Stanbic Bank

AFRICA **TRADE BAROMETER**

An overview of the current cross-border trade landscape of Africa

KENYA

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EXECUTIVE SUMMARY

Being Africa's largest bank, Standard Bank (trading in Kenya as Stanbic Bank) has leveraged its presence and expertise across the continent to create the Stanbic Bank Africa Trade Barometer (SB ATB).

The SB ATB was launched in 2022 with the intent of creating Africa's leading trade index to address the information vacuum of reliable African trade data and to support and enable the growth of intra-Africa trade. Availability of trade data remains a challenge across Africa and the SB ATB aims to fill part of this data gap through up-to-date survey data on the views of African businesses on the environment they operate in, their trade behaviour, trading activities and their perceptions on trade.

This is Issue 4 of the SB ATB. The SB ATB focuses on 10 countries: Angola, Ghana, Kenya, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Uganda and Zambia.

In order to construct the SB ATB index rankings, seven broad thematic categories of data are collected from both primary and secondary data sources. These thematic categories are trade openness, access to finance, macroeconomic stability, infrastructure, foreign trade, governance & economy, and traders' financial behaviour. These are the seven variables on which the trade barometer scores for each country are constructed.

From a primary data perspective, the Stanbic Bank Firm Survey Trade Barometer (SB STB) is constructed. The SB STB scores and ranking by country are the averages of all the data collected only from the primary research surveys conducted with 2 240 firms across the 10 countries of interest.

From a secondary research perspective, the Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) is constructed. The SB QTB scores and ranking by country are the averages of all the selected indicators collected only from existing secondary data sources.

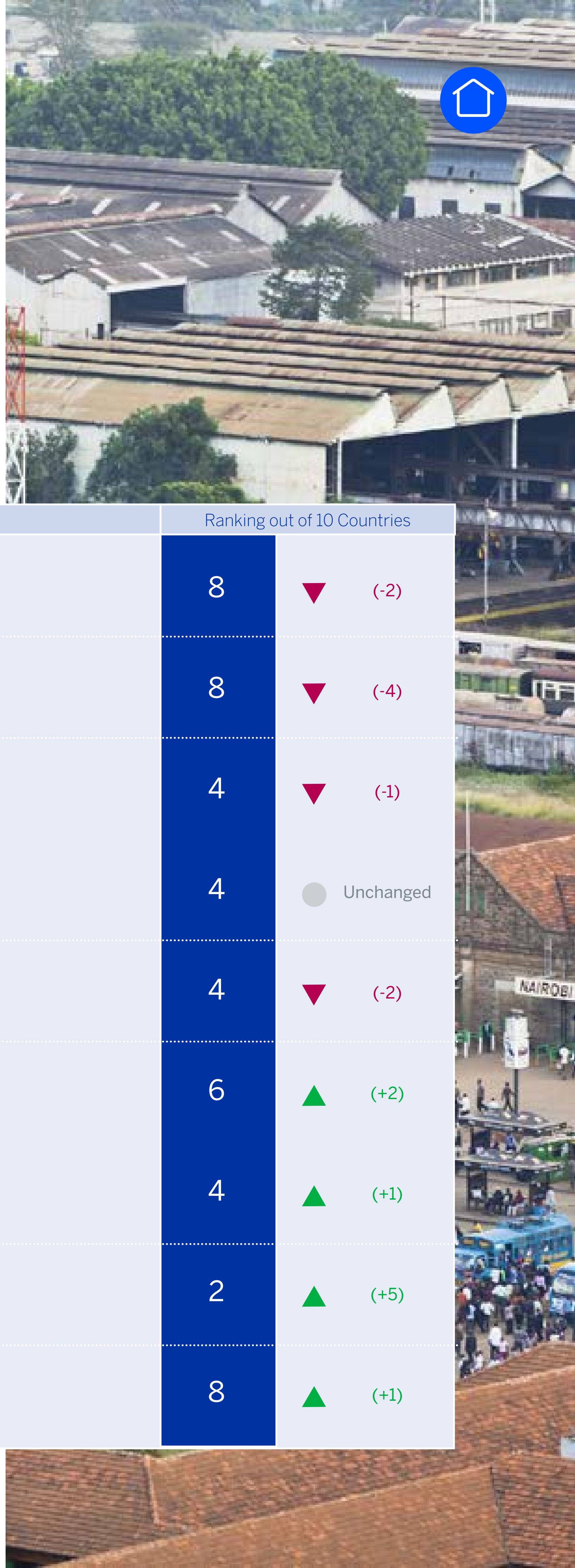
The SB ATB is an aggregate of the SB QTB and the SB STB.

The table below shows Kenya's relative performance in the seven broad thematic categories of the SB ATB.

Thematic Category	Indicator	August 2024	May 2023	Ranking out of 10 Countries	
Macroeconomic Stability	Business Confidence	55	55	8	▼ (-2)
Governance and Economy	Government Support on Trade	45	57	8	▼ (-4)
Infrastructure	Quality of Infrastructure	48	53	4	▼ (-1)
	Infrastructure Obstacles	57	58	4	Unchanged
Access to Finance	Access to Credit	45	49	4	▼ (-2)
Traders' Financial Behaviour	Credit Terms Extended to Clients	50	43	6	▲ (+2)
	Credit Terms Advanced from Suppliers	55	58	4	▲ (+1)
Foreign Trade	Ease of Trade	41	41	2	▲ (+5)
Trade Openness	Trade openness	49	50	8	▲ (+1)

Note: All (with the exception of the ease of trade) indicators have an index score ranging from 0 to 100, where 0 represents a low score and 100 the highest score. For the ease of trade indicator, 0 represents a high score and 100 a low score.

August 2024
May 2023



This is the country report for Kenya.

It contains analysis of the primary and secondary data gathered specifically for Kenya between July and September 2024 and showcases trends and opportunities in trade within the country.

Kenya's position in the overall SB ATB ranking fell from position 5 in May 2023 to position 6. With regards to the SB QTB, the country improved its ranking, from 6th place to 5th. Likewise, Kenya rose from 8th place to 7th in SB STB. Hence, although Kenya rose both in the SB QTB and the SB STB, her overall SB ATB position fell in relation to the other markets. It is important to note that the SB ATB ranking of countries is relative to the 10 countries themselves. In other words, countries are ranked against each other that is, relative scores to each other.

Kenya's macroeconomic environment has demonstrated a moderate contribution to the nation's trade attractiveness. In 2023, the economy experienced a rise in GDP growth to 5.6%, primarily driven by the agriculture and services sectors, with agriculture emboldened by good weather and supportive government programmes such as BETA. However, civil unrest in June negatively affected the tourism sector, while the Kenyan shilling, though volatile, has shown relative strength against the US dollar, bolstered by strategic moves such as the Eurobond buy-back. This mix of growth and stability amid challenges underscores the complex but optimistic scenario for Kenya's trade prospects.

Kenya's business confidence index scored a steady 55, mirroring the score from May 2023 and encapsulating the mixed economic sentiments amongst businesses. The stability of this score reflects a delicate balance between optimism fuelled by the successful Eurobond buyback, GDP growth, and subdued inflation, against a backdrop of pessimism due to the contentious tax proposals and resulting protests. This polarity in outlook underscores the critical dichotomy faced by Kenya's trade environment: while there are clear avenues for growth and stability, apprehensions related to fiscal policy changes and social unrest present ongoing challenges.

Kenya's government support index for trade dropped to 45 from 57, signalling a decrease in business sentiment towards government backing of cross-border trade. This decline is partly attributed to the impact of nationwide protests about the Finance Bill 2024, which have overshadowed positive changes implemented by the Kenya Revenue Authority (KRA) to enhance efficiency and reduce corruption. Larger businesses generally perceive government support more favourably than smaller enterprises, possibly due to their capacity to leverage available resources and navigate complex regulatory landscapes. Despite initiatives to embrace trade agreements and policy reforms aimed at facilitating trade and reducing barriers, the need for tax relief and improved customs efficiency remains a key concern for businesses striving to engage effectively in cross-border trade.

Surveyed Kenyan businesses conveyed a decline in the perceived quality of trade-related infrastructure, with the index dropping from 53 to 48, exacerbated by the severe floods of 2024 which underscored the urgency for climate-resilient investments. The most severe critiques were levelled at road, port, and rail infrastructures, which bore the brunt of the flooding's destruction. These conditions have not only brought attention to the need for robust infrastructure that can withstand extreme weather events but also to the importance of continuing efforts to improve efficiency and reduce corruption in infrastructure-related services.

The access to credit index for Kenyan businesses has dropped to 45, indicating a tightened credit market

Ranking of countries
is relative to the 10 countries themselves.

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compared to the score of 49 from May 2023. This worsening of credit access reflects an economy where rising interest rates have discouraged traditional borrowing and led businesses to pivot towards other means of financing. As a consequence, there is a noticeable shift towards credit arrangements with suppliers, suggesting an environment where companies are seeking more flexible and less conventional avenues to fund their operations.

There is also an evolution in the payment methods employed by businesses, with a significant move towards digital platforms, particularly mobile money. This method has become increasingly popular for cross-border transactions, specifically among small businesses, where usage has risen to 44%. In contrast, cash usage for transactions has seen a 17% decrease, reflecting growing concerns over security and the impact of currency fluctuations on investments and exports. This shift in payment preferences is indicative of a broader trend towards digitisation in the Kenyan business environment.

Despite notable progress in regional trade agreements, and ease of trade index remaining constant at 41, perceptions of trading within Africa have become less favourable among Kenyan businesses, with only 17% finding it easy, a decline from 31% in the previous survey. The ease of trade index score remains unchanged at 41, indicating consistent trading conditions with other countries. This contrasts with expectations set by the African Continental Free Trade Agreement (AfCFTA), suggesting that businesses may not yet be experiencing the intended benefits, such as simplified policies and reduced costs. Instead, complexities in logistics and policies, alongside the high costs of transport and operations, persist, overshadowing the AfCFTA's potential to streamline intra-African trade.

Kenya's cross-border trade is expanding among surveyed businesses, bolstered by trade agreements with the EU, China, and within the East African Community (EAC), despite a slight dip in the trade openness index from 50 to 49. Imports, particularly from Asia, have grown, reflecting diversification in trade partnerships. However, the Finance Bill 2024 could increase operational costs due to tax alterations, potentially impacting traders. East African trade ties are expected to strengthen, especially with Tanzania, following the resolution of longstanding trade barriers. Furthermore, exports to Southern Africa are on the rise, indicating new market opportunities. The 2024 FOCAC Summit is poised to fortify trade with China, creating a more robust framework for cooperation. These developments suggest a dynamic trade landscape for Kenya, albeit amidst the challenges of adapting to new fiscal policies.

In conclusion, Kenya's trade landscape is characterised by dynamic shifts that balance positive strides and persistent challenges. The stability of the business confidence index at 55 and the moderate drop in the trade openness index to 49 signal a cautiously optimistic climate for trade. As Kenya embarks on recovering from civil unrest and navigating the complexities of the Finance Bill 2024, future issues of the SB ATB will be particularly insightful in tracking the effects of these developments on trade. It will be interesting to monitor how businesses adapt to the evolving credit landscape, the impact of enhanced digital payment systems on trade facilitation, and the real-world implications of regional trade agreements, especially the AfCFTA. Furthermore, the resilience of trade-related infrastructure post-severe flooding and the role of government support amid fluctuating perceptions will be crucial areas to observe. Looking forward, the SB ATB will continue to provide nuanced insights into the interplay between these factors and their collective impact on Kenya's position within both the regional and global trade arenas.

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1 INTRODUCTION

Africa's largest bank, Standard Bank (trading in Kenya as Stanbic Bank), has leveraged its presence and expertise across the continent to create the Stanbic Bank Africa Trade Barometer (SB ATB).

The SB ATB was conceived with the intent of creating Africa's leading trade index to address the information vacuum of reliable African trade data and to support and enable the growth of intra-Africa trade.

Trade – in the context of the SB ATB – should be understood as the process of production and transfer of goods and services that is enabled by solutions that effectively connect the supply chain domestically and internationally to create economic value.

Launched in 2022, this is Issue 4 of the SB ATB. Issue 1, 2 and 3 were published in June 2022, November 2022 and September 2023 respectively. The SB ATB focuses on 10 countries: Angola, Ghana, Kenya, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Uganda, and Zambia.

The objective of the SB ATB is to provide dynamic and insightful analysis that can intelligently inform and grow Africa's trade ecosystem.

Updated annually, the data enables stakeholders to take the pulse of African trade in near real-time to measure improvements or declines in business confidence, track operational challenges, and identify shifts in overall tradability.

The SB ATB is based on primary and secondary data sources. Primary research is gathered through a survey of over 2 240 firms representing small businesses, big businesses, and corporates across the 10 countries. The survey is augmented by in-depth interviews (IDIs) with select thought leaders in respective countries, and secondary data from sources such as the World Bank, the International Monetary Fund (IMF) and central banks of the respective countries.

This is the country report for Kenya. It contains analysis of the primary and secondary data gathered specifically for Kenya and showcases trends and opportunities in trade within the country. Primary and secondary data was gathered in Kenya between July and September 2024 for this fourth issue of the SB ATB.

A total of 235 businesses were surveyed in Kenya.

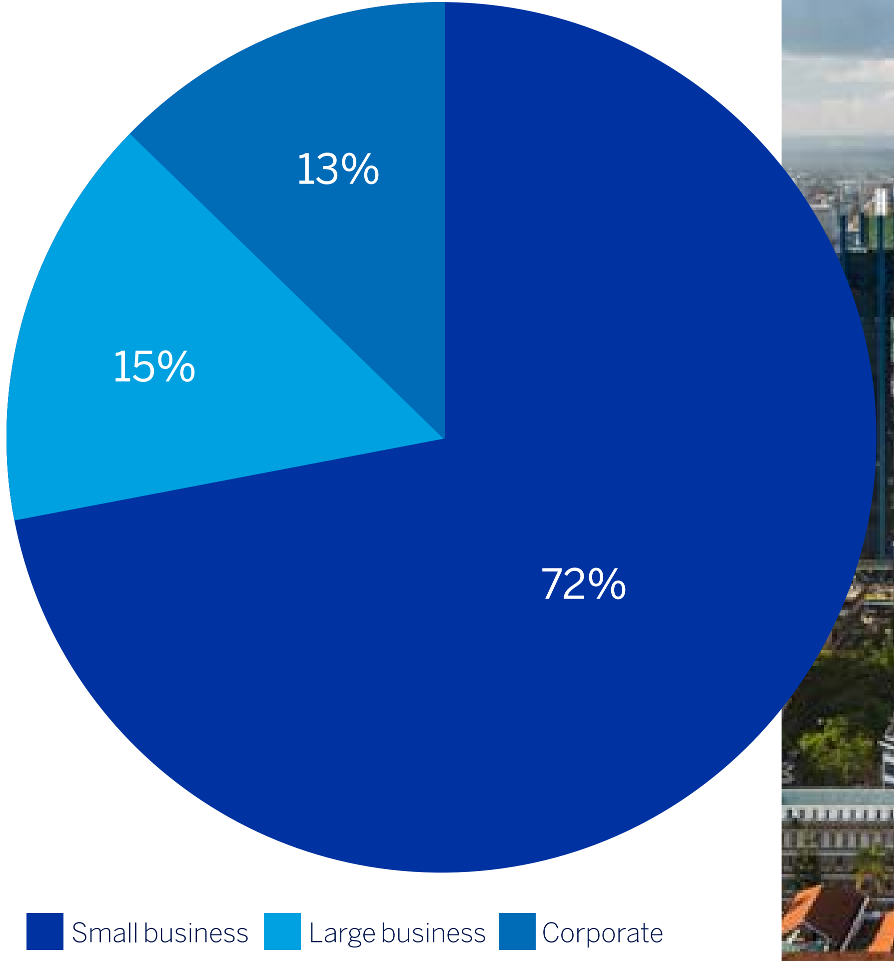
The surveyed businesses in Kenya were located in the following cities or towns: Nairobi, Mombasa, Nakuru, Kisumu and Eldoret. In order to be representative, the majority of these (72%) were small businesses (see Figure 1) given that most businesses in the country fall in this category. There were three IDIs conducted in Kenya as part of this issue. These were with representatives from the African Forum and Network on Debt and Development, the Office of the President and the Ministry of Trade.

The fact that the majority of surveyed businesses were small businesses is the central value-add of the Stanbic Bank Africa Trade Barometer (SB ATB). Aggregate trade data and information on the African continent is skewed by large businesses who trade specific commodities in large volumes. The trading activities and behaviour of small businesses is therefore not adequately represented.

Skewness towards small businesses of SB ATB

The emphasis and findings in the SB ATB relate to small businesses, their trade behaviour, trading activities and their perceptions on trade. The SB ATB also makes a contribution in understanding the trade perceptions of small businesses in Africa that do not necessarily engage in cross-border trade. Understanding the trade perceptions of all small businesses is key, as it aids in Africa's journey from a disjointed trading landscape to a more cohesive one where an extensive range of economic participants actively engage in trade with one another.

Figure 1: Breakdown of surveyed businesses in Kenya by business segment



Source: Stanbic Bank Africa Trade Barometer Issue 4

Notes: Certain survey findings in this report may differ from data at the aggregate level because data at the aggregate level is skewed by a few large businesses that trade large volumes of specific commodities. This is pointed out in the report, as relevant.

2 STANBIC BANK AFRICA TRADE BAROMETER ISSUE 4 COUNTRY RANKINGS

Kenya fell behind in the Stanbic Bank Africa Trade Barometer ranking, from position 6 to 5.

In order to construct the Stanbic Bank Africa Trade Barometer (SB ATB) index rankings, seven broad thematic categories of data are collected from both primary and secondary data sources. These thematic categories are macroeconomic environment, macroeconomic stability, government support, infrastructure constraints and enablers, trade openness, trader's financial behaviour and access to finance, and foreign trade and trading in Africa.

The SB ATB is made up of the following two trade rankings:

- **The Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB)** is constructed from a secondary research perspective. The SB QTB scores and ranking by country are the averages of all the selected indicators collected from existing secondary data sources and reports.
- **The Stanbic Bank Firm Survey Trade Barometer (SB STB)** is constructed from a primary data perspective. The SB STB scores and ranking by country are the averages of all the survey data collected from 2 240 businesses.

The SB ATB is an aggregate of the SB QTB and the SB STB. Changes in a country's ranking on the three indices (SB ATB, SB QTB and SB STB) are driven by changes in both the aggregate score for that country, as well as their relative ranking against the other countries included. Changes in the SB ATB rankings over the past year are driven mostly by the changes in the SB STB scores.

The SB ATB ranking of countries is relative as countries are ranked against each other that is, relative scores to each other. This is pegged on a scale of 0 – 100. When indexed between this range, South Africa has the highest Tradability Index while Angola has the lowest. This does not imply that one cannot trade in Angola or that South Africa is perfect, it only implies that on a common starting point of 0 and maximum point of 100, this is how the two markets fared.

Kenya fell one place behind in the SB ATB, from 5th to 6th place (see Figure 2). This is despite rising in both the SB STB and SB QTB from position 8 to 7 and position 6 to 5, respectively.

Kenya's decline to 6th place in trade rankings reflects a drop in business perceptions of export growth, access to credit, infrastructure quality, and government support for trade. This downturn, part of a broader trend over the past three years, has seen Kenya's trade attractiveness ranking drop from the promising 4th place in the 2022 iteration of the SB ATB – placing it within the top 50% – to a more modest 6th position, now in the lower half. Perceptions of governance have notably been negatively impacted in this iteration of the survey. However, there were areas where Kenya improved, particularly on the efficiency of borders and customs operations and financial behaviours in regards to credit terms extended to clients.

Figure 2: ATB, QTB and STB ranking, by country

1 = High tradability score — 10 = Low tradability score

Aug '24										
ATB	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
May '23	1	2	4	8	6	5	3	9	7	10
Jan '22	1	7	3	5	8	4	2	9	6	10

Aug '24										
QTB	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
May '23	1	2	3	4	6	7	8	5	9	10
Jan '22	1	8	3	6	4	9	6	2	7	10

May '23										
STB	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Sep '22	3	4	1	2	7	9	8	5	6	10
Jan '22	4	2	6	5	9	8	7	10	1	3

Improved in Ranking — Remained in the same ranking — Declined in ranking

Source: Stanbic Bank Africa Trade Barometer Issue 4

Notes: All values are shown so that a higher value is 'better' for trade, with the best to least ranking economies being ranked 1, 2, 3, etc., and how this has changed over time. Red border indicates that the country has declined in the relevant ranking from May 2023, Green border indicates that the country has improved in ranking from May 2023, while Grey border indicates that the country has remained in the same position as in May 2023.

The rest of this report unpacks Kenya's performance in the Stanbic Bank Africa Trade Barometer Issue 4 from both a primary and secondary research perspective, in line with the seven broad thematic areas referenced earlier.

3 MACROECONOMIC ENVIRONMENT

Kenya's macroeconomic conditions have a moderately positive impact on her tradability attractiveness.

A country's macroeconomic environment is a crucial factor in determining its attractiveness for trade and business in the economy. Some factors that increase a country's trade and investment attractiveness are high GDP (indicating a strong production of goods and services); high GDP per capita (suggesting strong consumer purchasing power); low inflation (ensuring the local currency remains favourable for importers); high foreign direct investment (FDI) (indicating a generally business-friendly environment) and high merchandise trade as a percentage of GDP (reflecting substantial imports and exports).

Kenya's overall macroeconomic conditions remain robust, across several indicators (see Table 1). In 2023, real GDP growth grew to 5.6% from 4.9% in 2022. It is forecasted to slow down moderately to 5.1% in 2024 and then rebound to 5.3% in 2025.

Agriculture and the services sector are the backbone of Kenya's economy, and support trade. The agricultural sector grew in 2023 after its 2022 contraction, driven by strong performance in exports of tea, coffee, and horticultural products.

The agricultural sector's rebound was supported by favourable weather conditions and government interventions such as the provision of subsidised fertiliser to farmers through the Kenyan National Fertilizer Subsidy Program.

6.5%

growth marked the agricultural sector's recovery in 2023, rebounding from a 1.5% contraction the previous year.

The program aims to help farm productivity and maintain affordable food prices by subsidising half of the price of commercial fertiliser. Launched in late 2022 by the new government under the Bottom-Up Economic Transformation Agenda (BETA), the initiative played a key role in reducing farmer input costs and enhanced agricultural production in 2023.

Services sector grew 6.8% during the year, with sub-sectors such as financial services and tourism experiencing strong growth.[1] Tourism, in particular, was expected to expand in 2024 due to several high-level conferences and events being hosted in Nairobi; however, the June 2024 anti-finance bill protests led to event and conference cancellations and rescheduling. Additionally, tourists citing security risks diverted their travel plans from Kenya to other countries like Tanzania. This negatively impacted tourism and the number of visitors looking to visit and do business in Kenya reduced.

Notable variables negatively impacting tradability attractiveness include FDI net inflows, which have been dwindling over the past 3 years. In 2023, FDI net inflows were USD 0.3 billion, having not rebounded from their fall in 2019. Global FDI inflows had been projected to decline in 2023. This is due to a difficult business environment that prevailed in the year, such as the war in the Middle East and Ukraine, high food and energy prices and high debt levels. In addition, tighter international financing conditions affected the availability of credit. These have had a ripple effect on the amount of FDI inflows that flow into Kenya.

Additionally, Kenya's lending interest rates have been gradually increasing on a yearly basis. The interest rate in 2022 was 12.3% and in 2023 the interest rate was 13.5%. These higher rates drive up the cost of borrowing for businesses – making it harder for businesses to access the credit they need for investment into their operations, manage their cash flows effectively, and this ultimately reduces trade activities amongst business and business production. Higher interest rates also limit consumer spending, as consumers prioritise loan repayments than spending, leaving them with less disposable income for other purchases.

> "Trade is mostly shaped by geopolitics, where bilateral agreements play a crucial role in navigating the complexities of international relations."
>
> Representative from African Forum and Network on Debt and Development (AFRODAD)

[1] Kenya Institute for Public Policy Research and Analysis, 2024. Available here.

Despite the Kenyan shilling being volatile against the dollar, the Kenyan shilling has performed better this year, providing some relief for importers who have been grappling with exchange rate volatility.

On February 12, Kenya successfully issued a new $1.5 billion Eurobond to buy back the $2 billion Eurobond maturing in June 2024.[2] This move immediately strengthened the shilling which appreciated by over 9% within a few days of the announcement of the news. Initially there were fears that the Kenyan government would use foreign exchange reserves to repay the bond and this led to the shilling's depreciation and volatility.

However, Kenya avoided sovereign default and successfully managed to repay the debt. This has been a boost to Kenya's economy and managed to remove the perceived risk of a default by Kenya.

Further, increases in taxation, as well as elevated interest rates, may constrain private consumption expenditure. After the initial 2024/2025 Kenya Finance Bill was "scrapped" due to widespread protests, Kenya's finance ministry is now working to reinstate several tax measures that lawmakers were forced to abandon following weeks of deadly demonstrations led by the country's youth. This risks creating further uncertainty, and constraining private consumption within the country.

Table 2: Kenya's selected macroeconomic factors impacting tradability attractiveness

Indicator	Unit	2019	2020	2021	2022	2023	2024f	2025f
Nominal GDP	USD, billions	95.4	100.6	109.1	114.1	104.8	126.4	19.0
GDP per capita	USD	1 931	2 062	2 195	2 254	2 034	2 407	2 417
Real GDP growth rate	%	5.1	-0.3	7.6	4.9	5.6	5.1	5.3
Inflation rate	%	4.9	5.4	6.2	7.9	7.6	5.4	4.6
Lending interest rate	%	12.4	12.0	12.1	12.3	13.6	N/A	N/A
Merchandise trade	% of GDP	23.4	21.3	24.0	25.2	24.0	N/A	N/A
Exchange rate stability	KES per USD	102.1	106.5	110.2	118.3	144.2	132.3	142.8
FDI	USD, billions	1.1	0.7	0.4	0.4	0.3	0.4	0.6
Trade (exports and imports as % of GDP)	%	31.9	27.2	30.7	33.7	32.4	N/A	N/A

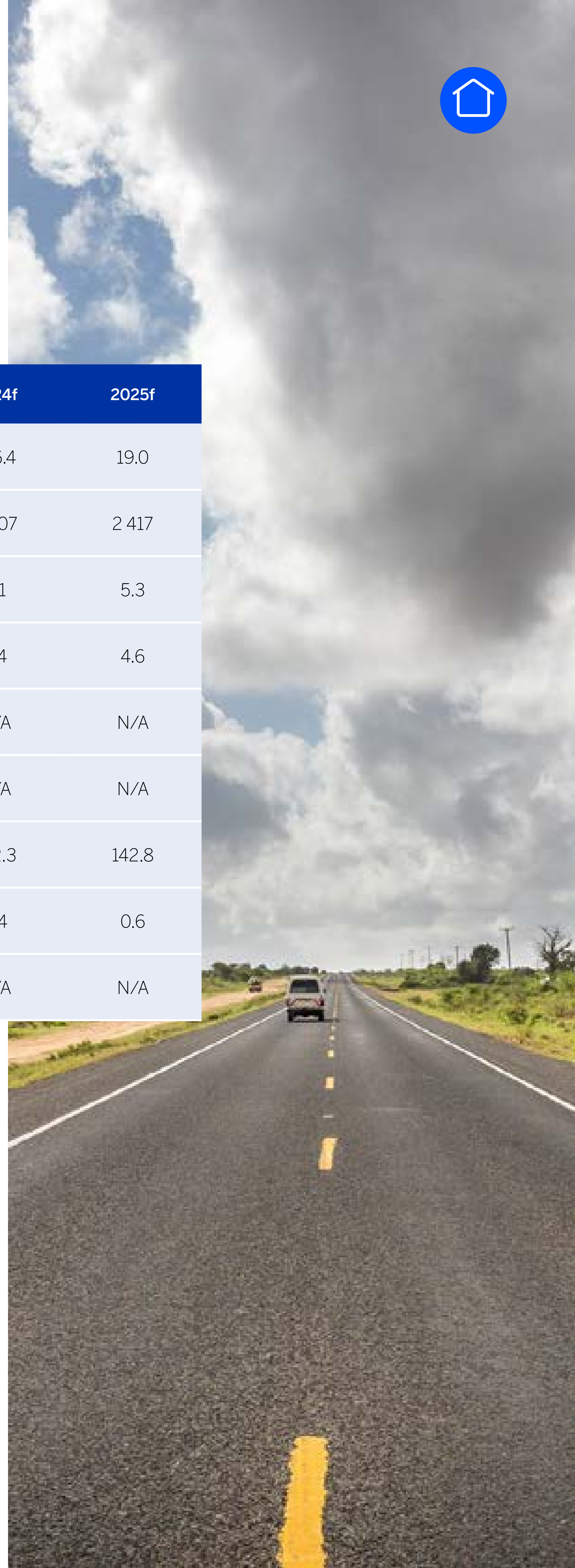
Source: Kenya National Bureau of Statistics (KNBS); Stanbic Bank analysis

Note: Some percentages and figures are rounded to the nearest whole number.

Kenya's lending interest rates have been gradually increasing on a yearly basis.

Despite the Kenyan shilling being volatile against the dollar, it has performed better this year.

Increases in taxation, as well as elevated interest rates, may constrain private consumption expenditure.



[2] Credendo, 2024. Available here.

4 MACROECONOMIC STABILITY

Confidence in the economy remains mixed – showing optimism and pessimism.

KENYA'S BUSINESS CONFIDENCE INDEX SCORE

Source: Stanbic Bank Africa Trade Barometer Issue 4

Business confidence can vary between 0 and 100, where 0 indicates an extreme lack of confidence, 50 neutrality and 100 extreme confidence. In the August 2024 SB ATB survey results, Kenya's business confidence index score remained unchanged from May 2023 at 55.

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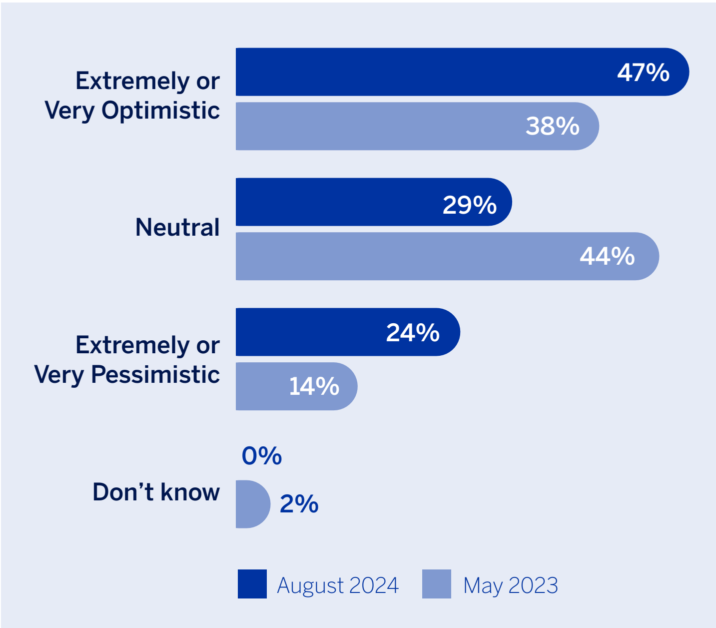
Kenya's overall business confidence index score has remained unchanged from the May 2023 SB ATB scores, reflecting polarised sentiments among businesses about the country's economic performance. Surveyed businesses' confidence towards the performance of the economy increased to 47% of surveyed businesses expressing confidence in 2024, up from 38% in May 2023, however 44% remain pessimistic, an increase from 17% in the previous year (see Figure 3).

These mixed perceptions highlight the turbulence in the Kenyan economy. Key events, such as the issuance of a $1.5 billion Eurobond to manage cash flow and bolster foreign exchange reserves, have been positive, while challenges like public protests over proposed tax hikes, high youth unemployment, and worsening inequality fueled uncertainty.

Also, Kenya's above-average rainfall due to climate events such as the El Niño which led to o widespread flooding and landslides from March to May 2024 , displacing thousands and affecting 42 of the country's 47 counties.[3]

Figure 3: Kenyan businesses outlook of the performance of the economy



Source: Stanbic Bank Africa Trade Barometer Issue 4

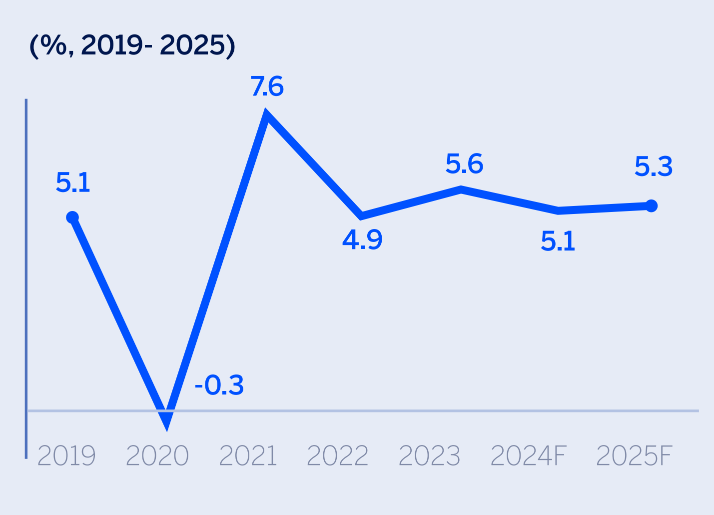
A notable factor behind the improved perception is the successful partial buyback of the Eurobond in February 2024. This significantly eased this year's liquidity constraints and stabilised the markets and is expected to enhance investor confidence and spur private investment. This event marked a turning point for the Kenyan Shilling, which posted its strongest single-day gain in 12 years, as investor sentiment improved with the removal of a perceived risk of default. 800 million to 1 billion USD entered the FX market in February 2024, following foreign portfolio investors' return after the Eurobond buyback.

Another factor that has contributed to the positive outlook on the economy has been the real GDP growth rate (see Figure 4). Key projects and initiatives are expected to maintain a stable growth trajectory in the coming periods. These include a partnership with Afreximbank, which unveiled a USD 3 billion Country Programme to support trade and trade-related investments across both private and public sectors. Additionally Afreximbank will also help advance Kenya's industrialisation and export-driven growth by financing the establishment and operationalisation of Special Industrial Zones, which will strengthen export manufacturing.

> We shifted from fiscal policy to monetary policy for short-term inflation control, leading to rising lending rates. This has made borrowing costly for businesses, reducing purchasing power and worsening inflation as many struggle to survive.
>
> Representative from the Office of the President

[3] Copernicus, 2024. Available here.

Figure 4: Real GDP growth



Source: Stanbic Bank African Markets Revealed Report

Note: 'f' represents forecasted data points.

Surveyed businesses who held an optimistic outlook on the immediate future of the Kenyan economy most commonly cited the country's economic stability (40%), identification of business growth/opportunities (39%) and increased economic growth (39%) as the main factors for their optimism. This sentiment is likely driven by the government's initiatives targeted at improving the economy and business environment.[4]

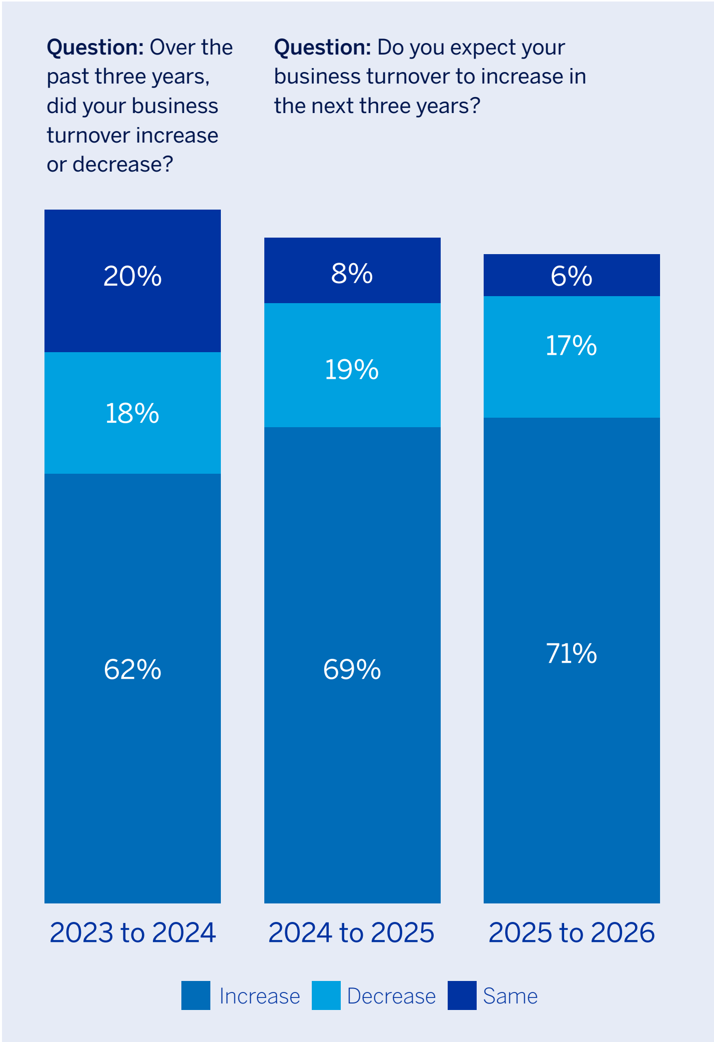
Despite the positive outlook on the performance of the economy in the next 3 years, high taxation (71%) has been cited as a key factor by surveyed businesses that were not optimistic about the economy. Widespread, youth-led protests that erupted in the last two weeks of June 2024 were over proposed tax rises in Finance Bill 2024.

The 2024 finance bill aimed to raise or introduce taxes and fees on various everyday items and services, such as internet data, fuel, bank transfers, and diapers. These measures are part of the government's strategy to generate an additional USD 2.7 billion in domestic revenue.[5] The government argued that these changes are essential to cover interest payments on national debt, reduce the budget deficit, and maintain government operations.

However, protesters view the taxes as restrictive, especially given the already high cost of living in the country.

Surveyed businesses are optimistic about the prospects of business growth (see Figure 5). Surveyed businesses cite financial stability (74%), increased marketing activity (74%) and an increase in production (73%) as factors that will positively impact their revenue.

Figure 5: Sentiments on turnover increases of Kenyan Businesses

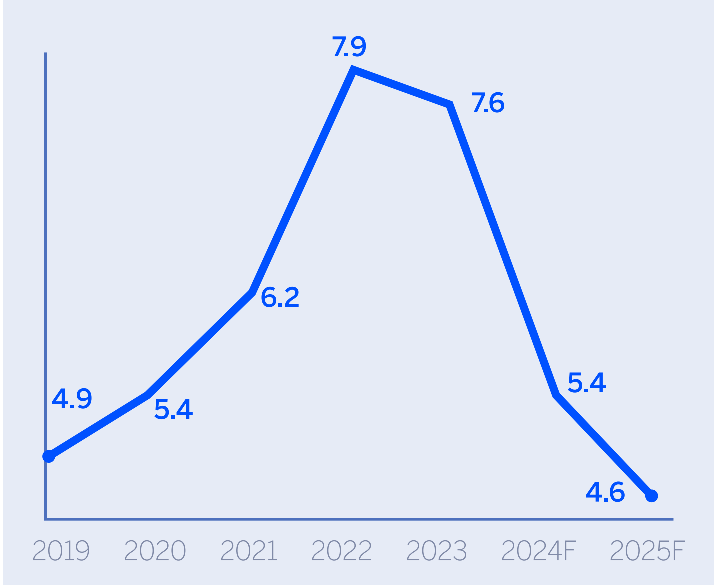


Source: Stanbic Bank Africa Trade Barometer Issue 4

Note: Numbers may not add up to exactly 100% due to "don't know" and "refused" responses not being included.

Kenya's inflation rate has been steadily declining, falling from 7.9% in 2022 to 7.6% in 2023, and is expected to decrease further to 5.4% in 2024 (see Figure 6).

Figure 6: Kenya's inflation rate



Source: Stanbic Bank Africa Markets Revealed Report, KNBS

Note: 'f' represents forecasted data point.

By June 2024, inflation had dropped to 4.6%, down from 5.0% in May 2024,[6] marking the lowest level since September 2020. The decline was largely driven by decreased price pressures, particularly in the transport sector,due to a decrease in petrol and diesel prices and food and non-alcoholic beverages Index.

> Customs delays and outdated procedures are crippling trade. Goods sit idle, drivers wait, and costs rise. We export raw materials but import them finished, stalling progress. This inefficiency is killing cross-border trade.
>
> Representative from the Office of the President, Policy Advisor

[4] Afreximbank launches a USD 3 billion Country Programme with the Government of Kenya, 2024. Available here.
[5] Bloomberg, 2024. Available here.
[6] KNBS, 2024. Available here.

5 GOVERNMENT SUPPORT

Perceptions of Government support on trade have declined.

KENYA'S GOVERNMENT SUPPORT INDEX SCORE

Source: Stanbic Bank Africa Trade Barometer Issue 4

Government support index can vary between 0 and 100, where 0 indicates an extreme lack of Government support, 50 neutrality and 100 extreme government support. In the August 2024 SB ATB survey results, Kenya's government support index score decreased from 57 to 45. This means that surveyed businesses in Kenya feel the Government has been less supportive of cross-border trade activities in this iteration of the survey compared to the May 2023 survey.

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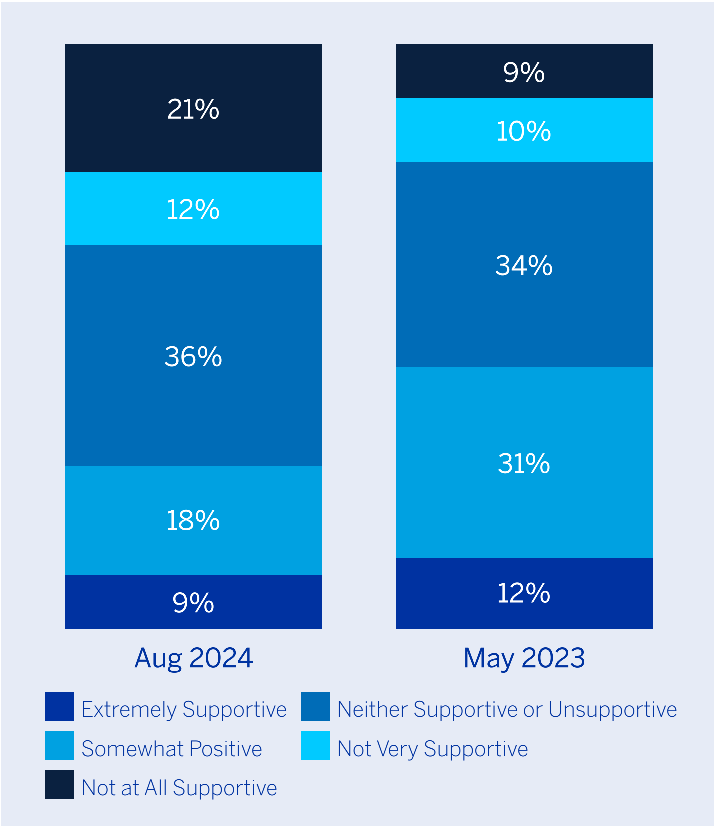
Fewer surveyed businesses feel that the government is supportive of cross-border trade, falling to 27% in this iteration of the survey compared to 43% in May 2023 (see Figure 7). Similarly, surveyed businesses that say that the government is not supportive has risen to 33% compared to 19% last year.

Surveyed larger businesses on average have a more positive perception of the government's support for cross-border trade relative to smaller businesses.

Figure 7: Perception of government support for cross-border trade



Source: Stanbic Bank Africa Trade Barometer Issue 4

Note: Numbers may not add up to exactly 100% due to "don't know" and "refused" responses not being included.

Surveyed larger businesses on average have a more positive perception of the government's support for cross-border trade relative to smaller businesses. 33% of surveyed big businesses have a more positive perception of the government's support for cross-border trade relative to small businesses (27%). This difference may be explained by larger businesses having more resources, access to opportunities and capacity to navigate complex regulatory environments and Government support being more accessible and tangible to larger businesses. This can be seen where surveyed businesses highlighted presence of financial stability, increased marketing activity and increased production would be the main drivers of their revenues in the next 3 years. Showing larger businesses have the resources and capacity to invest in their operations to drive revenue growth.

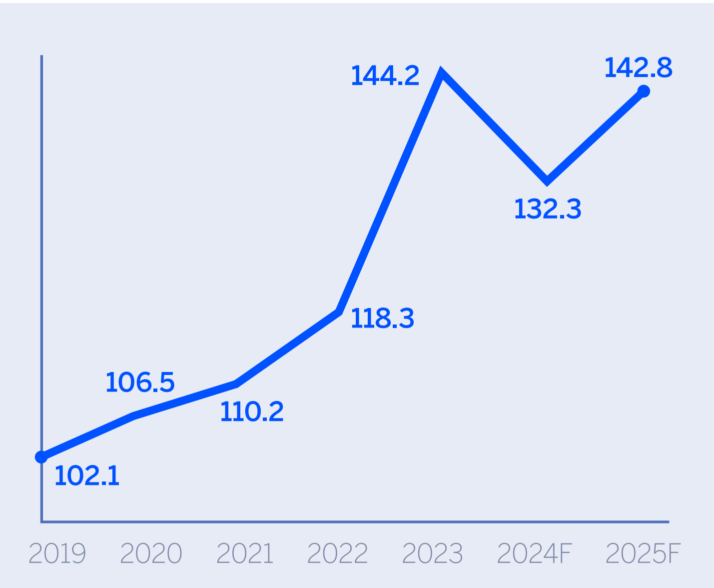
Reduced perceptions of the government's positive role in supporting cross-border trade (from 43% in 2023 to 27% in 2024) comes following the widespread youth-led protests in June 2024 against Finance Bill 2024. The protests highlighted Kenya's ongoing struggles with high youth unemployment, worsening poverty, and inequality. Public unrest and violence over the proposed tax hikes underscored the negative perception of the government's role in supporting cross-border trade. Additionally, the

> "The government is implementing several initiatives to encourage trade, one of which is the creation of special economic zones and export processing zones. These zones offer numerous advantages to the private sector, allowing them to produce within these areas, which in turn boosts production efficiency and trade activities"
>
> Representative from the Ministry of Trade

country's debt obligations, including the looming USD 2 billion Eurobond redemption, led to uncertainty within the market and reduced confidence in the Kenyan economy at the beginning of 2024. Recently, Fitch downgraded Kenya's Long-Term Foreign-Currency Issuer Default Rating (IDR) from 'B' to 'B-' though the outlook still remains stable.[7] These factors contributed to a reduction in government confidence.

The Kenyan shilling has been volatile against the US dollar. The shilling lost 21% value against the US dollar in the period from January 2022 to December 2023, compared to a 7% depreciation in a similar period from January 2021 to December 2022 (see Figure 8). With the USD 2 billion Eurobond on top of other debt servicing commitments and public finance management shortfalls leading to accumulation of bills,[8] the shilling and Kenyan economy will be under pressure to ease external debt pressures and control inflation.

Figure 8: Movement of KES against the US Dollar



Source: CBK; Stanbic Bank Analysis;
Stanbic Bank African Markets Revealed report

Notes: Values rounded to the nearest shilling
|'f' represents forecasted data point.

Many businesses feel that the provision of some form of tax relief will ease some of the frictions that inhibit their ability to engage in cross-border trade. 81% of surveyed businesses identified reduction of business taxes as an area where the government can support cross-border trade. Businesses identified the reduction of business tax, reduced time taken for customs clearance and improved foreign currency liquidity as the three most important interventions they require from the government.

The survey results, thus, suggest that businesses believe that trade activity may be stimulated if the cost of trading were to be lowered. There are areas of positive developments in this regard. Over the past three years, the Kenya Revenue Authority (KRA) has embarked on a drive to streamline customs clearance and improve efficiency. One of the key changes has been the adoption of pre-arrival processing, which has reduced the goods clearance time from four days to two.[9] Additionally, KRA recently introduced a policy that shifted cargo clearance operations from Mombasa Port and 22 customs bond warehouses to its offices in Nairobi. This move is part of a broader effort to digitise operations and reduce corruption.

However, the new policy has sparked uproar, particularly among clearing and forwarding agents, who now must submit a two-page form to verification officers at various KRA offices, a process that was previously handled at ports and depots.[10]

The Kenya International Freight & Warehousing Association (KIFWA) has protested these changes, arguing that they have increased clearance times from one to more than five days. Despite the pushback, KRA maintains that the new policy aims to prevent collusion with its staff, reduce tax evasion and combat corruption.

The Kenyan government has entered into agreements with East African countries like Tanzania and Uganda to remove trade barriers and reduce the costs associated with cross-border trade. Earlier this year, Kenya and Tanzania entered into an agreement to eliminate barriers that have impeded trade in key commodities including tea, spirits and timber which had previously been halted.[11] Similarly, Kenya signed an agreement with Uganda to deepen bilateral relations and strengthen trade amongst the two nations.The agreement would also allow Uganda to import refined petroleum commodities directly from the producer countries through Kenya thereby removing previous restrictions that existed within Uganda's petroleum sector.[12]

The shilling lost

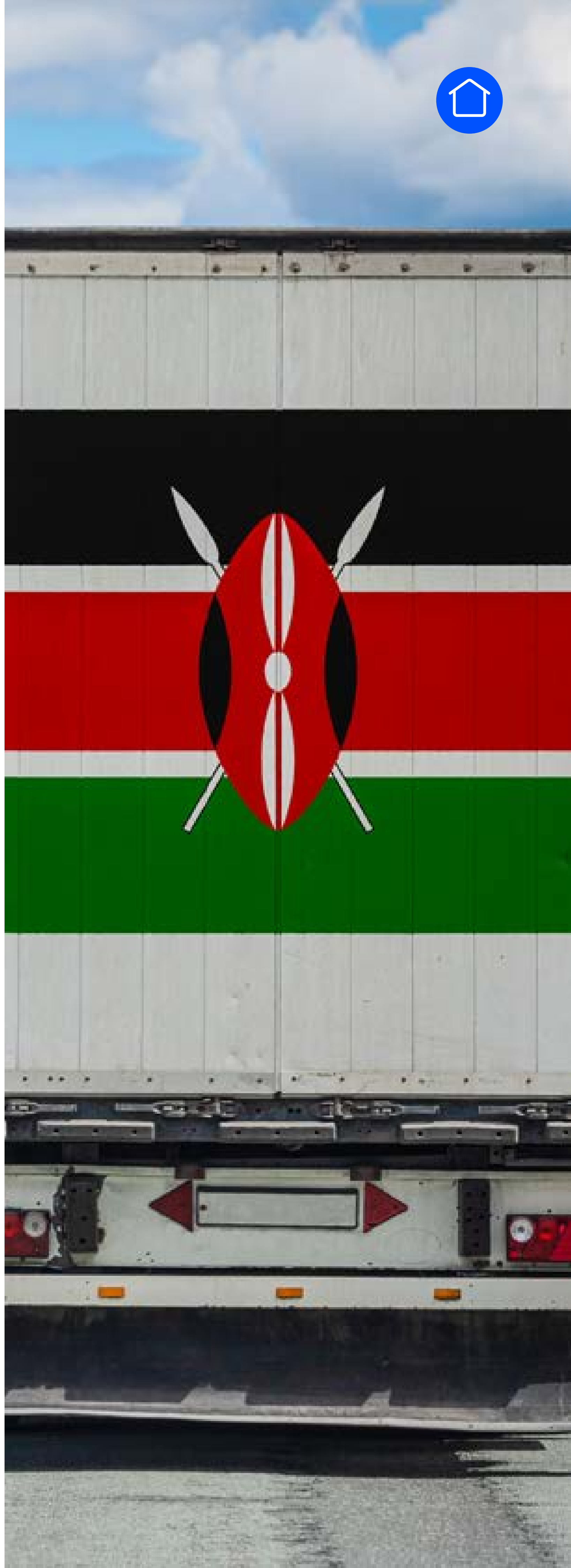
21% value

against the US dollar in the period from January 2022 to December 2023, compared to a

7%

depreciation in a similar period from January 2021 to December 2022.

Many businesses feel that the provision of some form of tax relief will ease some of the frictions that inhibit their ability to engage in cross-border trade.



[7] Fitch, 2024. Available here.
[8] Fitch, 2024. Available here.
[9] CapitalFm, KenyaKRA cuts good clearance time to two days from four, 2024. Available here.
[10] Nation, Uproar as KRA changes cargo clearance process, 2024. Available here.
[11] Freight Logistics Magazine, June 2024. Available here.
[12] The Star Kenya, 2024. Available here.

6 INFRASTRUCTURE CONSTRAINTS AND ENABLERS

Surveyed Kenyan businesses perceived a decline in the quality of trade-related infrastructure, partly driven by the devastation caused by severe flooding.

KENYA'S QUALITY OF TRADE-RELATED INFRASTRUCTURE INDEX SCORE

Source: Stanbic Bank Africa Trade Barometer Issue 4

The quality of trade-related infrastructure index can vary between 0 and 100, where 0 indicates poor quality, 50 indicates fair quality and 100 indicates excellent quality. In the August 2024 SB ATB survey results, Kenya's quality of trade-related infrastructure index score declined from 53 in May 2023 to 48.

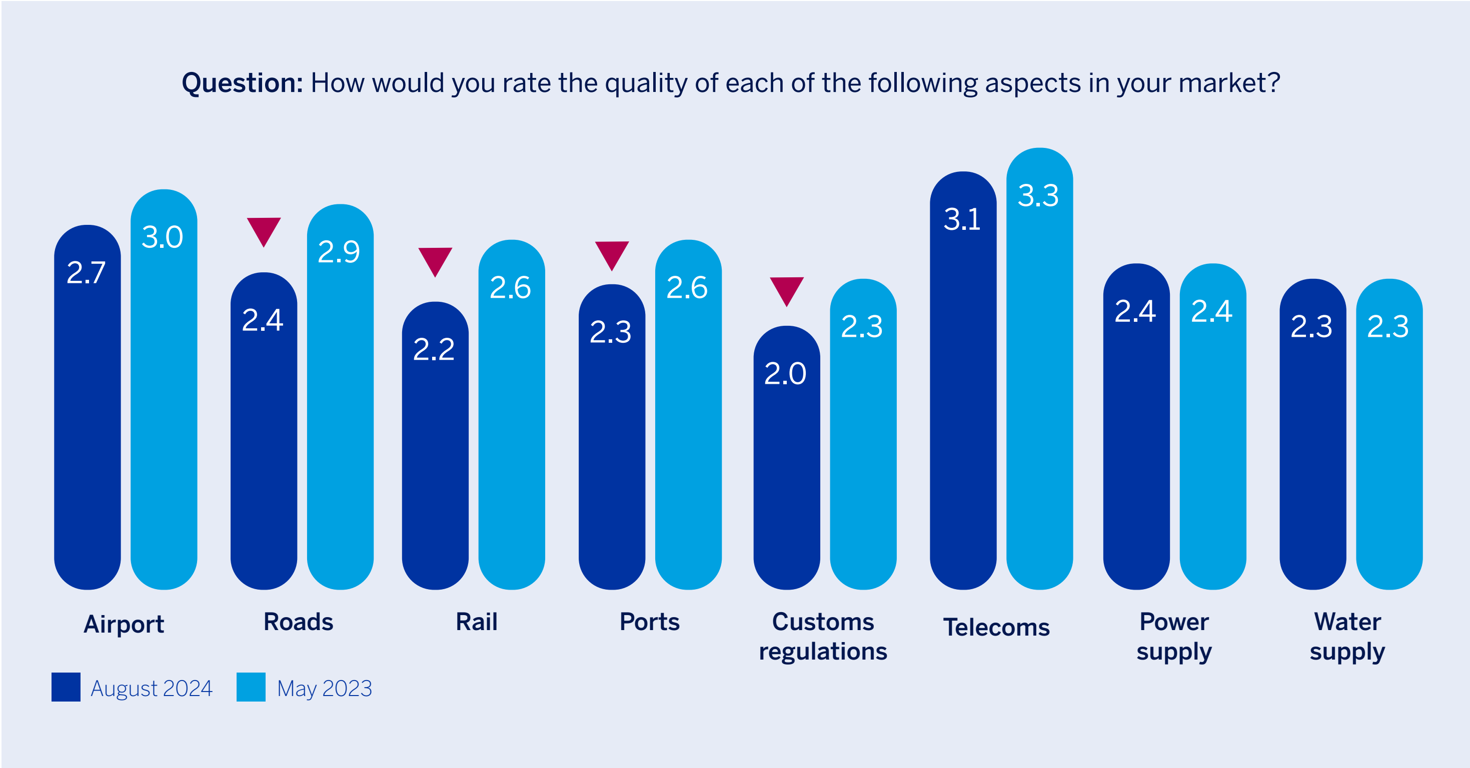
***

Surveyed Kenyan businesses perceived the quality of infrastructure to be poorer in nearly all aspects in this iteration of the survey relative to May 2023 (see Figure 9). Notably, there was a significant decrease in the perceived quality of Kenya's road, port and rail infrastructure, and customs regulation.

42

of Kenya's 47 counties were affected by significant flooding in 2024.

Figure 9: The perceived quality of various infrastructural aspects by businesses (5-point scale)



Source: Stanbic Bank Africa Trade Barometer Issue 4

Notes: Rating is on a 5-point scale, where 5 = excellent quality and 1 = poor quality.
Arrows denote whether the value of the variable is significantly higher / lower than in the previous survey.

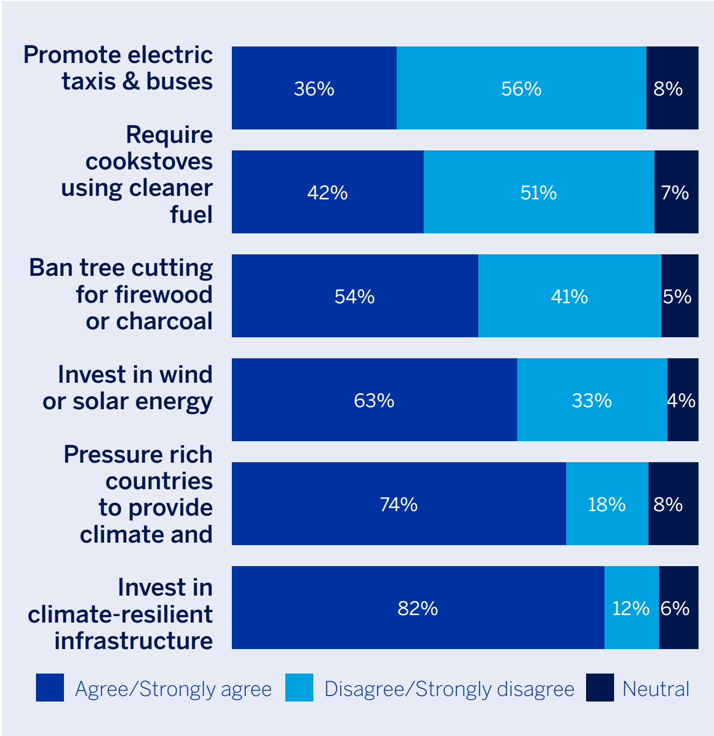
The perceived decline in infrastructure could, in part, be a result of the damages caused by the severe floods across Kenya in 2024. The floods affected 42 of the country's 47 counties and caused over KES 4 billion (USD 35 million) in damage to roads, railways and power supply infrastructure.[13] As Nairobi contributes around 28% to Kenya's overall GDP through finance and insurance, housing, retail and trade, transport and storage, and construction, the economic impact of these floods was widespread and severe.[14] The city's public transport costs also soared by over 100% as flooded roads stranded residents.

Air transport infrastructure – an aspect that is important to fostering trade both across the continent and internationally—was also impacted by the floods. Flights were diverted from the country's premier airport, Jomo Kenyatta International Airport in Nairobi, due to flooded runways, terminals, and cargo areas.[15] Beyond physical infrastructure, a lack of air transport connectivity across the continent has led to limitations in trade.

Climate risks such as flooding indicate a need for resilient infrastructure. A recent Afrobarometer survey revealed that around 82% of Kenyans want their government to invest in climate resilient infrastructure in response to changing weather patterns and environmental degradation (Figure 10).[16] This result is one in a number of survey outcomes which indicate that Kenyans have a favourable view on infrastructure-related policies which respond to changing weather patterns.

Incorporating climate-resilient infrastructure may involve transitioning to renewable energy sources. Despite unchanged perceptions since May 2023, surveyed businesses report low quality in power supply infrastructure (48%), likely shaped by historical grievances over Kenya Power's high costs. Recent reductions in these costs, thanks to a stronger Kenyan shilling and falling fuel prices,[17] could improve opinions in the next iteration of the ATB. Expanding renewable energy infrastructure, less affected by such volatility, may further enhance views on power supply.

Figure 10: View of Kenyans on policies to respond to changing weather patterns



Source: Afrobarometer 2024

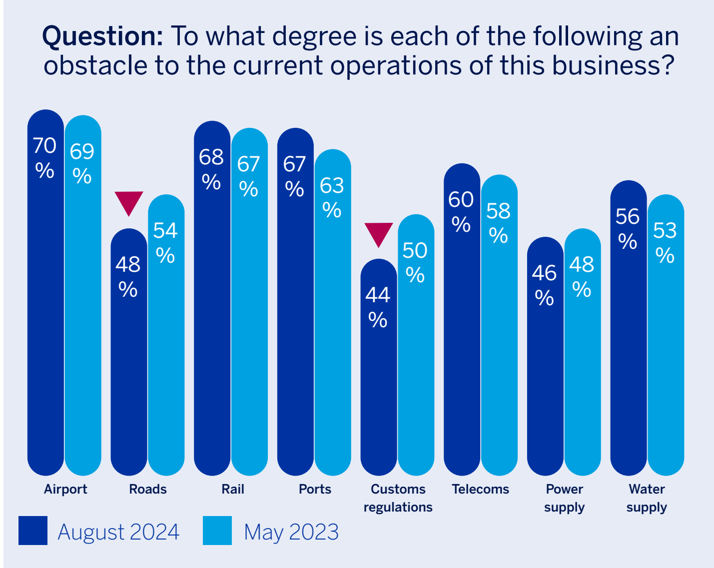
82%

of Kenyans want their government to invest in climate resilient infrastructure.

The decline in perceived quality of infrastructure was observed to be the most severe for road infrastructure. In the 2024 floods, over 60 roads and several key bridges—including the Lokichar bridge in the Rift Valley and the Old Athi Bridge in Eastern Kenya—were damaged, cutting off movement and business activities between impacted hubs.[18] Road infrastructure therefore stands as one of the most severe obstacles to surveyed businesses' operations (having scored 48%) due to impacts on logistics.

Kenya's customs and trade regulation infrastructure was the lowest ranking infrastructural aspect in terms of perceived quality in the latest iteration of the survey, scoring 1.95 on a 5-point scale. This aspect is also considered to be the most severe obstacle to surveyed businesses' current operations (see Figure 11).

Figure 11: Degree of perceived severity to the operations of businesses



Source: Stanbic Bank Africa Trade Barometer Issue 4

Notes: The degree of obstacle is scored on a scale of 0 to 100, where 0 indicates severe obstacle and 100 indicates no obstacle.

This perceived low quality of customs and trade regulation infrastructure could, in part, be caused by a recent imposition of higher customs duties on finished goods while granting duty remission on raw materials.[19] While such a change to regulation suggests a focus on fostering local industries, for small businesses reliant on imported finished goods, this regulatory pivot could prove burdensome. The elevated duties on items like mobile phones and television sets, which are not yet produced at scale locally,[20] and baby diapers, mean higher prices for the end consumer. Small businesses, often without the financial resilience to absorb such shocks, could see a reduction in sales volumes and profit margins, potentially impacting their survival.

> We need to have a good air transport connectivity system because not all products can be exported through road so we need to have an agreement between our airline to open up our space so that we can have more connectivity between our cities within the continent.
>
> Representative from the Ministry of Trade

> Climate change has revealed the need for climate resilient infrastructure; consider the big loans we borrowed to build roads that were swept away by the floods.
>
> Representative from the Office of the President

[13] ACAPS, 2024. Available here.
[14] S&P Global, 2024. Available here.
[15] ACAPS, 2024. Available here.
[16] Afrobarometer, 2024. Available here.
[17] Agencies, 2024. Available here.
[18] ACAPS, 2024. Available here.
[19] Bowman's, 2024. Available here.
[20] Ibid.

Kenya's customs and trade regulation infrastructure was the lowest ranking infrastructural aspect in terms of perceived quality in this iteration of the survey.

An interview with an expert at the Office of the President suggests that the effectiveness of Kenya's customs infrastructure is compromised by procedural issues and delays. The reliance on manual systems like weighbridges without comprehensive digital payment options introduces significant bottlenecks, where lorries queue for days, incurring substantial costs. This inefficiency at the border is amplified by recurrent technical failures in the Cargo Management Systems, leading to goods being auctioned and undermining the fluidity of cross-border trade. The situation is further aggravated by the country's limited export diversification and the preference for exporting raw materials rather than value-added products, which reinforces a cycle of dependency on imported finished goods and challenges the growth potential of small businesses within the local economy.

In 2024, Kenyans have not seen the opening of any major new infrastructure. The Nairobi Malaba Railway, the country's largest rail project, is delayed due to funding issues, pushing its completion to 2028. The Nairobi Mombasa Expressway, a significant road project, is still in the feasibility stage with a construction start slated for 2026. Lamu Port's completion is expected in 2025, but no specific updates indicate progress this year. The Jomo Kenyatta International Airport upgrade is in early feasibility, with construction commencement targeted for late 2025.[21] The Kenyan SGR has faced a significant finance gap, with no major developments in the past year, as efforts to secure the estimated $5.3 billion needed to extend from Naivasha to Malaba and beyond have yet to materialise.[22] Finally, the Mombasa Gate Bridge, a major bridge infrastructure, is in the design phase with a construction timeline set to begin in 2025.[23]

FAST FACT:

The Standard Gauge Railway (SGR) connects the port city of Mombasa to the capital, Nairobi, and is planned to extend to Uganda. Once fully operational, the SGR will cover approximately 3,800 kilometres (2,400 miles) and link Kenya to Uganda, South Sudan, the Democratic Republic of the Congo, Rwanda, Burundi, and Ethiopia.

Negative impressions on infrastructure could also be attributed to a growth in tax revenue collection by the KRA, which rose by 11% in the 2023/2024 financial year, yet surveyed businesses may not correlate this with significant infrastructural developments. The KRA collected agency revenues, including Road Maintenance Levy and Air Passenger Service Charge, amounting to KES 184 billion (USD 1.4 billion) at ports of entry, reflecting increased tax burdens associated with customs, port, rail, road, air, and other infrastructure sectors, without proportionate enhancements in these attributes.[24]

FAST FACTS:

Kenya's Mombasa port plays a crucial role in regional trade, serving as a major entry point for goods into East Africa.

- It handles cargo for several neighbouring countries, including Uganda, Rwanda, Burundi, South Sudan, and the Democratic Republic of Congo.
- The port has seen significant investments to improve its infrastructure, such as the widening of the harbour channel, the construction of a second container terminal, and the linkage to the Standard Gauge Railway (SGR) for efficient cargo evacuation. These improvements have enhanced the port's capacity and efficiency, making it a vital hub for regional trade.
- Mombasa port has experienced steady growth in cargo throughput, with an annual increase of 6.2% in 2023, reaching 35.98 million tonnes. This growth underscores its importance in facilitating trade and economic development in the region.

> Customs delays and complex border procedures is a major self-imposed problem – we are a country that wants to consume everything but we want to produce nothing and even with what we do produce, we tend to export it raw rather than add value and import it finished.
>
> Representative from the Office of the President

[21] ABiQ, 2024. Available here.
[22] Kitimo, 2024. Available here.
[23] ABiQ, 2024. Available here.
[24] KRA, 2024. Available here.

7 TRADE OPENNESS

Cross-border trade is gaining traction, spurred on by trade agreements with the EU, China, and within the EAC.

KENYA'S TRADE OPENNESS INDEX SCORE

Source: Stanbic Bank Africa Trade Barometer Issue 4

The trade openness index score can vary between 0 and 100, where 0 indicates a high burden of obstacles inhibiting trade, 50 indicates a moderate burden of obstacles inhibiting trade and 100 indicating a low burden of obstacles inhibiting trade. In the August 2024 SB ATB survey results, the trader perceptions on the degree of challenges impacting trade score declined slightly from 50 to 49.

***

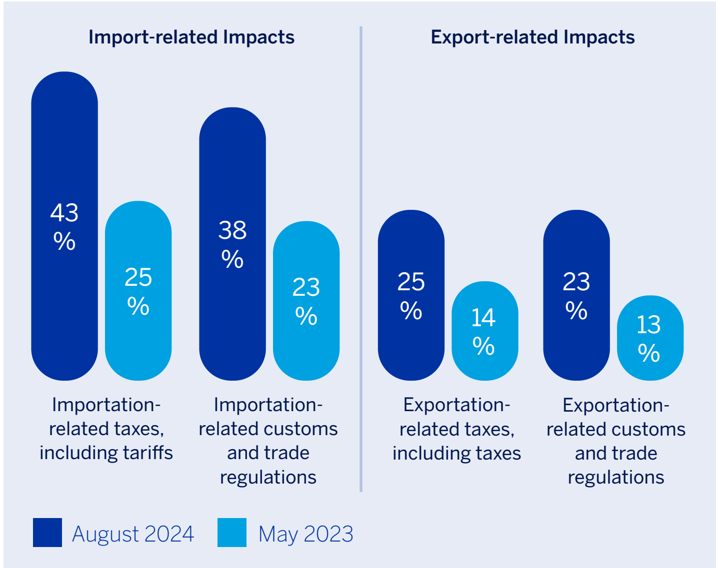
Surveyed businesses in this iteration of the survey indicated that they have sourced fewer inputs domestically, and more from international markets (predominantly from Asia) as compared to May 2023. Although a majority of surveyed businesses still source their inputs domestically (69%), significantly more indicated that they import (28%) in this iteration of the survey, compared to May 2023 (20%). For those businesses that import, the majority operate in the services sector; which is significantly higher compared to the previous two ATB surveys.

Surveyed businesses have reported trade-related taxes and customs regulations on their import and export operations negatively impact them significantly more than last year (Figure 12). This perception could be attributed to proposed tax changes under the Finance Bill 2024.[25]

The Finance Bill 2024 introduced a series of tax changes that could heighten the operational costs for traders involved in import and export. Key to these changes is the introduction of withholding tax on supplies to public entities and the repeal of exemptions on certain income forms, which could result in higher taxation on transactions that previously enjoyed favourable tax treatment. Additionally, the Bill's proposition to amend the definition of "royalty" to include software-related licence and service fees could significantly increase the tax burden on technology imports. The removal of the KES 24,000 (USD 186) minimum threshold for withholding tax on professional services suggests that all such transactions, regardless of size, will now be taxable, potentially increasing the cost of outsourcing and consultancy for traders. These changes point toward a more stringent tax regime, possibly leading to the reported negative impact on traders and their cross-border commercial activities.

69% of surveyed businesses source their inputs domestically, significantly declining from 78% in May 2023. This shift could partially be due to favourable trade agreements with international partners providing surveyed businesses with access to products that are not widely produced locally.

Figure 12: Impacts of trade-related taxes and customs regulations on import and export operations



Source: Stanbic Bank Africa Trade Barometer Issue 4

The graph above reflects the percentage of surveyed businesses that reported a major or severe impact to the following questions: (1) Importation-related taxes, including tariffs: To what extent do importation-related taxes, including tariffs, impact your business growth?; (2) Importation-related customs and trade regulations: To what extent do importation-related customs and trade regulations impact your business growth?; (3) Exportation-related taxes, including tariffs: To what extent do exportation-related taxes, including tariffs, impact your business growth?; (4) Exportation-related customs and trade regulations: To what extent do exportation-related customs and trade regulations impact your business growth?

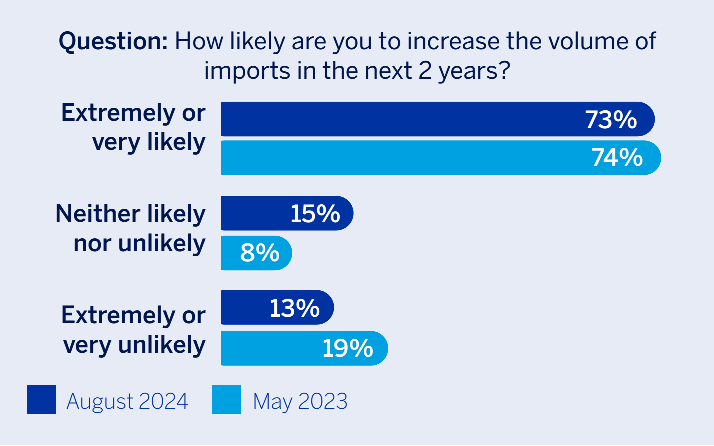
[25] EY, 2024. Available here.

38%

of surveyed businesses say that they are negatively impacted by importation-related customs and trade regulations.

Kenyan importers remain bullish on the prospect of increasing the volume of their imports over the next two years (see Figure 13). 73% of importers believe that their import volumes are very likely or extremely likely to increase over the next two years. This is only a 1% decrease relative to the sentiments recorded in the May 2023 survey and reflects the optimism of businesses for increased economic activity over the forthcoming years. This could be linked to the developments in trade agreements discussed below.

Figure 13: Importers perceptions on their likelihood to increase import volumes over the next 2 years



In addition, trader perception on export regulations continues to steadily improve, rising to 34%, from 30% in the May 2023 survey and 25% in the September 2022 survey. This outlook could be the cause of promising trade agreements between Kenya and trade regions of historical prominence. **Trade relations between Kenya and other East African countries are expected to strengthen going forward, partially due to the resolution of 14 trade barriers between Kenya and Tanzania.[26]** The trade barriers between Kenya and Tanzania include Tanzania's refusal to allow Kenyan poultry products, imposition of a 1.75% Free On Board fee on Kenyan dairy, non-recognition of Kenyan certified products under the EAC's Standardisation, Quality Assurance, Metrology and Testing Act, and discriminatory Tanzanian excise duties on Kenyan-made lead acid batteries, juice products, and sugar confectioneries. Their resolution resulted from a series of high-level diplomatic discussions, which reflects enhanced bilateral cooperation and a mutual commitment to economic partnership. The creation of a joint multi-agency committee signifies a structured approach to ongoing dispute resolution and the maintenance of smooth trade relations, indicating a significant step towards stronger economic interlinkages and stability within the East African region.

35%

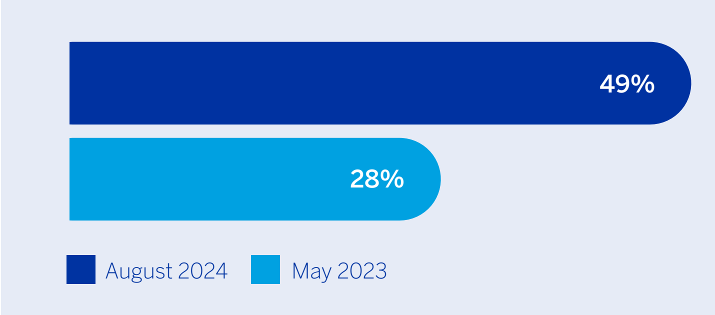
fewer surveyed businesses exported to East Africa, an export market which dominated in May 2023. Exports to East Africa are expected to increase amongst surveyed businesses as they begin to benefit from trade agreements.

The major decline (35%) in exports to East Africa amongst surveyed businesses was partially counteracted by a significant (22%) increase in exports to Southern Africa. This shift suggests that surveyed traders looked to Southern African markets, predominantly South Africa, which grew five times in popularity as an export destination amongst surveyed businesses compared to 2024.

This decline in exports from surveyed businesses has not been seen on a macroeconomic scale, suggesting that shifts in trade dynamics may affect business profiles similar to those surveyed in this ATB more. In the first quarter of 2024, earnings on Kenyan exports to African countries outstripped expenditure on imports by more than KES 40 billion (USD 309 million), motivated by an increased demand on tea and jet fuel.[27] This development was driven by an increase in exports to the Democratic Republic of Congo (56%), Egypt (46%), South Sudan (26%), Tanzania (18%), and Uganda (7%).[28]

Trade relations with China are expected to strengthen, partially due to the outcomes of the 2024 Forum on China-Africa Cooperation (FOCAC) Summit,[29] from an already robust position where surveyed businesses are already sourcing more from the country. Almost double as many surveyed businesses imported products from China this year compared to businesses surveyed in May 2023 (see Figure 14). The Summit facilitated the establishment and elevation of strategic partnerships between China and 30 African countries, enhancing the framework for trade and cooperation. Additionally, the adoption of a Beijing Declaration and Action Plan aims to bolster trade prosperity and industrial chain cooperation over the next three years.

Figure 14: Imports sourced from China



Source: Stanbic Bank Africa Trade Barometer Issue 4

A growing number (25%) of surveyed businesses exported to Europe, Kenya's largest export destination outside of Africa, compared to May 2023 (20%). Exports to Europe have historically consisted of agricultural products, including tea, coffee, cut flowers, peas, and beans.[30] The stability of surveyed businesses' exports in the consumer goods sector across all four ATB surveys (3% variance over four years) is an indicator of this steady relationship.

Trade relations with Europe are expected to strengthen following the signing of the EU-Kenya Economic Partnership Agreement in July 2024.[31] The agreement introduces asymmetric tariff eliminations, favouring Kenyan exports with immediate EU market access, excluding weapons, which could bolster Kenya's agricultural sector by enhancing the export potential of products like vegetables, cut flowers, and tea. Conversely, Kenya has agreed to a structured approach in liberalising trade with the EU, where it will gradually lower its import tariffs on European goods over a period of 25 years, while retaining the right to shield certain vulnerable industries from tariff cuts.

"The existence of preferential trade agreements, such as those between Kenya and the EU, EAC, UK, and SAFTA, is a key contributor to the increase in cross-border trade."

Representative from the Ministry of Trade

25%

of surveyed businesses export to Europe, compared to 20% in May 2023.

[26] Africa24, 2024. Available here.
[27] Munda, 2024. Available here.
[28] Ibid.
[29] Tralac, 2024. Available here.
[30] Delegation of the European Union to Kenya, 2021. Available here.
[31] European Commission, 2024. Available here.

8 TRADERS' FINANCIAL BEHAVIOUR & ACCESS TO FINANCE

Businesses mainly use mobile money for domestic transactions.
For cross border transactions, small businesses lean towards mobile money.

KENYA'S ACCESS TO CREDIT INDEX SCORE

Source: Stanbic Bank Africa Trade Barometer Issue 4

Access to finance can vary between 0 and 100, where 0 indicates an extreme difficulty in accessing finance, 50 neutrality and 100 indicates no difficulty in accessing finance. In the August 2024 SB ATB survey results, Kenya's access to finance index score declined to 45 from 49 in May 2023. This means that surveyed businesses in Kenya generally perceived it more difficult to access credit in this iteration of the survey compared to May 2023.

***

Surveyed Kenyan businesses utilise a range of payment methods for cross-border trade (see Figure 15). Starting with cross-border sales, businesses provide foreign buyers with a diverse set of payment options. EFTs are the most popular at 70%, mobile money at 65%, international transfers at 60%, card at 55% while cash stands at 50%. This is a slight difference from the May 2023 results when EFTs, mobile money and international transfers tied at 67%. The most significant change was with regard to cash where there was a 17% point decline from 67% in May 2023 to 50% in this iteration of the survey.

Cash makes up for a lower proportion of sales across all business segments in this iteration of the survey compared to May 2023 (see Figure 15). This change in the method of payment could be linked to the risks associated with using cash and the fluctuating exchange rates.

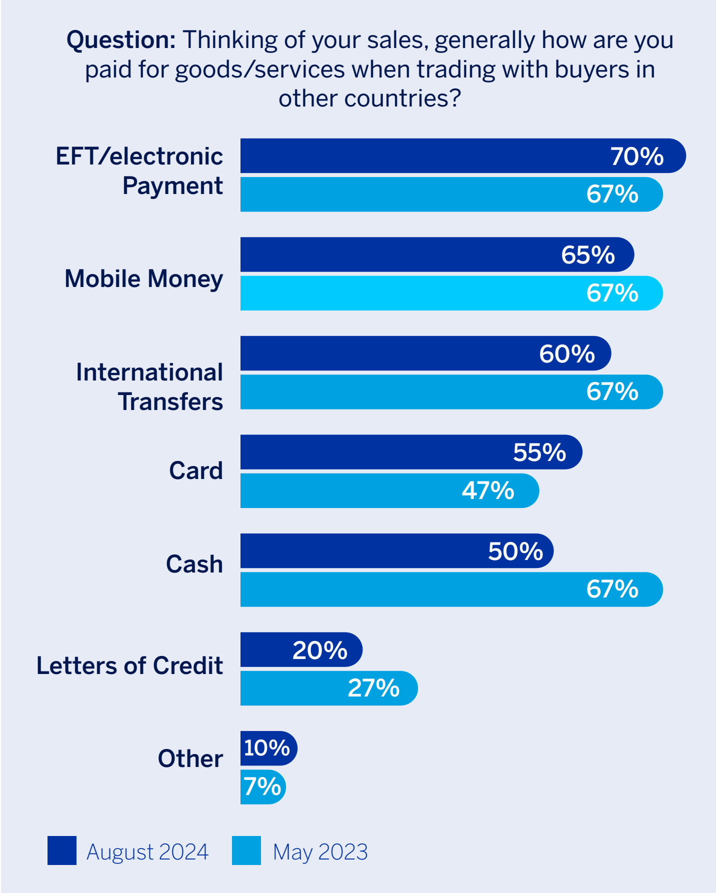
The value of the Kenyan shilling has dropped significantly between March 2022 and January 2024 against the US dollar, impacting investments in Kenya and adversely affecting the export of goods.[32] Despite increased digital payments, surveyed businesses still note challenges with card payments including loss of money and security risks.

There's a similar trend with regard to cross-border purchases. As in May 2023, surveyed businesses in Kenya utilise different payment methods to pay for their goods and services when trading with suppliers in other countries. 67% use international transfers, 61% use EFTs, 44% use mobile money, 39% use cards, 27% use letters of credit while 12% use cash. As with cross-border sales, the most significant change from May 2023 is with regard to cash. Use of cash for cross-border purchases declined among surveyed businesses in Kenya from 30% in May 2023 to 12% in this iteration of the survey.

44%

of surveyed businesses use mobile money to facilitate cross-border purchases which has moved up from 26% in May 2023.

Figure 15: The proportion of cross-border sales made in selected payment method



Source: Stanbic Bank Africa Trade Barometer Issue 4

> Fluctuations of the shilling happen daily, you are likely to hear an exporter mention that the shilling has gone down.
>
> Representative from the Ministry of Trade

[32] Cliffe Dekker Hofmeyr, 2024. Available here.

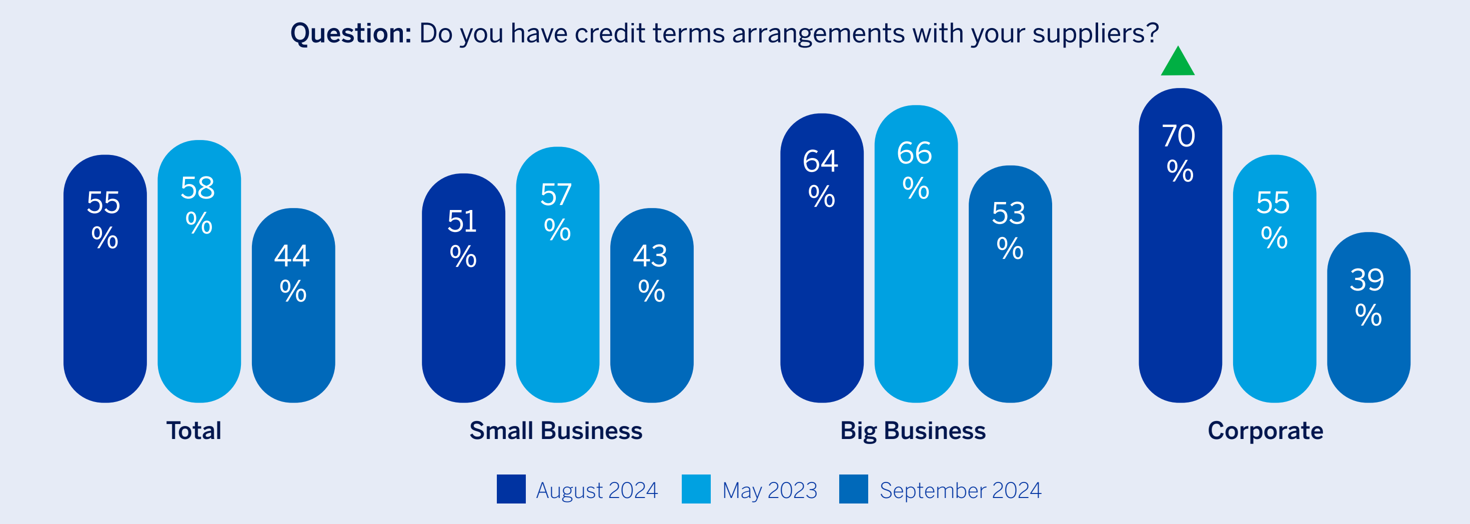
Mobile money is the preferred payment method for domestic transactions among surveyed businesses in Kenya. 95% and 87% of surveyed businesses preferred mobile money as payment method for domestic sales and purchases respectively. Small businesses surveyed said that 49% and 48% of their domestic payments for purchases and sales respectively were via mobile money, on the other hand for big businesses it was 33% and 40% of their payments for purchases and sales respectively. The success of Mpesa across Kenya and other African countries makes for a preferred means of payment; due to its lower transaction costs in comparison to other methods of payment.[33] This popularity is also indicative of the consumer-driven nature of the local payments landscape, where mobile money meets the demands of the marketplace.

FAST FACT:

Kenya is known for its innovative mobile banking service, M-Pesa, which has revolutionised financial inclusion. Approximately 70% of Kenyans over the age of 50 use M-Pesa, highlighting its widespread adoption and trust among older generations.

More surveyed businesses in Kenya perceive access to credit to be difficult as compared to May 2023. Only 28% of surveyed businesses perceived access to credit to be easy (either extremely easy or somewhat easy) in this iteration of the survey, as compared to 45% in May 2023.

Figure 16: The proportion of surveyed Kenyan businesses with credit arrangements with their suppliers



Source: Stanbic Bank Africa Trade Barometer Issue 4

This could be primarily driven by the persistent increases in the Central Bank Rate (CBR). This is likely due to increased interest rates in the Central Bank Rate-shifting from 10.5% to 12.5% in December 2023 – this leads to businesses making payment arrangements as opposed to lending money.[34] This shift in interest rates further increases loan costs and the repayment capacity of Kenyans. Furthermore, this increase in interest rate makes for cautious borrowing led, this decreases the number of credit agreements which further has an impact on the credit lending environment.[35] Not surprisingly, the majority of surveyed businesses (71%) noted high interest rates as the main constraint for them to access credit from financial institutions.

Corporates rely more on credit arrangements with their suppliers (70%) in comparison to May 2023 (55%) (see Figure 16). This could be a reflection of the challenges in accessing finance through conventional channels in the medium-term,

Surveyed businesses believed that financial institutions could support them in a number of ways, these included access to funding (78%), insurance of goods (76%) and the wide range of funding products which suit company needs (74%) flexible loans terms (74% as well as less restrictive loan clearance requirements (74%).

95%

of surveyed businesses use mobile money to facilitate domestic sales which has gone up from 93% in May 2023.

35%

surveyed businesses find it somewhat difficult and extremely difficult to access finance.

> People now trade across borders digitally, using payment platforms and the internet to connect with others in countries like Zimbabwe, South Africa, and Switzerland. This facilitates faster turnaround times and boosts cross-border trade.

Representative from African Forum and Network on Debt and Development

> Instead of relying on long-term fiscal policy to manage inflation, we've shifted to short-term monetary policy, frequently raising lending rates and making loans more competitive.

Representative from the Office of the President

[33] Business Daily, 2024. Available here.
[34] TransUnion, 2024. Available here.
[35] iAfrica, 2024. Available here.

9 FOREIGN TRADE & TRADING IN AFRICA

Despite the growing awareness of the AfCFTA, surveyed businesses find trading with the rest of Africa less easy.

KENYA'S EASE OF TRADE INDEX SCORE

Source: Stanbic Bank Africa Trade Barometer Issue 4

Ease of trade can vary between 0 and 100, where 0 indicates an ease of trade with other countries, 50 neutrality and 100 indicates an extreme difficulty in trading with other countries. In the August 2024 SB ATB survey results, Kenya's ease of trade index score remained stable at 41 as it was in May 2023. This means that the perceptions of surveyed businesses in Kenya with regard to ease and/or difficulty to trade remain unchanged from May 2023.

***

Majority of surveyed Kenyan businesses prefer to trade with countries that are either in Asia (34%) or Africa (32%). Only 8% of surveyed businesses prefer to trade with countries in the European Union and another 8% with countries in North America. Their top three reasons for their preference are the lower cost of products (53%), the lower cost of importing (48%) and quality of products 45%.

China is the most significant trading partner in Asia for surveyed Kenyan businesses, with the nature of their trading activity ranging from buying final goods and services directly from China (57%) or from Chinese traders based domestically (27%) to importing raw materials (43%). At least 80% of surveyed businesses identified good quality of products, a wider range of products available, fast response times and low cost of importing as the most important elements in doing business with China.

A smaller proportion of surveyed businesses (17%) perceived the ease of trading in the rest of Africa as easy (either extremely easy or very easy) in this iteration of the survey compared to May 2023 (31%) (see Figure 17). The main difficulties for surveyed traders who found it difficult to trade with the rest of Africa were tough policies, regulations or restrictions (31%), high transport costs (30%), high import or export costs (21%) and currency variations (20%).

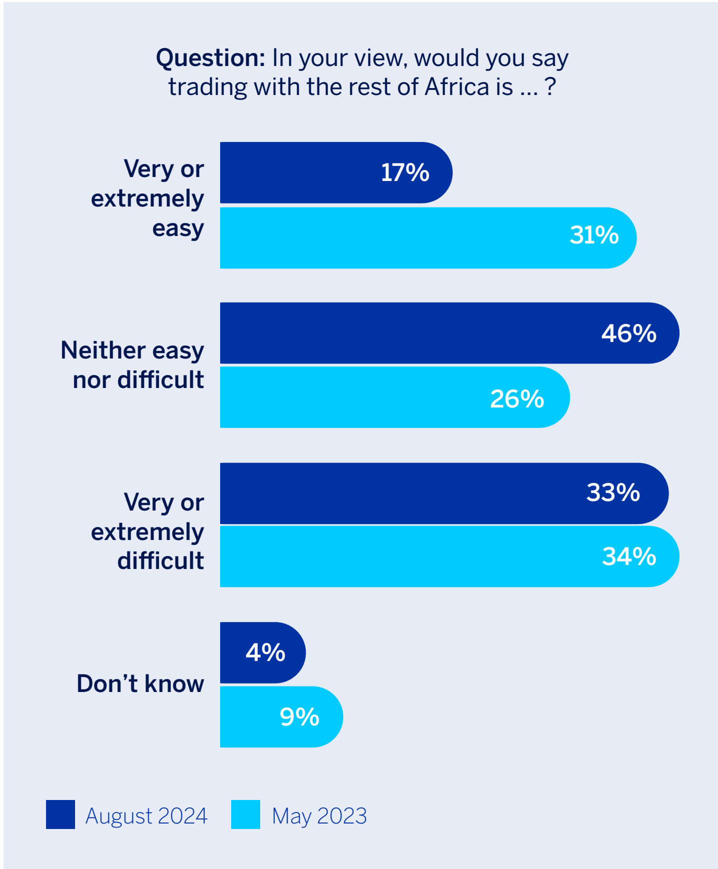
72%

of surveyed traders identify the lower cost of products as a reason for preferring to trade with Asia.

43%

of surveyed businesses said whether a company is partially or wholly Chinese owned is an important element in doing business with China, compared to 26% in the May 2023 survey.

Figure 17: Perceptions of the ease of trading with other African countries



Source: Stanbic Bank Africa Trade Barometer Issue 4

> People are buying enhanced goods for resale, benefiting from technology transfer. For example, Chinese companies sell solar products in Kenya remotely. The government provides an enabling environment and platforms to resolve disputes, facilitating trade for SMEs, especially through (Kenya National Chamber of Commerce and Industry).

Representative from African Forum and Network on Debt and Development

> Key challenges include infrastructure logistics, local equity issues, unpredictable policies, tax evasion, smuggling, and counterfeits. These factors complicate cross-border trade between Kenya and other African countries.

Representative from the Ministry of Trade

47%

of surveyed businesses in Kenya are aware of AfCFTA, compared to 43% in May 2023.

Perceptions on the ease of trading with the rest of Africa are less positive despite the promises of the African Continental Free Trade Agreement (AfCFTA), to which Kenya is a signatory. The AfCFTA is an initiative which looks to improve the level of intra-African trade by creating a single market for goods and services and lowering trade barriers.

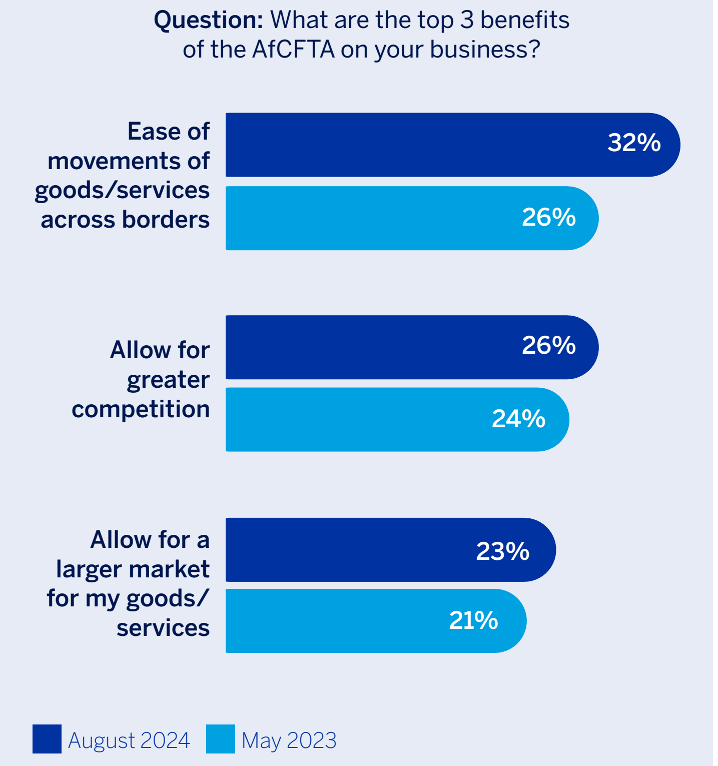
FAST FACT:

At the country aggregate level, Kenya is a leading exporter of tea and flowers, with its tea being particularly famous worldwide. Pakistan is the biggest importer of Kenya's tea, accounting for 40% of the total export volume.

Awareness of the AfCFTA amongst Kenyan businesses is increasing. The percentage of respondents that are aware of the AfCFTA increased to 47% compared to 43% in May 2023. The rise in awareness is driven mainly by corporates. This was partially driven by the implementation of the Kenyan strategy in 2022 which aimed at expediting implementation of AfCFTA. Additionally the need to work towards creating a favourable and attractive investment environment in member states of the AfCFTA across the continent.[36]

Most surveyed Kenyan businesses believe that the implementation of the AfCFTA will reap benefits for their businesses. Only 34% of surveyed businesses do not see benefits of the AfCFTA in this iteration of the survey, compared to 38% in May 2023. The most commonly identified benefits are easing the movement of goods and services across borders, allowing for greater competition and providing a larger market for goods and services (see Figure 18).

Figure 18: Expected benefits of the African Continental Free



Source: Stanbic Bank Africa Trade Barometer Issue 4

Similar to May 2023, most surveyed businesses in Kenya (49%) perceived trading with the rest of the world to be difficult (either extremely difficult or very difficult) in this iteration of the survey. 32% perceived it to be neither easy nor difficult while only 14% perceived it to be easy (either extremely easy or very easy). This could be likely due to a higher sample of small businesses, who would find trading with the rest of the world harder. This could be that small businesses face hurdles of financial constraint or even inadequate market information.[37] Surveyed businesses noted reasons for these difficulties were higher transport costs (39%) and high import/export tax rates (39%) amongst others.

39% of surveyed businesses that found it difficult to trade with the rest of the world identified high transport costs as a reason, compared to just 3% in the May 2023 survey. This could be related to the Red Sea attacks which forced Kenyan shippers to find alternative routes. This has increased costs significantly due to increased distance and increased waiting time. Thus having an impact on the cost of importing and exporting.[38]

North America (8%) and European markets (8%) are the least preferred trading partners for Kenyan businesses. However, the few businesses that do prefer trading with these regions cite the high quality and wide range of products available as the main reasons, with 67% of respondents favouring the European Union and 83% favouring North America for these attributes.

68%

of surveyed businesses identified high shipping costs as a reason for not trading with US-based companies. High tariffs and taxes and currency fluctuations were the two other main reasons by 47% and 42% of respondents.

> Kenya is aligned with the AfCFTA and is actively participating in negotiations. So far, we have exported a number of products to our member countries, aided by the AfCFTA. We have exported tea, coffee, locally manufactured car batteries, hide and skin, so we have exported a good number of products.
>
> Representative from the Ministry of Trade

[36] International Trade Administration, 2023. Available here.
[37] Soko Directory, 2023. Available here.
[38] Business Insider Africa, 2024. Available here.

CONCLUSION

Kenya's trade environment has faced a series of formidable challenges over the past year, leading its ranking to slip to 6th place. This dip has been particularly pronounced in the perceived quality of infrastructure and the support provided by the government for trade activities. Despite these headwinds, it is important to recognise the silver linings where Kenya has demonstrated progress, particularly in enhancing border and customs efficiency and in the financial sector, where credit terms to clients have become more favourable.

The year was marred by floods that wreaked havoc on infrastructure and livelihoods alike, leaving an indelible mark on the economy and contributing to the escalated cost of public works. In the same year, the country was beset by protests that further strained its economy. Such events undeniably played a role in shaping both the reality and perceptions of Kenya's trade environment, emphasising the vulnerability of the country's economy to both natural disasters and civil unrest.

Kenya's slip from 4th to 6th place in tradability over three years sees the country transition from the top echelon to the lower half of the ranking spectrum. This can serve as a wake-up call for policymakers, businesses, and international partners alike to reassess and reinforce their strategies to navigate and mitigate the complexities of trade in the face of adversity. As Kenya looks ahead, the key to rebounding in the rankings may lie in addressing these systemic challenges, strengthening governance, and investing in resilient infrastructure to restore and boost trade confidence, ultimately fostering an environment where businesses can thrive despite external pressures.

APPENDICES

Appendix 1: Stanbic Bank Africa Trade Barometer (SB ATB) Country Ranking for Issue 4, 2024

The Stanbic Bank Africa Trade Barometer (SB ATB) scores are an aggregate of the Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) scores and the Stanbic Bank Survey Trade Barometer (SB STB) scores. Countries are ranked against each other, that is, relative scores to each other. This is pegged on a scale of 0 – 100. When indexed between this range, South Africa has the highest Tradability Index while Angola has the lowest. This does not imply that one cannot trade in Angola or that South Africa is perfect, it only implies that at a common starting point of 0 and maximum point of 100, this is how the two markets fared.

SB ATB scores remained the same for Namibia, Angola and South Africa, while half of the countries saw their scores decrease from May 2023 (see Table 2).

Countries that have retained their ranking from May 2023:

- Namibia (2nd position)
- South Africa (1st position)
- Angola (10th position)

Countries that have improved in their ranking from May 2023:

- Mozambique (4th to 3rd position)
- Nigeria (6th to 5th position)
- Tanzania (8th to 4th position)
- Zambia (9th to 8th position)

Countries that have declined in their ranking from May 2023:

- Kenya (5th to 6th position)
- Ghana (3rd to 7th position)
- Uganda (7th to 9th position)

Table 2: Stanbic Bank Africa Trade Barometer (SB ATB) scores by country

	Africa Trade Barometer (QTB) Score		ATB Ranking	
	August 2024	May 2023	May '22	Aug '24
Angola	0	0	10	10
Ghana	14	46	3	7
Kenya	16	32	5	6
Mozambique	29	35	4	3
Namibia	47	50	2	2
Nigeria	19	29	6	5
South Africa	100	100	1	1
Tanzania	25	25	8	4
Uganda	4	25	7	9
Zambia	9	15	9	8

Source: Stanbic Bank Africa Trade Barometer Issue 4

Note: The scores denote the performance of each country relative to the full country list on the specified measures.

Appendix 2: Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) Country Ranking for Issue 4, 2024

The Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) scores and ranking by country are the averages of all the selected indicators collected from existing secondary data sources and reported facts.

SB QTB scores remained the same for Angola, Mozambique, Namibia, Nigeria, South Africa and Uganda, while most countries had their scores decline from May 2023 (see Table 3).

Countries that have retained their ranking from May 2023:

- Namibia (2nd position)
- South Africa (1st position)
- Angola (10th position)
- Mozambique (3rd position)
- Nigeria (4th position)
- Uganda (9th position)

Countries that have improved in their ranking from May 2023:

- Kenya (6th to 5th position)
- Tanzania (8th to 7th position)
- Zambia (7th to 6th position)

Countries that have declined in their ranking from May 2023:

- Ghana (5th to 8th position)

Table 3: Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) scores by country

	Quantitative Trade Barometer (QTB) Score		QTB Ranking	
	August 2024	May 2023	May '22	Aug '24
Angola	0	0	10	10
Ghana	20	27	5	8
Kenya	22	26	6	5
Mozambique	36	37	3	3
Namibia	45	46	2	2
Nigeria	25	32	4	4
South Africa	100	100	1	1
Tanzania	20	23	8	7
Uganda	11	18	9	9
Zambia	21	23	7	6

Source: Stanbic Bank Africa Trade Barometer Issue 4

Note: The scores denote the performance of each country relative to the full country list on the specified measures.

Appendix 3: Stanbic Bank Survey Trade Barometer (SB STB) Country Ranking for Issue 4, 2024

The Stanbic Bank Firm Survey Trade Barometer (SB STB) scores and ranking by country are the averages of all the data collected from the primary research surveys conducted with 2 240 businesses.

Except for Zambia, SB STB ranks have changed in this wave for all countries, while the majority of the countries saw their scores rise (see Table 4).

Countries that have retained their ranking from May 2023:

- Zambia (10th position)

Countries that have improved in their ranking from May 2023:

- Kenya (8th to 7th position)
- Namibia (4th to 2nd position)
- Ghana (7th to 5th position)
- Tanzania (3rd to 1st position)
- Uganda (9th to 6th position)

Countries that have declined in their ranking from May 2023:

- Angola (1st to 3rd position)
- Mozambique (6th to 9th position)
- Nigeria (5th to 8th position)
- South Africa (2nd to 4th position)

Table 4: Stanbic Bank Survey Trade Barometer (SB STB) scores by country

	Survey Trade Barometer (STB) Score		STB Ranking		
	August 2024	May 2023	May '22	Aug '24	
Angola	79	100	1	3	▼
Ghana	37	18	7	5	▲
Kenya	34	18	8	7	▲
Mozambique	25	22	6	9	▼
Namibia	79	53	4	2	▲
Nigeria	31	22	5	8	▼
South Africa	44	67	2	4	▼
Tanzania	100	65	3	1	▲
Uganda	34	12	9	6	▲
Zambia	0	0	10	10	●

Source: Stanbic Bank Africa Trade Barometer Issue 4

Note: The scores denote the performance of each country relative to the full country list on the specified measures.

Appendix 4: Selected Macroeconomic Indicators for Kenya

This appendix is structured around the thematic categories of the Stanbic Bank Africa Trade Barometer: macroeconomic stability, trade openness and foreign trade, access to finance and infrastructure. These are important in evaluating the trade environment and prospects of a country. Within each theme, specific indicators have been selected to quantify elements contributing to the overall trade climate. The data spans from 2019 to the forecasted values for 2024 and 2025, offering a temporal perspective on trends and potential future directions.

Table 5: Kenya macroeconomic overview

Thematic Categories	Indicator	Unit	2019	2020	2021	2022	2023	2024**	2025**
Macroeconomic Stability	GDP per capita	USD	1 931	2 062	2 195	2 254	2 034	2 407	2 417
	Nominal GDP	USD, billions	95.4	100.6	109.1	114.1	104.8	126.4	129.0
	Real GDP growth rate	%	5.1	-0.3	7.6	4.9	5.6	5.1	5.3
	Lending interest rate	%	12.4	12.0	12.1	12.3	13.6	N/A	N/A
	Inflation rate	%	4.9	5.4	6.2	7.9	7.6	5.4	4.6
	Merchandise trade	% of GDP	23.4	21.3	24.0	25.2	24.0	N/A	N/A
	Exchange rate stability (USD/KES)	KES per USD	102.1	106.5	110.2	118.3	144.2	132.3	142.8
	Policy interest rate	%	8.9	7.3	7.0	7.9	10.8	12.8	11.9
	FX reserves	USD, billions	8.8	7.8	8.8	7.4	6.6	7.8	8
	Domestic debt (% of GDP)	%	24.5	26.3	27.6	33.9	32.8	32.5	30.5
	External debt (% of GDP)	%	32.5	34.6	35.4	37.5	35.4	36.3	33.9
Trade Openness and Foreign Trade	Trade (exports and imports as % of GDP)	%	31.9	27.2	30.7	33.7	32.4	N/A	N/A
	Balance of trade*	USD, billions	-10.6	-8.3	-11.4	-11.8	-10	-10.8	-11.4
	Current account (% of GDP)	%	-6.0	-4.8	-5.5	-4.8	-4.2	-3.8	-4.1
	Exports of goods and services	USD, billions	5.9	6.1	6.7	7.5	7.2	8.2	8.2
	Imports of goods and services	USD, billions	16.5	14.4	18.2	19.2	17.2	19	19.6
Access to Finance	Domestic credit to private sector (% of GDP)	%	39.8	32.2	31.1	31.5	31.8	N/A	N/A
	Gross capital formation (% of GDP)	%	19.3%	19.7	20.4	19.2	18.1	N/A	N/A
	Net official development assistance and official aid received	USD, billions	3.2	3.9	3.2	2.7	N/A	N/A	N/A
	Personal remittances received (% of GDP)	%	2.8	3.1	3.4	3.6	3.9	N/A	N/A
	FDI	USD, billions	1.1	0.7	0.4	0.4	0.3	0.4	0.6

Infrastructure	Individuals using the Internet (% of population)	%	22.7	25.5	28.8	42	32.7	N/A	N/A
	Access to electricity (% of population)	%	69.7	71.5	76.5	76.0	N/A	N/A	N/A
	Mobile cellular subscription (per 100 people)	Ratio	107.1	118.1	122.8	121.7	N/A	N/A	N/A
	Air cargo traffic	Tonnes, thousands	375	322	376	375	380***	N/A	N/A
	Total road network (paved national and county roads)	Kilometres, thousands	21.3	21.3	21.8	22.4	23***	N/A	N/A
	Rail freight	Tonnes, thousands	4 159	4 418	5 407	6 090	6 533***	N/A	N/A
	Container traffic at ports	TEUs****, thousands	1 417	1 360	1 435	1 450	1 623***	N/A	N/A

Source: Stanbic Bank, 2024. Available here. | World Bank. Available here. | Kenya National Bureau of Statistics, 2024. Available here.

Notes: *Negative values indicate that a country is a net importer, while positive values indicate it is a net exporter.

**2024 and 2025 data points are estimates.

***Provided as 'provisional' on the Kenya National Bureau of Statistic report so may be subject to alterations.

****TEU: Twenty-foot equivalent unit.

N/A denotes that the relevant data was unavailable from the specified source

Appendix 5: Key Results of the Stanbic Bank Africa Trade Barometer Issue 4 Survey in Kenya

This appendix presents the key results of the main questions asked to businesses in Kenya as part of the fourth edition of the Stanbic Bank Africa Trade Barometer. The results are structured according to the SB ATB thematic categories: macroeconomic stability, trade openness and foreign trade, infrastructure, government support, as well as traders' financial behaviours and their access to finance. Not all questions in the SB ATB survey are presented here. The questions selected for inclusion have been chosen for their closed-ended nature and being succinct enough for a concise presentation. Questions pertaining to the general profile of businesses and individual respondents, or those requiring open-ended responses, have been omitted. This approach ensures that the findings detailed in the following table are directly relevant and valuable for interpreting the trade dynamics within the Kenyan context.

Table 6: Key findings of the survey

Thematic Categories	Question	Responses								
Macroeconomic Stability	Thinking of your business turnover over [from 2020 to 2021], please indicate if turnover increased, decreased or remained the same.	Increased	Decreased	Remained the same	Don't know	Refused	–	–	–	–
		34%	49%	16%	1%	N/A	–	–	–	–
	Thinking ahead [from 2024 to 2025] do you expect business turnover to increase, decrease or remain the same.	Increased	Decreased	Remained the same	Don't know	Refused	–	–	–	–
		69%	8%	19%	5%	N/A	–	–	–	–
	Thinking ahead [from 2025 to 2026] do you expect business turnover to increase, decrease or remain the same.	Increased	Decreased	Remained the same	Don't know	Refused	–	–	–	–
		71%	6%	17%	5%	0.43%	–	–	–	–
	Please indicate how you feel about the performance of the economy in relation to business in the next 3 years.	Extremely optimistic	Very optimistic	Neutral	Not very optimistic	Not at all Optimistic	Refused	Don't know	–	–
		8%	39%	29%	15%	9%	N/A	0.43%	–	–

Infrastructure	[Road infrastructure] How would you rate the quality of the following aspects in your market?	Excellent	Very good	Good	Fair	Poor	Do not depend on/ use this	Don't know	–	–
		9%	17%	37%	30%	8%	N/A	N/A	–	–
	[Water supply] How would you rate the quality of the following aspects in your market?	Excellent	Very good	Good	Fair	Poor	Do not depend on/ use this	Don't know	–	–
		8%	19%	36%	23%	13%	0.43%	0.43%	–	–
	[Telecommunications] How would you rate the quality of the following aspects in your market?	Excellent	Very good	Good	Fair	Poor	Do not depend on/ use this	Don't know	–	–
		15%	36%	34%	11%	3%	1%	N/A	–	–
	[Ports] How would you rate the quality of the following aspects in your market?	Excellent	Very good	Good	Fair	Poor	Do not depend on/ use this	Don't know	–	–
		5%	17%	35%	27%	7%	5.00%	6%	–	–
	[Airports] How would you rate the quality of the following aspects in your market?	Excellent	Very good	Good	Fair	Poor	Do not depend on/ use this	Don't know	–	–
		14%	22%	31%	21%	7%	3%	3%	–	–
	[Customs and trade regulations] How would you rate the quality of the following aspects in your market?	Excellent	Very good	Good	Fair	Poor	Do not depend on/ use this	Don't know	–	–
		4%	12%	27%	37%	16%	2%	2%	–	–
	[Power supply] How would you rate the quality of the following aspects in your market?	Excellent	Very good	Good	Fair	Poor	Do not depend on/ use this	Don't know	–	–
		6%	22%	38%	23%	10%	N/A	0.43%	–	–
	[Rail infrastructure] How would you rate the quality of the following aspects in your market?	Excellent	Very good	Good	Fair	Poor	Do not depend on/ use this	Don't know	–	–
		4%	17%	32%	29%	11%	4%	3%	–	–
Trade Openness and Foreign Trade	How likely are you to increase the volume of imports in the next 2 years?	Extremely likely	Very likely	Neither likely nor unlikely	Very unlikely	Extremely unlikely	–	–	–	–
		15%	58%	15%	11%	2%	–	–	–	–
	How likely are you to decrease the volume of imports in the next 2 years?	Extremely unlikely	Very unlikely	Neither likely nor unlikely	Very likely	Extremely likely	–-	–	–	–
		8%	44%	28%	18%	3%	–	–	–	–
	To what extent do importation-related taxes, including tariffs, impact your business growth?	Severe impact	Major impact	Moderate impact	Minimal impact	No impact	–	–	–	–
		12%	31%	26%	14%	17%	–	–	–	–
	To what extent do importation-related customs and trade regulations impact your business growth?	Severe impact	Major impact	Moderate impact	Minimal impact	No impact	–	–	–	–
		13%	25%	29%	16%	17%	–	–	–	–
	How likely are you to increase the volume of exports in the next 2 years?	Extremely likely	Very likely	Neither likely nor unlikely	Very unlikely	Extremely unlikely	–	–	–	–
		10%	55%	25%	N/A	10%	–	–	–	–
	How likely are you to decrease the volume of export in the next 2 years?	Extremely unlikely	Very unlikely	Neither likely nor unlikely	Very likely	Extremely likely	–	–	–	–
		31%	44%	19%	N/A	6%	–	–	–	–
	To what extent do exportation-related taxes, including tariffs, impact your business growth?	Severe impact	Major impact	Moderate impact	Minimal impact	No impact	–	–	–	–
		6%	19%	20%	18%	37%	–	–	–	–

Trade Openness and Foreign Trade (Cont.)	To what extent do exportation-related customs and trade regulations impact your business growth?	Severe impact	Major impact	Moderate impact	Minimal impact	No impact	–	–	–	–
		6%	17%	22%	22%	35%	–	–	–	–
	In your view would you say trading with the rest of Africa is extremely easy, very easy, neither easy nor difficult, very difficult or extremely difficult?	Extremely easy	Very easy	Neither easy nor difficult	Very difficult	Extremely difficult	Don't know	Refused	–	–
		3%	14%	46%	26%	8%	4%	N/A	–	–
	In your view would you say trading with the rest of the world (OUTSIDE OF AFRICA) is extremely easy, very easy, neither easy nor difficult, very difficult or extremely difficult?	Extremely easy	Very easy	Neither easy nor difficult	Very difficult	Extremely difficult	Don't know	Refused	–	–
		2%	13%	32%	31%	18%	4%	N/A	–	–
	Are you aware of the African Continental Free Trade Area Agreement?	Yes	No	–	–	–	–	–	–	–
		47%	53%	–	–	–	–	–	–	–
	What are the top 3 benefits of the AfCFTA on your business?	No benefits (Exclusive)	Ease the movement of goods/ services across borders	Allow for a larger market for my goods/ services	Allow for greater competition	Promote the availability of more products and services to choose from	Contribute to the movement of capital and people across borders	Facilitate greater investment across countries	Promote industrial development across the countries	Enhanced regional payment systems
		34%	32%	23%	26%	17%	17%	17%	16%	9%
Government Support	Please indicate how supportive your government is with regards to cross-border trading activities.	5 – Extremely supportive	4	3	2	1 - Not at all supportive	Refused	Don't know	–	–
		9%	18%	36%	12%	21%	N/A	3%	–	–
Traders' Financial Behaviour and Access to Finance	Please indicate how difficult or easy it is to get credit from financial institutions	Extremely easy	4	3	2	1 - Extremely difficult	Refused	Don't know	–	–
		11%	17%	37%	14%	21%	N/A	N/A	–	–
	Why do you prefer using cash to pay for your goods or services when trading with suppliers in other countries?	Minimal cost/ fees	Allows for negotiations	Limited knowledge in other payment methods	Convenient - easy to deal with	Privacy	Other	–	–	–
		63%	38%	13%	63%	N/A	N/A	–	–	–
	What challenges, if any, do you encounter when using cash when trading with suppliers in other countries?	Fraud	Loss of money/ security risks	Fluctuating exchange rates	Customs declarations	Inconvenience - of carrying large amounts of money	Other	–	–	–
		25%	63%	38%	13%	38%	–	–	–	–
	What benefits or incentives would encourage you to entirely switch to formal channels (such as cards, electronic payments, international transfers) when trading with suppliers in other countries?	Faster transaction processing times	Minimal document requirements	Competitive exchange rates	Guaranteed security	Recorded transactions	Other	–	–	–
		88%	50%	25%	50%	13%	N/A	–	–	–
	Do you offer credit terms to your clients?	Yes			No			–	–	–
		50%			50%			–	–	–
	Do you have credit terms arrangements with your suppliers?	Yes			No			–	–	–
		55%			45%			–	–	–

ABOUT THE RESEARCH

The Stanbic Bank Africa Trade Barometer is based on both primary and secondary research sources. This is Issue 4 of the SB ATB. Issues 1, 2 and 3 were released in June 2022, November 2022 and September 2023, respectively. Data collection (both primary and secondary research) for Issue 4 was carried out between July and September 2024 in all 10 countries of interest.

The primary research component involves the administration and analysis of a firm survey ((that is, a survey of sample businesses in the countries of interest) and in-depth interviews (IDIs) with key stakeholders. The sample is stratified by size (small, big and corporate), region and industry. A total of 2 240 businesses were surveyed and 30 IDIs were conducted across the 10 countries in Issue 4.

In Kenya, 235 businesses were surveyed. 59% of these businesses were in Nairobi, 9% in Mombasa, 12% in Nakuru, 11% in Kisumu and 9% in Eldoret.

The breakdown of surveyed businesses in Kenya by business segment was as follows:

- 72% were small businesses
- 15% were big businesses
- 13% were corporates

In the context of the SB ATB, small businesses are defined as those with a turnover of less than KES 200 million, large businesses as those with a turnover of between KES 200 million and KES 4 billion and corporates as those with a turnover of more than KES 4 billion.

The breakdown of surveyed businesses in Kenya by industry was as in Table 7:

Table 7: Breakdown of surveyed businesses in Kenya by industry

Industry	%	Industry	%
Wholesale and retail trade; repair of motor vehicles and motorcycles	24%	Arts, entertainment and recreation	3%
Accommodation and food service activities	13%	Mining and quarrying (includes oil & gas)	2%
Other service activities	11%	Financial and insurance activities	2%
Agriculture, forestry and fishing	7%	Administrative and support service activities	2%
Human health and social work activities	6%	Water supply; sewerage, waste management and remediation activities	2%
Construction	5%	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	2%
Education	5%	Information and communication	1%
Electricity, gas, steam and air conditioning supply	4%	Real estate activities	1%
Transportation and storage	4%	Public administration and defence; compulsory social security	0%
Professional, scientific and technical activities	3%	Activities of extraterritorial organisations	0%
Manufacturing	3%		

The breakdown of surveyed businesses by staff complement was as follows:

- 29% had below 5 employees
- 26% had 5 – 10 employees
- 12% had 11 – 20 employees
- 20% had 21 – 50 employees
- 7% had 51 – 100 employees
- 6% had 101 – 1,000 employees

With regards to individual respondent characteristics within the businesses, 41% were female and 59% were male.

The breakdown by their job titles is as follows:

- 29% were owners, partners or co-owners
- 23% were general managers
- 9% were chief executive officers (CEOs)
- 7% were chief accountants
- 7% were managing directors
- 7% were heads of departments
- 4% were financial directors
- 2% were treasurers
- 1% were director generals
- 1% were chief financial officers

Further details by region, business segment, industry, staff complement, age of firm, the firms' corporate and strategic decision-making structures as well as individual respondent characteristics (gender, job title, etc.) are available on request.

There were three IDIs conducted in Kenya as part of Issue 4. The interviews were held with representatives from the African Forum and Network on Debt and Development, the Office of the President and the Ministry of Trade. These interviews are quoted in this report, as relevant.

The survey and in-depth interviews were conducted on a confidential basis.

The secondary research component involves the gathering and analysis of quantitative data. This data is primarily collected from World Bank sources, although additional data is obtained from the International Monetary Fund (IMF), the International Trade Center and individual country central banks.

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In-depth details on how the Stanbic Bank Africa Trade Barometer scores for each country are calculated, and the resultant country rankings, are available on request.

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The research was produced by Standard Bank Business and Commercial Banking Research & Insights. For any questions or information requirements on this report please contact tradebarometer@standardsbg.com.

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