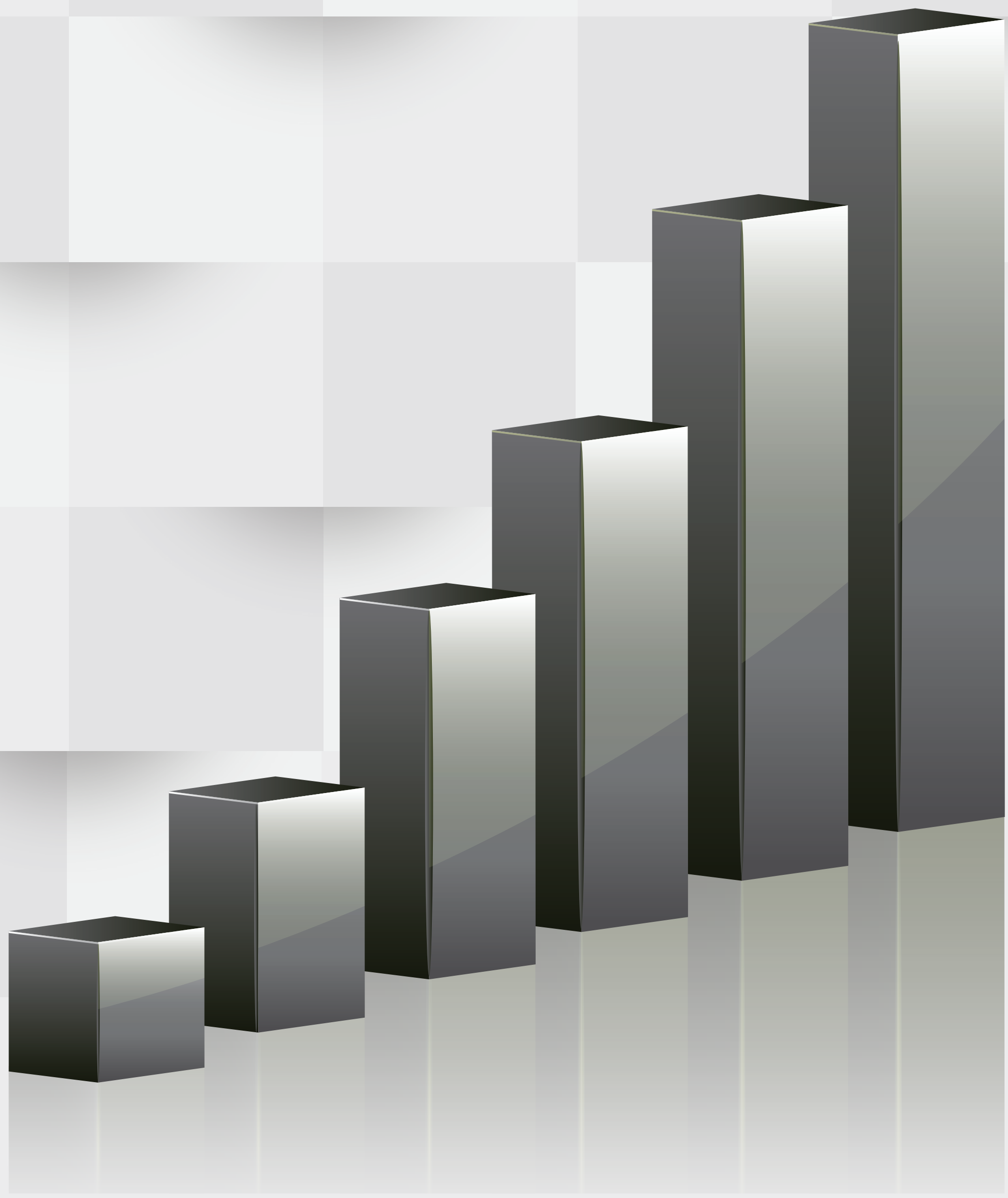
Central Bank of Kenya



CHIEF EXECUTIVE OFFICERS' (CEOs) SURVEY REPORT

January 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 of 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 the other surveys conducted by the CBK, such as the Market Perceptions Survey and Agriculture Sector Survey, to inform CBK's decisions on monetary policy.

The CEOs Survey seeks 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 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. The Survey obtains feedback in terms of the suggestions that would improve the business environment.

2. INTRODUCTION

The CBK conducted a CEOs Survey between January 12 and 23, 2026. The Survey sought CEOs' views on their levels of confidence/optimism regarding growth prospects for their companies and 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 fourth quarter of 2025 (2025Q4) compared to the third quarter of 2025 (2025Q3), and their expectations for economic activity in the first quarter of 2026 (2026Q1). The Survey asked the CEOs to identify the factors that were likely to affect business expansion/growth in 2026, and to outline strategic directions and solutions to address the constraints over the medium term (2026 - 2028). The findings of the survey are summarized in this report.

3. SURVEY METHODOLOGY

The Survey targeted the 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 (17 percent), ICT and telecommunications (14 percent), professional services (13 percent), financial services (12 percent), manufacturing (11 percent), agriculture (9 percent), healthcare and pharmaceuticals (9 percent), wholesale and retail trade (5 percent), transport and storage (4 percent), and real estate (3 percent). Mining and energy, education, building and construction, media, security, and other unspecified sectors accounted for one percent and below of the respondents.

Majority of the respondents (73 percent) were domestically owned private firms, while the rest were foreign-owned private firms (16 percent), government owned entities (4 percent), publicly listed domestic firms (2 percent), publicly listed foreign firms (2 percent) and other ownership structure (4 percent). Thirty-nine percent of the respondents had a turnover of less than KSh 250 million in 2025, seventeen percent of the respondents had a turnover of between KSh 250 million and KSh 1 billion, thirty one percent of the respondents had a turnover of between KSh 1 billion and KSh 5 billion while thirteen percent of the respondents had a turnover of over KSh 5 billion, during the same period.

In terms of employment, 46 percent of respondents employed less than 100 employees, 43 percent of the respondents had between 100 and 1000 employees, while 10 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 growth prospects for the Kenyan economy over the next 12 months, supported by expectations of favourable weather conditions, a stable macroeconomic environment, technological innovation, and seasonality factors. However, respondents noted some downside risks that could hinder growth including the high cost of doing business, reduced consumer demand, shift in U.S. policies and tariffs, and geopolitical tensions.

- Indicators of business activity show improved performance in 2025Q4 relative to 2025Q3, driven by seasonality factors.
- Indicators of business activity point to mixed performance in 2026Q1 relative to 2025Q4.
- A large proportion of respondents reported easing conditions in access to bank credit.
- Most firms have adopted technology and automated processes in the last 12 months to improve efficiency.
- Most firms are operating below or near full capacity, and therefore do not anticipate significant challenges in meeting an unexpected increase in demand or sales.

5. BUSINESS CONFIDENCE/OPTIMISM OVER THE NEXT 12 MONTHS

The Survey assessed the CEOs optimism regarding growth prospects for their companies, sector, the Kenyan and global economies over the next 12 months. Kenyan firms reported sustained optimism about growth prospects of the Kenyan economy over the next 12 months. These expectations are supported by a stable macroeconomic environment characterized by stable inflation and exchange rates, alongside continued decline in banks' lending rates, expectations of favourable weather conditions, increased Government infrastructure spending, and rising technology adoption driven by Artificial Intelligence, automation, and broader digital innovations. However, respondents highlighted several downside risks to growth. These include low consumer and business disposable incomes, cash flow constraints arising from pending bills, increased costs of doing business, partly driven by expectations of additional levies during the year and heightened geopolitical tensions **(Chart 1)**.

At the company level, respondents remain confident about their firms' growth prospects. This optimism is driven by rising demand in select service sectors including professional services, financial services, hospitality, and ICT, driven by increased access to new market segments, particularly through digital marketing. Firms also expect growth to stem from improved access to business financing following lower lending rates, as well as diversification of operations through new product lines, services, and new market segments, automation of processes and innovations aimed at enhancing efficiency, alongside business restructuring to support sustainable long-term growth. Additionally, continuous skills development and investment in talent remain key enablers of growth **(Chart 2)**.

Most of the respondents reported sustained sectoral growth prospects over the next 12 months, supported by sector specific opportunities **(Chart 2)**. Favourable weather conditions and diversification of farm activities are expected to continue supporting performance in the agriculture sector. The financial services sector continues to benefit from rising demand for digital products, automation of processes and innovations, as well as tailored products for diverse customer and market segments. The ICT sector anticipates further gains from increased automation, digitization, and Artificial Intelligence adoption across the economy.

The tourism and hospitality sector growth prospects are largely attributed to increased travel demand, and government travel reforms, including the open skies policy, reduced restrictions, and relaxed visa free entry requirements, which are expected to continue boosting inbound demand. The professional services sector is expected to benefit from opportunities such as increased demand for services, new business channels, and digital marketing. In the manufacturing sector, growth prospects are largely driven by enhanced liquidity from the payment of pending bills, and expectations of improved access to business financing supported by lower lending rates. Additional support is expected from increased product diversification and a pick-up in construction activities. However, elevated operating costs and competition remain key challenges. Wholesale and retail trade sector activity continues to be impacted by muted consumer demand, while the health sector's growth prospects are dampened by the rising pending bills and transitional challenges associated with the new health insurance scheme, which continue to slow the sector activity.

Respondents expect global growth prospects to improve over the next 12 months, supported by increased investment in artificial intelligence, monetary policy support, and new trade opportunities. However, this outlook may be constrained by trade restrictions and high tariffs, geopolitical tensions that could disrupt global supply chains and raise import costs, as well as potential financial pressures arising from elevated global debt levels.

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

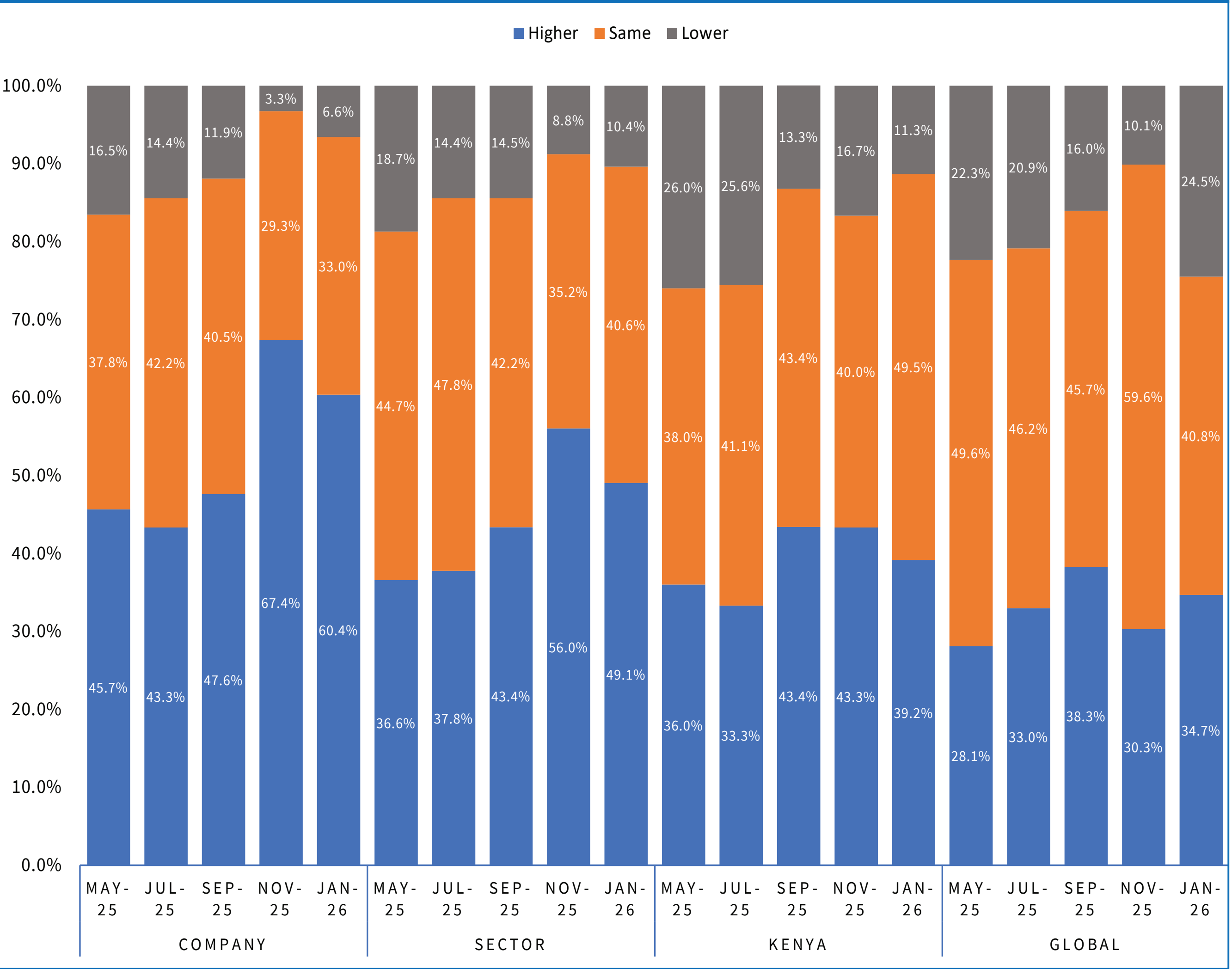
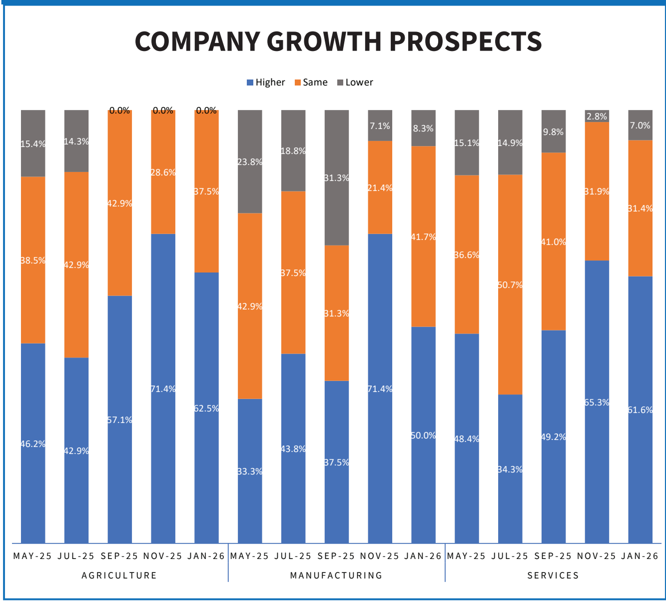
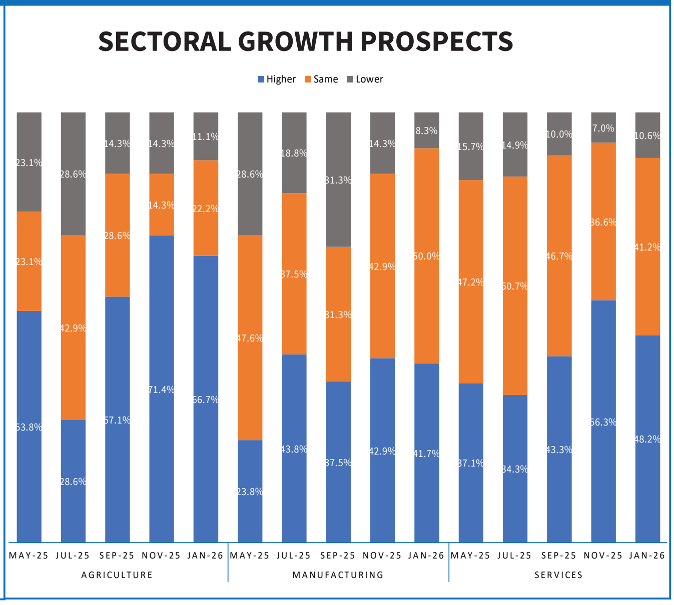


Chart 2: Sectoral analysis of growth prospects over the next 12 months (percent of respondents)





6. BUSINESS ACTIVITY IN 2025 Q4 COMPARED TO 2025 Q3

The Survey collected information on CEOs perceptions of business activity in the fourth quarter of 2025 relative to the third quarter of 2025. Indicators of business activity point to improved performance in the fourth quarter of 2025, mainly driven by seasonality factors. A higher percentage of the respondents reported increased demand orders, production volume, and growth in sales reflecting festive-season-related demand. Majority of the respondents reported stability in both purchase and selling prices, consistent with trends in commodity prices. Meanwhile, relative to the baseline, most firms retained their employees to meet the increased activity during the festive period **(Chart 3 to 9)**.

Chart 3: Business activity in 2025 Q4 compared to 2025 Q3 (percent of respondents)

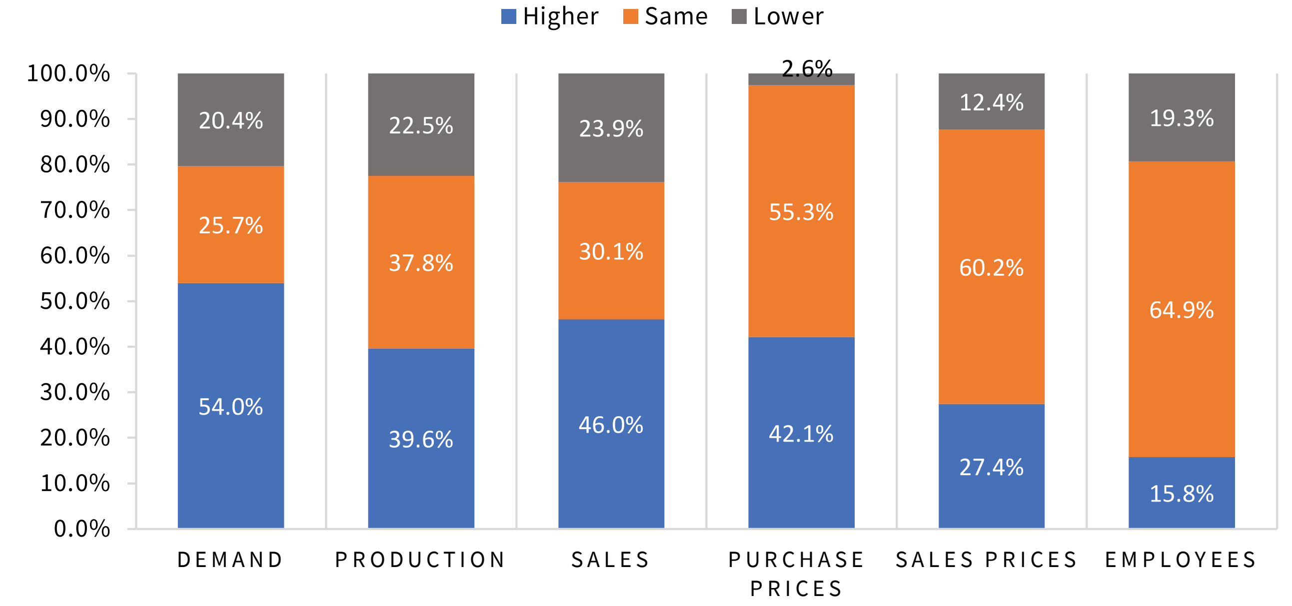


Chart 4: Comparison of business activity in 2025 Q4 relative to 2025 Q3 (balance of opinion)

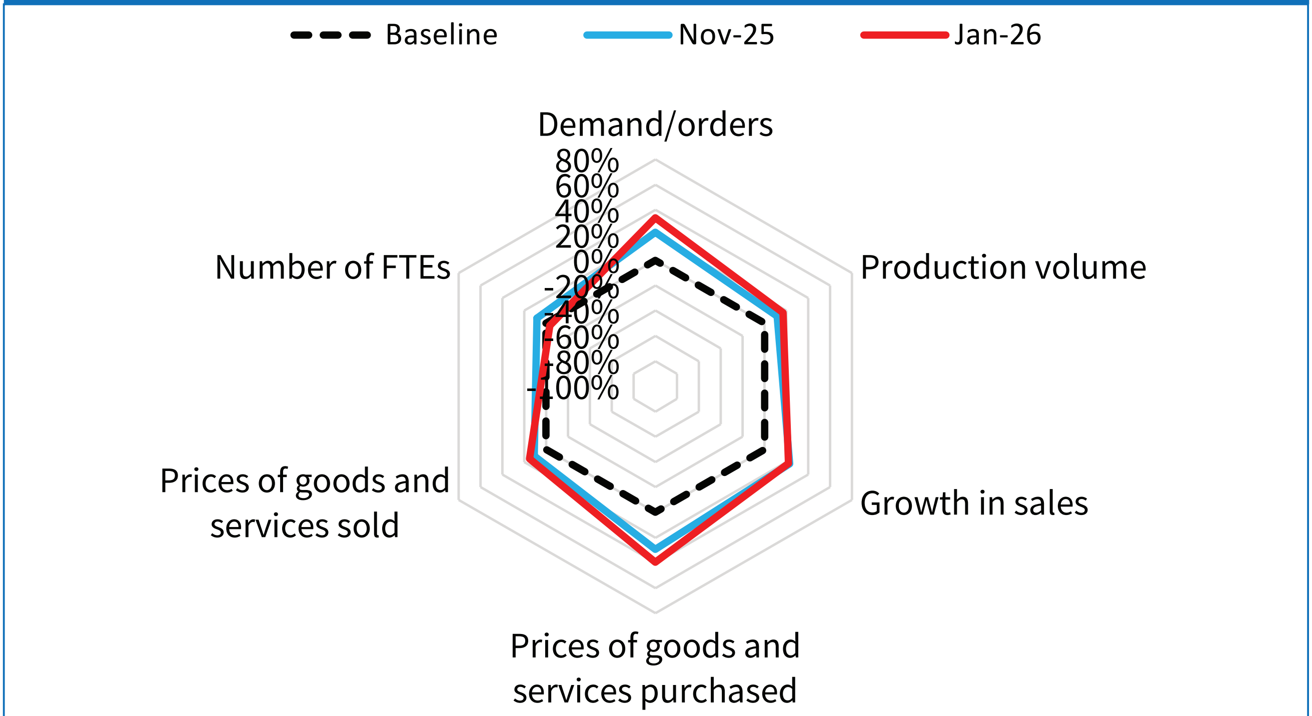


Chart 5: Demand/Orders in 2025 Q4 relative to 2025 Q3 by sectors (percent of respondents)

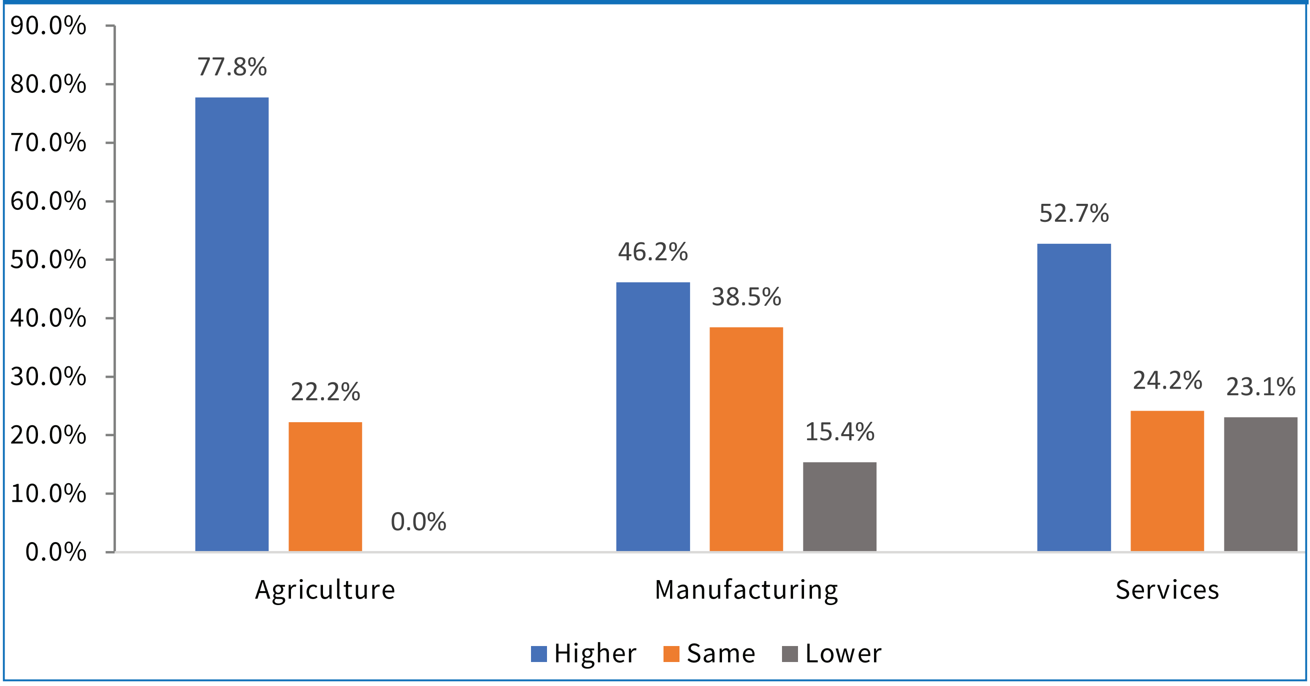


Chart 6: Sales growth in 2025 Q4 relative to 2025 Q3 by sectors (percent of respondents)

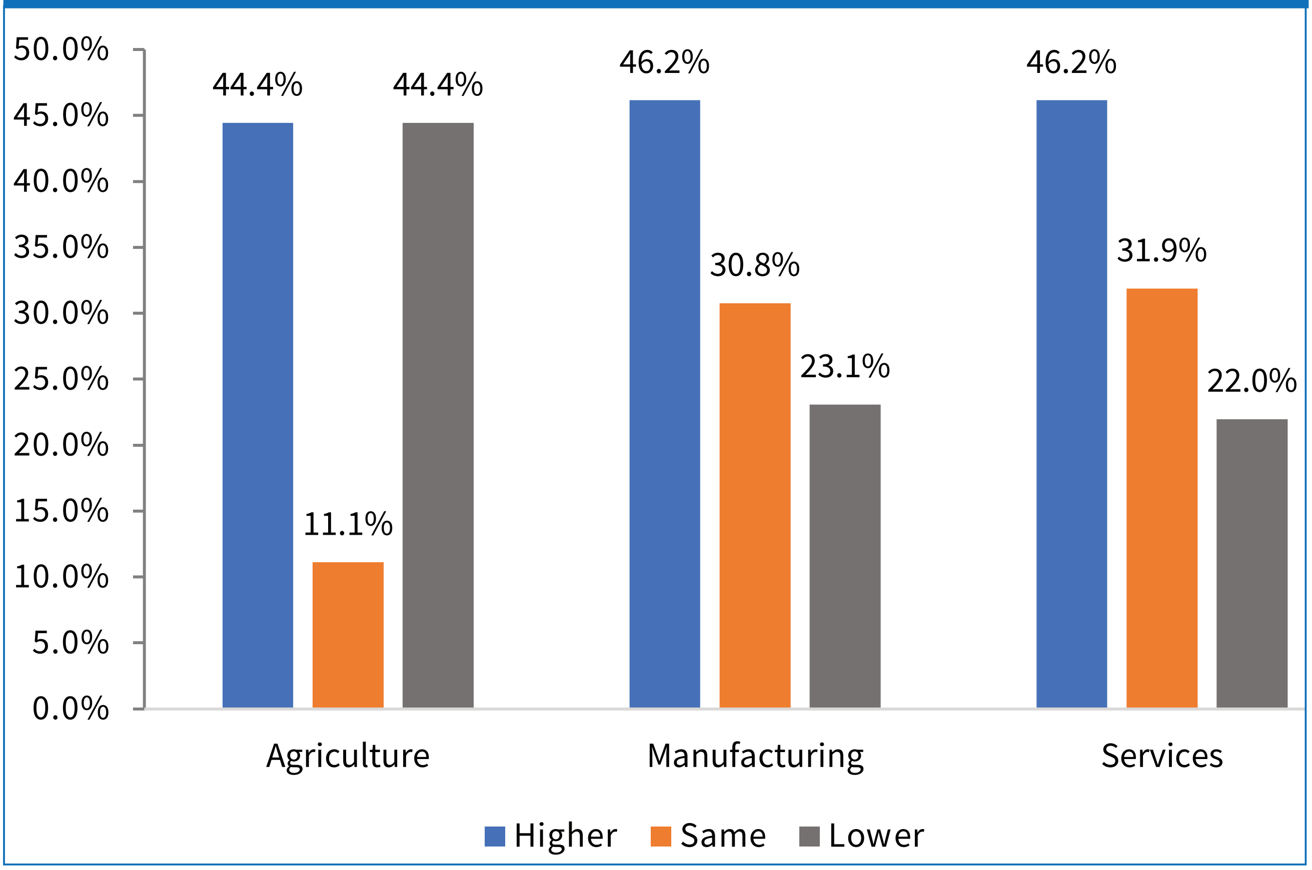


Chart 7: Purchase and sales prices in 2025 Q4 relative to 2025 Q3 by sectors (percent of respondents)

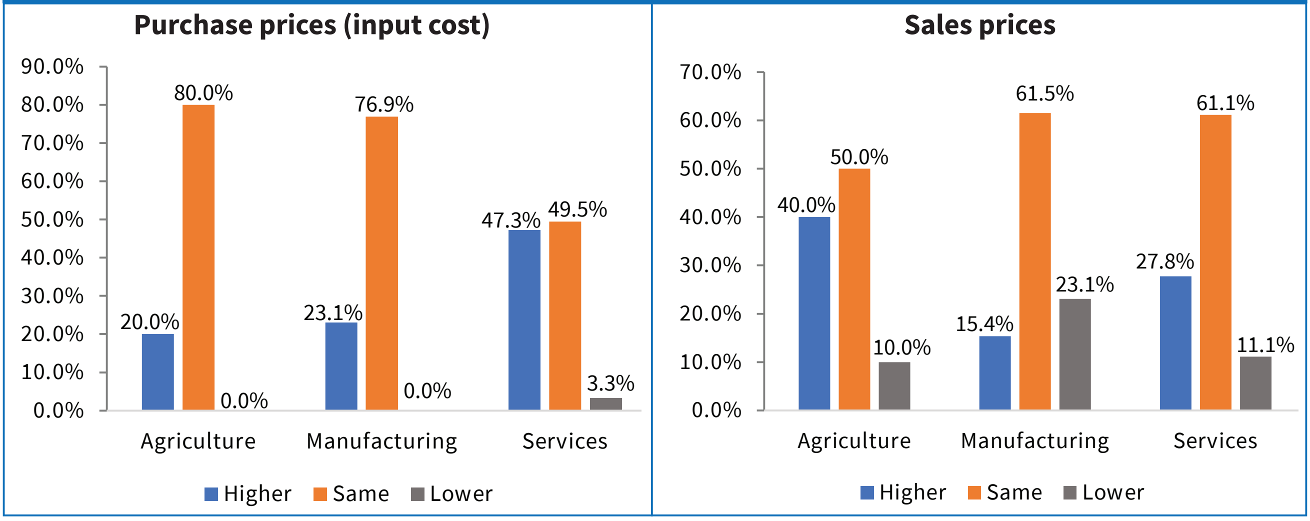


Chart 8: Production volumes in 2025 Q4 relative to 2025 Q3 by sectors (percent of respondents)

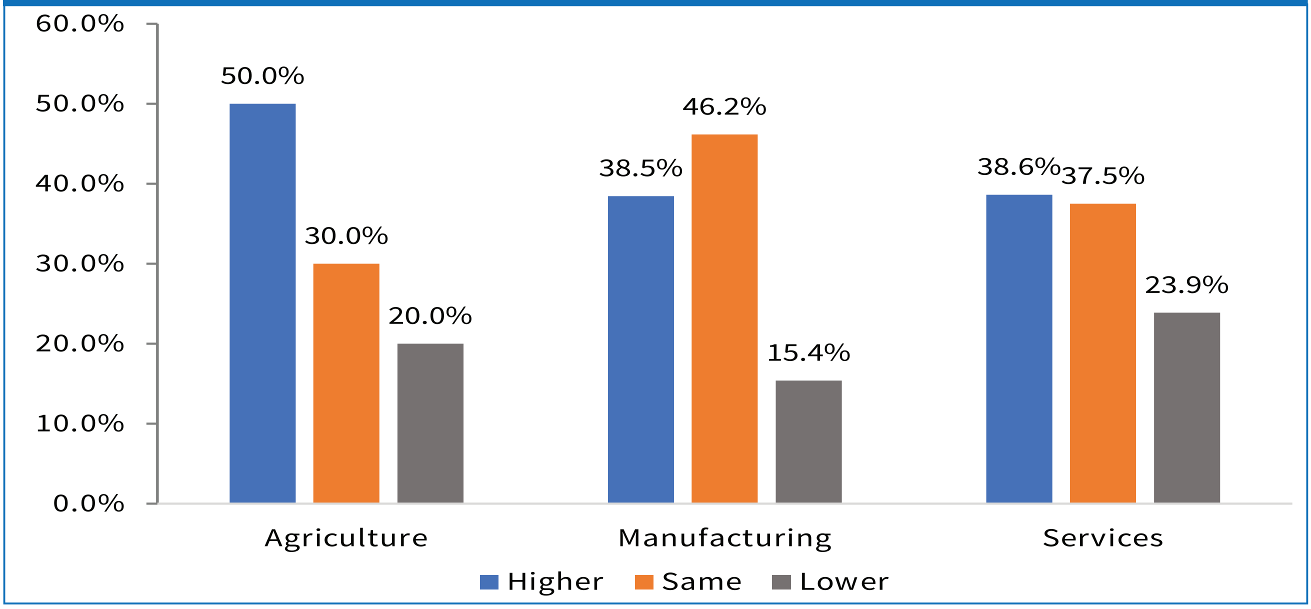
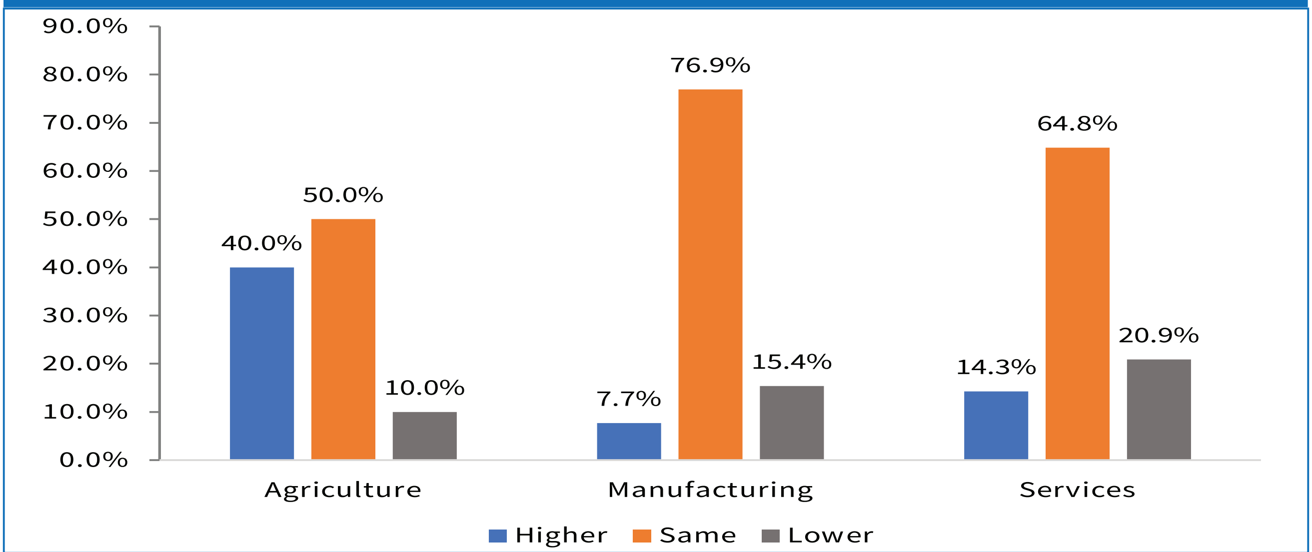


Chart 9: Number of full-time employees in 2025 Q4 relative to 2025 Q3 by sectors (percent of respondents)



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

The Survey sought CEOs expectations of business activity in the first quarter of 2026 compared to the fourth quarter of 2025. Respondents reported mixed expectations on business activity in 2026Q1: many expect higher demand orders and sales growth during the quarter, while a larger share expects production volumes to remain stable. The anticipated increase in demand and growth in sales during the quarter is supported by firms' aggressive marketing strategies including discounts, promotional offers, and intensive campaigns aimed at clearing carry-over stock from the festive season **(Chart 10)**.

However, compared to the November 2025 survey the balance of opinion shows a decline in expected sales growth, largely reflecting seasonal factors. In addition, the balance of opinion shows expectations of stability in demand orders and production volumes relative to the previous quarter, owing to post-festive season moderation in activity. Sales and purchase prices are generally expected to remain relatively stable during the quarter. Nonetheless, some respondents reported likelihood of higher sales prices due to upward price adjustments as firms seek to offset rising operating costs and protect profit margins. Purchase prices are also likely to be affected by higher commodity prices, driven by both domestic and international market developments. Meanwhile, the number of full-time employees is expected to remain largely unchanged **(Chart 11)**.

Chart 10: Outlook on business activity in 2026 Q1 compared to 2025 Q4 (percent of respondents)

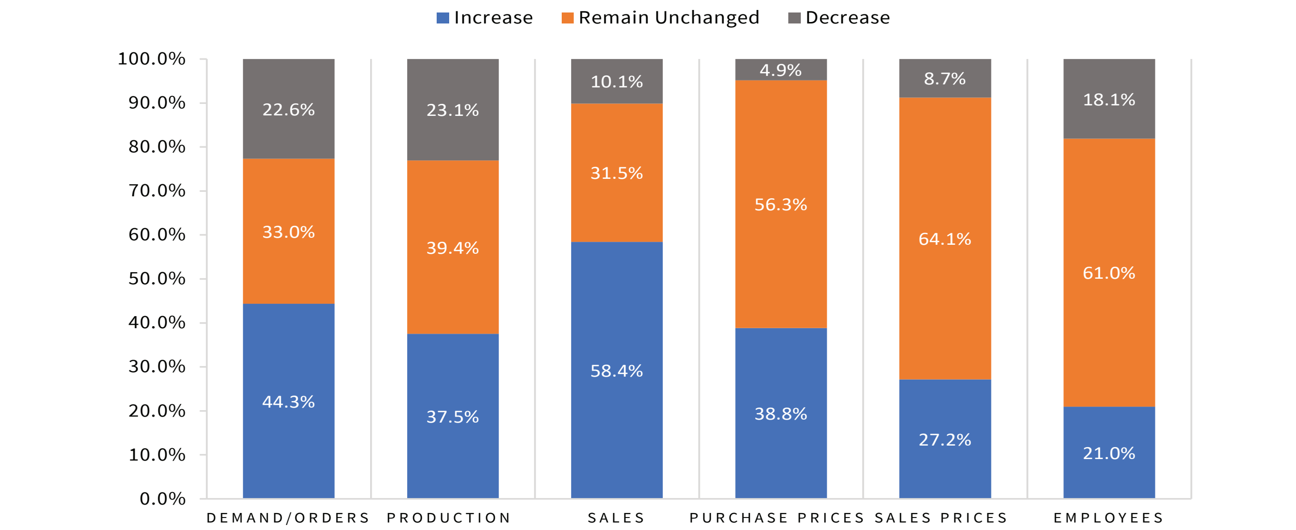
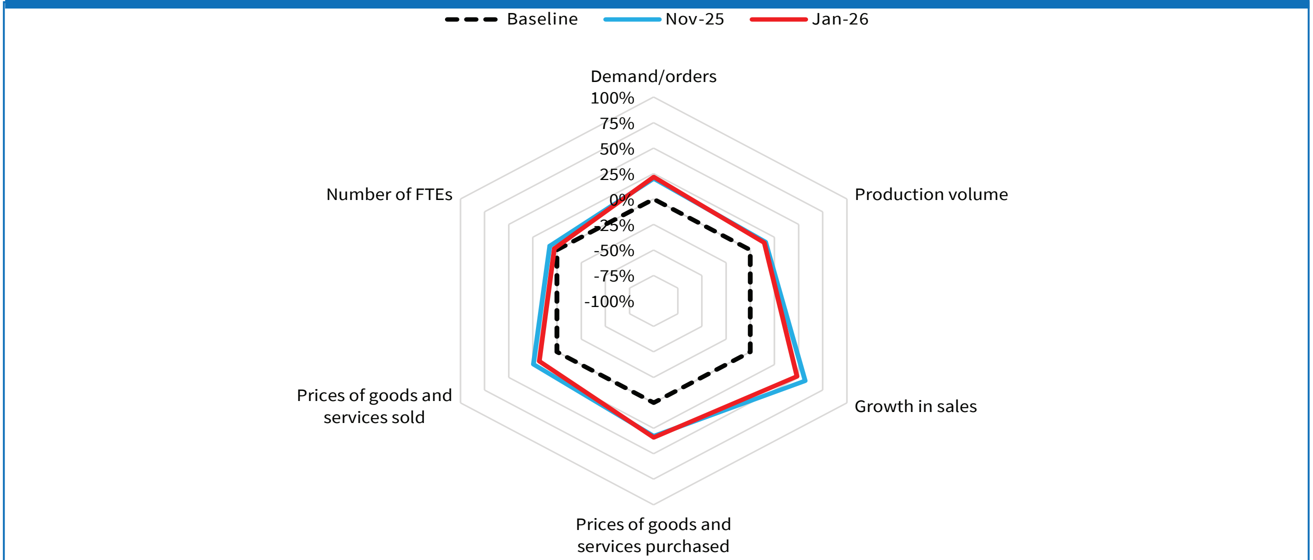


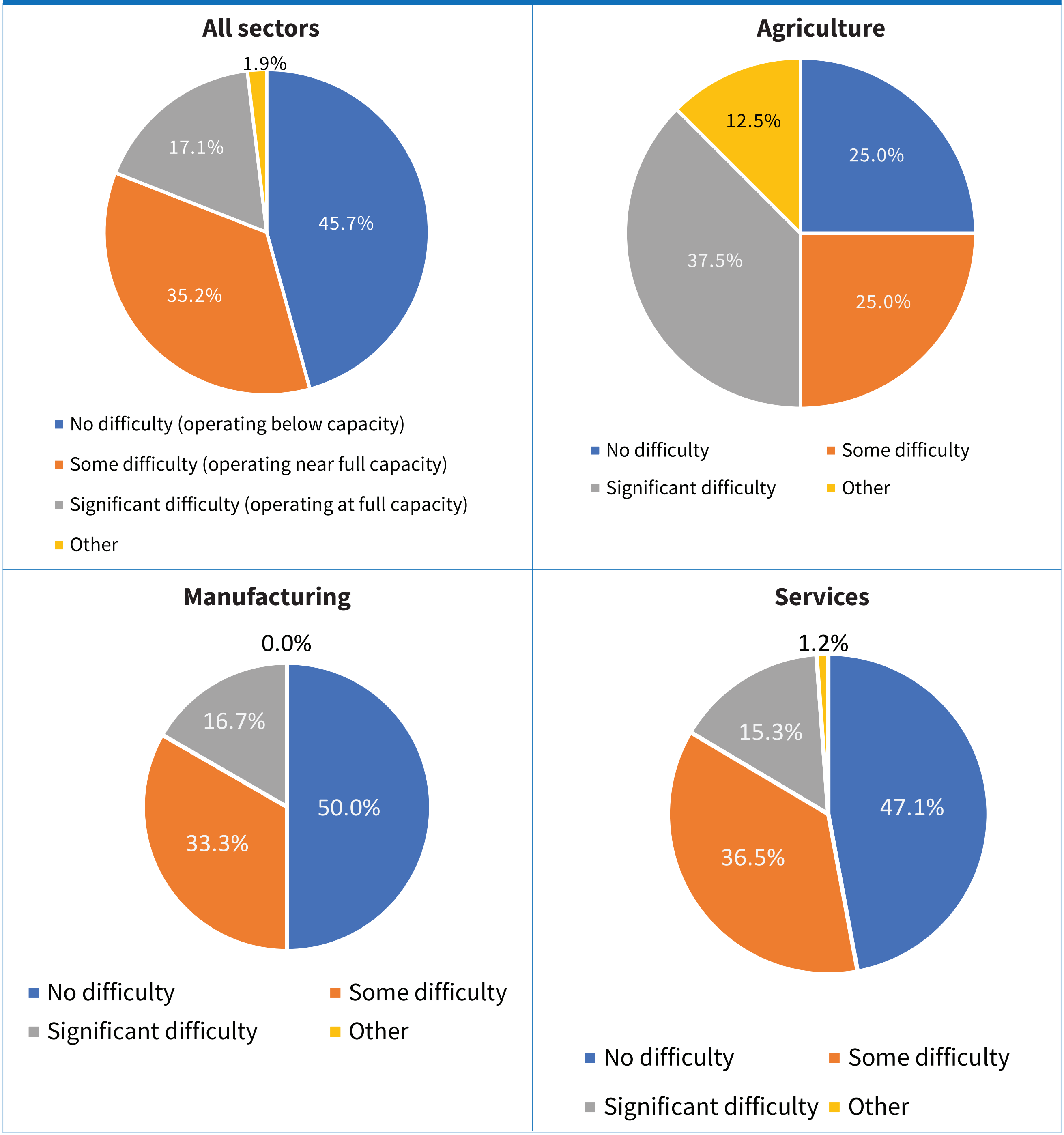
Chart 11: Expectations of business activity in 2026 Q1 relative to 2025 Q4 (balance of opinion)



Majority of firms reported that they are able to meet an unexpected increase in demand or sales as most are currently operating below or near full capacity. The CEOs indicated that such unexpected increases in demand could be accommodated by leveraging on existing idle capacity, including retained labour and available infrastructure, utilizing carry-over stock, and relying on automation to enhance operational efficiency.

However, several constraints may limit firms' ability to respond to sudden increase in demand. These include the lead time required to expand production, cash-flow challenges arising from pending bills and reduced revenues due to elevated operational costs, difficulties in accessing business financing owing to the many requirements by lending institutions, stiff competition and compliance requirements in certain sectors **(Chart 12)**.

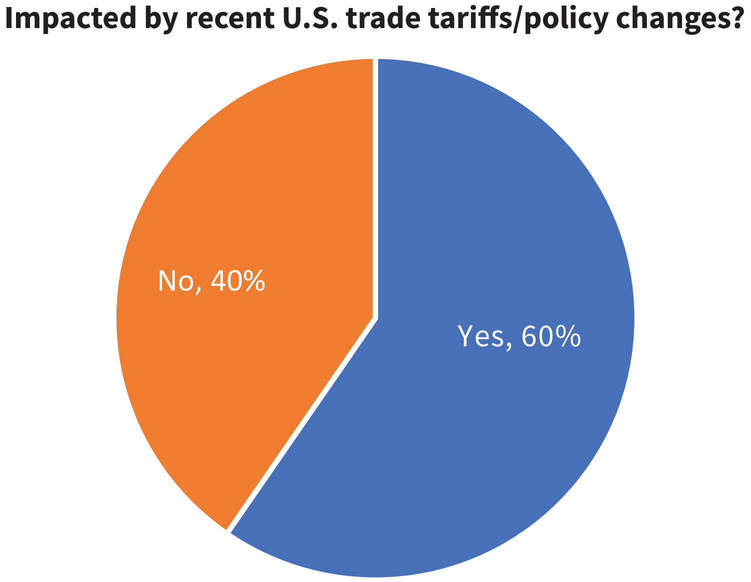
Chart 12: Potential level of difficulty in meeting increased demand or sales (percent of respondents)

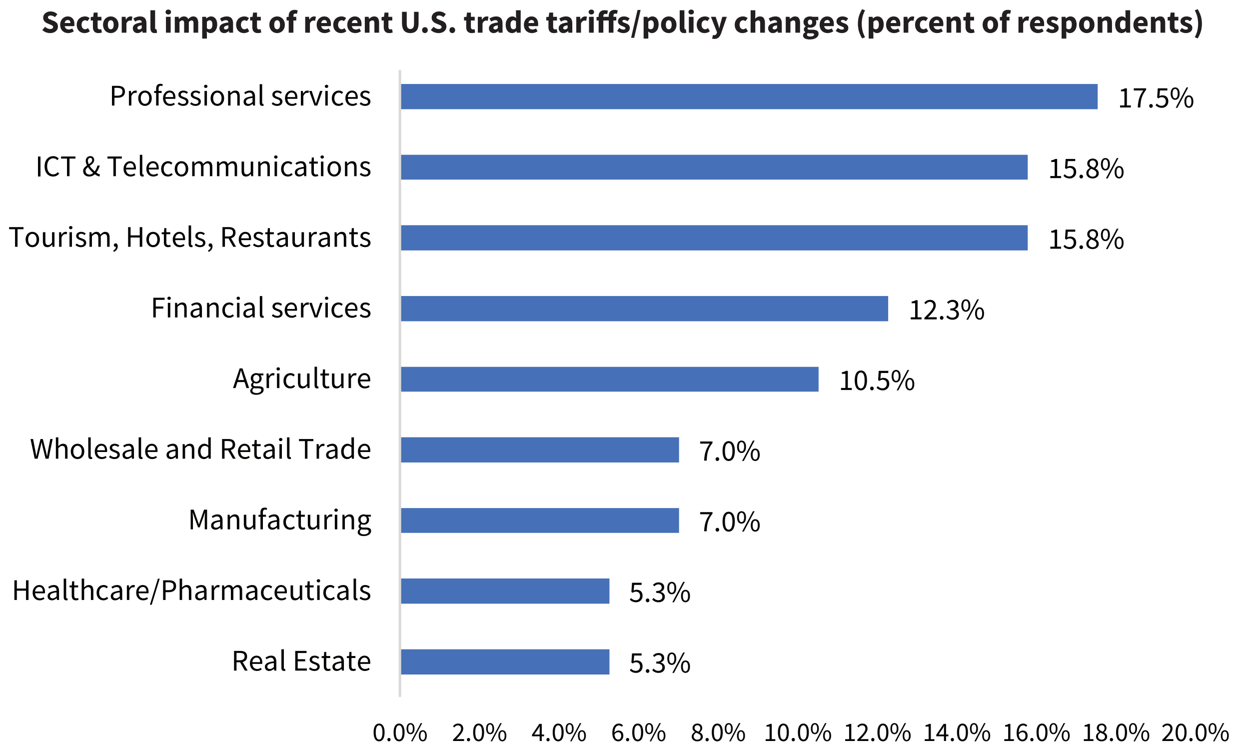


8. IMPACT OF RECENT U.S. TRADE TARRIFFS AND POLICY CHANGES

The Survey assessed the extent to which recent U.S. trade tariffs and policy changes have affected domestic firms. Most respondents reported that they continue to be impacted by these developments. In particular, the professional services, ICT, hospitality, financial services and wholesale and retail trade sectors were reported to be the most affected. While some firms identified positive opportunities arising from the extension of African Growth and Opportunity Act (AGOA) trade preferences, others, particularly in the hospitality and health sectors, continue to face operational pressures linked to reduced donor funding. Respondents also reported potential supply chain disruptions and increases in imports tariffs, which could raise domestic production costs **(Chart 13)**.

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





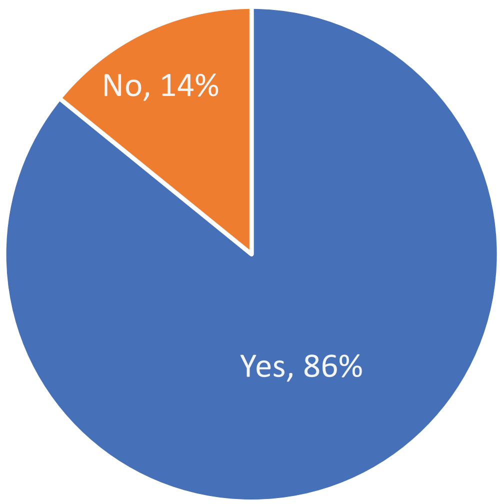
9. TECHNOLOGY ADOPTION AND AUTOMATION IN FIRMS

The Survey assessed the extent of digitization in Kenyan firms over the past 12 months, and any plans by firms to adopt technology over the next one year. Most respondents reported automating their processes during the last 12 months to improve operational efficiency. Key areas of technology integration include cloud solutions, costing, sales and revenue analytics, operational monitoring systems, automated billing and payment platforms, compliance-related tools such as eTIMS and e-government procurement systems, staff and client communication platforms, digital marketing, transport management systems, and broader system upgrades **(Chart 14)**.

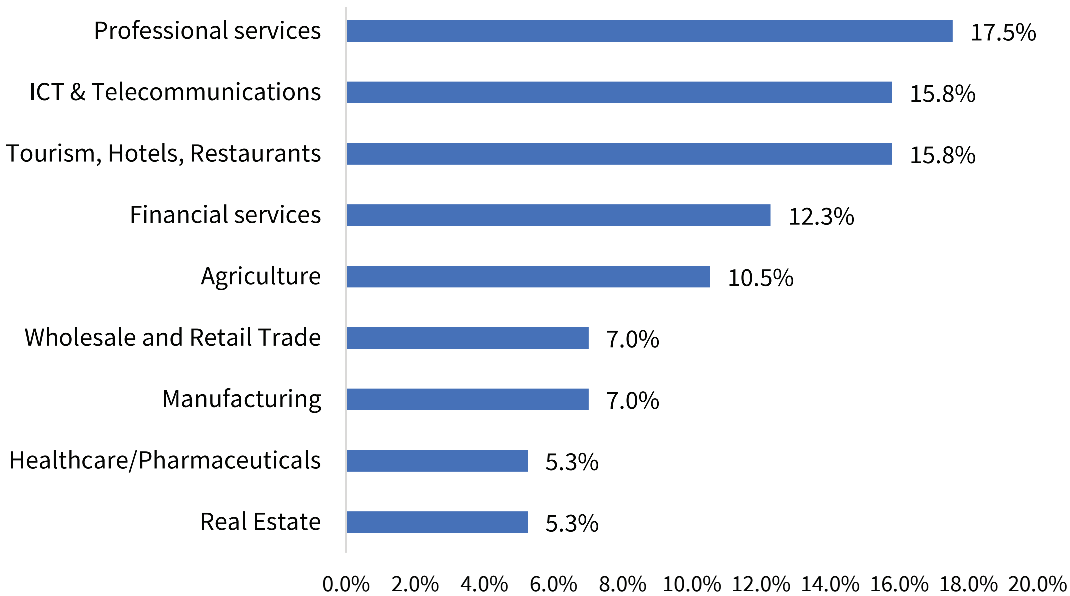
Despite this progress, respondents cited several challenges associated with digital transformation in their firms. These included the high cost of technology installation and maintenance, resulting budget constraints, in-house technological skills gap, high cost of training and hiring skilled personnel and resistance to adoption among existing staff. Respondents also highlighted the rapid pace of technological evolution, with system updates often outpacing organizational capacity to adapt. In addition, increased exposure to cyber risks and intermittent internet connectivity due to downtime were noted as barriers to efficient digital operations.

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

Automation/Digitization/Technology Adoption, percent of respondents



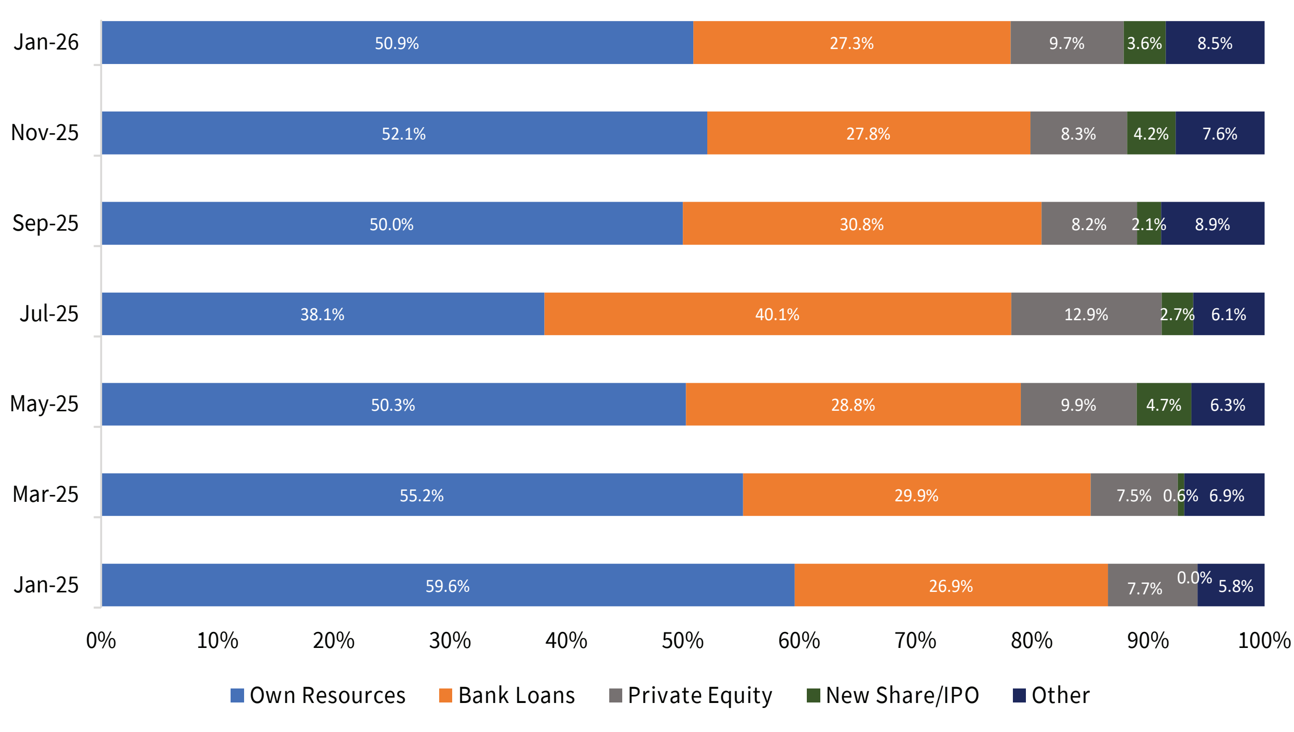
Sectoral integration of technology/automation/digitization of processes (percent of respondents)



10. FIRMS' SOURCES OF FINANCING

The Survey sought to find the sources of firms' financing in the fourth quarter of 2025. CEOs reported that they continued to rely on use of own resources and bank loans to finance their operations **(Chart 15)**.

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

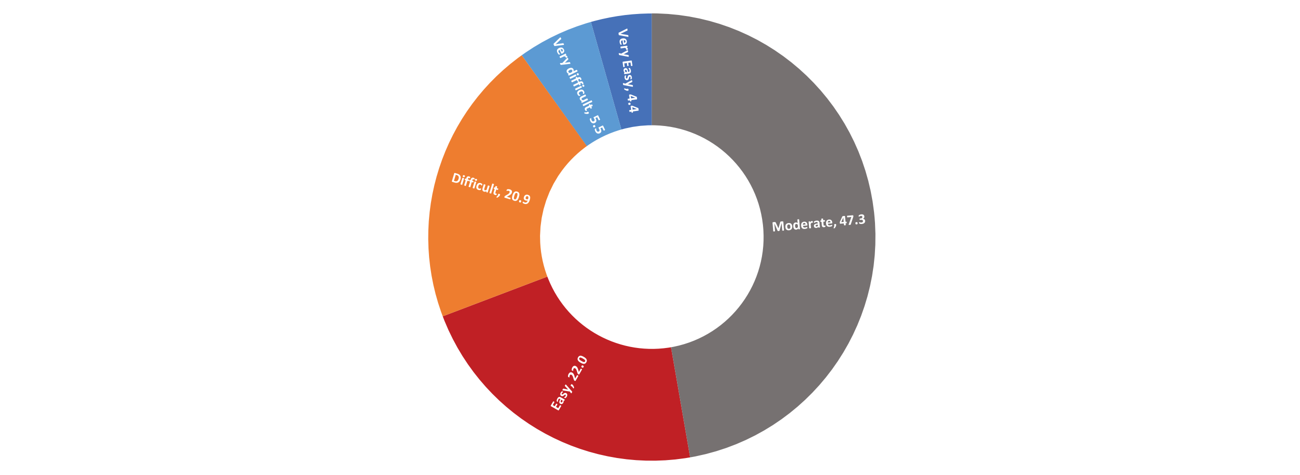


In addition, the survey assessed access to credit to determine whether banks were transmitting the benefits of the lower rates to their customers, following the lowering of the Central Bank Rate (CBR) by the Monetary Policy Committee of the Central Bank of Kenya since August 2024.

A larger proportion of respondents reported moderately eased credit access conditions in Kenya. This was attributed to the decline in interest rates, which has lowered the borrowing costs and increased firms' confidence in seeking financing. Respondents also highlighted other factors supporting improved access to credit, including good credit history, strong business partnerships with banks, availability of reliable financial documentation, stable cash flows, and adequate collateral. In addition, technological advancement and automation within financial institutions have streamlined loan application, verification and disbursement processes.

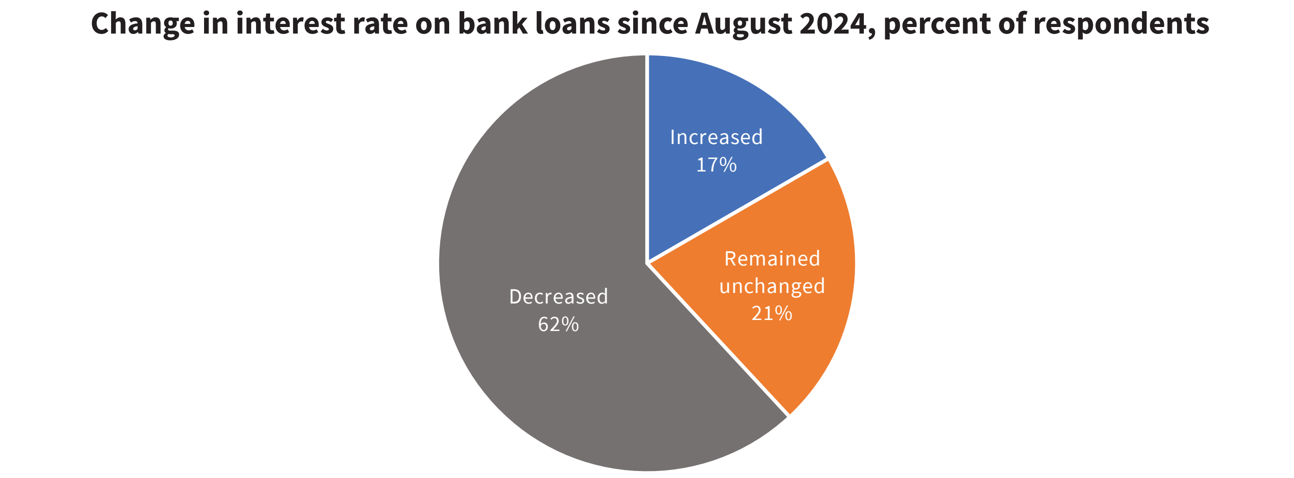
However, 26.4 percent of the respondents reported challenges in accessing bank credit. These included slow loan processing due to lengthy bureaucratic procedures, high collateral requirements that many firms were unable to meet, cautious lending practices by banks, particularly to sectors such as agriculture and the creative industry. Other constraints cited were sticky lending interest rates that remain unfavourable for small and medium-sized businesses, reduced repayment capacity and banks risk perception of borrowers **(Chart 16)**.

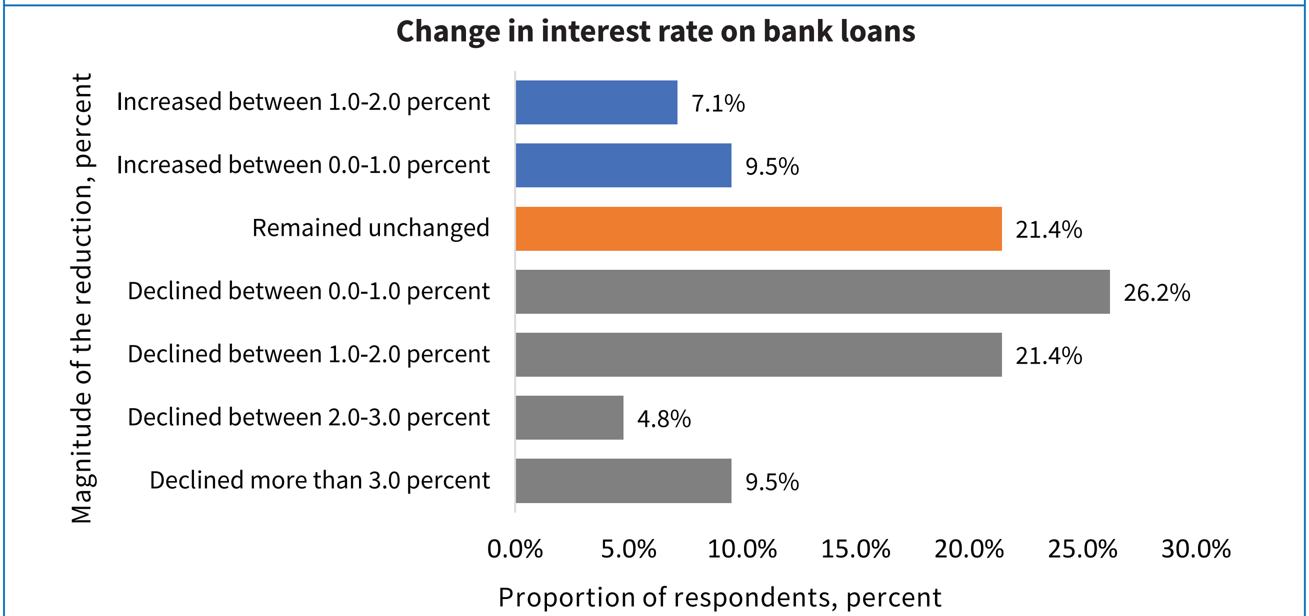
Chart 16: Ease of access to credit, percent of respondents



The majority of CEOs in the January 2026 survey reported lower bank lending interest rates, reflecting the continued transmission of the Central Bank's monetary policy easing measures. Sixty two percent of respondents noted declines in their loan interest rates, and predominantly by between 0 and 2 percent. This gradual reduction in lending rates supports renewed credit uptake by businesses, particularly for working-capital financing **(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

The survey respondents highlighted several strategies that firms are adopting to support growth in the next 12 months. Key approaches include enhanced customer centric practices, improved operational efficiency and the strengthening of product portfolio, as well as expansion into new markets. These were identified as the primary drivers of business growth and expansion in the next one year **(Chart 18)**.

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

The cost of doing business and subdued consumer demand were identified as key constraints to growth over the next 12 months **(Chart 19 & 20)**.

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

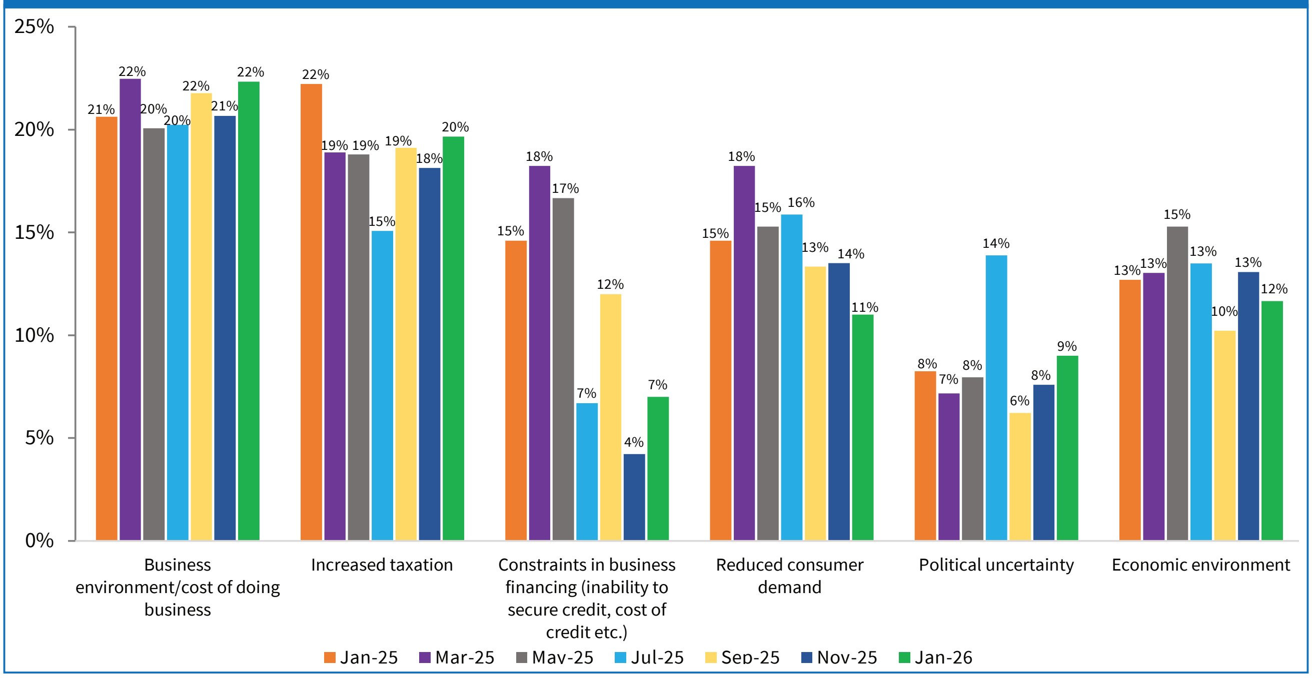
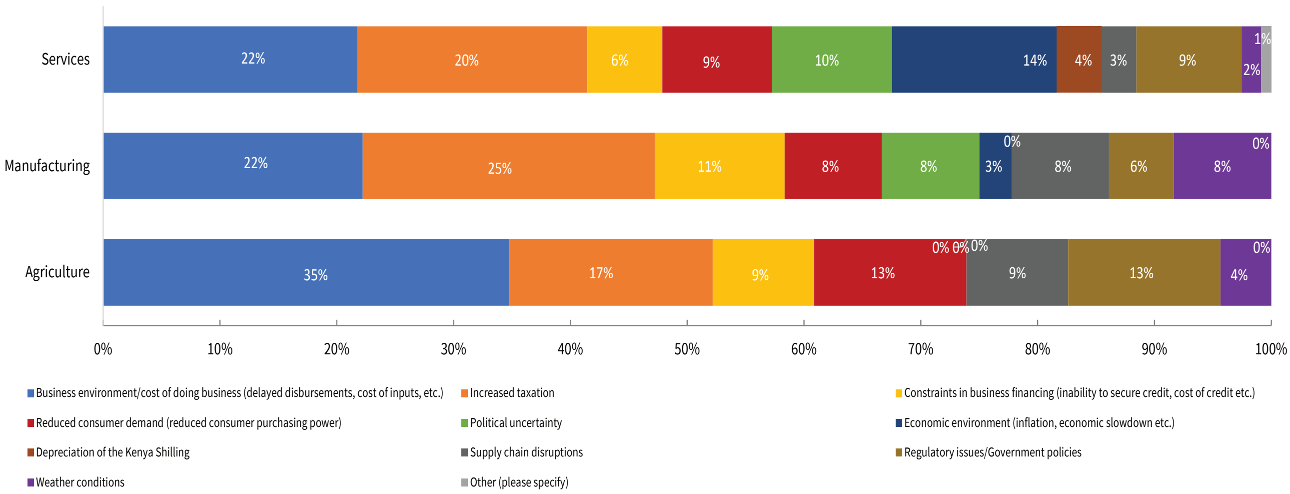
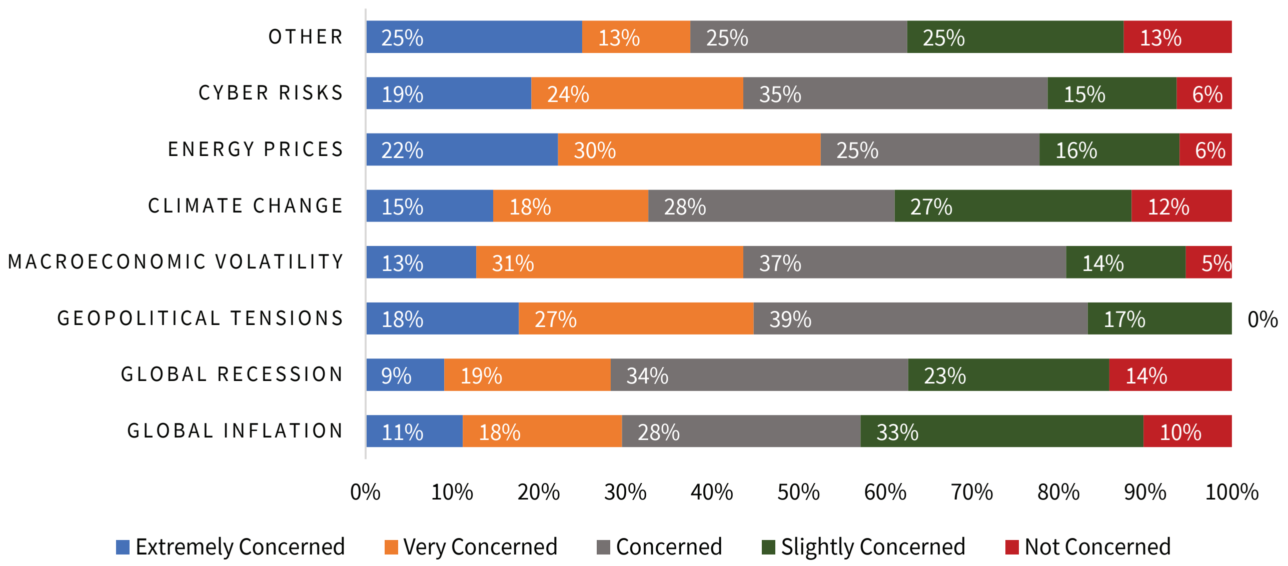


Chart 20: Domestic factors constraining firms' expansion by sectors (percent of respondents)



Energy prices, geopolitical tensions, and cyber risks (associated with increased technology adoption) were reported as the major external threats to firm's growth and expansion in the next 12 months **(Chart 21)**.

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



However, firms plan to mitigate these constraining factors through management of costs and risks, digitization of processes to enhance operational efficiency and diversification of operations by developing new products, services, and expanding into new markets **(Chart 22 & 23)**.

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

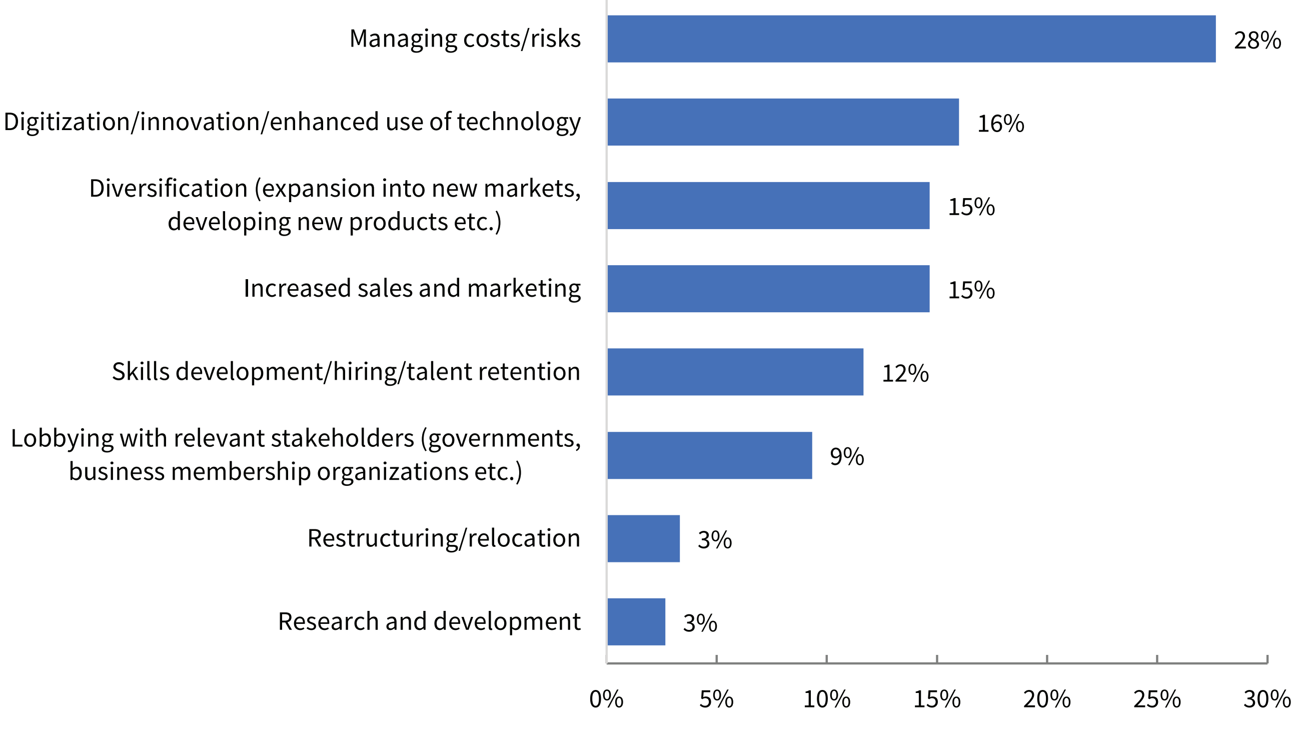
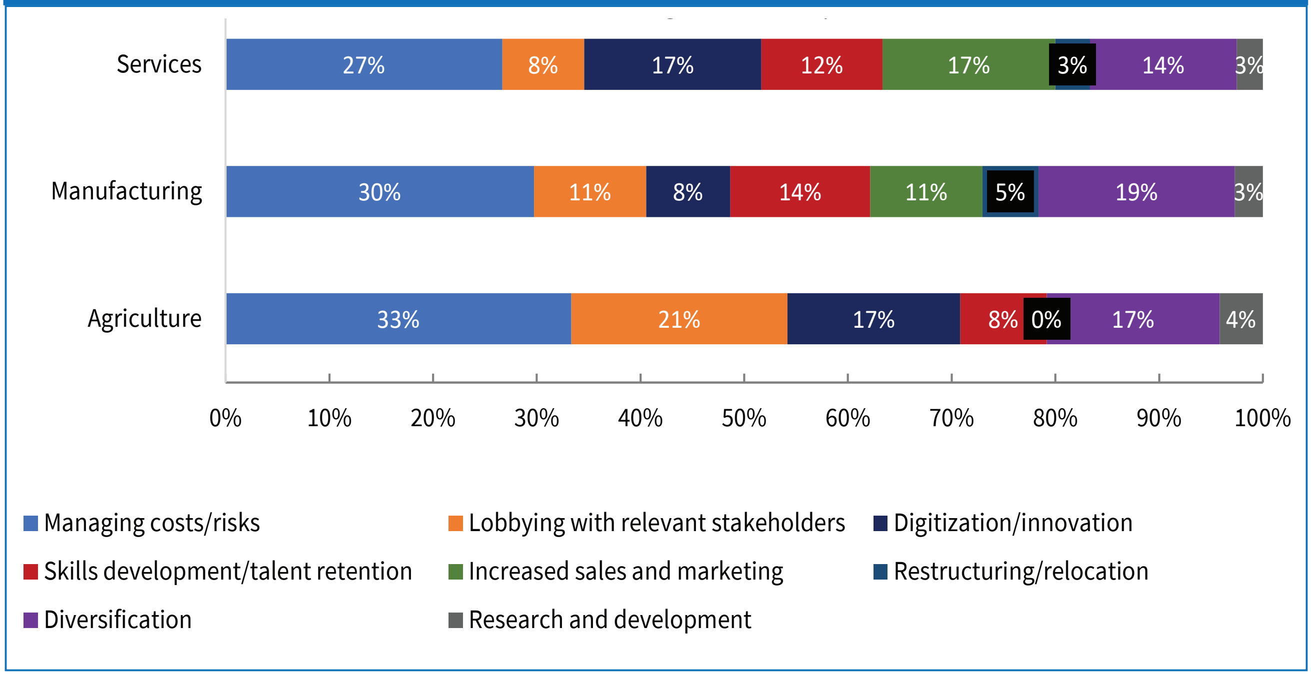


Chart 23: Mitigation of factors constraining firms' growth and expansion by sector (percent of respondents)



12. STRATEGIC PRIORITIES

The survey sought to find the key strategic priority areas for firms in the next three years. A large proportion of the respondents highlighted diversification of operations and product offerings, improvement in operational efficiency and cost optimization as the top strategic priorities for their organization in the near term **(Chart 24 & 25)**.

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

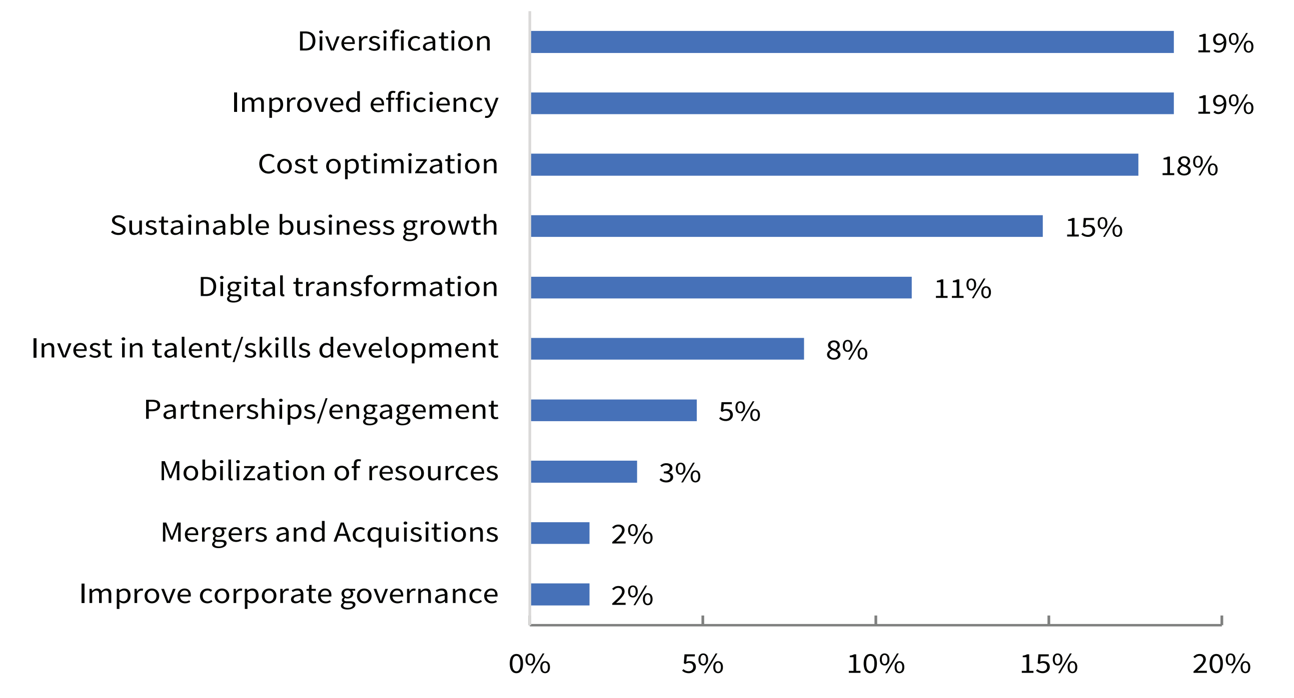
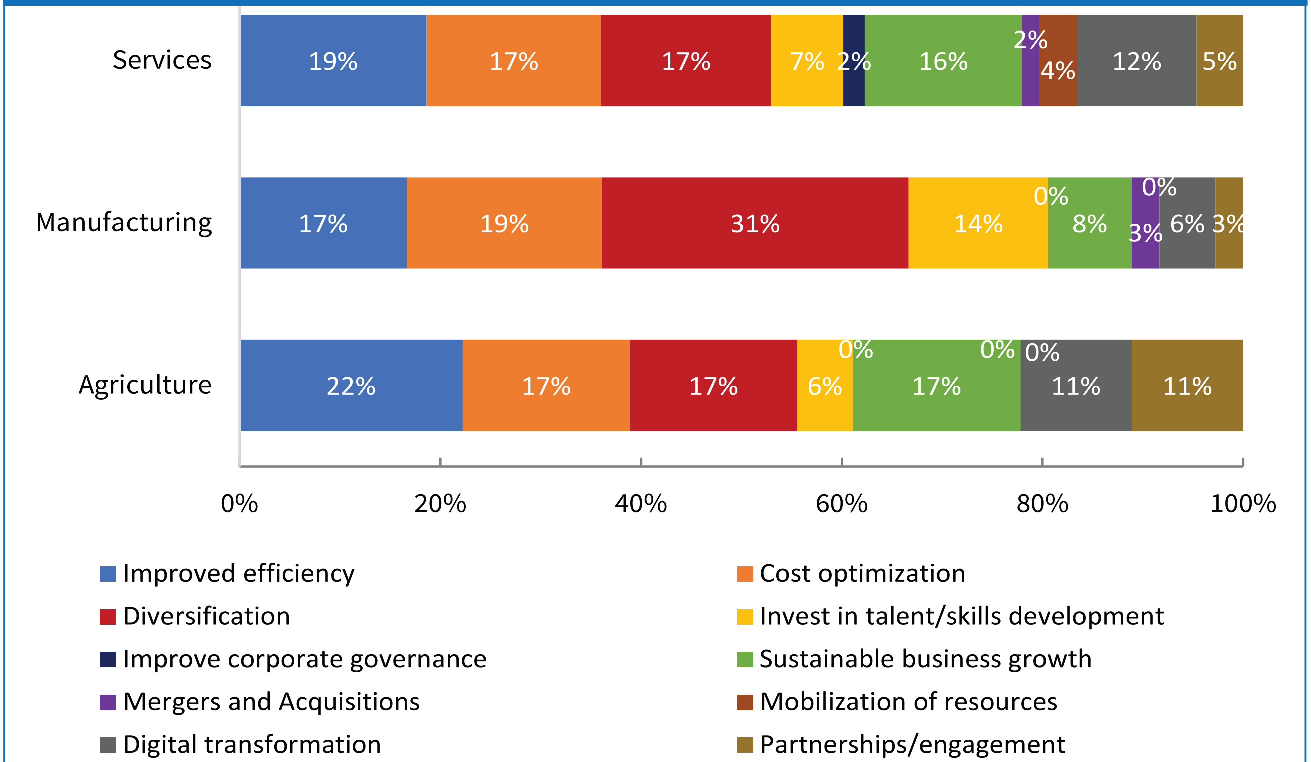


Chart 25: Firms' strategic priorities over the next three years by sector (percent of respondents)



13. CONCLUSION

- Firms continue to report sustained growth prospects for the Kenyan economy over the next 12 months supported by favourable weather conditions, stable macroeconomic conditions, technological innovation, and seasonal factors.
- Indicators of business activity showed improved performance in 2025Q4 compared to 2025Q3, largely driven by seasonal factors.
- Indicators of business activity point to a mixed performance in 2026Q1 relative to 2025Q4.
- The majority of respondents reported easing conditions in access to bank credit.
- Cost of doing business and subdued consumer demand, are among the key factors that could constrain growth over the next 12 months. Nevertheless, firms plan to mitigate the constraints through strengthened cost-and risk-management practices, increased digitization and innovation and diversification of their operations.
- Energy prices, geopolitical tensions, and cyber risks remain the main external threats to firms' growth over the next 12 months.
- Diversification of operations, improvement in operational efficiency and cost optimization were cited as the top strategic priorities for firms in the near term.

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

Respondents to the survey highlighted several interventions that could foster a favourable business environment in Kenya and stimulate economic activity. Proposed interventions include the following:

i) Expansion of value-added manufacturing to strengthen domestic value chains, enhance export competitiveness, and support industrialization.

ii) Streamline African Continental Free Trade Area (AfCFTA) processes such as customs procedures and rules of origin requirements to improve duty exempt trade flows across the region.

iii) Strengthen governance, reduce bureaucratic processes, and ensure prudent management of national resources to improve the business environment.

iv) Reduce taxes and levies on imported raw materials to lower production costs and enhance competitiveness.

v) Promote policies that support small business growth and employment creation, including regulatory simplification and targeted SME support.

vi) Build talent and skills through investments in human capital development and adoption of technological advancements.

vii) Enhance access to financing by expanding affordable credit support to MSMEs and businesses.

viii) Continue strengthening infrastructural development in transport, energy, digital and other critical sectors.

ix) Ensure timely payment of suppliers to ease liquidity conditions and support sustained economic activity.

x) Reduce fuel prices to lower production costs and transport expenses for firms.

xi) Encourage consultative engagement between government and key stakeholders during policy formulation and implementation to ensure inclusive and effective decision making.

Central Bank of Kenya

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