

**KNCCI QUARTELY
BUSINESS
BAROMETER**
Q3/2024 Report

July 2024



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Introduction: Word from Chamber President



Welcome to the KNCCI Q3/2024 Business Barometer report!

The inaugural KNCCI Q2/2024 was well received by different stakeholder including government, private sector, civil society, and development partners, among others. The KNCCI Business Barometer is now a guiding light for Kenya's economy as it provides a forecast into the country's business environment ensuring that all our efforts in advancing the economy are proactive and not reactive.

I would like to thank all those who provided feedback on the inaugural report. We have incorporated all the feedback in this Q3/2024 report. Key to mention is the sample size which now sits at over 1000 businesses and the 'why'; reasons behind the different expectations of businesses identified.

In this issuance, it is encouraging to see that similar to Q2 majority of businesses are optimistic about their revenue and workforce size growth. Additionally, businesses are more confident in the reduction of their primary input cost compared to Q2 though manufacturing is coming out as the least optimistic sector on this metric, calling for increased efforts to support this struggling yet vital sector.

KNCCI expresses utmost gratitude to businesses, both KNCCI members and non-members for participating in the Business Barometer survey. This would not have been possible without you!

Dr. Erick K. Rutto
President, KNCCI

Introduction: About KNCCI

The Kenya National Chambers of Commerce and Industry (KNCCI) is a non-profit, membership-based organization established in 1965. KNCCI has a national office in Nairobi as well as countrywide representation through County Chamber offices in all the 47 Counties. Additionally, in 2023 KNCCI opened its first overseas office in Changsha, China.

KNCCI advocates for the creation of a favorable trade and investment environment that supports enterprise expansion. We have a diverse pool of membership constituting micro, small, medium (MSME), and large enterprises with MSMEs being the bulk of it.

KNCCI fosters market access by organizing trade missions, exhibitions, business matchmaking, and issuing the ordinary certificate of origin for exporters. We also conduct capacity building on corporate governance, export readiness, finance and investment readiness, among other business support trainings.

KNCCI is part of the global chamber movement of 177 countries facilitating trade across the globe. We partner with governments, private sector, and non-profits in advancing our mission of promoting a sustainable business environment for economic growth and prosperity.

Highlights (1/2)

- ❖ The Q3 Business Barometer Survey attracted responses from all sectors with Retail & Wholesale (33.9%) and Agriculture (23.7%) topping the chart
- ❖ Majority of the businesses sampled have an annual revenue of less than Ksh 1 million (75.1%) and staff size of less than 10 employees (85.5%)
- ❖ Majority of businesses are optimistic about the growth of their revenue (71%) and staff size (66%) in Q3
- ❖ All sectors have a majorly positive outlook for revenue growth in Q3 with mining, agriculture, education, and professional services being the most optimistic
- ❖ Businesses expecting revenue growth mainly attribute it to an anticipated customer demand while those not expecting revenue growth cite a decline in anticipated customer demand as the major reason
- ❖ All sectors have a majorly positive outlook for staff size growth in Q3 with retail & wholesale, ICT, healthcare, and hospitality & tourism being the most pessimistic
- ❖ Businesses expecting workforce growth cite anticipated increase in workload as the main reason while those not expecting growth in workforce majorly attribute it to an anticipated stagnation or decline in workload
- ❖ Compared to the 2nd Quarter of 2024, businesses are more optimistic about a drop in the cost of primary input in the 3rd Quarter of 2024

Highlights (2/2)

- ❖ Businesses expecting a drop in cost of primary inputs majorly attribute it to a more stable supply chain while those not expecting a drop cite taxation as the main reason
- ❖ The education and agriculture sectors are most optimistic about a drop in primary input costs, while hospitality & tourism, and manufacturing are less optimistic
- ❖ Majority of businesses (69%) are intentionally applying some climate change mitigation and adaptation actions in their business operations
- ❖ The mining and energy sectors lead in applying climate mitigation and adaptation actions, while the retail and wholesale sector lags behind
- ❖ Similar to Q2, businesses expect limited financial resources (32%), unfavourable regulations (22%), and supply chain instability (22%) to majorly affect their performance in Q3
- ❖ High interest rates (31%) and limited access to credit (30%) topped the list of factors contributing to the challenge of limited financial resources
- ❖ Unfavourable taxes and levies (44%) was identified as the main cause of the unfavourable regulatory environment challenge
- ❖ Increased transport cost (37%) was identified as the main cause of the supply chain instability challenge

Methodology

The KNCCI Q3 2024 Business Barometer Report aims to elucidate businesses' expectations for Q3 2024, drawing insights from their Q2 2024 experiences regarding financial performance and the broader business environment.

In the Q3 Business Barometer Survey, KNCCI engaged 1011 businesses across the country, in all sectors, both members and non-members of KNCCI, and from the formal and informal sectors. The data collection was conducted through an online survey spanning 2 weeks as well as physical interviews in Nairobi. The physical interviews using enumerators is an addition to the data collection efforts of the Q2 Barometer Survey that only employed the use of an online survey.

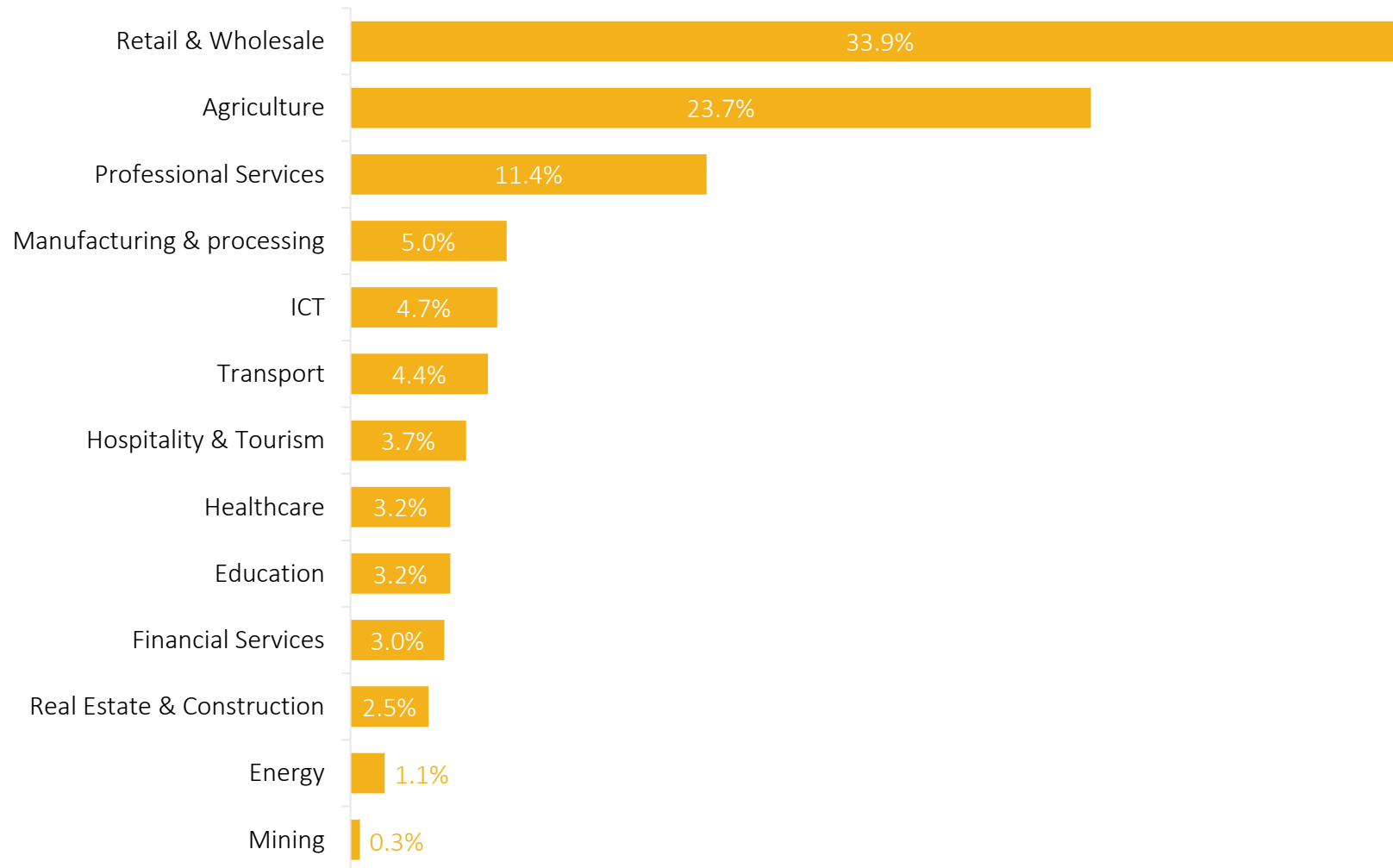
Questions were posed on the businesses' revenue, workforce size, cost of primary inputs, climate change, and challenges for Q3. Following the feedback we received on the inaugural Q2 Barometer report, this issuance seeks to understand the 'why' and this is reflected by the follow up questions for the key areas being probed. To provide more context, this report also provides a sector based breakdown on the revenue, workforce, cost of primary inputs, and climate change items.

Within the pool of responses, a diverse array of businesses emerged, ranging from sole proprietorships such as *Boda Boda* operators to multinational enterprises. Importantly, the respondents were drawn from the ranks of management and directorship within their respective organizations, ensuring a comprehensive and insightful perspective on the business landscape.

Click [HERE](#) to access the KNCCI Q3 Business Barometer Survey.

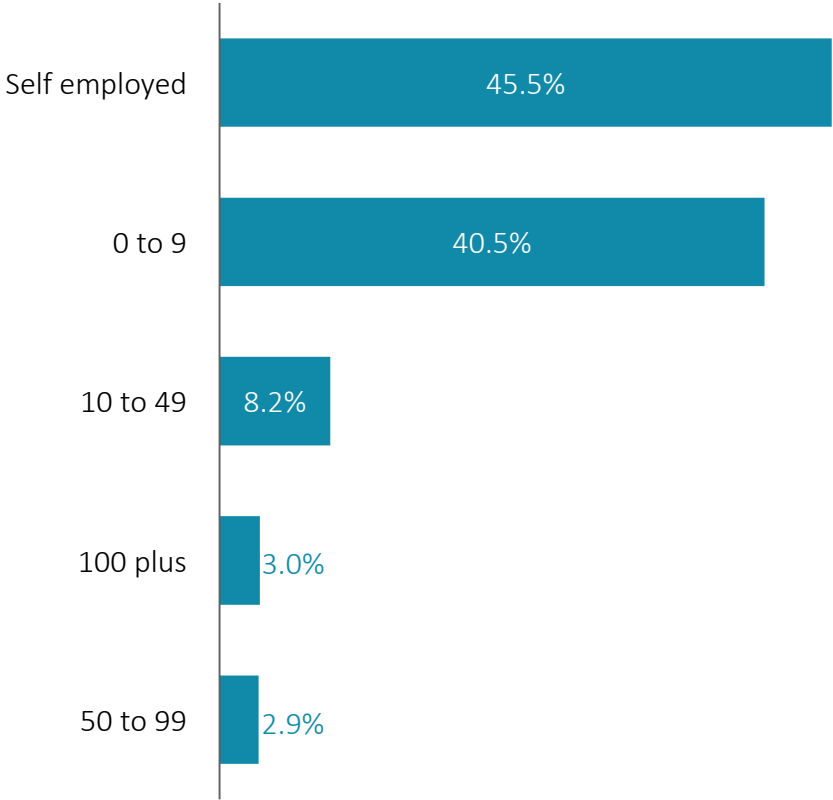
The Q3 Business Barometer Survey attracted responses from all sectors with retail & wholesale (33.9%) and agriculture (23.7%) topping the chart

Sector breakdown of respondents (% of total businesses sampled)

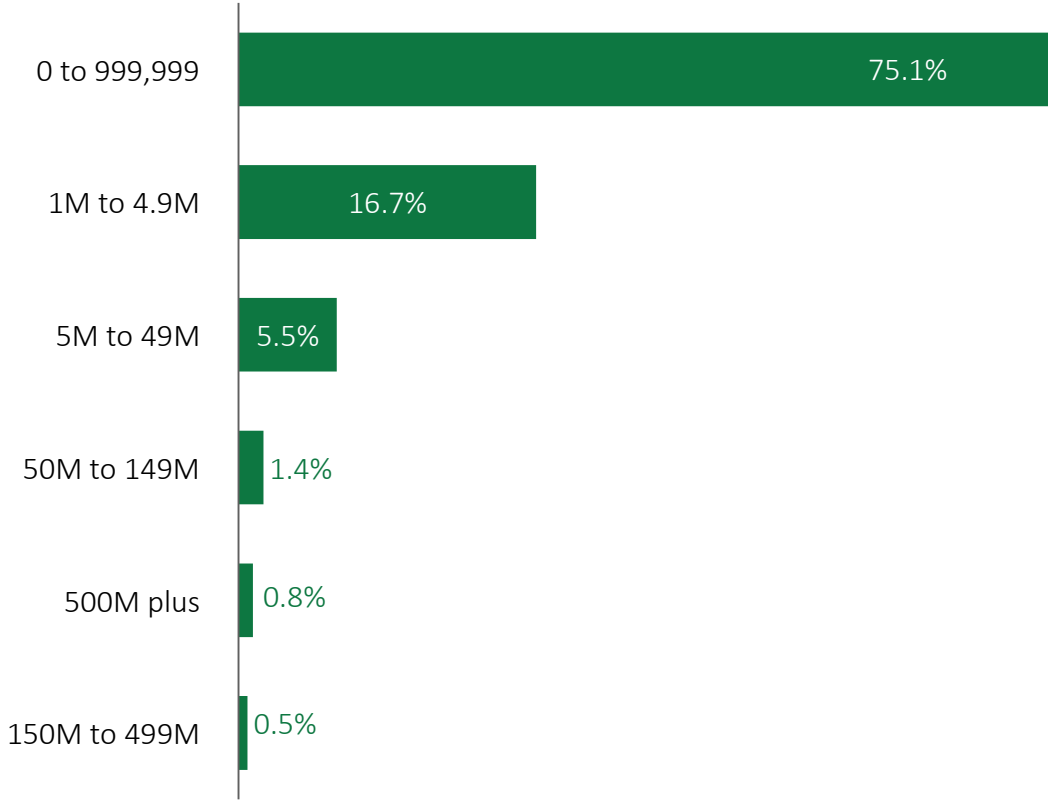


Majority of the businesses sampled have an annual revenue of less than Ksh 1 million (75.1%) and staff size of less than 10 employees (86%)

Workforce size breakdown of respondents
(number of employees)



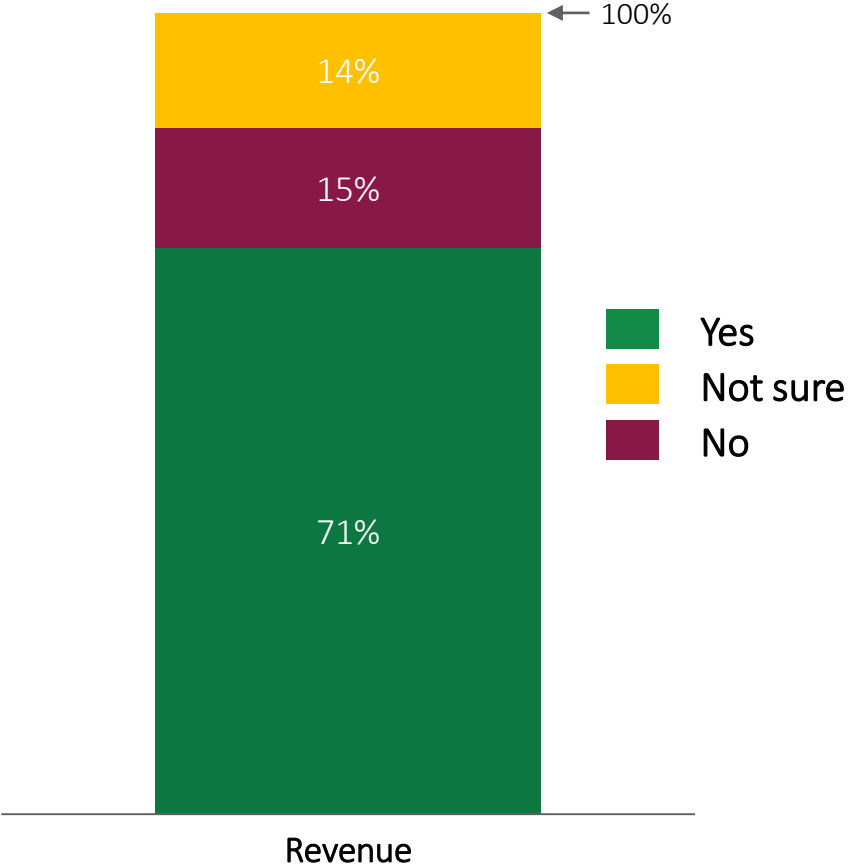
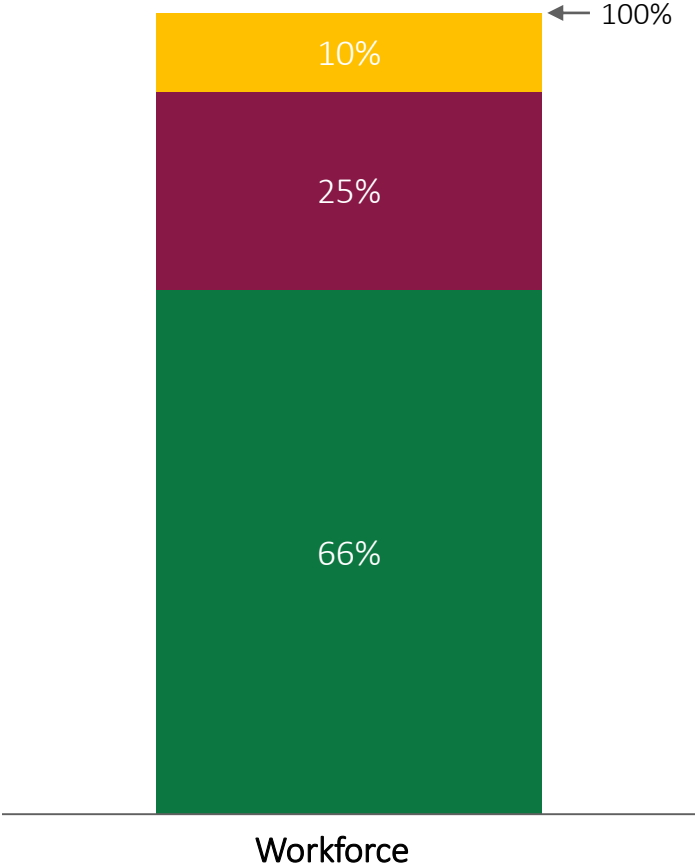
Revenue size breakdown of respondents
Annual sales in KES



Majority of businesses are optimistic about the growth of their revenue (71%) and staff size (66%) in Q3

Q: Do you expect number of staff to grow in Q3 compared to Q2 of 2024

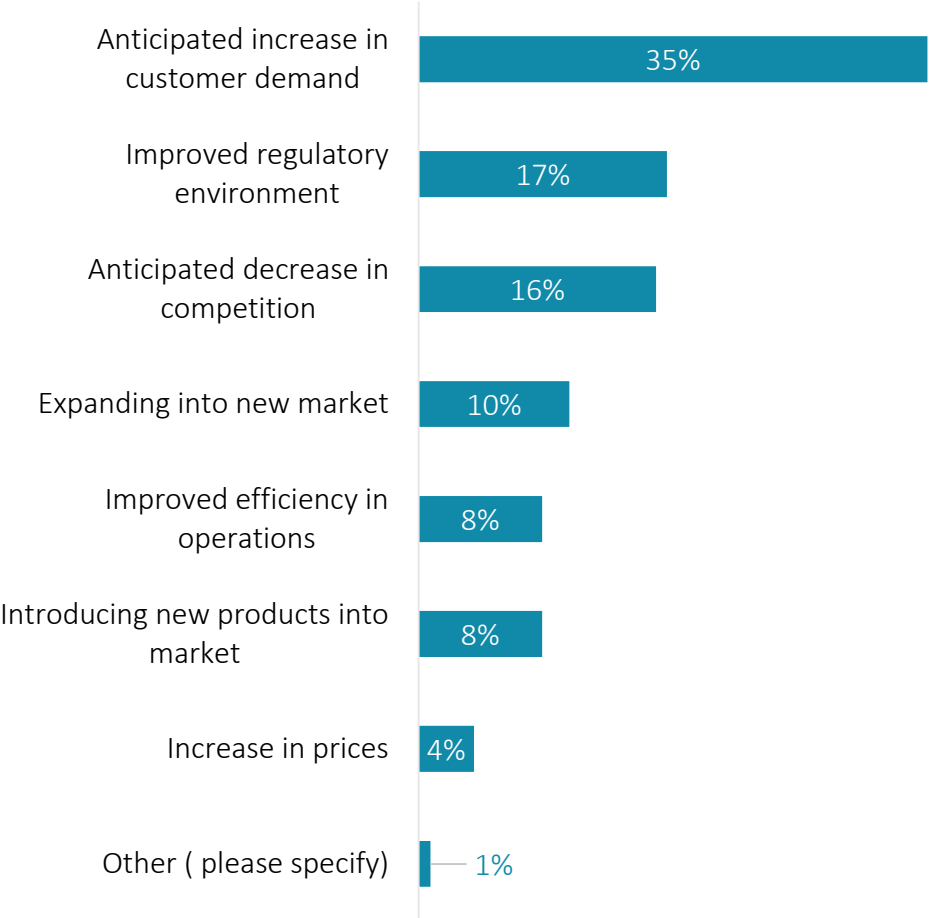
Q: Do you expect revenue (sales) to grow in Q3 compared to Q2 of 2024?



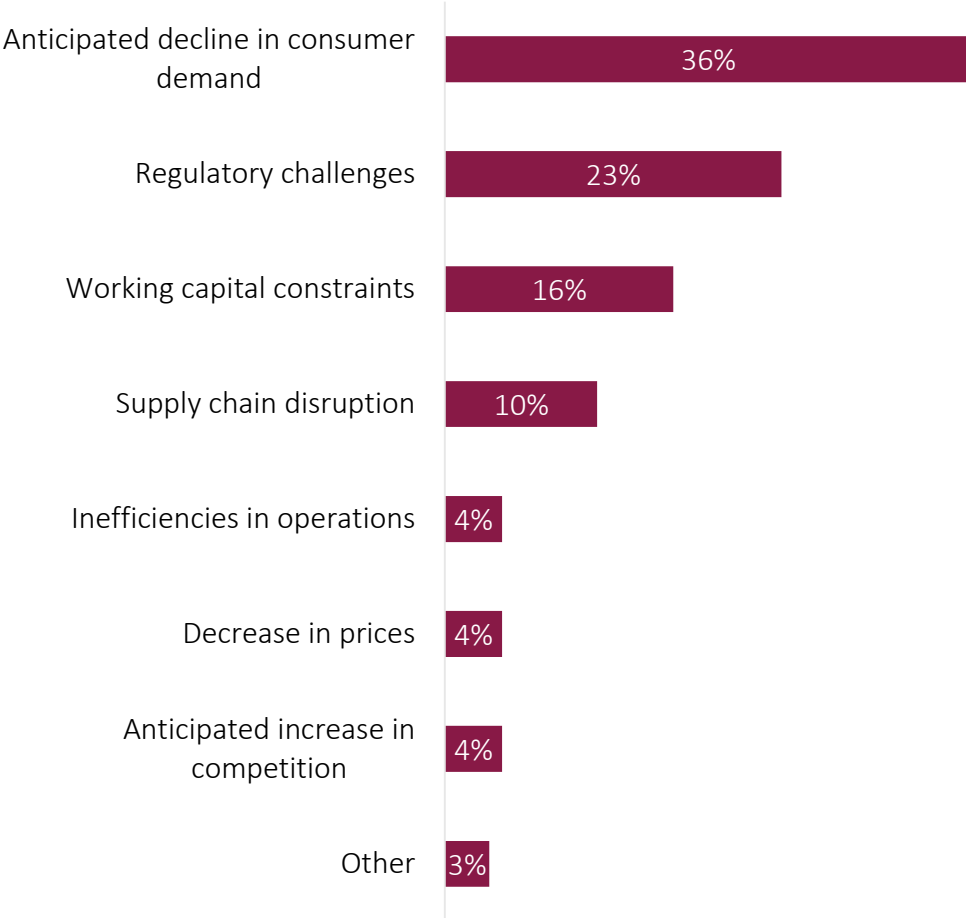
Yes
Not sure
No

Customer demand will be a key influencing factor for the growth of revenue for businesses in Q3

Q: Why do you expect your revenue (sales) to grow in Q3 of 2024?

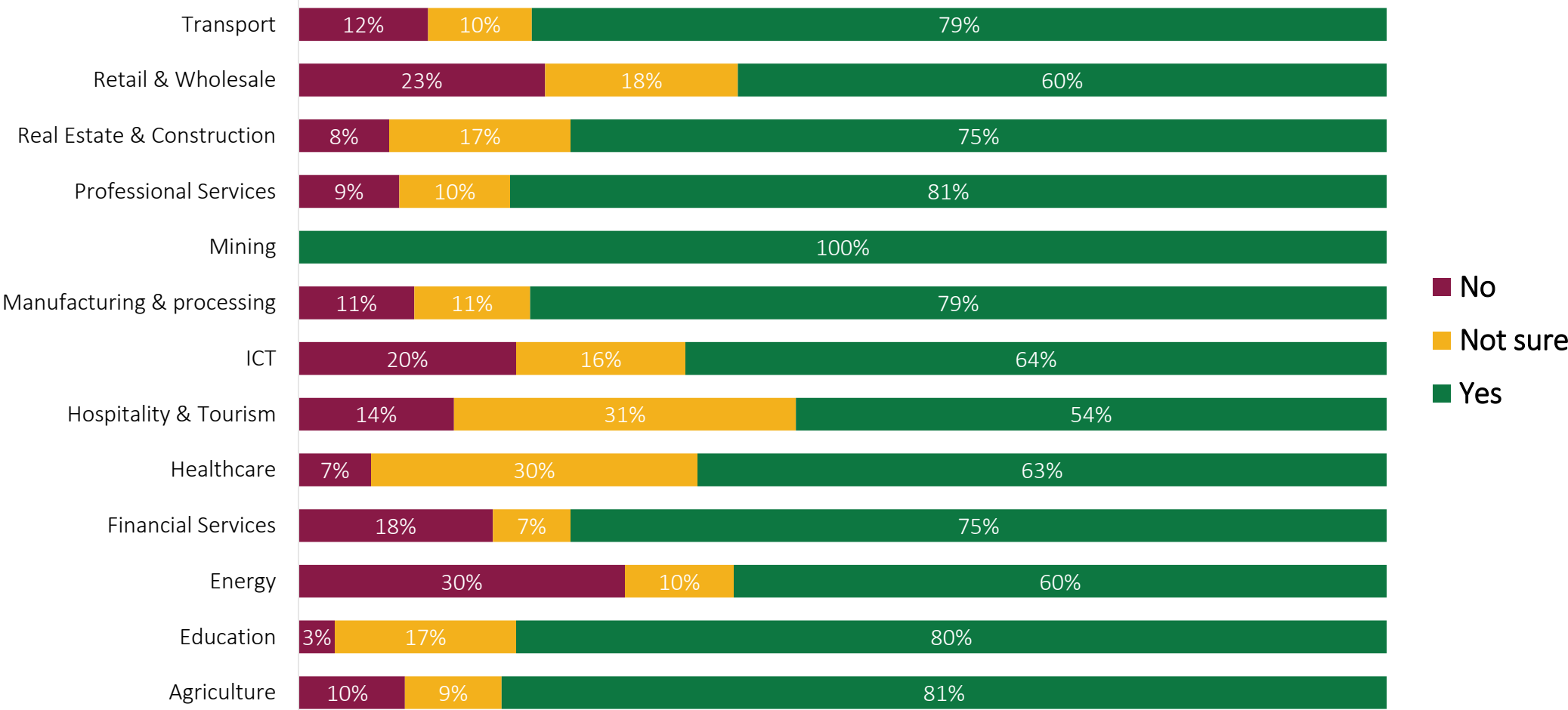


Q: Why do NOT expect your revenue (sales) to grow in Q3 of 2024?



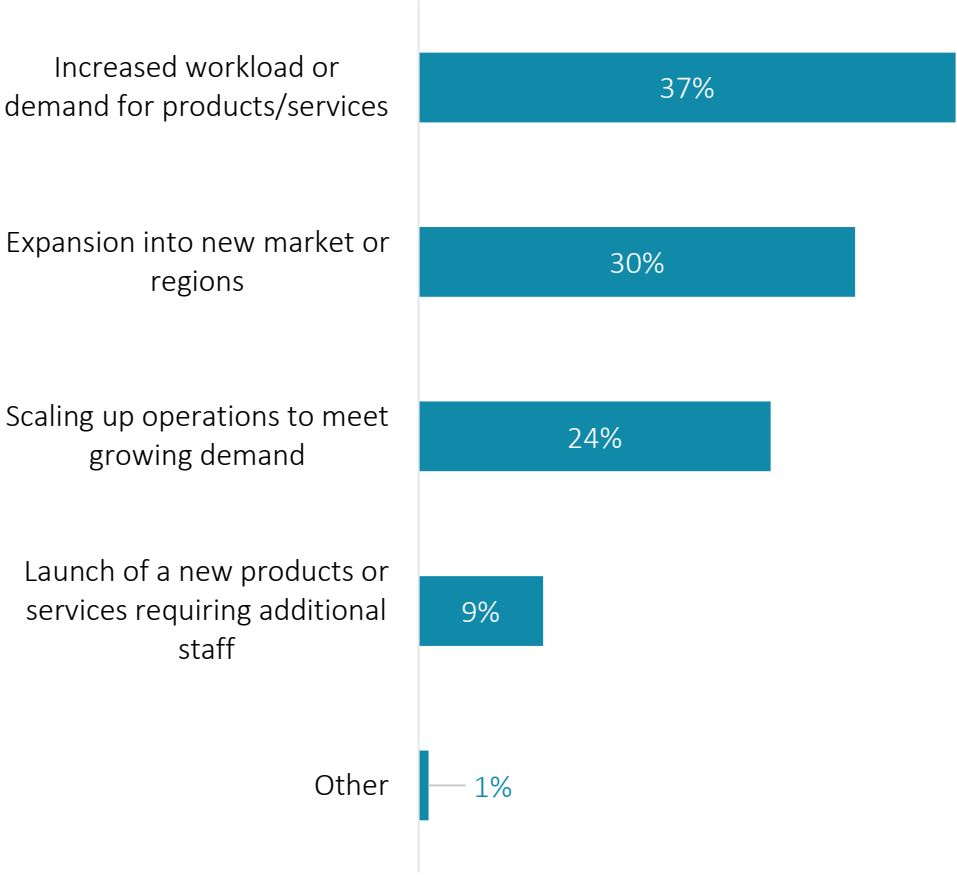
All sectors have a majorly positive outlook for revenue growth in Q3 with mining, agriculture, education, and professional services being the most optimistic

Breakdown of revenue expectation by sector

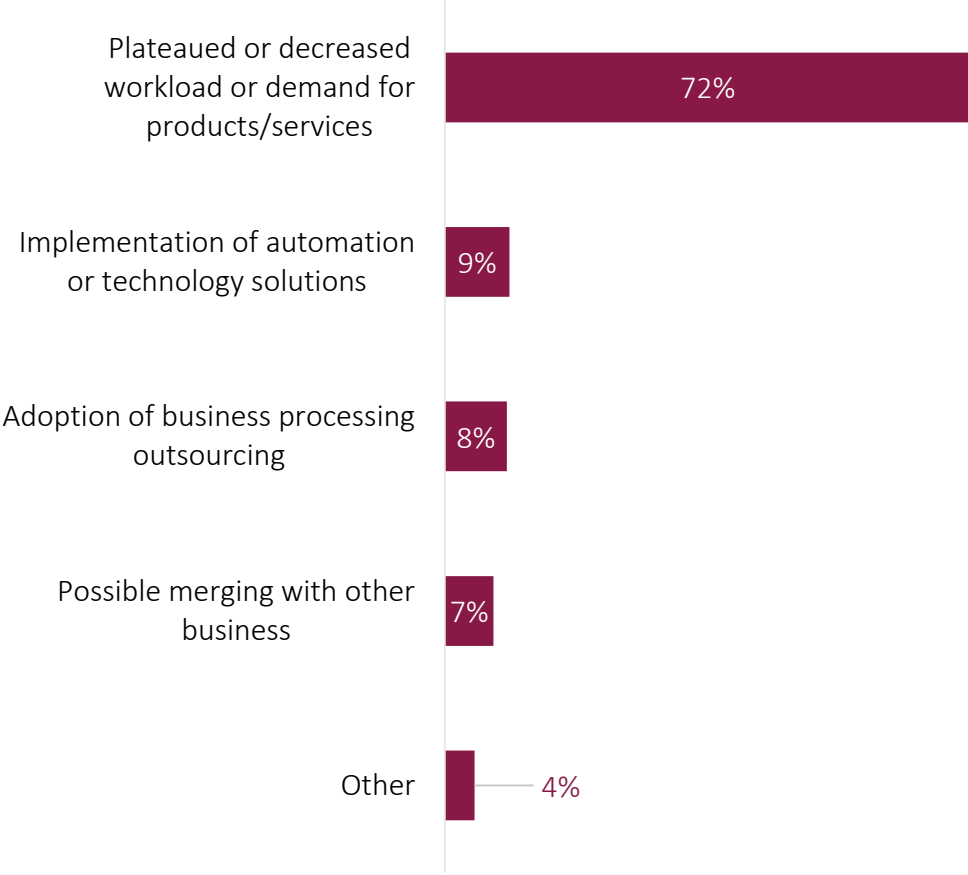


Workload/demand for products and services will be a key determining factor for hiring in Q3

Q: Why do you expect number of staff to grow in Q3 of 2024?

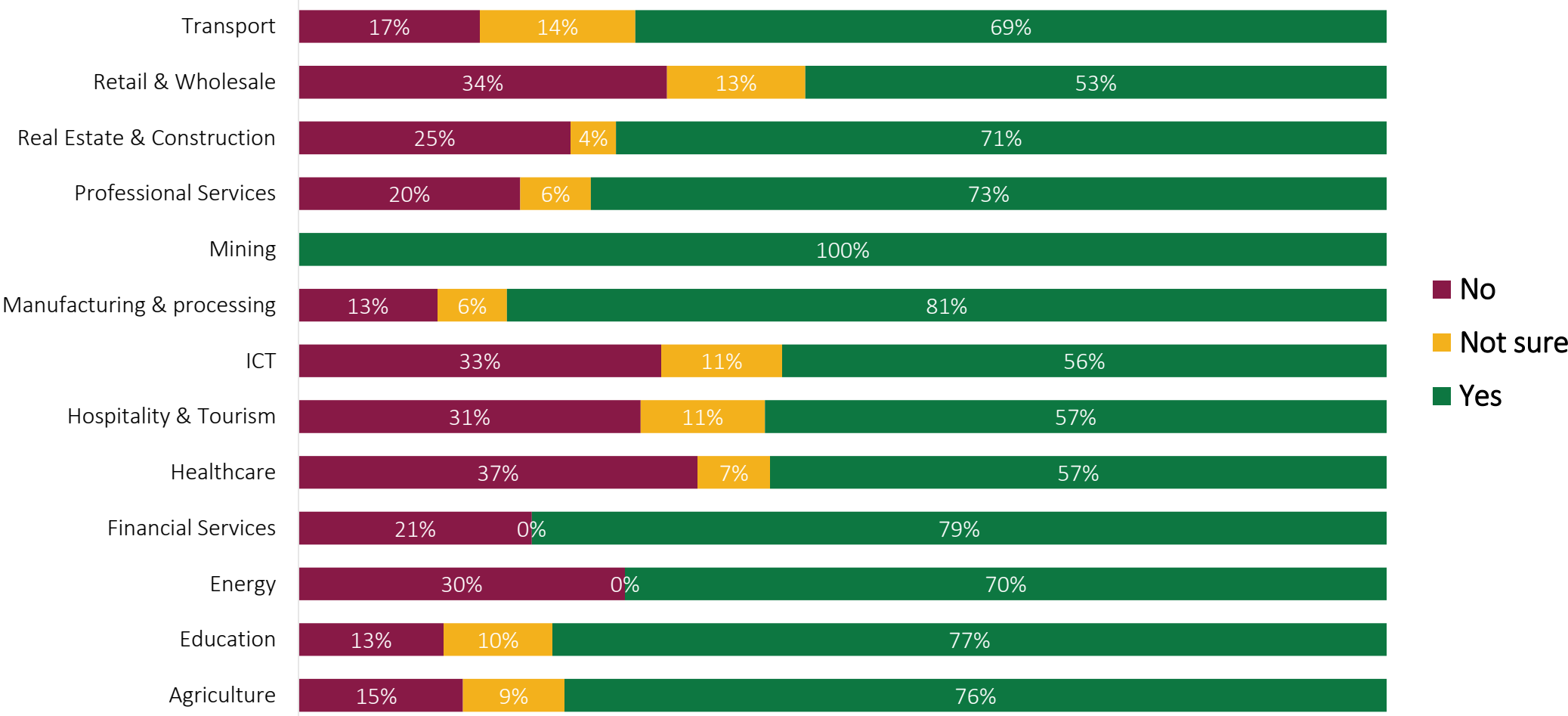


Q: Why do you NOT expect number of staff to grow in Q3 of 2024?



All sectors have a majorly positive outlook for staff size growth in Q3 with retail & wholesale, ICT, healthcare, and hospitality & tourism being the most pessimistic

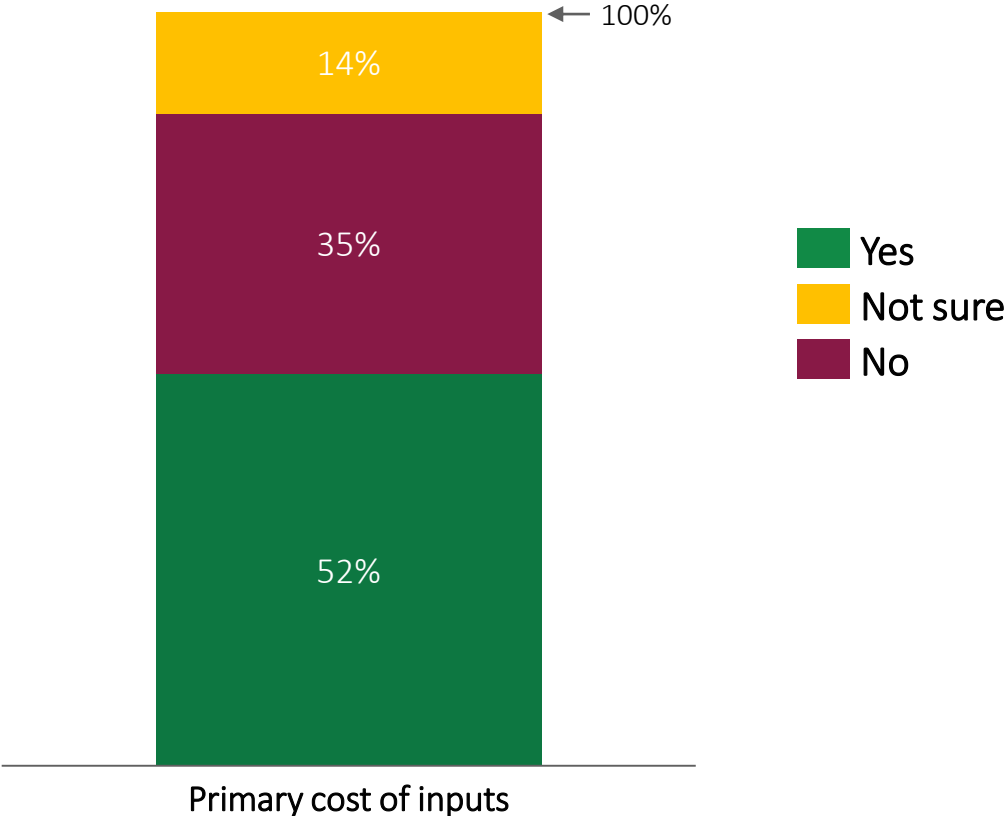
Breakdown of staff size expectation by sector



Compared to the 2nd Quarter of 2024, businesses are more optimistic about a drop in the cost of primary input in the 3rd Quarter of 2024

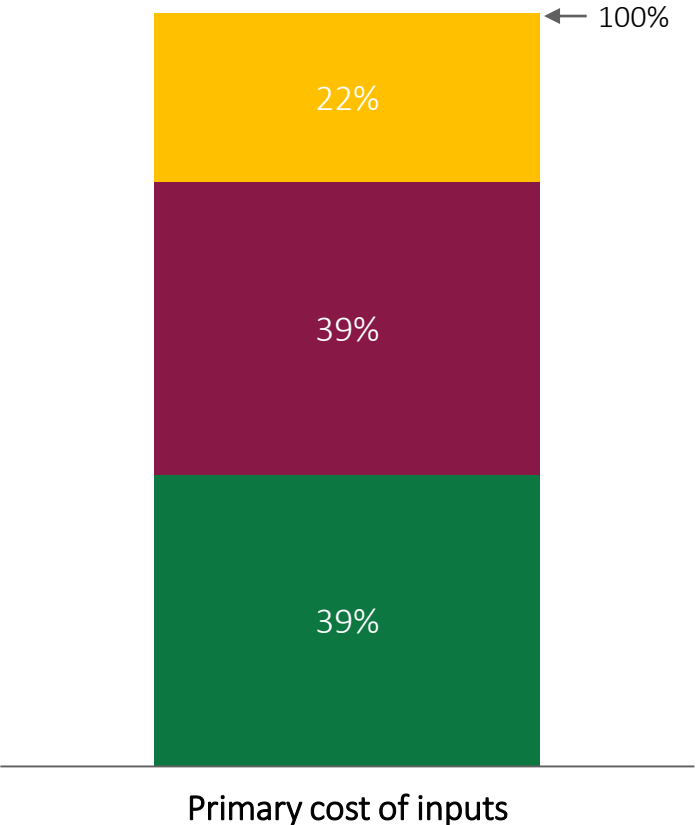
Q3 2024

Q: Do you foresee a drop in the cost of your primary inputs (i.e., raw material) in Q3 compared to Q2 of 2024?



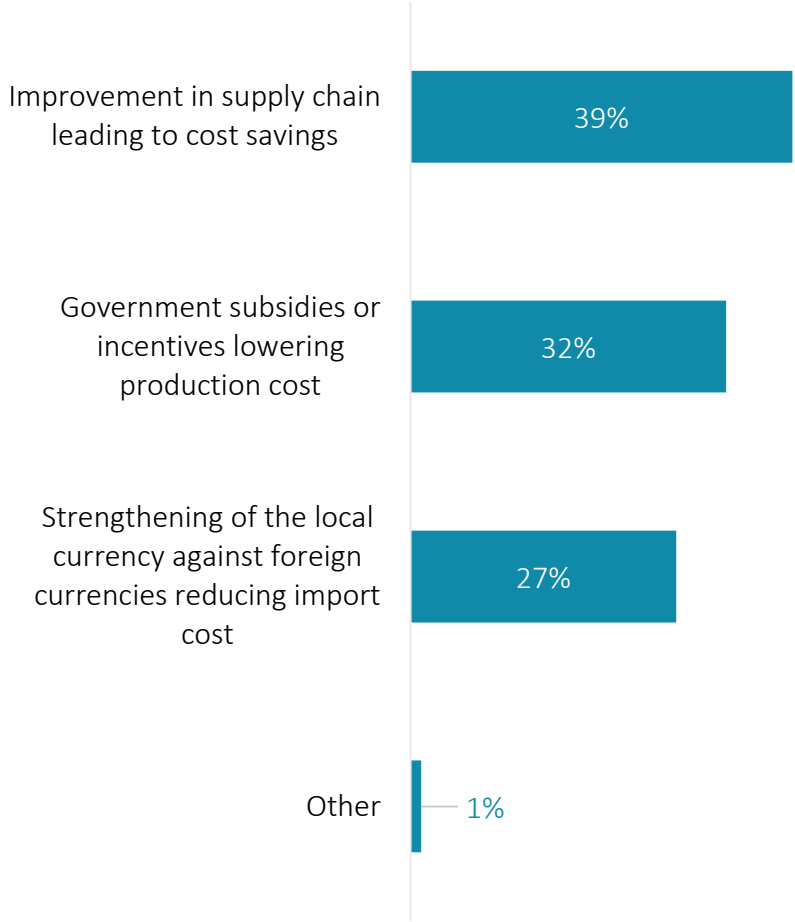
Q2 2024

Q: Do you foresee a drop in the cost of your primary inputs (i.e., raw material) in Q2 compared to Q1 of 2024?

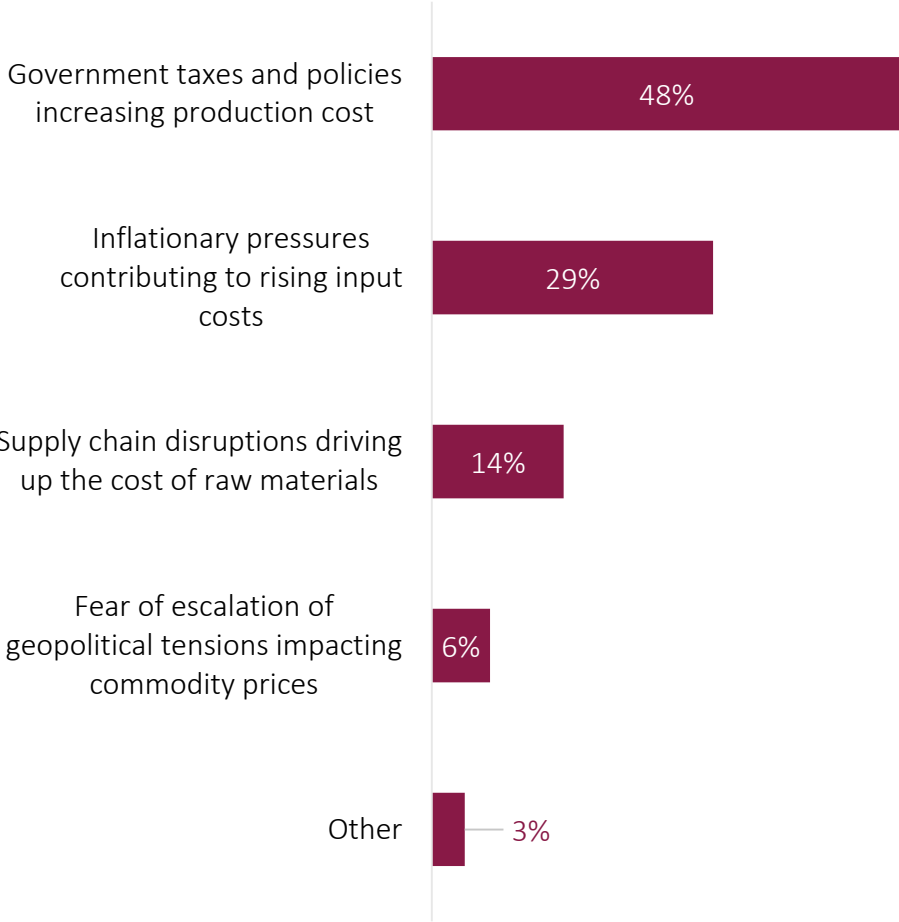


Businesses expecting a drop in cost of primary inputs majorly attribute it to a more stable supply chain while those not expecting a drop cite taxation as the main reason

Q: Why do you foresee a drop in the cost of your primary inputs (i.e raw materials) in Q3 of 2024?

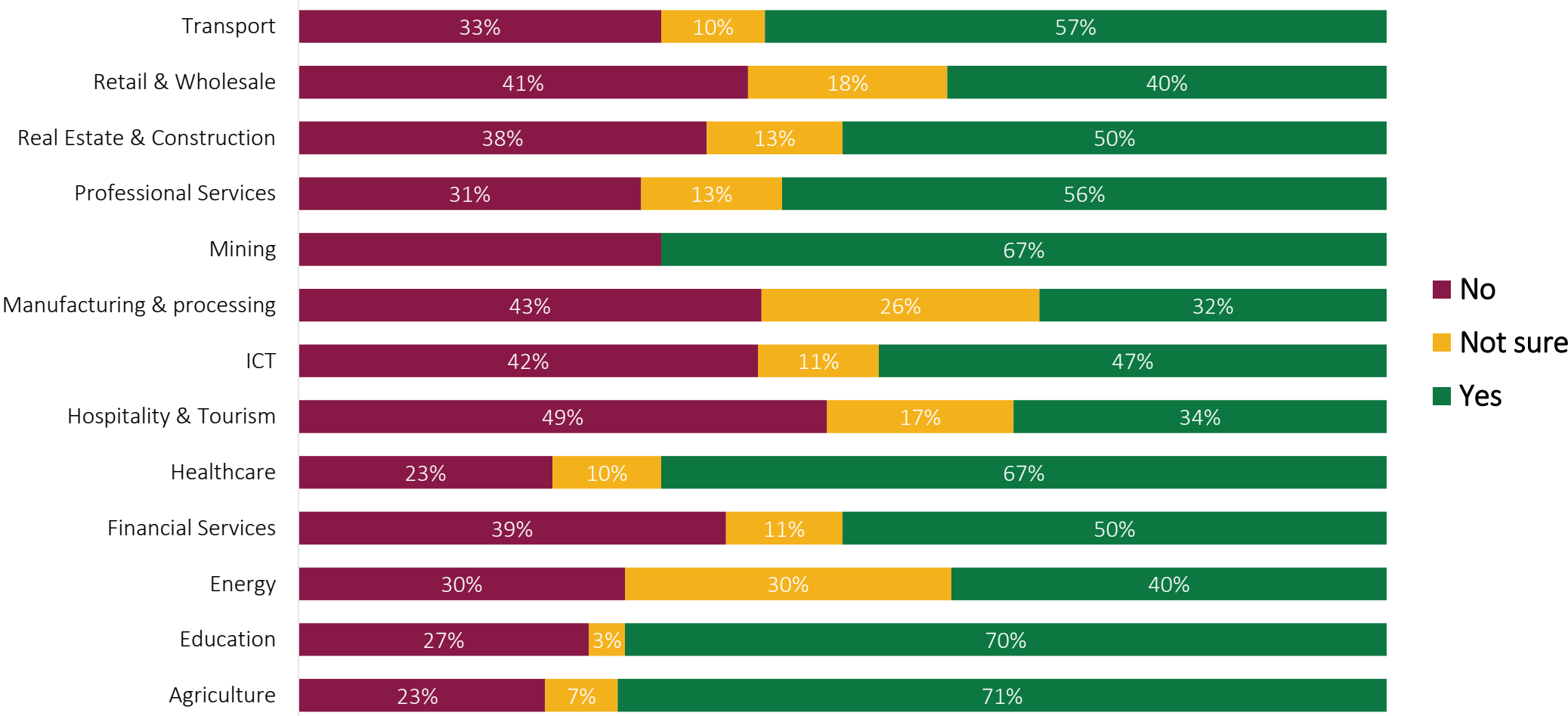


Q: Why do you NOT foresee a drop in the cost of your primary inputs (i.e raw materials) in Q3 of 2024?



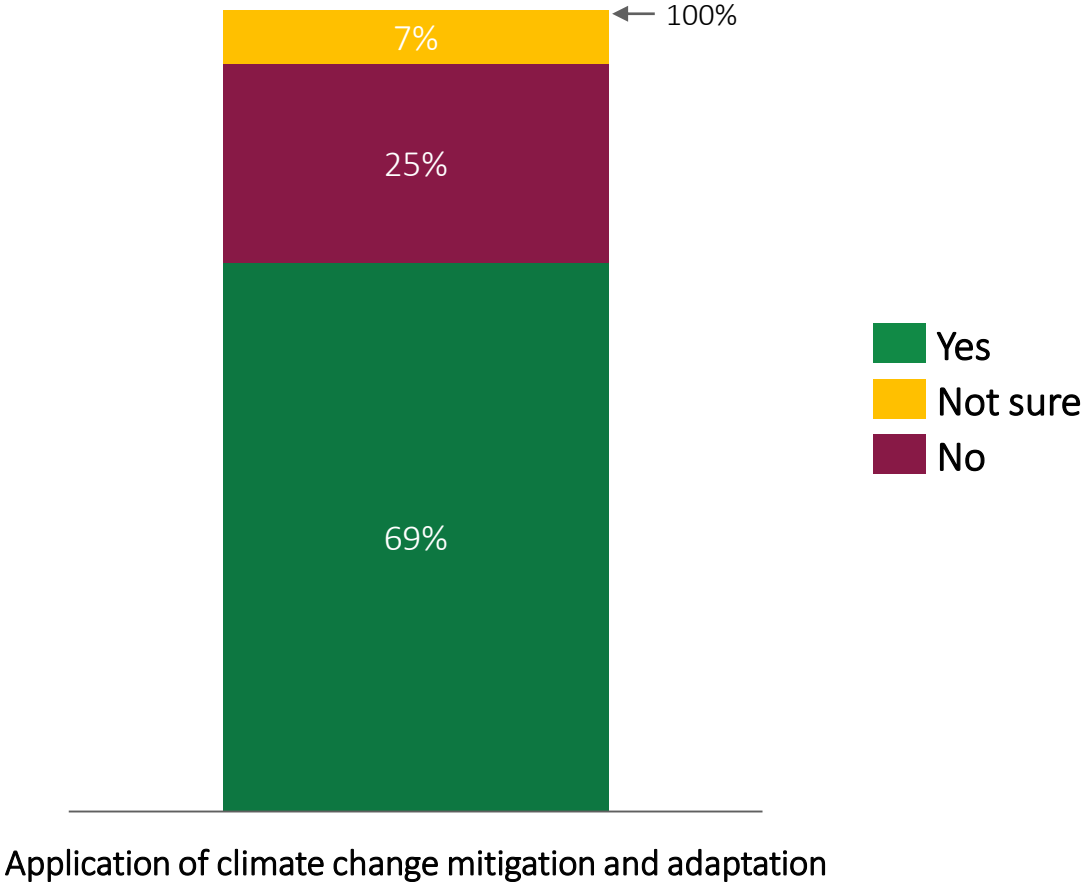
The education and agriculture sectors are most optimistic about a drop in primary input costs, while hospitality & tourism, and manufacturing are less optimistic

Breakdown of primary input cost expectation by sector



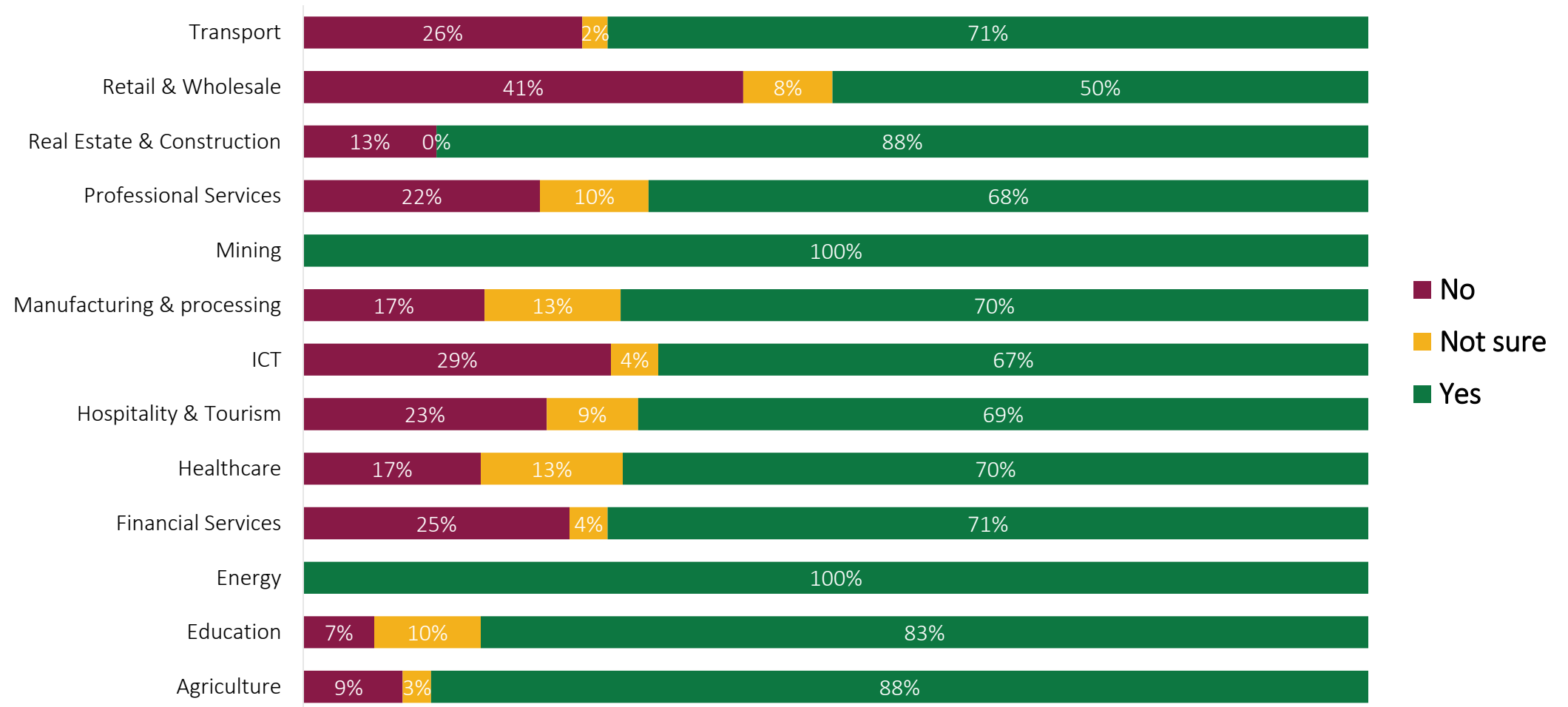
Majority of businesses (69%) are intentionally applying some climate change mitigation and adaptation actions in their business operations

Q: Are you intentionally applying any climate change mitigation and adaptation actions in your operations?



The mining and energy sectors lead in applying climate mitigation and adaptation actions, while the retail and wholesale sector lags behind

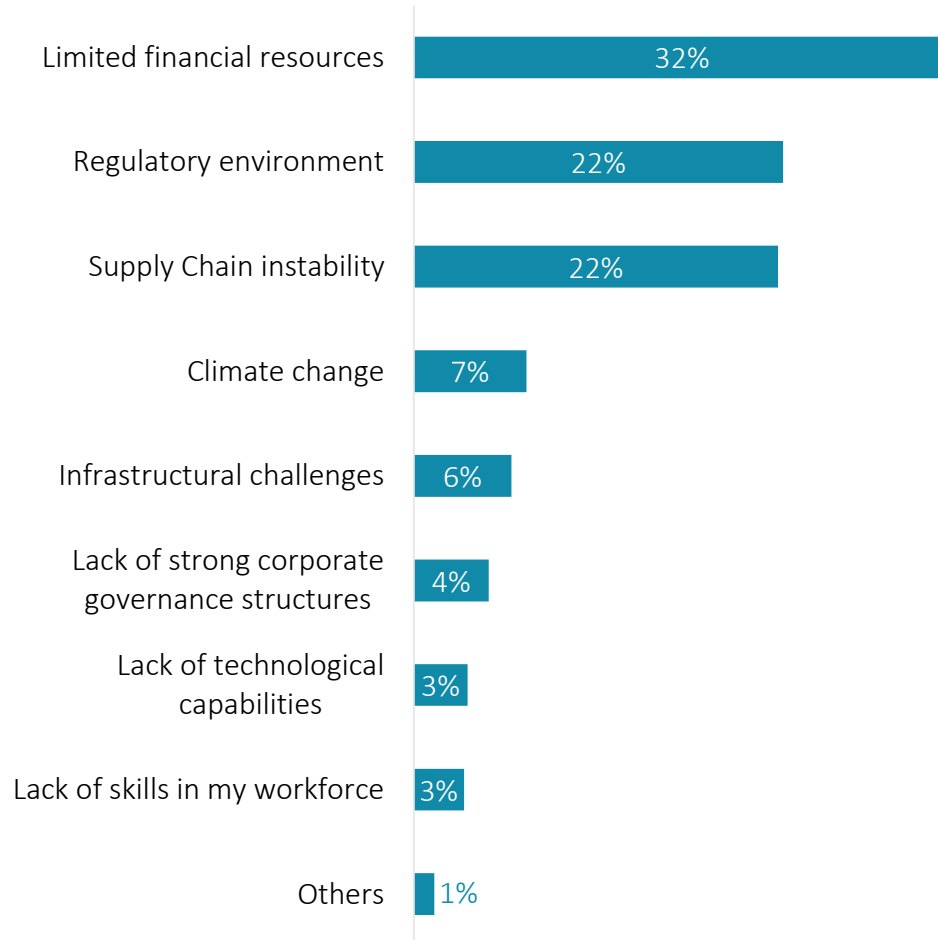
Breakdown of application of climate change mitigation and adaptation actions in business operations by sector



Similar to Q2, businesses expect limited financial resources, unfavourable regulations, and supply chain instability to majorly affect their performance in Q3

Q3 2024

Q: Which of the following factors do you expect to negatively affect your company's performance in Q3 2024?



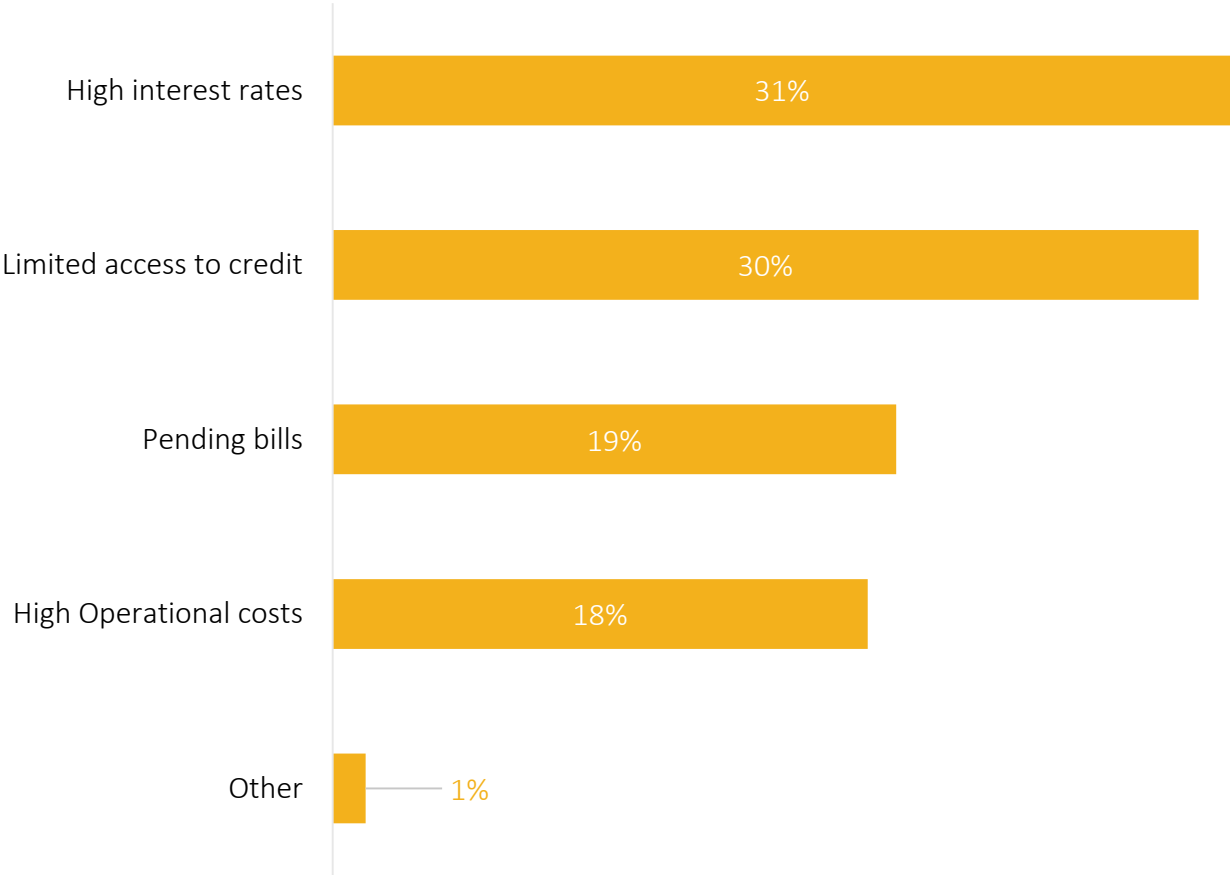
Q2 2024

Q: Which of the following factors do you expect to negatively affect your company's performance in Q2 2024?



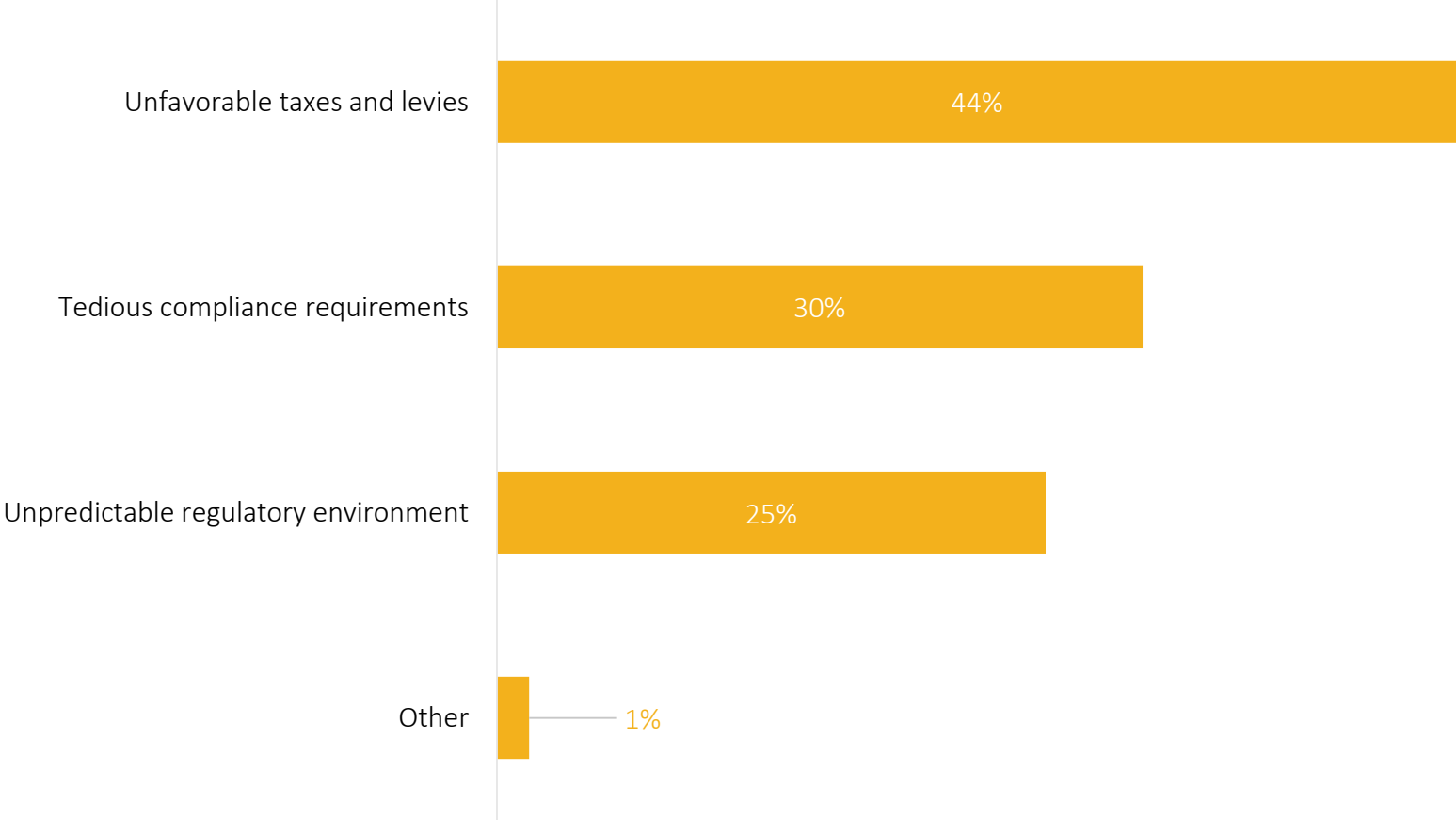
High interest rates and limited access to credit topped the list of factors contributing to the challenge of limited financial resources

Factors causing the limited financial resources challenge



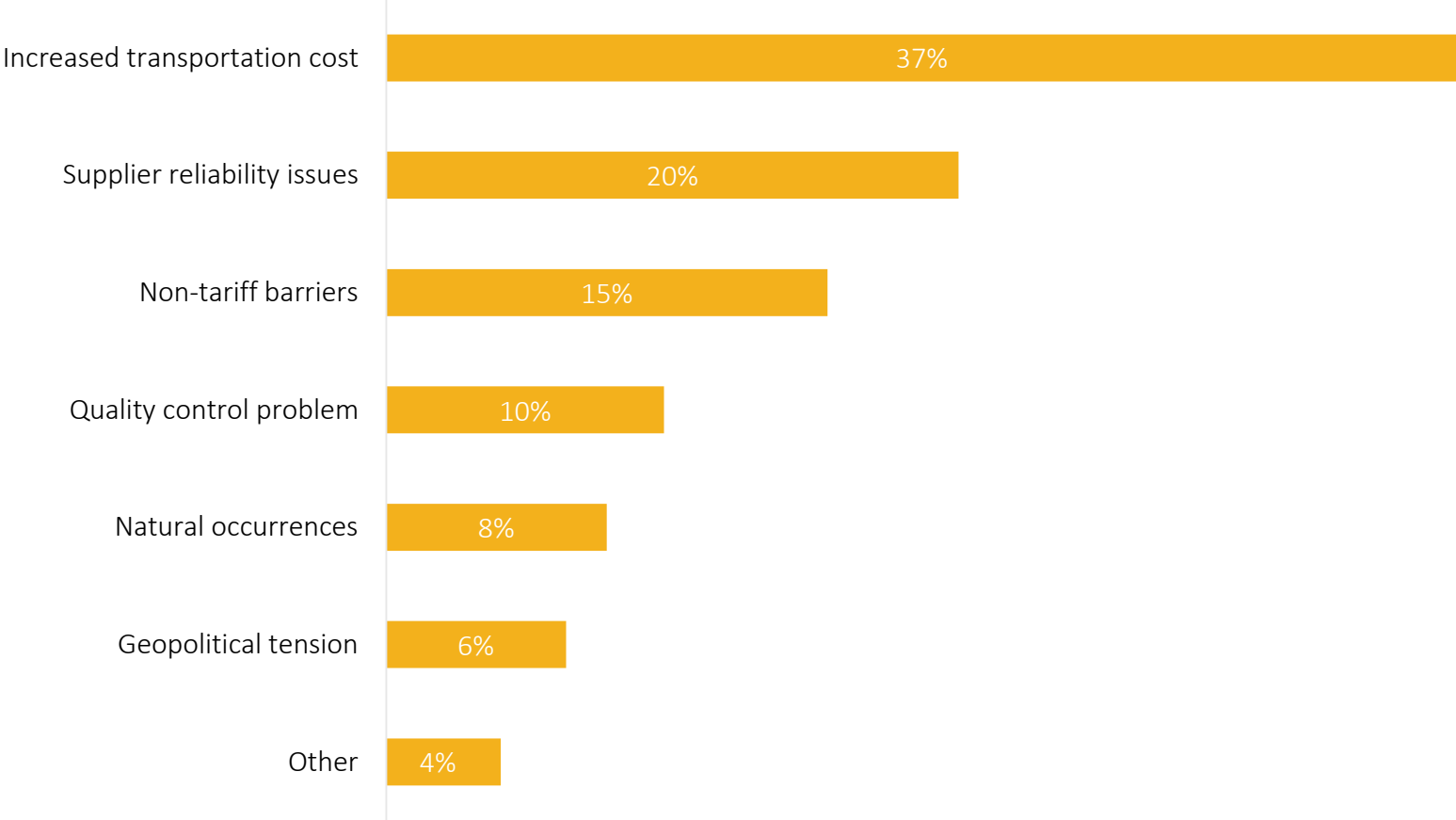
Unfavourable taxes and levies was identified as the main cause of the unfavourable regulatory environment challenge

Factors causing the unfavourable regulatory environment challenge



Increased transport cost was identified as the main cause of the supply chain instability challenge

Factors causing the supply chain instability



Acknowledgments

KNCCI sincerely thanks all respondents for taking their time to participate in the Q3 Business Barometer survey and for trusting us with their information. This report would not have been possible without you!

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At KNCCI, we advocate for the creation of a favorable trade and investment environment that supports enterprise expansion.