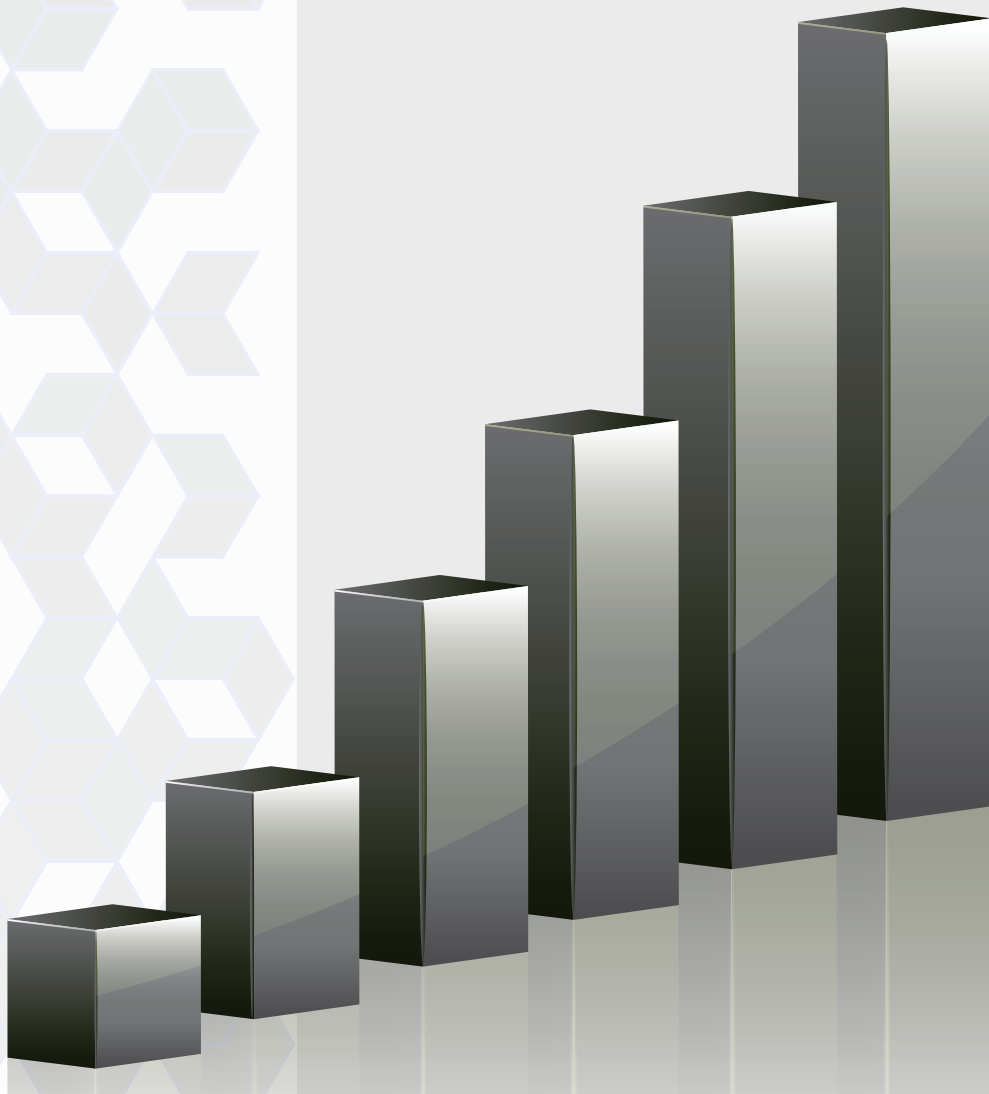




Central Bank of Kenya

Chief Executive Officers' (CEOs) Survey

July 2025



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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 July 21 to August 1, 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 (July 2025 – June, 2026), as well as the strategic directions and solutions to address their key constraining factors over the medium term (July 2025 – June, 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 (18 percent), tourism, hotels, and restaurants (17 percent), financial services (14 percent), wholesale and retail trade (11 percent), ICT and telecommunications (10 percent), professional services (9 percent), agriculture (8 percent), transport and storage (5 percent) and healthcare and pharmaceuticals (4 percent). Real estate, media, education, and all other sectors not specified accounted for one percent and below of the respondents.

Majority of the respondents (63 percent) were privately-owned domestic firms, while the rest were privately-owned foreign businesses (18 percent), Government owned entities (4 percent), publicly listed foreign companies (2 percent), publicly listed domestic companies (2 percent) and other ownership structure (8 percent). Thirty-five percent of the respondents had a turnover of less than Ksh 250 million in 2024, sixteen percent of the respondents had a turnover of between Ksh 250 million and 1 billion, thirty percent of the respondents had a turnover of between Ksh 1 billion and Ksh 5 billion while sixteen percent of the respondents had a turnover of over Ksh 5 billion, during the same period.

In terms of employment, 38 percent of respondents had less than 100 employees, 44 percent of the respondents had between 100 and 1000 employees, while 16 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 global 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 lending interest rates in the July 2025 survey. However, the magnitude of the decline is marginal.
- Majority of respondents have automated their firm processes in the last 12 months.
- Customer centricity, technological innovations and automation, and improved operational efficiency were identified as key drivers of firms' 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 improved agricultural production owing to favourable weather conditions, stable macroeconomic environment supported by low inflation and stable exchange rate, continued decline in banks' lending interest rates, and expansion of the digital economy. However, respondents raised concerns around the increased operational costs for businesses, low consumer purchasing power, expectations of increased taxes and levies in the financial year 2025/26, and the impact of trade wars and geopolitical tensions on 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 reduced 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 enhanced performance supported by improved rainfall 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 reported higher growth prospects driven by increasing demand for financial services, targeted marketing, increased automation and innovation, risk-based lending, 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 and recovery of economic activities in the next quarter. However, despite the good prospects, respondents expressed concerns about the growing non-performing loans, regulatory uncertainty arising from new proposed regulations impacting the sector and increasing competition from digital platforms. The tourism sector prospects improved, driven by continued recovery as shown by increased foreign and domestic tourism, increased investment in tourism infrastructure and marketing. However, some respondents reported lower conference bookings from business from Non-Governmental Organisations following the U.S policy on donor fund cuts. The ICT sector growth is expected to be supported 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 wholesale and retail trade sector continues to be impacted by the lower consumer purchasing power, taxes and levies, while the health sector continues to face liquidity challenges arising from pending bills and donor fund cuts.

Global growth prospects in the next 12 months improved, supported by some bilateral tariff agreements, monetary policy easing in advanced economies, lower inflation and technological innovations. However, concerns remain around regional and geopolitical tensions and heightened global uncertainty on economic recovery following the new U.S. Administration policy changes, and global tariffs wars.

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

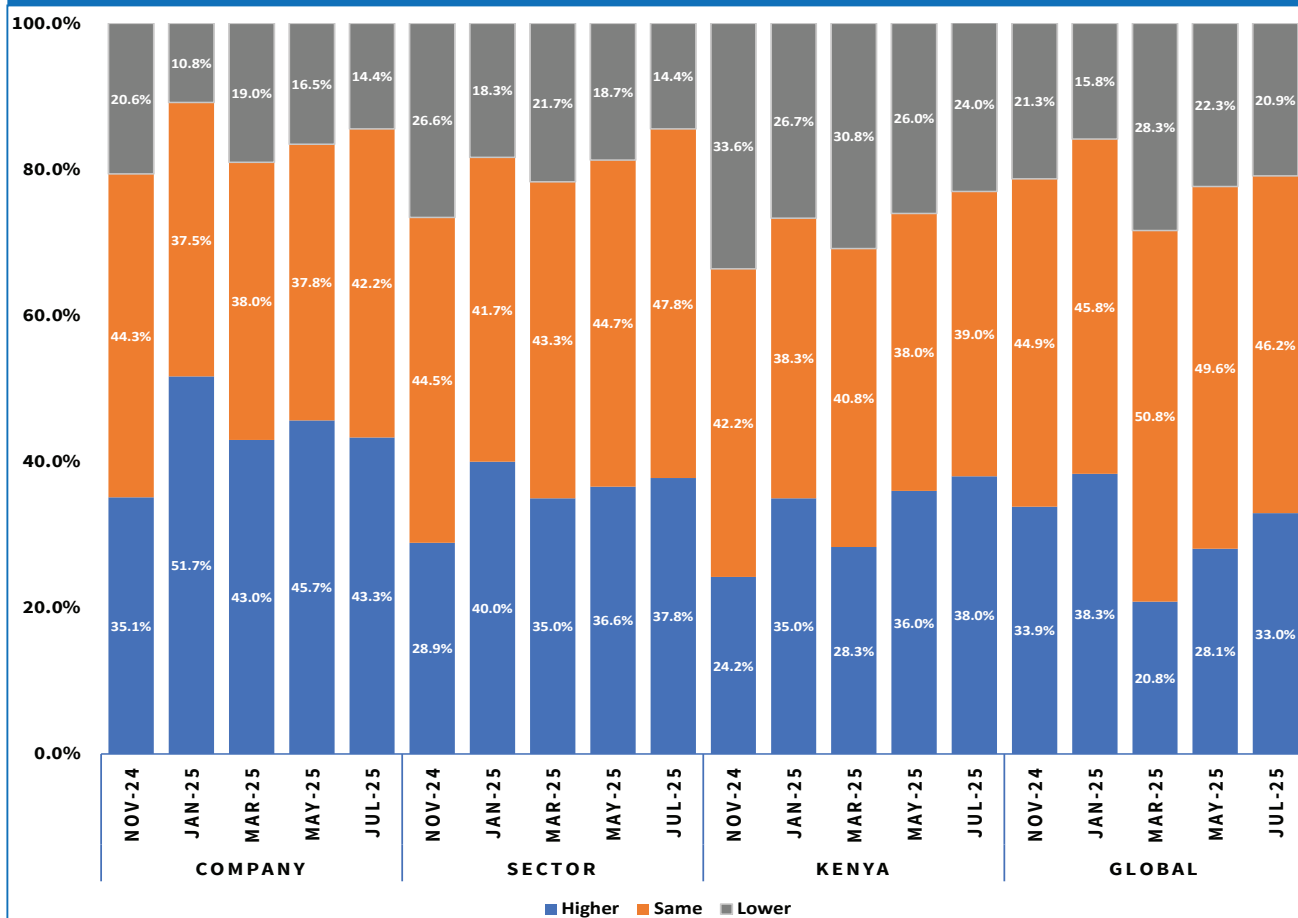
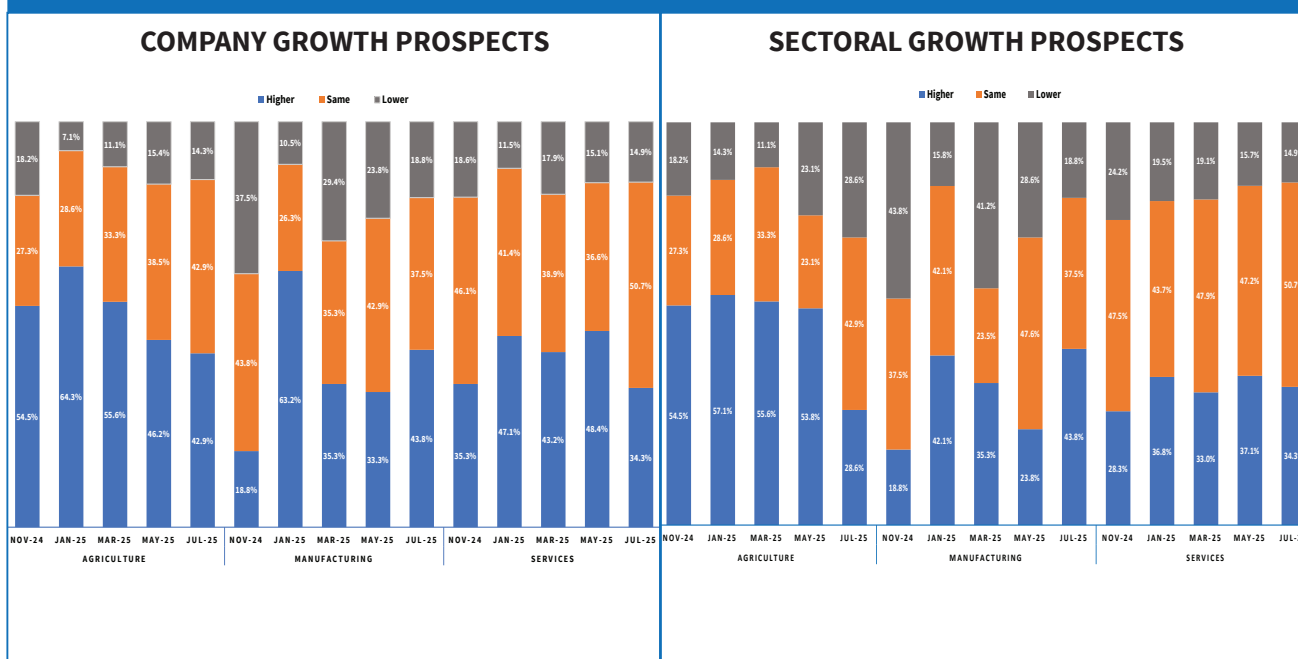


Chart 2: Sectoral analysis of growth prospects over the next 12 months (percent of respondents)



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 2025Q2 expectations relative to the previous quarter shows mixed performance of indicators of business activity. Compared to the May 2025 Survey, respondents reported lower production volume, growth in sales, demand orders and number of full-time employees in 2025Q2 relative to the previous quarter. This was attributed to the erosion in the purchasing power and uncertainty in the export market. However, prices of goods and services purchased and sold remained largely unchanged, reflective of low commodity prices and muted consumer purchasing power (**Chart 3 and 4**).

Production volumes, demand orders and growth in sales were highest in the agriculture sector on account of the good weather experienced in quarter two. The sector also recorded the highest input prices indicative of the increasing cost of production in the sector. On the other hand the manufacturing sector recorded lower demand orders, sales growth and production volumes reflective of the challenges in the sector. Meanwhile, more respondents in the services sector reported stable demand and sales growth during the quarter relative to the previous quarter. On the other hand, the number of full-time employees remained largely unchanged across sectors (**Chart 5 to 9**).

Chart 3: Business activity in 2025 Q2 compared to 2025 Q1 (percent of respondents)

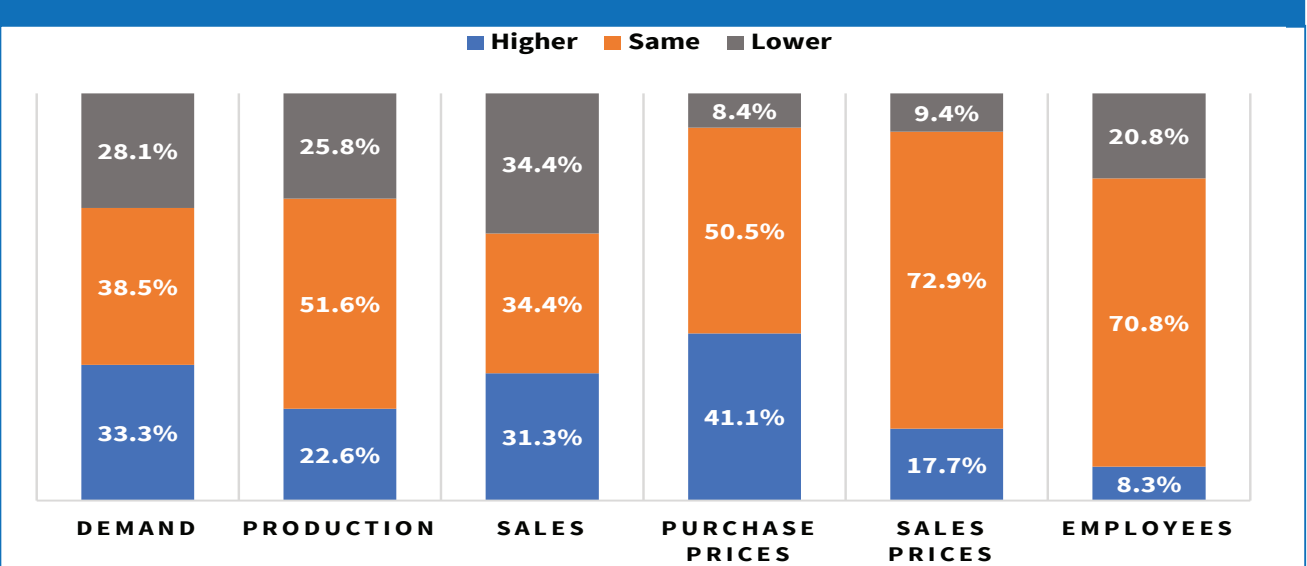


Chart 4: Comparison of business activity in 2025 Q2 relative to 2025 Q1 (balance of opinion)

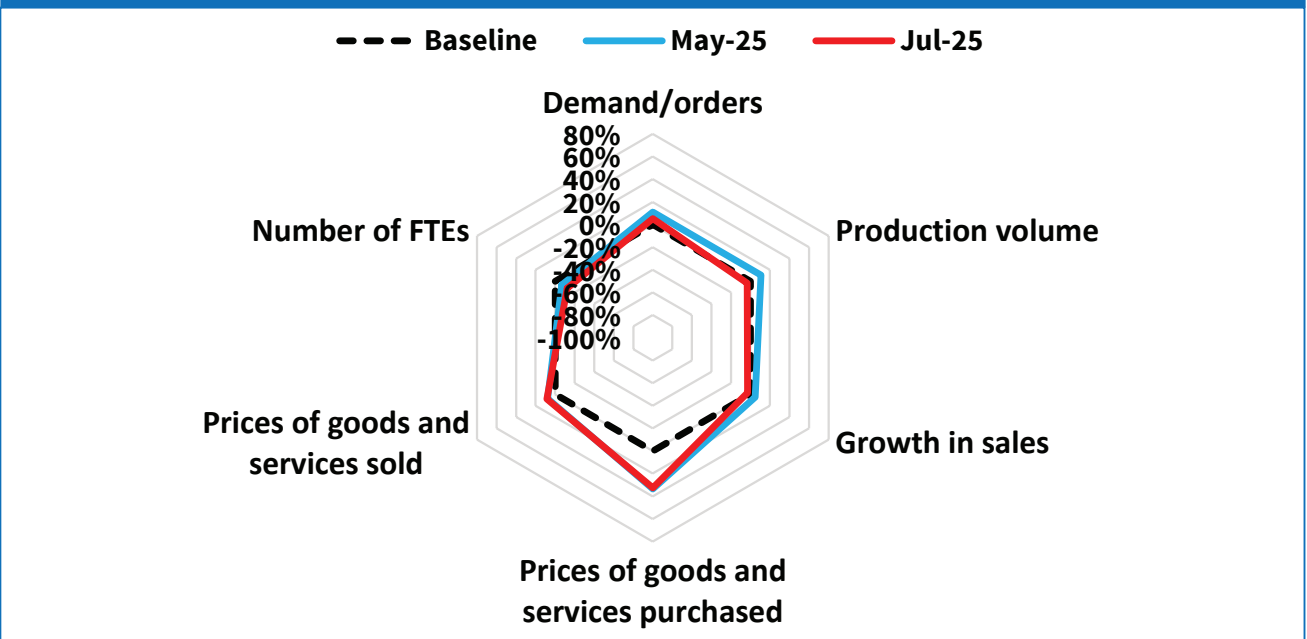


Chart 5: Demand/Orders in 2025 Q2 relative to 2025 Q1 by sectors (percent of respondents)

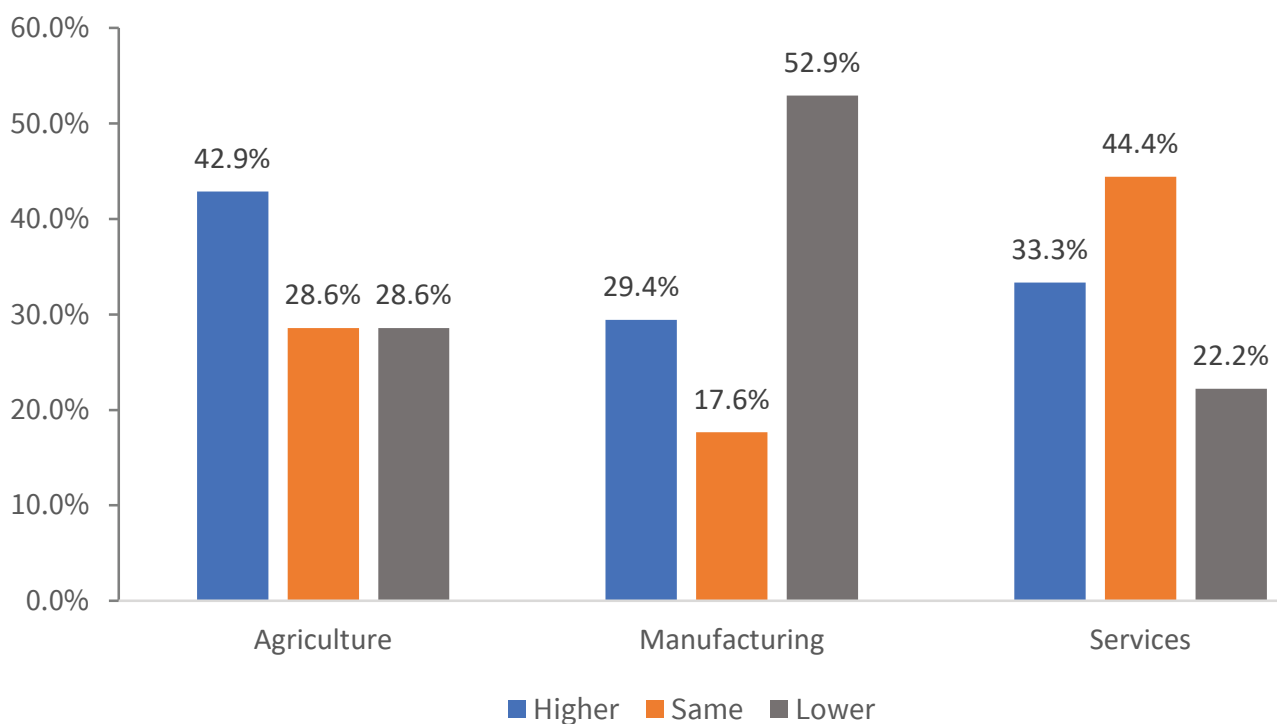


Chart 6: Sales growth in 2025 Q2 relative to 2025 Q1 by sectors (percent of respondents)

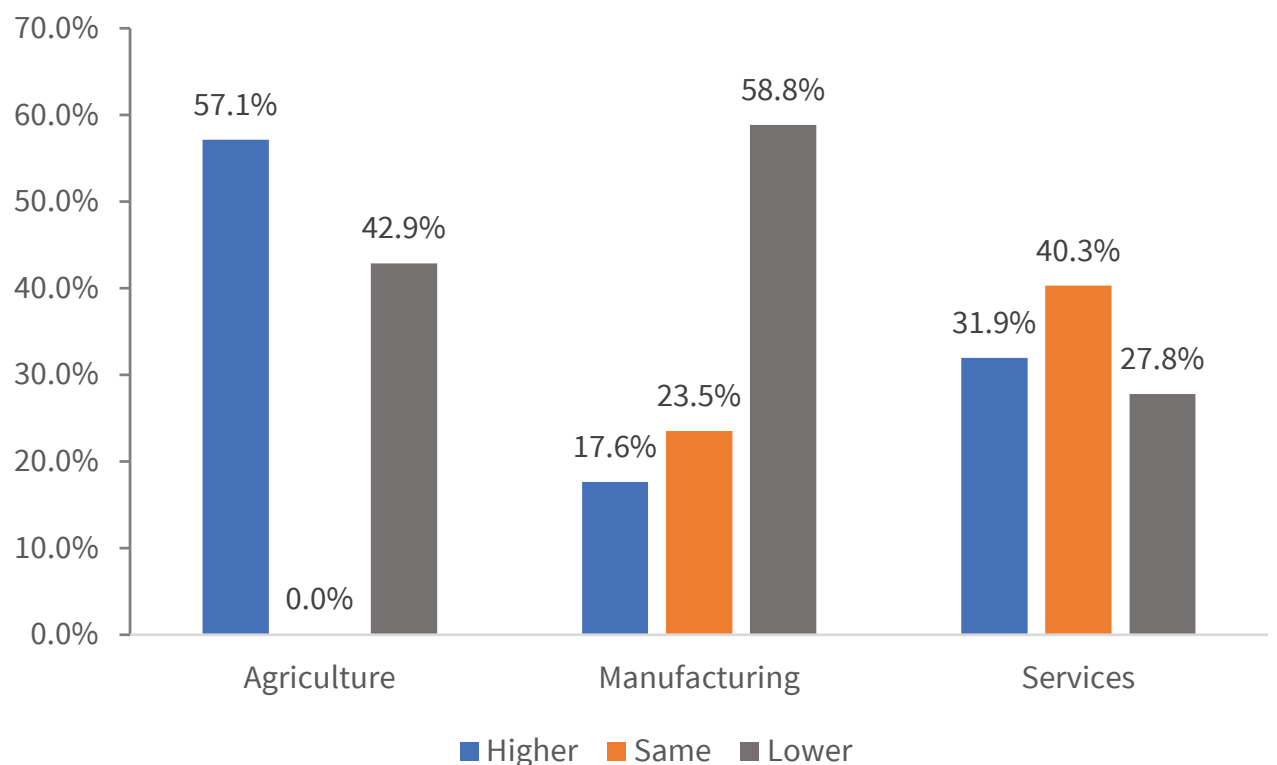


Chart 7: Purchase and sales prices in 2025 Q2 relative to 2025 Q1 by sectors (percent of respondents)

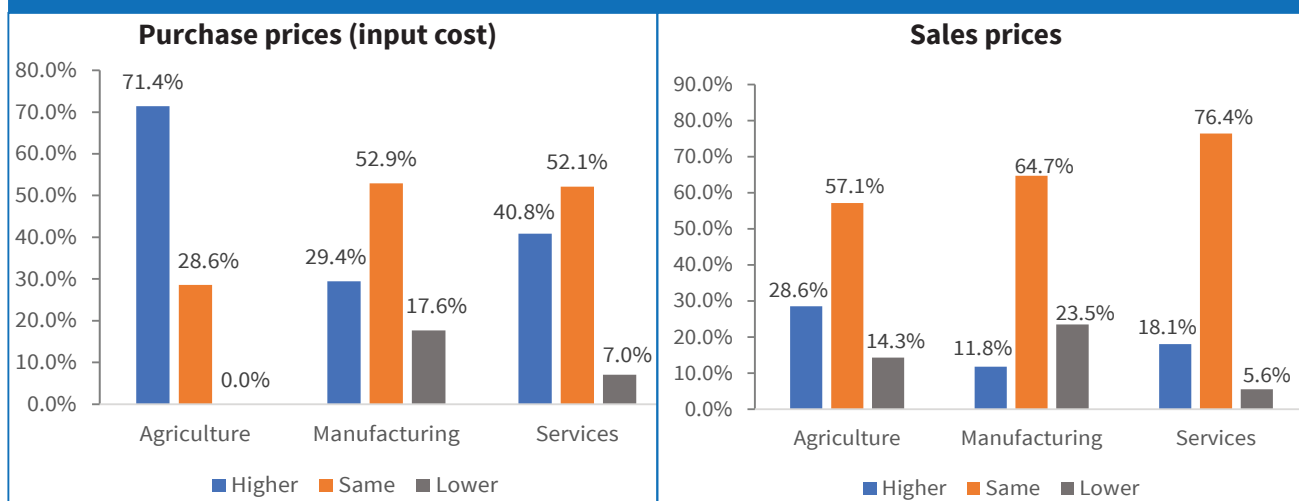


Chart 8: Production volumes in 2025 Q2 relative to 2025 Q1 by sectors (percent of respondents)

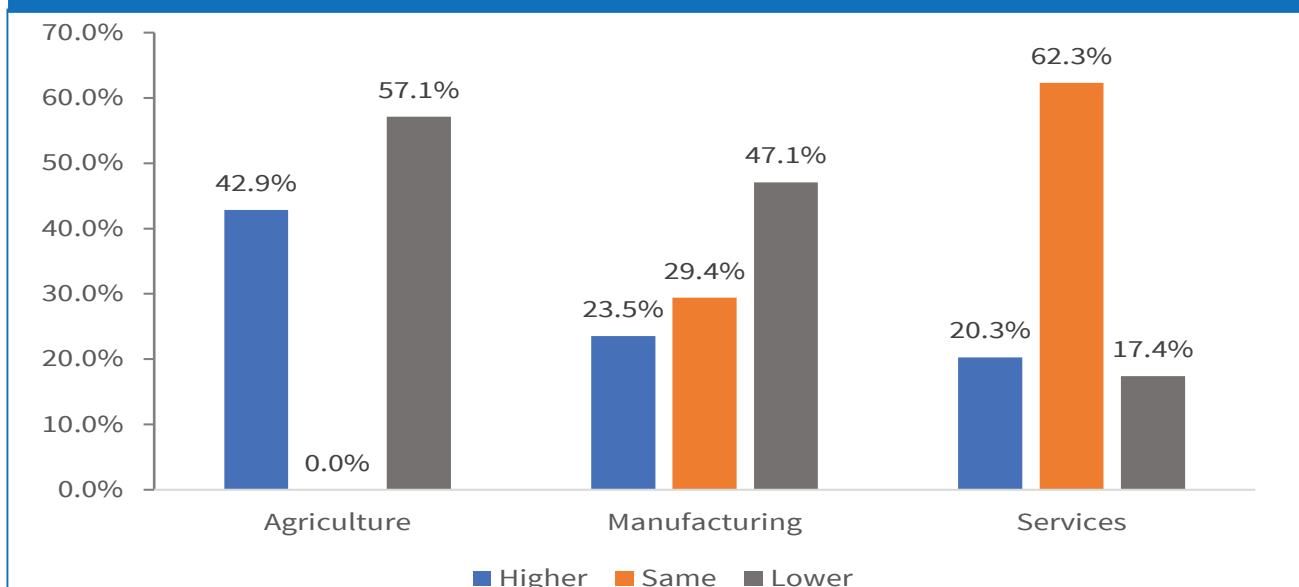
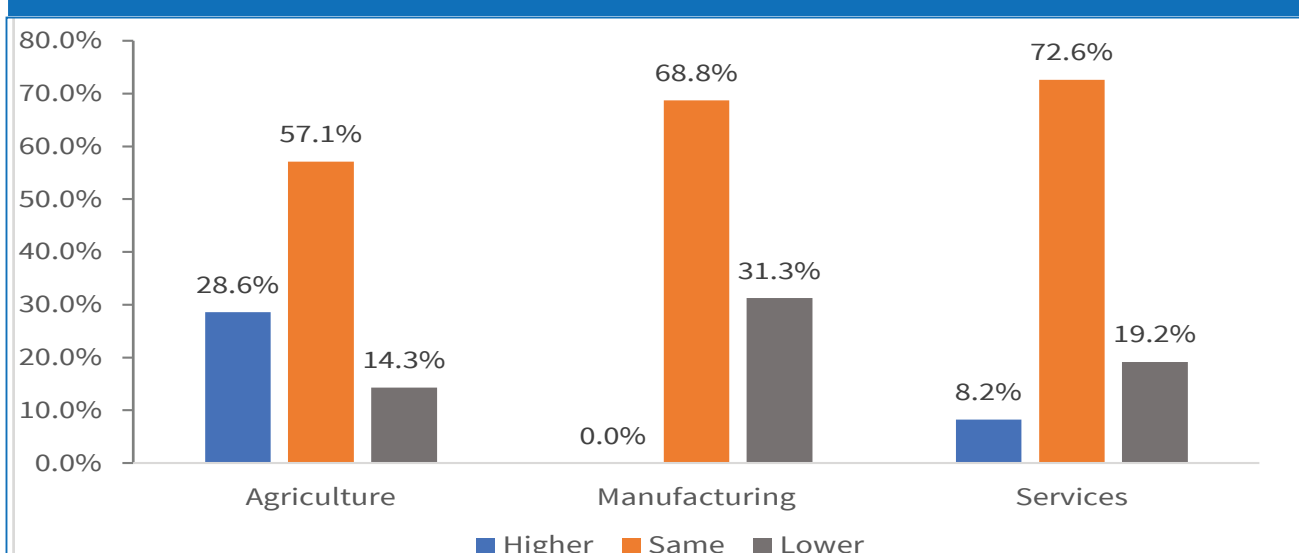


Chart 9: Number of full-time employees in 2025 Q2 relative to 2025 Q1 by sectors (percent of respondents)



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 2025Q3 expectations shows enhanced business activity relative to the baseline. All indicators of business activity show improvement except the number of full-time employees which remained largely unchanged. However, a comparison of the survey's outcome for 2025Q3 expectations relative to 2025Q2 shows slower activity in the July Survey relative to May, although indicators of activity are better compared to the baseline.

Demand orders, growth in sales and production volumes are lower relative to May, reflective of the muted consumer demand. Prices of goods and services bought are expected to be lower, supported by low inflation while prices of goods sold are impacted by muted demand and stiff competition, resulting to firms discounting their prices to retain customers. However, concerns on price developments in future remain, following the recent increase in energy prices and the impact of higher global tariffs which has impacted on prices of raw materials. Meanwhile, the number of fulltime employees is expected to remain largely unchanged (**Chart 11**).

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

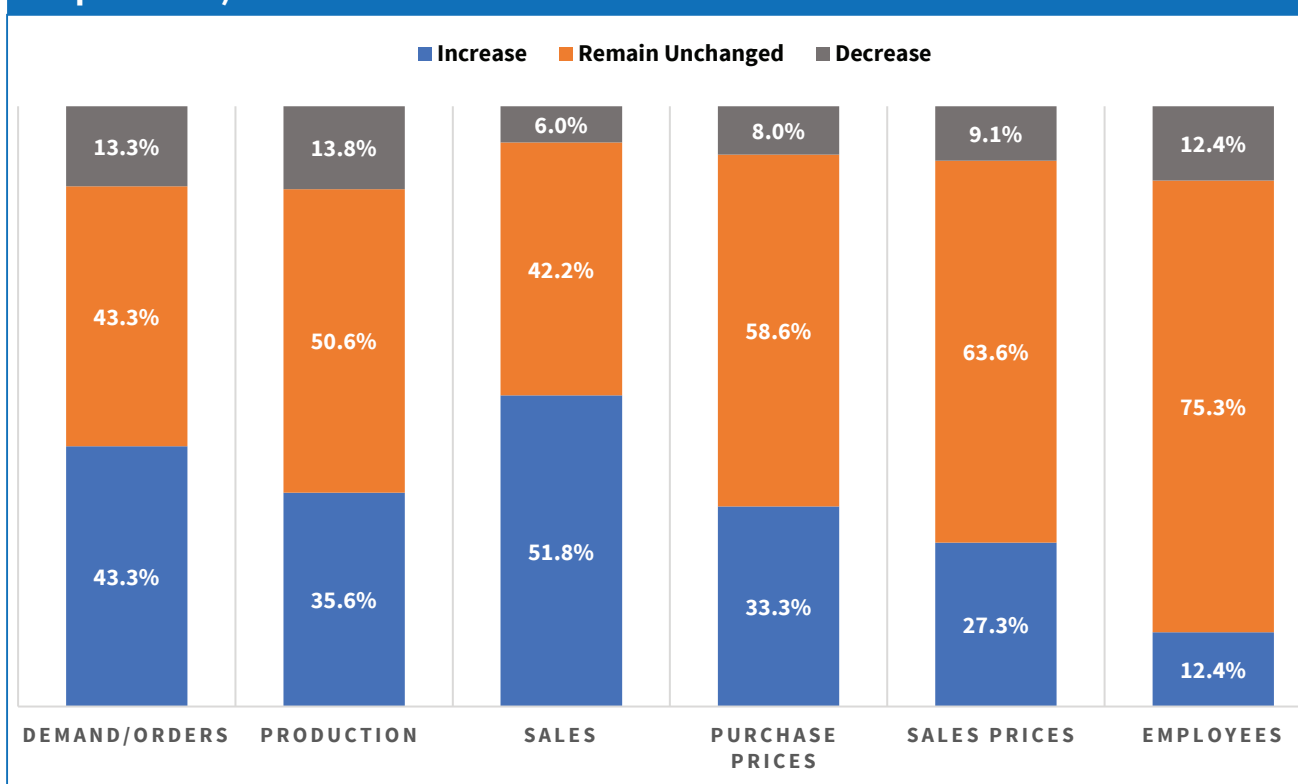


Chart 11: Expectations of business activity in 2025 Q3 relative to 2025 Q2 (balance of opinion)

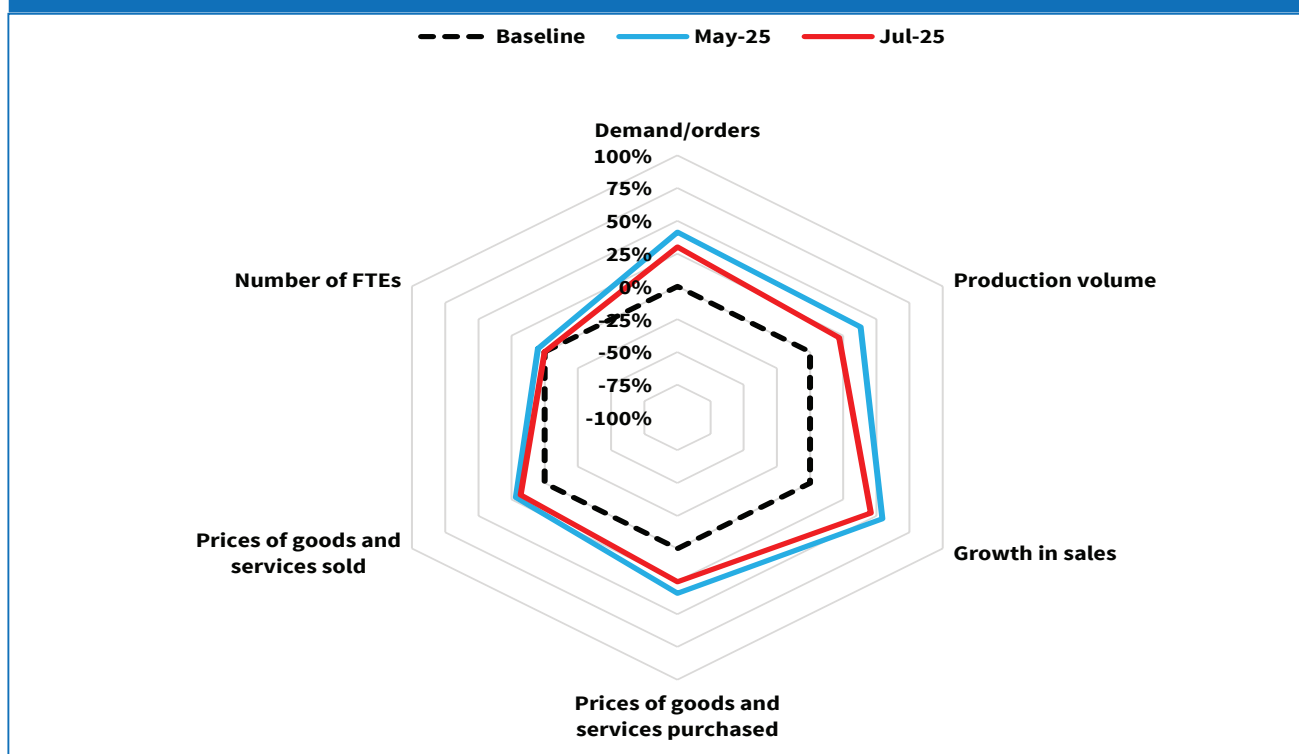
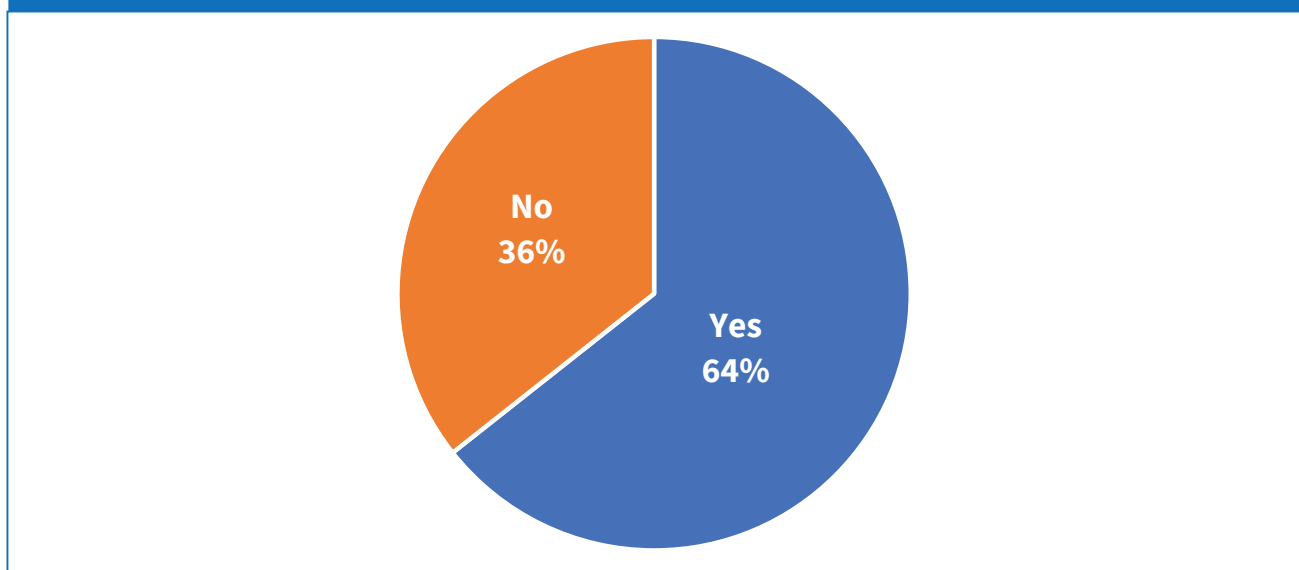


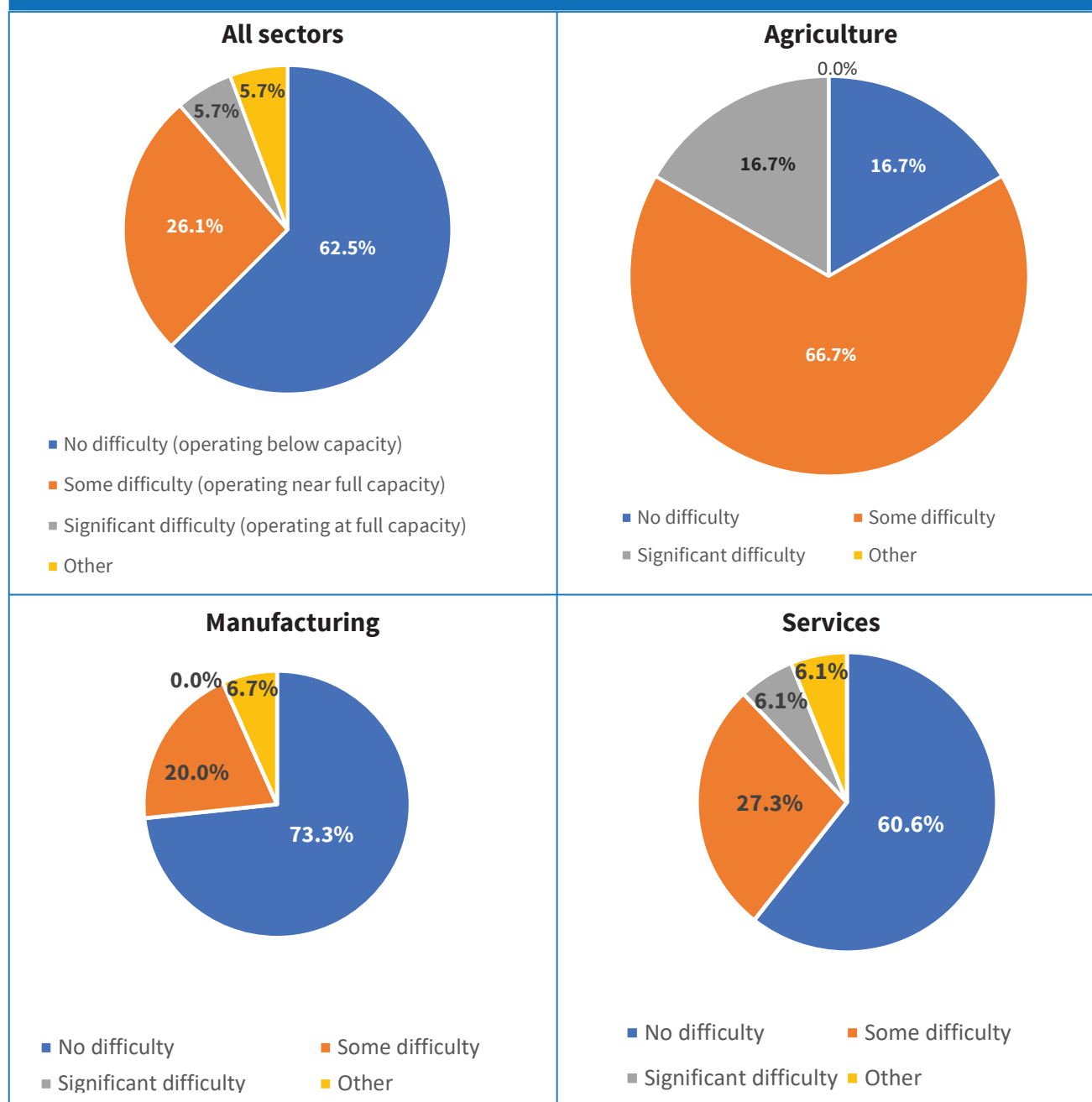
Chart 12: Proportion of respondents impacted by the recent US Tariffs/Policy changes (percent of respondents)



More respondents anticipate being affected by the recent U.S. trade tariffs and policy changes through higher import costs for inputs and finished goods, reduced export earnings to the U.S. after the expiry of AGOA, and increased production costs from inflationary pressures. They also expect lower consumer demand

due to reduced disposable incomes from declining profits and job losses, as well as secondary effects on local businesses reliant on affected clients. For instance, the hotel industry reports reduced business, with fewer conference bookings from NGOs and other donor-funded programs.

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



Most respondents indicated that firms currently face few constraints in meeting unexpected increases in demand, as many are operating below full capacity. However, respondents in the agriculture sector reported high operating cost and lead time required to produce the key constraints in meeting an expected increase in demand. In the event of a sudden surge, firms could utilize idle capacity,

existing technology, and inventory accumulated during periods of weak consumer demand.

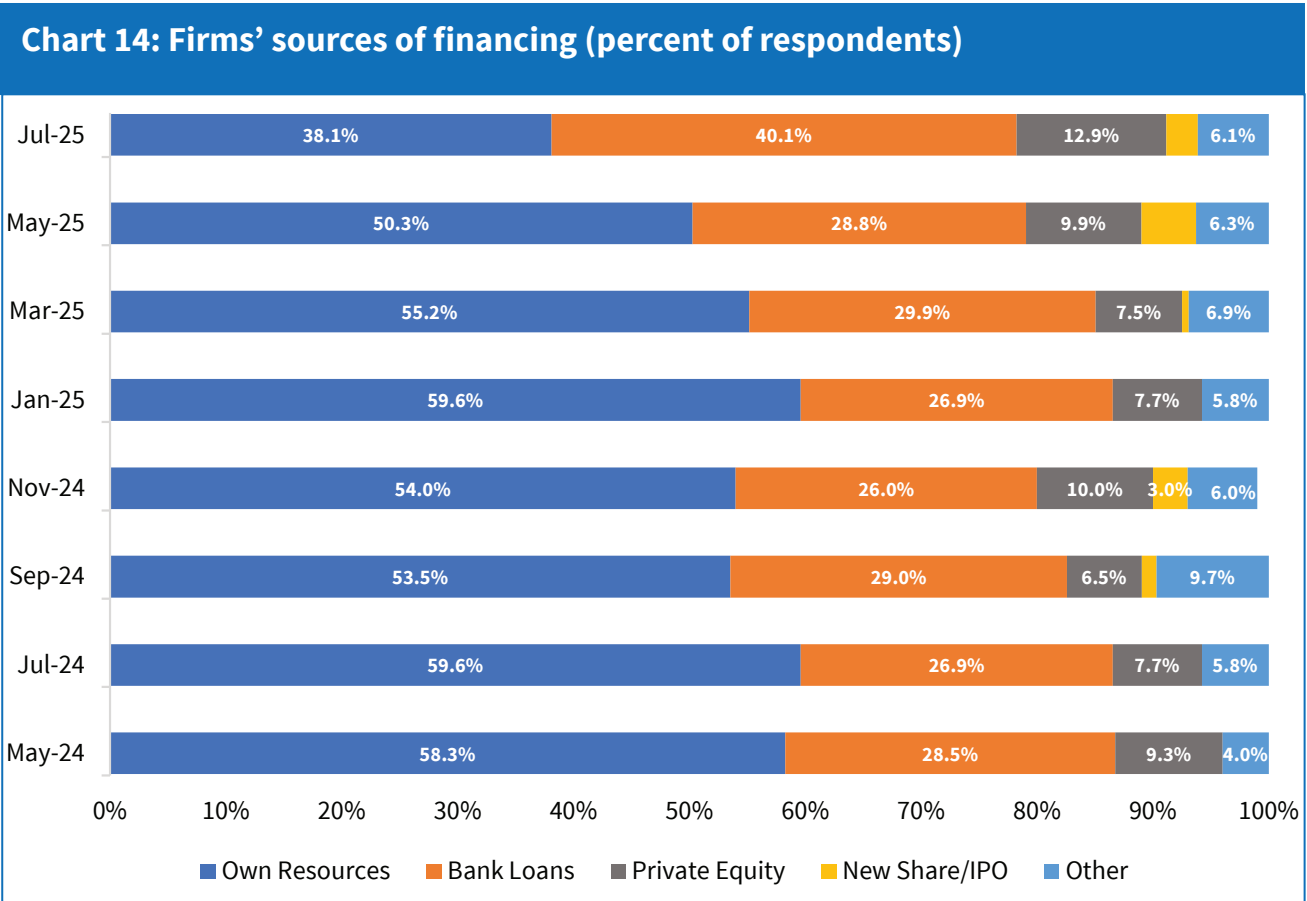
Nonetheless, challenges may arise from intense competition, limited resources to expand capacity, cashflow constraints, high operating costs, and the time needed to scale up production (**Chart 13**).

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.

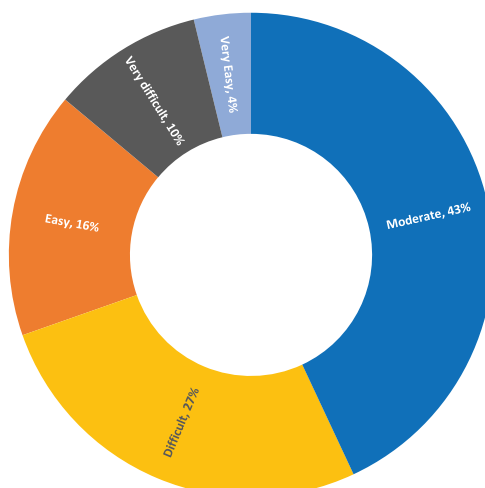
Most respondents reported that they finance their operations through multiple sources of funding. However, own resources and bank loans are the main sources of financing for firms (**Chart 14**).



The majority of respondents reported moderate conditions in accessing credit. Key challenges in accessing financing includes; high lending rates, reduced business incomes that have increased the cost of loan servicing, and banks' reluctance to lower rates or restructure loans to accommodate clients' needs. Additional obstacles cited were lengthy bureaucratic procedures, such as extensive documentation and collateral requirements, and heightened risk aversion

by banks, reflected in cautious lending practices - particularly toward sectors perceived as high-risk, such as agriculture. Nevertheless, some respondents noted improved access to credit, attributed to long-term relationships with banks, strong cashflows that enhance lender confidence, existing credit lines with the banks, and a solid credit history (**Chart 14 and Chart 15**).

Chart 15: 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 2.0 percent and below for most of the respondents and some respondents reported upward adjustments in the lending rates on loans by banks (**Chart 16 and 17**).

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

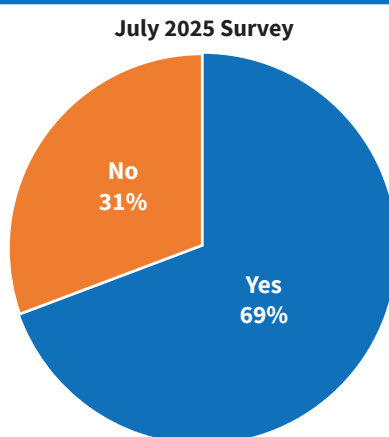
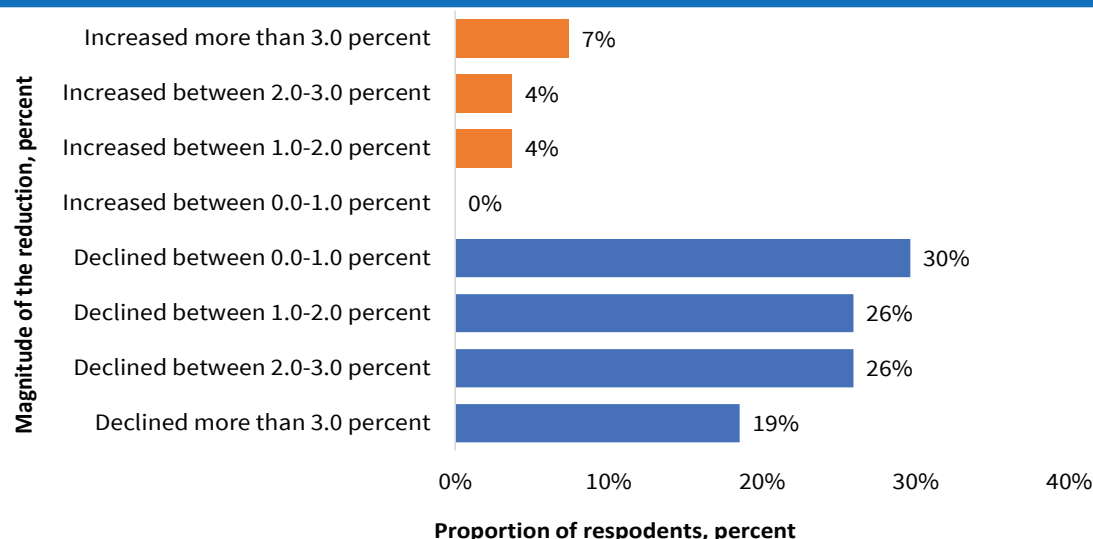


Chart 17: Magnitude of reduction in bank lending rates (percent)



9. FIRM EXPANSION AND GROWTH OVER THE NEXT 12 MONTHS

Respondents to this survey highlighted several factors that would drive firm growth and expansion in the next 12 months. Majority of the respondents cited customer centric approach to operations,

technological adoption, automation or digitization of operations and continued improvement in operational efficiency as key drivers of growth and expansion (**Chart 18**).

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



Nevertheless, respondents raised concerns around the business environment as shown by the elevated cost of doing business, reduced consumer demand

which has resulted in slow inventory movements, and political uncertainty owing to the impact of the recent protests (**Chart 19 & 20**).

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

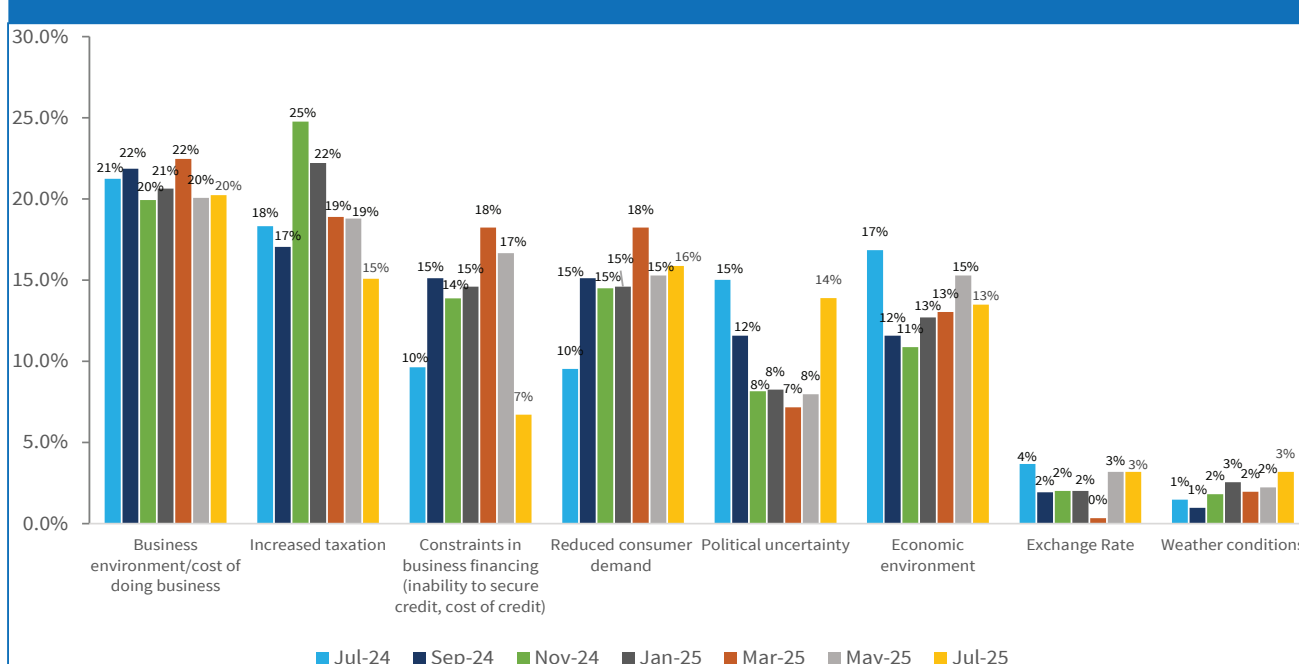
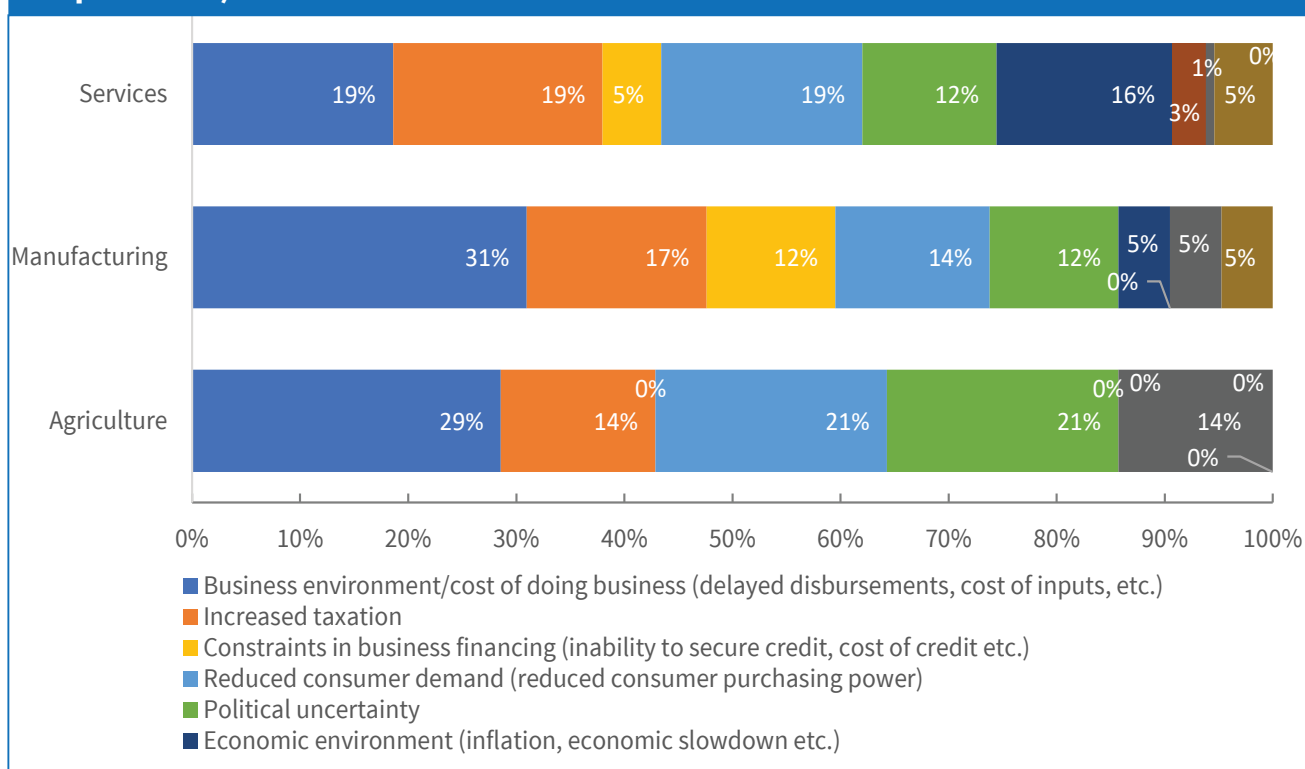
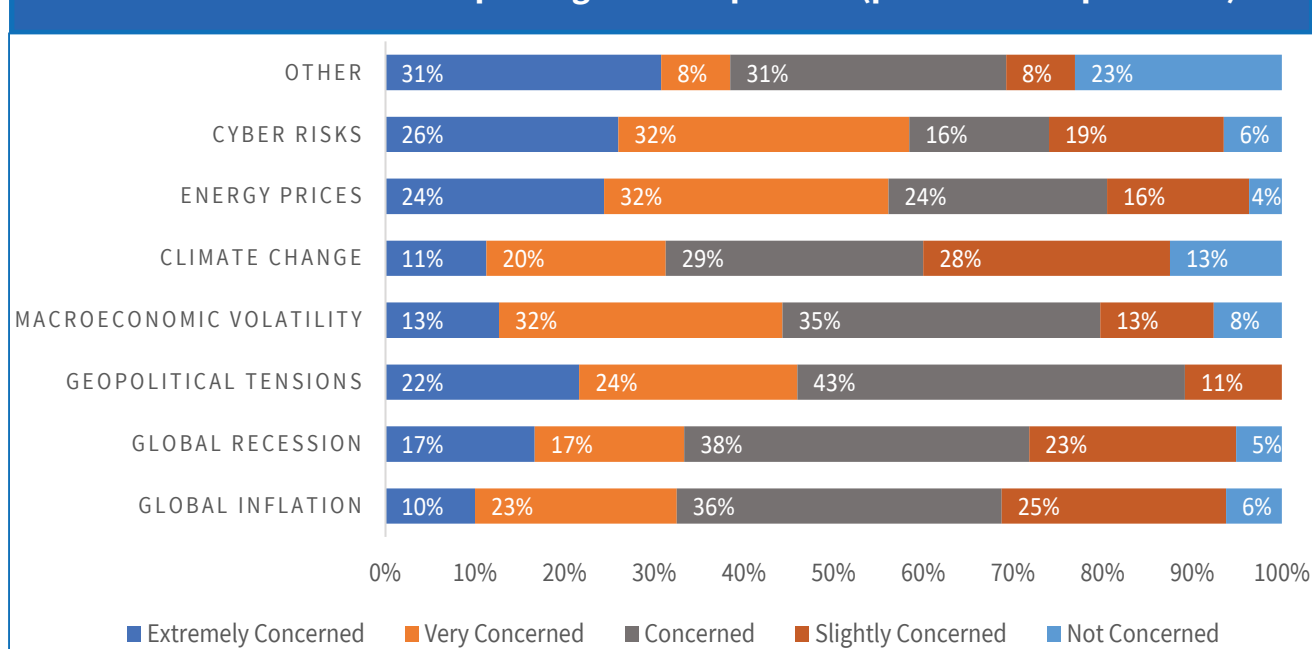


Chart 20: Domestic factors constraining firms' expansion by sectors (percent of respondents)



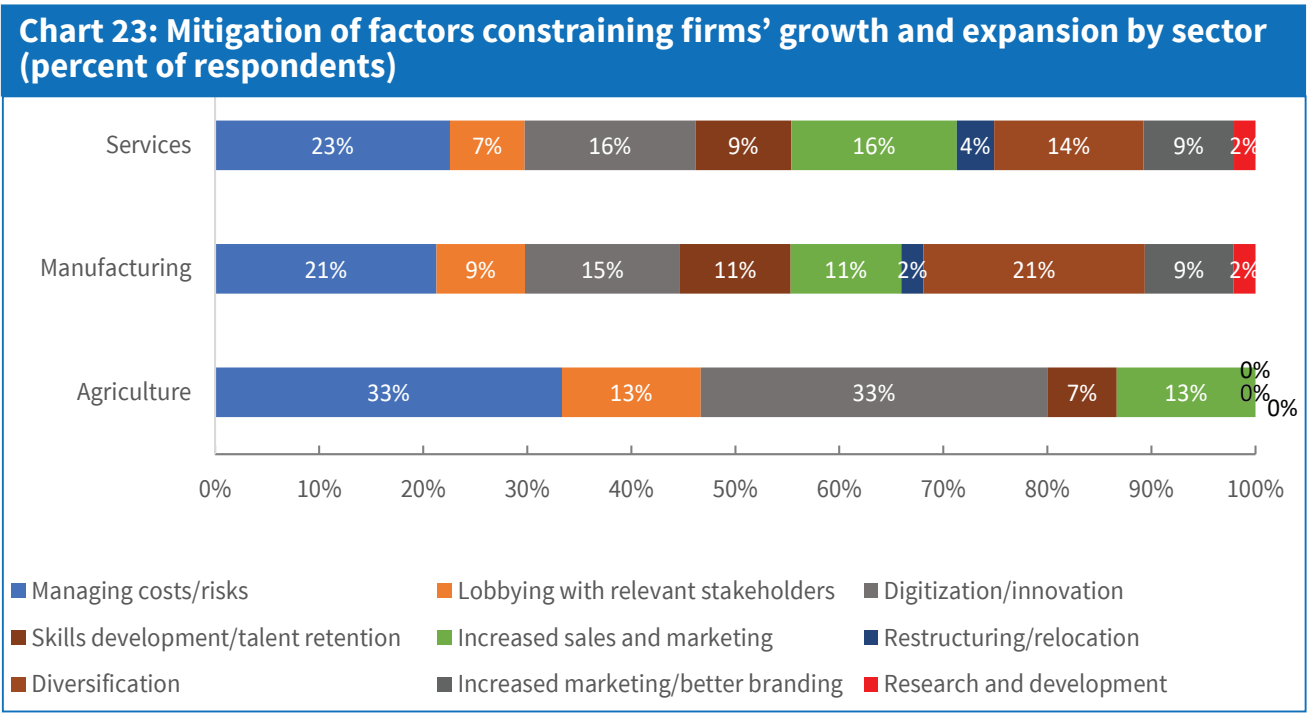
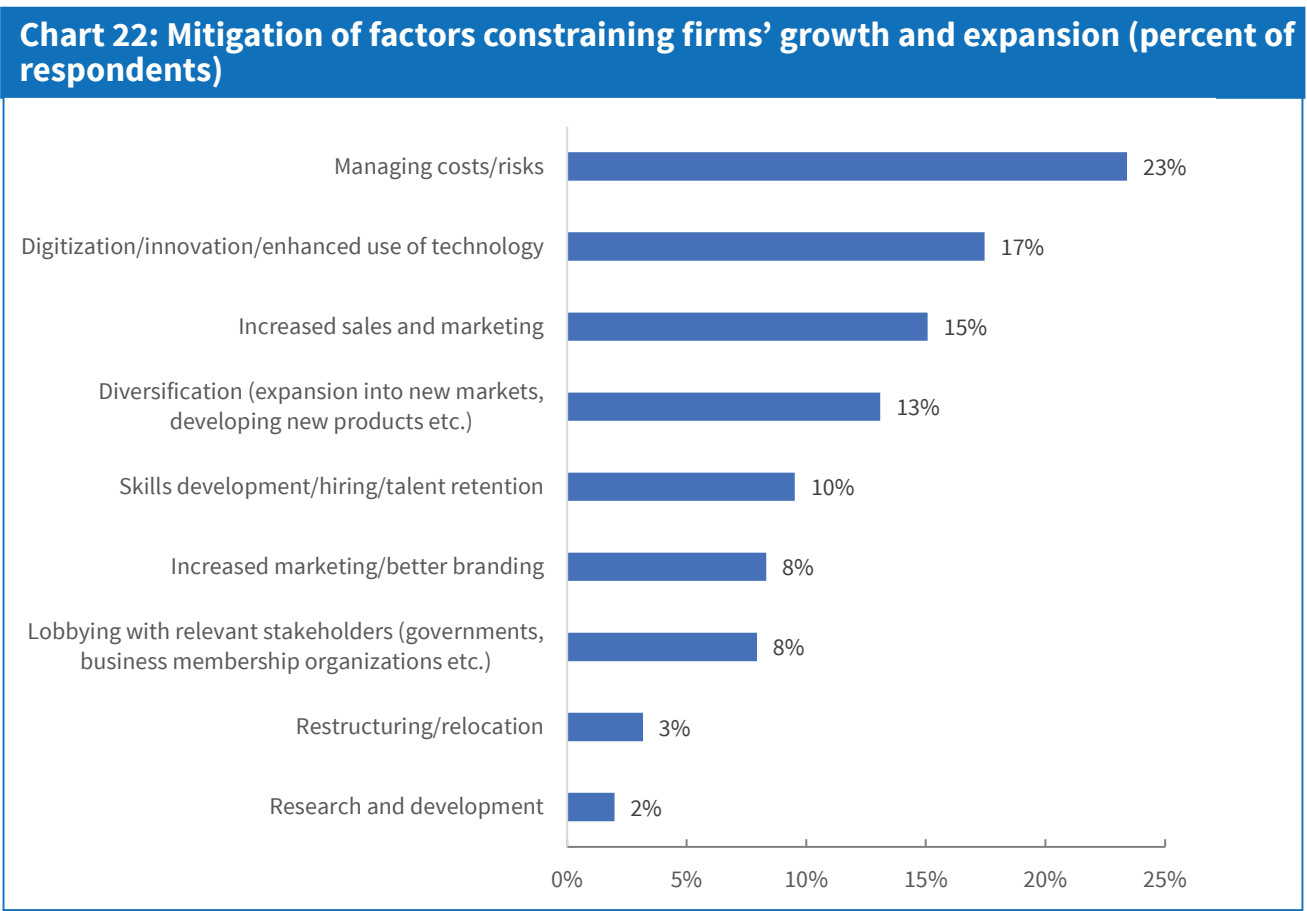
On the external front, firms reported geopolitical tensions, energy prices, and macroeconomic volatility as key factors that could constrain firm growth and expansion in the next 12 months (**Chart 21**).

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



However, firms are employing varied techniques to mitigate the mentioned constraining factors. These include management of costs and risks,

technology adoption and automation of processes and increased sales and marketing of their goods and services for wider market reach (**Chart 22 & 23**).



10. STRATEGIC PRIORITIES

Firms reported on their key priority areas for the next three years, with majority of the respondents citing improvement in efficiency, diversification of operations (new products, wider markets) and sustainable business growth (**Chart 24 & 25**).

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

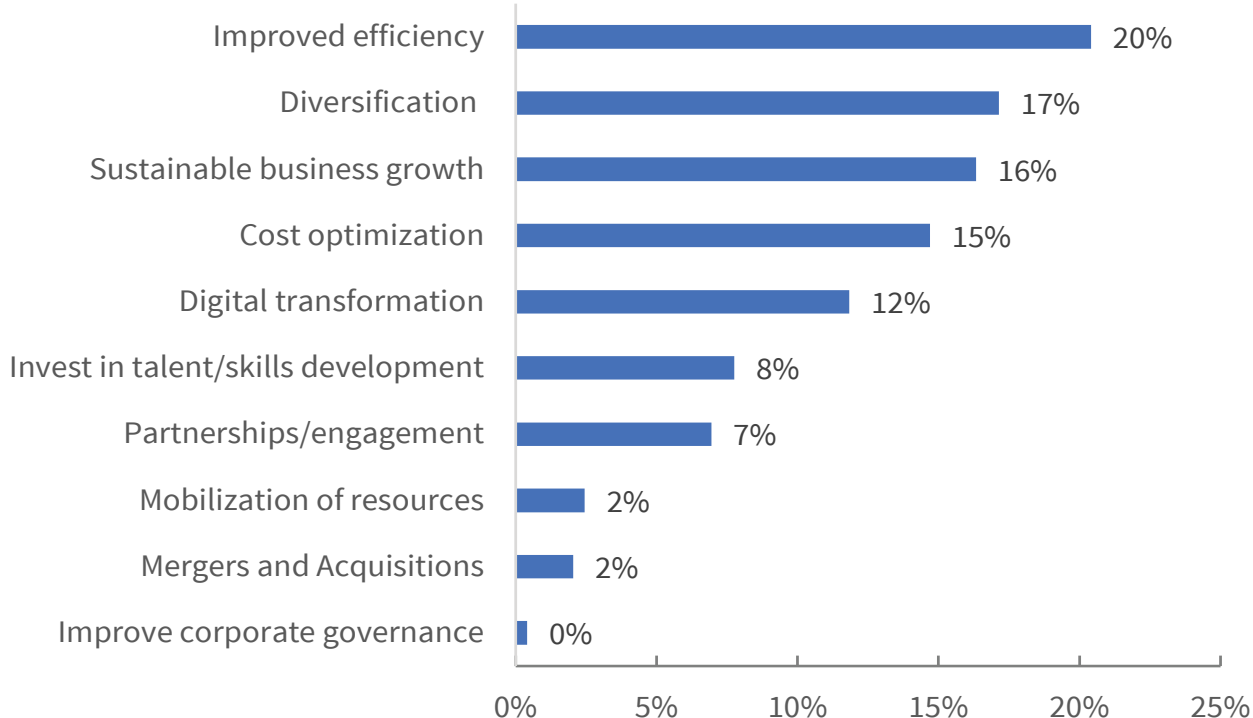
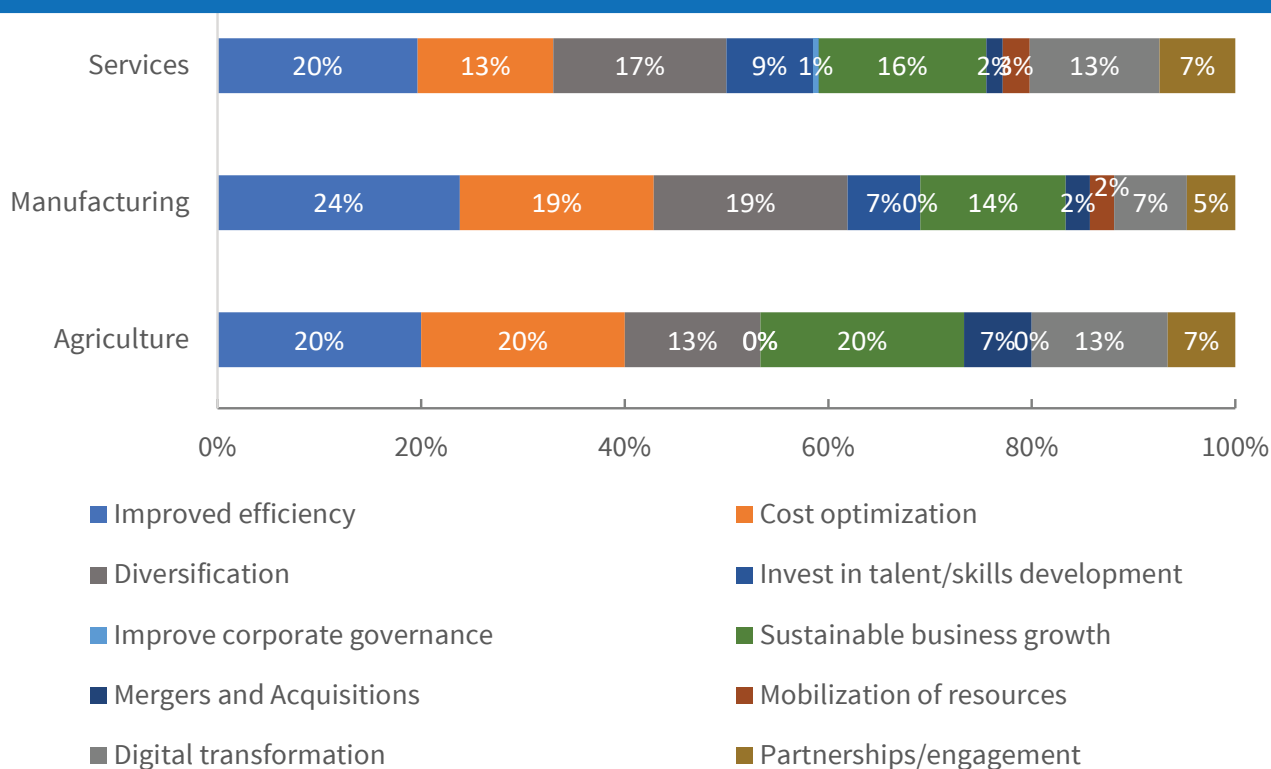


Chart 25: Firms' strategic priorities over the next three years by sector (percent of respondents)



11. CONCLUSION

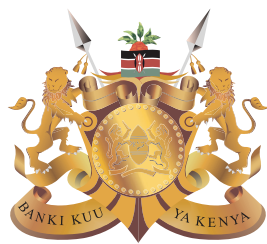
The key findings from the Survey were:

- Respondents reported improved growth prospects for the Kenyan economy for the next 12 months.
- Key drivers of firms' growth and expansion over the next 12 months include customer centricity, technological innovations and automation and improved operational efficiency.
- Firms identified elevated cost of doing business, reduced consumer demand, taxation and levies as some of the key factors that could constrain growth in the next 12 months.
- However, firms will employ techniques such as management of costs and risks, technology adaption and automation of processes and increased sales and marketing of their goods and services to mitigate the constraining factors.
- Firms' key priorities for the next three years include, improvement in efficiency, diversification of operations and sustainable business growth.

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

The respondents to this survey gave recommendations on how the business environment in Kenya could be improved to enhance economic activity. They included the following:

- i) The Government should promote public-private dialogues and collaborations by holding regular forums with the private sector players to discuss the challenges they are facing and targeted solutions to the problems. In addition, this would support development of policies reflective of realities on the ground that support long-term investment.
- ii) Simplification of the regulatory requirements for Micro, Small and Medium Enterprises (MSMEs) to reduce compliance costs.
- iii) Improve access to affordable credit for businesses especially through incentives for lending.
- iv) The Government should ensure that payments for transactions are settled promptly in order to deal with the issue of pending bills.
- v) Promotion of policies that support competitive local production to grow the economy.
- vi) The Government should streamline regulatory approvals and minimize overlapping mandates within Government agencies.
- vii) The Government should continuously invest in reliable infrastructure such as energy, roads, water and high-speed internet, which are essential for promoting economic activity.
- viii) Prioritize local manufacturers in public tenders and promote the Buy Kenya Build Kenya policies with more transparency. Government tenders viable for compliant firms and address the issues driving manufacturers to relocate to other countries.
- ix) Promote policies that crowd in of the private sector by the Government.
- x) Implement policies that support the tourism sector.
- xi) Implement trade and tariff policy reforms by simplifying and harmonizing import duties as multiple overlapping tariffs increase the total landed costs significantly. In addition, the Government should consider digitizing and automating the customs clearance to improve on efficiency.
- xii) Strengthen Regional Trade Integration by facilitating faster implementation of EAC's Common External Tariff and eliminate internal non-tariff barriers. This would support intra-EAC trade.
- xiii) The Government should establish secure industrial clusters for specialized industries and offer shared utilities, such as ICT infrastructure, water and subsidized power.



Central Bank of Kenya

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