates. However, muted consumer demand, elevated cost of doing business, impact of trade wars, U.S. policy changes and geopolitical tensions are key concerns.
- More respondents reported higher growth prospects at company level supported by strategic actions to spur growth. Similarly, sectoral growth prospects improved, despite concerns in some sectors.
- Global growth prospects for the next 12 months were higher, supported by lower inflation and monetary policy easing in advanced economies.
- Indicators of business activity show mixed performance in 2025 Q2 relative to 2025 Q1. However, respondents expect improved business activity in 2025 Q3 compared to 2025 Q2.
- Majority of the respondents expect to be impacted by the recent U.S trade tariffs and policy changes.
- A large proportion of the respondents reported reduced bank loan rates in May 2025 relative to March 2025.
- More respondents reported increased constraints on firm's capacity to meet an unexpected increase in demand. However, some firms can meet unexpected demand by leveraging on existing idle capacity and stock carryovers.
- Key drivers of growth and expansion over the next 12 months include improved operational efficiency, expansion into new markets and customer centricity. However, elevated cost of doing business, taxation and reduced consumer demand could constraint growth.
- Firms' top strengths include trusted brands and product quality, skilled workforce, and customer centricity.

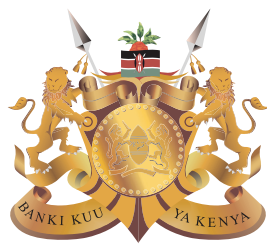
14. RECOMMENDATIONS

The respondents to this survey gave proposals that if implemented, could improve the business environment in the country and spur growth. They included the following:

- i) Implementation of business-friendly policies that support sustained growth.
- ii) Creation of forums for engagement with players in the various sectors of the economy.
- iii) Reduce political tensions and ensure stability, ahead of the general elections.
- iv) Continued marketing of Kenya's tourism sector to support the sector's activity.
- v) Manufacturers recommend:
 - Tackling of the non-tariff trade barriers in East Africa and Africa at large to promote regional trade.
 - Implementation of policies that promote the sector's performance.
 - Continued lowering of the overall cost of doing business.

In addition, respondents gave some recommendations that have been highlighted in previous surveys. These include:

- vi) Hasten settlement of pending bills to boost business cashflows.
- vii) Reduce taxes and levies on individuals and corporates and create a stable taxation framework.
- viii) Manage corruption and inefficiency in government institutions.
- ix) Promote access to affordable financing facilities for businesses.
- x) Stabilize the economy by ensuring sufficient cashflow.



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