



2024 Foreign Investment Survey Report

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Measuring Cross Border Private Capital for Evidence-Based Decision Making

PREFACE AND ACKNOWLEDGEMENT

The 2024 Foreign Investment Survey (FIS 2024) is the eighth in a series of surveys undertaken since 2010. The main objective of the FIS 2024 was to collect data on transactions and positions of external assets and liabilities to inform compilation of Balance of Payments (BOP) and International Investment Position (IIP) Statistics, as well as perceptions on the business environment. The survey provides an assessment of the level and composition of external assets and liabilities for Kenya. It also highlights the macroeconomic linkages of foreign capital regarding income generation, employment, investment and knowledge transfer in the private sector. Moreover, the survey sheds light on the competitiveness of Kenya in attracting and retaining foreign capital by seeking investor perceptions of the business environment in Kenya. This will enable policy makers to assess the effects of policy interventions on the flow of resources, both inward and outward, the level of external exposure, indebtedness and external vulnerabilities, and investment promotion strategies.

Implementation of Foreign Investment Surveys (FISs) continues to be a collaborative initiative between the Central Bank of Kenya (CBK), Kenya Investment Authority (KenInvest) and Kenya National Bureau of Statistics (KNBS) with the three institutions contributing both monetary and human resources to ensure success of the exercise. In addition, Capital Markets Authority (CMA), Insurance Regulatory Authority (IRA) and the Export Processing Zones Authority (EPZA) have been instrumental in sensitizing their licensees and members to support the process by providing the required information. We also rallied support from professional associations and umbrella bodies including: the Kenya Association of Manufacturers (KAM); the Kenya Private Sector Alliance (KEPSA); Kenya Flower Council (KFC); Kenya National Chamber of Commerce and Industry (KNCCI); and the Kenya Association of Hotel Keepers and Caterers (KAHC).

The FIS 2024 sought data on the stock of Foreign Assets and Liabilities (FAL) for the years ending 2022 and 2023 as well as transactions in 2023, and investor perceptions on the business environment in 2024. The FIS 2024 findings updated the time series data from 2006 to 2023. Data collection for FIS 2024 was undertaken between November 2024 and February 2025 across the country, with the bulk of enterprises being located in Nairobi. The FIS 2024 sample was drawn from the KNBS sampling frame of enterprises which have previously reported having FAL. This was complemented with other sources obtained from CBK, KenInvest and CMA. Field teams comprised coordinators and supervisors drawn from the three collaborating institutions and research assistants.

We take this opportunity to appreciate our main stakeholders in the survey process, the data providers without whose support, the implementation would not have been successful. The planning and preparation of the FIS has the data provider at the core, from where the other processes plugged in. Our gratitude goes to the management of the respective enterprises and the contact persons who opened their premises to us, and enabled administration of the survey questionnaire.

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worth singling out other members from KNBS and CBK whose input was invaluable to the process- Linda Olweny from legal and Medina Ibrahim from the corporate communications sections at KNBS, and Sylvia Anam from CBK.

The FIS 2024 was implemented under the auspices of the Eastern Africa Regional Statistics Programme for Results (EARSPP for R)-Kenya. In this regard, Nahashon Mutai from the East African Community (EAC) Secretariat participated in the data validation exercise. In addition, the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI), led by Senei Molapo and Dennis Mollel provided technical expertise on the private capital monetary system.

In conclusion, we take pride in the teamwork involved in the successful implementation of the 2024 Foreign Investment Survey and reiterate the importance of the output of the process. The findings of this survey will strengthen the information base of quality foreign investment statistics. We aspire to improve the implementation of future FISs at a higher frequency. This will ensure that the users derive maximum utility, particularly, in an ever evolving and more technologically connected global ecosystem.



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ABBREVIATIONS AND ACRONYMS

AfCFTA	Africa Continental Free Trade Area
AfDB	African Development Bank
AU	African Union
BETA	Bottom-Up Economic Transformation Agenda
BOP	Balance of Payments
BOP-TWG	Balance of Payments Technical Working Group
BPM6	Balance of Payments and International Investment Position Manual, Sixth Edition
CBK	Central Bank of Kenya
CMA	Capital Markets Authority
COMESA	Common Market for Eastern and Southern Africa
DFID	Department for International Development
DIE	Direct Investment Enterprise
EAC	East African Community
EARSP for R	East African Regional Statistics Programme for Results
EIB	European Investment Bank
EPZA	Export Processing Zones Authority
ESG	Environmental, Social and Governance
EU	European Union
FAL	Foreign Assets and Liabilities
FDI	Foreign Direct Investment
FE	Fellow Enterprises
FIS	Foreign Investment Survey
FISs	Foreign Investment Surveys
GDP	Gross Domestic Product
IFAD	International Fund for Agricultural Development
IFC	International Financial Corporation
IFS	Investment Fund Shares
IIP	International Investment Position
IMF	International Monetary Fund
IRA	Insurance Regulatory Authority
ITRS	International Transactions Reporting System
JICA	Japan International Cooperation Agency
KAHC	Kenya Association of Hotel Keepers and Caterers
KAM	Kenya Association of Manufacturers
KenInvest	Kenya Investment Authority
KEPSA	Kenya Private Sector Alliance
KFC	Kenya Flower Council
KfW	Kreditanstalt für Wiederaufbau
KNBS	Kenya National Bureau of Statistics
KNCCI	Kenya National Chamber of Commerce and Industry
MEFMI	Macroeconomic and Financial Management Institute of Eastern and Southern Africa
MSMEs	Medium, Small and Microenterprises
MTP-IV	Fourth Medium Term Plan
NSS	National Statistical System
OI	Other Investment
PAPSS	Pan-African Payment and Settlement System
PCMS	Private Capital Monitoring System
PI	Portfolio Investment
PPPs	Public Private Partnerships
PSED	Private Sector External Debt
PTA	Preferential Trade Area Bank
TA	Technical Assistance
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USA/US	United States of America
WAMZ	West African Monetary Zone
WIR	World Investment Report

EXECUTIVE SUMMARY

Background

Implementation of reforms under the Government's Bottom-up Economic Transformation Agenda (BETA) continued to be a major factor shaping Kenya's investment climate. Specifically, the Fourth Medium Term Plan (MTP-IV) which seeks to implement the Bottom Up Transformation Agenda (BETA), it prioritized the ease of doing business, scaled-up provision of credit and capacity building to Micro, Small and Medium Enterprises (MSMEs), promoted the cooperative movement, and strengthened security across the country, to drive an economic turnaround that encompasses inclusive growth. Kenya's investment climate remained resilient supported by a stable macroeconomic environment that made it conducive for the private sector to invest even as global uncertainties increased and global financing conditions tightened. The Kenya National Bureau of Statistics (KNBS), the Central Bank of Kenya (CBK), and the Kenya Investment Authority (KenInvest) have therefore continued to roll out Foreign Investment Surveys (FIS) to measure the size, direction and composition of foreign investments as well as investors' perception on the factors that impact on the investment climate. In addition, the surveys provide a platform to collect information on international trade in goods and services; and employment.

The 2024 Foreign Investment Survey is the eighth in the series since the launch of these surveys in 2010. The FIS 2024 captured data on foreign private capital flows and positions for the period 2022 and 2023 and investor perceptions on the business environment in 2024. The information collected will be important in monitoring the type, direction and the magnitude of foreign assets and liabilities. In addition, the data collected will provide information for research and analysis; planning and policy formulation; investment promotion and assessing the impact of risks on investments.

The Foreign Investment Survey 2024 was implemented by administering questionnaires to respondents. Data collection was undertaken by 42 Research Assistants who were engaged for a period of 50 days and were supervised by a team drawn from KNBS, CBK and KenInvest. In the current cycle of the survey, a total of 968 questionnaires were administered, with a response rate of 77.6 per cent. A total of 603 enterprises indicated that they had Foreign Assets and Liabilities (FAL).

Key Findings

The stock of foreign liabilities increased by 3.4 per cent from KSh 2,263.6 billion at the end of 2022 to KSh 2,341.6 billion at the end of 2023. The increase was mainly on account of Foreign Direct Investment (FDI) which rose by 8.5 per cent from KSh 1,343.1 billion at the end of 2022 to KSh 1,457.5 billion at the end of 2023. The stock of Portfolio Investment (PI) increased by 6.7 per cent from KSh 54.0 billion at the end of 2022 to KSh 57.6 billion at the end of 2023. Over the same period, Financial Derivatives and Employee Stock Options rose from KSh 26.0 billion to KSh 32.7 billion, while the stock of Other Investment (OI) liabilities declined by 5.6 per cent from KSh 840.6 billion at the end of 2022 to KSh 793.8 billion at the end of 2023. Foreign Direct Investment accounted for 62.2 per cent of the total foreign liabilities in 2023 and were largely in the form of equity and investment fund shares. Other Investment liabilities accounted for 33.9 per cent of the total stock of foreign liabilities at the end of 2023, and mainly comprised loans; and currency and deposits.

Foreign liabilities recorded net outflows of KSh 27.5 billion in 2023 from net inflows of KSh 43.6 billion in 2022, mainly reflecting increased net outflows of Other Investment. Net outflows of Other Investment increased from KSh 1.8 billion in 2022 to KSh 101.9 billion in 2023, while net inflows of FDI declined from KSh 93.2 billion to KSh 84.6 billion in 2023. During the same period, net outflows of PI declined to KSh 16.9 billion from KSh 23.6 billion, while Financial Derivatives and Employee Stock Options recorded net inflows of KSh 6.7 billion from net outflows of KSh 24.1 billion.

Europe registered the largest share of foreign liabilities to Kenya, accounting for 32.9 per cent and 35.0 per cent of the total stock of foreign liabilities at the end of 2022 and 2023, respectively. This was primarily attributable to

the United Kingdom and the Netherlands, which accounted for 46.4 per cent and 17.3 per cent, of the total stock of foreign liabilities from Europe, respectively, at the end of 2023. Africa emerged as the second largest source of foreign liabilities, accounting for 26.4 per cent of the total stock of foreign liabilities at the end of 2023. The stock of foreign liabilities from Africa was majorly driven by South Africa, Democratic Republic of Congo and Mauritius. Those from Asia decreased from KSh 231.8 billion at the end of 2022 to KSh 217.9 billion at the end of 2023 and accounted for 9.3 per cent of the total stock of foreign liabilities at the end of 2023, majorly boosted by India, the United Arab Emirates and China. The stock of foreign liabilities from America grew by 7.1 per cent to KSh 212.1 billion at the end of 2023 and accounted for 9.1 per cent of total stock of foreign liabilities in 2023. The increase was mainly due to increased investments from the United States, British Virgin Islands and Canada.

At the end of 2023, Europe accounted for the largest share of FDI liabilities at 46.7 per cent, with the stock of FDI liabilities increasing by 10.6 per cent from KSh 615.4 billion at the end of 2022 to KSh 680.7 billion. Notably, United Kingdom contributed 23.4 per cent of the total stock of FDI liabilities at the end of 2023. The stock of FDI liabilities attributable to Africa was 22.1 per cent of the total stock of FDI liabilities, increasing by 2.6 per cent to KSh 322.4 billion at the end of 2023. South Africa and Mauritius accounted for the largest share of total stock of FDI liabilities from Africa at 9.6 per cent and 9.1 per cent, respectively, in 2023.

The Finance and insurance activities sector attracted the largest share of the stock of FDI, accounting for 28.1 per cent at the end of 2023, with the stock rising by 9.6 per cent to KSh 409.7 billion. Manufacturing sector had the second largest share of the stock of FDI liabilities at 14.8 per cent in 2023, with the stock increasing by 6.3 per cent to KSh 216.2 billion. The stock of FDI liabilities in the Information and communication sector rose by 8.1 per cent to KSh 186.6 billion at the end of 2023, accounting for 12.8 per cent of the stock of FDI liabilities. On the contrary, the stock of FDI in the Wholesale and retail trade sector declined from KSh 172.9 billion at the end of 2022 to KSh 169.8 billion at the end of 2023.

The stock of Private Sector External Debt (PSED) decreased from KSh 1,083.4 billion at the end of 2022 to KSh 1,064.9 billion at the end of 2023. This decrease was primarily due to a KSh 46.8 billion reduction in the stock of PSED under the Other Investment category to KSh 793.8 billion at the end of 2023.

The International Financial Institutions/Organizations were the main sources of PSED, accounting for 23.1 per cent of the total stock of PSED at the end of both 2022 and 2023. The Democratic Republic of Congo was the second largest source of PSED, accounting for 14.5 per cent at the end of 2023 followed by South Africa (8.2%), Netherlands (7.2%), United States (6.7%), Mauritius (4.9%), Germany (3.0%), United Arab Emirates (2.9%), United Kingdom (2.7%) and China (2.6%).

Total inflows of PSED declined to KSh 339.4 billion in 2023 from KSh 358.3 billion in 2022, partly attributable to lower inflows from South Africa, International Financial Institutions/Organizations, the United Arab Emirates and China in 2023. Total outflows increased from KSh 369.7 billion in 2022 to KSh 424.7 billion in 2023, mainly reflecting increased outflows to Singapore, Switzerland, and the Netherlands. As a result, the net outflows of PSED increased from KSh 11.4 billion in 2022 to KSh 85.4 billion in 2023.

The survey findings indicate that the stock of foreign assets grew by 36.8 per cent to KSh 834.2 billion at the end of 2023 from KSh 610.0 billion at the end of 2022, mainly on account of increase in Other Investment and Foreign Direct Investment. Foreign Direct Investment assets rose by 13.3 per cent from KSh 328.9 billion as at end of 2022 to KSh 372.5 billion as at end of 2023 accounting for 44.7 per cent of the stock of foreign assets in 2023.

The stock of Other Investment assets rose by 64.6 per cent to KSh 459.9 billion and accounted for 55.1 per cent of the total stock of foreign assets at the end of 2023. The increase was in holdings of currency and deposits; and loans abroad. Total outflows of foreign assets grew by 42.8 per cent to KSh 350.5 billion in 2023 from KSh 245.5 billion in 2022. The growth in total outflows was mainly on account of Other Investment, which increased by KSh 224.6 billion during the review period.

The stock of foreign assets was mainly held in Africa, specifically Uganda, Ethiopia, Tanzania, Democratic Republic of Congo, Mauritius and South Africa, contributing more than half of the stock of Kenya's outward investments in 2023. Expenditure on services provided by non-residents to surveyed enterprises decreased from KSh 156.6 billion in 2022 to KSh 152.1 billion in 2023. Similarly, income from services rendered to non-residents by surveyed enterprises decreased by 14.1 per cent to KSh 186.4 billion in 2023.

Total employment by enterprises which responded in FIS 2024 increased by 3.3 per cent to 224,704 employees in 2023. The increase was largely driven by increase in local employees, which grew by 3.6 per cent. However, the number of foreign employees declined, with those on short-term contracts declining by 22.4 per cent and those on long-term contract by 3.0 per cent. Local regular employees accounted for the largest share of employment in surveyed enterprises at 98.4 per cent while foreign employees constituted less than 2.0 per cent of the total workforce in the surveyed firms. The proportion of female employees also improved to 39.1 per cent in 2024 from 37.8 per cent in 2023.

The main mode of entry by surveyed enterprises was in form of greenfield investments with 66.4 per cent of the respondents indicating that the enterprises started operations as greenfield investments. Respondents also indicated other modes of investments which include brownfield investments (18.6%), Mergers and Acquisitions (8.8%), Private Public Partnerships (3.5%) and joint ventures (2.7%). Investors cited availability of highly skilled and productive labour force (22.9%), market access (17.1%), and ease of doing business (17.1%) as some of the factors which influenced investors decision to invest in Kenya. However, 70.0 per cent of respondents indicated electricity supply as the highest cost of enabling business services while financial services, immigration services and single business permits were rated to have high costs by 58.5, 55.8 and 51.8 per cent of respondents, respectively. In addition, tax administration, corruption, political environment and cost of electricity were considered as high areas of concern that require improvement. In so far as the direction of investment, 39.5 per cent of the respondents indicated that they had intentions to reinvest and expand in the next three years, 25.0 per cent indicated plans to diversify while 30.3 per cent indicated that they would maintain their current investment.

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CHAPTER 1: INTRODUCTION

Overview

Implementation of reforms under the Government's Bottom-up Economic Transformation Agenda (BETA) continued to be a major factor shaping Kenya's investment climate. Specifically, the Fourth Medium Term Plan (MTP-IV) which implements BETA, has prioritized the ease of doing business, scaled-up provision of credit and capacity building to Micro, Small and Medium Enterprises (MSMEs), promoted the cooperative movement, and strengthened security across the country. The Whole-of Government approach to service delivery ensured effective and efficient provision of services necessary for complementing private sector initiatives. The Government increasingly leveraged on Public Private Partnerships (PPPs) and green financing with support from development partners to drive an economic turnaround and inclusive growth through a value chain approach.

1.2 Kenya's investment climate remained resilient supported by a stable macroeconomic environment that made it conducive for the private sector to invest even as global uncertainties increased and global financing conditions tightened. Intra-regional trade in goods and services and cross border investments continued apace, thus complementing domestic initiatives. Besides the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA), the African Continental Free Trade Area (AfCFTA), which is the largest free trade area in the world, continued to present a great opportunity for Kenya's private sector. In addition, the AfCFTA Investment Protocol adopted in 2023 is expected to contribute to growing intraregional Foreign Direct Investment (FDI). The launch of the Pan-African Payment and Settlement System (PAPSS) in 2022, a centralized system that facilitates instant cross-border payments in over 40 African currencies, was a significant milestone for the region and is expected to have a sizeable impact on cross-border trade and investment. It has gained traction in the West African Monetary Zone (WAMZ) since its launch, with several commercial banks from the Eastern Africa region joining.

1.3 The 2024 Foreign Investment Survey (FIS 2024) is the eighth in the series since the launch of the surveys in 2010 and captured data on foreign private capital flows for 2023 and positions for the period 2022 and 2023 and the investor perception of business environment. The information collected is important for monitoring the type, direction and the magnitude of foreign assets and liabilities. In addition, the data collected provides relevant information for research and analysis; planning and policy formulation; investment promotion; and assessing the impact of risks and vulnerabilities that may arise.

Macroeconomic Developments and Prospects

1.4 The global economy recorded a steady growth in 2024, as inflation moderated, and private consumption sustained, with monetary policy easing in key markets. Nevertheless, the global economic growth faced challenges by rising geo-political risks and growing policy uncertainty. The global economy is

estimated to have recorded a decelerated growth of 3.2 per cent in 2024 compared to 3.4 per cent in 2023. The US economy remained in good shape in 2024, though growth slowed to 2.5 per cent from 3.2 per cent in 2023 driven by resilient consumer spending. Advanced economies grew by 1.7 per cent in 2024 with structural headwinds including aging population and weak productivity, holding back potential growth in many economies. In emerging market and developing economies, disruptions to production and shipping of commodities especially oil, conflicts, civil unrest, and adverse weather conditions led to slowed growth of 4.4 per cent in 2024, slightly down from 4.7 per cent in 2023. Meanwhile, global headline inflation fell from an annual average of 6.7 per cent in 2023 to 5.8 per cent in 2024, with advanced economies returning to their inflation targets sooner than emerging market and developing economies (IMF World Economic Outlook, April 2025).

1.5 The Kenyan real GDP grew by 4.5 per cent in the first three quarters of 2024 compared to 5.7 per cent in a similar period of 2023. The growth was supported by good performance in Agriculture, forestry and fishing; transportation and storage activities; Financial and insurance activities; Real estate activities; Wholesale and Retail activities; and Accommodation and food service activities. However, growth was dragged by a general decline in growth in other sectors of the economy, mainly Construction; and Mining and quarrying activities. The Kenyan economy recorded robust growth in the first three quarters of 2023, largely driven by strong growth of the agriculture and services sectors. Real GDP grew by 5.6 per cent compared to 5.2 per cent in a similar period of 2022. The strong rebound reflects the impact of favourable weather conditions and Government efforts to enhance production through supply of quality and affordable inputs.

International Private Capital Flows

1.6 According to the United Nations Conference on Trade and Development (UNCTAD) World Investment Report (WIR), 2024, global FDI inflows declined by 2 per cent to US Dollar 1,332 billion in 2023. The decline is attributed to weaker global growth; trade and geo-political tensions; and tighter financing conditions.

In addition, some multinational enterprises opted for a more cautious approach to FDI expansion abroad due to policy shifts and restructuring of supply chains. Tighter regulatory scrutiny also caused a decline in mergers and acquisitions.

1.7 Foreign Direct Investment inflows to developed economies increased by 9 per cent to US Dollar 464 billion in 2023. However, excluding large transactions through European conduits, FDI inflows to developed economies declined by 15 per cent. FDI inflows to developing economies decreased by 7 per cent to US Dollar 867 billion in 2023, reflecting an 8 per cent decline in inflows to Asia, the largest FDI recipient in the region. Similarly, FDI inflows to Africa declined by 3 per cent to US Dollar 53 billion in 2023, reflecting a decline in greenfield projects.

1.8 Global FDI is expected to increase modestly following easing of inflationary pressures and lower borrowing costs as international financing conditions stabilize, making it conducive for investment. However, downside risks persist, including geo-political tensions, high debt levels accumulated in many countries, and concerns about further global economic fracturing (UNCTAD, 2024).

Justification for conducting the 2024 Foreign Investment Survey

1.9 The main data sources for the financial account of the BOP/IIP statistics are FISs and the CBK- International Transactions Reporting System (ITRS). These are complemented with Government Financial Statistics and data from Parastatals. However, data collected on private capital flows using the CBK- ITRS from commercial banks' foreign exchange transactions, are currently inadequate mainly due to misclassification resulting from incomplete information from commercial bank customers. In addition, there are investment related transactions such as retained earnings and trade credits that can only be obtained directly from enterprises to supplement data from ITRS. FISs are conducted annually, with the last one conducted in 2023 capturing data for 2020 up to 2022.

The foreign capital flows have macroeconomic effects that demand urgent policy responses. With limited data on the level and composition of these flows, policy makers are constrained in making timely and appropriate policy responses.

1.10 The size and role of Foreign Private Capital investment continues to drive economic growth as a result of globalization and liberalization. Therefore, there is need to consistently carry out Foreign Investment Surveys, regularly, to strengthen the information base on foreign investment while improving on data quality for monitoring and evaluation of the implementation of various programmes in the Kenya Vision 2030, Medium-Term Plans, and BETA, among others.

1.11 Foreign Investment Survey 2024 captured data on foreign private capital flows for 2023 and stocks for 2022 and 2023 as well as investor perception of the business environment in 2024. This will be useful in building the data series for comparison and improvement in the quality of Balance of Payments statistics (flows) and International Investment Position (stocks).

Objectives of the Survey

1.12 The Foreign Investment Surveys are intended to provide information for compilation of the Balance of Payments, International Investment Position statistics and assessment of investors' perceptions of the investment climate in the country.

1.13 The data collected through FIS 2024 covering 2022 and 2023 extends the time series of data on foreign investment to seventeen years. This builds on the data collected during FIS 2010 covering the period 2007 and 2008; FIS 2013 covering the period 2009, 2010 and 2011; FIS 2015 covering the period 2012 and 2013; FIS 2016 covering the period 2014 and 2015; FIS 2019 covering the period 2016 and 2017; FIS 2020 covering the period 2018 and 2019; and FIS 2023 capturing data for 2020, 2021 and 2022. The time series data will be useful for research and analysis, planning, policy making and formulation of strategies to achieve the Kenya Vision 2030 goals.



CHAPTER 2: SURVEY FINDINGS ON FOREIGN LIABILITIES

Overview

This chapter presents survey findings on foreign liabilities which are the investment in Kenya by non-residents. They are broadly categorized into Foreign Direct Investment (FDI); Portfolio Investment (PI); Financial Derivatives and Employee Stock Options; and Other Investment (OI). Financial instruments under FDI and PI include equity and investment fund shares, and debt, while those under OI include other equity; currency and deposits; trade credits and advances; loans; insurance, pension and standardized guarantee schemes; and other accounts payable.

Stock of Foreign Liabilities

2.2. The stock of foreign liabilities increased by 3.4 per cent from KSh 2,263.6 billion at the end of 2022 to KSh 2,341.6 billion at the end of 2023, as presented in Table 2.1. The increase was mainly on account of FDI which rose by 8.5 per cent from KSh 1,343.1 billion at the end of 2022 to KSh 1,457.5 billion at the end of 2023. The stock of PI increased by 6.7 per cent from KSh 54.0 billion at the end of 2022 to KSh 57.6 billion at the end of 2023. Similarly, Financial Derivatives and Employee Stock Options rose from KSh 26.0 billion to KSh 32.7 billion, while the stock of OI liabilities declined by 5.6 per cent from KSh 840.6 billion at the end of 2022 to KSh 793.8 billion at the end of 2023.

2.3. The share of FDI to total foreign liabilities increased from 59.3 per cent at the end of 2022 to 62.2 per cent at the end of 2023. Equity and investment fund shares accounted for the largest share of FDI and increased by 8.2 per cent from KSh 1,126.3 billion at the end of 2022 to KSh 1,219.1 billion at the end of 2023. Similarly, debt instruments increased by 9.9 per cent from

KSh 216.8 billion to KSh 238.4 billion over the same period, on account of long-term debt instruments. Portfolio Investment accounted for 2.5 per cent of the total foreign liabilities at the end of 2023 and was predominantly in the form of equity and investment fund shares.

2.4. At the end of 2023, Other Investment liabilities accounted for 33.9 per cent of the total stock of foreign liabilities and was mainly in form of loans (19.7%) and currency and deposits (10.8%). The loan liabilities declined by 13.2 per cent to KSh 461.7 billion at the end of 2023 largely driven by short-term loans. Over the same period, trade credits and accounts payables declined by 33.3 per cent and 11.9 per cent to KSh 14.8 billion and KSh 35.8 billion, respectively. However, the stock of currency and deposits rose by 8.3 per cent from KSh 232.6 billion at the end of 2022 to KSh 252.0 billion at the end of 2023. The stock of insurance, pension and standardized guarantee schemes also increased during the review period.



Table 2.1: Stock of Foreign Liabilities, 2022-2023

Category	2022		2023	
	KSh Million	% Share	KSh Million	% Share
Foreign Direct Investment	1,343,067.5	59.3	1,457,468.3	62.2
Equity and Investment Fund Shares	1,126,250.1	49.8	1,219,082.6	52.1
Equity and Investment Fund Shares other than Reinvested Earnings	794,248.7	35.1	818,816.2	35.0
Retained Earnings	332,001.4	14.7	400,266.4	17.1
Debt Instruments	216,817.4	9.6	238,385.8	10.2
Long term	148,235.1	6.5	170,662.6	7.3
Short Term	68,582.3	3.0	67,723.2	2.9
Portfolio Investment	53,966.4	2.4	57,602.0	2.5
Equity and Investment Fund Shares	53,954.6	2.4	57,565.2	2.5
Debt Securities	11.7	0.0	36.8	0.0
Long term	11.7	0.0	4.7	0.0
Short Term	0.0	0.0	32.1	0.0
Financial Derivatives and Employee Stock Options	26,001.9	1.1	32,727.2	1.4
Forwards	23,085.5	1.0	32,727.2	1.4
Options	2,916.5	0.1	0.0	0.0
Employee Stock Options	0.0	0.0	0.0	0.0
Other Investment	840,572.9	37.1	793,783.6	33.9
Other Equity	0.0	0.0	0.0	0.0
Currencies and Deposits	232,628.8	10.3	251,985.8	10.8
Long term	60,123.7	2.7	34,512.0	1.5
Short Term	172,505.1	7.6	217,473.8	9.3
Trade credits	22,224.7	1.0	14,826.7	0.6
Long term	1,015.5	0.0	513.2	0.0
Short Term	21,209.2	0.9	14,313.5	0.6
Loans	531,849.6	23.5	461,672.7	19.7
Long term	415,871.6	18.4	390,013.7	16.7
Short Term	115,978.0	5.1	71,659.0	3.1
Insurance, Pension and Standardized Guarantee Schemes	13,256.2	0.6	29,536.9	1.3
Life Insurance Reserves	1,066.4	0.0	2,988.5	0.1
Non-life Insurance Reserves	12,145.3	0.5	26,449.3	1.1
Pension Entitlements / Claims	42.6	0.0	95.0	0.0
Standardised Guarantee Schemes	1.9	0.0	4.2	0.0
Accounts Payable	40,613.6	1.8	35,761.5	1.5
Long term	13,247.7	0.6	11,618.8	0.5
Short Term	27,366.0	1.2	24,142.7	1.0
Total	2,263,608.7	100.0	2,341,581.1	100.0

2.5. Foreign liabilities recorded net outflows of KSh

2.6. The net inflows of FDI declined by 9.2 per cent from KSh 93.2 billion in 2022 to KSh 84.6 billion in 2023, reflecting decreases in both equity and investment fund shares, and debt instruments. Net inflows of equity and investment fund shares declined from KSh 78.9 billion in 2022 to KSh 74.8 billion in 2023. In contrast, net inflows of retained earnings increased from KSh 53.3

2.7. In 2023, net outflows of Other Investment increased mainly on account of loans, trade credits, and accounts payable. Net outflows of loans was KSh 111.5 billion in 2023, reflected in higher outflows of both long-term and short-term loans relative to inflows. Similarly, trade credits and accounts payable recorded net outflows of KSh 8.0 billion and KSh 5.0 billion, respectively. Currency and deposits recorded net inflows of KSh 12.8 billion in 2023 from net outflows of KSh 24.3 billion in 2022. Net inflows of Insurance, Pensions and Standardized Guarantee Schemes declined marginally to KSh 9.8 billion from KSh 10.5 billion in 2022.



Table 2.2: Flows of Foreign Liabilities, 2022 – 2023

Category	2022			2023		
	Inflows	Outflows	Net	Inflows	Outflows	Net
Foreign Direct Investment	188,190.1	95,032.3	93,157.8	242,610.2	158,042.5	84,567.8
Equity and Investment Fund Shares	117,489.9	38,637.1	78,852.8	178,303.6	103,548.3	74,755.3
Equity and Investment Fund Shares other than Reinvested Earnings	26,395.6	819.3	25,576.2	30,304.4	18,625.8	11,678.6
Retained Earnings	91,094.4	37,817.8	53,276.6	147,999.1	84,922.4	63,076.7
Debt Instruments	70,700.2	56,395.2	14,305.0	64,306.7	54,494.2	9,812.5
Long term	25,944.4	17,760.5	8,183.9	39,191.7	28,593.0	10,598.7
Short Term	44,755.8	38,634.7	6,121.0	25,115.0	25,901.2	-786.2
Portfolio Investment	43,930.5	67,496.7	-23,566.2	35,392.9	52,284.3	-16,891.4
Equity and Investment Fund Shares	43,645.3	67,476.3	-23,831.0	35,360.8	52,277.3	-16,916.5
Debt Securities	285.2	20.4	264.8	32.1	7.0	25.0
Long term	285.2	0.0	285.2	0.0	7.0	-7.0
Short Term	0.0	20.4	-20.4	32.1	0.0	32.1
Financial Derivatives and Employee Stock Options	347.4	24,449.3	-24,101.9	10,359.8	3,634.5	6,725.2
Forwards	122.9	23,387.2	-23,264.3	10,359.8	718.1	9,641.7
Options	25.0	389.6	-364.6	0.0	2,916.5	-2,916.5
Employee Stock Options	199.6	672.5	-473.0	0.0	0.0	0.0
Other Investment	287,011.2	288,851.7	-1,840.5	264,652.2	366,574.8	-101,922.6
Other Equity	0.0	0.0	0.0	0.0	0.0	0.0
Currencies and Deposits	34,380.1	58,663.6	-24,283.5	78,478.7	65,706.1	12,772.6
Long term	2,284.9	1,699.4	585.5	15,523.4	47,308.6	-31,785.2
Short Term	32,095.3	56,964.3	-24,869.0	62,955.3	18,397.5	44,557.8
Trade credits	7,722.7	7,428.6	294.1	85,260.2	93,233.2	-7,973.0
Long term	277.7	326.5	-48.7	839.5	1,317.8	-478.3
Short Term	7,445.0	7,102.1	342.8	84,420.7	91,915.4	-7,494.7
Loans	141,381.1	134,420.0	6,961.1	65,492.2	177,032.6	-111,540.5
Long term	79,418.1	66,925.2	12,492.9	53,302.9	120,745.2	-67,442.3
Short Term	61,963.0	67,494.8	-5,531.8	12,189.3	56,287.4	-44,098.1
Insurance, Pension and Standardized Guarantee Schemes	21,606.8	11,130.0	10,476.8	19,080.7	9,306.4	9,774.3
Life Insurance Reserves	1,400.7	1,865.9	-465.2	1,687.6	1,992.5	-304.9
Non-life Insurance Reserves	20,198.0	9,264.1	10,933.8	17,338.4	7,313.9	10,024.5
Pension Entitlements / Claims	7.9	0.0	7.9	52.4	0.0	52.4
Standardized Guarantee Schemes	0.3	0.0	0.3	2.3	0.0	2.3
Accounts Payable	81,920.4	77,209.4	4,711.0	16,340.3	21,296.4	-4,956.1
Long term	11,948.1	9,201.6	2,746.5	5,076.8	7,310.0	-2,233.2
Short Term	69,972.3	68,007.9	1,964.4	11,263.5	13,986.4	-2,722.9
Total	519,479.2	475,830.0	43,649.2	553,015.1	580,536.1	-27,521.0

Stock of Foreign Liabilities by Source

2.8. Stock of foreign liabilities by source is shown in Table 2.3. Europe registered the largest share of foreign liabilities to Kenya, accounting for 32.9 per cent and 35.0 per cent of the total stock of foreign liabilities at the end of 2022 and 2023, respectively. This dominance was majorly boosted by the stock of foreign liabilities from the United Kingdom and the Netherlands, which accounted for 46.4 per cent and 17.3 per cent of the total stock of foreign liabilities from Europe, respectively, at the end of 2023. Other major contributors to the stock of foreign liabilities to Europe at the end of 2023 were France and Switzerland accounting for 13.4 per cent and 10.0 per cent of the total stock of foreign liabilities from Europe, respectively. Notably, the stock of foreign liabilities from Finland, Denmark and Switzerland declined by 41.5, 39.4 and 14.5 per cent, respectively, at the end of 2023.

2.9. In the period under review, Africa was the second largest source of foreign liabilities to Kenya, accounting for 26.6 per cent and 26.4 per cent of the total stock of foreign liabilities at the end of 2022 and 2023, respectively. The stock of foreign liabilities from Africa was majorly driven by South Africa, Democratic Republic of Congo and Mauritius which accounted for 34.1, 24.6 and 23.4 per cent of the total foreign liabilities from Africa, respectively, at the end of 2023. Other significant sources of foreign liabilities at the end of 2023 in Africa were Nigeria, Tanzania and

Uganda, whose stock of foreign liabilities amounted to KSh 31.5 billion, KSh 15.8 billion and KSh 15.7 billion, respectively. The stock of foreign liabilities from the East African Community (EAC) increased by 23.4 per cent from KSh 164.1 billion at the end of 2022 to KSh 202.5 billion as at the end of 2023, majorly driven by investments from the Democratic Republic of Congo, Uganda and South Sudan.

2.10. The stock of foreign liabilities from Asia decreased from KSh 231.8 billion at the end of 2022 to KSh 217.9 billion at the end of 2023. Stock of foreign liabilities from Asia was majorly boosted by India, the United Arab Emirates and China, which accounted for 32.6, 24.8 and 13.6 per cent of the total stock of foreign liabilities from the region, respectively. The stock of foreign liabilities from Singapore declined from KSh 55.9 billion at the end of 2022 to KSh 20.2 billion at the end of 2023.

2.11. Stock of foreign liabilities from America grew by 7.1 per cent during the review period, from KSh 198.0 billion recorded at the end of 2022 to KSh 212.1 billion at the end of 2023. This was due to investments by the United States from KSh 177.3 billion at the end of 2022 to KSh 187.2 billion at the end of 2023, Canada from KSh 3.2 billion as at the end of 2022 to KSh 4.0 billion as at the end of 2023, and British Virgin Islands from KSh 17.8 billion as at the end of 2022 to KSh 21.1 billion at the end of 2023.



Table 2.3: Stock of Foreign Liabilities by Source, 2022-2023

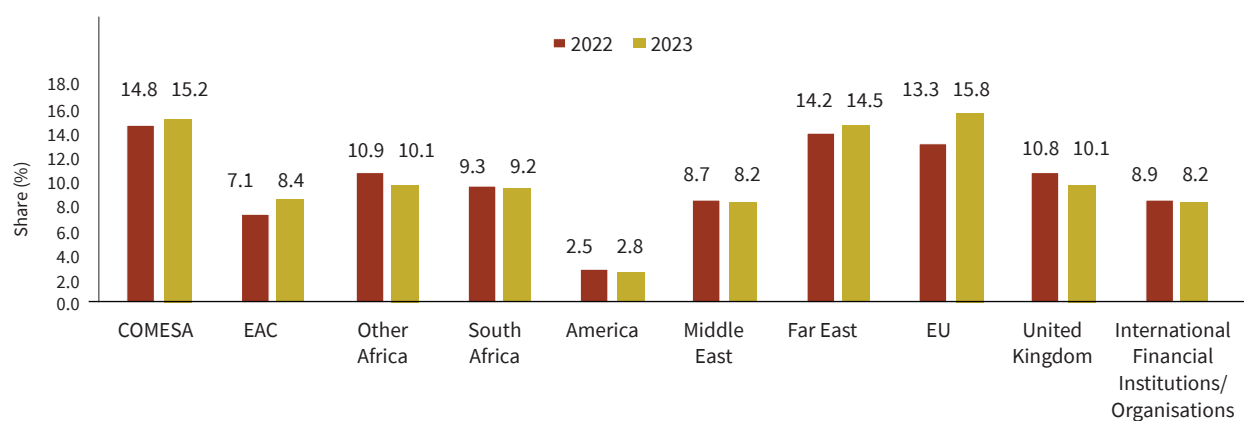
Source	2022		2023	
	KSh Million	% Share	KSh Million	% Share
AFRICA	602,630.9	26.6	618,580.1	26.4
COMESA¹	334,194.0	14.8	359,583.8	15.4
Mauritius	161,173.2	7.1	144,689.5	6.2
Tunisia	7,430.2	0.3	8,891.5	0.4
Egypt	4,792.7	0.2	8,268.5	0.4
Djibouti	2,103.5	0.1	4,718.7	0.2
Ethiopia	2,779.3	0.1	3,215.5	0.1
Madagascar	5,689.0	0.3	2,216.7	0.1
Other COMESA	952.4	0.0	972.0	0.0
EAST AFRICA	164,057.9	7.2	202,454.4	8.6
Democratic Republic of Congo	122,777.6	5.4	152,143.9	6.5
Tanzania	14,784.2	0.7	15,843.0	0.7
Uganda	12,280.6	0.5	15,754.2	0.7
South Sudan	5,826.9	0.3	10,670.4	0.5
Rwanda	6,055.8	0.3	3,845.8	0.2
Other EAC	2,332.8	0.1	4,197.0	0.2
OTHER AFRICA	253,652.7	11.2	243,153.3	10.4
South Africa	215,097.8	9.5	210,872.0	9.0
Nigeria	26,556.7	1.2	31,474.2	1.3
Botswana	2,482.6	0.1	1,910.5	0.1
Cote d'Ivoire	898.0	0.0	1,652.3	0.1
Benin	1,477.1	0.1	1,552.5	0.1
Togo	6,788.1	0.3	1,049.7	0.0
Rest of Africa	352.5	0.0	-5,357.9	-0.2
AMERICA	198,018.7	8.7	212,109.0	9.1
NORTH AMERICA	198,391.4	8.8	212,200.2	9.1
United States	177,251.3	7.8	187,161.1	8.0
British Virgin Islands	17,818.0	0.8	21,079.5	0.9
Canada	3,211.8	0.1	3,958.9	0.2
Other North America	110.3	0.0	0.7	0.0
AMERICA SOUTH	-372.8	0.0	-91.2	0.0
ASIA	231,808.0	10.2	217,895.2	9.3
MIDDLE EAST	58,052.7	2.6	66,749.2	2.9
United Arab Emirates	42,219.6	1.9	54,048.0	2.3
Saudi Arabia	8,524.8	0.4	9,890.3	0.4
Bahrain	1,307.8	0.1	1,496.2	0.1
Other Middle East	6,000.6	0.3	1,314.8	0.1
FAR EAST	173,755.3	7.7	151,146.0	6.5
India	66,944.3	3.0	71,035.7	3.0
China	20,964.6	0.9	29,564.2	1.3
Singapore	55,898.7	2.5	20,242.1	0.9
Japan	14,673.6	0.6	14,452.1	0.6
Pakistan	10,469.2	0.5	10,719.3	0.5
Hong Kong	1,968.0	0.1	1,963.9	0.1
Malaysia	1,160.3	0.1	1,231.4	0.1
Other Far East	1,676.5	0.1	1,937.4	0.1
EUROPE	744,429.6	32.9	819,129.6	35.0
EASTERN EUROPE	3,916.4	0.2	2,872.2	0.1
WESTERN EUROPE	740,513.1	32.7	816,257.4	34.9
EU	329,043.0	14.5	348,931.4	14.9
Netherlands	131,258.2	5.8	141,488.8	6.0
France	98,976.6	4.4	110,034.0	4.7
Germany	13,529.9	0.6	24,562.4	1.0
Luxembourg	15,062.6	0.7	15,548.6	0.7
Belgium	12,088.7	0.5	12,272.3	0.5
Isle of Man	17,350.6	0.8	11,442.0	0.5

Table 2.3: Stock of Foreign Liabilities by Source, 2022-2023 (Cont'd)

Source	2022		2023	
	KSh Million	%Share	KSh Million	%Share
Sweden	6,532.8	0.3	8,041.0	0.3
Denmark	9,467.6	0.4	5,740.4	0.2
Spain	6,233.9	0.3	4,966.8	0.2
Finland	8,074.0	0.4	4,725.1	0.2
Other EU	10,468.2	0.5	10,109.9	0.4
OTHER WESTERN EUROPE	411,470.1	18.2	467,326.0	20.0
United Kingdom	308,964.3	13.6	379,982.7	16.2
Switzerland	96,051.8	4.2	82,130.3	3.5
Rest of Western Europe	6,454.0	0.3	5,213.0	0.2
AUSTRALIA & OCEANIC	29,001.9	1.3	31,856.6	1.4
International Financial Institutions/ Organizations²	250,753.7	11.1	243,579.7	10.4
Countries not stated	206,966.1	9.1	198,431.0	8.5
Total	2,263,608.7	100.0	2,341,581.1	100.0

¹EAC Partner State are also members of COMESA except Tanzania

²Includes AfDB, IFC, JICA, IFAD, EIB, PTA, KfW, International Freephone among others

Figure 2.1: Shares of Stock of Foreign Liabilities by Source, 2022 and 2023

Flows of Foreign Liabilities by Source

2.12. Table 2.4 presents the flows of foreign liabilities by source. Foreign liability inflows increased by 6.5 per cent to KSh 553.0 billion in 2023. The regions with the highest inflows of liabilities were Europe, Africa, and Asia accounting for 34.5, 23.4 and 10.1 per cent of the total liability inflows, respectively, in 2023. Within Africa, the highest inflows of foreign liabilities were from the Democratic Republic of Congo, South Africa, and Mauritius, at KSh 32.9 billion, KSh 32.6 billion, and KSh 21.7 billion, respectively, in 2023. The foreign liability inflows from America grew by 23.7 per cent to KSh 33.7 billion in 2023 while foreign liability inflows from International Financial Institutions/Organizations declined from KSh 42.2 billion in 2022 to KSh 9.9 billion in 2023.

2.13. The foreign liability outflows grew by 22.0 per cent to KSh 580.5 billion in 2023, with Europe, Africa, and Asia accounting for the highest outflows at 26.9, 23.6, and 13.5 per cent, respectively. The leading destinations of foreign liability outflows in Africa were Mauritius and South Africa, accounting for 37.9 per cent and 37.5 per cent, respectively. Foreign liability outflows to Tanzania and Mauritius almost doubled to KSh 3.7 billion and KSh 51.8 billion, respectively, in 2023. Foreign liability outflows to

South Africa, Morocco, the Democratic Republic of Congo, and Uganda declined from KSh 73.0 billion, KSh 27.9 billion, KSh 65.8 billion, and KSh 3.1 billion, respectively, in 2022 to KSh 51.3 billion, KSh 5.8 billion, KSh 2.6 billion, and KSh 2.0 billion in 2023. The foreign liability outflows to Europe were majorly attributed to the Netherlands, Switzerland and the United Kingdom, which accounted for 23.5, 20.7, and 19.1 per cent of the total foreign liability outflows to Europe in 2023. Foreign liability outflows to International Financial Institutions/Organizations increased from KSh 35.4 billion in 2022 to KSh 40.6 billion in 2023.

2.14. Total net outflows of foreign liabilities were KSh 27.5 billion in 2023 compared to total net inflows of KSh 43.6 billion in 2022. The flows of foreign liabilities from the COMESA region increased from net outflows of KSh 59.6 billion in 2022 to net inflows of KSh 9.8 billion in 2023, majorly driven by net inflows from Djibouti and Egypt. Similarly, the flows of foreign liabilities from the EAC region increased from net outflows of KSh 65.9 billion in 2022 to net inflows of KSh 39.7 billion in 2023, mainly on account of increased inflows of foreign liabilities from the Democratic Republic of Congo and Uganda. Flows of foreign liabilities from International Financial Institutions/Organizations declined from net inflows of KSh 6.8 billion in 2022 to net outflows of KSh 30.7 billion in 2023.



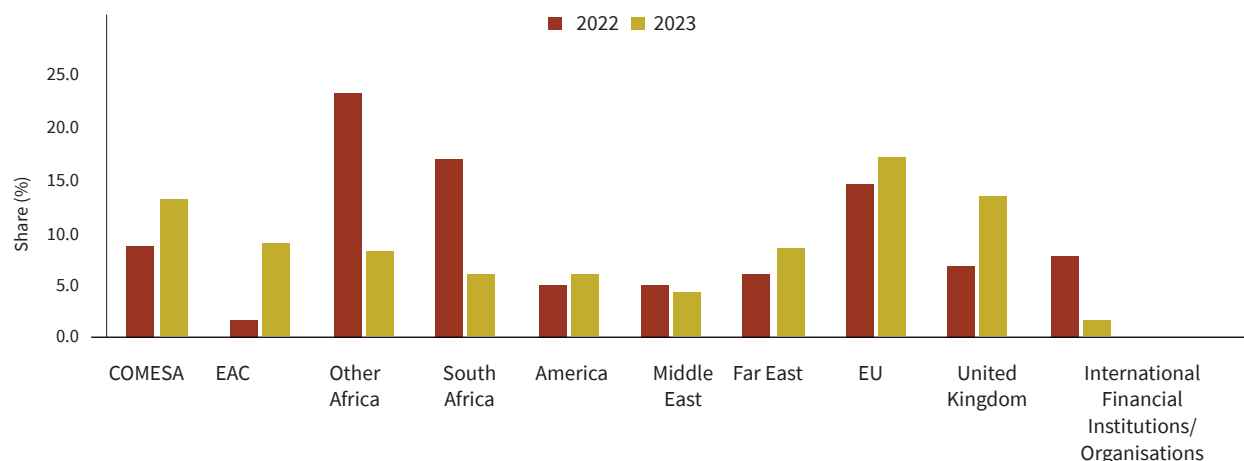
Table 2.4: Flows of Foreign Liabilities by Source, 2022-2023

KSh Million						
Source	2023			2022		
	Inflows	Outflows	Net	Inflows	Outflows	Net
AFRICA	170,931.7	211,458.9	-40,527.2	129,216.1	136,759.0	-7,542.8
COMESA¹	46,306.0	105,897.3	-59,591.3	75,889.2	66,104.7	9,784.5
Djibouti	152.0	1,291.8	-1,139.8	2,805.3	4.4	2,800.8
Egypt	428.2	728.6	-300.4	1,534.1	228.4	1,305.7
Ethiopia	1,594.4	100.4	1,494.0	1,287.4	853.1	434.2
Madagascar	573.2	0.0	573.2	28.8	3,872.6	-3,843.8
Mauritius	31,891.6	28,795.4	3,096.1	21,695.6	51,816.5	-30,120.9
Zambia	3,023.9	1.2	3,022.8	121.3	299.7	-178.5
Other COMESA	630.4	335.9	294.5	1,083.9	267.6	816.3
EAST AFRICA	10,625.6	76,516.6	-65,891.0	52,121.9	12,462.8	39,659.0
Democratic Republic of Congo	857.2	65,839.8	-64,982.6	32,926.9	2,592.6	30,334.3
Rwanda	3,043.6	3,406.6	-363.0	871.2	3,573.7	-2,702.4
Tanzania	2,613.3	1,872.5	740.7	4,789.0	3,700.6	1,088.4
Uganda	3,992.4	3,050.6	941.8	5,741.7	1,951.2	3,790.6
Other EAC	119.1	2,347.0	-2,227.9	7,793.0	644.9	7,148.2
OTHER AFRICA	122,012.5	103,689.0	18,323.4	48,538.0	66,953.7	-18,415.7
Cote d'Ivoire	133.5	4.9	128.6	1,025.5	152.1	873.4
Ghana	1,400.2	24.1	1,376.1	3.5	1,373.2	-1,369.7
Morocco	26,143.9	27,889.6	-1,745.7	524.2	5,759.1	-5,234.9
Nigeria	3,437.1	2,548.4	888.7	11,680.6	6,957.9	4,722.7
South Africa	89,243.9	73,022.8	16,221.1	32,612.7	51,319.8	-18,707.1
Togo	431.8	52.0	379.7	2,489.9	253.9	2,236.0
Rest of Africa	1,222.1	147.2	1,075.0	201.7	1,137.8	-936.1
AMERICA	27,222.4	7,762.4	19,460.1	33,665.9	24,075.4	9,590.5
AMERICA NORTH	26,590.3	6,885.3	19,705.0	33,479.7	22,972.4	10,507.3
British Virgin Islands	3,029.8	113.4	2,916.4	2,986.7	18.8	2,967.9
Canada	916.7	243.1	673.6	759.4	29.6	729.8
United States	22,642.7	6,488.4	16,154.3	29,733.5	22,803.1	6,930.5
Other North America	1.1	40.3	-39.2	0.1	120.9	-120.9
AMERICA SOUTH	632.2	877.1	-244.9	186.2	1,103.0	-916.8
ASIA	59,676.9	42,572.3	17,104.5	55,768.9	78,543.1	-22,774.2
MIDDLE EAST	27,354.0	19,262.5	8,091.6	25,630.2	19,961.5	5,668.7
Israel	1,056.3	0.0	1,056.3	74.4	146.3	-71.9
Saudi Arabia	1,843.1	0.0	1,843.1	5,539.8	4,206.0	1,333.8
United Arab Emirates	24,028.1	18,749.0	5,279.1	19,816.2	9,787.6	10,028.6
Other Middle East	426.5	513.5	-87.0	199.8	5,821.6	-5,621.9
FAR EAST	32,322.8	23,309.9	9,013.0	30,138.7	58,581.6	-28,442.9
China	11,975.0	4,178.7	7,796.3	11,821.3	3,184.3	8,637.1
Hong Kong	671.2	222.8	448.4	260.1	283.9	-23.9
India	11,528.4	2,886.6	8,641.8	13,808.2	10,888.7	2,919.5
Japan	5,149.2	13,364.5	-8,215.2	398.7	520.1	-121.4

Table 2.4: Flows of Foreign Liabilities by Source, 2022-2023 (Cont'd)

KSh Million						
Source	2022			2023		
	Inflows	Outflows	Net	Inflows	Outflows	Net
Pakistan	629.8	7.4	622.4	801.5	150.7	650.8
Republic of Korea	415.9	785.4	-369.5	0.0	27.1	-27.1
Singapore	1,454.2	1,272.6	181.7	2,340.3	43,202.7	-40,862.3
Sri Lanka	113.0	515.4	-402.5	78.8	95.8	-16.9
Thailand	266.4	7.8	258.6	57.6	13.2	44.5
Other Far East	119.6	68.6	51.1	572.1	215.1	357.0
EUROPE	129,766.8	67,533.2	62,233.6	190,568.8	156,035.9	34,532.9
EASTERN EUROPE	237.6	0.0	237.6	76.0	1,250.5	-1,174.5
WESTERN EUROPE	129,529.3	67,533.2	61,996.1	190,492.8	154,785.4	35,707.4
EU	77,551.2	37,148.2	40,403.0	98,129.8	90,381.3	7,748.5
Belgium	1,428.9	795.8	633.1	998.2	1,956.6	-958.4
Finland	1,372.2	126.8	1,245.4	588.7	103.4	485.3
France	7,910.3	5,168.6	2,741.7	16,431.3	6,343.5	10,087.7
Germany	5,813.4	8,564.4	-2,751.0	21,263.4	10,278.6	10,984.8
Ireland	4,023.9	2,631.3	1,392.6	1,598.5	2,581.5	-982.9
Isle of Man	9,430.6	0.0	9,430.6	45.5	9,123.0	-9,077.5
Luxembourg	1,715.0	1,128.9	586.1	3,561.9	5,351.7	-1,789.7
Netherlands	41,284.1	15,047.4	26,236.7	39,900.1	36,671.2	3,228.9
Sweden	2,052.0	800.0	1,252.1	1,877.7	1,855.6	22.1
Other EU	2,520.8	2,885.0	-364.2	11,864.4	16,116.1	-4,251.7
OTHER WESTERN EUROPE	51,978.1	30,385.0	21,593.0	92,363.0	64,404.1	27,958.9
Norway	1,011.8	18.2	993.6	40.2	2,055.1	-2,015.0
Switzerland	13,010.5	9,277.0	3,733.5	16,076.2	32,363.1	-16,286.9
United Kingdom	36,956.9	20,779.8	16,177.1	76,195.7	29,725.8	46,469.9
Rest of Western Europe	998.8	310.0	688.8	51.0	260.1	-209.2
AUSTRALIA & OCEANIC	6,538.1	500.4	6,037.6	3,154.8	296.9	2,857.9
International Financial Institutions/ Organizations²	42,157.9	35,386.5	6,771.4	9,937.4	40,618.0	-30,680.7
Countries not stated	83,185.4	110,616.2	-27,430.9	130,703.2	144,207.8	-13,504.6
Total	519,479.2	475,830.0	43,649.2	553,015.1	580,536.1	-27,521.0

¹EAC Partner State are also members of COMESA except Tanzania²Includes AfDB, IFC, JICA, IFAD, EIB, PTA, KfW, International Freephone among others

Figure 2.2: Shares of Inflows of Foreign Liabilities by Source, 2022 and 2023

Stock of FDI Liabilities by Source

2.15. The stock of FDI liabilities by source for 2022 and 2023 is presented in Table 2.5. Europe accounted for the largest share of FDI liabilities at 46.7 per cent, with the stock of FDI liabilities increasing by 10.6 per cent to KSh 680.7 billion at the end of 2023. The United Kingdom contributed the largest share of the total stock of FDI liabilities at 23.4 per cent. The stock of FDI liabilities from the EU grew by 6.2 per cent to KSh 264.8 billion at the end of 2023, accounting for 18.2 per cent of the total stock of FDI liabilities.

2.16. At the end of 2023, the stock of FDI liabilities attributable to Africa was 22.1 per cent of the total stock of FDI liabilities, reflecting an increase of 2.6 per cent to KSh 322.4 billion. Notably, South Africa and Mauritius accounted for the largest share of total stock of FDI liabilities in 2023 at 9.6 per cent and 9.1 per cent, respectively. The stock of FDI liabilities attributable to EAC rose by 15.9 per cent to KSh 9.4 billion at the end of 2023, majorly due to a 91.4 per cent increase in the stock of FDI liabilities from Somalia.

2.17. The stock of FDI liabilities attributable to Asia rose by 15.6 per cent to KSh 160.3 billion, accounting for 11.0 per cent of the total stock of FDI liabilities at the end of 2023. The stock of FDI liabilities attributable to the Middle East grew by 17.5 per cent to KSh 41.2 billion at the end of 2023, mainly due to the FDI liabilities from the United Arab Emirates which accounted for 2.0 per cent of the total stock FDI liabilities. Similarly, the stock of FDI liabilities from the Far East increased by 15.0 per cent to KSh 119.1 billion at the end of 2023. This was on account of increased stock of FDI liabilities from India and China.

2.18. The stock of FDI liabilities from America accounted for 10.2 per cent of the total stock of FDI liabilities and grew by 5.5 per cent to KSh 148.2 billion at the end of 2023. This was supported by an increase in the stock of FDI liabilities from the British Virgin Islands and the United States by 17.5 per cent and 3.4 per cent, respectively.

Table 2.5: Stock of FDI Liabilities by Source, 2022-2023

Source	2022		2023	
	KSh Million	% Share	KSh Million	% Share
AFRICA	314,420.2	23.4	322,446.2	22.1
COMESA¹	158,517.7	11.8	161,405.5	11.1
Mauritius	135,396.0	10.1	132,613.1	9.1
Tunisia	7,329.4	0.5	8,663.7	0.6
Egypt	4,615.8	0.3	7,001.4	0.5
Ethiopia	2,634.8	0.2	2,944.9	0.2
Other COMESA	1,604.7	0.1	1,827.5	0.1
EAC	8,148.9	0.6	9,442.2	0.6
Uganda	4,199.0	0.3	4,218.0	0.3
Somalia	1,720.7	0.1	3,293.6	0.2
Tanzania	1,211.8	0.1	1,087.4	0.1
Other EAC	1,017.4	0.1	843.1	0.1
OTHER AFRICA	154,690.7	11.5	159,953.3	11.0
South Africa	124,376.1	9.3	139,189.1	9.6
Nigeria	20,710.1	1.5	21,477.4	1.5
Botswana	2,335.5	0.2	1,680.4	0.1
Benin	1,468.4	0.1	1,533.0	0.1
Togo	6,425.9	0.5	852.8	0.1
Rest of Africa	-625.3	0.0	-4,779.4	-0.3
AMERICA	140,537.4	10.5	148,220.2	10.2
NORTH AMERICA	141,221.3	10.5	148,629.7	10.2
United States	121,894.7	9.1	126,088.7	8.7
British Virgin Islands	17,682.8	1.3	20,782.9	1.4
Canada	1,534.2	0.1	1,757.5	0.1
Other North America	109.6	0.0	0.7	0.0
SOUTH AMERICA	-683.9	-0.1	-409.5	0.0
ASIA	138,647.1	10.3	160,291.1	11.0
MIDDLE EAST	35,040.8	2.6	41,157.9	2.8
United Arab Emirates	24,965.9	1.9	29,766.7	2.0
Saudi Arabia	7,977.7	0.6	9,182.0	0.6
Bahrain	1,290.0	0.1	1,465.5	0.1
Other Middle East	807.3	0.1	743.8	0.1
FAR EAST	103,606.3	7.7	119,133.2	8.2
India	55,401.0	4.1	62,597.4	4.3
China	18,597.5	1.4	25,881.1	1.8
Japan	12,321.2	0.9	12,343.6	0.8
Pakistan	10,082.3	0.8	10,394.1	0.7
Singapore	3,948.8	0.3	4,480.9	0.3
Malaysia	1,153.1	0.1	1,215.9	0.1
Hong Kong	880.7	0.1	776.8	0.1
Other Far East	1,221.8	0.1	1,443.4	0.1
EUROPE	615,438.9	45.8	680,700.6	46.7
EASTERN EUROPE	1,160.3	0.1	1,226.0	0.1
WESTERN EUROPE	614,278.6	45.7	679,474.5	46.6
EU	249,433.4	18.6	264,777.0	18.2
Netherlands	116,614.8	8.7	127,220.0	8.7
France	93,155.8	6.9	104,627.8	7.2
Belgium	4,211.3	0.3	4,770.0	0.3
Luxembourg	3,558.0	0.3	4,530.4	0.3
Finland	7,749.6	0.6	4,256.5	0.3
Germany	9,065.5	0.7	4,210.9	0.3
Denmark	2,144.4	0.2	2,127.0	0.1
British Indian Ocean Territory	2,023.8	0.2	2,044.1	0.1
Sweden	2,021.0	0.2	1,798.2	0.1
Portugal	848.9	0.1	1,696.7	0.1
Cyprus	1,536.4	0.1	1,496.5	0.1

Table 2.5: Stock of FDI Liabilities by Source, 2022-2023 (Cont'd)

Source	2022		2023	
	KSh Million	% Share	KSh Million	% Share
Ireland	1,717.9	0.1	1,434.9	0.1
Isle of Man	1,112.9	0.1	1,229.6	0.1
Spain	871.1	0.1	1,132.8	0.1
Other EU	2,801.8	0.2	2,201.5	0.2
OTHER WESTERN EUROPE	364,845.2	27.2	414,697.5	28.5
United Kingdom	277,622.4	20.7	341,485.1	23.4
Switzerland	84,091.7	6.3	70,045.2	4.8
Rest of Western Europe	3,131.1	0.2	3,167.2	0.2
AUSTRALIA & OCEANIC	27,811.1	2.1	30,405.7	2.1
International Financial Institutions/ Organizations²	922.3	0.1	1,047.7	0.1
Countries not stated	105,290.6	7.8	114,356.7	7.8
Total	1,343,067.5	100.0	1,457,468.3	100.0

¹EAC Partner State are also members of COMESA except Tanzania

²Includes AfDB, IFC, JICA, IFAD, EIB, PTA, KfW, International Freephone among others

Flows of FDI Liabilities by Source

2.19. Table 2.6. presents flows of FDI liabilities by source for 2022 and 2023. Inflows of FDI liabilities rose by 28.9 per cent from KSh 188.2 billion in 2022 to KSh 242.6 billion in 2023. Inflows of FDI liabilities from Africa decreased from KSh 54.1 billion in 2022 to KSh 43.6 billion in 2023, mainly due to a 97.9 per cent decrease of inflows of FDI liabilities from Morocco in 2023. Inflows of FDI liabilities from COMESA increased by 45.3 per cent to KSh 22.3 billion in 2023. Similarly, FDI liability inflows from EAC increased from KSh 0.7 billion in 2022 to KSh 2.2 billion in 2023, mainly on account of inflows from Somalia which increased from KSh 0.3 billion in 2022 to KSh 1.7 billion in 2023. The FDI liability inflows from Europe increased by 39.6 per cent to KSh 122.0 billion in 2023 despite the inflows from the Netherlands decreasing by KSh 3.1 billion in 2023. In the period under review, FDI liability inflows from Asia increased by 38.2 per cent to KSh 36.2 billion in 2023, mainly supported by increase of inflows from India.

2.20. Outflows of FDI liabilities increased by 66.3 per cent to KSh 158.0 billion in 2023. The FDI liability outflows to Europe rose from KSh 35.8 billion in 2022 to KSh 81.5 billion in 2023, majorly due to an increase in FDI liability outflows to the Netherlands from KSh 6.6 billion in 2022 to KSh 25.2 billion in 2023. Outflows to Africa grew by 6.5 per cent to KSh 44.4 billion in 2023 due to increased outflows to Mauritius and South Africa which went up by KSh 17.4 billion and KSh 4.9 billion, respectively.

2.21. Net inflows of FDI liabilities decreased by 9.2 per cent from KSh 93.2 billion in 2022 to KSh 84.6 billion in 2023. The net FDI inflows from Europe accounted for 47.9 per cent of the total net FDI inflows in 2023. The net inflows from UK increased from KSh 15.6 billion in 2022 to KSh 39.9 billion in 2023. Asia was the second in FDI inflows accounting for 26.1 per cent of the total net FDI inflows in 2023. Net FDI flows from Africa amounted to net outflows of KSh 0.8 billion in 2023 compared to net inflows of KSh 12.4 billion in 2022, mainly due to an increase of KSh 11.5 billion in net outflows attributable to Mauritius in 2023.

Table 2.6: Flows of FDI Liabilities by Source, 2022-2023

Source	2022			2023		
	Inflows	Outflows	Net	Inflows	Outflows	Net
AFRICA	54,131.4	41,706.4	12,425.0	43,556.6	44,404.9	-848.3
COMESA¹	15,354.8	14,829.8	525.0	22,304.9	31,389.7	-9,084.8
Egypt	255.3	40.3	215.0	247.1	59.6	187.4
Ethiopia	1,339.0	84.7	1,254.3	332.8	22.7	310.1
Mauritius	13,000.9	13,288.9	-288.0	18,825.6	30,661.1	-11,835.5
Other COMESA	275.7	26.6	249.0	807.8	58.1	749.7
EAC	681.3	1,405.4	-724.1	2,243.7	703.0	1,540.7
Somalia	319.0	140.4	178.6	1,714.2	141.4	1,572.8
Tanzania	197.4	16.1	181.2	152.1	114.8	37.3
Uganda	87.6	1,248.9	-1,161.3	355.7	250.8	104.8
Other EAC	77.4	0.0	77.4	21.7	195.9	-174.2
OTHER AFRICA	38,579.3	26,860.5	11,718.8	21,099.6	12,900.4	8,199.2
Morocco	23,104.2	23,532.3	-428.1	480.9	5,191.6	-4,710.7
Nigeria	3,037.5	2,016.6	1,020.9	1,681.0	836.1	844.9
South Africa	11,928.3	1,164.4	10,764.0	16,545.9	6,015.9	10,530.0
Rest of Africa	509.2	147.2	362.0	2,391.7	856.8	1,534.9
AMERICA	12,837.8	5,796.6	7,041.2	21,809.2	12,544.5	9,264.6
NORTH AMERICA	12,279.2	5,234.8	7,044.3	21,646.1	11,551.8	10,094.2
British Virgin Islands	2,675.8	89.6	2,586.2	2,740.0	16.9	2,723.1
Canada	808.0	202.4	605.6	244.7	21.4	223.3
Other North America	1.0	34.0	-33.0	0.0	109.0	-109.0
United States	8,794.3	4,908.8	3,885.5	18,661.3	11,404.5	7,256.9
SOUTH AMERICA	558.7	561.8	-3.1	163.1	992.7	-829.6
ASIA	26,182.2	8,961.5	17,220.7	36,180.7	14,066.7	22,114.0
MIDDLE EAST	8,137.9	2,862.4	5,275.5	13,133.0	7,137.5	5,995.5
Israel	933.5	0.0	933.5	16.7	66.3	-49.5
Saudi Arabia	1,589.9	0.0	1,589.9	4,991.3	3,787.0	1,204.3
United Arab Emirates	5,272.9	2,862.4	2,410.4	7,947.0	3,268.0	4,679.0
Other Middle East	341.7	0.0	341.7	177.9	16.2	161.7
FAR EAST	18,044.3	6,099.0	11,945.2	23,047.7	6,929.2	16,118.5
China	9,693.1	2,734.1	6,959.1	8,234.2	1,228.3	7,005.9
India	6,369.7	1,261.9	5,107.8	11,128.9	3,640.3	7,488.5
Japan	520.4	1,573.5	-1,053.0	345.2	148.1	197.1
Pakistan	556.5	0.0	556.5	735.0	0.0	735.0
Singapore	505.0	435.7	69.3	2,081.3	1,567.6	513.8
Thailand	235.5	0.0	235.5	42.2	5.3	36.9
Other Far East	164.1	93.9	70.2	480.9	339.6	141.2
EUROPE	87,388.1	35,848.4	51,539.7	121,966.7	81,499.5	40,467.2
EASTERN EUROPE	210.0	0.0	210.0	69.7	3.9	65.8
WESTERN EUROPE	87,178.1	35,848.4	51,329.7	121,897.0	81,495.6	40,401.4
EU	52,590.8	19,186.8	33,404.0	55,661.8	41,326.1	14,335.6
Belgium	526.2	146.8	379.4	702.1	1.4	700.6

Table 2.6: Flows of FDI Liabilities by Source, 2022-2023 (Cont'd)

Source	2022			2023		
	Inflows	Outflows	Net	Inflows	Outflows	Net
Finland	1,211.1	41.9	1,169.2	408.2	93.2	315.0
France	6,506.4	3,728.3	2,778.1	13,431.2	2,272.7	11,158.6
Germany	2,599.9	3,900.8	-1,300.9	3,100.1	8,048.2	-4,948.0
Ireland	3,556.0	2,220.2	1,335.9	1,426.1	1,709.4	-283.4
Netherlands	34,608.8	6,574.2	28,034.7	31,476.9	25,215.8	6,261.1
Sweden	1,682.8	544.0	1,138.8	160.7	403.1	-242.5
Other EU	1,899.6	2,030.8	-131.2	4,956.5	3,582.3	1,374.3
OTHER WESTERN EUROPE	34,587.3	16,661.6	17,925.8	66,235.2	40,169.4	26,065.8
Switzerland	7,615.3	6,133.7	1,481.6	7,314.1	21,155.0	-13,840.9
United Kingdom	26,075.2	10,522.1	15,553.1	58,876.3	19,005.2	39,871.1
Rest of Western Europe	896.7	5.7	891.0	44.7	9.2	35.5
AUSTRALIA & OCEANIC	5,112.8	163.0	4,949.8	2,831.2	218.8	2,612.4
International Financial Institutions/ Organizations²	0.0	0.0	0.0	125.5	0.0	125.5
Countries not stated	2,537.7	2,556.5	-18.7	16,140.5	5,308.0	10,832.4
Total	188,190.1	95,032.3	93,157.8	242,610.2	158,042.5	84,567.8

¹EAC Partner State are also members of COMESA except Tanzania

²Includes AfDB, IFC, JICA, IFAD, EIB, PTA, KfW, International Freephone among others

Stock of FDI liabilities by Economic Activity

2.22. Table 2.7 outlines the stock of Foreign Direct Investment (FDI) liabilities by economic activity for the period 2022 and 2023. The Finance and insurance activities sector continued to attract FDI, with the stock rising by 9.6 per cent to KSh 409.7 billion at the end of 2023. Other sectors that had significant share of FDI liabilities in 2023 were Manufacturing (14.8%), Information and communication (12.8%) and Wholesale and retail trade (11.7%).

2.23. The stock of FDI in the Manufacturing; Electricity, gas and air conditioning supply; and Information

and communication sectors rose by 6.3, 59.0 and 8.1 per cent to KSh 216.2 billion, KSh 105.9 billion, and KSh 186.6 billion, respectively, at the end of 2023. In addition, the stock of FDI in the Construction sector increased from KSh 46.1 billion at the end of 2022 to KSh 53.8 billion at the end of 2023.

2.24. In contrast, the stock of FDI in Wholesale and retail trade; and Agriculture, forestry and fishing activity declined from KSh 172.9 billion and KSh 124.9 billion in 2022 to KSh 169.8 billion and KSh 121.9 billion, respectively, at the end of 2023.

Table 2.7: Stock of FDI liabilities by Economic Activity, 2022-2023

Economic Activity	2022		2023	
	KSh Million	% Share	KSh Million	% Share
A. Agriculture, forestry and fishing	124,937.7	9.3	121,863.8	8.4
B. Mining and quarrying	64,046.1	4.8	66,587.9	4.6
C. Manufacturing	203,459.6	15.1	216,195.3	14.8
D. Electricity, gas and air conditioning supply	66,574.3	5.0	105,861.7	7.3
E. Water supply; sewerage, waste management and remediation activities	627.0	0.0	852.5	0.1
F. Construction	46,094.5	3.4	53,808.3	3.7
G. Wholesale & retail trade; repair of motor vehicles and motorcycles services	172,900.4	12.9	169,818.4	11.7
H. Transportation and storage	25,974.3	1.9	27,167.5	1.9
I. Accommodation and food service activities	15,874.1	1.2	15,754.9	1.1
J. Information and communication	172,629.9	12.9	186,572.2	12.8
K. Finance and insurance activities	373,889.7	27.8	409,698.4	28.1
L. Real estate activities	33,413.2	2.5	34,078.4	2.3
M. Professional, scientific and technical activities	19,468.9	1.4	22,028.4	1.5
N. Administrative and support service activities	12,027.9	0.9	14,018.2	1.0
P. Education	4,036.9	0.3	6,132.8	0.4
Q. Human health and social work activities	3,193.8	0.2	3,105.2	0.2
R. Arts, entertainment and recreation	3,194.3	0.2	3,222.0	0.2
S. Other service activities	725.0	0.1	702.6	0.0
Total	1,343,067.5	100.0	1,457,468.3	100.0

Flows of FDI liabilities by Economic Activity

2.25. The flows of FDI liabilities across economic sectors for 2022 and 2023 are presented in Table 2.8. Information and communication sector was the largest recipient of FDI inflows, which increased by KSh 26.8 billion to KSh 64.7 billion in 2023, pointing to a sustained investor interest in Kenya's digital economy and innovation landscape. Inflows of FDI to the Finance and insurance activities sector increased by 35.0 per cent to KSh 45.3 billion in 2023. The FDI inflows to the Manufacturing sector expanded by KSh 9.2 billion in 2023, up from KSh 23.3 billion in 2022. During the same review period, FDI inflows to Electricity, gas and air conditioning supply more than tripled to KSh 20.9 billion.

2.26. Despite the overall growth in FDI inflows, Agriculture, forestry and fishing experienced a decline in FDI inflows of 68.9 per cent to KSh 3.0 billion in 2023. Other sectors that recorded declines in FDI inflows during the review period were, Construction; Wholesale and retail trade; and Professional, scientific and technical activities at 19.5, 2.1 and 28.8 per cent, respectively.

2.27. In 2023, FDI outflows exhibited mixed sectoral performance relative to 2022. However, FDI outflows increased by KSh 63.0 billion primarily driven by outflows in the Information and communication; Wholesale and retail trade; and Manufacturing sectors. These sectors exhibited outflows of KSh 132.6 billion representing 83.9 per cent of the total outflows in the period under review.

2.28. In addition, increased FDI outflows were recorded in Agriculture, forestry and fishing; and Mining and quarrying from KSh 1.7 billion and KSh 0.2 billion in 2022 to KSh 5.2 billion and KSh 3.5 billion, respectively, in 2023. Conversely, there was a 62.6 per cent decline in outflows from the Construction sector valued at KSh 1.3 billion in 2023.

2.29. Net FDI inflows experienced a 9.2 per cent decline to KSh 84.6 billion in 2023. This was partly driven by net

outflows of KSh 3.7 billion in 2023 in the Wholesale and retail trade sector, which was a shift from net inflows of KSh 3.3 billion in 2022. A similar trend was recorded in the Agriculture, forestry and fishing sector, which recorded net outflows of KSh 2.2 billion in 2023, compared to net inflows of KSh 7.9 billion in 2022. The Finance and insurance activities sector recorded the highest net inflows of KSh 37.9 billion in 2023.

Table 2.8: Flows of FDI liabilities by Economic Activity, 2022-2023

Economic Activity	KSh Million					
	2022			2023		
	Inflows	Outflows	Net	Inflows	Outflows	Net
A. Agriculture, forestry and fishing	9,639.9	1,697.3	7,942.6	2,994.4	5,205.2	-2,210.8
B. Mining and quarrying	5,596.2	166.0	5,430.2	5,335.5	3,527.7	1,807.8
C. Manufacturing	23,297.0	12,454.0	10,843.0	32,464.2	21,551.5	10,912.8
D. Electricity, gas and air conditioning supply	5,570.3	585.6	4,984.8	20,920.0	232.2	20,687.8
E. Water supply; sewerage, waste management and remediation activities	849.4	0.0	849.4	973.2	44.7	928.5
F. Construction	11,257.2	3,384.8	7,872.5	9,066.4	1,266.0	7,800.4
G. Wholesale & retail trade; repair of motor vehicles and motorcycles services	49,363.9	46,096.9	3,267.0	48,307.5	52,006.7	-3,699.2
H. Transportation and storage	1,555.2	1,777.8	-222.6	2,557.4	1,587.6	969.8
I. Accommodation and food service activities	405.0	738.4	-333.4	1,831.1	2,539.7	-708.5
J. Information and communication	37,836.5	18,093.4	19,743.1	64,668.5	59,049.5	5,619.0
K. Finance and insurance activities	33,580.1	5,047.4	28,532.8	45,319.6	7,416.2	37,903.4
L. Real estate activities	182.2	323.0	-140.7	673.0	278.9	394.1
M. Professional, scientific and technical activities	5,585.4	3,078.8	2,506.6	3,977.8	2,081.9	1,895.9
N. Administrative and support service activities	1,936.1	747.9	1,188.2	2,458.7	976.8	1,482.0
P. Education	884.3	799.6	84.7	732.6	88.5	644.1
Q. Human health and social work activities	40.1	0.0	40.1	161.8	173.8	-12.0
R. Arts, entertainment and recreation	223.3	11.1	212.3	27.7	0.0	27.7
S. Other service activities	387.8	30.4	357.3	140.6	15.6	125.0
Total	188,190.1	95,032.3	93,157.8	242,610.2	158,042.5	84,567.8

Stock of Private Sector External Debt

2.30. The stock of Private Sector External Debt (PSED) decreased by 1.7 per cent to KSh 1,064.9 billion at the end of 2023, as presented in Table 2.9. This decrease was primarily due to the significant reduction in the PSED stock under the Other Investment category by KSh 46.8 billion to KSh 793.8 billion at the end of 2023. However, debt under Foreign Direct Investment, Portfolio Investment, Financial Derivatives and Employee Stock Options, registered increases at the end of 2023. Over

the same period, debt instruments under FDI increased from KSh 216.8 billion to KSh 238.4 billion while debt under PI increased from KSh 11.7 billion to KSh 36.8 billion. Similarly, debt under Financial Derivatives and Employee Stock Options increased from KSh 26.0 billion at the end of 2022, to KSh 32.7 billion at the end of 2023. Liabilities under Other Investment category accounted for the largest share of the total PSED at 74.5 per cent at the end of 2023, while debt instruments under FDI accounted for 22.4 per cent.

Table 2.9: Stock of Private Sector External Debt, 2022-2023

Category	2022		2023	
	KSh Million	% Share	KSh Million	% Share
Foreign Direct Investment	216,817.4	20.0	238,385.8	22.4
Debt Instrument	216,817.4	20.0	238,385.8	22.4
Long term	148,235.1	13.7	170,662.6	16.0
Short Term	68,582.3	6.3	67,723.2	6.4
Portfolio Investment	11.7	0.0	36.8	0.0
Debt Securities	11.7	0.0	36.8	0.0
Long term	11.7	0.0	4.7	0.0
Short Term	0.0	0.0	32.1	0.0
Financial Derivatives and Employee Stock Options	26,001.9	2.4	32,727.2	3.1
Forwards	23,085.5	2.1	32,727.2	3.1
Options	2,916.5	0.3	0.0	0.0
Employee Stock Options	0.0	0.0	0.0	0.0
Other Investment	840,572.9	77.6	793,783.6	74.5
Other Equity	0.0	0.0	0.0	0.0
Currencies and Deposits	232,628.8	21.5	251,985.8	23.7
Long term	60,123.7	5.5	34,512.0	3.2
Short Term	172,505.1	15.9	217,473.8	20.4
Trade credits	22,224.7	2.1	14,826.7	1.4
Long term	1,015.5	0.1	513.2	0.0
Short Term	21,209.2	2.0	14,313.5	1.3
Loans	531,849.6	49.1	461,672.7	43.4
Long term	415,871.6	38.4	390,013.7	36.6
Short Term	115,978.0	10.7	71,659.0	6.7
Insurance, Pension and Standardized Guarantee Schemes	13,256.2	1.2	29,536.9	2.8
Life Insurance Reserves	1,066.4	0.1	2,988.5	0.3
Non-life Insurance Reserves	12,145.3	1.1	26,449.3	2.5
Pension Entitlements / Claims	42.6	0.0	95.0	0.0
Standardized Guarantee Schemes	1.9	0.0	4.2	0.0
Accounts Payable	40,613.6	3.7	35,761.5	3.4
Long term	13,247.7	1.2	11,618.8	1.1
Short Term	27,366.0	2.5	24,142.7	2.3
Total	1,083,404.0	100.0	1,064,933.3	100.0

Private Sector External Debt Flows

2.31. The PSED inflows decreased from KSh 358.3 billion in 2022 to KSh 339.4 billion in 2023, reflecting reduced debt inflows under FDI, PI and OI categories as presented in Table 2.10. Debt inflows under FDI declined by 9.0 per cent to KSh 64.3 billion in 2023, largely on account of reduced short-term debt inflows. The debt inflows under Other Investment category declined by 7.8 per cent to KSh 264.7 billion over the same period, and was attributed to reduced inflows under accounts payable and short-term loans. Similarly, debt inflows under Portfolio Investment declined from KSh 285.2 million in 2022 to KSh 32.1 million in 2023. However, Financial Derivatives and Employee Stock Options inflows increased significantly from KSh 347.4 million in 2022 to KSh 10.4 billion in 2023, mainly driven by increase in forward contracts.

2.32. The PSED outflows increased from KSh 369.7 billion in 2022 to KSh 424.7 billion in 2023, primarily driven by a 26.9 per cent increase in the Other Investment category to KSh 366.6 billion in 2023. The increased debt outflows in the Other Investment

category were attributed to the significant increase in the long-term loans' outflows from KSh 17.8 billion to KSh 120.7 billion in 2023, and short-term trade credits from KSh 38.6 billion to KSh 91.9 billion in the same period. On the contrary, debt outflows under FDI, Portfolio Investment and, Financial Derivatives and Employee Stock Options declined in 2023 by 3.4, 65.5 and 85.1 per cent to KSh 54.5 billion, KSh 7.0 million and KSh 3.6 billion, respectively, in 2023.

2.33. Net outflows in PSED declined from KSh 11.4 billion in 2022 to net outflows of KSh 85.4 billion in 2023, mainly reflected in net outflows of debt under Other Investment category. The net outflows of debt under Other Investment increased from KSh 1.8 billion to KSh 101.9 billion in 2023, largely on account of increased net outflows in loans. Similarly, net inflows in FDI and PI declined by 31.4 per cent and 90.5 per cent to KSh 9.8 billion and KSh 25.0 million in 2023, respectively. However, debt under the Financial Derivatives and Employee Stock Option category recorded net inflows of KSh 6.7 billion in 2023 compared to net outflows of KSh 24.1 billion in 2022.



Table 2.10: Flows of Private Sector External Debt, 2022-2023

Category	KSh Million					
	2022			2023		
	Inflows	Outflows	Net	Inflows	Outflows	Net
Foreign Direct Investment	70,700.2	56,395.2	14,305.0	64,306.7	54,494.2	9,812.5
Debt Instrument	70,700.2	56,395.2	14,305.0	64,306.7	54,494.2	9,812.5
Long term	25,944.4	17,760.5	8,183.9	39,191.7	28,593.0	10,598.7
Short Term	44,755.8	38,634.7	6,121.0	25,115.0	25,901.2	-786.2
Portfolio Investment	285.2	20.4	264.8	32.1	7.0	25.0
Debt Securities	285.2	20.4	264.8	32.1	7.0	25.0
Long term	285.2	0.0	285.2	0.0	7.0	-7.0
Short Term	0.0	20.4	-20.4	32.1	0.0	32.1
Financial Derivatives and Employee Stock Options	347.4	24,449.3	-24,101.9	10,359.8	3,634.5	6,725.2
Forwards	122.9	23,387.2	-23,264.3	10,359.8	718.1	9,641.7
Options	25.0	389.6	-364.6	0.0	2,916.5	-2,916.5
Employee Stock Options	199.6	672.5	-473.0	0.0	0.0	0.0
Other Investment	287,011.2	288,851.7	-1,840.5	264,652.2	366,574.8	-101,922.6
Other Equity	0.0	0.0	0.0	0.0	0.0	0.0
Currencies and Deposits	34,380.1	58,663.6	-24,283.5	78,478.7	65,706.1	12,772.6
Long term	25,944.4	17,760.5	8,183.9	15,523.4	47,308.6	-31,785.2
Short Term	44,755.8	38,634.7	6,121.0	62,955.3	18,397.5	44,557.8
Trade credits	7,722.7	7,428.6	294.1	85,260.2	93,233.2	-7,973.0
Long term	25,944.4	17,760.5	8,183.9	839.5	1,317.8	-478.3
Short Term	44,755.8	38,634.7	6,121.0	84,420.7	91,915.4	-7,494.7
Loans	141,381.1	134,420.0	6,961.1	65,492.2	177,032.6	-111,540.5
Long term	25,944.4	17,760.5	8,183.9	53,302.9	120,745.2	-67,442.3
Short Term	44,755.8	38,634.7	6,121.0	12,189.3	56,287.4	-44,098.1
Insurance, Pension and Standardised Guarantee Schemes	21,606.8	11,130.0	10,476.8	19,080.7	9,306.4	9,774.3
Life Insurance Reserves	1,400.7	1,865.9	-465.2	1,687.6	1,992.5	-304.9
Non-life Insurance Reserves	20,198.0	9,264.1	10,933.8	17,338.4	7,313.9	10,024.5
Pension Entitlements / Claims	7.9	0.0	7.9	52.4	0.0	52.4
Standardised Guarantee Schemes	0.3	0.0	0.3	2.3	0.0	2.3
Accounts Payable	81,920.4	77,209.4	4,711.0	16,340.3	21,296.4	-4,956.1
Long term	25,944.4	17,760.5	8,183.9	5,076.8	7,310.0	-2,233.2
Short Term	44,755.8	38,634.7	6,121.0	11,263.5	13,986.4	-2,722.9
Total	358,344.0	369,716.6	-11,372.6	339,350.7	424,710.5	-85,359.8

Stock of Private Sector External Debt by Source

2.34. The stock of PSED by source is presented in Table 2.11. The International Financial Institutions/Organizations was the primary source of PSED, accounting for 23.1 per cent of the total stock at the end of 2023 although it declined by 2.0 per cent to KSh 245.7 billion in 2023. The Democratic Republic of Congo had the second largest share of the stock of PSED at 14.5 per cent in 2023 followed by South Africa (8.2%), Netherlands (7.2%), United States (6.7%), Mauritius (4.9%), Germany (3.0%), United Arab Emirates (2.9%),

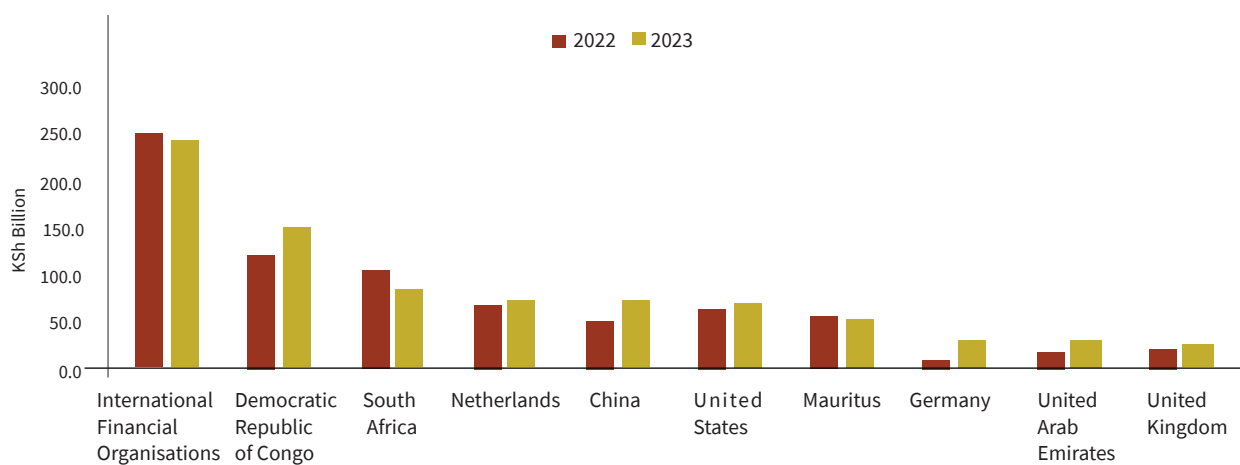
United Kingdom (2.7%) and China (2.6%). Collectively, the top ten sources accounted for 75.7 per cent of the total PSED stock at the end of 2023. The sources with the highest increment in the stock of PSED were the Democratic Republic of Congo, which increased by KSh 30.9 billion in 2023, followed by Germany (KSh 18.2 billion) and the United Arab Emirates (KSh 9.9 billion). Sources that recorded the highest declines in their PSED stock were Singapore, South Africa, and Switzerland, by KSh 34.8 billion, KSh 19.6 billion, and KSh 14.9 billion, respectively, in 2023.

Table 2.11: Stock of Private Sector External Debt by Source, 2022-2023

Source	2022		2023	
	KSh Million	% Share	KSh Million	% Share
Democratic Republic of Congo	123,570.6	11.4	154,508.8	14.5
South Africa	107,320.5	9.9	87,745.6	8.2
Netherlands	71,421.0	6.6	76,438.7	7.2
United States	65,601.4	6.1	71,544.2	6.7
Mauritius	56,808.6	5.2	52,625.1	4.9
Germany	13,239.8	1.2	31,448.4	3.0
United Arab Emirates	21,069.9	1.9	30,919.2	2.9
United Kingdom	22,521.7	2.1	28,271.4	2.7
China	21,743.1	2.0	27,424.9	2.6
Singapore	54,382.9	5.0	19,595.3	1.8
Switzerland	33,383.2	3.1	18,510.8	1.7
France	13,913.0	1.3	15,906.9	1.5
Luxembourg	11,557.9	1.1	11,335.6	1.1
South Sudan	5,864.8	0.5	10,836.5	1.0
Nigeria	6,344.0	0.6	10,719.2	1.0
Tanzania	10,617.9	1.0	10,462.5	1.0
Isle of Man	16,337.5	1.5	10,358.0	1.0
Uganda	7,213.6	0.7	10,148.9	1.0
Belgium	7,920.5	0.7	7,594.1	0.7
Saudi Arabia	5,117.9	0.5	6,991.3	0.7
Sweden	4,533.9	0.4	6,323.4	0.6
Denmark	7,577.1	0.7	5,953.7	0.6
India	8,756.8	0.8	4,995.7	0.5
Spain	5,606.8	0.5	4,135.6	0.4
Egypt	2,539.2	0.2	4,086.0	0.4
Djibouti	1,496.5	0.1	4,025.2	0.4
Portugal	939.1	0.1	2,424.9	0.2

Table 2.11: Stock of Private Sector External Debt by Source, 2022-2023 (Cont'd)

Country	2022		2023	
	KSh Million	% Share	KSh Million	% Share
Canada	1,701.7	0.2	2,228.2	0.2
Hong Kong	1,739.7	0.2	1,756.8	0.2
Japan	2,105.7	0.2	1,743.4	0.2
Morocco	1,139.9	0.1	1,697.1	0.2
Madagascar	5,173.3	0.5	1,665.2	0.2
Georgia	2,767.1	0.3	1,655.8	0.2
Rwanda	4,046.1	0.4	1,465.9	0.1
Liechtenstein	1,246.0	0.1	1,418.6	0.1
Cote d'Ivoire	289.1	0.0	1,026.0	0.1
International Financial Institutions/ Organizations	250,797.6	23.1	245,668.4	23.1
Others	104,998.4	9.7	79,278.4	7.4
Total	1,083,404.0	100.0	1,064,933.3	100.0

Figure 2.3: Top Ten Sources of PSED, 2022-2023

Private Sector External Debt Flows by Source

2.35. The PSED inflows declined from KSh 358.3 billion in 2022 to KSh 339.4 billion in 2023, mainly driven by decreases in PSED inflows from South Africa and International Financial Institutions/Organizations, as presented in Table 2.12. Total outflows increased

from KSh 369.7 billion in 2022 to KSh 424.7 billion in 2023, mainly due to increased outflows to Singapore, Switzerland, and the Netherlands. As a result, the net outflows of PSED increased from KSh 11.4 billion to KSh 85.4 billion in 2023.

Table 2.12: Flows of Private Sector External Debt by Source, 2022-2023

Source	KSh Million					
	2022			2023		
	Inflows	Outflows	Net	Inflows	Outflows	Net
Democratic Republic of Congo	806.1	57,277.7	-56,471.6	32,005.1	2,389.4	29,615.7
China	10,960.0	1,374.0	9,586.0	7,970.7	2,351.2	5,619.5
Germany	4,424.6	5,944.0	-1,519.5	19,430.0	1,734.1	17,695.9
United Arab Emirates	19,179.6	14,610.0	4,569.6	15,421.4	7,474.3	7,947.1
United Kingdom	14,414.0	13,385.3	1,028.6	13,440.9	8,420.5	5,020.4
Nigeria	0.0	647.3	-647.3	9,843.6	5,522.5	4,321.1
Uganda	3,027.4	2,584.9	442.5	4,760.6	1,690.4	3,070.3
Djibouti	112.3	1,123.8	-1,011.5	2,580.4	0.0	2,580.4
Saudi Arabia	962.2	0.0	962.2	5,136.2	3,175.1	1,961.1
France	1,127.3	1,642.8	-515.5	5,360.6	4,027.6	1,333.0
Netherlands	4,683.0	8,306.5	-3,623.6	22,895.1	21,270.7	1,624.4
Canada	817.3	2.8	814.5	470.7	4.9	465.8
Sweden	1,787.6	310.6	1,476.9	1,660.8	1,301.8	359.0
United States	15,294.9	2,290.5	13,004.4	12,951.5	12,200.5	751.0
Thailand	250.6	0.0	250.6	56.0	5.4	50.6
Morocco	24,145.9	23,393.6	752.2	19.9	11.1	8.8
Hong Kong	593.2	193.8	399.4	252.8	254.5	-1.7
Australia	1,036.3	277.2	759.0	56.5	69.3	-12.8
Togo	195.7	45.3	150.4	95.4	234.0	-138.5
Tanzania	1,451.9	1,614.7	-162.7	3,333.5	3,377.6	-44.1
Zambia	2,843.8	1.0	2,842.8	117.9	276.3	-158.4
Japan	4,539.5	10,964.6	-6,425.1	13.8	382.4	-368.6
Ireland	3,066.5	1,864.5	1,202.0	242.3	807.7	-565.4
Ghana	1,316.8	21.0	1,295.8	3.4	1,265.6	-1,262.2
Belgium	1,159.6	567.8	591.7	248.1	1,803.2	-1,555.1
Luxembourg	1,385.0	890.3	494.7	2,615.9	4,661.4	-2,045.5
Rwanda	2,468.5	2,963.6	-495.1	386.5	3,293.7	-2,907.2
India	4,530.1	2,201.7	2,328.3	3,765.8	8,622.9	-4,857.1
Isle of Man	8,835.7	0.0	8,835.7	1.3	8,408.3	-8,407.0
Mauritius	18,009.6	11,964.9	6,044.8	4,169.9	17,341.9	-13,172.0
Switzerland	8,204.6	7,718.9	485.7	12,172.6	27,400.0	-15,227.4

Table 2.12: Flows of Private Sector External Debt by Source, 2022-2023 Cont'd

KSh Million						
Country	2022			2023		
	Inflows	Outflows	Net	Inflows	Outflows	Net
South Africa	70,962.5	62,811.6	8,150.9	16,823.0	44,105.4	-27,282.4
Singapore	832.7	657.9	174.9	1,805.8	38,414.0	-36,608.2
International Financial Institutions/ Organizations	39,388.0	30,784.7	8,603.2	9,477.3	37,435.7	-27,958.4
Others	85,531.4	101,279.0	-15,747.6	129,765.4	154,977.5	-25,212.1
Total	358,344.0	369,716.6	-11,372.6	339,350.7	424,710.5	-85,359.8





CHAPTER 3: SURVEY FINDINGS ON FOREIGN ASSETS

Overview

This chapter presents the findings of the survey on assets of resident enterprises held abroad. These assets are categorized into Foreign Direct Investment; Portfolio Investment; Financial Derivatives and Employee Stock Options; and Other Investment. Foreign Direct Investment comprises equity and investment fund shares and debt instruments. Portfolio Investment includes equity securities and investment fund shares; and debt securities, while Other Investment includes other equity; currency and deposits; trade advances; loans; insurance, pension and standardized guarantees; and other accounts receivables.

Stock of Foreign Assets

3.2. The stock of foreign assets at the end of 2022 and 2023 is presented in Table 3.1. The stock of foreign assets grew by 36.8 per cent to KSh 834.2 billion at the end of 2023 from KSh 610.0 billion at the end of 2022, mainly on account of increases in Other Investment and Foreign Direct Investment. Other Investment held abroad increased by 64.6 per cent to KSh 459.9 billion at end of 2023 and accounted for 55.1 per cent of total foreign assets. The increase in Other Investment was driven by growth in loans (74.9%), currency and deposits (63.2%) and trade advances (62.5%). Other Investment in form of currency and deposits, and loans advanced to non-residents accounted for 27.9 per cent and 23.0 per cent, of the total foreign assets, respectively, as at end of 2023.

3.3. Foreign Direct Investment assets grew by 13.3 per cent to KSh 372.5 billion at end of 2023, accounting for 44.7 per cent of the total stock of foreign assets. The growth in FDI assets was supported by increases in both Debt Instruments, and Equity and Investment Fund Shares which grew by 19.9 per cent and 11.8 per cent, respectively, during the review period.

3.4. The stock of Portfolio Investment assets grew by 28.7 per cent from KSh 1.4 billion as at end of 2022 to KSh 1.8 billion as at end of 2023. This was mainly in form of Equity and Investment Fund Shares, which increased from KSh 1.0 billion at the end of 2022 to KSh 1.4 billion at the end of 2023.



Table 3.1: Stock of Foreign Assets, 2022-2023

Category	2022		2023	
	KSh Million	% Share	KSh Million	% Share
Foreign Direct Investment	328,897.9	53.9	372,537.4	44.7
Equity and Investment Fund Shares	269,915.1	44.2	301,791.0	36.2
Debt Instruments	58,982.8	9.7	70,746.4	8.5
Long term	25,481.2	4.2	30,642.9	3.7
Short Term	33,501.5	5.5	40,103.5	4.8
Portfolio Investment	1,387.9	0.2	1,786.5	0.2
Equity and Investment Fund Shares	1,049.0	0.2	1,447.6	0.2
Debt Securities	338.9	0.1	338.9	0.0
Long term	338.9	0.1	338.9	0.0
Short Term	0.0	0.0	0.0	0.0
Financial Derivatives and Employee Stock Options	400.5	0.1	0.0	0.0
Forwards	400.5	0.1	0.0	0.0
Options	0.0	0.0	0.0	0.0
Employee Stock Options	0.0	0.0	0.0	0.0
Other Investment	279,352.4	45.8	459,919.0	55.1
Other Equity	0.0	0.0	0.0	0.0
Currencies and Deposits	142,610.1	23.4	232,805.8	27.9
Long term	8,964.2	1.5	35,606.9	4.3
Short Term	133,645.9	21.9	197,198.9	23.6
Trade Advances	7,317.9	1.2	11,888.1	1.4
Long term	453.9	0.1	327.6	0.0
Short Term	6,864.0	1.1	11,560.5	1.4
Loans	109,691.9	18.0	191,831.7	23.0
Long term	81,785.3	13.4	73,785.8	8.8
Short Term	27,906.6	4.6	118,045.9	14.2
Insurance, Pension and Standardized Guarantee Schemes	0.0	0.0	0.0	0.0
Accounts Receivable	19,732.6	3.2	23,393.4	2.8
Long term	579.8	0.1	194.7	0.0
Short Term	19,152.8	3.1	23,198.6	2.8
Total	610,038.7	100.0	834,242.8	100.0

Flows of Foreign Assets

3.5. Total outflows of foreign assets grew by 42.8 per cent to KSh 350.5 billion in 2023 from KSh 245.5 billion in 2022, as shown in Table 3.2. The growth in total outflows was mainly on account of Other Investment, which increased by KSh 224.6 billion during the review period.

3.6. Total inflows of foreign assets declined by 28.8 per cent from KSh 186.6 billion in 2022 to KSh 132.9 billion in 2023. The decline was on account of inward FDI, which decreased by KSh 100.2 billion in 2023. On

the other hand, inflows in form of Other Investment almost doubled to KSh 114.4 billion in 2023 from KSh 67.9 billion in 2022. The increase in Other Investment was mainly in form of currency and deposits, trade advances, and loans.

3.7. The net outflows of foreign assets increased from KSh 58.9 billion in 2022 to KSh 217.6 billion in 2023. The increase was mainly driven by net outflows in form of Other Investment, which increased from KSh 401.8 million in 2022 to KSh 178.5 billion in 2023.

Table 3.2: Flows of Foreign Assets, 2022-2023

Category	KSh Million					
	2022			2023		
	Outflows	Inflows	Net	Outflows	Inflows	Net
Foreign Direct Investment	176,984.7	118,678.2	58,306.4	57,059.3	18,483.6	38,575.7
Equity and Investment Fund Shares	56,511.3	1,705.9	54,805.4	31,731.5	2,369.2	29,362.3
Debt Instruments	120,473.4	116,972.3	3,501.0	25,327.8	16,114.3	9,213.4
Long term	2,601.0	1,708.9	892.1	7,459.4	4,354.3	3,105.0
Short Term	117,872.4	115,263.4	2,608.9	17,868.4	11,760.0	6,108.4
Portfolio Investment	194.2	4.6	189.5	14.5	0.0	14.5
Equity and Investment Fund Shares	178.8	4.6	174.2	14.5	0.0	14.5
Debt Securities	15.3	0.0	15.3	0.0	0.0	0.0
Long term	15.3	0.0	15.3	0.0	0.0	0.0
Short Term	0.0	0.0	0.0	0.0	0.0	0.0
Financial Derivatives and Employee Stock Options	0.0	0.0	0.0	524.6	0.0	524.6
Forwards	0.0	0.0	0.0	524.6	0.0	524.6
Other Investment	68,332.0	67,930.2	401.8	292,889.8	114,407.6	178,482.1
Other Equity	0.0	0.0	0.0	0.0	0.0	0.0
Currencies and Deposits	36,095.9	20,170.9	15,925.0	146,606.2	58,047.2	88,559.1
Long term	513.5	4,134.5	-3,620.9	26,644.5	1.8	26,642.7
Short Term	35,582.4	16,036.5	19,545.9	119,961.7	58,045.4	61,916.3
Trade Advances	48.2	38.0	10.2	9,496.1	4,927.4	4,568.7
Long term	12.4	0.0	12.4	1,390.4	1,516.6	-126.2
Short Term	35.8	38.0	-2.2	8,105.8	3,410.8	4,695.0
Loans	15,447.3	23,426.2	-7,978.9	123,460.0	41,576.1	81,883.9

Table 3.2: Flows of Foreign Assets, 2022-2023 (Cont'd)

Category	KSh Million					
	2022			2023		
	Outflows	Inflows	Net	Outflows	Inflows	Net
Long term	5,440.4	547.0	4,893.4	10,391.5	18,646.9	-8,255.5
Short Term	10,007.0	22,879.2	-12,872.2	113,068.5	22,929.1	90,139.4
Insurance, Pension and Standardised Guarantee Schemes	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Receivable	16,740.5	24,295.1	-7,554.5	13,327.4	9,857.0	3,470.5
Long term	10,880.7	21,903.5	-11,022.8	0.1	384.6	-384.5
Short Term	5,859.9	2,391.6	3,468.3	13,327.3	9,472.4	3,854.9
Total	245,510.8	186,613.1	58,897.7	350,488.1	132,891.2	217,596.9

Stock of Foreign Assets by Country

3.8. Total stock of Foreign Assets increased by 36.8 per cent to KSh 834.2 billion in 2023, as presented in Table 3.3. Uganda, Ethiopia, Tanzania, Democratic Republic of Congo, Mauritius and South Africa accounted for more than half of the stock of Kenya's outward investments in 2023. Notably, investments in these destinations increased in 2023, except Tanzania which recorded a 6.6 per cent decline in the stock of foreign assets. There was a marked increase in holdings of assets in the Isle of Man from KSh 11.0 billion at the end of 2022 to KSh 79.8 billion at the end of 2023. Similarly, the stock of

assets held in Hong Kong recorded a marked increase from KSh 498.0 million at the end of 2022 to KSh 33.6 billion at the end of 2023.

3.9. At the end of 2023, the stock of assets held in the United Kingdom rose by 50.9 per cent to KSh 70.3 billion, largely on account of increased disbursements of currency and deposits; and loans. On the contrary, the stock of assets held in the United States and the United Arab Emirates declined by 43.5 per cent and 44.9 per cent to KSh 35.2 billion and KSh 8.9 billion at the end of 2023, respectively.



Table 3.3: Stock of Foreign Assets by Country, 2022-2023

Source	2022		2023	
	KSh Million	% Share	KSh Million	% Share
Uganda	94,548.2	15.5	104,616.5	12.5
Ethiopia	80,172.1	13.1	101,863.5	12.2
Tanzania	103,500.0	17.0	96,701.2	11.6
Isle of Man	11,047.9	1.8	79,795.0	9.6
Democratic Republic of Congo	59,200.7	9.7	71,814.7	8.6
United Kingdom	46,567.2	7.6	70,267.9	8.4
Mauritius	26,779.2	4.4	59,927.6	7.2
South Africa	12,379.0	2.0	37,129.7	4.5
United States	62,260.3	10.2	35,150.9	4.2
Hong Kong	498.0	0.1	33,552.2	4.0
Rwanda	20,617.1	3.4	27,883.5	3.3
South Sudan	14,950.8	2.5	14,286.0	1.7
Nigeria	7,692.2	1.3	14,143.7	1.7
France	1,839.4	0.3	9,921.3	1.2
United Arab Emirates	16,170.4	2.7	8,907.4	1.1
Ireland	4,357.2	0.7	7,845.8	0.9
Switzerland	835.8	0.1	4,527.1	0.5
Malawi	4,121.4	0.7	3,422.8	0.4
Netherlands	2,366.3	0.4	3,263.2	0.4
Cote d'Ivoire	2,219.6	0.4	2,568.3	0.3
Burundi	2,197.8	0.4	2,220.6	0.3
India	1,553.9	0.3	1,957.8	0.2
China	1,095.5	0.2	1,884.9	0.2
Singapore	1,767.4	0.3	1,324.2	0.2
Zambia	1,134.2	0.2	1,306.2	0.2
Spain	816.0	0.1	1,284.8	0.2
Ghana	1,189.8	0.2	1,036.9	0.1
Jersey Channel Islands	911.0	0.1	911.0	0.1
Germany	665.2	0.1	906.8	0.1
Mozambique	358.1	0.1	896.0	0.1
Botswana	1,029.0	0.2	838.2	0.1
Others	25,198.1	4.1	32,087.1	3.8
Total	610,038.7	100.0	834,242.8	100.0

Flows of Foreign Assets by Country

3.10. Total outflows of foreign assets increased by 42.8 per cent to KSh 350.5 billion in 2023, as highlighted in Table 3.4. In 2022, the highest outflow of investments were to the Democratic Republic of Congo, which accounted for 13.7 per cent of total outflows, while

outflows to the Isle of Man accounted for 22.8 per cent of total outflows during 2023. Moreover, outflows to Hong Kong, the United Kingdom, South Africa, and Rwanda increased to KSh 33.0 billion, KSh 25.9 billion, KSh 34.1 billion and KSh 10.0 billion, respectively, in 2023.

3.11. Inflows of foreign assets decreased by 28.8 per cent from KSh 186.6 billion in 2022 to KSh 132.9 billion in 2023. The decrease in disinvestment was largely due to a decline of 58.0 per cent and 82.2 per cent in inflows from United Arab Emirates and Mauritius, respectively, in 2023. There was a moderate reduction in inflows from South Africa from KSh 10.4 billion in 2022 to KSh 9.4 billion in 2023. The United States accounted for 34.2 per cent of the total inflows of foreign assets in 2023, compared to 7.2 per cent in the previous year with inflows from this destination increasing to KSh 45.4 billion in 2023. Similarly, inflows of assets from the

Isle of Man rose from KSh 3.7 billion in 2022 to KSh 11.0 billion in 2023, while inflows of assets from Tanzania rose from KSh 1.4 billion in 2022 to KSh 18.3 billion and accounted for 13.8 per cent of total inflows of foreign assets in 2023.

3.12. Net outflows increased from KSh 58.9 billion in 2022 to KSh 217.6 billion in 2023. The increase was largely due to net outflows to the Isle of Man, Hong Kong, Mauritius, South Africa, the United Kingdom and Ethiopia, which jointly accounted for 92.9 per cent of the total net outflows in 2023.



Table 3.4: Flows of Foreign Assets by Country, 2022-2023

Source	2022			2023		
	Outflows	Inflows	Net	Outflows	Inflows	Net
Democratic Republic of Congo	33,622.3	220.0	33,402.3	12,663.2	49.1	12,614.1
Ethiopia	13,952.6	30.6	13,922.0	21,636.7	549.1	21,087.6
Tanzania	9,035.7	1,365.4	7,670.3	10,085.4	18,321.3	-8,235.9
Switzerland	2,723.9	46.9	2,677.1	5,299.7	1,608.4	3,691.3
Uganda	5,821.7	3,477.0	2,344.7	13,657.0	3,916.9	9,740.0
South Sudan	2,145.6	0.0	2,145.6	661.1	1,325.3	-664.2
United Kingdom	4,675.7	2,638.7	2,037.0	25,891.2	1,873.9	24,017.3
Rwanda	1,893.5	285.1	1,608.4	10,003.4	2,684.3	7,319.1
Finland	724.3	3.9	720.4	7.5	758.6	-751.0
France	527.4	121.8	405.6	8,497.8	416.0	8,081.8
South Africa	10,555.4	10,409.9	145.5	34,113.3	9,363.1	24,750.2
Togo	117.3	0.0	117.3	13.7	9.9	3.8
Hong Kong	78.3	0.0	78.3	32,952.4	5.5	32,946.9
Angola	74.5	46.7	27.8	33.8	0.0	33.8
China	334.9	337.0	-2.1	857.4	68.0	789.4
Zambia	38.1	49.0	-10.9	453.8	282.8	171.0
Australia	18.6	30.6	-12.0	1.0	49.3	-48.3
India	127.4	170.4	-43.0	534.1	25.6	508.5
Morocco	0.0	153.0	-153.0	74.9	0.0	74.9
Netherlands	69.1	452.2	-383.2	1,096.2	29.5	1,066.7
Ghana	134.6	1,915.7	-1,781.1	443.1	622.9	-179.8
Nigeria	223.4	3,253.6	-3,030.2	6,363.8	96.0	6,267.9
Germany	411.7	3,791.6	-3,379.9	138.1	47.3	90.8
Isle of Man	0.0	3,671.0	-3,671.0	79,795.0	11,047.9	68,747.1
Mauritius	2,904.3	10,277.8	-7,373.5	32,447.4	1,829.4	30,618.0
United Arab Emirates	9,828.1	20,712.2	-10,884.1	1,430.5	8,693.6	-7,263.0
United States	1,303.5	13,458.4	-12,154.8	17,385.4	45,445.0	-28,059.6
Others	144,168.7	109,694.5	34,474.2	33,951.0	23,772.4	10,178.6
Total	245,510.8	186,613.1	58,897.7	350,488.1	132,891.2	217,596.9

Stock of Foreign Direct Investment Assets by Country

3.13. Table 3.5 presents the stock of Foreign Direct Investment assets by destination as at the end of 2022 and 2023. The stock of FDI assets increased by 13.3 per cent from KSh 328.9 billion at the end of 2022 to KSh 372.5 billion at the end of 2023. The largest proportion of FDI assets were held in Ethiopia, Uganda, Tanzania and the Democratic Republic of Congo which jointly

accounted for 74.1 per cent of the stock of FDI assets at the end of 2023. There was a 27.1 per cent increase in the stock of total FDI assets in Ethiopia to KSh 101.7 billion. Similarly the stock of FDI assets held in Rwanda rose by 51.3 per cent to KSh 21.9 billion at the end of 2023. However, there was a reduction in the stock of assets held in the United Kingdom, the United Arab Emirates and Malawi from a combined stock of KSh 17.0 billion at the end of 2022 to KSh 15.9 billion at the end of 2023.

Table 3.5: Stock of FDI Assets by Country, 2022-2023

Source	2022		2023	
	KSh Million	% Share	KSh Million	% Share
Ethiopia	80,051.5	24.3	101,711.9	27.3
Uganda	60,800.4	18.5	67,893.3	18.2
Tanzania	49,404.3	15.0	53,571.7	14.4
Democratic Republic of Congo	52,724.5	16.0	52,755.7	14.2
Rwanda	14,498.2	4.4	21,930.6	5.9
Mauritius	17,188.1	5.2	19,256.4	5.2
South Sudan	13,243.6	4.0	13,717.8	3.7
United Kingdom	7,083.7	2.2	6,914.4	1.9
United Arab Emirates	5,777.0	1.8	5,589.8	1.5
South Africa	3,433.3	1.0	4,739.3	1.3
Malawi	4,114.7	1.3	3,416.5	0.9
Netherlands	2,069.3	0.6	2,832.0	0.8
Cote d'Ivoire	2,214.4	0.7	2,249.2	0.6
Burundi	2,064.7	0.6	2,064.8	0.6
Nigeria	1,264.6	0.4	1,901.1	0.5
United States	1,615.4	0.5	1,537.6	0.4
Zambia	1,079.9	0.3	1,308.1	0.4
Singapore	1,207.7	0.4	1,140.7	0.3
Jersey Channel Islands	911.0	0.3	911.0	0.2
Ghana	474.6	0.1	810.4	0.2
Spain	502.0	0.2	711.1	0.2
Ireland	552.8	0.2	605.9	0.2
Germany	514.1	0.2	581.0	0.2
Hong Kong	409.0	0.1	532.9	0.1
Botswana	443.0	0.1	527.7	0.1
Ecuador	337.2	0.1	504.1	0.1
Zimbabwe	605.7	0.2	498.3	0.1
Denmark	408.8	0.1	483.1	0.1
France	683.1	0.2	466.7	0.1
Others	3,221.3	1.0	1,374.5	0.4
Total	328,897.9	100.0	372,537.4	100.0

Flows of Foreign Direct Investment Assets by Country

3.14. Total flows of FDI assets by destination for 2022 and 2023 are presented in Table 3.6. There was a 67.7 per cent decrease in total FDI outflows from KSh 177.0 billion in 2022 to KSh 57.1 billion in 2023, reflecting a reduction in equity investment abroad. Outflows of

investments to Ethiopia rose from KSh 14.0 billion in 2022 to KSh 21.1 billion in 2023 and accounted for 36.9 per cent of the total outflows, while outflows to Rwanda rose from KSh 514 million in 2022 to KSh 7.5 billion in 2023. On the contrary, there were decreases in outflows to the Democratic Republic of Congo, Switzerland, Mauritius and Finland during 2023.

3.15. Total inflows of FDI assets reduced by 84.4 per cent to KSh 18.5 billion in 2023, primarily occasioned by decreased inflows from Angola, Senegal and Australia. Tanzania, Switzerland, the United Kingdom and Mauritius accounted for 8.7, 7.8 and 6.7 per cent of the total inflows, respectively, in 2023. However, there was an increase in inflows from the United Arab

Emirates and Switzerland to KSh 1.0 billion and KSh 1.6 billion, respectively, in 2023.

3.16. Net outflows of FDI declined by 33.8 per cent from 58.3 billion in 2022 to KSh 38.6 billion in 2023. This was partly attributable to decline in net outflows to the Democratic Republic of Congo in 2023.

Table 3.6: Flows of FDI Assets by Country, 2022-2023

Source	KSh Million					
	2022			2023		
	Outflows	Inflows	Net	Outflows	Inflows	Net
Democratic Republic of Congo	33,622.3	4.9	33,617.4	39.8	8.6	31.1
Ethiopia	13,952.6	30.6	13,922.0	21,068.9	12.3	21,056.6
Tanzania	4,333.2	967.9	3,365.3	4,341.0	1,615.0	2,726.0
Uganda	4,811.2	2,118.4	2,692.9	8,258.4	1,134.8	7,123.5
Switzerland	2,723.9	46.9	2,677.1	23.2	1,606.6	-1,583.4
Mauritius	2,805.1	572.5	2,232.6	893.4	1,245.6	-352.2
Finland	724.3	3.9	720.4	4.0	758.6	-754.5
United Kingdom	2,466.3	1,823.9	642.4	610.6	1,436.6	-826.1
Rwanda	514.2	54.5	459.7	7,556.3	71.2	7,485.1
France	396.4	21.2	375.2	68.5	284.8	-216.3
South Africa	583.5	246.5	337.1	2,015.4	709.9	1,305.5
United Arab Emirates	253.4	1.1	252.3	860.4	1,047.6	-187.2
Ghana	134.5	14.2	120.3	311.6	2.8	308.8
Angola	73.5	46.7	26.8	33.2	0.0	33.2
Nigeria	223.4	208.6	14.8	677.3	95.9	581.4
Australia	18.6	30.6	-12.0	1.0	0.0	1.0
Senegal	0.8	16.6	-15.9	63.7	0.0	63.7
Netherlands	69.1	452.2	-383.2	939.3	6.9	932.5
Germany	389.7	3,574.8	-3,185.1	114.2	47.3	66.9
Others	108,888.6	108,442.2	446.4	9,179.3	8,399.0	780.2
Total	176,984.7	118,678.2	58,306.4	57,059.3	18,483.6	38,575.7



CHAPTER 4: INTERNATIONAL TRADE AND EMPLOYMENT

Overview

This Chapter presents findings on international trade in goods and services; and employment from surveyed enterprises in the 2024 Foreign Investment Survey.

International Trade in Goods

4.2. Table 4.1 and Figure 4.1 show the value of international trade in goods for 2022 and 2023. The total value of international trade (sum of exports and imports) in goods grew by 32.2 per cent to KSh 1,090.7 billion in 2023. This was majorly contributed by increased external trade in Wholesale and retail trade, and Manufacturing sectors. The trade balance (exports- imports) narrowed from a deficit of KSh 392.7 billion in 2022 to a deficit of KSh 261.7 billion in 2023.

4.3. Imports of goods by enterprises surveyed increased by 11.1 per cent to KSh 676.2 billion in 2023. The increase was as a result of growth in imports

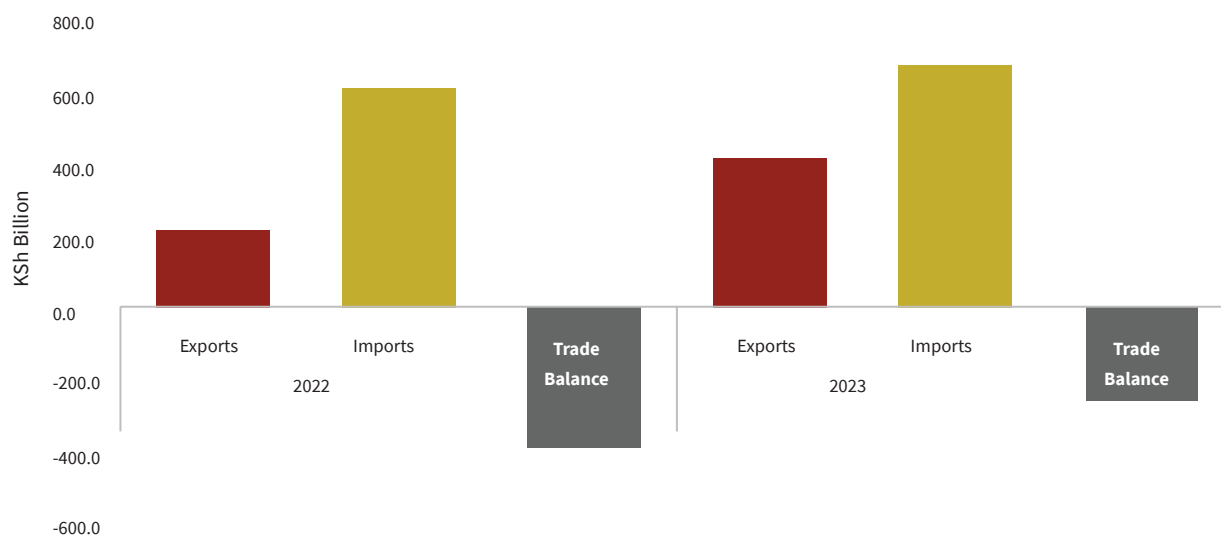
by enterprises in Agriculture, forestry and fishing; Wholesale and retail trade; Manufacturing; and Information and communication sectors.

4.4. The value of exports by enterprises surveyed increased from KSh 216.3 billion in 2022 to KSh 414.5 billion in 2023. This was mainly attributable to exports by enterprises in Agriculture, forestry and fishing; Wholesale and retail trade; and Manufacturing sectors.

4.5. Net exports by enterprises engaged in merchanting grew from KSh 3.5 billion in 2022 to KSh 4.4 billion in 2023. This was mainly driven by increase in net exports under merchanting in enterprises in the wholesale and retail trade, and manufacturing sectors.

Table 4.1: International Trade in Goods, 2022-2023

Economic Activity	KSh Million					
	2022			2023		
	Imports	Exports	Net Exports Under Merchanting	Imports	Exports	Net Exports Under Merchanting
A. Agriculture, forestry and fishing	18,989.6	69,595.4	0.0	22,706.1	145,387.3	0.0
B. Mining and quarrying	0.0	7,430.9	0.0	0.0	11,746.7	0.0
C. Manufacturing	131,740.6	88,876.3	863.7	145,957.5	106,986.4	1,393.5
D. Electricity, gas and air conditioning supply	0.0	0.0	0.0	0.0	0.0	0.0
E. Water supply; sewerage, waste management and remediation activities	886.4	46.4	0.0	652.2	72.6	0.0
F. Construction	1,679.5	0.0	0.0	1,189.4	0.0	0.0
G. Wholesale & retail trade; repair of motor vehicles and motorcycles services	337,259.7	37,930.3	2,776.7	388,574.4	137,736.7	3,345.7
H. Transportation and storage	5,126.2	7,045.1	0.0	4,754.2	7,457.9	0.0
I. Accommodation and food service activities	1,864.6	0.0	3.7	1,169.6	0.0	-106.3
J. Information and communication	89,407.1	3,858.1	-13.9	100,043.5	3,644.5	-121.4
K. Finance and insurance activities	970.7	56.6	-6.9	830.5	62.0	2.2
L. Real estate activities	17,446.8	0.0	0.0	8,172.3	0.0	0.0
M. Professional, scientific and technical activities	2,194.3	657.9	0.0	1,235.5	664.0	0.0
N. Administrative and support service activities	54.6	57.7	0.0	25.7	52.5	0.0
Q. Human health and social work activities	1,287.5	699.4	-106.0	919.0	705.6	-87.1
R. Arts, entertainment and recreation	0.0	0.0	0.0	0.0	0.0	0.0
S. Other service activities	0.0	0.0	0.0	0.0	0.0	0.0
Total	608,907.5	216,254.0	3,517.3	676,229.8	414,516.2	4,426.7

Figure 4.1: International Trade in Goods, 2022-2023**Expenditure on services provided by non-residents**

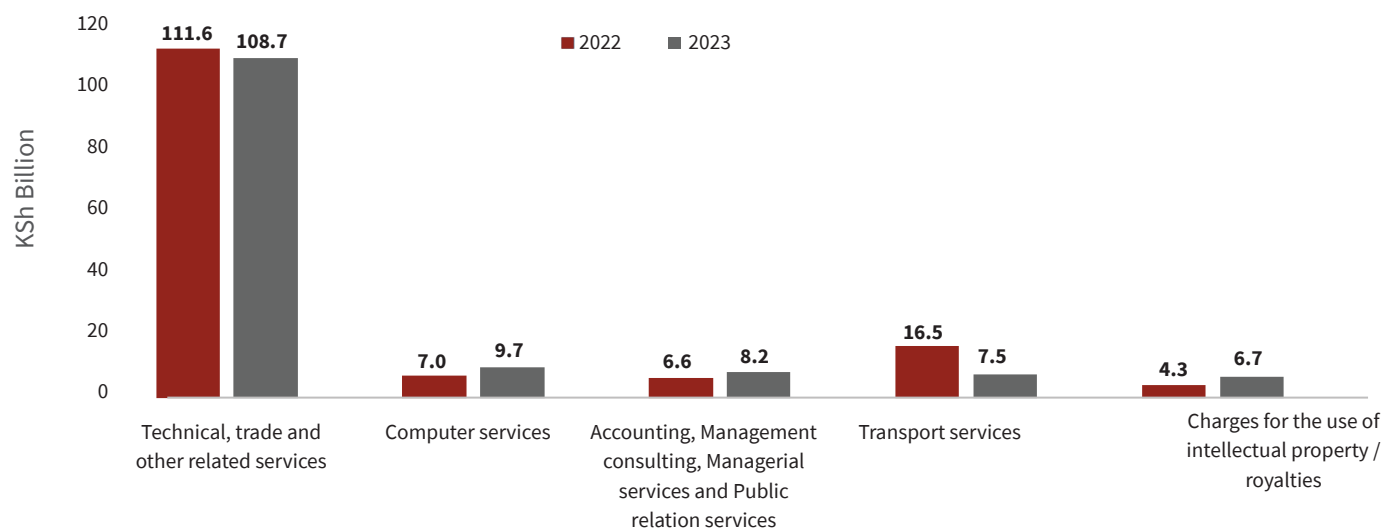
4.6. Expenditure on services provided by non-residents to resident in 2022 and 2023 to surveyed enterprises 2022 and 2023 is presented in Table 4.2. Expenditure on services provided by non-residents declined by 2.9 per cent to KSh 152.1 billion in 2023, mainly attributed

to reduced expenditure on construction services and operating leasing services. Technical, trade and other related services accounted for the largest share, contributing 71.4 per cent of the total expenditure on services in 2023.



Table 4.2: Expenditure on Services provided by Non-Residents, 2022-2023

Service	2022		2023	
	KSh Million	% Share	KSh Million	% Share
Manufacturing services on physical inputs owned by others	2,158.8	1.4	1,830.9	1.2
Maintenance and repair services not included elsewhere (n.i.e)	623.6	0.4	728.5	0.5
Transport services	16,470.3	10.5	7,498.2	4.9
<i>Passenger services</i>	110.3	0.1	126.0	0.1
<i>Freight services</i>	16,157.8	10.3	6,858.9	4.5
<i>Postal and courier services</i>	0.5	0.0	0.7	0.0
<i>Other transport services</i>	201.7	0.1	512.7	0.3
Travel services	1,368.2	0.9	1,347.5	0.9
<i>Accommodation</i>	148.9	0.1	238.5	0.2
<i>Food and beverages</i>	27.2	0.0	32.6	0.0
<i>Local transport services</i>	691.8	0.4	1,070.4	0.7
Construction services	500.3	0.3	6.1	0.0
Insurance	508.5	0.3	737.0	0.5
<i>Premiums</i>	327.2	0.2	231.5	0.2
<i>Claims</i>	7.6	0.0	204.8	0.1
Insurance Fees and commissions	173.7	0.1	300.7	0.2
Pension Services: Contributions	45.3	0.0	44.3	0.0
Financial services (Commissions,fees and other charges by financial institutions, excluding interest)	914.5	0.6	916.4	0.6
Charges for the use of intellectual property/royalties	4,302.2	2.7	6,681.6	4.4
Telecommunications Services	3,008.1	1.9	4,341.3	2.9
Computer Services	7,030.7	4.5	9,686.9	6.4
Information Services	223.6	0.1	248.3	0.2
Research and Development services	4.4	0.0	36.2	0.0
Legal services	155.0	0.1	42.2	0.0
Accounting,Management Consulting, Managerial Services and Public Relations Services	6,568.2	4.2	8,220.8	5.4
Advertising, Market Research and Public Opinion Polling	1,027.2	0.7	833.6	0.5
Technical, trade and other related services	111,630.0	71.3	108,683.7	71.4
Operating leasing services	465.8	0.3	35.3	0.0
Personal, cultural and recreational services	119.6	0.1	211.8	0.1
Total	156,623.9	100.0	152,124.6	100.0

Figure 4.2: Expenditure on Top Five Services, 2022 and 2023**Income from Services rendered to non-residents**

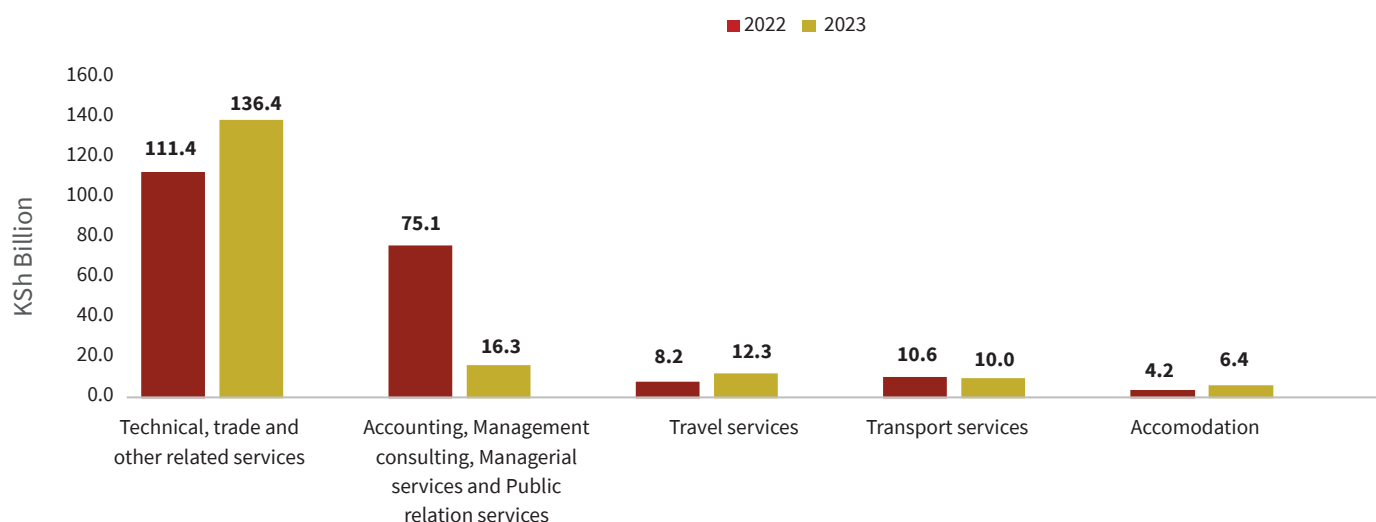
4.7. Table 4.3 shows the income from services rendered to non-residents in 2022 and 2023. The total income from services rendered to non-residents decreased by 14.1 per cent from KSh 217.0 billion to KSh 186.4 billion in 2023. The decline was partly attributable to decreases in accounting, management consulting,

managerial services and public relations services; and charges for the use of intellectual property/royalties, which reduced by 78.2 per cent each, in the review period. Technical, trade, and other related services, accounted for 73.2 per cent of the total income from services rendered to non-residents during the review period.



Table 4.3: Income from services rendered to non-residents, 2022 and 2023

Service	2022		2023	
	KSh Million	% Share	KSh Million	% Share
Manufacturing services on physical inputs owned by others	43.7	0.0	68.5	0.0
Maintenance and repair services not included elsewhere (n.i.e)	51.6	0.0	53.2	0.0
Transport services	10,590.3	4.9	10,033.4	5.4
<i>Passenger services</i>	25.1	0.0	13.7	0.0
<i>Freight services</i>	8,941.5	4.1	8,223.7	4.4
<i>Postal and courier services</i>	0.0	0.0	0.0	0.0
<i>Other transport services</i>	1,623.7	0.7	1,796.0	1.0
Travel services	8,179.1	3.8	12,260.9	6.6
<i>Accommodation</i>	4,163.0	1.9	6,406.2	3.4
<i>Food and beverages</i>	1,174.2	0.5	1,898.0	1.0
<i>Local transport services</i>	2,841.9	1.3	3,956.8	2.1
Construction services	0.0	0.0	0.0	0.0
Insurance	811.5	0.4	1,713.3	0.9
<i>Premiums</i>	657.3	0.3	1,609.9	0.9
<i>Claims</i>	120.0	0.1	61.8	0.0
Insurance Fees and commissions	34.2	0.0	41.6	0.0
Pension Services: Contributions	0.0	0.0	0.0	0.0
Financial services (Commissions, fees and other charges by financial institutions, excluding interest)	113.0	0.1	306.7	0.2
Charges for the use of intellectual property/royalties	1,038.3	0.5	226.0	0.1
Telecommunications Services	3,184.4	1.5	3,202.9	1.7
Computer Services	55.0	0.0	72.2	0.0
Information Services	25.3	0.0	25.1	0.0
Research and Development services	398.2	0.2	727.4	0.4
Legal services	0.0	0.0	0.0	0.0
Accounting, Management Consulting, Managerial Services and Public Relations Services	75,139.6	34.6	16,347.1	8.8
Advertising, Market Research and Public Opinion Polling	5,880.5	2.7	4,645.5	2.5
Technical, trade and other related services	111,359.7	51.3	136,436.3	73.2
Operating leasing services	1.0	0.0	2.1	0.0
Personal, cultural and recreational services	86.2	0.0	231.1	0.1
Total	216,957.3	100.0	186,351.9	100.0

Figure 4.3: Income from top five services, 2022 and 2023

Employment by Nationality and Sex

4.8. Total employment among surveyed enterprises increased by 3.3 per cent to 224,769 employees in 2024 as shown in Table 4.4a. This growth was largely driven by a 3.6 per cent increase in local employees to 221,267 employees in 2024. Conversely, the number of foreign employees declined, with those on short-term contracts decreasing by 22.4 per cent and

those on long-term contracts by 3.0 per cent in 2024. Foreign employees constituted 1.6 per cent of the total workforce in the surveyed enterprises, while local employees accounted for 98.4 per cent. The proportion of female employees increased to 39.0 per cent in 2024 from 37.8 per cent in 2023, indicating progress towards gender inclusivity in employment.

Table 4.4a: Employment by Nationality and Sex as at 30th June, 2023 - 2024

Employees	30 th June 2023			30 th June 2024		
	Local	Foreign		Local	Foreign	
Sex		Short-term	Long-term		Short-term	Long-term
Female	81,063	629	463	86,879	454	435
Male	132,475	1,335	1,576	134,388	1,071	1,542
Total	213,538	1,964	2,039	221,267	1,525	1,977

4.9. The number of directors in surveyed enterprises increased from 2,082 in 2023 to 2,093 in 2024, as shown Table 4.4b. The number of local directors increased from 1,485 in 2023 to 1,501 in 2024, while that of long-

term foreign directors decreased from 493 in 2023 to 488 in 2024. The number of female directors increased from 396 in 2023 to 405 in 2024, an improvement of 2.3 per cent.

Table 4.4b: Directors by Nationality and Sex as at 30th June, 2023 - 2024

Directors	30 th June 2023			30 th June 2024		
	Local	Foreign		Local	Foreign	
Sex		Short-term	Long-term		Short-term	Long-term
Female	324	14	58	335	16	54
Male	1,161	90	435	1,166	88	434
Total	1,485	104	493	1,501	104	488

Employment by Economic Activity

4.10. Table 4.5a presents the number of employees in surveyed enterprises by economic activity. During the review period, enterprises in Agriculture, forestry,

and fishing; Manufacturing; and Finance and insurance sectors were the leading sources of employment among surveyed enterprises, accounting for 26.0, 19.2 and 18.5 per cent, respectively, in 2024.

Table 4.5a: Employment by Sector as at 30th June, 2023 and 30th June, 2024

Economic Activity	30 th June 2023		30 th June 2024	
	Number	% Share	Number	% Share
A. Agriculture, forestry and fishing	54,142	24.9	58,436	26.0
B. Mining and quarrying	726	0.3	733	0.3
C. Manufacturing	44,244	20.3	43,220	19.2
D. Electricity, gas and air conditioning supply	9,663	4.4	10,513	4.7
E. Water supply; sewerage, waste management and remediation activities	42	0.0	38	0.0
F. Construction	2,996	1.4	2,671	1.2
G. Wholesale & retail trade; repair of motor vehicles and motorcycles services	15,682	7.2	16,552	7.4
H. Transportation and storage	3,662	1.7	3,916	1.7
I. Accommodation and food service activities	10,030	4.6	11,240	5.0
J. Information and communication	12,166	5.6	12,846	5.7
K. Finance and insurance activities	40,460	18.6	41,546	18.5
L. Real estate activities	307	0.1	317	0.1
M. Professional, scientific and technical activities	3,185	1.5	3,485	1.6
N. Administrative and support service activities	11,421	5.3	10,467	4.7
P. Education	2,902	1.3	3,012	1.3
Q. Human health and social work activities	5,468	2.5	5,092	2.3
R. Arts, entertainment and recreation	296	0.1	330	0.1
S. Other service activities	149	0.1	355	0.2
Total	217,541	100.0	224,769	100.0

4.11. The number of directors engaged in surveyed enterprises by economic activity is shown in Table 4.5b. Finance and insurance activities; Manufacturing;

and Wholesale and retail trade accounted for 34.8, 19.4 and 13.7 per cent of the total number of directors in surveyed enterprises.

Table 4.5b: Directors by Sector as at 30th June, 2023 and 30th June, 2024

Economic Activity	30th June 2023		30th June 2024	
	Number	% Share	Number	% Share
A. Agriculture, forestry and fishing	116	5.6	117	5.6
B. Mining and quarrying	6	0.3	6	0.3
C. Manufacturing	412	19.8	407	19.4
D. Electricity, gas and air conditioning supply	8	0.4	8	0.4
E. Water supply; sewerage, waste management and remediation activities	1	0.0	1	0.0
F. Construction	18	0.9	18	0.9
G. Wholesale & retail trade; repair of motor vehicles and motorcycles services	287	13.8	287	13.7
H. Transportation and storage	92	4.4	90	4.3
I. Accommodation and food service activities	81	3.9	83	4.0
J. Information and communication	152	7.3	164	7.8
K. Finance and insurance activities	725	34.8	728	34.8
L. Real estate activities	30	1.4	30	1.4
M. Professional, scientific and technical activities	96	4.6	98	4.7
N. Administrative and support service activities	25	1.2	25	1.2
P. Education	8	0.4	8	0.4
Q. Human health and social work activities	10	0.5	10	0.5
R. Arts, entertainment and recreation	8	0.4	8	0.4
S. Other service activities	7	0.3	5	0.2
Total	2,082	100.0	2,093	100.0





CHAPTER 5: INVESTOR PERCEPTIONS

Overview

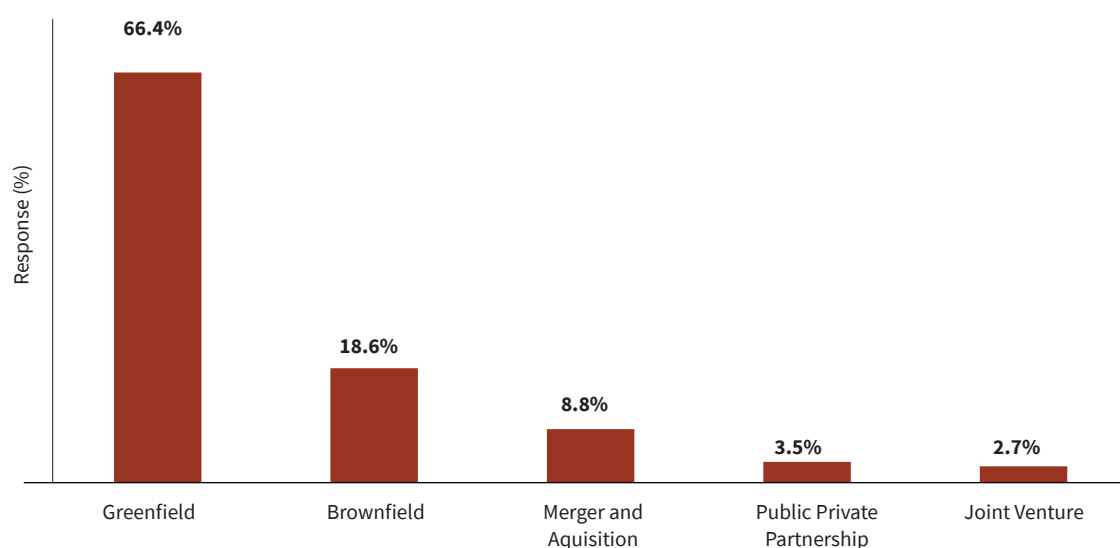
This chapter presents findings on an assessment of investors' perception of the business environment in Kenya on factors that inform investment decisions. The findings focused on indicators broadly categorized into Entry strategies, Operational and business services, Environmental, Social, and Governance (ESG) compliance and future investment plans.

Market Entry Strategies

5.2. Respondents were asked to indicate the mode of entry of their enterprises into Kenya. Figure 5.1 shows that 66.4 per cent of the enterprises started as

greenfield investments, 18.6 per cent as brownfield investments, 8.8 per cent as mergers and acquisitions while 3.5 percent and 2.7 percent started as Private Public Partnerships (PPPs) and joint ventures, respectively.

Figure 5.1: Mode of Market Entry into Kenya

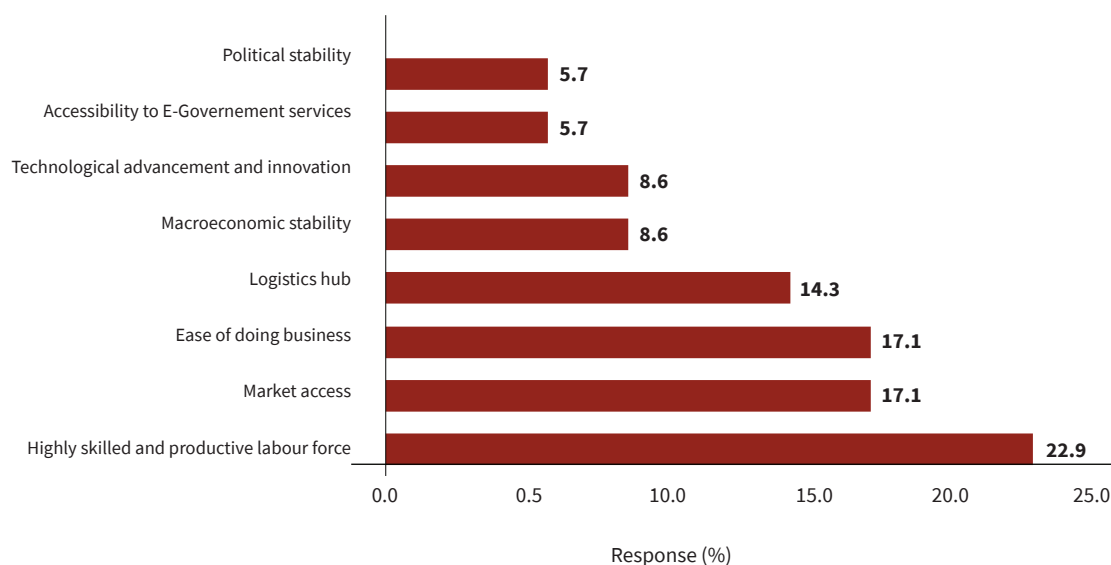


Factors influencing the choice of Kenya as an investment destination

5.3. Enterprises which established their operations in Kenya in the last six years (since 2019) were asked to indicate factors which influenced their decision to choose Kenya as a preferred investment destination. Figure 5.2 shows that 22.9 per cent of the respondents indicated availability of highly skilled and productive

labour force, 17.1 per cent indicated market access, 17.1 per cent indicated ease of doing business while 14.3 per cent indicated Kenya as a logistic hub, as the main determinants for their decisions to invest in Kenya. Other determinants included macroeconomic stability (8.6%), technology advancement and innovation (8.6%), access to e-government services (5.7%) and political stability (5.7%).

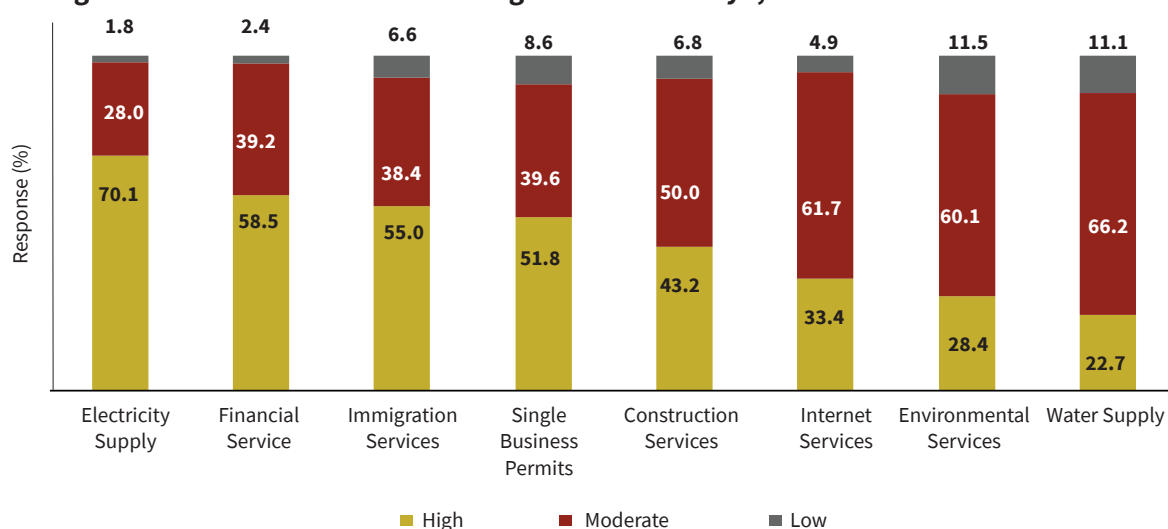


Figure 5.2: Reasons for Choice of Kenya as an Investment Destination

Cost of Business Enabling Services in Kenya

5.4. Respondents rated the cost of enabling services when doing business in Kenya. Figure 5.3 shows that 70.1 per cent of the respondents indicated electricity supply as the highest cost of enabling business services. Similarly, financial services, immigration services and

single business permits were rated to have high costs as enabling business services at 58.5, 55.8 and 51.8 per cent, respectively. Services which were considered to have moderate costs of enabling business services included construction services, internet services, environmental and water supply.

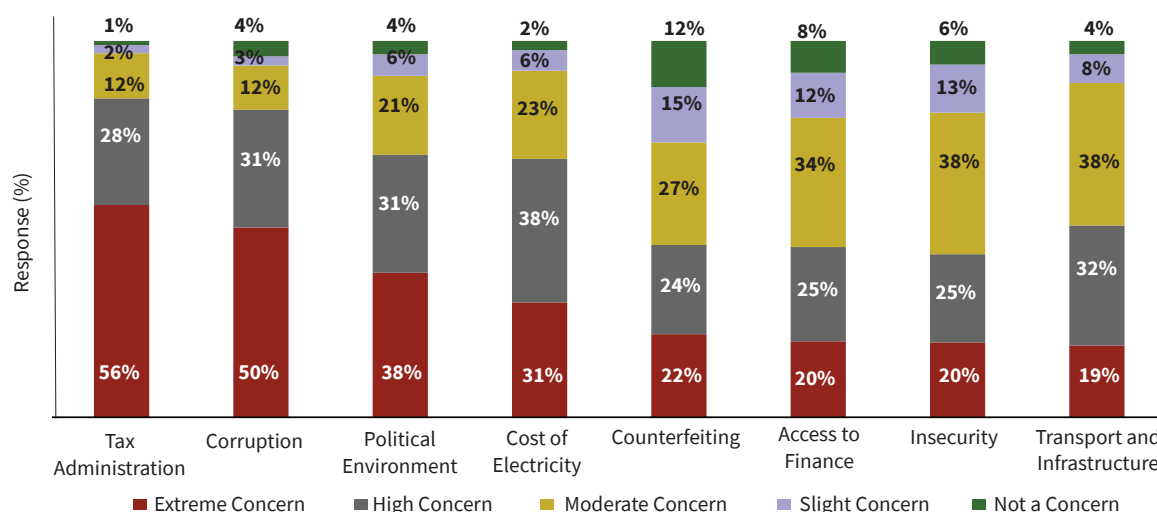
Figure 5.3: Cost of Business Enabling Services in Kenya, 2024

Areas of concern to businesses that require improvement

5.5. Respondents were asked to assess areas of concern that require improvement in the business environment. Figure 5.4 shows that tax administration, corruption, political environment and cost of electricity were considered as high areas of concern. On the other hand, counterfeiting, access to finance, insecurity and

transport infrastructure were rated as moderate areas of concern. Respondents indicated the most important support services from the government that would facilitate investment and or reinvestment in Kenya are reducing the cost of doing business, improving ease of doing business, provision of sector specific incentives and market access.

Figure 5.4: Areas of concern to businesses that require improvement, 2024

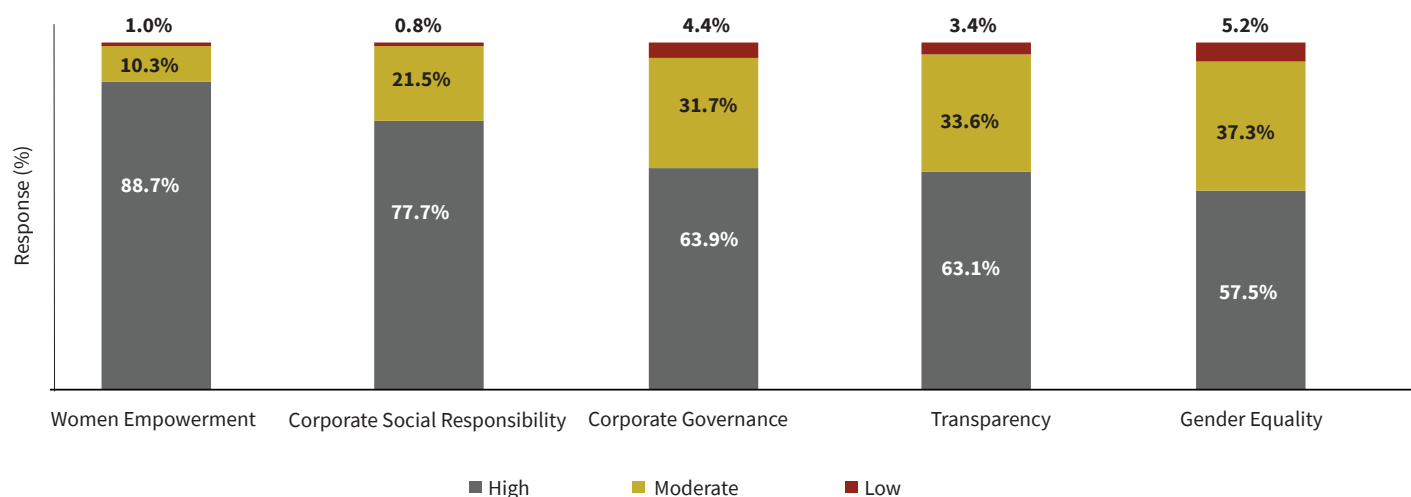


Environmental, Social and Governance Compliance

5.6. Environmental, Social, and Governance (ESG) compliance ensures businesses operate responsibly by adhering to sustainability standards and ethical practices. Enterprises are expected to integrate sustainability considerations into business practices and report on key performance indicators on environmental management, social factors, and corporate governance. Environmental indicators cover resource management, carbon emission reduction targets, investment in renewable energies, waste management, and adherence to environmental regulations; social factors encompass community engagement and employment and labour relations on diversity, inclusivity and compensation; corporate governance covers leadership and governance

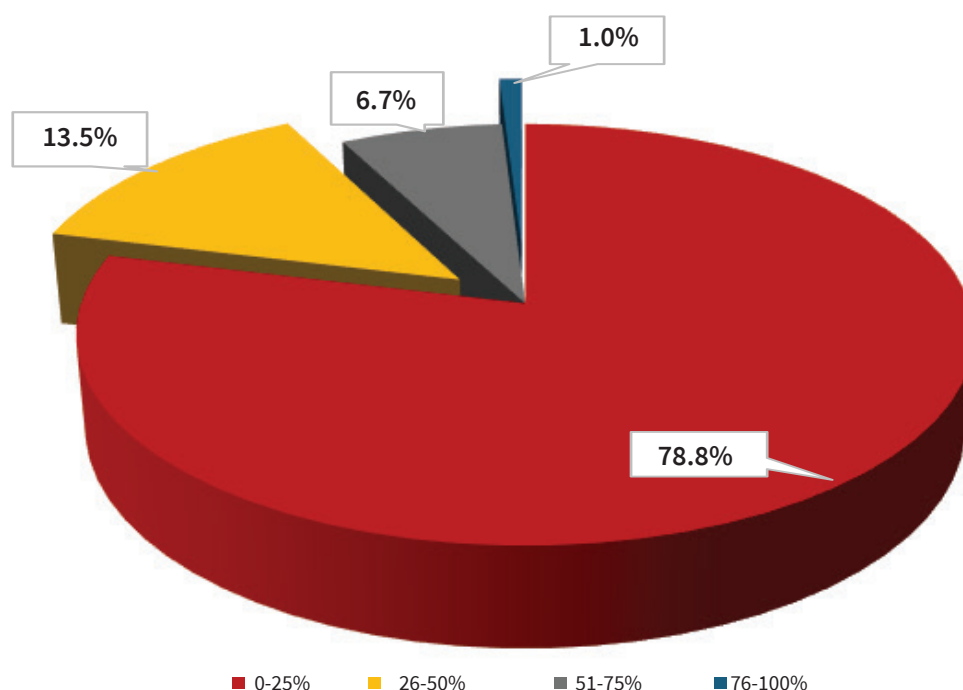
structures, business ethics and code of conduct, stakeholder engagement and ESG risk management.

5.7 Respondents were asked to assess the level of compliance on various ESG indicators. Figure 5.5 shows a high level of compliance across all indicators. The social pillar of the ESG indicators showed enhanced compliance on women empowerment and corporate social responsibility of 88.7 per cent and 77.7 per cent, respectively, while the gender equality indicator has a high compliance of 57.5 per cent. Similarly, governance pillar captured by corporate governance and transparency indicators has a high compliance of 63.9 per cent and 63.1 per cent, respectively.

Figure 5.5: Environmental, Social and Governance Compliance Indicators**Investment in Research and Development**

5.8. Majority of the enterprises reported to have allocated resources towards research and development, with 78.8 per cent of enterprises allocating between 0-25 per cent of their total

investments towards research and development activities in 2023. A further 13.5 per cent of the enterprises allocated between 26-50 per cent, while 7.7 per cent of the enterprises allocated over 50 per cent of their total investments towards research and development activities.

Figure 5.6 Investments towards Research and Development

Future plans and range of new investments in Kenya

5.9. In terms of future investment plans (in the next 3-years), 39.5 per cent of the enterprises indicated to have intentions to either reinvest or expand their business in Kenya, 25.0 per cent plan to diversify, while 30.3 per cent of the enterprises plan to maintain the current investment, as shown in Figure 5.7. However, 3.9 per cent indicated to be planning to scale down while 1.4 per cent indicated to close or exist the country.

5.10. Enterprises planning to reinvest or expand their business in Kenya reported that they would invest varying amounts in the next three years. Figure 5.8 shows that 14.0 per cent of enterprises reported that they will invest above KSh 1,000 million, 29.1 per cent will invest between KSh 101-1,000 million, while 56.9 per cent will invest at least KSh 100 million.

Figure 5.7 Future Investment Plans (in the next 3-years)

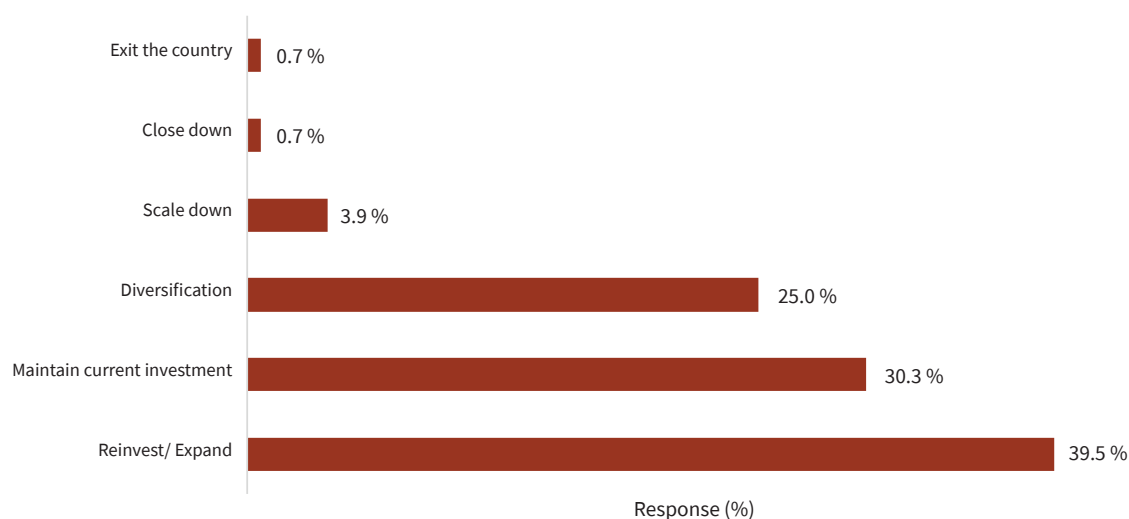
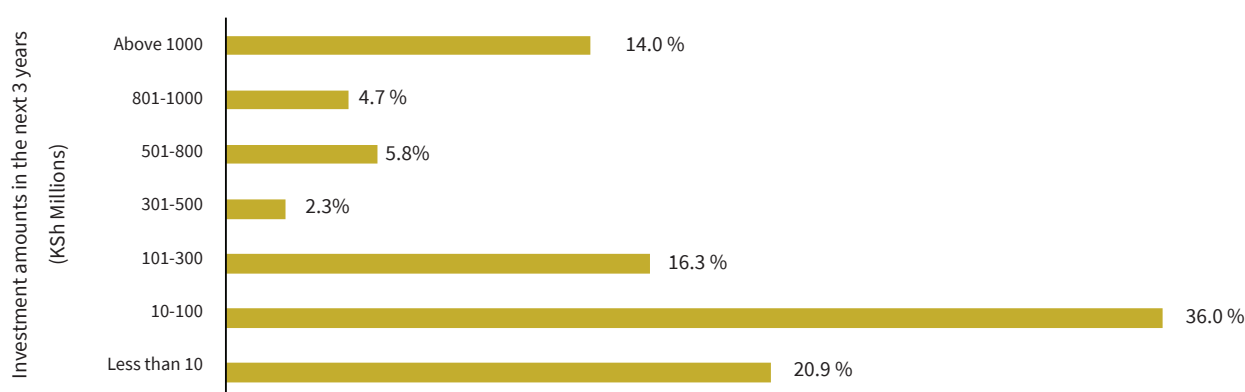


Figure 5.8 Range of New Investments in Kenya (in the next 3-years)





CHAPTER 6: SURVEY METHODS AND TECHNIQUES

Overview

The 2024 Foreign Investment Survey (FIS 2024) focused on gathering data from enterprises transacting in Foreign Assets and Liabilities (FAL). The survey aimed at capturing details on foreign private capital flows during 2023, and positions for 2022 and 2023. To enhance the reliability of FAL statistics, supplementary information on foreign investments was also obtained through administrative sources, including, Insurance Regulatory Authority (IRA) and the Capital Markets Authority (CMA), to complement the survey data.

Legal, Regulatory and Institutional Framework

6.2 The 2024 Foreign Investment Survey (FIS 2024) was implemented under the authority of the Statistics Act, CAP 112, Laws of Kenya [Revised 2022]. The Act empowers the Kenya National Bureau of Statistics (KNBS) to collect, compile, analyze, publish, and disseminate official statistics, and to coordinate the National Statistical System (NSS). Moreover, it provides KNBS with the mandate to collaborate with relevant institutions, both within Kenya and internationally, to enhance the development and production of high-quality statistics.

6.3 The implementation of FIS 2024 was undertaken in collaboration with key partner institutions, including, the Central Bank of Kenya (CBK); Kenya Investment Authority (KenInvest); Capital Markets Authority (CMA); Insurance Regulatory Authority (IRA); and Export Processing Zones Authority (EPZA); with East African Community (EAC) and the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) providing Technical Assistance (TA).

Sample Selection

6.4 The sampling process for FIS 2024 followed a structured approach, utilizing the master enterprise register as the primary sampling frame. This register contains comprehensive information on all registered businesses in the country, including company names, physical addresses, industrial classifications, and ownership structures. Hence the sample selection entailed the following steps:

1. Identification of Foreign-Owned Enterprises:

Enterprises with foreign ownership or involvement in cross-border transactions were identified within the statistical business register. This category comprised enterprises which had participated in the previous surveys, as well as new additional enterprises provided by Kenya Investment Authority (KenInvest). The identification process relied on several indicators, including the residency status of shareholders, reported affiliations with foreign entities, and other relevant ownership criteria.

2. Stratification and Cut-off Sampling:

To achieve a representative sample, enterprises were first stratified by industry. Subsequently, cut-off sampling was employed, taking into account the size of investment and other pertinent variables.

3. Final Sample Selection:

By the end of the sampling process a sample of 1,112 enterprises was drawn for the FIS 2024.

Survey Instruments

6.5 The data collection tools for the FIS 2024 comprised a structured questionnaire and a detailed instructions' manual. These instruments were developed by the Balance of Payments Technical Working Group (BOP-TWG), which oversees the execution of the FISs activities. The design was aligned with the standards and guidelines outlined in the Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6).

6.6 The Questionnaire: The design of the FIS 2024 questionnaire was guided by the principles set forth in BPM6. It was structured to gather comprehensive data on various aspects, including general enterprise details, foreign assets and liabilities, international trade in services, employment statistics, export and import volumes, and investor perceptions.

6.7 Instructions' Manual: To ensure consistency and uphold data quality, an Instructions' Manual was created. This manual served both as a training resource and a reference guide for survey personnel.

Response Rate and Data Validation

6.8 FIS 2024 targeted a total of 1,112 enterprises. However, following temporary closures of some enterprises, compounded with permanent closures, and mergers and acquisitions, only 968 questionnaires were distributed to the enterprises. Out of the distributed questionnaires, 704 questionnaires were successfully completed while 47 were partially completed resulting in a collection of 751 questionnaires- a response rate of 77.6 per cent of the administered questionnaires, as detailed in Table 6.1. The survey findings showed that enterprises with Foreign Assets and Liabilities (FAL)

were 603, translating to a response rate of 80.3 per cent of the total collections. In contrary, 148 indicated no cross-border transactions during the reference

period. To address partially completed questionnaires, imputation methods were applied to alleviate the item and unit non-response cases, by utilizing data from previous surveys and relevant administrative records.

Table 6.1: Response Rate

	Number of Enterprises	Mergers	Closures (Permanent & Temporary)	Distributed Questionnaires	Partially completed and returned	Completely filled and Returned	Enterprises with FAL	Enterprises without FAL	Response Rate
Questionnaires	1,112	9	135	968	47	704	603	148	77.6%

6.9 Data editing involved validating and reconciling the reported flows and positions in the questionnaires with the corresponding financial statements. Additionally, for questionnaires that did not report Foreign Assets and Liabilities (FAL), a thorough review was conducted to verify whether any FAL existed. This process comprised examining and scrutinizing the submitted financial statements and engaging directly with the relevant enterprises to confirm the findings.

Data Processing

6.10 Data Entry: The data entry phase entailed transferring all information from the completed questionnaires into an electronic format. This process was carried out using the Private Capital Monitoring

System (PCMS-Version 4), a software developed by MEFMI. The system is specifically designed to streamline the processing of both survey and non-survey data related to private capital, in line with BPM6 guidelines.

6.11 Data Analysis and Tabulation: After the data cleaning process, further analysis was performed on various variables, including sector classification, investment type, and investment direction. The results were then tabulated into standard Tables that summarized the key findings of the survey. The Tables were specifically designed to provide valuable insights for policymakers and other stakeholders who utilize statistical data.



APPENDIX

Glossary of Key Terms and Concepts

Introduction

This section describes the underlying technical concepts and definitions based on the IMF's Balance of Payments & International Investment Position Manual 6th Edition (BPM 6).

1. Balance of Payments, Flows, Transactions, Foreign Assets and Liabilities

The Balance of Payments (BOP) is a systematic statistical statement. It summarises for a given period (e.g. calendar year), an economy's transactions (inflows and outflows reflecting creation, transformation, exchange, transfer or extinction of economic value) with the rest of the world. BOP comprises the Current Account (Goods and Services; Primary Income; and Secondary Income) and the Capital and Financial Account, which includes all private capital flows. BOP captures transactions between residents and non-residents, irrespective of the currency in which the transaction is made. Typically, a transaction in foreign currency between two residents of Kenya is therefore not part of BOP.

Note that: Flows refer to economic actions and effects of events within an accounting period. It reflects the creation, transformation, exchange, transfer, or extinction of economic value; they involve changes in the volume, composition, or value of an institutional unit's assets and liabilities. International flows are recorded in the accounts as transactions (Balance of Payments) and other changes in financial assets and liabilities account.

Consequently, flows from non-resident to resident enterprises of Kenya also referred to as Kenya's foreign liability flows are recorded in the Kenyan books of account as inflows. Hence, when these foreign liabilities reduce which means that either Kenyan resident enterprises are repaying the liabilities, or the non-resident enterprises are disinvesting from the resident enterprises, then these are recorded in the books of account as outflows. Similarly, flows from resident enterprises of Kenya to non-resident enterprises also referred to as Kenya's foreign assets will be recorded in the Kenyan books of account as outflows. Hence,

when these foreign assets reduce which means that either Kenyan resident enterprises are disinvesting from the non-resident enterprises or the non-resident enterprises are repaying their liabilities (which are Kenyan resident's assets), then these are recorded in the books of account as inflows.

2. International Investment Position / Stocks

International Investment Position (IIP) is a statistical statement that shows at a point in time the value and composition of Kenya's financial assets (claims on rest of the world) and liabilities (claims by the rest of the world).

Note that: Stocks/Positions refer to the level of financial assets or liabilities at a point in time. Generally, positions are shown at the beginning and end of an accounting period and are recorded in the international investment position, which is a balance sheet of external financial assets and liabilities.

3. Residency

A resident is any individual, enterprise, or other organisation ordinarily domiciled in Kenya. In other words, its centre of economic activity is in Kenya. For statistical purposes, an individual who lives (or intends to live) in Kenya for more than a year is considered a resident of Kenya regardless of the individual's citizenship or nationality. An enterprise incorporated in Kenya is considered a resident of Kenya irrespective of the domicile of the owners of the enterprise. A branch of a foreign enterprise operating (or intending to operate) in Kenya for more than a year is treated as a resident of Kenya. An exception to this rule is foreign embassies and missions and international organisations such as the UN (treated as non-residents).

All other entities are regarded as non-residents including the following:

1. Individuals or enterprises that have lived or operated abroad for a year or more, regardless of nationality.
2. Foreign Governments and bilateral development assistance organizations e.g. Department for International Development (DFID), Japan

International Cooperation Agency (JICA).

3. International organizations with shareholders who are governments of more than one country e.g. World Bank, African Development Bank, International Finance Corporation, etc.

4. Book (Nominal) Value

Book (Nominal) value refers to the value recorded in the enterprise's records. This comprises of authorised and issued share capital at historical cost; any share premium; reserves and retained earnings; revaluations and any other reserves. This concept is familiar to accountants and financial managers and is known to them as "shareholder funds".

5. Institutional unit

Institutional unit is an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities.

6. Enterprises

An enterprise is defined as an institutional unit engaged in production of goods and services. An enterprise may be a corporation (including a quasi-corporation), a non-profit institution, or an unincorporated enterprise. Corporations are legal or social entities whose existence is recognized by law or society, independent of the persons or other entities that may own or control them. Examples include companies, branches, partnerships e.t.c.

An establishment is an enterprise or part of an enterprise that is situated in a single location and in which only a single productive activity is carried out, or in which the principal production activity accounts for most of the value added.

7. Financial Instruments

Financial instruments are financial contracts made between institutional units. Financial Instruments consists of equity and non-equity. Equity means shares in companies and equivalent ownership interest in an enterprise. Non-equity means all other financial instruments including currency and deposits; debt securities; loans; insurance, pension and standardized

guarantee schemes; trade credits and advances; and other accounts receivables/payables.

Currency and Deposits: consists of notes and coins that are of fixed nominal values and are issued or authorized by central banks or governments while deposits include all claims on central bank, banks and other financial institutions.

Debt Securities: are negotiable instruments serving as evidence of a debt. They include bills, bonds, notes, negotiable certificates of deposit, commercial paper, debentures, asset-backed securities, money market instruments, and similar instruments normally traded in the financial markets.

Loans: are financial assets that are created when a creditor lends funds directly to a debtor and are evidenced by documents that are not negotiable. These include loans (different from trade credits) to finance trade, mortgages, other loans and advances, financial leases for the purchase of goods (where payment consists of interest on the outstanding liability, and repayment of the loan liability). Repurchase agreements are treated as securitized loan. They consist of the sale (made with the intention that the transaction will be reversed at a specified future date) of a security such as a government bond by one institution to another.

Trade credits and advances: Trade credit and advances consist of credit extended directly by the suppliers of goods and services to their customers, and advances for work that is in progress (or is yet to be undertaken) and prepayment by customers for goods and services not yet provided.

Insurance, pension and standardized guarantee schemes: Insurance, pension, and standardized guarantee schemes consist of the following: (a) nonlife insurance technical reserves; (b) life insurance and annuity entitlements; (c) pension entitlements, claims of pension funds on pension managers, and entitlements to non-pension funds; and (d) provisions for calls under standardized guarantees. Insurance reserves: They refer to prepayments

for unearned insurance premiums or outstanding insurance claims identified that are expected to be paid out and arise from events for which the claims are not yet settled.

Standardized Guarantees: Standardized guarantees are defined as those guarantees that are not provided by means of a financial derivative but for which the probability of default can be well established. These guarantees cover similar types of credit risk for a large number of cases. Examples of standardized guarantees include export credit guarantees and student loan guarantees. The guarantors are usually general government units or financial corporations. Because the guarantor provides large numbers of guarantees, it is possible to estimate the risk of default.

Pension entitlements: These are financial claims that both existing and future pensioners hold against either their employer or a fund.

Accounts receivable/payable: Accounts receivable/payable include liabilities for taxes, purchase and sale of securities, securities lending fees, wages and salaries, dividends, and social contributions that have accrued but not yet paid.

8. Maturity

Short-term: original contractual maturity of one year or less.

Long-term: original contractual maturity of more than one year.

9. Foreign Direct Investment

Foreign Direct Investment (FDI) occurs when an investor resident in one economy obtains a lasting interest in an enterprise in another economy. This implies a long-term relationship and significant degree of influence by the direct investor in the FDI enterprise.

Foreign Direct investment therefore indicates “the investments which a resident entity in one economy (the direct investor) makes with the purpose of acquiring a lasting interest in an enterprise resident in another economy (the direct investment enterprise). By lasting interest, it is meant that there should exist a

long-term relationship between the direct investor and the enterprise, and that the investor should exercise a significant influence on the management of the enterprise.

Thus, FDI comprise the entirety of funds (contributions to share capital: appropriations; loans; making available cash, commercial credits, or reinvested earnings) which, at a given time, a direct investor leaves to the disposition of enterprises with which is in a direct investment relationship.

10. Direct Investment Enterprise (DIE) is one in which a direct investor resident in another economy owns 10 per cent more of the shares or voting rights in an incorporated enterprise or equivalent in an unincorporated -one not registered such as small, informal businesses or branches. For inward investment, a DIE is a resident enterprise in which a non-resident Direct Investor owns more than 10 per cent of the total equity of the resident Direct Investment Enterprise. For outward investment, a DIE is a non-resident enterprise in which a resident Direct Investor owns more than 10 per cent of the total equity of the non-resident Direct Investment Enterprise. DIE comprise subsidiaries (a non-resident investor owns more than 50%), associates (an investor owns 10%-50%) and branches (wholly or jointly owned unincorporated enterprises).

FDI has 3 components, which the survey captures:

- Equity which entails ownership of shares or voting rights of 10% and above.
- Reinvested (or Retained) Earnings this denotes income on equity
- Shareholder and Inter-Enterprise Loans / Borrowing. It comprises the borrowing or lending of funds among related enterprises between the direct investor, and the direct investment enterprise, where one is resident, and the other is non-resident.

11. Direct Investor

A direct investor is an enterprise or group of related enterprises that is able to control or have a significant degree of influence over another enterprise that is resident of a different economy. Control is determined

to exist if the direct investor owns more than 50 % of the voting power in the direct investment enterprise (also called a subsidiary). A significant degree of influence is determined to exist if the direct investor owns from 10 to 50 % of the voting power in the direct investment enterprise (also called associate).

12. Direct Investment

Refers to any ownership stake held by a non-resident in the resident enterprise that is 10 per cent or more of total equity. The control or influence may be direct (through ownership of voting power) or indirect (through ownership of enterprises that in turn have voting power).

13. Reverse Investment

Reverse investment arises when a direct investment enterprise lends funds to or acquires equity in its immediate or indirect direct investor, provided it does not own equity comprising 10 percent or more of the voting power in that direct investor. In contrast, if two enterprises each have 10 percent or more of the voting power in the other, this is not reverse investment, rather there exists two mutual direct investment relationships. That is, each enterprise is both a direct investor and direct investment enterprise of the other.

14. Fellow Enterprise (FE)

Fellow enterprises (FE) are those enterprises that are under the control or influence of the same immediate or indirect investor, but neither fellow enterprise controls or influences the other fellow enterprise. Often the direct investor and fellow enterprises are all in different economies, but sometimes the direct investor is in the same economy as one of the fellow enterprises (in which case, it is not a direct investor in that fellow enterprise).

15. Reinvested (or Retained) Earnings

This is one of the three components of FDI and is also referred to as income on equity. It is the direct investor's share (calculated as a proportion of direct equity held) of that part of net profit earned, not distributed as dividends by the direct investment enterprise, together with earnings of branches that are not remitted to the direct investor.

16. Investment Fund Shares (IFS)

They are collective investment undertakings through which investors pool funds for investment in financial or non-financial assets or both. Thus, investment fund shares or units refer to the shares issued by mutual funds and unit trusts rather than the shares they may hold.

17. Investment Income

This is income from interest, dividends, and remitted profits.

Dividends are income on equity in incorporated enterprises (companies) and branch profits are the equivalent in unincorporated enterprises (branches). They are the distributed earnings allocated to shares for participation in the equity of incorporated private enterprises, co-operatives, and public corporations, and the equivalent for branches.

18. Portfolio Investment

This entails ownership of shares/voting rights of less than 10 per cent of the total equity by a non-resident entity.

As with FDI, this is divided into equity securities and debt (non-equity) securities. Portfolio investment instruments are tradable between non-residents and residents.

Equity securities: cover those instruments whose holders receive or bear the risks and rewards arising from ownership of the enterprise. It includes shares (in mutual funds, investment trusts and unit trusts); stocks; participation or similar documents such as depository receipts. But it excludes shares securities such as certain preference shares if they do not entitle the holder to a specified return (these should be classified as debt and not equity).

19. Financial derivatives

These are financial instruments whose value is derived from the value of something else (particularly from other financial instruments). They generally take the form of contracts under which the parties agree to payments between them based upon the value of an

underlying asset or other data at a particular point in time. The main types of derivatives are futures, forwards, options and swaps.

20. Other Investment

This is a residual category of the broad functional categories of Direct Investment and Portfolio Investment. Thus, whatever cannot be classified either as Direct Investment or Portfolio Investment is captured under Other Investment. This comprises other equity (less than 10% of voting rights and non-tradable); debt securities; currency and deposits; loans; trade credits and advances; insurance, pension and standardized guarantee schemes; and accounts payables and receivable.



21. Investment Fund Shares (IFS): They are collective investment undertakings through which investor's pool funds for investment in financial or non-financial assets or both. Thus, investment fund shares or units refer to the shares issued by mutual funds and unit trusts rather than the shares they may hold.

22. Employee Stock Option

This refers to options to buy equity of a company, offered to employees of the company as a form of remuneration.

23. Compensation of employees

Compensation of employees presents remuneration (comprising wages, salaries and other benefits) in return for the labour input to the production process contributed by an individual in an employer-employee relationship with the enterprise. For BOP purposes, compensation of employees is recorded when the employer (the producing unit) and the employee are resident in different economies.

Employees in this context include seasonal or other short-term workers (less than one year) and border workers who have centres of economic interest in their own economies.

For the economy where the producing units are resident, compensation of employees is the total remuneration, in cash or in kind, payable by resident enterprises to non-resident employees in return for work done by the latter during the accounting period.

24. Merchanting

Merchanting refers to the purchase of goods by a resident of the compiling economy from a non-resident combined with the subsequent resale of the same goods to another non-resident without the goods being physically present in the compiling economy.

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