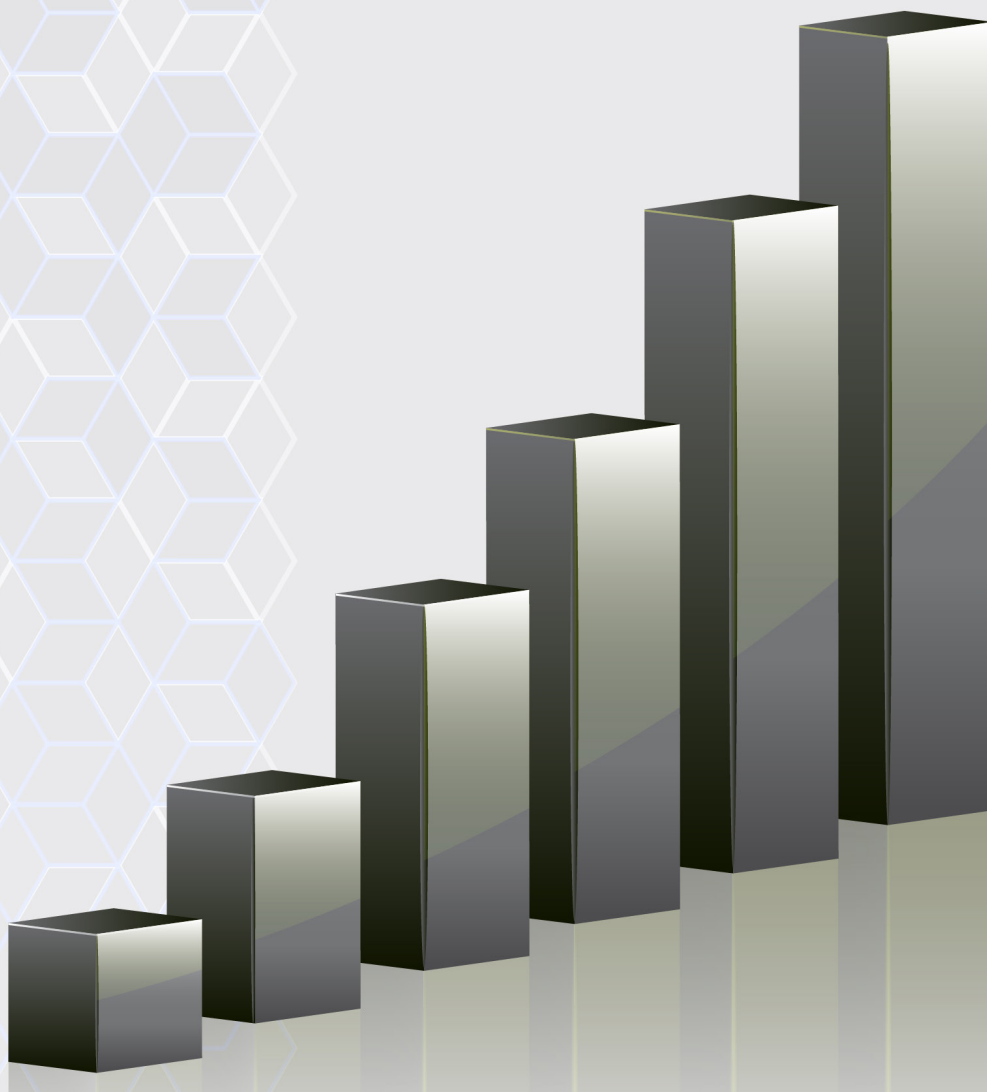


**Central Bank of Kenya**

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

March 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 Q1 COMPARED TO 2024 Q4.....	4
7.	OUTLOOK FOR BUSINESS ACTIVITY IN 2025 Q2 COMPARED TO 2025 Q1.....	7
8.	FIRMS' SOURCES OF FINANCING.....	9
9.	FIRM EXPANSION AND GROWTH OVER THE NEXT 12 MONTHS.....	11
10.	FACTORS TO STRENGTHEN FIRMS' OUTLOOK OVER THE NEXT 12 MONTHS.....	14
11.	TOP COMPANY STRENGTHS.....	15
12.	STRATEGIC PRIORITIES.....	16
13.	CONCLUSION.....	17
14.	RECOMMENDATIONS ON HOW THE BUSINESS ENVIRONMENT CAN BE IMPROVED.....	17

## 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 March 10-21, 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 one (Q1) compared to 2024 quarter four (Q4), and their expectations for economic activity in the second quarter of 2025 (Q2). The Survey also sought to obtain the significant factors likely to affect business expansion/growth in the next one year (March 2025 – February 2026), as well as the strategic directions and solutions to address their key constraining factors over the medium term (March 2025 – February 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: manufacturing (17 percent), financial services (16 percent), agriculture (10 percent), tourism, hotels, and restaurants (9 percent), professional services (8 percent), transport and storage (7 percent), healthcare and pharmaceuticals (7 percent), ICT and telecommunications (7 percent), wholesale and retail trade (5 percent), real estate (5 percent), education (3 percent), and mining and energy (2 percent). Other sectors not specified accounted for two percent of the respondents while sectors such as, media, building and construction, and security, accounted for one percent each or less.

Majority of the respondents (61 percent) were privately-owned domestic firms, while the rest were privately-owned foreign businesses (23 percent), government owned entities (6 percent), publicly listed foreign companies (3 percent), publicly listed domestic companies (2 percent) and other ownership structure (5 percent). Fifty one percent of the respondents had a turnover of over Ksh 1 billion in 2024, 16 percent of the respondents had a turnover of between Ksh 250 million and 1 billion, while thirty three percent of the respondents had a turnover of less than Ksh 250 million during the same period. In terms of employment, 35 percent of respondents employed less than 100 employees, 48 percent of the respondents had between 100 and 1000 employees, while 17 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 sustained optimism in growth prospects for the Kenyan economy for the next 12 months on account of favourable weather conditions and macro-economic stability.
- Respondents reported sustained company growth prospects supported by strategic initiatives to enhance performance.
- Sectoral growth prospects were positive, driven by sector specific opportunities. However, sectoral challenges remain.

- Global growth prospects in the next 12 months remain largely unchanged, supported by easing inflation and policy rates.
- Indicators of business activity showed mixed performance in 2025Q1 relative to 2024Q4 mainly on account of seasonality factors.
- Economic activity is expected to remain stable in 2025Q2 compared to 2025Q1.
- Respondents indicated marginal decline in bank lending interest rates, indicating lagged response of commercial banks to Central Bank Rate (CBR) reductions by the Central Bank of Kenya (CBK).
- Improved operational efficiency, technological innovation and customer centricity are key drivers of firm's growth and expansion over the next 12 months. However, 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 sustained optimism for the Kenyan economy in the next 12 months, supported by favourable weather conditions during the long rains season, continued stability of the shilling, expectations of further decline in interest rates and low and stable inflation. However, concerns remained around muted consumer demand resulting from lower disposable income of individual and corporates, fiscal sustainability concerns due to high debt service with a consequent strain on government's spending on development projects, and elevated cost of doing business (**Chart 1**).

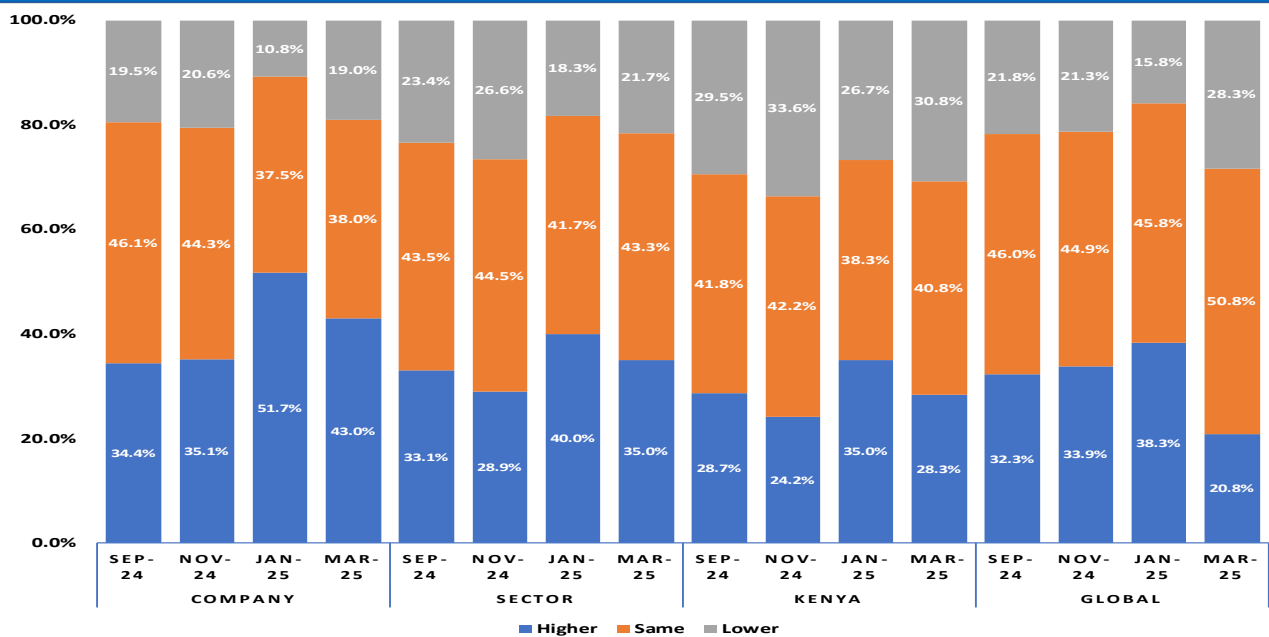
Majority of respondents reported sustained growth prospects for companies, supported by strategic initiatives to enhance performance. These included increased digitization and innovation, marketing, cost cutting measures, skills development and talent retention, and product diversification. However, elevated cost of doing business, cashflow challenges, and subdued consumer demand are some of the factors that could constrain growth at company

level. Sectoral growth prospects were largely positive (**Chart 2**). Activity in the agriculture sector is expected to increase, supported by favourable weather conditions, particularly the ongoing long rains. However, firms in the sector reported elevated input costs. The tourism sector continues to recover, supported by increased bookings by individuals and corporates, and improved travel confidence. The financial sector growth is largely supported by customer centric innovations and product diversification, though the growing non-Performing loans is a threat to the sector performance.

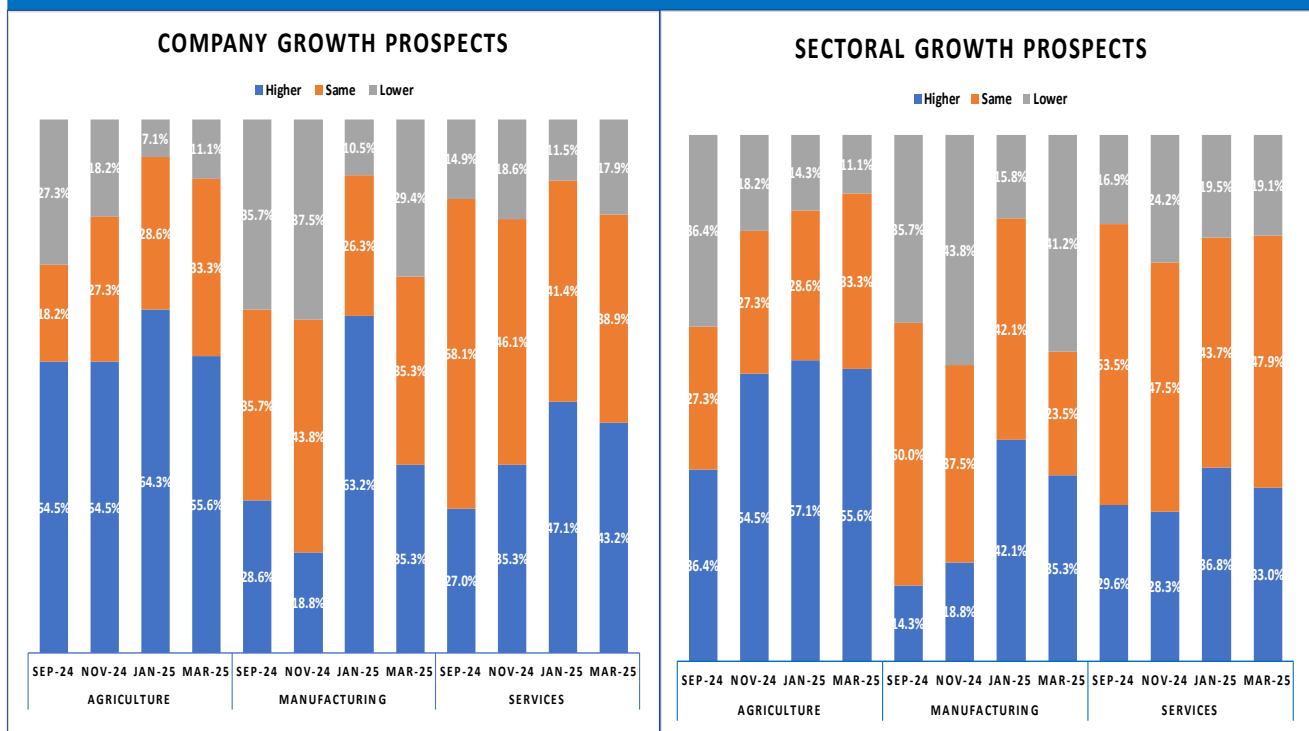
Growth prospects for some sectors are moderated. The health sector performance is significantly impacted on by liquidity constraints resulting from pending bills and donor fund cuts, particularly from USAID. In addition, transitional challenges to the new health insurance program are pronounced. However, there exists opportunities within the sector, for instance, some respondents reported introduction of digital health programs for a wider reach. The manufacturing sector is affected by the elevated cost of doing business and the subdued consumer demand. Respondents expressed concerns around cashflow challenges from elevated lending rates, pending bills resulting from delayed government payments and the unsecured 90 days trade credit (which has turned out to be risky due to slow business). Moreover, concerns around regional competitiveness are pertinent; and the ongoing regional conflict could impact on supply chains, with spillover effects to neighbouring countries and markets. The wholesale and retail trade activity is expected to remain slow largely due to subdued consumer demand.

Global growth prospects in the next 12 months remained largely unchanged, supported by easing inflation and policy rates. However, concerns remain around key issues that could constrain growth. These include; the escalated geopolitical tensions and the recent conflict within the region, the drastic policy changes by the new US Administration, and the global tariffs wars and their impact on trade, supply chains and energy prices. Moreover, the slowed global demand and possible disruption of labour markets by artificial intelligence were key concerns.

### 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)



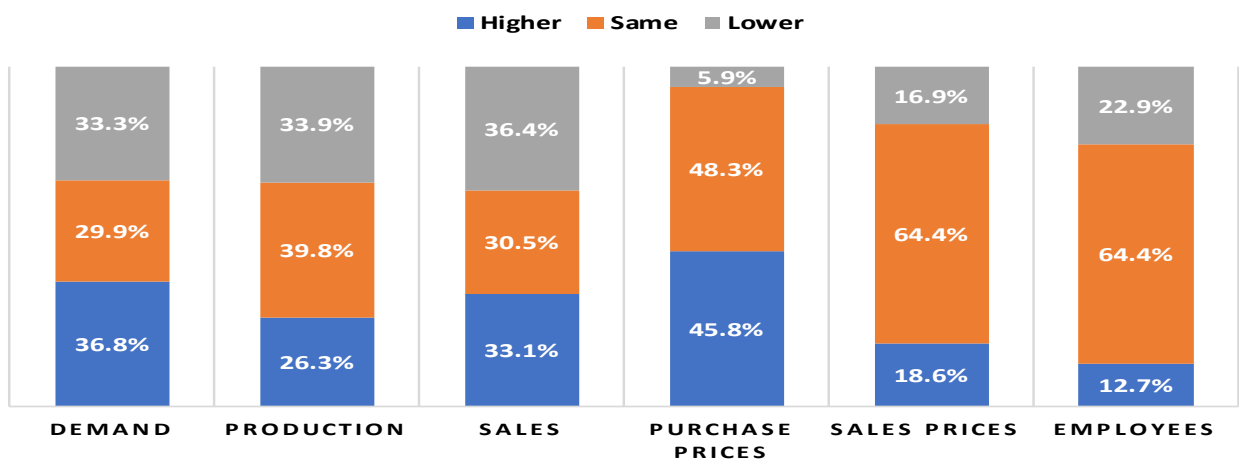
## 6. BUSINESS ACTIVITY IN 2025 Q1 COMPARED TO 2024 Q4

The Survey sought CEOs perceptions on business activity in the first quarter of 2025 relative to the fourth quarter of 2024. Respondents reported mixed performance of indicators of business activity in 2025Q1. More respondents reported increased demand orders and lower growth in sales. Meanwhile, stability was reported in production volumes, purchase and sales prices, and the number of employees (**Chart 3**). However, comparing the current quarter's expectations in the March survey relative to the January survey, production volume, growth in sales and sales prices were lower, while

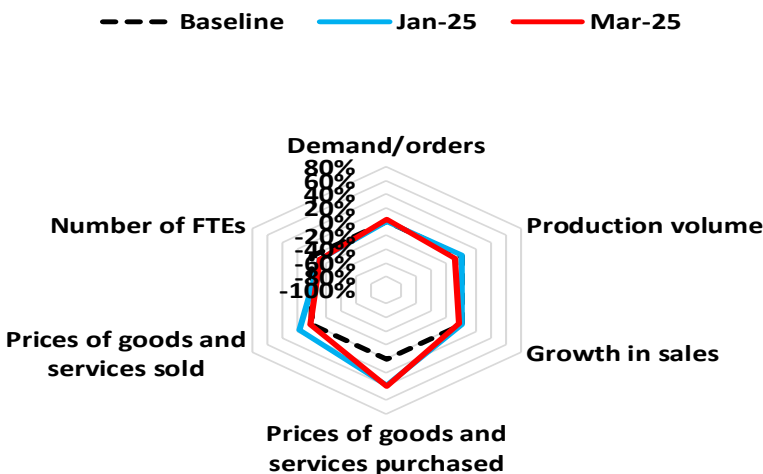
demand orders, purchase prices and number of employees remained unchanged (**Chart 4**).

Demand orders, growth in sales, production volumes and purchase prices (input costs) were highest in the agriculture sector largely on account of seasonality factors. Production volumes were lowest in the manufacturing sector, in line with the elevated cost of doing business and subdued consumer demand. On the other hand, sales prices and number of employees remained largely unchanged across sectors (**Chart 5 to 9**).

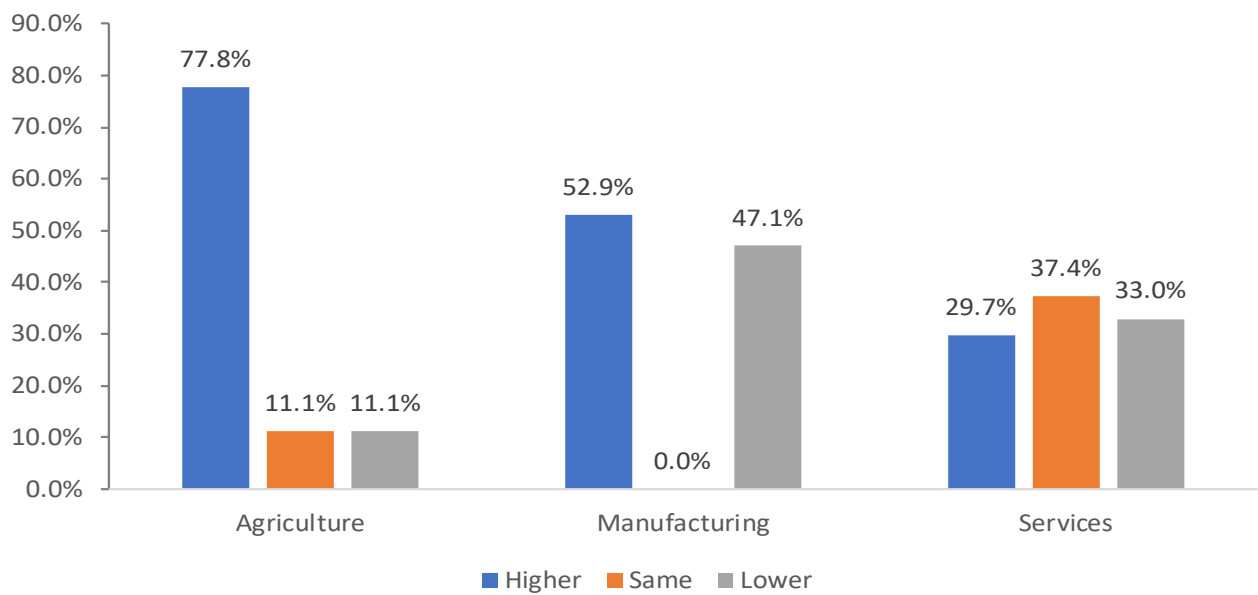
**Chart 3: Business activity in 2025 Q1 compared to 2024 Q4 (percent of respondents)**



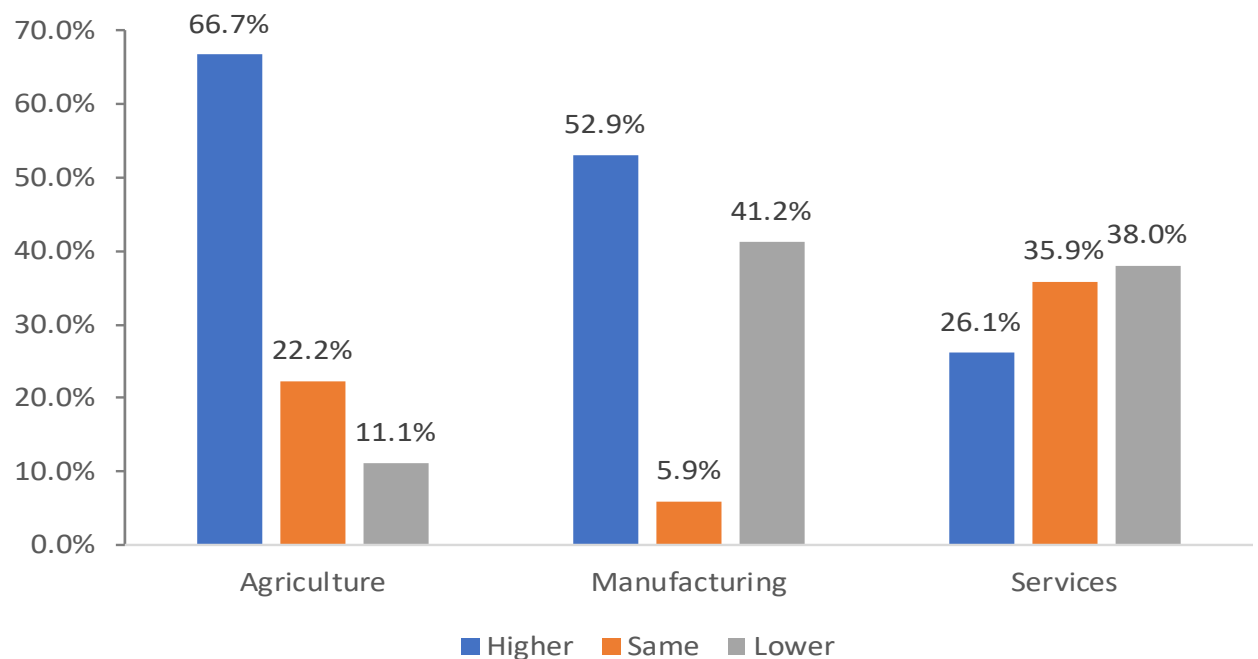
**Chart 4: Comparison of business activity in 2025 Q1 relative to 2024 Q4 (percent of respondents)**



**Chart 5: Demand/Orders in 2025 Q1 relative to 2024 Q4 by sectors (percent of respondents)**

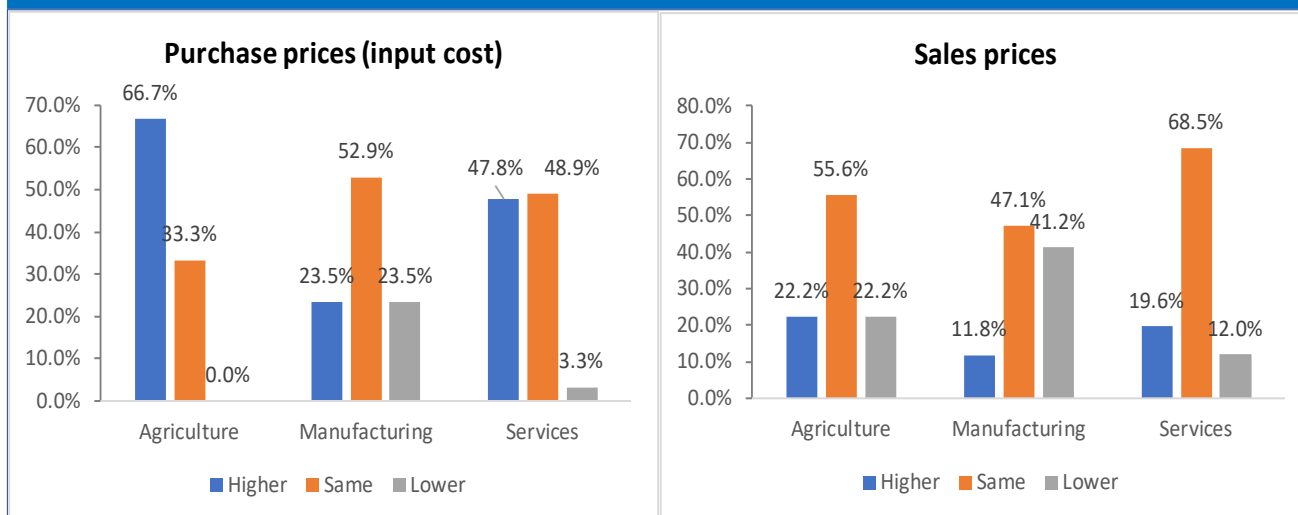


**Chart 6: Sales growth in 2025 Q1 relative to 2024 Q4 by sectors (percent of respondents)**

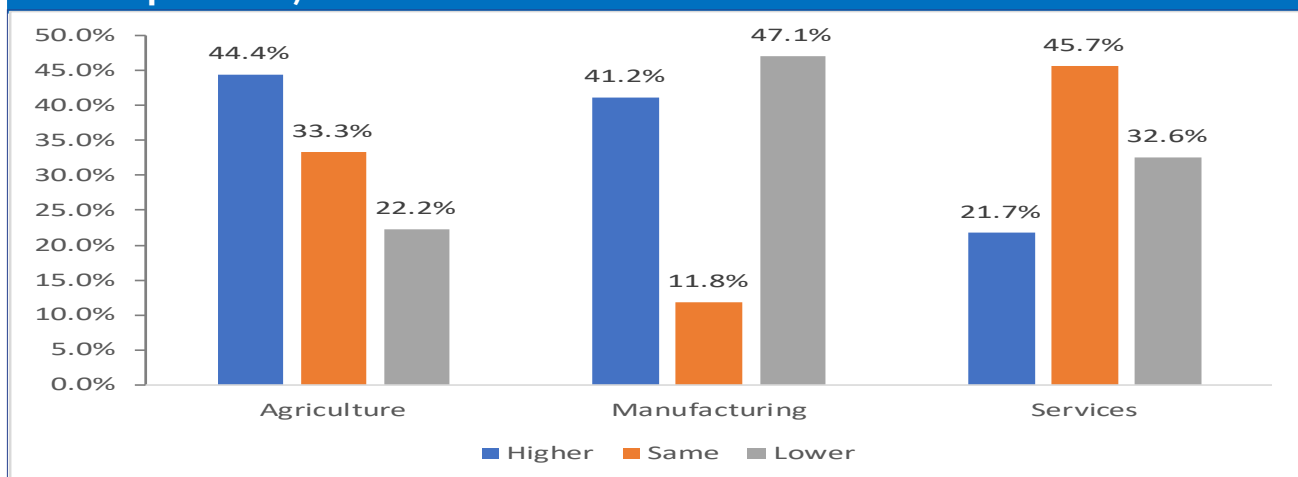




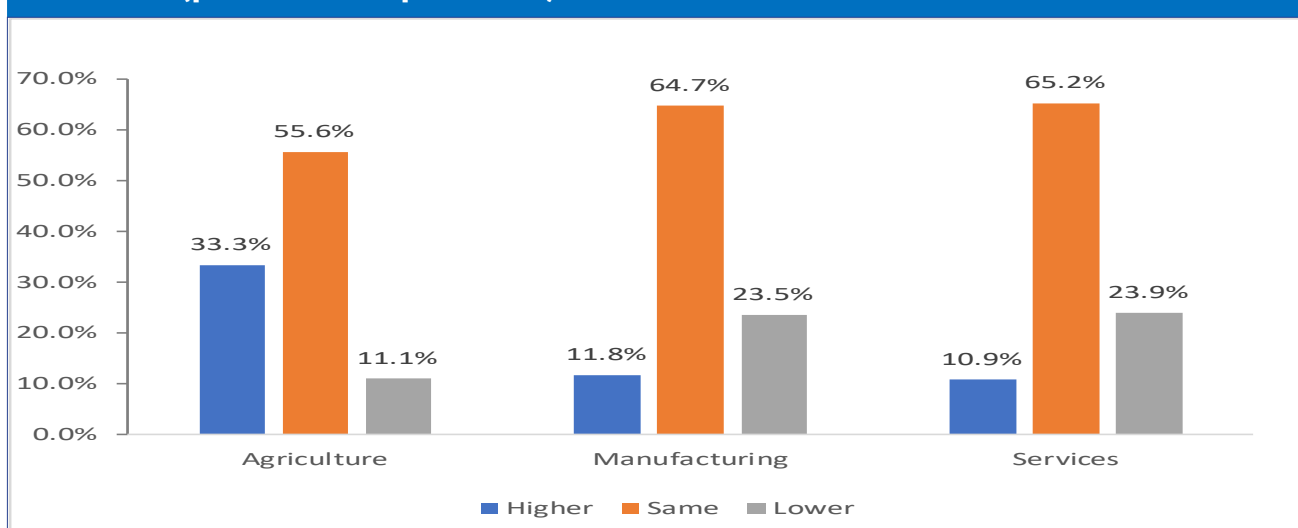
**Chart 7: Purchase and sales prices in 2025 Q1 compared to 2024 Q4 by sectors (percent of respondents)**



**Chart 8: Production volumes in 2025 Q1 compared to 2024 Q4 by sectors (percent of respondents)**



**Chart 9: Number of full-time employees in 2025 Q1 compared to 2024 Q4 by sectors (percent of respondents)**

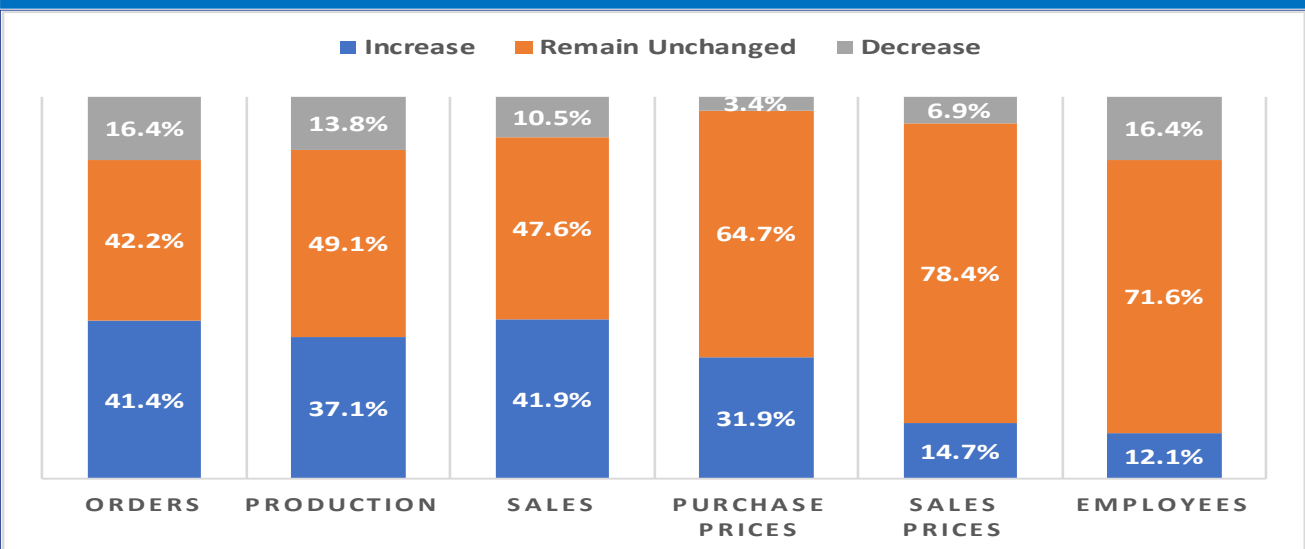


# 7. OUTLOOK FOR BUSINESS ACTIVITY IN 2025 Q2 COMPARED TO 2025 Q1

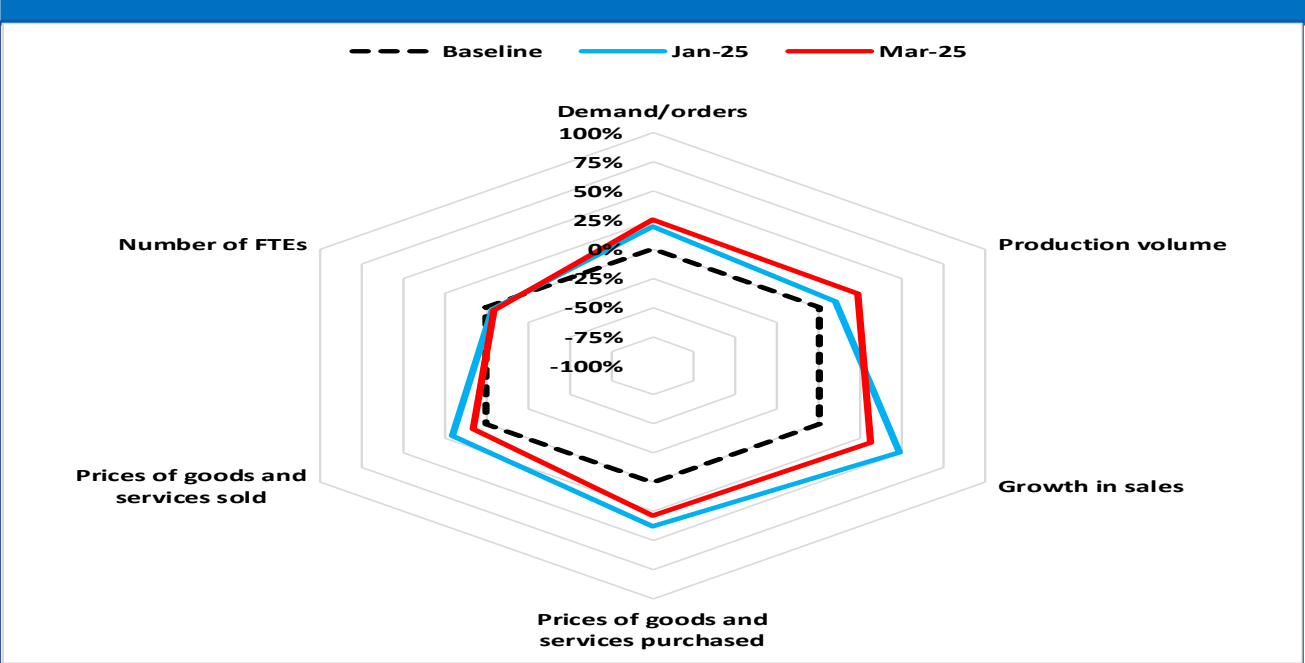
The Survey sought CEOs expectations of business activity in the second quarter of 2025 relative to the first quarter. More respondents expect stability across all indicators of economic activity in 2025Q2 relative to 2025Q1 (**Chart 10**). However, comparing next quarter expectations in the March Survey to those of the January 2025 Survey, demand orders, and production volumes are expected to be higher, while growth in sales, purchase and sales prices

are expected to be lower, except in the agriculture sector where input costs were reportedly higher. Meanwhile, the number of employees is expected to remain largely unchanged, except in the agriculture sector, where employee intake is expected to be higher, in line with increased activity in the sector during the quarter supported by favourable long rains. Nevertheless, overall activity is expected to be enhanced relative to the baseline (**Chart 11**).

**Chart 10: Outlook on business activity in 2025 Q2 compared to 2025 Q1 (percent of respondents)**



**Chart 11: Expectations of business activity in 2025 Q2 (percent of respondents)**

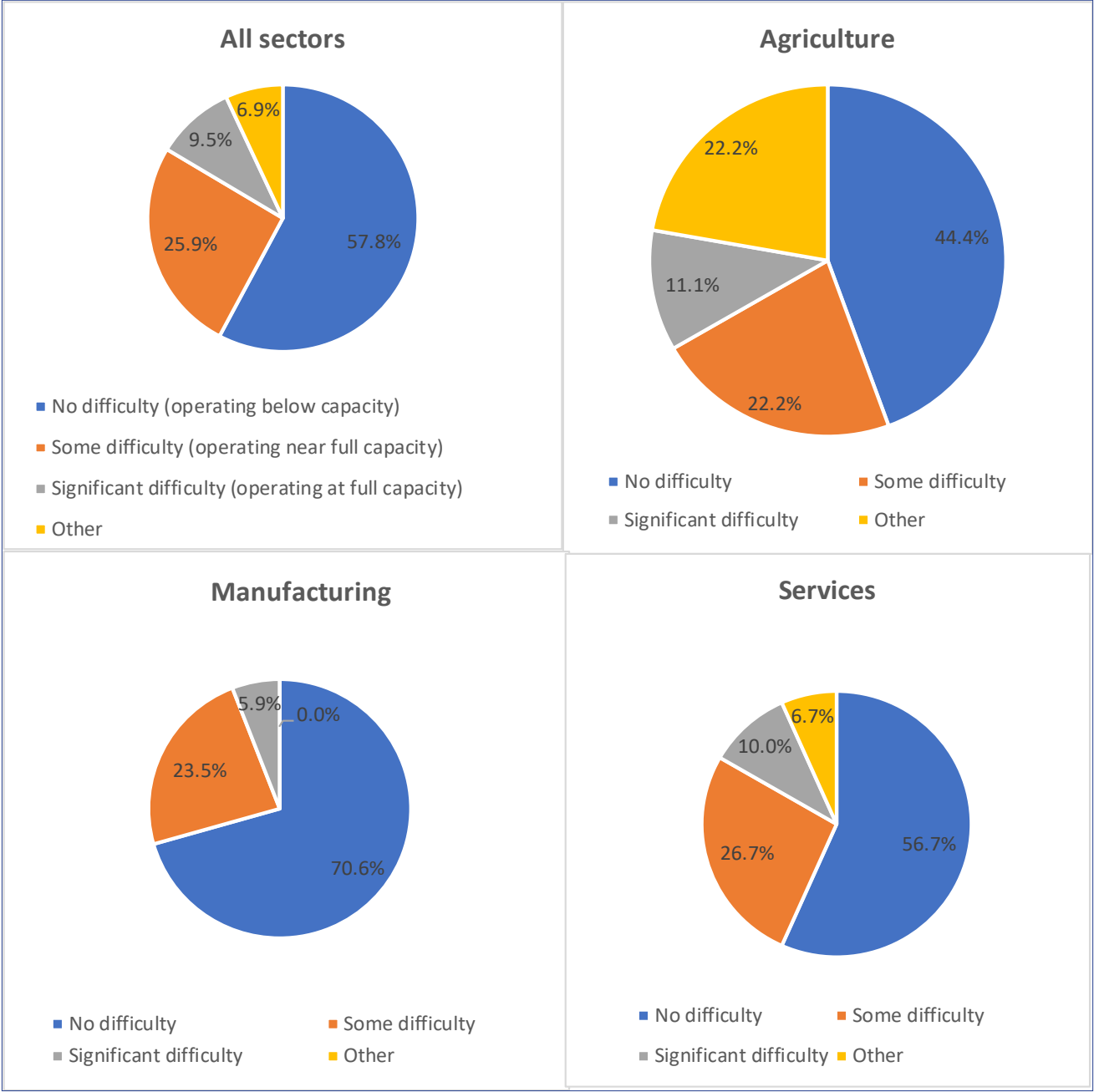


A larger proportion of respondents reported easing constraints (no difficulty) on firms' capacity to meet an unexpected increase in demand, as most firms are operating below their capacity. In case of a sudden increase in demand, firms would leverage on existing idle capacity, availability of talented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

demand, existing strong supply chains, and access to raw materials.

However, challenges in meeting the unexpected increase in demand would arise from cashflow shortages in financing operations, the elevated cost of doing business, lead time required to expand capacity, and the regulatory and compliance requirements **(Chart 12)**.

**Chart 12: Potential level of difficulty in meeting increased demand (percent of respondents)**



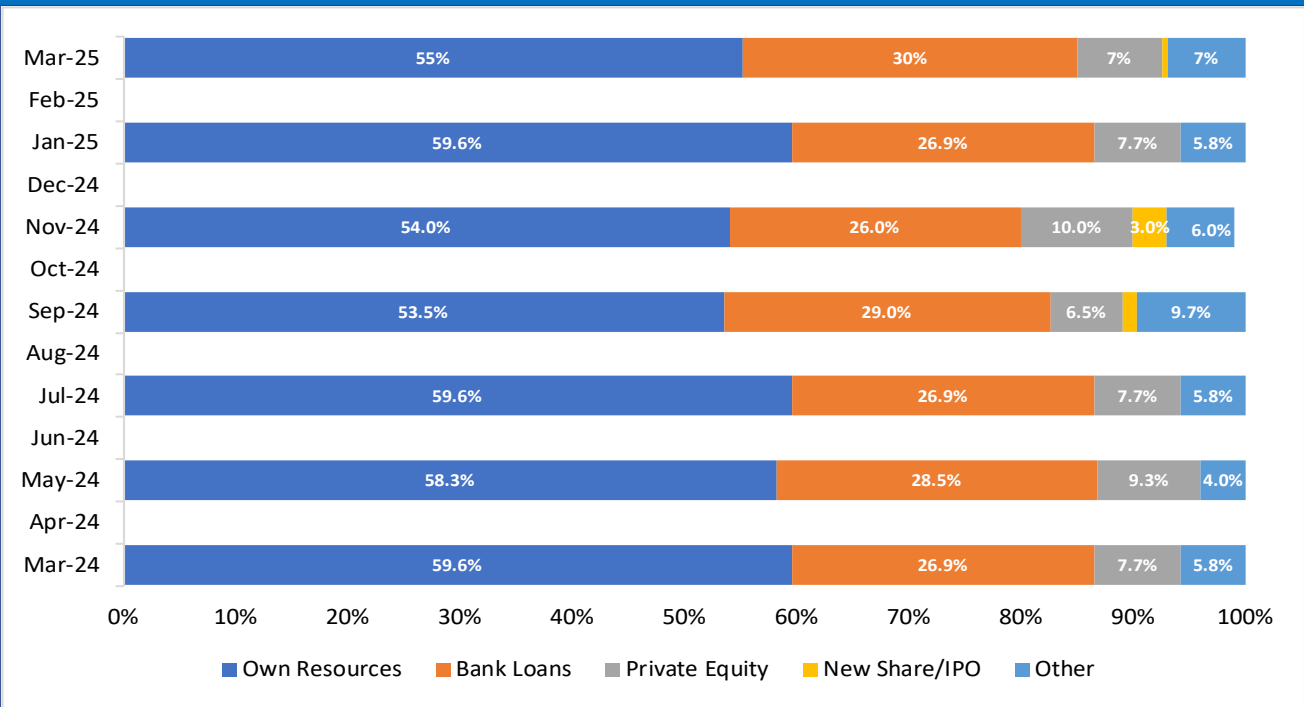
## 8. FIRMS' SOURCES OF FINANCING

The Survey sought to determine the sources of firm's financing in the first quarter of 2025. Further, the survey assessed the situation regarding ease of access to credit and sought to establish whether firms with bank loans had experienced lower lending rates, in line with the lowering of the CBR by the Monetary

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

The survey established that firms generally used multiple sources of funding to finance operations with the majority of them relying on their own resources and bank loans **(Chart 13)**.

**Chart 13: Firms' sources of financing (percent of respondents)**

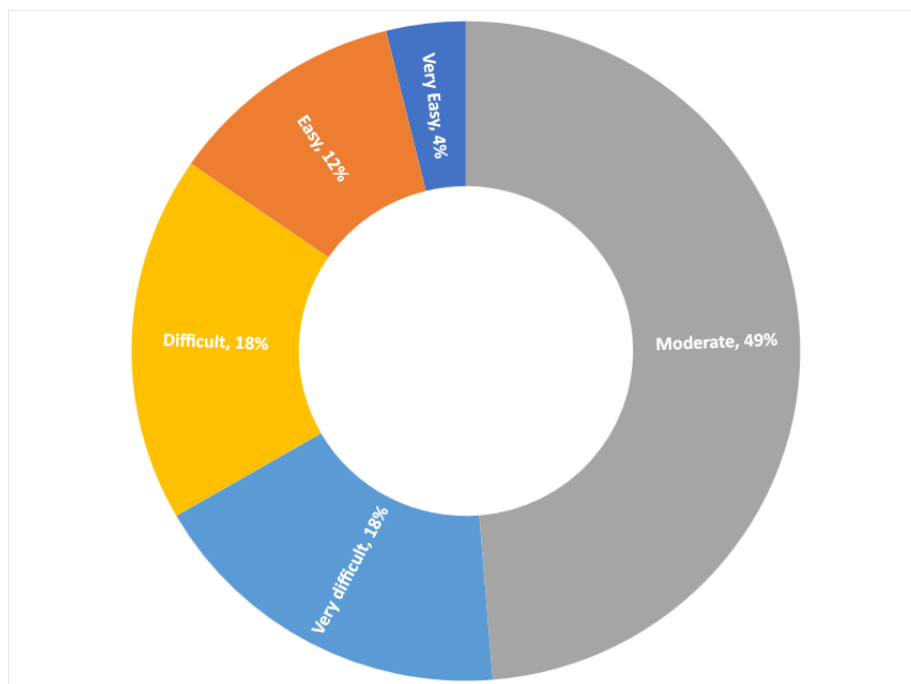


Majority of the respondents with bank loans expressed moderate conditions regarding access to credit. The ease of access to credit was supported by several factors, among them: Existence of firms' long-lasting relationship with banks, adequate assets and working business models which gave sufficient confidence to the lenders to extend credit, firms' good credit rating by banks, and existence of credit lines with banks for access by firms to manage cashflow needs when necessary. Nevertheless, respondents expressed ease in access to foreign currency denominated loans compared to Kenya

shillings denominated loans, mainly for companies earning in foreign currency **(Chart 14)**.

A proportion of the respondents expressed difficulties in access to credit facilities, largely due to: elevated lending rates, long bureaucratic processes, particularly the Know Your Customer (KYC) details requirements, increased non-performing loans which had resulted into longer risk assessment processes by banks, and the subjective lending to some sectors and segments, especially those perceived to be risky such as the agriculture sector and the small and medium enterprises **(Chart 14)**.

**Chart 14: Ease of access to credit, percent of respondents**

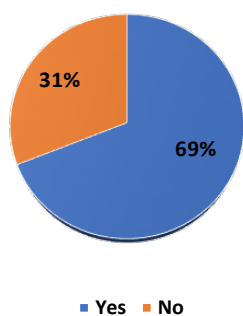


More respondents reported to have experienced reduction in the bank lending rate in line with the prevailing monetary policy stance. However, the reduction was marginal at 1.0 percent and below for most of the respondents **(Chart 15)**.

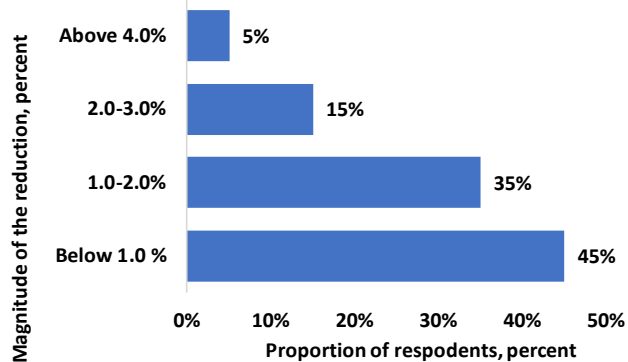
Respondents expressed stability in bank lending rates of the foreign currency denominated loans. On average, these rates reduced by 0.5 percent during the reference period.

**Chart 15. Reduction in bank lending rates, proportion of respondents**

**Experienced reduced interest rate since August 2024**



**Proportion of respondents reporting reduced interest rates on bank loans**

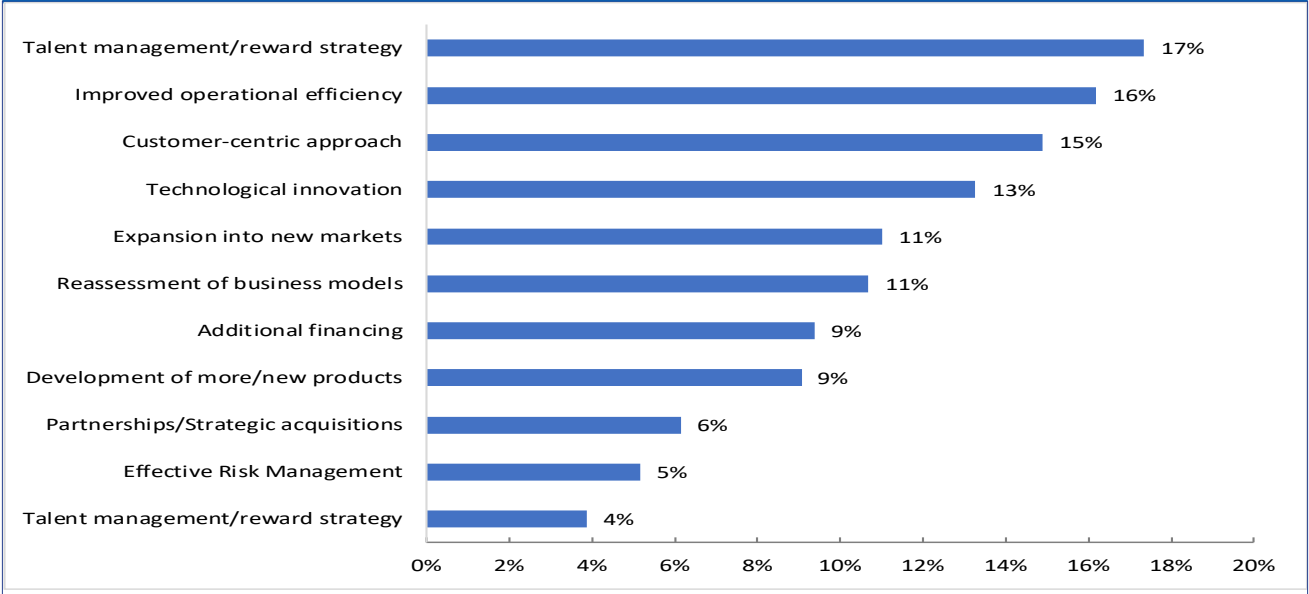


# 9. FIRM EXPANSION AND GROWTH OVER THE NEXT 12 MONTHS

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.

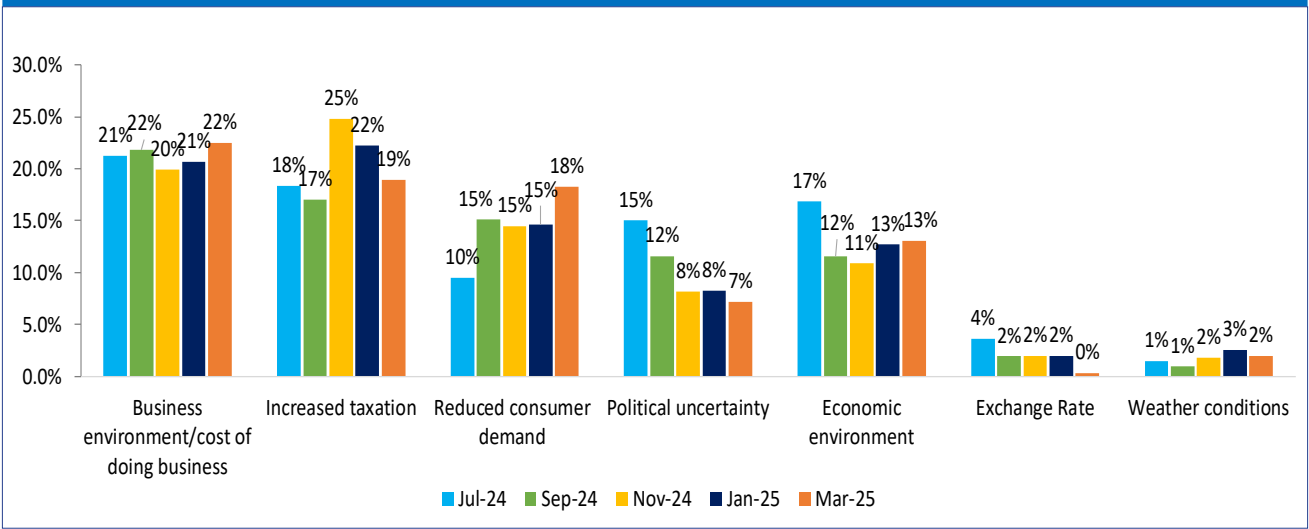
Firms reported talent management, improved operational efficiency, and customer centricity as the key drivers of growth and expansion over the next 12 months **(Chart 16)**.

**Chart 16: Drivers of firm expansion (percent of respondents)**

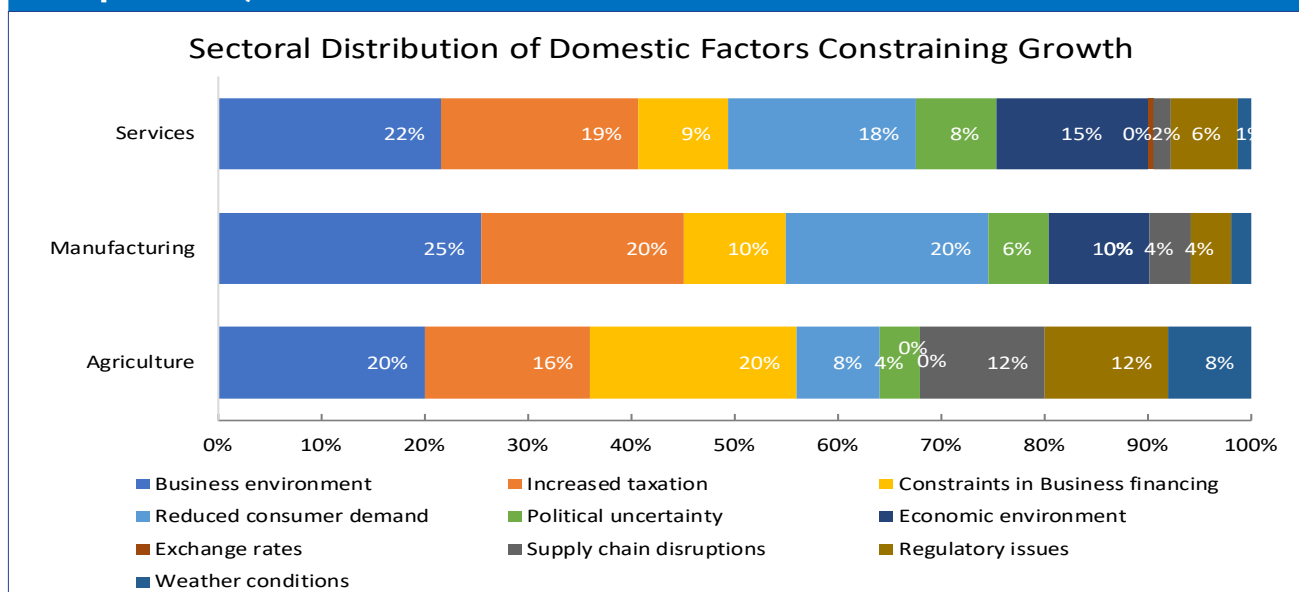


However, the reported growth and expansion could be constrained by elevated cost of doing business, reduced consumer demand and taxation **(Chart 17 &18)**.

**Chart 17: Domestic factors constraining firms' expansion (percent of respondents)**

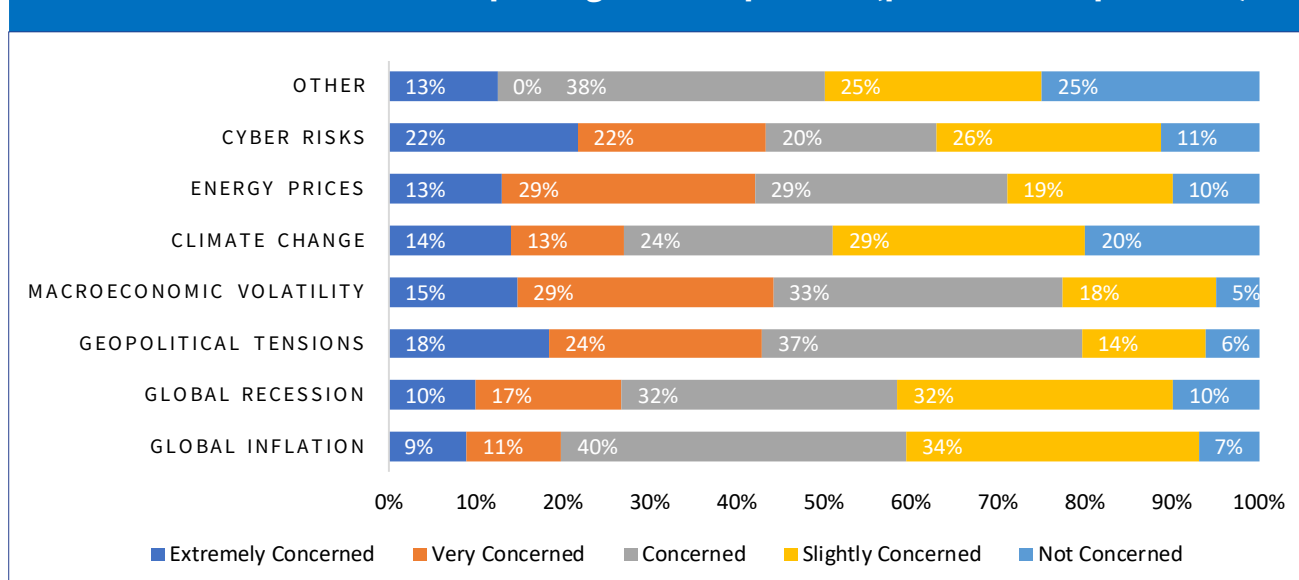


**Chart 18: Domestic factors constraining firms' expansion by sectors (percent of respondents)**



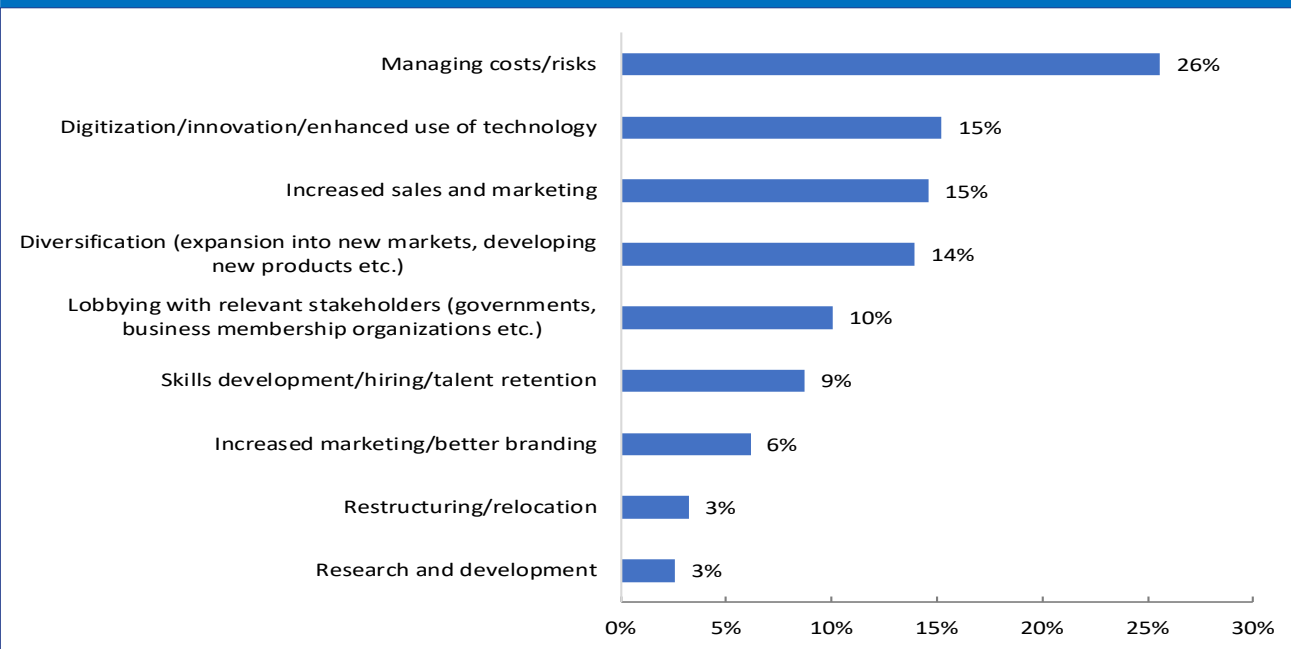
Geopolitical tensions, macroeconomic volatility and energy prices were reported as the main external threats to firms' growth and expansion (**Chart 19**).

**Chart 19: External threats impacting firms' expansion (percent of respondents)**

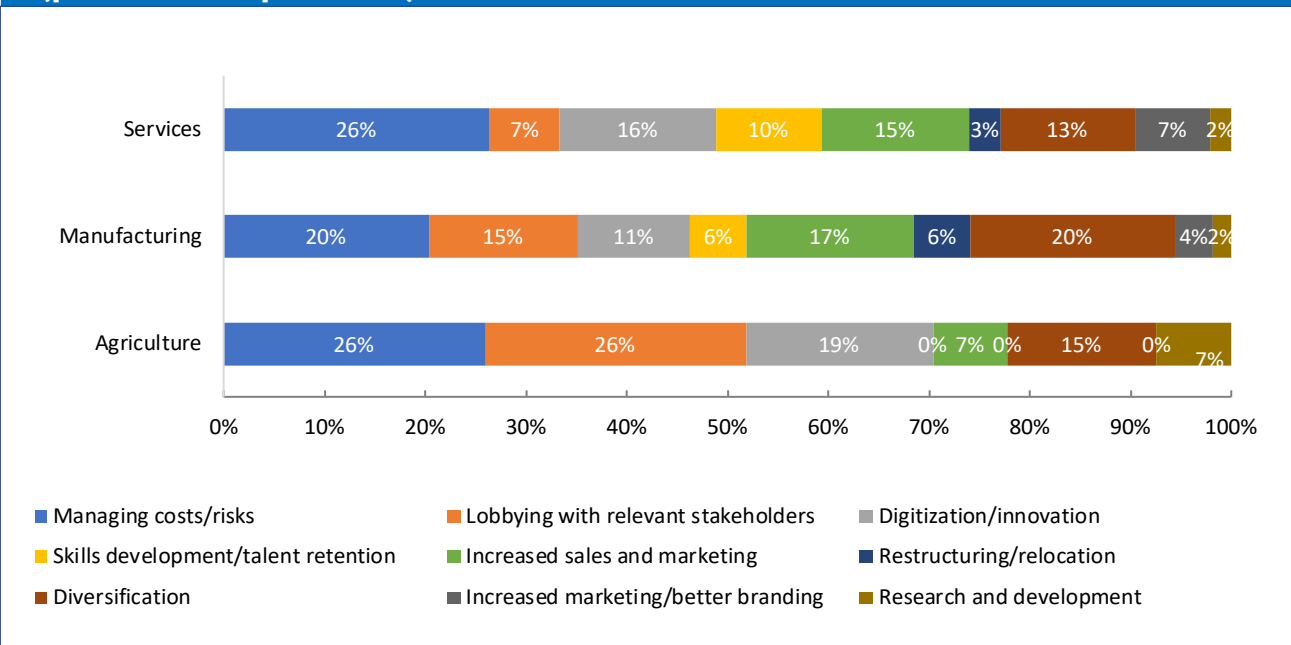


To mitigate against the constraining factors, firms reported employment of strategies such as management of costs and risks, innovation, digitization and enhanced use of technology, and increased sales and marketing (Chart 20&21).

**Chart 20: Firms' proposed solutions to factors constraining growth (percent of respondents)**



**Chart 21: Firms' proposed solutions to factors constraining growth by sector (percent of respondents)**



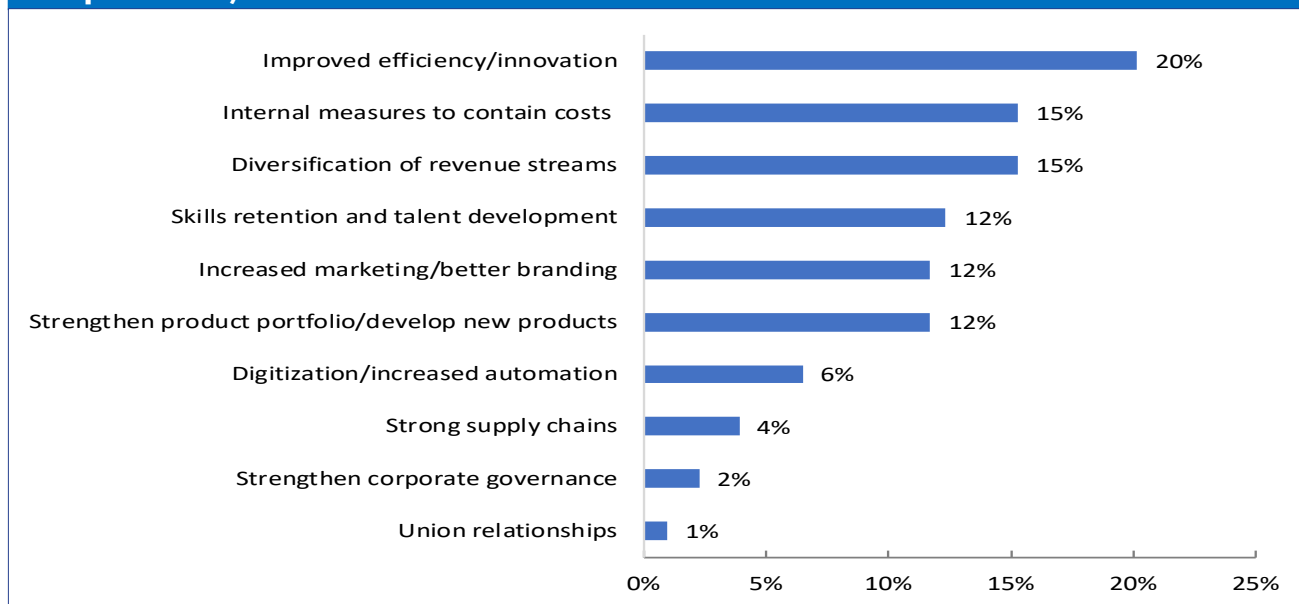


## 10. FACTORS TO STRENGTHEN FIRMS' OUTLOOK OVER THE NEXT 12 MONTHS

Firms reported improved efficiency and innovation, internal measures to contain costs and diversification

of revenue streams as the main internal factors that could strengthen the firms' outlook over the next 12 months **(Chart 22)**.

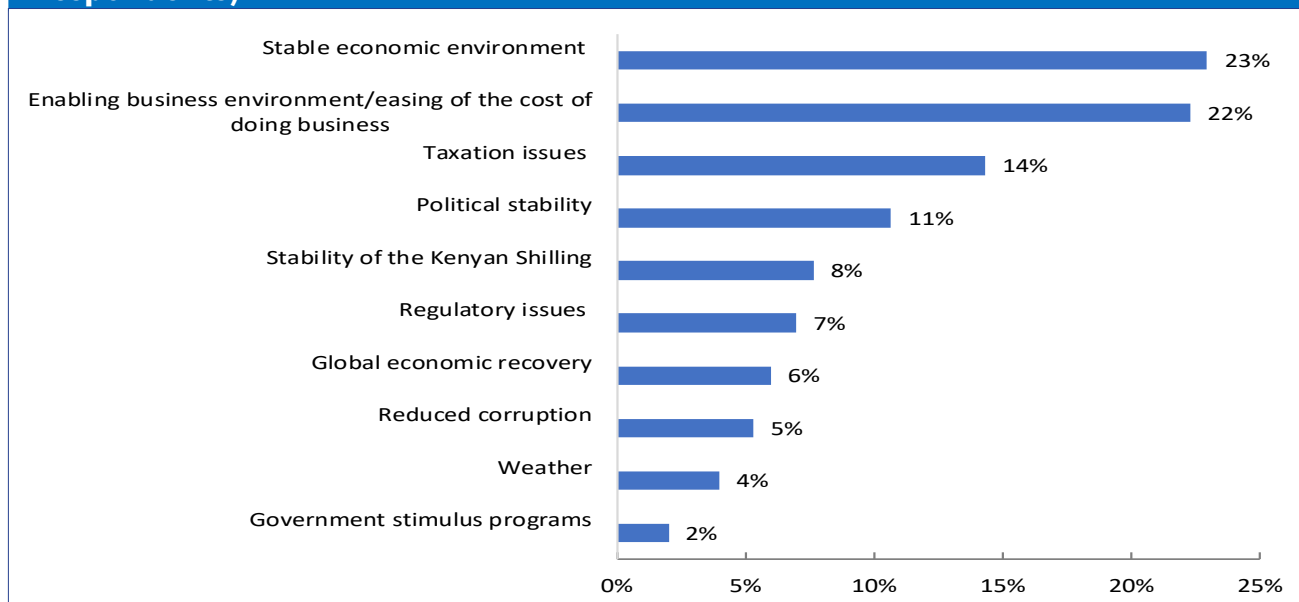
**Chart 22: Internal factors that could strengthen firms' outlook (percent of respondents)**



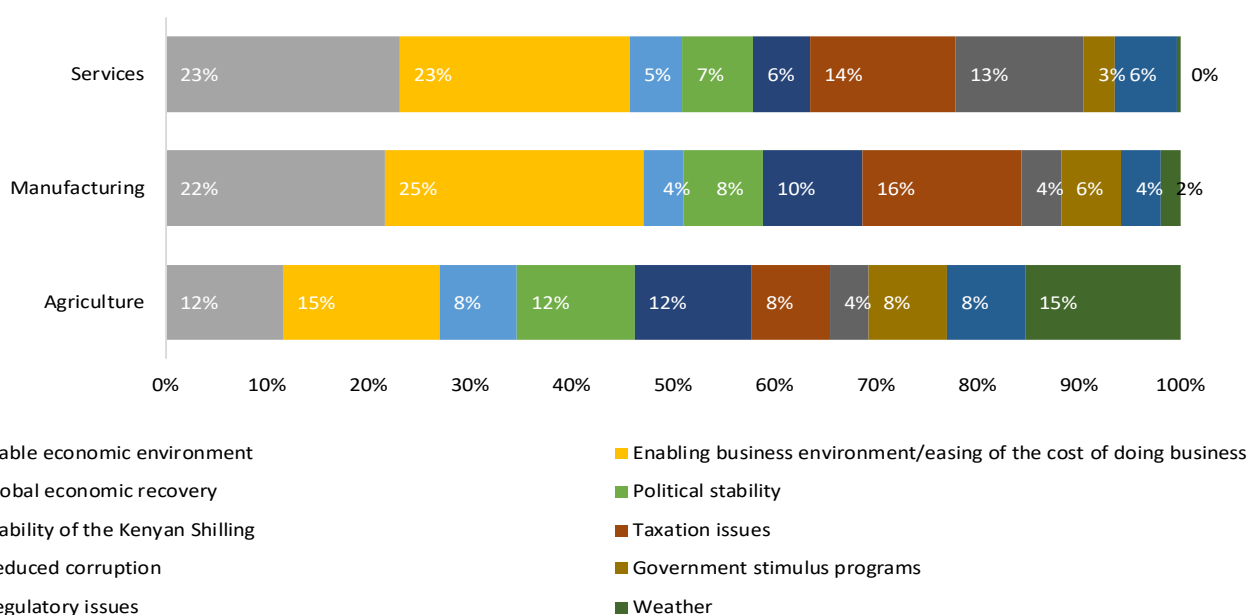
On the external front, a stable economic environment, easing cost of doing business and certainty around

taxation issues were identified as the key factors that could strengthen firms' outlook over the next 12 months **(Chart 23 & 24)**.

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



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



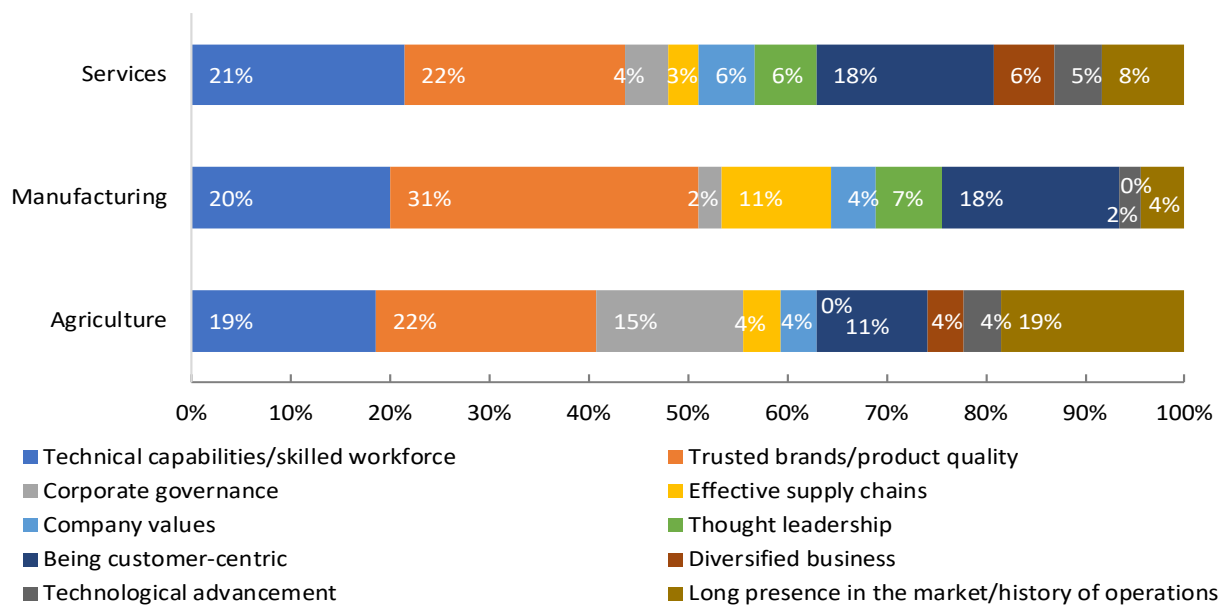
## 11. TOP COMPANY STRENGTHS

Trusted brands and product quality, skilled workforce, and customer centricity were reported as the firms' top strengths (**Chart 25 & 26**).

**Chart 25: Firms' top strengths (percent of respondents)**



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



## 12. STRATEGIC PRIORITIES

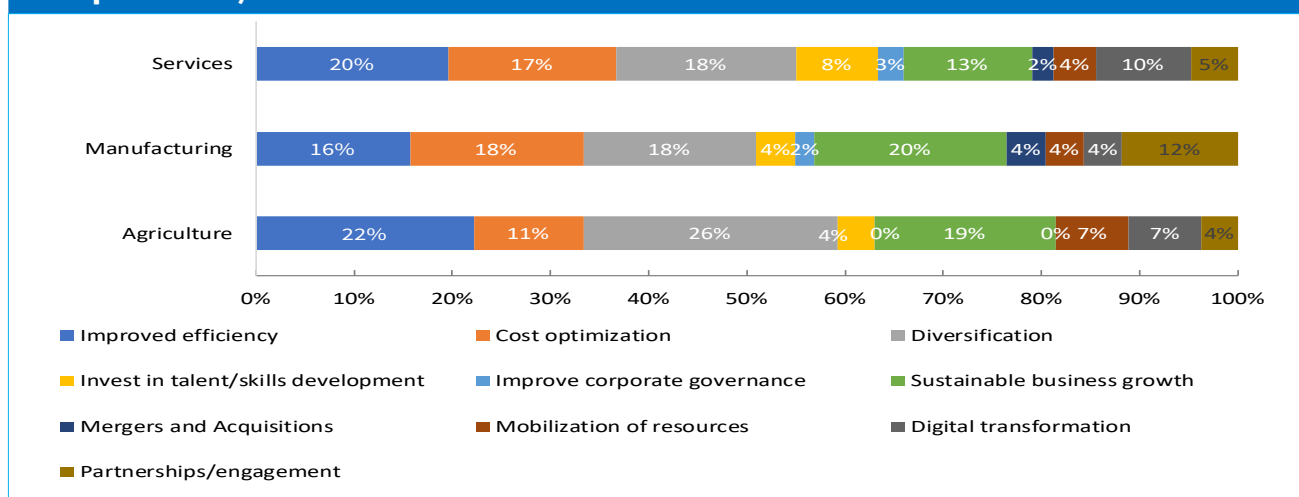
Firms' top priorities in the next 3 years include improved efficiency, diversification of operations,

and cost optimization (**Chart 27 & 28**).

**Chart 27: Firms' strategic priorities over the next three years (percent of respondents)**



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



## 13. CONCLUSION

- In the March 2025 CEOs Survey, firms reported sustained optimism in growth prospects for the Kenyan economy for the next 12 months supported by favourable weather conditions, stability of the shilling, continued decline in interest rates, and low inflation. However, elevated cost of doing business and muted consumer demand are key concerns.
- Company growth prospects were stable, supported by strategic initiatives to enhance performance. In addition, Sectoral growth prospects were positive, driven by sector specific opportunities. However, sectoral challenges remain.
- Global growth prospects in the next 12 months remain largely unchanged, supported by easing inflation and policy rates.
- Indicators of business activity show mixed performance in 2025Q1 relative to 2024Q4 supported by seasonality factors. Meanwhile, economic activity is expected to remain stable in 2025Q2 compared to 2025Q1.
- Respondents indicated marginal decline in bank lending rates, indicating lagged response of commercial banks to CBR reductions by CBK.
- Improved operational efficiency, technological innovation and customer centricity are key drivers of firm's growth and expansion over the next 12 months. However, cost of doing business, reduced consumer demand, taxation and levies could constrain growth.
- More firms reported easing constraints on capacity to meet an unexpected increase in demand largely supported by leverage on

existing idle capacity as most firms are operating below their capacity.

- Firms' top priorities in the next 3 years include improving efficiency, diversification of operations, and cost optimization.

## 14. RECOMMENDATIONS

The respondents gave proposals on how the business and economic environment in Kenya can be enhanced to boost growth. These include the following:

- The Government to put in place strategies to create jobs locally to avoid brain drain.
- Increase efficiency in access to Government services.
- Promote access to affordable funding for businesses to support growth of the private sector activity.
- Businesses should focus on cost efficiency, innovation and adaptability to navigate the evolving economic landscape.
- The Government should ensure stability of the economy by enabling sufficient cashflow.
- Support the manufacturing sector by implementing favourable policies that promote local production.
- Hasten settlement of pending bills.





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