

KNCCI QUARTELY BUSINESS BAROMETER

Q2/2024 Report

April 2024



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Introduction: Word from Chamber President



Welcome to the inaugural KNCCI Quarterly Business Barometer report!

This initiative delivers valuable forecasts into Kenya's business environment and private sector performance.

The Quarterly Business Barometer report, grounded in a comprehensive survey, empowers governments, private sector actors, and non-profit organizations to make informed decisions crucial for Kenya's economic growth and development goals.

In this issue, it is encouraging to see that majority of the businesses sampled are optimistic about expanding their operations and growing both revenue and workforce in Q2 despite the macroeconomic challenges affecting our economy.

Dr. Erick K. Rutto
President, KNCCI

Introduction: Word from Chamber CEO



The Kenya National Chamber of Commerce and Industry (KNCCI) is pleased to launch the KNCCI Quarterly Business Barometer report. This is indeed a huge milestone in understanding the needs, challenges, and expectations of the private sector.

KNCCI expresses utmost gratitude to businesses, both KNCCI members and non-members for participating in the Business Barometer survey. In subsequent issues, we will make comparisons to previous Business Barometer reports to track progress on the challenges and expectations of businesses to ensure that efforts from stakeholders are responsive.

We welcome feedback on the Barometer as we seek to improve subsequent issues to ensure we comprehensively capture the perspectives of all businesses regardless of size, sector, or location.

Patrick Nyangweso
Chief Executive Officer, 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 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

- ❖ Albeit not extremely confident, majority of businesses remain optimistic in the growth of their workforce size and revenue in Q2.
- ❖ The hospitality and tourism sector is the most confident in revenue growth, while real estate and construction is at the opposite end of the spectrum.
- ❖ The energy sector is the most confident in workforce size growth, while professional services is at the opposite end of the spectrum.
- ❖ While a significant portion of businesses (39%) foresee a decrease in the cost of primary inputs, an equivalent proportion (39%) anticipates an increase.
- ❖ The energy sector is most optimistic about input cost reduction, while ICT and professional services sectors may experience significant fluctuations.
- ❖ Despite optimism for expansion in Q2 (77%), financial constraints (34%), regulations (16%), and supply chain instability (14%) loom as major obstacles.
- ❖ Transport and energy sectors recognize that supply chain instability and climate change might deter their performance more than any other sectors, respectively.

Methodology

The KNCCI Q2 2024 Business Barometer Report aimed to elucidate businesses' expectations for Q2 2024, drawing insights from their Q1 2024 experiences regarding financial performance and the broader business environment.

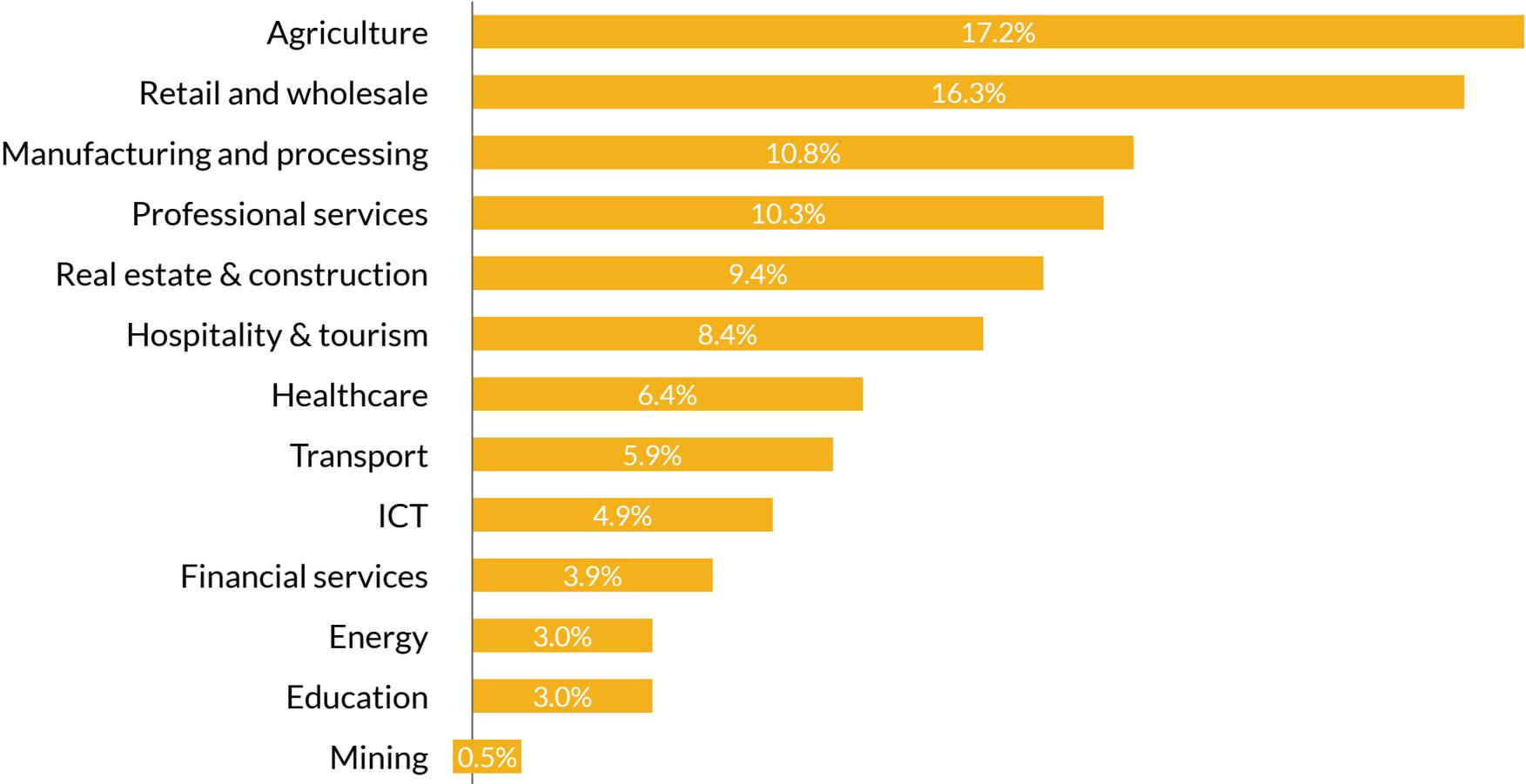
The report draws its insights from a survey administered through Google Forms spanning 12 days, garnering 214 responses nationwide. Questions were posed on the businesses' revenue, workforce, expansion plans, cost of primary inputs, and challenges for Q2. To provide more context, the survey also captured the sector the businesses operate in as well as their current revenue and workforce size. Additionally, the survey welcomed input from both KNCCI members and non-members, capturing perspectives from businesses operating in both the formal and informal sectors alike.

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.

Notably, the survey was limited in number of responses as we did not meet the ideal minimum of 30% of the sample size. This being the inaugural survey, KNCCI will leverage its partnerships in future to attain the minimum threshold.

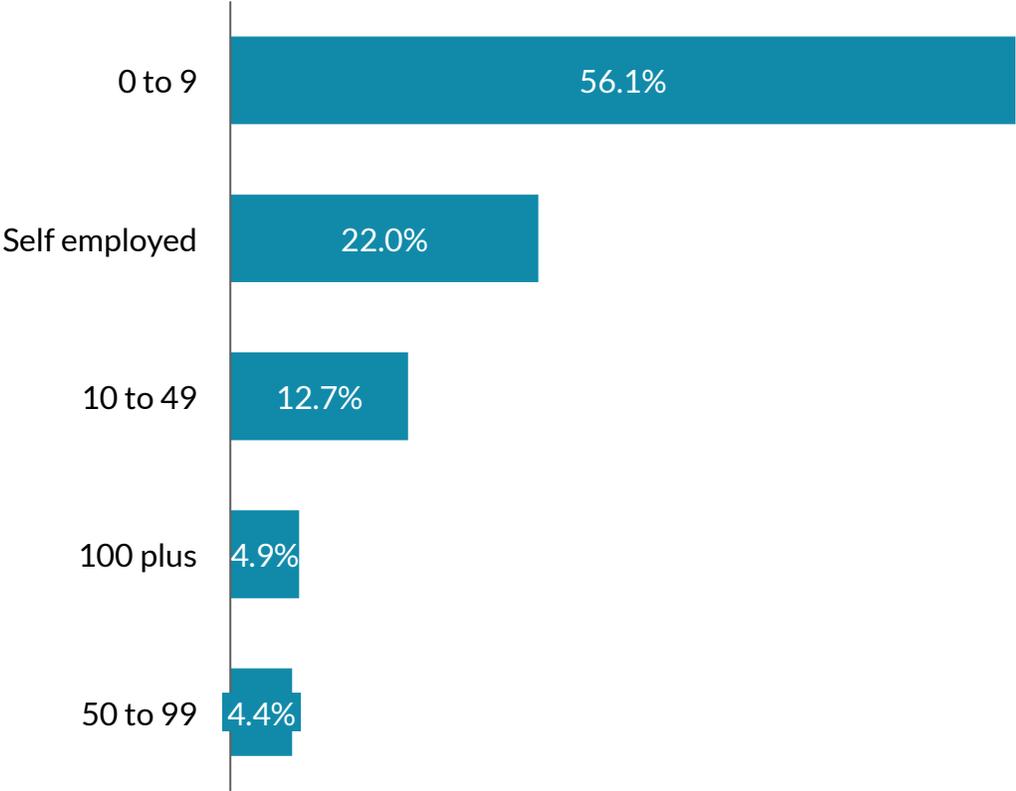
The survey had a diverse pool of responses with majority of businesses being in the agriculture and Retail & wholesale sectors

Sector breakdown of respondents

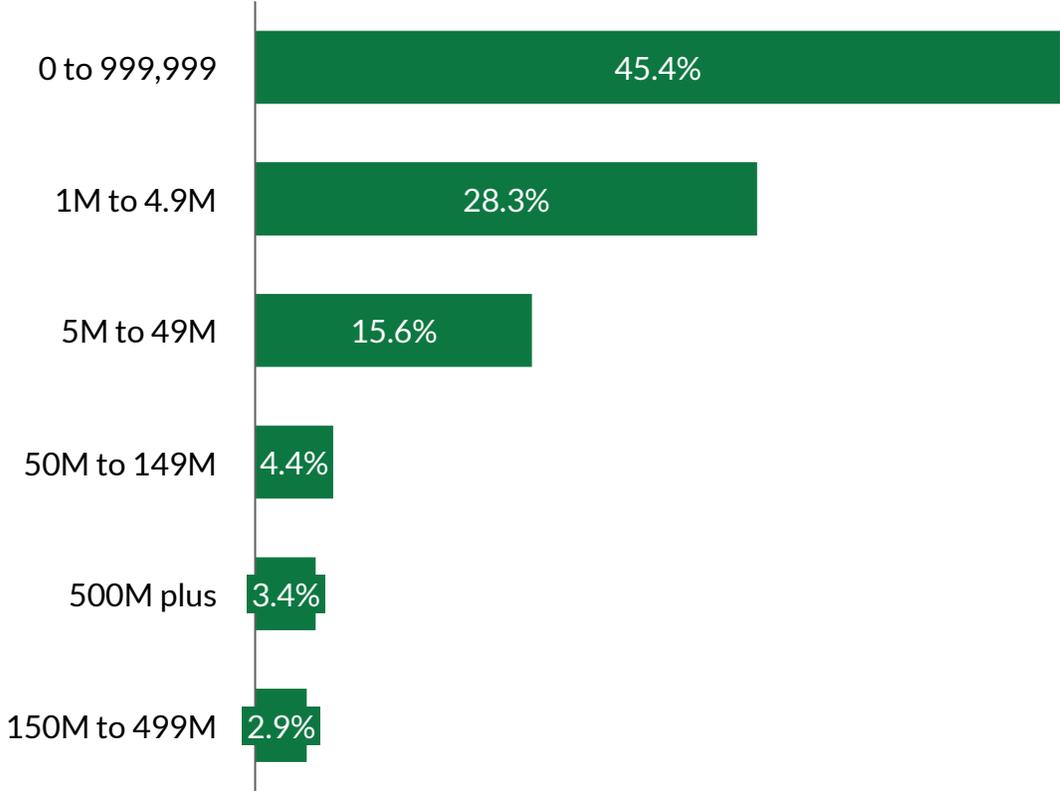


Majority of the sampled businesses fell under the micro category (less than 10 employees and below KES 1M in annual revenue)

Workforce size breakdown of respondents
(number of employees)

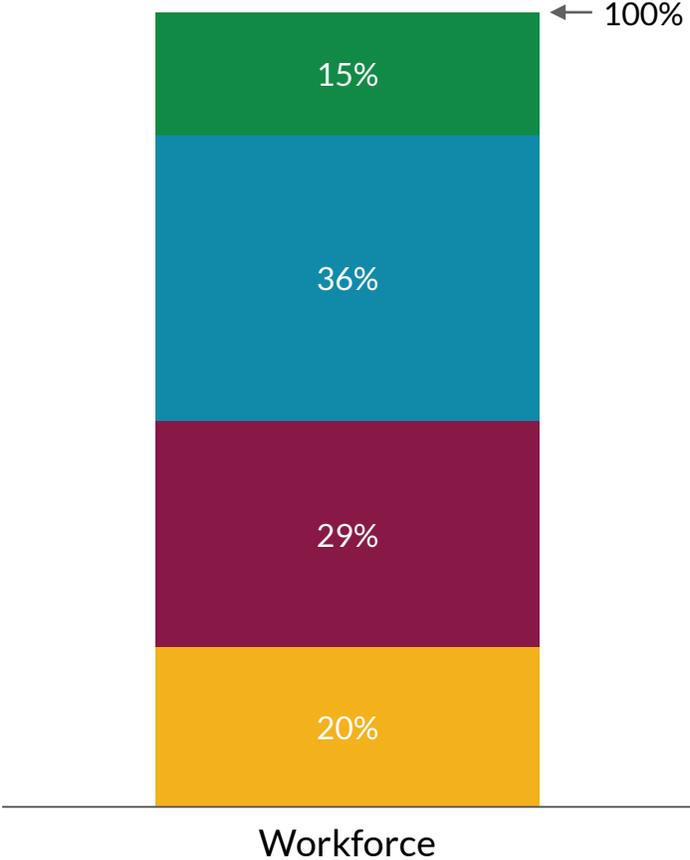


Revenue size breakdown of respondents
Annual sales in KES

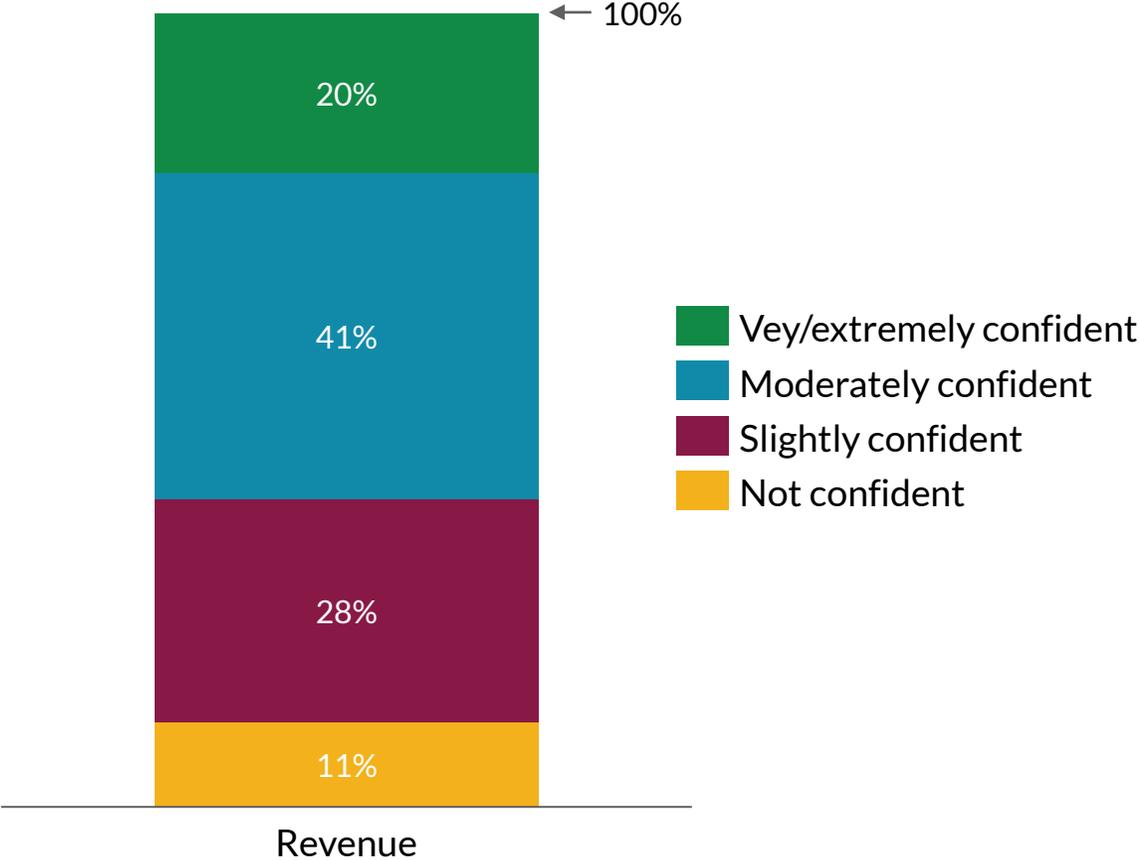


Albeit not extremely confident, majority of businesses remain optimistic in the growth of their workforce size and revenue in Q2

Q: How confident are you about the growth in number of staff in Q2 compared to Q1 of 2024?



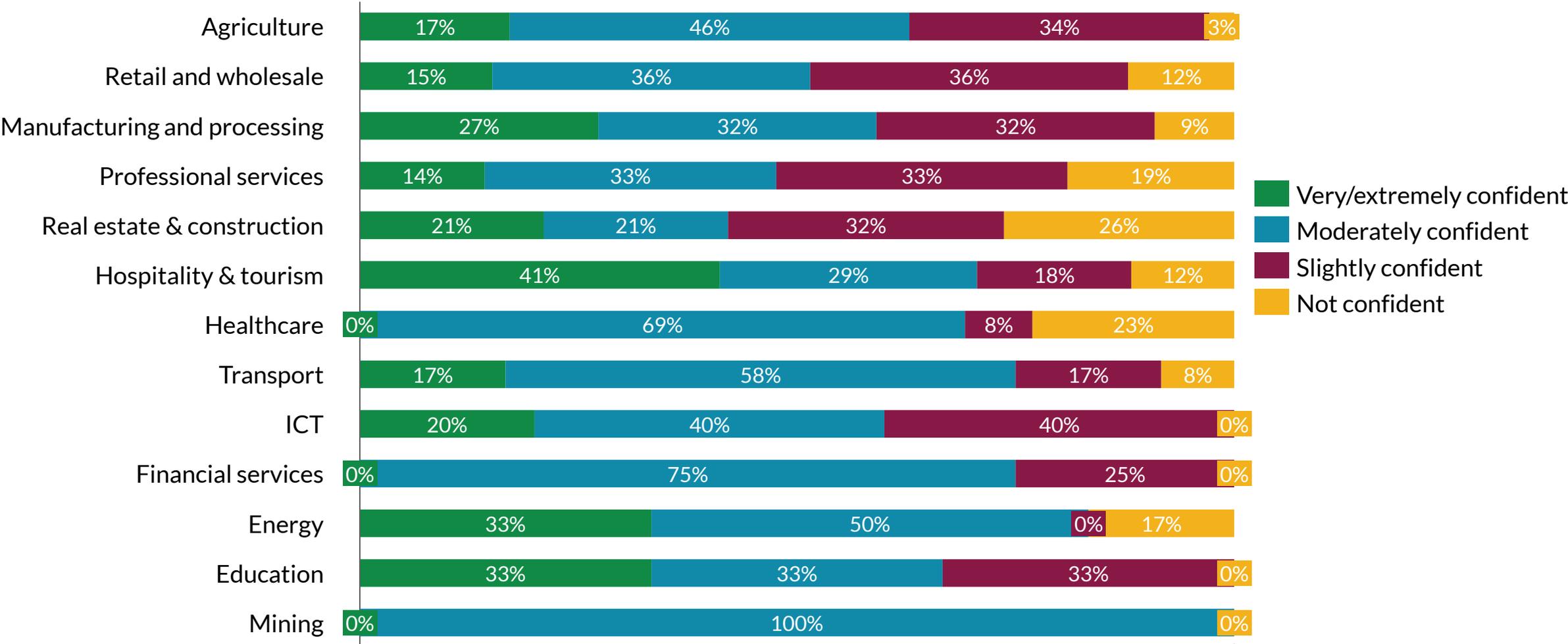
Q: How confident are you about the growth of revenue (sales) in Q2 compared to Q1 of 2024?



- Very/extremely confident
- Moderately confident
- Slightly confident
- Not confident

The hospitality and tourism sector is the most confident in revenue growth, while real estate and construction is at the opposite end of the spectrum

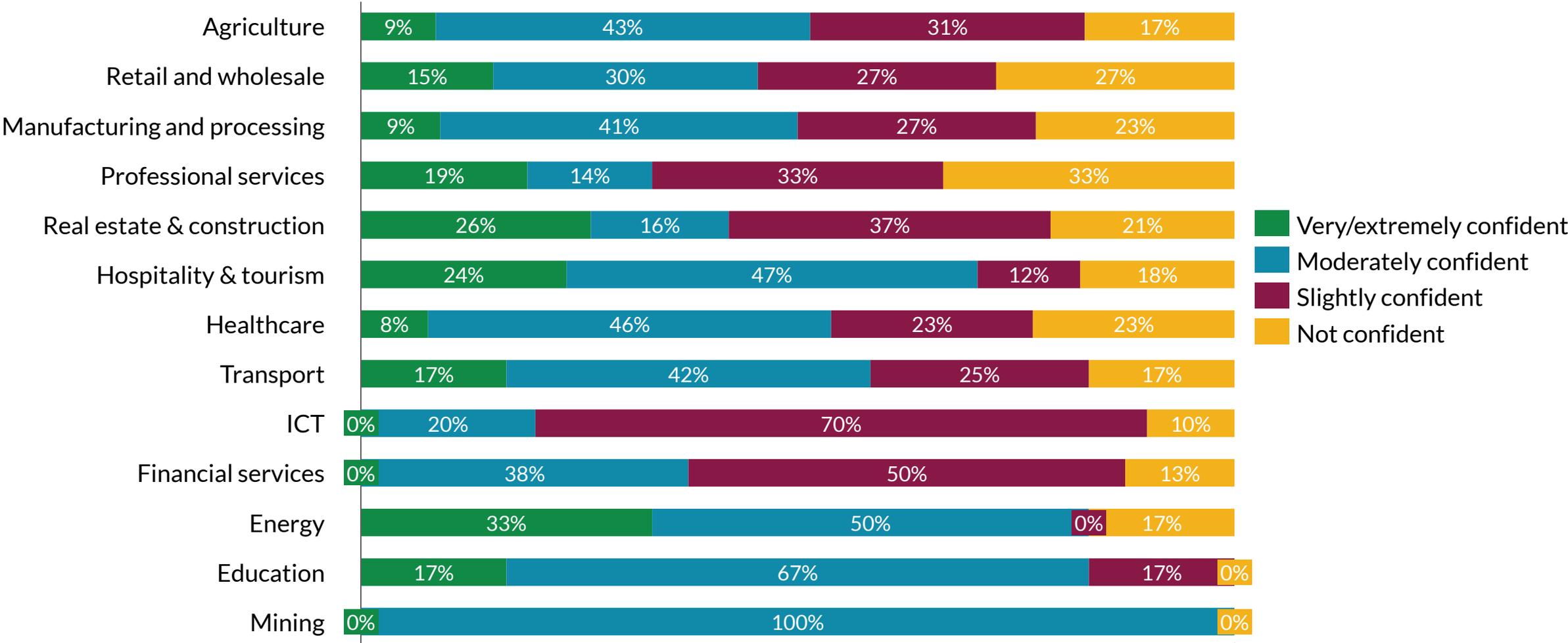
Breakdown of confidence in the growth of revenue by sector



- Very/extremely confident
- Moderately confident
- Slightly confident
- Not confident

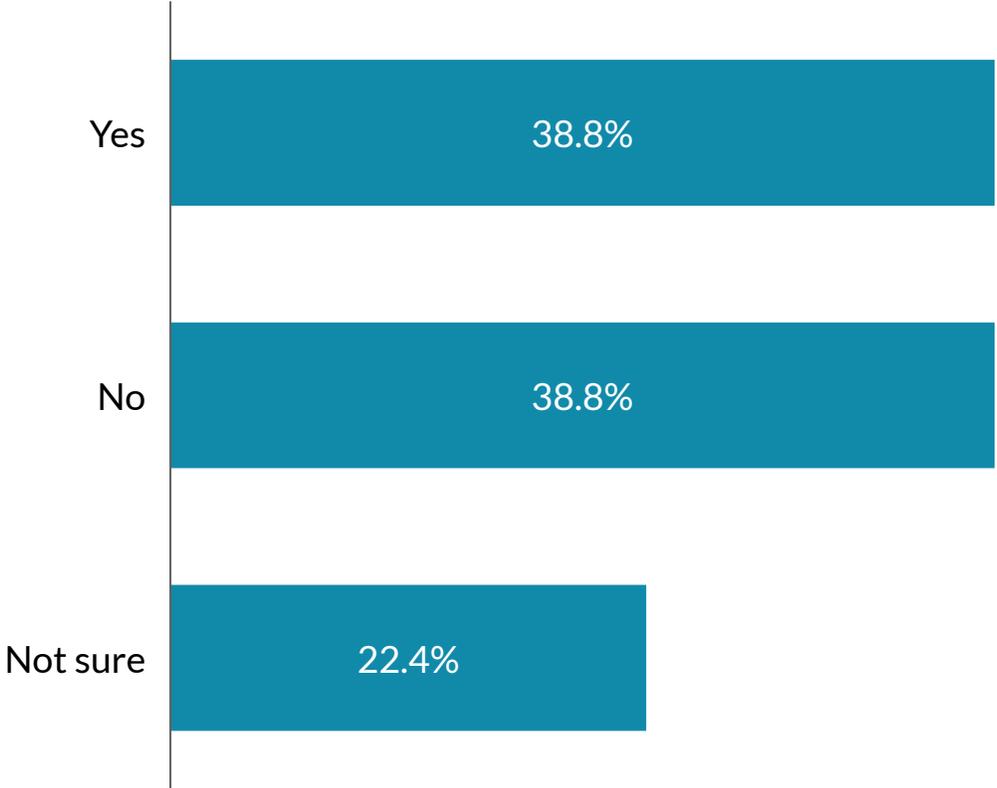
The energy sector is the most confident in workforce size growth, while professional services is at the opposite end of the spectrum

Breakdown of confidence in the growth of workforce by sector



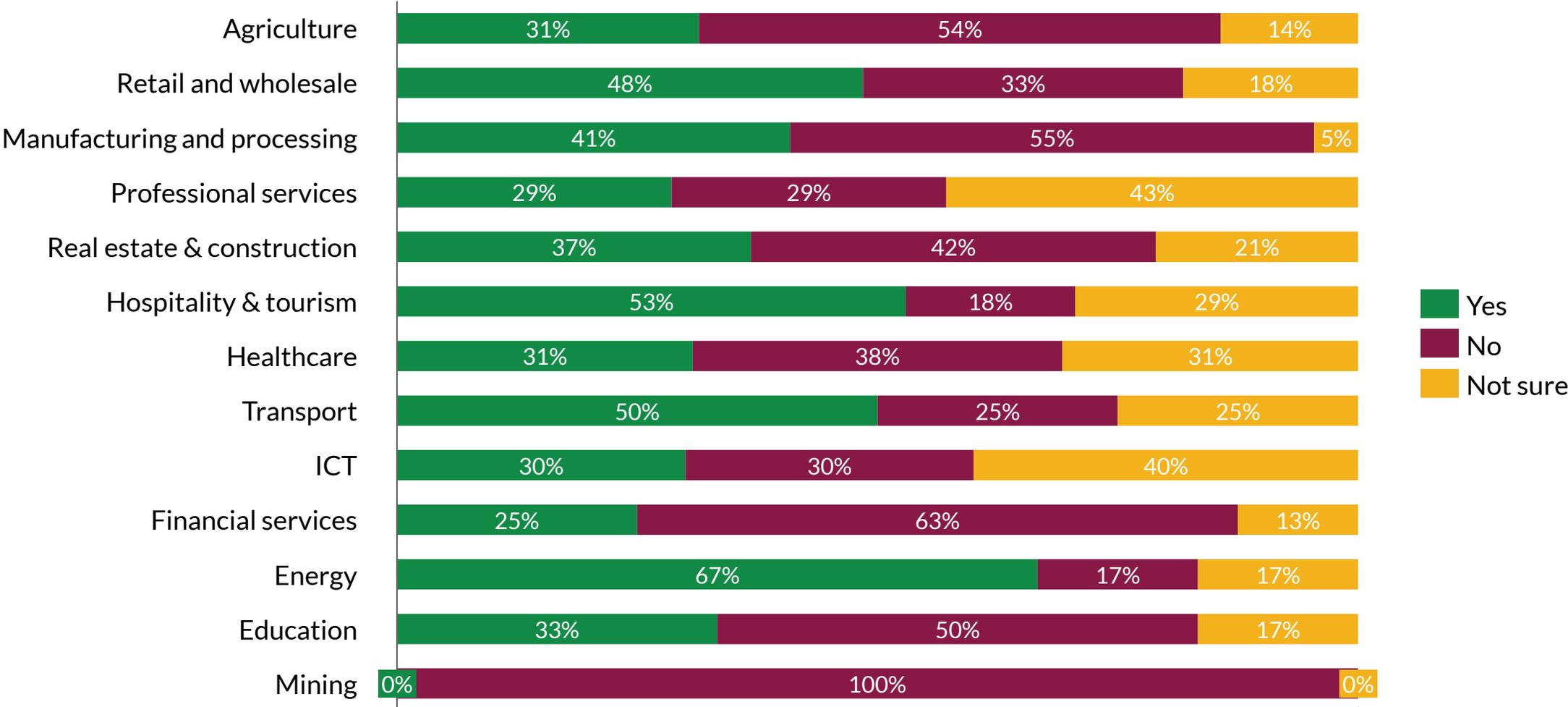
While a significant portion of businesses foresee a decrease in the cost of primary inputs, an equivalent proportion anticipates an increase

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



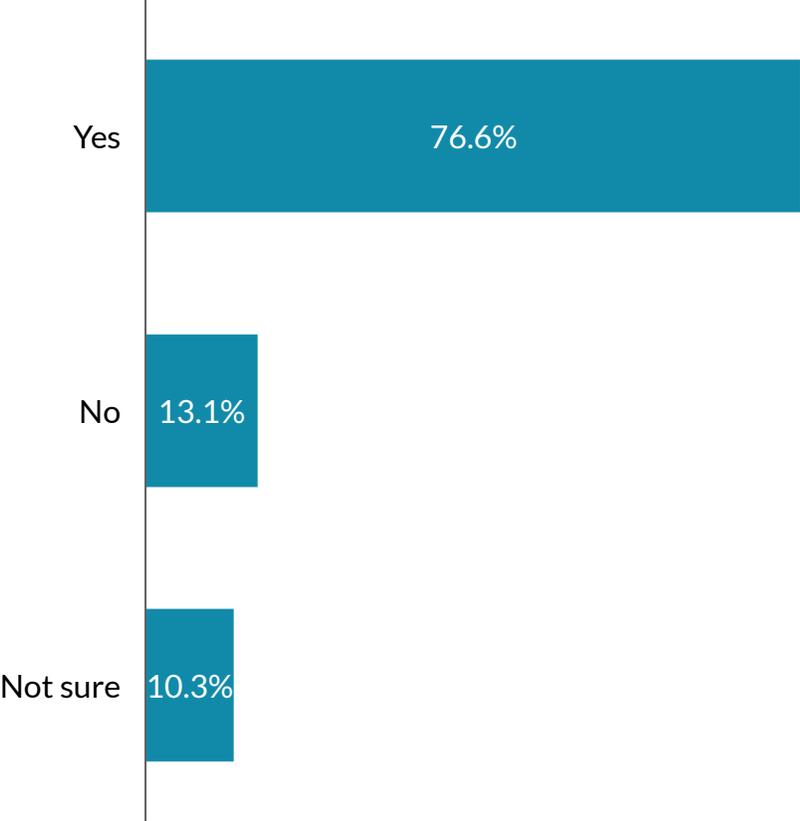
The energy sector is most optimistic about input cost reduction, while ICT and professional services sectors may experience significant fluctuations

Breakdown of expectations regarding a decrease in the cost of primary inputs by sector

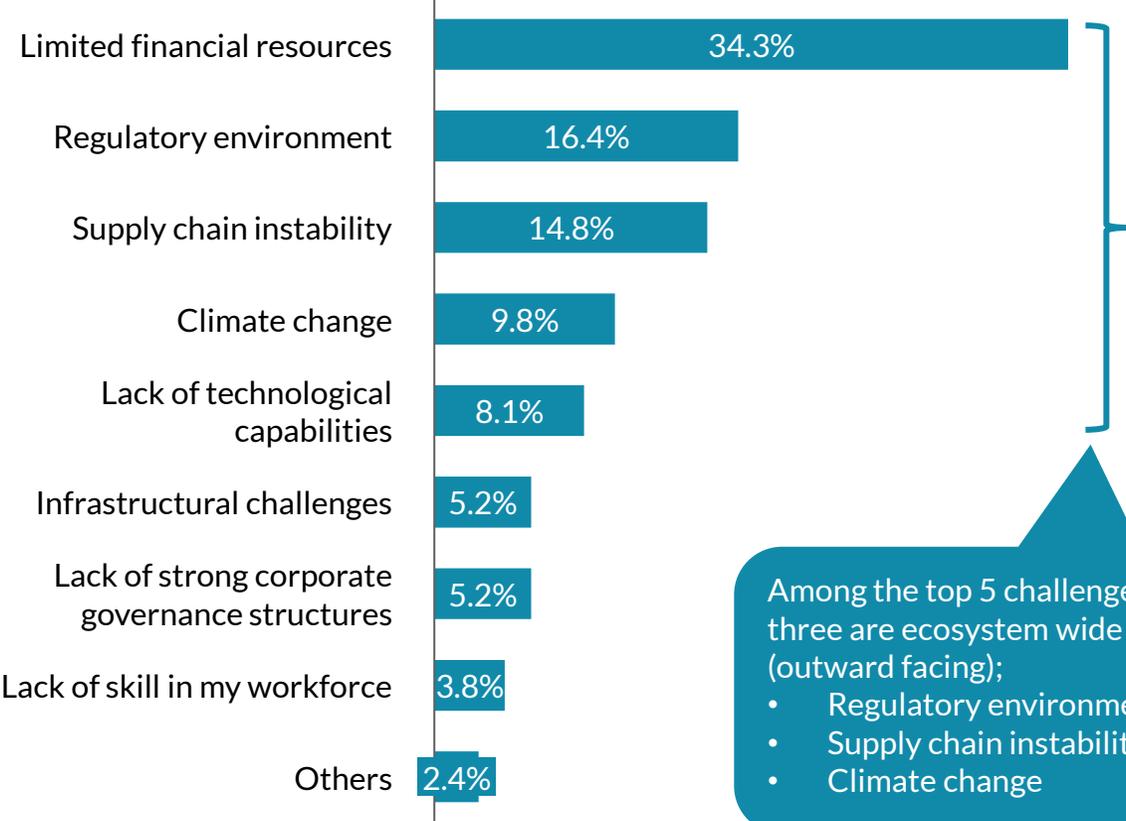


Despite optimism for expansion in Q2, financial constraints, regulations, and supply chain instability loom as major obstacles

Q: Are you looking to expand your operations in Q2?



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

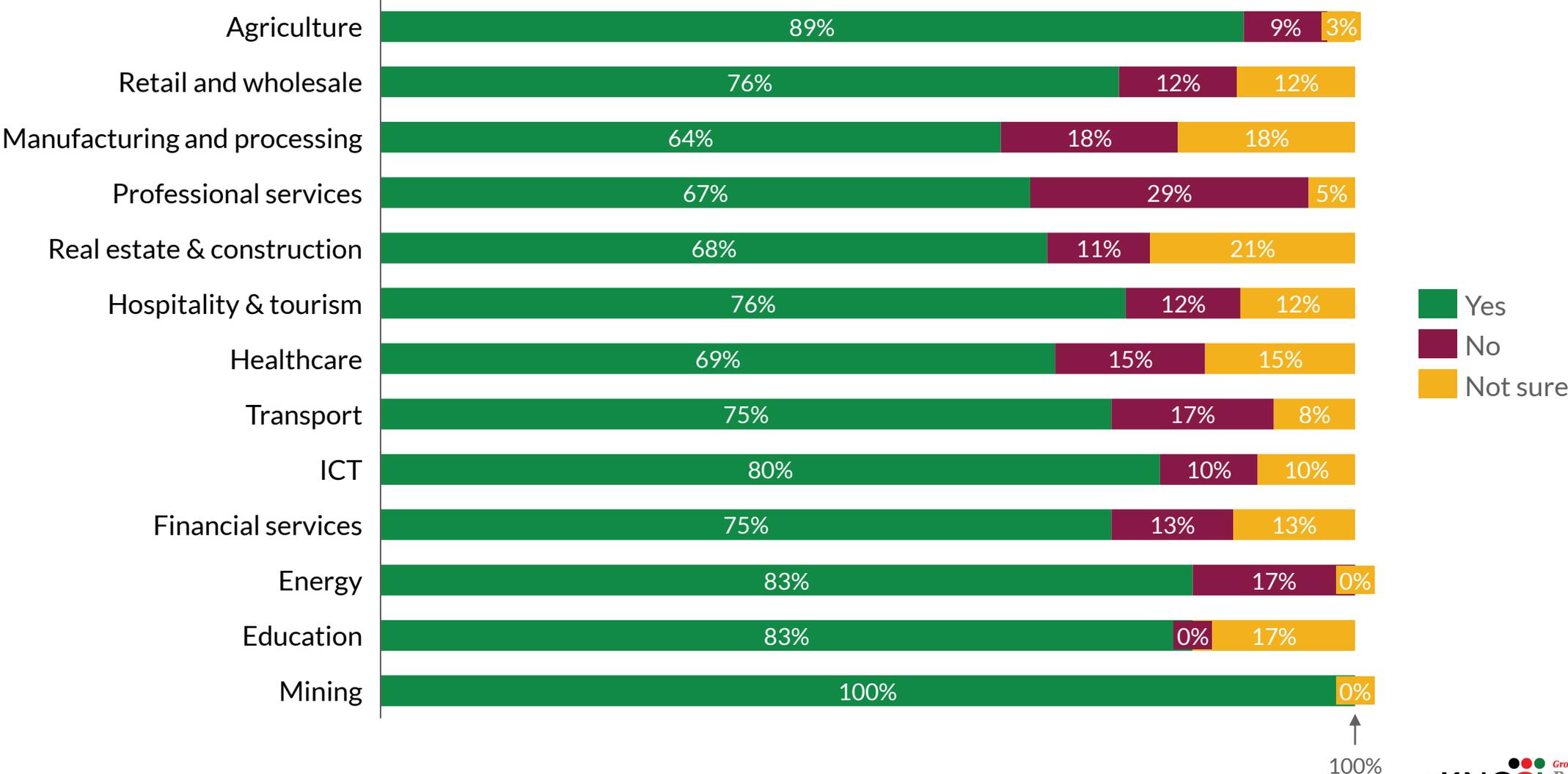


Among the top 5 challenges, three are ecosystem wide (outward facing);

- Regulatory environment
- Supply chain instability
- Climate change

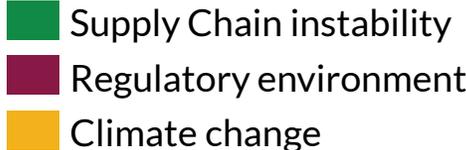
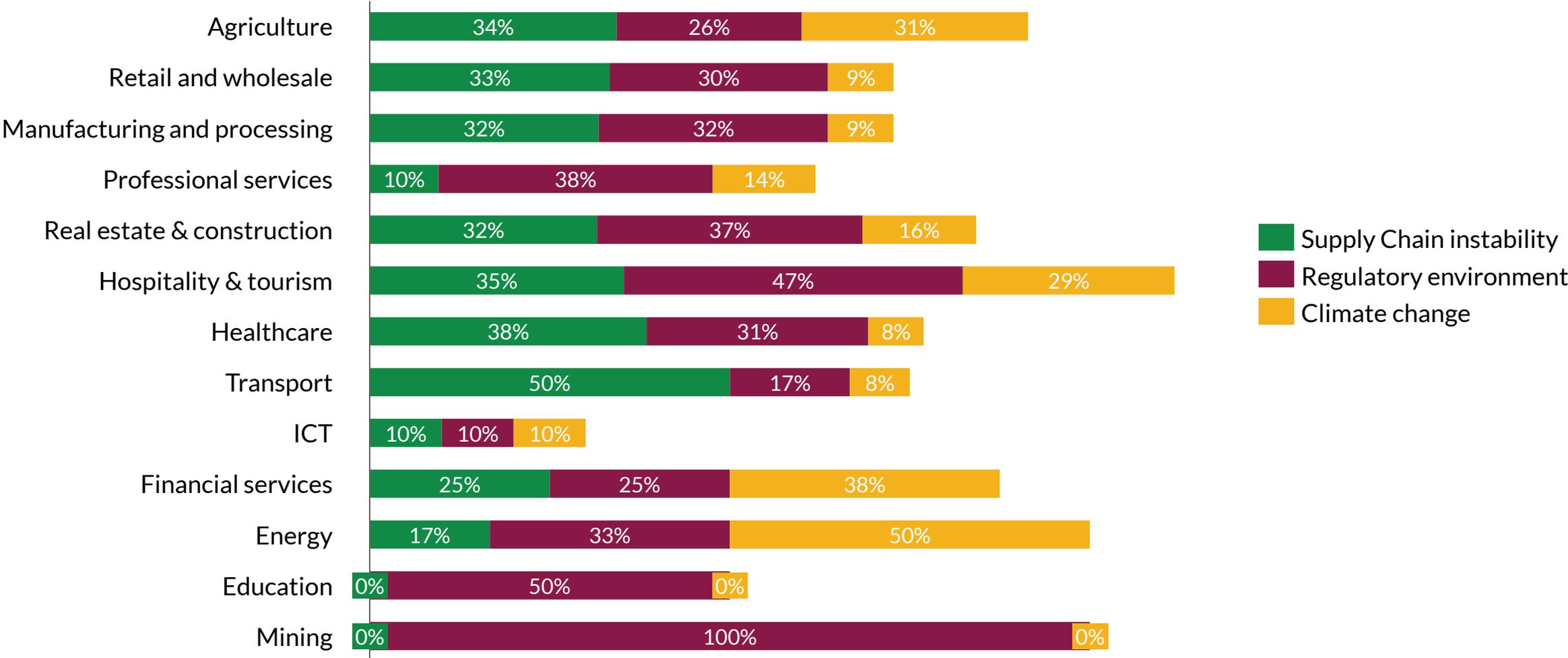
Across all sectors businesses remain resilient despite the macroeconomic challenges affecting the economy as well as previous economic shocks

Breakdown of intent to expand in Q2 by sector



Transport and energy recognize that supply chain instability and climate change might deter performance more than any other sectors, respectively

Acknowledgment of the top three ecosystem level challenges that could affect performance in Q2 by sector



Acknowledgments

KNCCI sincerely thanks all respondents for taking their time to participate in the Quarterly 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.