



KAM MANUFACTURING SECTOR BAROMETER

Q1 2025: JANUARY - MARCH

Introduction

Welcome to the Quarter I Edition of the Kenya Association of Manufacturers (KAM) Manufacturing sector barometer report.

The Barometer:

- Provides a quarterly overview of the prevailing conditions within the manufacturing sector.
- Assesses the sector's performance over the last three months and future expectations for the next six months across seven key areas, namely:
 - Economic performance
 - Manufacturers' business outlook
 - Operating capacity levels
 - Cost and sources of industrial input
 - Workforce changes
 - Investment trends
 - Business growth constraints

The views presented are based on the perspectives of manufacturers within the KAM membership database.

Highlights

- **Economic outlook:** 61% of manufacturers held a negative view of the economy due to high taxation, low demand, currency volatility and an unfavorable business environment.
- **Business outlook:** 28% of the manufacturers expect growth in the next 6 months, while 32% foresee stagnation due to continued taxation, unfavorable regulatory framework and inadequate working capital.

- **Cost of inputs:** 53% of manufacturers experienced a rising cost of raw materials, driven by high logistical costs, currency fluctuations and high cost of taxes and duties.
- **Sourcing inputs:** Majority of the manufacturers rely on both local and international markets, with India and China as key suppliers.
- **Barriers to growth:** The most likely barriers to growth for the sector in the next six months include high taxation, competition from cheap imports, regulatory uncertainty, and low demand.

I. Sector Demographics

The respondents surveyed were drawn from the following sectors within the KAM membership database (*Figure 1*).

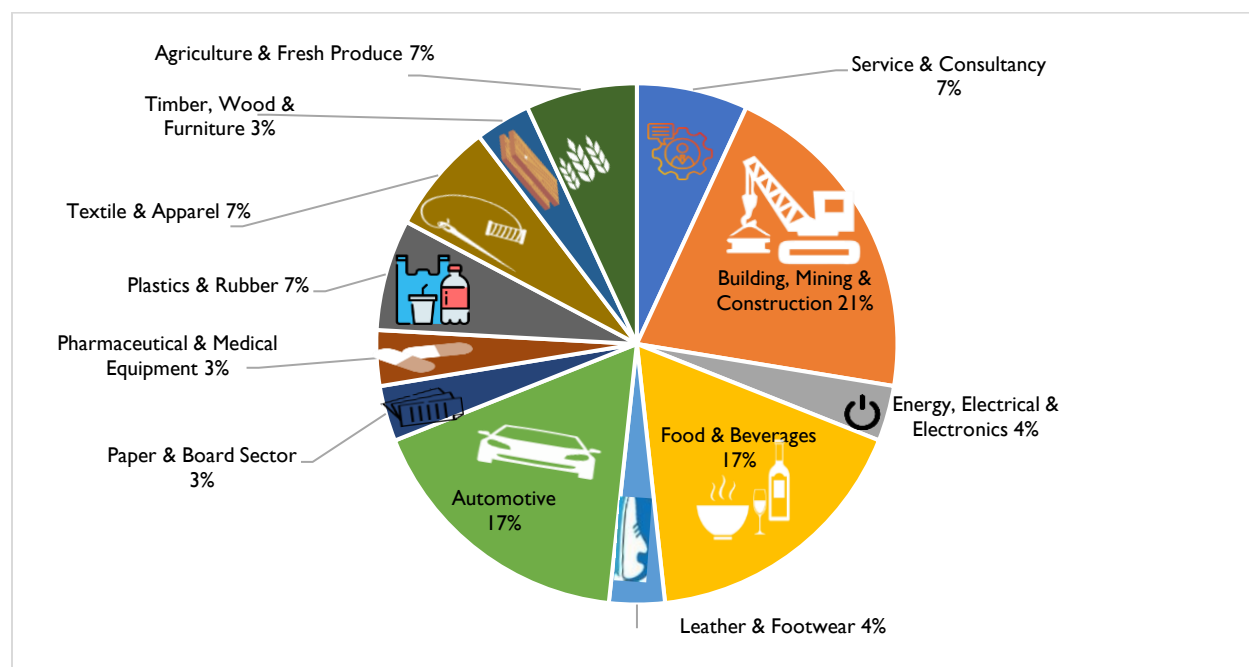


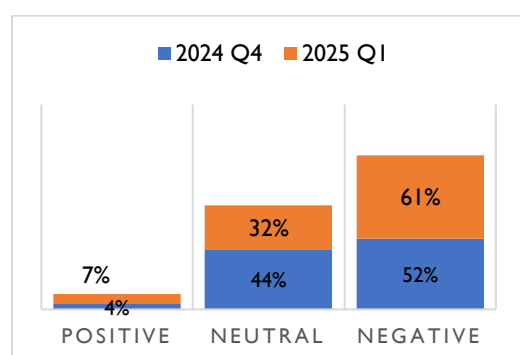
Figure 1: Sector Demographics

Source: KAM

2. Views about the Kenyan economy

In Q1 2025, the majority (61%) of the manufacturers surveyed held a negative view of the country's economic outlook, indicating a challenging business environment (*Figure 2*).

Figure 2: Perception about the Kenyan economy



Reasons for the negative view include:

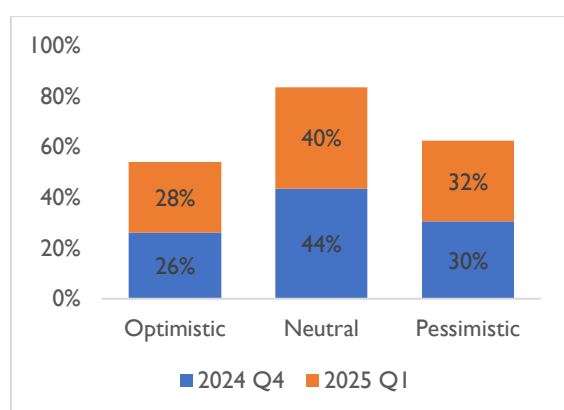
- Low demand due to inflation, high taxes, and weak consumer purchasing power
- Excessive taxation on inputs such as spare parts
- Uncertainty in policy and regulatory frameworks
- High cost of doing business due to energy, logistics, licensing fees, and delays in government services
- Currency volatility and fiscal instability discouraging long-term investment

Source: KAM Manufacturing Barometer Survey

3. Manufacturers' business outlook for the next 6 months (April 2025 - September 2025)

There is mixed optimism among businesses regarding sector performance in the next six months (April - September 2025), suggesting potential stagnation in growth. Notwithstanding, 28% of the manufacturers are optimistic about the sector's performance, while 32% still hold a pessimistic view (Figure 3).

Figure 3: Manufacturing business outlook



Reasons for optimism include:

- Better orders in the quarter one
- Slight upward movement of sales, which means it shall continue growing all other factors constant

Reasons for pessimism include:

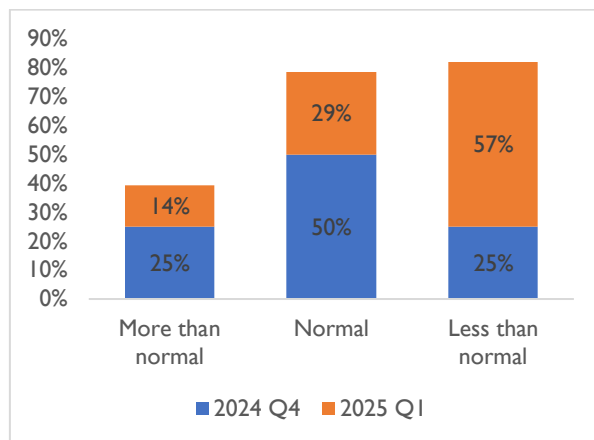
- Inadequate implementation of laws
- Inadequate access to working capital
- High taxes leading to low profits
- Tariff wars, uncertainty on the weather, forex rates, rising operational costs

Source: KAM Barometer Survey

4. Level of purchase order

In Q1 2025, manufacturers surveyed reported varying levels of purchase (Figure 4). Specifically, 14% experienced more-than-normal purchase orders, 29% reported normal levels, and 57% indicated less-than-normal purchase orders.

Figure 4: Level of purchase order



Source: KAM Manufacturing Barometer Survey

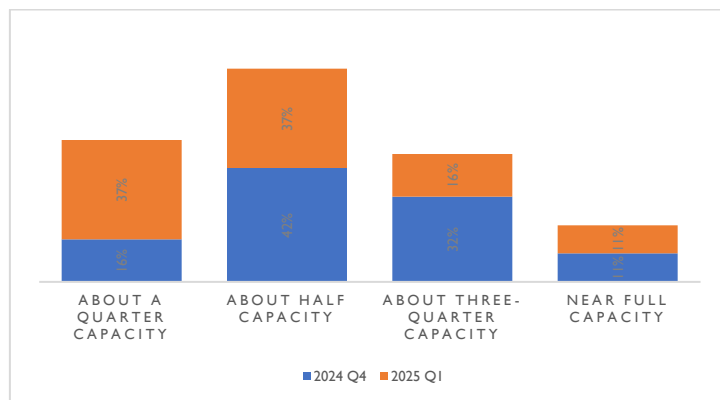
The less than normal level of purchase was attributed to the following factors:

- Low orders/demand
- Uncertainty of regulation frameworks
- Slow down in real estate construction
- Delays in procurements by government
- Low sales

5. Level of operating capacity

In Q1 2025, there was a notable shift in operating capacities among manufacturers (*Figure 5*). Specifically, 11% of the surveyed firms indicated that they operated near full capacity, 16% operated about three-quarters of their installed capacity, 37% operated about half capacity, and 37% indicated that were operating at about a quarter of their installed capacity.

Figure 5: Firms' operating capacity



Source: KAM Manufacturing Barometer Survey

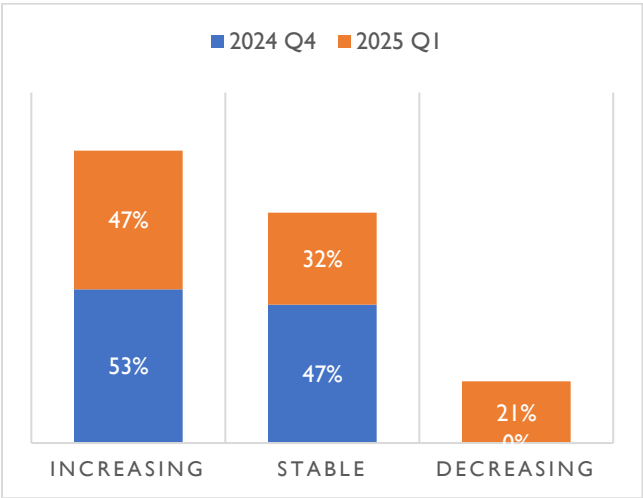
The main reasons for firms operating below capacity were attributed to the following factors:

- Insufficient demand from consumers
- Financial constraints
- Regulatory uncertainty
- Seasonal variation
- Insufficient supply of material inputs

6. Cost of industrial inputs

In Q1 2025, 47% of the firms surveyed recorded an increase in the cost of their raw materials, 47% recorded an increase while 32% experienced stability (*Figure 6*).

Figure 6: Cost of industrial inputs



Source: KAM Manufacturing Barometer Survey

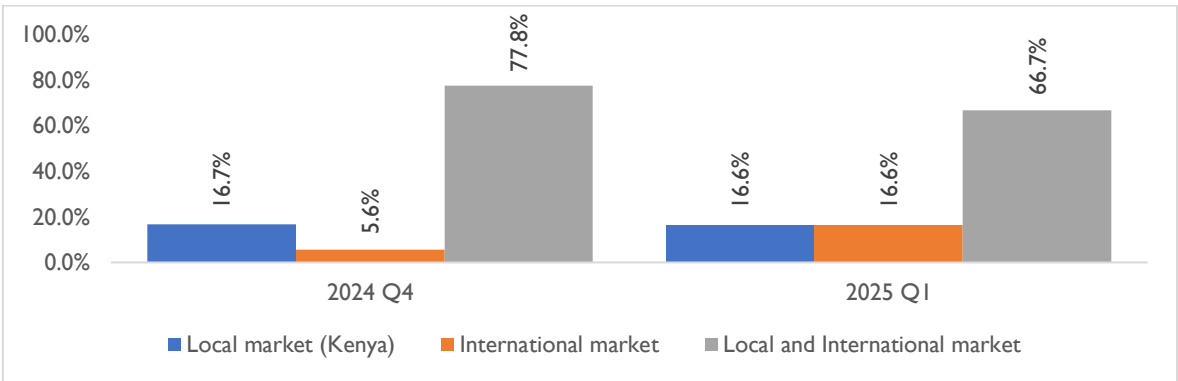
The increase in the cost of industrial inputs was attributed to the following factors:

- Rising costs
- High cost of transportation
- Increase in logistical costs associated with importing materials, including higher freight charges and delays at ports.
- Currency fluctuations put upward pressure on our input costs.
- Higher taxes and duties

7. Source of industrial inputs

Among the manufacturers surveyed in QI 2025, 77.8% source their industrial inputs from both international and local markets, 5.6% international market only and 16.7% from local the market (Figure 6). The two major international markets are India and China. Other notable international markets include Italy, Indonesia, Vietnam, Thailand, Japan, Sri Lanka, South Africa, Europe, Netherlands, Denmark, United Kingdom, United States, Turkey, Dubai, Asia region, Spain, Taiwan, and Egypt. The findings highlight the need to strengthen local supply chains to reduce import dependency, enhance resilience, and improve manufacturing competitiveness.

Figure 6: source of industrial input

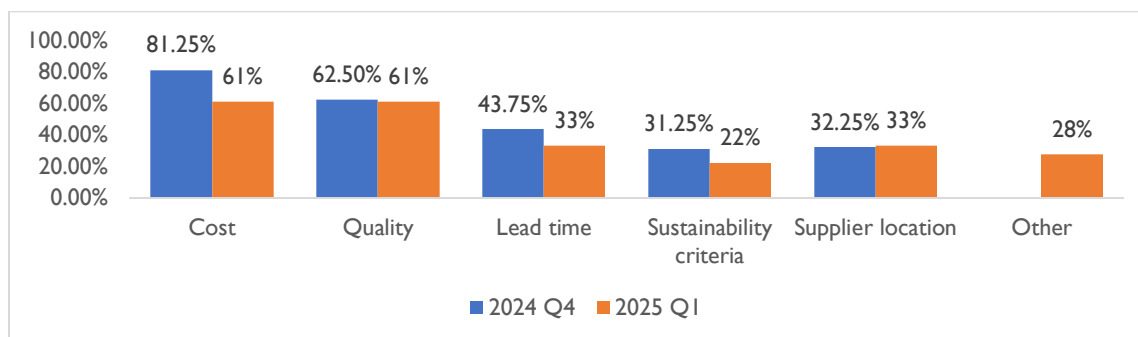


Source: KAM manufacturing barometer survey

8. Factors influencing sourcing of industrial inputs from the listed countries

In Q1 of 2025, the majority (61%) of the manufacturers surveyed highlighted that cost and quality factors remained as a significant factor that influenced their decision-making process in sourcing of industrial inputs from the listed countries. Other factors were lead time, supplier location and sustainability with other factor accounting 28% (Figure 7).

Figure 7: Factors influencing Sourcing of industrial input

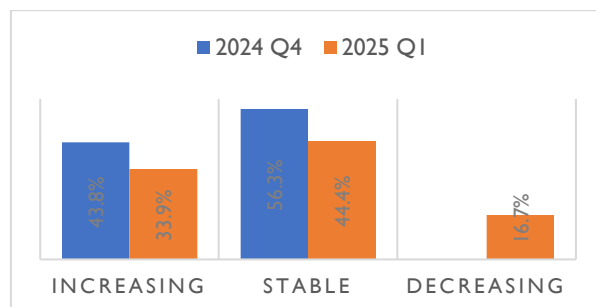


Source: KAM manufacturing barometer survey

9. Cost of final products

In Q1 2025, about 33.9 % of the manufacturers anticipate a price increase for their manufactured goods, while 44.4% expect price stabilization, (Figure 8).

Figure 8: Cost of final products



The key reasons cited for the expected price increases include:

- Higher costs, taxes & duty
- VAT imposed on certain raw materials
- High energy costs
- High cost of raw material

Source: KAM Manufacturing Barometer Survey

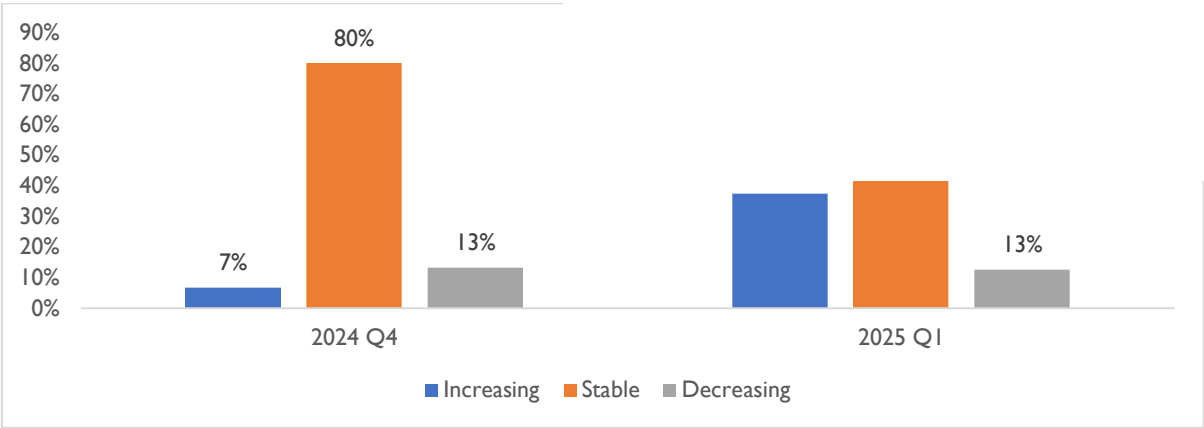
10. Export destination of the manufactured goods

The top destination of the Kenyan manufactured goods is the East African Community market; Rwanda, Tanzania, Uganda, South Sudan, Ethiopia, DRC, South Sudan, Somalia. Other markets include Malawi, USA, Middle East, Ghana, South Africa and, Burundi.

11. Change in workforce

Manufacturers anticipate relatively stable employment levels over the next six months, with 50% of firms expecting their workforce to remain unchanged. Meanwhile, 38% plan to increase their workforce, while 13% foresee a reduction in staff. The expected decrease in the workforce is primarily attributed to automation replacing manual workers.(Figure 9).

Figure 9: Plans to resize the workforce over the next six months

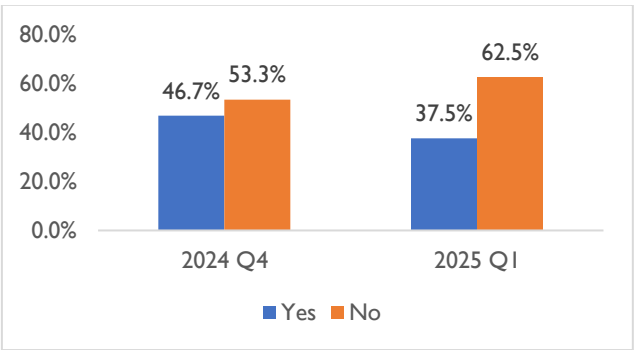


Source: KAM Manufacturing Barometer Survey

I 2. Plans for investment

In QI 2025, manufacturers remain divided on investment plans for the next six months, with 37.5% planning new investments while 62.5% are holding back (Figure 10).

Figure 10: Plans for investment over the next six months



Source: KAM Manufacturing Barometer Survey

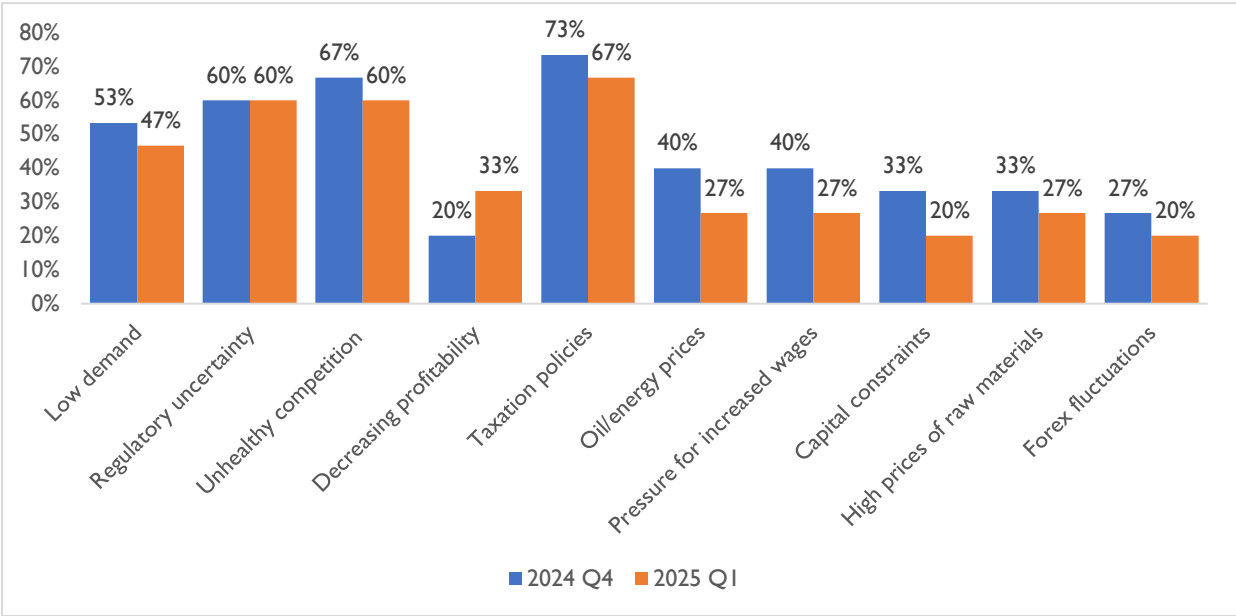
The focus areas of investment include:

- New product development or service
- Facility expansion
- Research & development (R&D)
- Geographical expansion
- Other factors

I 3. Speed breaks to business growth

Over the next six months (April – September 2025), the most likely barriers to growth for the manufacturing sector, as reported by the manufacturers surveyed in *Figure 11* include: Taxation policies at 67%, unhealthy competition and regulatory uncertainty at 60%, low demand at 47%.

Figure 11: Speed breaks to business growth



Source: KAM Manufacturing Barometer Survey

Who: Members of Kenya Association of Manufacturers (KAM)

Period covered: January – March 2025

The KAM manufacturing sector barometer is a quarterly online survey conducted by the KAM research team and targets senior executives/managers in the manufacturing sector under the Association's membership.

The next edition of the barometer will contain data gathered from April - June 2025, and will be released in mid-July 2025.

To contact us or to share your feedback, write to info@kam.co.ke