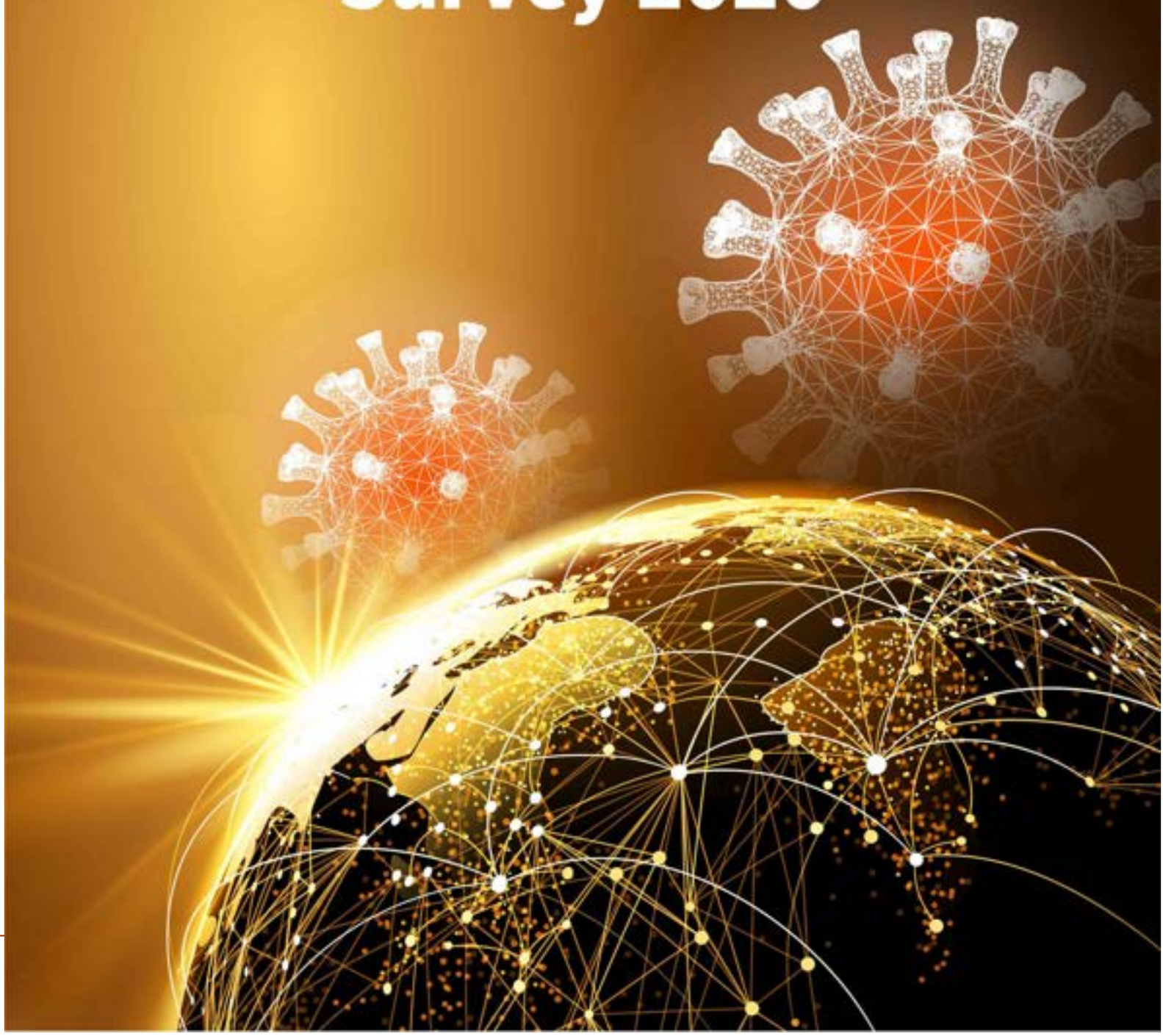
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PROMOTING INVESTMENTS IN KENYA

Central Bank of Kenya

Foreign Investment Survey 2020



Foreign Investment Survey 2020 Report

Foreword

It gives me great pleasure to present to our stakeholders the Sixth Foreign Investment Survey Report. Since 2010 the Foreign Investment Surveys have been the source of information on foreign assets and liabilities and investor perception of business environment. This report provides the latest information on foreign assets and liabilities and perception on business environment that was collected from resident enterprises between September and November 2020. The report contains information on stocks and flows of foreign assets and liabilities held by resident enterprises for 2018 and 2019 and investor perception of business environment in 2020. The information is useful for the compilation of Balance of Payments Statistics and for establishing the country's International Investment Position. The information contained in this report is also useful in guiding policy formulation and monitoring of policy achievements in investment promotion.

Financial globalization and liberalization have led to increased private capital flows to developing countries over the years. These flows have macroeconomic effects on the economy and thus the need for policy interventions to harness the benefits and mitigate against any undesirable effects. To have effective and efficient policies, regular monitoring of level, composition and flows of foreign assets and liabilities is required. The survey has been key in bringing out the magnitude and level of financial and capital inflows and outflows, the direction of investments and the sectors where various types of investments are destined. The report contains comprehensive information on the stocks and flows of inward and outward foreign capital; the source and destination of foreign capital; the magnitude of private sector external debt; distribution of foreign assets and liabilities by sector; international trade in services and investor perception on business environment.

The COVID-19 pandemic that hit the world in late 2019 is expected to have adverse effects on the magnitude and composition of flows and stocks of foreign assets and liabilities as the world economies respond to the economic shocks associated with the virus. The pandemic will also affect business operating environment and will greatly influence decisions that enterprises will make about future investments. This report will provide baseline information for post COVID-19 recovery plan for foreign investment.

Foreign Investment surveys are conducted under the Statistics Act, 2006 legal framework. The implementation of the FIS2020 was based on the requisite statistical methodological standards of conducting surveys that promote best practices in survey planning and design, data collection, analysis, and reporting. In particular, FIS2020 targeted enterprises that have been documented to have Foreign Assets and Liabilities. Enterprise-based surveys are regarded as the most effective means of obtaining data on foreign private capital and therefore the data so obtained is more robust as it is obtained by direct reporting by enterprises.

The Bureau gives assurance that the survey results are sound and will provide useful insights in making informed decisions on the current stocks and flows of foreign assets and liabilities; investor perception; and magnitude and direction of FDI; Portfolio and Other Investments; among others. I, therefore, encourage all to use the data to promote evidence-based decision making. I believe these insights will assist stakeholders in making informed decisions. I therefore encourage all to read this report.

This survey was made possible through the partnership and collaborative efforts of the Kenya National Bureau of Statistics (KNBS), the Central Bank of Kenya (CBK) and Kenya Investment Authority. I take this opportunity to thank the leadership of the two institutions, namely; Dr. Patrick Njoroge, Governor of the CBK and Dr. Moses Ikiara, the Chief Executive Officer, KenInvest. I wish to also appreciate other key stakeholders that contributed to the success of the survey including; The National Treasury, Export Processing Zones Authority, Insurance Regulatory Authority and Capital Markets Authority.

I wish to recognize the technical team of the Balance of Payments Statistics Committee for their effort and dedication in facilitating the smooth implementation of the survey. The team included; Mr. Benjamin Muchiri, Mr. William Etwasi, Ms. Rosemary Bowen, Ms. Gladys Mbaluku, Ms. Pauline Kamau, Mr. Anthony Makau and Mr. Milton Tonui from KNBS; Ms. Kethi Ngoka, Mr. Leonard Kipyegon, Mr. Christopher Mwangi, Mr. Christopher Amdany, Ms. Maureen Odongo, Ms. Juliet Akello and Mr. Paul Kamondo from CBK; and Ms. Caren Mutai from KenInvest. I also thank Mr. Raphael Otieno, Ag. Director of the Research Department at the CBK supported by Dr. Lydia Ndirangu, Assistant Director, Statistics CBK; Mr. Collins Omondi, Director of Macroeconomic Statistics, KNBS; Mr. Benjamin Avusevwa, Director, Statistical Coordination and Methods, KNBS, for providing the overall leadership in the planning and conducting of the survey. I take this opportunity to also recognize and thank all other persons who in one way or another contributed to this survey and report preparation including officers from the partner institutions involved in the field work, administrative and logistical coordination. I also appreciate the Kenya Association of Manufacturers and all enterprises that took time to fill questionnaires and provide information that has gone into the preparation of this report.

Macdonald George Obudho, MBS
DIRECTOR GENERAL
KENYA NATIONAL BUREAU OF STATISTICS

Acronyms

AfDB	African Development Bank
BOP	Balance of Payments
BPM6	Balance of Payments and International Investment Position Manual, Sixth Edition
CBK	Central Bank of Kenya
CMA	Capital Markets Authority
COVID-19	Corona Virus Disease of 2019
COMESA	Common Market for Eastern and Southern Africa
DFI	Development Finance International
EAC	East African Community
EIB	European Investment Bank
EPZA	Export Processing Zones Authority
EU	European Union
FAL	Foreign Assets and Liabilities
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IFAD	International Fund for Agricultural Development
IFC	International Financial Corporation
IIP	International Investment Position
IMF	International Monetary Fund
IRA	Insurance Regulatory Authority
JICA	Japan International Cooperation Agency
KenInvest	Kenya Investment Authority
KfW	Kredistanstaltfur Wiederaufbau
KNBS	Kenya National Bureau of Statistics
MEFMI	Macroeconomic and Financial Management Institute of Eastern and Southern Africa
NSE	Nairobi Securities Exchange
NSS	National Statistical System
OECD	Organization for Economic Cooperation and Development
OI	Other Investment
PCMS	Private Capital Monitoring System
PI	Portfolio Investment
PSED	Private Sector External Debt
PTA	Preferential Trade Area
SSA	Sub –Saharan Africa
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
WEO	World Economic Outlook
WIR	World Investment Report

Executive Summary

Background

Private capital flows are an important source of financing for economies. It is therefore of paramount importance to understand the size, type and direction of both inward and outward investments and design interventions to attract and retain foreign private capital. KNBS, the Central Bank and Kenya Investment Authority have therefore continued to roll out Foreign Investment Surveys to measure the size and nature of these investments. In addition, the surveys have provided a platform to collect information on international trade in goods and services; employment and investor perceptions on the factors that impact the business environment.

The data collected in the surveys has been incorporated in the Balance of Payments Statistics and will provide key inputs in the compilation of the International Investment Position (IIP) Statistics for Kenya and by extension, to other macroeconomic statistics produced by the Bureau. The surveys follow the recommendations of the Balance of Payments and International Investment Position Manual, Sixth Edition-BPM6.

The 2020 Foreign Investment Survey (FIS) is the sixth in a series of similar surveys that have been conducted since 2010 (FIS 2010, FIS 2013, FIS 2015, FIS 2016, FIS 2018). The survey captured stocks of foreign assets and liabilities for 2017, 2018 and 2019 and cross border transactions in assets and liabilities for 2018 and 2019.

Data collection for FIS 2020 took place between September to November,2020. This was an unprecedented period in which the country had just begun to open up following easing of restrictions on containment measures and cessations of movement brought about by the COVID-19 Pandemic. This had therefore impacted the roll-out of the survey necessitating the technical team to innovate to ensure high response rates. One of the strategies deployed included increased uptake of soft copy questionnaires administered via emails to respondents to complement hard copy submissions of questionnaires and intensified follow-ups.

A total of 45 Research Assistants were engaged to undertake data collection which took 35 days. Sixteen (16) officers from KNBS and CBK were tasked to supervise the data collection. The survey targeted 708 enterprises spread across major towns in the country. However, only 592 questionnaires were administered with 469 of those being collected. This translated to a response rate of 79.2 per cent. Out of the questionnaires collected, four hundred (400) enterprises reported having foreign assets and liabilities (FAL).

Key Findings

The outstanding stock of foreign liabilities rose from KSh 1,647,355 million in 2018 to KSh 1,777,495 million in 2019. Foreign Direct Investment (FDI) accounted for the largest share of the stock of foreign liabilities at 52.9 per cent in 2018 and 2019. The stock of FDI rose from KSh 870,822 million in 2018 to KSh 940,899 million in 2019 on account of increases in both equity and retained earnings. FDI related debt, however declined by 5.6 per cent over the period. The stock of Other Investment rose from KSh 669,550 million in 2018 to KSh 723,485 million in 2019, mainly on account of a 34.9 per cent increase in Currency and deposits. On the contrary, the stock of Portfolio Investments reduced from KSh 97,003 million in 2018 to KSh 95,919 million in 2019.

Net inflows of foreign liabilities increased from KSh 93,522 million in 2018 to KSh 104,411 million in 2019. This was partly attributable to a 61.9 per cent increase in net inflows of Other Investments which accounted for 48.8 per cent of total net inflows in 2019. Net inflows of FDI accounted for 45.8 per cent of total net inflows, despite having declined from KSh 77,825 million in 2018 to KSh 47,803 million in 2019. On the contrary, Portfolio Investment recorded net outflows of KSh 1,842 million in 2019.

Europe remained the leading source of the stock of inward investment accounting for an average of 28.3 per cent of the total stock of foreign liabilities in 2018 and 2019. This was largely attributable to the European Union. Africa was the second source of foreign liability stocks with stock valued at KSh 483,649 million in 2019, having risen by 7.4 per cent. The United Kingdom, Mauritius, the United States of America and South Africa, were the major sources of the stock of foreign liabilities during the period accounting for 13.5, 11.0, 10.3 and 9.8 per cent, respectively in 2019. International Financial Institutions accounted for 20.8 per cent of net inflows of KSh 21,684 million in 2019. A marked increase in net inflows from Japan was recorded with inflows from this source rising from KSh 4,945 million in 2018 to KSh 19,433 million in 2019. Similarly, net inflows from Mauritius nearly doubled from KSh 9,698 million in 2018 to KSh 18,173 million in 2019. Within the EAC, flows of foreign liabilities rose from net outflows of KSh 966 million in 2018 to net inflows of KSh 20,608 million in 2019 largely on account of increased inflows from South Sudan.

The stock of FDI liabilities in Africa rose from KSh 405,763 million in 2018 to KSh 426,493 million in 2020 making it the leading source of Foreign Direct Investment during the period under review. Similarly, the stock of FDI from Mauritius rose by 20.8 per cent to KSh 195,478 million while stock from South Africa rose by 15.0 per cent to KSh 141,196 million in 2019. The stock of FDI within the EAC region increased by 7.4 per cent to KSh 58,172 million with Tanzania emerging the major source of FDI stock among EAC partner states. The European Union accounted for an average of 27.3 per cent of total stock of FDI in 2018 and 2019 with the bulk of this stock attributable to the United Kingdom. It was also worth noting the increase in FDI stock liability from France which more than doubled from KSh 35,657 million in 2018 to KSh 75,953 million in 2019. Contrary to the increase in the stock of FDI liabilities, net FDI inflows declined by 38.6 per cent to KSh 47,803 million in 2019. This was mainly driven by an increase in outflows from the EU.

The bulk of the stock of FDI was held in the Financial and Insurance Services Sector accounting for an average of 33.5 per cent of the total stock of FDI in 2018 and 2019. The Information and Communication; Wholesale and retail trade; and Manufacturing Sectors were sectors that remained attractive to investors with the stock of FDI held in these sectors jointly valued at KSh 435,737 million in 2019. Despite this, net FDI inflows to these four sectors jointly declined from KSh 66,910 million in 2018 to KSh 34,130 million in 2019.

The stock of Private Sector External Debt (PSED) increased by 5.6 per cent from KSh 863,618 million in 2018 to KSh 912,004 million in 2019. This trend was observed in PSED attributable to Other Investments and Financial derivatives which rose by 8.1 per cent and 72.3 per cent, respectively in 2019. Other Investments accounted for more than 70.0 per cent of total stock of PSED in 2018 and 2019 and was majorly in form of loans which amounted to KSh 407,623 million in 2019, down from KSh 418,013 million in 2018. FDI related debt constituted 18.3 per cent of total stock of PSED valued at KSh 166,971 million in 2019.

Net inflows of PSED declined from KSh 67,861 million in 2018 to KSh 47,673 million in 2019. These net inflows were predominantly in form of currency and deposits. Outflows of PSED associated with FDI and Portfolio investment surpassed corresponding inflows within these investment categories resulting to net outflows of KSh 7,884 million and KSh 2,893 million, respectively in 2019. The stock of PSED attributable to International Financial Institutions accounted for 17.6 per cent of total stock of PSED at KSh 160,534 million in 2019. The United States, United Kingdom and Netherlands remained the leading source countries of total stock of PSED during the period under review jointly amounting to KSh 313,721 million in 2018 and KSh 318,865 million in 2019.

Kenya's stock of foreign assets increased by 6.7 per cent from KSh 219,630 million in 2018 to KSh 234,345 million in 2019. Majority of these assets were in form of Foreign

Direct Investment which accounted for more than 60.0 per cent of total stock of assets abroad in 2018 and 2019. The second category of the stock of assets abroad were in Other Investments which rose from KSh 67,223 million at the end of 2018 to KSh 73,559 million at the end of 2019. The bulk of Other Investment assets was in form of short-term currency and deposits which constituted an average of 25.5 per cent of total stock of outward investments in 2018 and 2019. The 44.8 per cent increase in the stock of Portfolio investments abroad in 2019 to KSh 1,207 million was also worth noting.

Uganda was the leading destination of the stock of assets abroad during the period under review despite a decline in the value of assets from KSh 44,639 million in 2018 to KSh 41,454 million in 2019. Tanzania was the second leading destination with assets valued at KSh 37,515 million in 2019. In general, the stock of assets held in EAC partner states stood at KSh 104,709 million in 2018 and KSh 108,499 million in 2019, accounting for 47.5 per cent and 46.3 per cent in 2018 and 2019, respectively. Outside the EAC, Mauritius, South Africa and the Democratic Republic of Congo jointly accounted for 19.2 per cent of total stock of foreign assets in 2019. The United Kingdom accounted for 10.4 per cent of the total stock of foreign assets in 2019 with the stock valued at KSh 24,261 million, up from KSh 18,760 million in 2018.

Net outflows of foreign assets increased from KSh 1,803 million in 2018 to KSh 10,326 million in 2019, largely on account of increased outflows of currency and deposits of Other Investment assets. The United Kingdom was the leading recipient of net outflows of assets abroad which increased from KSh 7,535 million in 2018 to KSh 10,459 million in 2019, partly contributing to the increase in the stock of assets held in this destination.

The stock of FDI assets rose by 5.3 per cent from KSh 151,526 million in 2018 to KSh 159,579 million in 2019. The stock of FDI assets held within the EAC stood at KSh 103,334 million in 2018 and rose to KSh 107,511 million in 2019. While the stock of FDI assets in Tanzania rose by 15.3 per cent to KSh 37,129 million in 2019, the stock of assets in Uganda declined by 7.3 per cent to KSh 40,864 million in the same year. Increased inflows of FDI abroad, relative to outflows resulted to net FDI inflows of KSh 481 million in 2018, largely attributable to Tanzania. On the contrary, in 2019, the country recorded net FDI outflows of KSh 496 million on account of relatively lower inflows of FDI abroad compared to outflows.

Expenditure on services rendered by non-residents reduced by 60.9 per cent from KSh 213,905 million in 2018 to KSh 83,667 million in 2019. This decline was largely observed in expenditure on telecommunications and transport services which jointly reduced from KSh 195,829 million in 2018 to KSh 58,214 million in 2019. Income from services rendered to non-residents amounted to KSh 14,354 million in 2018 but reduced to KSh 13,665 million in 2019. The revenues from services were predominantly from freight transport which constituted more than 50.0 per cent of total income from services. In regard to international trade in goods, enterprises that reported having foreign assets and liabilities recorded increased imports of goods from KSh 214,565 million in 2018 to KSh 391,882 million in 2019. Similarly, exports by enterprises with foreign assets and liabilities rose from KSh 108,761 million in 2018 to KSh 168,062 million in 2019. These transactions were largely by enterprises in wholesale and retail trade; and manufacturing services.

The number of people employed in enterprises with foreign assets and liabilities reduced from 226,419 in 2018 to 217,521 people in 2019. The Manufacturing sector contributed the largest share of employment accounting for 32.3 per cent and 30.2 per cent of total employment in these enterprises in 2018 and 2019, respectively. Enterprises in the Financial and Insurance services activities; and Agriculture, forestry and fishing similarly recorded high levels of employment accounting for 21.7 per cent and 13.9 per cent in 2019. The amount of compensation to employees increased by 4.5 per cent from KSh 329,127 million in 2018 to KSh 344,075 million in 2019. Compensation of employees in the Manufacturing

Sector reduced by 1.5 per cent to KSh 175,993 million in 2019 while compensation to employees in the Financial and Insurance Services sector rose by 19.5 per cent to KSh 94,615 million in the same year.

Investors indicated that there had been an improvement in transport and infrastructure (67.4 %), ease of business registration (46.3 %) and access to business licenses (42.4%) in 2018 and 2019. Similarly, the time taken to acquire single business permits and to register with the tax authority had reduced according to 38.1 per cent and 37.7 per cent of respondents. However, the cost of electricity had worsened according to 50.3 per cent of the respondents. In addition, it took longer to get power connection as well as to access work and construction permits according to 51.0, 53.1 and 50.0 per cent of respondents, respectively.

The FIS 2020 was undertaken during the Covid-19 pandemic. This had adversely affected the business environment with 97.0 per cent of respondents indicating that the Pandemic had impacted businesses in several ways including disruptions on access to markets (50.5 %), supply chain (48.8 %) and levels of employment (37.5 %). In response to the impact of the pandemic, more than 90.0 per cent of respondents indicated that they would invest in technology, 84.2 per cent indicated an intention to diversify while 74.8 per cent indicated an intention to scale down investment in the next one year. However, Kenya remains an attractive investment destination since in spite of the disruptions to business operations, more than 80.0 per cent or respondents indicated that they would neither relocate nor close down.

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CHAPTER 1: INTRODUCTION

Overview

Kenya's investment climate continued to improve supported by the Government's economic programs aimed at strengthening the country's position as a regional industrial and financial hub. The Government through its Industrial Transformation initiative sought to increase connectivity through affordable rail and road networks and ports, reengineer processes and reduce costs through a broad range of business-related measures. In partnership with the private sector, the Government's multi-institutional Business Environment Delivery Unit and the Department of Business Reforms and Transformation coordinated implementation of the reforms required to make Kenya competitive locally and internationally. The investment climate has been characterised by a stable macroeconomic environment that has made it conducive for the private sector to thrive and to attract private capital flows. This has been complemented by continued government effort to promote regional integration initiatives within the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA), among others. The African Continental Free Trade Area (AfCFTA), the largest free trade area in the world, measured by the number of countries participating is a welcome development and presents a great opportunity for Kenya's private sector.

1.1. Kenya's ranking in the World Bank Doing Business Indicators improved significantly from 80 in 2017 to 56 out of 190 economies in 2019. This is attributed to significant reforms undertaken in the area of starting a business, construction permits, getting credit, payment of taxes, protecting minority investors, and resolving insolvency. The reforms have made the country attractive to both domestic and international firms seeking to do business in Kenya and in the region. Foreign companies have expanded in the country, principally in the financial and insurance; trade; manufacturing, communication sectors; and education sectors. This is complemented by companies based in Kenya that have expanded in the region.

1.2. The Foreign Investment Survey (FIS) 2020 is the sixth in the series since the launch of the surveys in 2010 and captured data on foreign private capital flows and position for the period 2018 and 2019. The information collected is important for monitoring the type, direction and the magnitude of foreign assets and liabilities. In addition, the data collected provides relevant information for research and analysis; planning and policy formulation; and assessing the impact of risks and vulnerabilities that may arise.

1.3. The survey was administered against a backdrop of the COVID-19 pandemic which has had severe and long-lasting impacts on economic activity especially for contact-intensive industries.

Objectives of the Survey

1.4. The foreign investment surveys are intended to provide information required for compilation of the Balance of Payments (BOP), International Investment Position (IIP) statistics and assessment of investors' perceptions of the investment climate.

1.5. The data collected through the FIS 2020 will extend time series data on foreign investment to eleven years building on the data collected during FIS 2010 covering the period 2007 and 2008; FIS 2013 covering the period 2009, 2010 and 2011, FIS 2015 covering the period 2012 and 2013 and; FIS 2016 covering the period 2014 and 2015. The time series data will be useful for research and analysis, planning, policy making and formulation of strategies to achieve the Kenya Vision 2030 goals.

Macroeconomic Developments and Prospects

1.6. Global growth declined to 2.8 per cent in 2019 from 3.5 per cent in 2018. The decline reflected a slowdown in industrial output occasioned by a sharp downturn in automobile activities and weak business confidence and activity brought about by trade tensions between the US and China. Growth in advanced economies declined to 1.7 per cent in 2019 from 2.2 per cent in 2018 due to weak investment in the US, and weak external demand and industrial production in the euro area. Growth in emerging market and developing economies declined by 0.8 percentage points to 3.7 per cent in 2019. The tariff escalation with the US affected trade and investment in China while weaker than expected demand led to a slowdown in growth in India (IMF World Economic Outlook, October 2020).

1.7. In its January 2021 update of the World Economic Outlook report, the IMF estimates global growth to contract by 3.5 per cent in 2020 due to the impact of COVID-19 pandemic. Measures to contain the spread of the virus led to disruptions in labour supply and supply chains which spilled over to trading partners through trade and global value chain linkages. Global growth is expected to rebound to 5.5 per cent in 2021 as increased COVID-19 vaccination rollout paves way for a relaxation of restrictions and an increase in contact-intensive activities.

1.8. The Kenyan economy grew by 5.4 per cent in 2019 compared with 6.3 per cent in 2018, despite the delayed onset and below average rainfall experienced in March-May which affected the performance of agriculture. Economic growth was mainly driven by strong performance of service-oriented sectors.

1.9. The Kenyan economy grew by 5.2 per cent in the first quarter of 2020 before contracting by 5.5 per cent and 1.1 per cent in the second and third quarters, respectively, on account of the adverse impact of the COVID-19 pandemic. The services sector was significantly affected by the domestic and international COVID-19 containment measures and contracted by 3.2 per cent in the first half of the year compared to a growth of 6.6 per cent in a similar period of 2019.

International Private Capital Flows

1.10. According to the United Nations Conference on Trade and Development (UNCTAD) World Investment Report (WIR), 2020, global FDI inflows increased by 3.0 per cent to US Dollar 1,540 billion in 2019. The increase was attributed to higher profitability of Multinational Enterprises and the dissipating impact of tax reforms in the US, despite weak global growth and policy uncertainty due to the US-China trade tensions and Brexit.

1.11. FDI inflows to developed economies increased by 5 per cent to US Dollar 800 billion in 2019, driven by increased inflows to Europe as the impact of the tax inversion curb in the United States waned. Inward FDI flows to North America remained stable at US Dollar 297 billion in 2018 and 2019. FDI inflows to developing economies (excluding Caribbean financial centres) declined by 2.0 per cent to US Dollar 685 billion in 2019. The major recipient of FDI flows remained Developing Asia. FDI inflows to Africa declined by 10.0 per cent to US Dollar 45 billion attributed to declining commodity prices and moderate economic growth.

1.12. Global FDI inflows are projected to decline by up to 40 percent in 2020 reflecting the impact of the COVID-19 pandemic. Measures taken by authorities to contain the spread of the virus led to a reduction in the pace of implementation of existing projects, delays in the announcement of Greenfield projects and a temporary suspension of many mergers and acquisitions (UNCTAD World Investment Report, 2020).

CHAPTER 2: SURVEY FINDINGS ON FOREIGN LIABILITIES







Overview

This chapter presents survey findings on investments in Kenya, referred to as foreign liabilities. They are broadly categorized into Foreign Direct Investment (FDI), Portfolio Investment (PI), Financial Derivatives and Employee Stock Options; and Other Investment (OI). Foreign Direct Investment and Portfolio Investment comprises equity and investment fund shares, debt instruments and debt securities while Other Investment includes other equity, currency and deposits; trade credit and advances; loans, insurance, pension and standardized guarantee schemes and; other accounts payable.

Stock of Foreign Liabilities

2.2. The stock of foreign liabilities increased from KSh 1,647,355 million as at end 2018 to KSh 1,777,495 million as at end 2019 as presented in **Table 2.1**. The increase was attributed to FDI which increased to KSh 940,899 million in 2019 from KSh 870,822 million in 2018. The stock of Other Investment liabilities and Financial Derivatives also increased to KSh 723,485 million and KSh 17,192 million respectively, in 2019. However, Portfolio Investment declined to KSh 95,919 million in 2019 from KSh 97,003 million in 2018.

2.3. FDI accounted for the largest share of foreign investment liabilities at 52.9 per cent in 2019. The main driver was equity and investment fund shares, which accounted for KSh 43.5 million and increased by 11.5 per cent from KSh 693,983 million in 2018 to KSh 773,927 million in 2019. However, the stock of debt instruments under FDI declined by 5.6 per cent from KSh 176,839 million in 2018 to KSh 166,971 million in 2019. Other Investment liabilities accounted for 40.7 per cent of total foreign liabilities and was mainly in the form of loans, currency and deposits and insurances, pensions standardized guarantee schemes. During the same period, the share of PI declined to 5.4 per cent from 5.9 per cent, attributed to lower long-term debt securities.

Table 2.1: Stock of Foreign Liabilities, 2018-2019

Category	2018		2019	
	KSh Million	% Share	KSh Million	% Share
Foreign Direct Investment	**870,822.04**	**52.9**	**940,898.55**	**52.9**
Equity and Investment Fund Shares	693,983.08	42.1	773,927.23	43.5
Equity and Investment Fund Shares other than Reinvested Earnings	377,800.46	22.9	414,921.95	23.3
Retained Earnings	316,182.62	19.2	359,005.28	20.2
Debt Instruments	176,838.96	10.7	166,971.32	9.4
Long Term	147,813.79	9.0	139,403.93	7.8
Short Term	29,025.17	1.8	27,567.39	1.6
Portfolio Investment	**97,002.93**	**5.9**	**95,919.24**	**5.4**
Equity and Investment Fund Shares	89,753.71	5.4	91,563.24	5.2
Debt Securities	7,249.23	0.4	4,356.00	0.2
Long Term	59.45	0.0	340.57	0.0
Short Term	7,189.78	0.4	4,015.43	0.2
Financial Derivatives and Employee Stock Options	**9,979.53**	**0.6**	**17,192.40**	**1.0**
Forwards	9,430.44	0.6	17,012.02	1.0
Option	549.09	0.0	180.38	0.0
Employees Stock Options	0.00	0.0	0.00	0.0
Other Investment	**669,550.39**	**40.6**	**723,484.72**	**40.7**
Other Equity	0.00	0.0	0.00	0.0
Currency and Deposits	138,828.03	8.4	187,213.19	10.5
Long Term	325.13	0.0	2,855.16	0.2
Short Term	138,502.90	8.4	184,358.03	10.4
Trade Credits and Advances	4,830.08	0.3	6,555.92	0.4
Long Term	0.00	0.0	201.68	0.0
Short Term	4,830.08	0.3	6,354.24	0.4
Loans	418,013.32	25.4	407,622.91	22.9
Long Term	406,235.00	24.7	404,238.49	22.7
Short Term	11,778.32	0.7	3,384.42	0.2
Insurance, Pension and Standardised Guarantee Schemes	100,759.58	6.1	113,935.99	6.4
Life Insurance Reserves	22,796.77	1.4	29,271.97	1.6
Non-life Insurance Reserves	24,862.66	1.5	25,127.57	1.4
Pension Entitlements / Claims	51,236.58	3.1	57,032.26	3.2
Standardised Guarantee Schemes	1,863.57	0.1	2,504.19	0.1
Other Accounts Payable	7,119.38	0.4	8,156.70	0.5
Long Term	482.08	0.0	990.35	0.1
Short Term	6,637.29	0.4	7,166.36	0.4
Total	**1,647,354.90**	**100.0**	**1,777,494.91**	**100.0**

Flows of Foreign Liabilities

2.4. Net inflows of foreign liabilities increased by 11.6 per cent to KSh 104,411 million in 2019 from KSh 93,522 million in 2018 as presented in Table 2.2. The increase was mainly reflected in Other Investment liabilities and Portfolio Investment. Net inflows of Other Investment increased by 61.9 per cent to KSh 50,918 in 2019, while Portfolio Investment recorded a lower net outflow of KSh 1,842 million compared to a net outflow of KSh 22,538 million in 2018. However, net inflows of FDI declined to KSh 47,803 million from KSh 77,825 million over the same period, following reduced inflows of KSh 172,300 million in 2019 compared to KSh 223,619 million in 2018. This was as a result of reduced inflows of currency and deposits, loans and other accounts payable. Net inflows of PI improved mainly because of increased inflows of equity and investment fund shares.

2.5. Inflows of foreign liabilities declined by 3.9 per cent to KSh 427,135 million in 2019 from KSh 444,466 million in 2018. The decline was mainly reflected in lower inflows of Other Investment liabilities from KSh 218,831 million in 2018 to KSh 194,847 million in 2019. This was mainly on account of reduced inflows of currency and deposits, loans and other accounts payable. However, inflows of Portfolio Investment increased by 7.2 per cent to KSh 110,908 million, while that of Financial Derivatives increased by 37.9 per cent to KSh 9,355 million.

2.6. Outflows of Foreign liabilities declined by 8.0 per cent to KSh 322,723 million in 2019 compared to KSh 350,944 million in 2018. Outflows of PI declined to KSh 112,750 million in 2019 from KSh 125,975 million in 2018 on account of reduced equity and investment fund shares. Similarly, outflows of Other Investment declined to KSh 143,929 million in 2019 from KSh 187,380 million in 2018, mainly attributed to reduced outflows of loans, currency and deposits and other accounts payable. However, outflows of FDI increased from KSh 37,589 million in 2018 to KSh 64,222 million in 2019 on account of increases in equity and investment fund shares and debt instruments.

Table 2.2: Flows of Foreign Liabilities, 2018 – 2019

KSh Million

Category	2018			2019		
	Inflows	Outflows	Net	Inflows	Outflows	Net
Foreign Direct Investment	**115,414.34**	**37,589.08**	**77,825.27**	**112,024.88**	**64,221.93**	**47,802.95**
Equity and Investment Fund Shares	72,056.17	17,845.27	54,210.90	81,683.54	25,996.51	55,687.03
Equity and Investment Fund Shares other than Reinvested Earnings	11,633.32	4,156.17	7,477.15	13,336.88	1,907.90	11,428.98
Retained Earnings	60,422.85	13,689.10	46,733.75	68,346.66	24,088.61	44,258.05
Debt Instruments	43,358.17	19,743.81	23,614.36	30,341.34	38,225.42	-7,884.08
Long Term	29,733.79	10,075.70	19,658.09	22,204.87	27,764.81	-5,559.94
Short Term	13,624.38	9,668.10	3,956.28	8,136.48	10,460.61	-2,324.14
Portfolio Investment	**103,437.08**	**125,975.00**	**-22,537.92**	**110,908.00**	**112,750.17**	**-1,842.17**
Equity and Investment Fund Shares	97,424.93	125,975.00	-28,550.07	109,797.44	108,746.38	1,051.06
Debt Securities	6,012.16	0.00	6,012.16	1,110.56	4,003.79	-2,893.23
Long Term	0.00	0.00	0.00	281.12	0.00	281.12
Short Term	6,012.16	0.00	6,012.16	829.45	4,003.79	-3,174.34
Financial Derivatives and Employee Stock Options	**6,783.14**	**0.00**	**6,783.14**	**9,354.71**	**1,822.44**	**7,532.28**
Forwards	6,783.14	0.00	6,783.14	9,354.71	1,822.44	7,532.28
Option	0.00	0.00	0.00	0.00	0.00	0.00
Employees Stock Options	0.00	0.00	0.00	0.00	0.00	0.00
Other Investment	**218,831.20**	**187,380.09**	**31,451.11**	**194,847.19**	**143,928.88**	**50,918.31**
Other Equity	0.00	0.00	0.00	0.00	0.00	0.00
Currency and Deposits	78,942.44	38,242.43	40,700.01	50,608.97	8,117.18	42,491.80
Long Term	273.68	4,851.84	-4,578.16	2,798.31	271.68	2,526.63
Short Term	78,668.76	33,390.59	45,278.17	47,810.67	7,845.50	39,965.17
Trade Credits and Advances	1,866.91	1,269.56	597.36	1,010.44	508.26	502.18
Long Term	0.00	0.00	0.00	220.43	18.75	201.68
Short Term	1,866.91	1,269.56	597.36	790.01	489.51	300.50
Loans	113,666.14	137,485.07	-23,818.93	122,332.48	128,528.44	-6,195.96
Long Term	42,566.87	56,432.53	-13,865.66	65,061.89	62,879.53	2,182.36
Short Term	71,099.28	81,052.54	-9,953.26	57,270.60	65,648.91	-8,378.32
Insurance, Pension and Standardised Guarantee Schemes	13,909.52	738.56	13,170.96	13,909.52	733.11	13,176.41
Life Insurance Reserves	6,475.20	0.00	6,475.20	6,475.20	0.00	6,475.20
Non-life Insurance Reserves	995.29	730.38	264.91	995.29	730.38	264.91
Pension Entitlements / Claims	5,798.41	8.18	5,790.23	5,798.41	2.73	5,795.68
Standardised Guarantee Schemes	640.62	0.00	640.62	640.62	0.00	640.62
Other Accounts Payable	10,446.19	9,644.47	801.71	6,985.78	6,041.90	943.88
Long Term	389.22	318.92	70.30	683.15	268.29	414.86
Short Term	10,056.97	9,325.56	731.41	6,302.63	5,773.60	529.02
Total	**444,465.77**	**350,944.17**	**93,521.60**	**427,134.79**	**322,723.42**	**104,411.36**

Stock of Foreign Liabilities by Region and Country

The stock of foreign liabilities by region and country is presented in **Table 2.3**; and **Figures 2.1** and **2.2.** Europe was the leading source of investment accounting for 28.1 per cent and 28.5 per cent of total stock of foreign liabilities in 2018 and 2019, respectively. Investments from Europe increased by 9.7 per cent to KSh 507,106 million in 2019. The United Kingdom, France and Netherlands were the leading sources of foreign liabilities within the European Union accounting for 13.5, 5.2 and 3.0 per cent of the total stock of foreign liabilities, respectively, in 2019. Investments from the UK were mainly in the finance and insurance; manufacturing; and transportation and storage activities.

2.8. Africa was the second largest source of investment accounting for 27.3 per cent and 27.2 per cent of total stock of foreign liabilities in 2018 and 2019, respectively. Foreign liabilities attributed to Africa increased by 7.4 per cent from KSh 450,376 million in 2018 to KSh 483,649 million in 2019. Mauritius and South Africa were the leading sources of foreign liabilities within the region and accounted for 11.0 per cent and 9.8 per cent of total stock of foreign liabilities in 2019, respectively. Investments from Mauritius were largely in information and communication; agriculture; finance and insurance; and real estate activities. Investments from South Africa were mainly in finance and insurance; and information and communication activities.

2.9. The stock of foreign liabilities attributable to America increased from KSh 197,779 million in 2018 to KSh 203,689 million in 2019, reflecting a growth of 3.0 per cent. The USA remained the dominant source of investment from this region accounting for 11.1 per cent and 10.3 per cent of total foreign liabilities in 2018 and 2019, respectively. Investments from the USA were mainly in transportation and storage; and finance and insurance activities.

2.10. Investments from Asia increased from KSh 166,461 million in 2018 to KSh 178,290 million in 2019, representing a 7.1 per cent growth. Japan, India and the United Arab Emirates remained the main sources of investment within the region, jointly accounting for 7.6 per cent of the total stock of foreign liabilities. Investments from Japan and the United Arab Emirates increased by 11.0 per cent and 12.7 per cent to KSh 64,573 million and KSh 27,191 million respectively, in 2019. Investments from these countries were mainly in electricity; finance and insurance; wholesale and retail; and, information and communication activities.

2.11. The stock of foreign liabilities attributable to International financial institutions/organizations improved from KSh 142,476 million in 2018 to KSh 160,143 million in 2019, representing a growth of 12.4 per cent.

Table 2.3: Stock of Foreign Liabilities by Region and Country, 2018-2019

Country	2018		2019	
	KSh Million	% Share	KSh Million	% Share
Africa	**450,376.42**	**27.3**	**483,648.58**	**27.2**
COMESA[1]	**217,543.31**	**13.2**	**236,483.94**	**13.3**
Mauritius	181,205.98	11.0	195,938.58	11.0
Egypt	6,442.86	0.4	6,947.02	0.4
Madagascar	2,848.19	0.2	2,187.42	0.1
Djibouti	7,158.83	0.4	1,537.52	0.1
Other COMESA	3,049.03	0.2	1,003.08	0.1
EAC	**56,269.17**	**3.4**	**72,286.13**	**4.1**
Tanzania	39,430.76	2.4	43,415.81	2.4
Uganda	14,560.56	0.9	17,556.61	1.0
South Sudan	1,882.82	0.1	9,166.15	0.5
Other EAC	395.03	0.0	2,147.57	0.1
Other Africa	193,402.36	11.7	203,748.84	11.5
South Africa	163,016.27	9.9	174,145.14	9.8
Nigeria	15,198.43	0.9	14,501.36	0.8
Togo	6,271.79	0.4	6,880.52	0.4
Tunisia	5,517.61	0.3	5,603.57	0.3
Benin	1,868.45	0.1	1,318.76	0.1
Cote d` Ivoire	829.32	0.1	600.17	0.0
Morocco	518.74	0.0	559.25	0.0
Rest of Africa	181.74	0.0	140.05	0.0
America	**197,779.46**	**12.0**	**203,689.24**	**11.5**
North America	**195,894.78**	**11.9**	**198,607.18**	**11.2**
United States of America	182,351.91	11.1	183,098.38	10.3
Virgin Islands, British	11,894.17	0.7	13,931.35	0.8
Canada	1,648.70	0.1	1,577.46	0.1
South America	**1,884.68**	**0.1**	**5,082.06**	**0.3**
Asia	**166,460.78**	**10.1**	**178,290.07**	**10.0**
Middle East	**35,664.30**	**2.2**	**44,888.75**	**2.5**
United Arab Emirates	24,125.40	1.5	27,191.51	1.5
Bahrain	7,295.49	0.4	13,759.04	0.8
Other Middle East	4,243.41	0.3	3,938.19	0.2
Far East	130,796.49	7.9	133,401.32	7.5
Japan	59,088.11	3.6	65,573.41	3.7
India	41,825.94	2.5	41,715.78	2.3
Pakistan	8,335.07	0.5	8,997.25	0.5
China	7,732.05	0.5	8,868.42	0.5
Hong Kong	10,460.38	0.6	4,749.70	0.3
Other Far East	3,354.94	0.2	3,496.76	0.2
Europe	**462,412.94**	**28.1**	**507,106.18**	**28.5**
Eastern Europe	**564.01**	**0.0**	**581.24**	**0.0**
Western Europe	**461,848.92**	**28.0**	**506,524.93**	**28.5**
EU	**386,409.25**	**23.5**	**431,825.18**	**24.3**
United Kingdom	226,911.33	13.8	240,041.94	13.5
France	56,116.51	3.4	92,436.54	5.2
Netherlands	56,824.60	3.4	53,308.78	3.0
Germany	13,306.68	0.8	12,170.94	0.7
Finland	5,227.83	0.3	6,730.57	0.4
Sweden	7,764.66	0.5	6,117.49	0.3
Luxembourg	4,658.28	0.3	5,633.70	0.3
Denmark	4,925.81	0.3	4,932.86	0.3
Ireland	2,970.34	0.2	3,182.54	0.2
Belgium	4,009.04	0.2	2,763.99	0.2
Other EU	3,694.19	0.2	4,505.84	0.3
Other Western Europe	**75,439.67**	**4.6**	**74,699.75**	**4.2**
Switzerland	48,839.14	3.0	48,130.03	2.7
Jersey	15,009.91	0.9	16,114.84	0.9
Norway	9,233.16	0.6	10,447.43	0.6
Rest of Western Europe	2,357.46	0.1	7.46	0.0
Australia and Oceanic	**34,080.42**	**2.1**	**37,714.61**	**2.1**
International Financial Institutions/organizations2	**142,475.61**	**8.6**	**160,142.89**	**9.0**
Countries not stated	**193,769.26**	**11.8**	**206,903.35**	**11.6**
Total	**1,647,354.90**	**100.0**	**1,777,494.91**	**100.0**

[1]Includes Uganda, Rwanda, Burundi and South Sudan

[2]Includes AfDB, IFC,JICA,IFAD, EIB,PTA,KFW, International Freephone

Figure 2.1: Share of Stock of Foreign Liabilities by Region, 2018

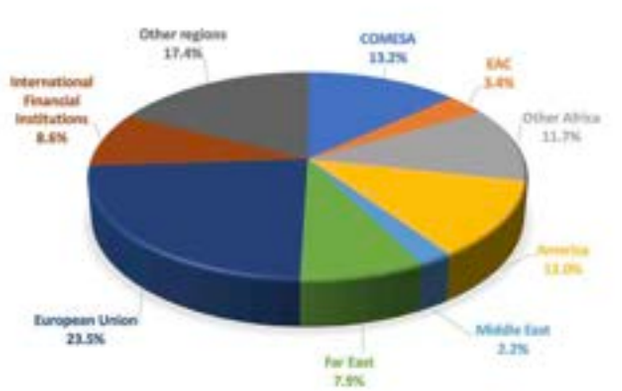
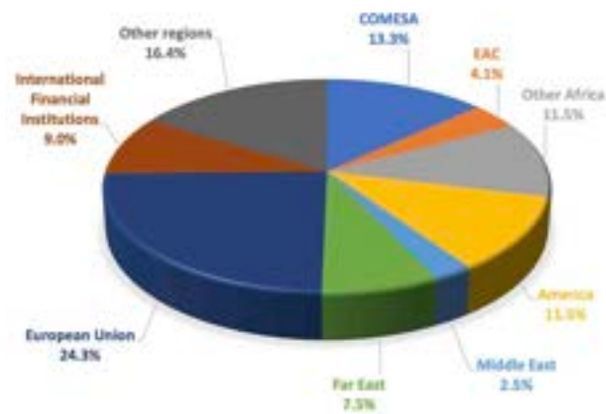


Figure 2.2: Share of Stock of Foreign Liabilities by Region, 2019



Flows of Foreign Liabilities by Region and Country

2.12. Flows of foreign liabilities by economic bloc and country is presented in **Table 2.4.** Inflows from international financial institutions more than doubled to KSh 49,212 million in 2019 compared to KSh 21,453 million in 2018. Inflows of foreign liabilities from Africa increased from KSh 86,693 million in 2018 to KSh 114,165 million in 2019. The improved was attributed to inflows from Swaziland, South Sudan and South Africa which increased by KSh 26,788 million, KSh 9,321 million, and KSh 6,610 million respectively, in 2019.

Inflows of foreign liabilities from Europe declined to KSh 147,514 million in 2019 from KSh 204,066 million in 2018. The decline was mainly in the EU region reflecting reduced inflows from the United Kingdom. Inflows of foreign liabilities from America declined to KSh 19,695 million in 2019 from KSh 28,715 million in 2018 on account of reduced inflows from the USA. Inflows from Asia increased from KSh 49,929 million in 2018 to KSh 56,340 million in 2019.

2.13. Outflows of foreign liabilities to Africa increased by 13.5 per cent to KSh 77,822 million in 2019. However, outflows to Mauritius declined to KSh 8,413 million in 2019 from KSh 39,746 million in 2018. Outflows to Europe and International Financial Institutions also declined by 17.4 per cent and 31.1 per cent to KSh 142,142 million and KSh 27,527 million respectively, in 2019.

2.14. Net inflows from Africa increased from KSh 18,133 million to KSh 36,343 million in 2019. The increase was mainly as a result of increased net inflows from Mauritius, South Sudan and Tunisia. Net inflows from the America declined from KSh 11,197 million in 2018 to KSh 3,599 million in 2019. Similarly, net inflows from Europe declined from KSh 36,335 million to KSh 5,373 million.

Table 2.4: Flows of Foreign Liabilities by Region and Country, 2018-2019

KSh Million

Country	2018			2019		
	Inflows	Outflows	Net	Inflows	Outflows	Net
Africa	**86,692.59**	**68,559.88**	**18,132.70**	**114,164.66**	**77,822.01**	**36,342.64**
COMESA[1]	**57,616.30**	**49,271.31**	**8,344.98**	**72,395.90**	**52,852.13**	**19,543.77**
Mauritius	49,445.59	39,747.51	9,698.08	26,585.61	8,412.96	18,172.65
Egypt	24.13	5.57	18.56	1,482.92	40.42	1,442.50
Madagascar	374.71	0.00	374.71	0.00	1,044.35	-1,044.35
Congo, Dem. Rep. of	914.18	0.00	914.18	0.00	1,059.44	-1,059.44
Zambia	1,748.81	1.55	1,747.26	188.89	1,591.89	-1,403.00
Swaziland	0.00	0.00	0.00	26,788.06	29,830.62	-3,042.56
Djibouti	1,905.13	0.00	1,905.13	0.00	8,327.15	-8,327.15
Other COMESA	769.43	1,690.90	-921.47	107.39	745.35	-637.96
EAC	**8,037.93**	**9,003.87**	**-965.95**	**22,966.73**	**2,358.86**	**20,607.87**
South Sudan	887.57	4,364.46	-3,476.89	10,208.35	392.16	9,816.19
Tanzania	5,603.61	1,178.09	4,425.52	5,723.70	558.92	5,164.79
Uganda	1,383.56	2,651.01	-1,267.45	4,531.65	1,261.62	3,270.03
Other EAC	163.18	810.30	-647.12	2,503.03	146.17	2,356.86
Other Africa	**23,472.68**	**18,110.48**	**5,362.20**	**36,045.05**	**24,410.96**	**11,634.09**
South Africa	22,202.80	14,955.26	7,247.54	28,812.83	21,552.41	7,260.42
Tunisia	706.77	0.00	706.77	5,239.32	0.00	5,239.32
Togo	108.63	0.00	108.63	1,500.86	14.22	1,486.64
Nigeria	287.79	315.46	-27.66	415.89	1,829.11	-1,413.23
Rest of Africa	166.68	2,839.76	-2,673.08	76.17	1,015.23	-939.06
America	**28,714.55**	**17,517.79**	**11,196.75**	**19,694.88**	**16,095.94**	**3,598.94**
North America	**27,509.11**	**17,408.51**	**10,100.60**	**19,664.41**	**14,674.32**	**4,990.10**
Virgin Islands, British	1,721.64	97.50	1,624.14	2,814.96	96.14	2,718.82
United States of America	25,785.63	13,418.31	12,367.31	16,550.11	13,879.93	2,670.18
Canada	1.85	3,892.70	-3,890.85	299.34	698.25	-398.91
South America	**1,205.43**	**109.29**	**1,096.15**	**30.46**	**1,421.62**	**-1,391.16**
Asia	**49,929.47**	**38,798.79**	**11,130.68**	**56,340.27**	**40,121.32**	**16,218.94**
Middle East	**20,906.36**	**6,612.00**	**14,294.36**	**14,074.85**	**4,154.56**	**9,920.29**
Bahrain	8,430.99	0.00	8,430.99	8,748.96	77.69	8,671.26
United Arab Emirates	8,825.77	5,459.86	3,365.91	4,977.62	3,200.29	1,777.33
Other Middle East	3,649.60	1,152.14	2,497.46	348.27	876.58	-528.31
Far East	**29,023.11**	**32,186.78**	**-3,163.68**	**42,265.42**	**35,966.76**	**6,298.65**
Japan	9,314.68	4,369.92	4,944.76	21,275.28	1,842.40	19,432.88
Pakistan	1,117.05	139.72	977.33	1,082.07	68.68	1,013.39
China	1,349.31	5,091.98	-3,742.67	2,707.94	1,934.23	773.71
Thailand	622.90	939.74	-316.84	332.58	10.36	322.22
India	7,588.11	20,117.24	-12,529.13	11,476.01	16,691.05	-5,215.04
Hong Kong	7,021.48	917.43	6,104.04	5,163.51	14,898.54	-9,735.03
Other Far East	2,009.58	610.74	1,398.83	228.03	521.50	-293.48
Europe	**204,065.64**	**167,731.02**	**36,334.63**	**147,514.31**	**142,141.69**	**5,372.62**
Eastern Europe	**19.89**	**0.00**	**19.89**	**21.93**	**0.00**	**21.93**
Western Europe	**204,045.75**	**167,731.02**	**36,314.73**	**147,492.38**	**142,141.69**	**5,350.69**
EU	**172,958.77**	**137,161.95**	**35,796.81**	**137,118.96**	**133,617.54**	**3,501.42**
United Kingdom	80,954.93	37,801.01	43,153.92	46,472.42	34,478.46	11,993.96
Germany	14,626.04	18,608.77	-3,982.73	15,212.79	13,462.93	1,749.85
Denmark	1,427.53	414.16	1,013.37	2,129.64	1,345.87	783.76
Italy	21.08	3,061.62	-3,040.54	388.18	126.29	261.89
Finland	1,330.39	490.44	839.95	543.79	332.16	211.63
Belgium	1,373.34	565.67	807.67	381.56	2,540.98	-2,159.41
Netherlands	53,607.09	63,251.30	-9,644.22	58,526.71	60,876.04	-2,349.34
Sweden	6,928.84	6,164.98	763.86	1,905.28	4,563.36	-2,658.08
France	11,672.72	5,595.22	6,077.50	8,860.22	14,659.93	-5,799.71
Other EU	1,016.81	1,208.78	-191.97	2,698.38	1,231.52	1,466.86
Other Western Europe	**31,086.98**	**30,569.06**	**517.92**	**10,373.42**	**8,524.15**	**1,849.27**
Jersey	1,127.52	0.00	1,127.52	1,454.08	0.00	1,454.08
Norway	1,267.98	161.92	1,106.06	1,363.25	68.78	1,294.48
Switzerland	27,811.77	28,991.37	-1,179.60	7,198.53	7,164.50	34.03
Rest of Western Europe	879.71	1,415.77	-536.06	357.56	1,290.87	-933.31
Australia and Oceanic	**21,033.10**	**2,138.09**	**18,895.01**	**7,467.41**	**2,955.51**	**4,511.90**
International Financial Institutions/organizations[2]	**21,452.87**	**42,675.14**	**-21,222.27**	**49,211.74**	**27,527.31**	**21,684.43**
Countries not stated	**32,577.55**	**13,523.46**	**19,054.10**	**32,741.53**	**16,059.64**	**16,681.89**
Total	**444,465.77**	**350,944.17**	**93,521.60**	**427,134.79**	**322,723.42**	**104,411.36**

[1]Includes Uganda, Rwanda, Burundi and South Sudan

[2]Includes AfDB, IFC,JICA,IFAD, EIB,PTA,KFW, International Freephone

Figure 2.3: Share of Inflows of Foreign Liabilities by Region, 2018

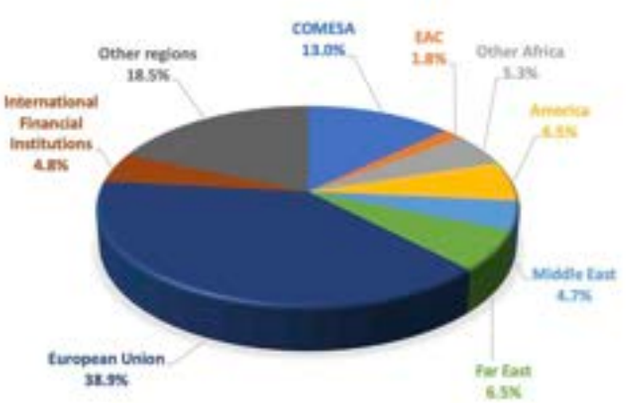
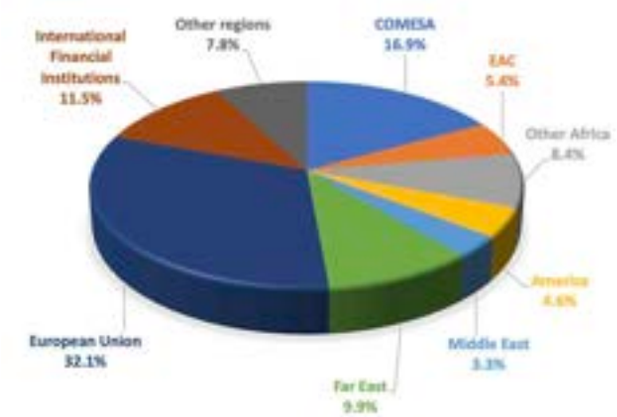


Figure 2.4: Share of Inflows of Foreign Liabilities by Region, 2019



Stock of FDI Liabilities by Region and Country

2.15. The stock of FDI liabilities is presented in **Table 2.5**. Africa accounted for the highest share of FDI liabilities at 45.3 per cent, with the stock of FDI liabilities rising by 5.1 per cent to KSh 426,493 million in 2019. The major sources of FDI liabilities were Mauritius and South Africa accounting for 20.8 per cent and 15.0 per cent of the total FDI liabilities, respectively. The stock of FDI liabilities attributable to EAC increased by 7.4 per cent from KSh 54,152 million in 2018 to KSh 58,172 million in 2019, mainly due to a 10.1 per cent increase in the stock of FDI liabilities from Tanzania.

2.16. In 2019, the stock of FDI liabilities attributable to Europe increased by 11.3 per cent to KSh 334,009 million and contributed 35.5 per cent to the total stock of FDI liabilities. The stock of FDI liabilities from the EU rose from KSh 231,861 million in 2018 to KSh 263,981 million in 2019. The share of FDI liabilities attributable to the UK, France and the Netherlands was 12.1, 8.1 and 5.2 per cent respectively, in 2019. The stock of FDI liabilities from France more than doubled from KSh 35,657 million in 2018 to KSh 75,953 million in 2019. On the contrary, the stock of FDI attributable to the UK and the Netherlands declined by 1.4 per cent and 7.9 per cent, respectively.

2.17. The stock of FDI liabilities attributable to Asia rose by 4.8 per cent to KSh 98,393 million and accounted for 10.5 per cent of the total stock of FDI liabilities in 2019. The stock of FDI liabilities attributable to the Middle East grew by 30.7 per cent to KSh 36,060 million and were mainly from the United Arab Emirates and Bahrain. However, the stock of FDI liabilities from the Far East declined by 6.0 per cent from KSh 66,309 million in 2018 to KSh 62,332 million in 2019 due to reduced FDI stocks from Japan. Nevertheless, the stock of FDI liabilities attributable to India and Pakistan rose by 18.0 per cent and 9.0 per cent to KSh 38,408 million and KSh 8,517 million, respectively in 2019.

2.18. The stock of FDI liabilities from America rose by 14.6 per cent to KSh 49,697 million, following an increase in FDI liabilities attributable to USA and the British Virgin Islands in 2019.

Table 2.5: Stock of FDI Liabilities by Region and Country, 2018-2019

Country				
	KSh Million	% Share	KSh Million	% Share
Africa	**405,763.41**	**46.6**	**426,492.96**	**45.3**
COMESA[1]	**200,763.70**	**23.1**	**213,520.78**	**22.7**
Mauritius	178,897.71	20.5	195,477.80	20.8
Madagascar	2,898.48	0.3	2,221.97	0.2
Djibouti	3,695.49	0.4	1,292.43	0.1
Other COMESA	824.17	0.1	51.59	0.0
EAC	**54,151.64**	**6.2**	**58,172.01**	**6.2**
Tanzania	39,703.80	4.6	43,695.03	4.6
Uganda	14,273.54	1.6	14,367.88	1.5
Other EAC	174.31	0.0	109.10	0.0
Other Africa	**165,295.92**	**19.0**	**169,277.15**	**18.0**
South Africa	136,833.54	15.7	141,196.15	15.0
Nigeria	14,162.92	1.6	14,654.66	1.6
Togo	6,382.53	0.7	5,989.21	0.6
Tunisia	5,574.66	0.6	5,632.32	0.6
Benin	1,901.44	0.2	1,339.60	0.1
Rest of Africa	440.82	0.1	465.22	0.0
America	**43,371.69**	**5.0**	**49,697.14**	**5.3**
North America	**42,358.12**	**4.9**	**45,521.22**	**4.8**
United States of America	28,618.45	3.3	29,962.81	3.2
Virgin Islands, British	12,104.18	1.4	14,151.41	1.5
Canada	1,635.49	0.2	1,407.00	0.1
South America	**1,013.57**	**0.1**	**4,175.92**	**0.4**
Asia	**93,888.85**	**10.8**	**98,392.53**	**10.5**
Middle East	**27,580.33**	**3.2**	**36,060.03**	**3.8**
United Arab Emirates	19,922.70	2.3	22,131.68	2.4
Bahrain	6,811.41	0.8	13,198.80	1.4
Other Middle East	846.23	0.1	729.55	0.1
Far East	**66,308.52**	**7.6**	**62,332.50**	**6.6**
India	32,546.80	3.7	38,407.94	4.1
Pakistan	7,813.67	0.9	8,517.07	0.9
Japan	17,737.30	2.0	7,295.49	0.8
China	3,791.17	0.4	4,256.46	0.5
Hong Kong	2,712.10	0.3	2,120.58	0.2
Other Far East	1,707.47	0.2	1,734.96	0.2
Europe	**300,088.54**	**34.5**	**334,008.87**	**35.5**
Eastern Europe	**573.97**	**0.1**	**590.42**	**0.1**
Western Europe	**299,514.57**	**34.4**	**333,418.45**	**35.4**
EU	**232,038.04**	**26.6**	**264,128.47**	**28.1**
United Kingdom	115,343.01	13.2	113,753.97	12.1
France	35,656.57	4.1	75,952.53	8.1
Netherlands	53,379.81	6.1	49,180.25	5.2
Finland	4,615.33	0.5	6,112.20	0.6
Sweden	7,374.14	0.8	5,686.17	0.6
Luxembourg	2,834.97	0.3	3,727.14	0.4
Ireland	2,469.75	0.3	2,564.45	0.3
Belgium	2,434.22	0.3	2,478.60	0.3
Denmark	1,531.97	0.2	1,485.17	0.2
Germany	4,714.52	0.5	1,468.20	0.2
Other EU	1,683.74	0.2	1,719.79	0.2
Other Western Europe	**67,476.54**	**7.7**	**69,289.97**	**7.4**
Switzerland	40,384.23	4.6	42,294.60	4.5
Jersey	15,274.93	1.8	16,369.39	1.7
Norway	9,385.48	1.1	10,584.01	1.1
Rest of Western Europe	2,431.89	0.3	41.98	0.0
Australia and Oceanic	**22,251.82**	**2.6**	**27,577.49**	**2.9**
International Financial Institutions/organizations[2]	**414.17**	**0.0**	**441.85**	**0.0**
Countries not stated	**5,043.57**	**0.6**	**4,287.71**	**0.5**
Total	**870,822.04**	**100.0**	**940,898.55**	**100.0**

[1]Includes Uganda, Rwanda, Burundi and South Sudan

[2]Includes AfDB, IFC,JICA,IFAD, EIB,PTA,KFW, International Freephone

Flows of FDI Liabilities by Region and Country

2.19. Flows of FDI liabilities by region and country are presented in **Table 2.6.** Inflows of FDI liabilities declined by 2.9 per cent to KSh 112,025 million in 2019 from KSh 115,414 million in 2018. Inflows from Africa increased marginally from KSh 39,444 million in 2018 to KSh 39,547 million in 2019 on account of increased inflows from other African countries outside COMESA and EAC. However, FDI inflows from COMESA and EAC declined by 9.6 per cent and 8.3 per cent to KSh 19,107 million and KSh 4,567 million respectively, in 2019. Similarly, inflows from Europe declined by 12.8 per cent to KSh 41,592 million in 2019 largely due to a drop in inflows from Sweden, France, Germany and Netherlands. FDI liability inflows from Asia declined from KSh 19,841 million in 2018 to KSh 19,712 million in 2019 following reduced inflows from the United Arab Emirates and India. However, there was a marked increase in inflows from Hong-Kong.

2.20. Outflows of FDI liabilities nearly doubled from KSh 37,589 million in 2018 to KSh 64,222 million in 2019. Outflows to Europe also more than doubled from KSh 15,752 million in 2018 to KSh 38,501 million in 2019. This was largely attributed to outflows to the UK which more than tripled to KSh 18,620 million during the year. Outflows to Africa slightly declined from KSh 14,538 million in 2018 to KSh 14,355 million in 2019 due to reduced outflows to South Africa and Mauritius.

2.21. Net inflows declined to KSh 47,803 million in 2019 from KSh 77,825 million in 2018, following reduced inflows and higher outflows of FDI liabilities. Africa was the leading source of net FDI inflows which accounted for 52.7 per cent of total net FDI inflows in 2019 with Mauritius as the main source of inflows. Asia was the second leading source of net FDI inflows accounting for 22.4 per cent. This was despite decreases in net inflows from India, Japan and the United Arab Emirates which jointly dropped from KSh 8,606 million in 2018 to KSh 4,376 million in 2019. Net inflows from Europe declined by more than ten times from KSh 31,924 million in 2018 to KSh 3,091 million in 2019.

Table 2.6: Flows of FDI Liabilities by Region and Country, 2018-2019

KSh Million

Country	2018			2019		
	Inflows	Outflows	Net	Inflows	Outflows	Net
Africa	**39,444.43**	**14,538.16**	**24,906.27**	**39,547.25**	**14,355.39**	**25,191.86**
COMESA[1]	**21,836.10**	**4,503.05**	**17,333.04**	**19,433.41**	**9,001.02**	**10,432.38**
Mauritius	18,680.84	4,475.86	14,204.98	19,107.37	4,382.44	14,724.93
Congo, Dem. Rep. of	713.34	0.00	713.34	0.00	713.80	-713.80
Djibouti	1,394.85	0.00	1,394.85	0.00	2,403.06	-2,403.06
Other COMESA	342.83	3.57	339.26	0.04	741.42	-741.38
EAC	**4,982.12**	**583.53**	**4,398.59**	**4,566.63**	**973.75**	**3,592.87**
Tanzania	4,277.89	559.91	3,717.99	4,240.63	213.45	4,027.17
Uganda	652.27	23.62	628.65	323.43	692.52	-369.10
Other EAC	51.95	0.00	51.95	2.57	67.78	-65.20
Other Africa	**13,330.44**	**9,475.20**	**3,855.25**	**15,873.22**	**5,140.92**	**10,732.30**
South Africa	12,376.45	7,654.80	4,721.66	11,466.45	4,445.34	7,021.11
Tunisia	513.21	0.00	513.21	3,911.53	0.00	3,911.53
Nigeria	225.41	0.00	225.41	312.03	1.99	310.04
Togo	85.09	0.00	85.09	126.06	9.58	116.48
Rest of Africa	130.28	1,820.40	-1,690.11	57.15	684.01	-626.87
America	**2,144.38**	**853.75**	**1,290.62**	**5,340.76**	**1,235.84**	**4,104.93**
North America	**2,069.87**	**783.70**	**1,286.17**	**5,317.91**	**1,030.54**	**4,287.37**
United States of America	720.09	457.23	262.87	3,163.65	524.60	2,639.05
Virgin Islands, British	1,348.47	62.50	1,285.97	2,112.00	64.78	2,047.23
Canada	1.31	263.97	-262.66	42.25	441.16	-398.91
South America	**74.51**	**70.06**	**4.45**	**22.86**	**205.30**	**-182.44**
Asia	**19,840.60**	**4,895.97**	**14,944.64**	**19,711.91**	**9,017.74**	**10,694.16**
Middle East	**10,627.07**	**1,915.34**	**8,711.73**	**9,184.27**	**2,266.34**	**6,917.94**
Bahrain	6,265.87	0.00	6,265.87	6,376.16	0.00	6,376.16
United Arab Emirates	4,326.22	1,861.80	2,464.42	2,776.89	2,110.15	666.74
Other Middle East	34.97	53.54	-18.57	31.22	156.18	-124.96
Far East	**9,213.53**	**2,980.62**	**6,232.91**	**10,527.64**	**6,751.41**	**3,776.23**
India	4,855.30	484.91	4,370.39	4,767.77	1,444.11	3,323.66
Pakistan	874.93	0.00	874.93	811.85	0.00	811.85
Japan	2,444.59	673.31	1,771.28	563.12	178.01	385.12
Thailand	487.89	602.41	-114.53	249.53	6.98	242.55
China	158.40	520.51	-362.11	217.77	162.08	55.69
Hong Kong	343.32	285.35	57.98	3,873.98	4,621.46	-747.49
Other Far East	49.10	414.13	-365.03	43.61	338.77	-295.16
Europe	**47,675.82**	**15,751.76**	**31,924.07**	**41,592.30**	**38,501.19**	**3,091.11**
Eastern Europe	15.58	0.00	15.58	16.45	0.00	16.45
Western Europe	**47,660.24**	**15,751.76**	**31,908.49**	**41,575.84**	**38,501.19**	**3,074.66**
EU	**40,427.15**	**14,986.32**	**25,440.84**	**34,764.15**	**36,523.76**	**-1,759.61**
Netherlands	8,045.12	3,223.46	4,821.66	6,817.13	5,495.94	1,321.20
Ireland	421.47	0.00	421.47	446.80	0.00	446.80
Germany	2,204.73	530.12	1,674.61	1,783.64	1,547.48	236.16
Finland	1,040.29	227.60	812.68	309.15	146.01	163.14
Denmark	677.76	242.03	435.72	323.03	336.43	-13.41
Luxembourg	116.04	319.39	-203.36	419.03	489.77	-70.74
Belgium	157.66	223.99	-66.33	241.24	366.41	-125.17
France	6,763.03	638.86	6,124.16	5,850.84	6,380.25	-529.40
United Kingdom	15,896.44	5,597.00	10,299.44	17,044.94	18,619.72	-1,574.78
Sweden	4,914.09	3,946.51	967.58	1,423.44	3,071.42	-1,647.98
Other EU	190.53	37.35	153.18	104.91	70.33	34.58
Other Western Europe	**7,233.09**	**765.44**	**6,467.65**	**6,811.69**	**1,977.43**	**4,834.26**
Switzerland	4,667.79	559.13	4,108.66	4,635.25	1,340.55	3,294.69
Jersey	883.13	0.00	883.13	1,090.96	0.00	1,090.96
Norway	993.14	87.25	905.89	1,005.17	46.34	958.83
Rest of Western Europe	689.03	119.06	569.98	80.32	590.54	-510.22
Australia and Oceanic	**4,755.56**	**1,246.72**	**3,508.84**	**5,602.62**	**261.23**	**5,341.39**
International Financial Institutions/organizations[2]	**24.95**	**0.00**	**24.95**	**19.66**	**0.00**	**19.66**
Countries not stated	**1,528.59**	**302.72**	**1,225.87**	**210.38**	**850.55**	**-640.16**
Total	**115,414.34**	**37,589.08**	**77,825.27**	**112,024.88**	**64,221.93**	**47,802.95**

[1]Includes Uganda, Rwanda, Burundi and South Sudan

[2]Includes AfDB, IFC,JICA,IFAD, EIB,PTA,KFW, International Freephone

Stock of FDI liabilities by Economic Activity

2.22. Table 2.7 summarizes stock of FDI liabilities based on sections of the International Standard of Industrial Classification for all Economic Activities (ISIC) Revision 4. Finance and insurance; information and communication; wholesale and retail; and manufacturing activities accounted for 33.2, 16.1, 15.4 and 14.8 per cent of the total stock of FDI liability respectively, in 2019. FDI liability stock in Finance and insurance increased by 6.1 per cent to KSh 312,227 million in 2019. In addition, the stock of FDI liability in information and communication increased by 2.3 per cent to KSh 151,931 million; while that of wholesale and retail trade increased by 31.2 per cent to KSh 145,010 million and that of manufacturing activities increased by 2.7 per cent to KSh 138,796 million in 2019.

Table 2.7: Stock of FDI liabilities by Economic Activity, 2018-2019

Economic Activity	2018		2019	
	KSh Million	% Share	KSh Million	% Share
A. Agriculture, forestry and fishing	65,000.04	7.5	73,345.75	7.8
B. Mining and quarrying	19,072.90	2.2	24,688.83	2.6
C. Manufacturing	135,141.92	15.5	138,795.74	14.8
D. Electricity, gas and air conditioning supply	1,581.41	0.2	1,586.26	0.2
E. Water supply; sewerage, waste management and remediation activities	0.00	0.0	0.00	0.0
F. Construction	8,254.09	0.9	7,157.54	0.8
G. Wholesale & retail trade; repair of motor vehicles and motorcycles services	110,500.82	12.7	145,010.04	15.4
H. Transportation and Storage	21,574.35	2.5	20,543.07	2.2
I. Accommodation and food service activities	20,084.84	2.3	19,476.81	2.1
J. Information and communication	148,586.68	17.1	151,931.16	16.1
K. Finance and Insurance activities	294,339.35	33.8	312,226.98	33.2
L. Real estate activities	29,987.58	3.4	29,897.44	3.2
M. Professional, scientific and technical activities	8,226.41	0.9	7,135.48	0.8
N. Administrative and support service activities	6,641.98	0.8	7,429.86	0.8
Q. Human Health and Social work activities	610.59	0.1	663.97	0.1
R. Arts, entertainment and recreation	0.00	0.0	0.00	0.0
S. Other service activities	1,219.09	0.1	1,009.61	0.1
Total	**870,822.04**	**100.0**	**940,898.55**	**100.0**

Flows of FDI liabilities by Economic Activity

2.23. Table 2.8 presents flows of FDI liabilities by economic activity. FDI inflows to Agriculture, forestry and fishing and; construction more than doubled to KSh 14,647 million and KSh 4,561 million respectively, in 2019. FDI inflows to finance and insurance activities increased by 10.8 per cent to KSh 33,126 million and remained the largest contributor to total FDI inflows with a share of 29.6 per cent in 2019. Inflows to information and communication averaged 13.2 per cent of the total FDI inflows in the review period.

2.24. Outflows of FDI from manufacturing increased from KSh 6,120 million in 2018 to KSh 17,493 million in 2019 and accounted for the highest share of total outflows in 2019 at 27.2 per cent. Information and communication; finance and insurance and; wholesale and retail trade also recorded significant increases in FDI outflows in 2019.

2.25. The decline in net FDI inflows was as a result of reduced net inflows to manufacturing; information and communication; and wholesale and retail trade activities in 2019. However, net inflows to agriculture, forestry and fishing increased from KSh 2,251 million in 2018 to KSh 8,773 million in 2019.

Table 2.8: Flows of FDI liabilities by Economic Activity, 2018-2019

KSh Million

Economic Activity	2018			2019		
	Inflows	Outflows	Net	Inflows	Outflows	Net
A. Agriculture, forestry and fishing	7,303.16	5,052.32	2,250.84	14,647.21	5,873.85	8,773.35
B. Mining and quarrying	4,919.79	1,180.28	3,739.51	5,854.03	198.22	5,655.81
C. Manufacturing	19,696.15	6,119.75	13,576.40	19,290.63	17,492.76	1,797.87
D. Electricity, gas and air conditioning supply	33.84	294.01	-260.18	22.43	769.93	-747.50
E. Water supply; sewerage, waste management and remediation activities	0.00	0.00	0.00	0.00	0.00	0.00
F. Construction	1,647.31	413.42	1,233.89	4,560.61	2,834.01	1,726.61
G. Wholesale & retail trade; repair of motor vehicles and motorcycles services	27,510.10	11,927.17	15,582.93	20,056.03	14,894.03	5,161.99
H. Transportation and Storage	1,142.96	287.16	855.81	351.20	1,115.86	-764.66
I. Accommodation and food service activities	2,459.09	901.69	1,557.40	610.31	1,013.72	-403.41
J. Information and communication	18,202.35	4,434.27	13,768.08	11,904.28	8,222.92	3,681.36
K. Finance and Insurance activities	29,901.95	5,919.53	23,982.42	33,125.78	9,636.73	23,489.05
L. Real estate activities	556.62	488.41	68.21	4.70	98.94	-94.24
M. Professional, scientific and technical activities	1,122.10	45.74	1,076.36	816.85	1,801.65	-984.80
N. Administrative and support service activities	803.08	402.90	400.17	721.47	153.85	567.61
Q. Human Health and Social work activities	54.79	0.00	54.79	53.38	0.00	53.38
R. Arts, entertainment and recreation	0.00	0.00	0.00	0.00	0.00	0.00
S. Other service activities	61.06	122.43	-61.37	5.97	115.45	-109.48
Total	**115,414.34**	**37,589.08**	**77,825.27**	**112,024.88**	**64,221.93**	**47,802.95**

Stock of Private Sector External Debt

2.26. The stock of Private Sector External Debt (PSED) increased by 5.6 per cent from KSh 863,618 million in 2018 to KSh 912,004 million in 2019, as presented in **Table 2.9.** The increase was mainly in Other Investment category that grew by 8.1 percent to KSh 723,485 million. However, debt instruments under FDI declined by 5.6 per cent to KSh 166, 971 million in 2019. Debt under Other Investment category contributed the highest share of total stock of PSED at 79.3 per cent in 2019 and was mainly in form of long-term loans. Debt instruments under FDI accounted for 18.3 per cent of the total PSED and was predominantly in form of long-term debt instruments.

Table 2.9: Stock of Private Sector External Debt, 2018-2019

Category	2018		2019	
	KSh Million	% Share	KSh Million	% Share
Foreign Direct Investment	**176,838.96**	**20.5**	**166,971.32**	**18.3**
Debt Instruments	176,838.96	20.5	166,971.32	18.3
Long Term	147,813.79	17.1	139,403.93	15.3
Short Term	29,025.17	3.4	27,567.39	3.0
Portfolio Investment	**7,249.23**	**0.8**	**4,356.00**	**0.5**
Debt Securities	7,249.23	0.8	4,356.00	0.5
Long Term	59.45	0.0	340.57	0.0
Short Term	7,189.78	0.8	4,015.43	0.4
Financial Derivatives and Employee Stock Options	**9,979.53**	**1.2**	**17,192.40**	**1.9**
Forwards	9,430.44	1.1	17,012.02	1.9
Option	549.09	0.1	180.38	0.0
Employees Stock Options	0.00	0.0	0.00	0.0
Other Investment	**669,550.39**	**77.5**	**723,484.72**	**79.3**
Currency and Deposits	138,828.03	16.1	187,213.19	20.5
Long Term	325.13	0.0	2,855.16	0.3
Short Term	138,502.90	16.0	184,358.03	20.2
Trade Credits and Advances	4,830.08	0.6	6,555.92	0.7
Long Term	0.00	0.0	201.68	0.0
Short Term	4,830.08	0.6	6,354.24	0.7
Loans	418,013.32	48.4	407,622.91	44.7
Long Term	406,235.00	47.0	404,238.49	44.3
Short Term	11,778.32	1.4	3,384.42	0.4
Insurance, Pension and Standardised Guarantee Schemes	100,759.58	11.7	113,935.99	12.5
Life Insurance Reserves	22,796.77	2.6	29,271.97	3.2
Non-life Insurance Reserves	24,862.66	2.9	25,127.57	2.8
Pension Entitlements / Claims	51,236.58	5.9	57,032.26	6.3
Standardised Guarantee Schemes	1,863.57	0.2	2,504.19	0.3
Other Accounts Payable	7,119.38	0.8	8,156.70	0.9
Long Term	482.08	0.1	990.35	0.1
Short Term	6,637.29	0.8	7,166.36	0.8
Total	**863,618.11**	**100.0**	**912,004.44**	**100.0**

Private Sector External Debt Flows

2.27. Total inflows of PSED decreased by 14.3 per cent from KSh 274,985 million in 2018 to KSh 235,654 million in 2019, as shown in Table 2.10. The decrease was mainly reflected in Other Investment category, in particular, currency and deposits. The inflows on debt instruments under FDI decreased by 30.0 per cent to KSh 30, 341 million in 2019. Outflows of PSED declined by 9.2 per cent from KSh 207,124 million in 2018 to KSh 187,981 million in 2019, mainly due to decrease in debt under Other Investment in form of currency and deposits. The outflows on debt instruments under FDI increased by 93.6 per cent from KSh 19,744 million in 2018 to KSh 38, 225 million in 2019, largely on account of long-term debt.

2.28. The value of PSED net inflows decreased by 29.7 per cent from KSh 67,861 million in 2018 to KSh 47,673 million in 2019. This was largely reflected in reduced net inflows in debt associated with FDI.

Table 2.10: Flows of Private Sector External Debt, 2018-2019

KSh Million

Category	2018			2019		
	Inflows	Outflows	Net	Inflows	Outflows	Net
Foreign Direct Investment	**43,358.17**	**19,743.81**	**23,614.36**	**30,341.34**	**38,225.42**	**-7,884.08**
Debt Instruments	43,358.17	19,743.81	23,614.36	30,341.34	38,225.42	-7,884.08
Long Term	29,733.79	10,075.70	19,658.09	22,204.87	27,764.81	-5,559.94
Short Term	13,624.38	9,668.10	3,956.28	8,136.48	10,460.61	-2,324.14
Portfolio Investment	**6,012.16**	**0.00**	**6,012.16**	**1,110.56**	**4,003.79**	**-2,893.23**
Debt Securities	6,012.16	0.00	6,012.16	1,110.56	4,003.79	-2,893.23
Long Term	0.00	0.00	0.00	281.12	0.00	281.12
Short Term	6,012.16	0.00	6,012.16	829.45	4,003.79	-3,174.34
Financial Derivatives and Employee Stock Options	**6,783.14**	**0.00**	**6,783.14**	**9,354.71**	**1,822.44**	**7,532.28**
Forwards	6,783.14	0.00	6,783.14	9,354.71	1,822.44	7,532.28
Option	0.00	0.00	0.00	0.00	0.00	0.00
Employees Stock Options	0.00	0.00	0.00	0.00	0.00	0.00
Other Investment	**218,831.20**	**187,380.09**	**31,451.11**	**194,847.19**	**143,928.88**	**50,918.31**
Currency and Deposits	78,942.44	38,242.43	40,700.01	50,608.97	8,117.18	42,491.80
Long Term	273.68	4,851.84	-4,578.16	2,798.31	271.68	2,526.63
Short Term	78,668.76	33,390.59	45,278.17	47,810.67	7,845.50	39,965.17
Trade Credits and Advances	1,866.91	1,269.56	597.36	1,010.44	508.26	502.18
Long Term	0.00	0.00	0.00	220.43	18.75	201.68
Short Term	1,866.91	1,269.56	597.36	790.01	489.51	300.50
Loans	113,666.14	137,485.07	-23,818.93	122,332.48	128,528.44	-6,195.96
Long Term	42,566.87	56,432.53	-13,865.66	65,061.89	62,879.53	2,182.36
Short Term	71,099.28	81,052.54	-9,953.26	57,270.60	65,648.91	-8,378.32
Insurance, Pension and Standardised Guarantee Schemes	13,909.52	738.56	13,170.96	13,909.52	733.11	13,176.41
Life Insurance Reserves	6,475.20	0.00	6,475.20	6,475.20	0.00	6,475.20
Non-life Insurance Reserves	995.29	730.38	264.91	995.29	730.38	264.91
Pension Entitlements / Claims	5,798.41	8.18	5,790.23	5,798.41	2.73	5,795.68
Standardised Guarantee Schemes	640.62	0.00	640.62	640.62	0.00	640.62
Other Accounts Payable	10,446.19	9,644.47	801.71	6,985.78	6,041.90	943.88
Long Term	389.22	318.92	70.30	683.15	268.29	414.86
Short Term	10,056.97	9,325.56	731.41	6,302.63	5,773.60	529.02
Total	**274,984.67**	**207,123.90**	**67,860.77**	**235,653.81**	**187,980.53**	**47,673.28**

Stock of Private Sector External Debt by Country

2.29. The stock of PSED by country is presented in Table 2.11 and Figure 2.5. The highest share of PSED was from USA at 15.1 per cent, followed by the UK and Netherlands at 13.0 per cent and 6.8 per cent respectively, in 2019. The share of top ten source countries collectively accounted for 56.0 per cent, with significant increases in stock from Netherlands, Bahrain, Germany, Japan, United Kingdom, Tanzania and South Africa. However, there were notable declines in PSED from France and Switzerland. The stock of PSED attributable to international organizations increased by 12.1 per cent to KSh 160,534 million and accounted for 17.6 per cent of the PSED stock in 2019.

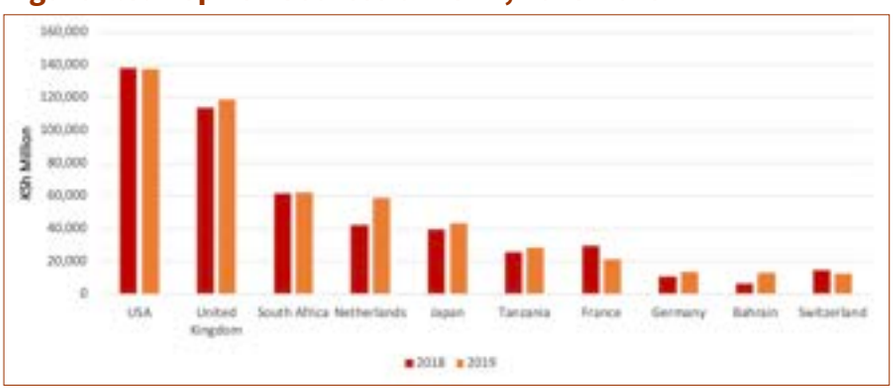
Table 2.11: Stock of Private Sector External Debt by Country, 2018-2019

Country	2018		2019	
	KSh Million	% Share	KSh Million	% Share
United States of America	137,965.47	16.0	137,649.70	15.1
United Kingdom	114,050.85	13.2	118,865.61	13.0
Netherlands	61,704.68	7.1	62,349.38	6.8
Japan	42,249.75	4.9	59,084.49	6.5
Tanzania	39,547.73	4.6	43,428.93	4.8
South Africa	25,938.69	3.0	28,557.24	3.1
France	29,795.36	3.5	21,233.39	2.3
Germany	11,082.43	1.3	13,495.54	1.5
Bahrain	6,843.80	0.8	13,357.09	1.5
Switzerland	14,593.78	1.7	12,477.76	1.4
Uganda	8,591.63	1.0	11,547.25	1.3
Australia	12,031.12	1.4	10,102.84	1.1
South Sudan	1,916.07	0.2	9,310.94	1.0
China	7,380.91	0.9	8,165.16	0.9
Mauritius	8,616.95	1.0	6,644.54	0.7
Egypt	6,560.07	0.8	6,540.26	0.7
United Arab Emirates	5,325.85	0.6	6,344.18	0.7
Hong Kong	10,177.87	1.2	4,054.41	0.4
India	9,778.73	1.1	3,952.26	0.4
Denmark	3,884.95	0.5	3,813.93	0.4
Sweden	4,794.77	0.6	3,750.79	0.4
Iran, Islamic Republic of	1,899.24	0.2	1,943.94	0.2
Korea, Republic of	1,637.43	0.2	1,761.12	0.2
Madagascar	2,230.89	0.3	1,751.64	0.2
Luxembourg	1,775.97	0.2	1,739.52	0.2
Burundi	188.66	0.0	1,688.11	0.2
Djibouti	6,902.88	0.8	1,292.43	0.1
Togo	37.95	0.0	1,028.37	0.1
Oman	1,020.00	0.1	1,014.00	0.1
Pakistan	776.62	0.1	741.15	0.1
Ireland	552.99	0.1	725.71	0.1
Finland	694.93	0.1	714.38	0.1
Spain	243.56	0.0	596.49	0.1
Zambia	1,486.83	0.2	556.01	0.1
French Guiana	0.00	0.0	553.09	0.1
Italy	303.86	0.0	547.55	0.1
Rwanda	213.35	0.0	493.38	0.1
Colombia	632.71	0.1	433.32	0.0
Cayman Islands	374.32	0.0	399.54	0.0
Thailand	120.81	0.0	363.36	0.0
Bulgaria	59.45	0.0	340.57	0.0
Belgium	1,500.54	0.2	264.50	0.0
Congo, Dem. Rep. of	958.70	0.1	244.90	0.0
Israel	51.27	0.0	236.66	0.0
Canada	52.49	0.0	205.71	0.0
Congo, Rep. of	181.00	0.0	181.00	0.0
British Indian Ocean Territory	85.95	0.0	156.66	0.0
Somalia	602.66	0.1	102.66	0.0
International Financial Institutions/organizations[1]	143,218.42	16.6	160,533.51	17.6
Others[2]	132,983.17	15.3	146,669.48	16.1
Total	**863,618.11**	**100.0**	**912,004.44**	**100.0**

[1]Includes AfDB, IFC,JICA,IFAD, EIB,PTA,KFW, International Freephone

[2]Includes Countries not specified

Figure 2.5: Top Ten Sources of PSED, 2018-2019



Private Sector External Debt Flows by Country

2.30. Flows of PSED by country is reported in **Table 2.12.** Inflows of PSED declined by 14.3 per cent to KSh 235,654 million in 2019 from KSh 274,985 million in 2018. The decline was mainly from UK, Mauritius, Switzerland, Australia and USA. Outflows of PSED declined by 9.2 per cent to KSh 187,981 million in 2019 mainly reflecting declines in outflows to Switzerland, Mauritius, UK and Germany. Consequently, net inflows of PSED declined by 29.7 per cent to KSh 47,673 billion in 2019 from KSh 67,861 million in 2018.

Table 2.12: Flows of Private Sector External Debt by Country, 2018-2019

KSh Million

Country	2018			2019		
	Inflows	Outflows	Net	Inflows	Outflows	Net
Japan	4,851.11	2,654.95	2,196.16	15,399.22	1,113.28	14,285.94
South Sudan	695.19	2,797.80	-2,102.60	7,659.09	264.22	7,394.87
Bahrain	6,568.58	0.00	6,568.58	6,536.58	52.35	6,484.24
United Kingdom	54,228.50	23,098.42	31,130.08	24,619.53	19,445.97	5,173.56
Tanzania	4,268.44	755.20	3,513.24	4,203.71	376.57	3,827.14
Uganda	1,026.81	1,693.67	-666.86	3,320.95	372.14	2,948.82
Germany	11,394.40	11,401.93	-7.53	10,563.80	8,101.90	2,461.90
Netherlands	39,592.55	37,338.81	2,253.73	38,096.41	35,931.61	2,164.80
Burundi	66.31	0.00	66.31	1,565.89	66.44	1,499.45
United Arab Emirates	3,617.11	2,771.72	845.39	2,447.17	1,379.80	1,067.37
Togo	14.95	0.00	14.95	1,000.00	9.58	990.42
China	1,007.82	3,164.31	-2,156.50	1,972.88	1,188.62	784.26
Denmark	588.21	23.46	564.74	1,314.79	718.59	596.20
Spain	0.00	35.96	-35.96	465.81	98.94	366.87
Bulgaria	0.00	0.00	0.00	281.12	0.00	281.12
Rwanda	61.50	519.44	-457.93	312.07	32.04	280.03
Italy	16.04	1,936.36	-1,920.32	289.77	46.08	243.69
Thailand	487.89	602.41	-114.53	249.53	6.98	242.55
Israel	0.00	71.33	-71.33	185.38	0.00	185.38
Ireland	68.92	83.57	-14.65	321.80	149.08	172.72
Canada	0.62	2,231.40	-2,230.78	182.51	29.29	153.22
Korea, Republic of	1,498.44	0.00	1,498.44	123.69	0.00	123.69
British Indian Ocean Territory	15.97	0.00	15.97	70.77	0.00	70.77
United States of America	19,571.26	8,152.82	11,418.44	8,460.72	8,408.90	51.81
Zimbabwe	0.00	0.00	0.00	48.39	0.00	48.39
Iran, Islamic Republic of	1,803.57	0.00	1,803.57	44.69	0.00	44.69
Finland	1.74	91.20	-89.46	101.32	77.78	23.54
South Africa	5,818.05	5,684.01	134.04	10,967.30	10,946.75	20.56
Ghana	9.06	1,810.54	-1,801.48	6.70	0.06	6.64
Seychelles	0.00	1,083.93	-1,083.93	0.00	0.00	0.00
Swaziland	0.00	0.00	0.00	20,098.46	20,098.46	0.00
Indonesia	32.16	0.00	32.16	0.00	110.93	-110.93
Colombia	597.97	0.00	597.97	0.00	199.39	-199.39
Mauritius	20,158.05	22,708.34	-2,550.30	940.36	1,427.06	-486.70
Somalia	602.66	0.00	602.66	0.00	500.00	-500.00
Congo, Dem. Rep. of	716.03	0.00	716.03	0.00	713.80	-713.80
Zambia	1,369.75	0.99	1,368.76	141.72	1,072.54	-930.82
Sweden	4,790.25	3,531.75	1,258.49	1,284.92	2,328.18	-1,043.26
Nigeria	1.99	202.22	-200.23	3.63	1,232.37	-1,228.74
Belgium	920.16	169.74	750.42	89.34	1,325.38	-1,236.04
Australia	11,916.78	0.00	11,916.78	0.00	1,928.27	-1,928.27
Switzerland	17,553.04	18,313.68	-760.64	1,856.73	3,968.97	-2,112.24
Djibouti	1,492.19	0.00	1,492.19	0.00	5,610.44	-5,610.44
India	1,582.41	12,582.91	-11,000.50	4,120.43	9,930.15	-5,809.72
Hong Kong	5,324.01	576.27	4,747.74	3,590.00	9,881.45	-6,291.45
France	7,668.35	2,976.01	4,692.34	952.12	8,710.11	-7,757.99
International Financial Institutions/organizations[1]	16,777.96	27,356.46	-10,578.50	36,861.51	18,546.60	18,314.92
Others[2]	26,207.90	10,702.26	15,505.65	24,902.99	11,579.47	13,323.52
Total	**274,984.67**	**207,123.90**	**67,860.77**	**235,653.81**	**187,980.53**	**47,673.28**

[1]Includes AfDB, IFC,JICA,IFAD, EIB,PTA,KFW, International Freephone

[2]Includes Countries not specified



CHAPTER 3: SURVEY FINDINGS ON FOREIGN ASSETS

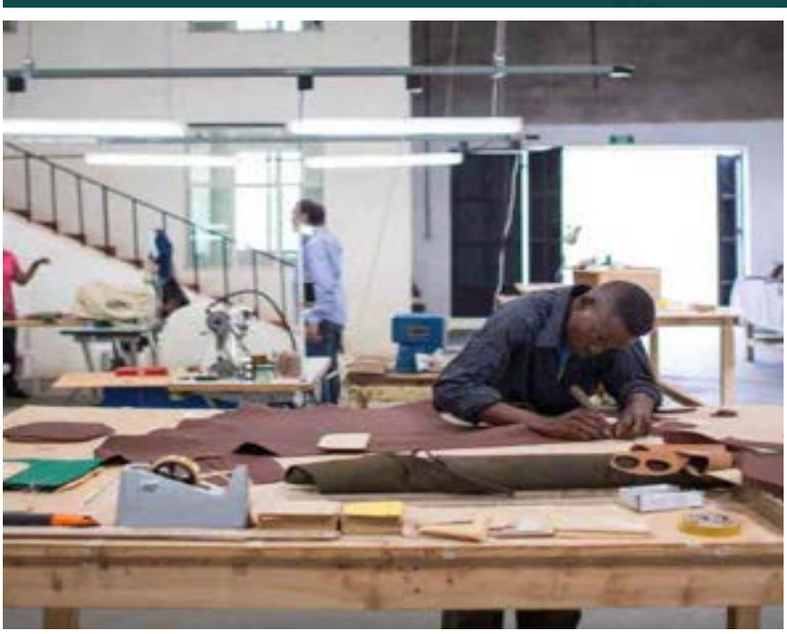


ONE SHILLING
SHILINGI **MOJA**

FIVE SHILLINGS
SHILINGI **TANO**

TEN SHILLINGS
SHILINGI **KUMI**

TWENTY SHILLINGS
SHILINGI **ISHIRINI**





Overview

This chapter presents survey results on foreign assets owned by private sector, also referred to as investments abroad. Similar to liabilities, foreign assets are categorized into Foreign Direct Investment, Portfolio Investment, Financial Derivatives and Employee Stock Options and; Other Investment. Foreign Direct Investment comprises equity and investment fund shares and; debt instruments. Portfolio Investment includes equity securities and investment fund shares; and debt securities while OI includes other equity, currency and deposits; trade advances; loans, insurance, pension and standardized guarantees and; other accounts receivables.

Stock of Foreign Assets

3.2. The stock of foreign assets increased by 6.7 per cent to KSh 234,345 million as at the end of 2019 mainly in form of foreign direct investment and other investment as presented in **Table 3.1.** Foreign direct investment went up by 5.3 per cent to KSh 159,579 million and accounted for 68.1 per cent of the total assets held abroad by Kenyan residents as at the end of 2019. This increase was on account of equity and investment fund shares which increased by 8.2 per cent to KSh 130,672 million as at the end of 2019.

3.3. Other investment abroad increased from KSh 67,270 million as at the end of 2018 to KSh 73,559 million as at the end of 2019, largely driven by increased currency and deposits and; trade credits and advances. Currency and deposits were dominant within the other investment category accounting for 83.3 per cent of the total other investment abroad as at the end of 2019. At the end of this period, the stock of short-term currency and deposits went up by 11.9 per cent to KSh 61,276 million. The stock of trade credits and advances increased from KSh 3,971 million at the end of 2018 to KSh 6,699 million as at end of 2019 and was mainly in the form of short-term trade credits and advances.

3.4. Portfolio investment increased from KSh 834 million as at the end of 2018 to KSh 1,207 million as at the end of 2019 mainly in the form of long-term debt securities.

Table 3.1: Stock of Foreign Assets, 2018-2019

Category	2018		2019	
	KSh Million	% Share	KSh Million	% Share
Foreign Direct Investment	**151,526.37**	**69.0**	**159,579.42**	**68.1**
Equity and Investment Fund Shares	120,739.19	55.0	130,672.12	55.8
Equity and Investment Fund Shares other than Reinvested Earnings	120,960.91	55.1	130,886.02	55.9
Retained Earnings	-221.72	-0.1	-213.91	-0.1
Debt Instruments	30,787.18	14.0	28,907.30	12.3
Long Term	15,965.44	7.3	14,543.54	6.2
Short Term	14,821.74	6.7	14,363.76	6.1
Portfolio Investment	**833.70**	**0.4**	**1,207.03**	**0.5**
Equity and Investment Fund Shares	272.13	0.1	310.77	0.1
Debt Securities	561.58	0.3	896.26	0.4
Long Term	561.58	0.3	896.26	0.4
Short Term	0.00	0.0	0.00	0.0
Financial Derivatives and Employee Stock Options	**0.00**	**0.0**	**0.00**	**0.0**
Forwards	0.00	0.0	0.00	0.0
Option	0.00	0.0	0.00	0.0
Employees Stock Options	0.00	0.0	0.00	0.0
Other Investment	**67,269.76**	**30.6**	**73,558.91**	**31.4**
Other Equity	25.67	0.0	25.67	0.0
Currency and Deposits	57,938.52	26.4	61,278.69	26.1
Long Term	3,164.08	1.4	3.16	0.0
Short Term	54,774.45	24.9	61,275.54	26.1
Trade Credits and Advances	3,971.10	1.8	6,699.22	2.9
Long Term	0.00	0.0	0.00	0.0
Short Term	3,971.10	1.8	6,699.22	2.9
Loans	5,312.77	2.4	5,514.64	2.4
Long Term	4,544.66	2.1	5,147.11	2.2
Short Term	768.11	0.3	367.53	0.2
Insurance, Pension and Standardised Guarantee Schemes	0.00	0.0	0.00	0.0
Life Insurance Reserves	0.00	0.0	0.00	0.0
Non-life Insurance Reserves	0.00	0.0	0.00	0.0
Pension Entitlements / Claims	0.00	0.0	0.00	0.0
Standardised Guarantee Schemes	0.00	0.0	0.00	0.0
Other Accounts Receivable	21.68	0.0	40.69	0.0
Long Term	0.00	0.0	0.00	0.0
Short Term	21.68	0.0	40.69	0.0
Total	**219,629.83**	**100.0**	**234,345.35**	**100.0**

Flows of Foreign Assets

3.5. Table 3.2 shows the flows of foreign assets for the period 2018 to 2019. During the review period, total outflow of foreign assets increased by 12.6 per cent to KSh 45,913 million, attributed to outflow of other investments which almost doubled in 2019. This increase is reflected in short term currency and deposits outflow which rose from KSh 15,817 million in 2018 to KSh 30,766 million in 2019.

3.6. Total inflow of foreign assets reduced by 8.7 per cent to KSh 35,587 million in 2019 following a decline in foreign direct investment inflow from KSh 23,799 million in 2018 to KSh 11,046 million in 2019. This resulted from a decline in long-term debt securities which shrunk to almost a quarter of the value reported in 2018.

Table 3.2: Flows of Foreign Assets, 2018-2019

KSh Million

Category	2018			2019		
	Outflows	Inflows	Net	Outflows	Inflows	Net
Foreign Direct Investment	**23,318.40**	**23,799.35**	**-480.95**	**11,542.14**	**11,045.70**	**496.45**
Equity and Investment Fund Shares	6,390.29	2,018.88	4,371.41	5,800.92	2,913.55	2,887.38
Equity and Investment Fund Shares other than Reinvested Earnings	6,390.29	2,018.88	4,371.41	5,758.04	2,913.55	2,844.49
Retained Earnings	0.00	0.00	0.00	42.88	0.00	42.88
Debt Instruments	16,928.11	21,780.47	-4,852.36	5,741.22	8,132.15	-2,390.93
Long Term	9,301.10	18,345.59	-9,044.49	3,089.20	5,043.78	-1,954.59
Short Term	7,627.01	3,434.88	4,192.13	2,652.02	3,088.36	-436.34
Portfolio Investment	**219.69**	**489.12**	**-269.43**	**533.64**	**63.86**	**469.78**
Equity and Investment Fund Shares	38.64	0.00	38.64	135.10	0.00	135.10
Debt Securities	181.05	489.12	-308.07	398.54	63.86	334.68
Long Term	181.05	489.12	-308.07	398.54	63.86	334.68
Short Term	0.00	0.00	0.00	0.00	0.00	0.00
Financial Derivatives and Employee Stock Options	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Forwards	0.00	0.00	0.00	0.00	0.00	0.00
Option	0.00	0.00	0.00	0.00	0.00	0.00
Employees Stock Options	0.00	0.00	0.00	0.00	0.00	0.00
Other Investment	**17,234.88**	**14,681.06**	**2,553.82**	**33,837.46**	**24,477.51**	**9,359.95**
Other Equity	0.00	0.00	0.00	0.00	0.00	0.00
Currency and Deposits	16,235.06	12,914.55	3,320.51	30,765.59	23,289.72	7,475.87
Long Term	418.44	33.63	384.80	0.00	3,160.92	-3,160.92
Short Term	15,816.62	12,880.91	2,935.71	30,765.59	20,128.80	10,636.79
Trade Credits and Advances	31.65	933.81	-902.16	2,730.53	1.82	2,728.71
Long Term	0.00	0.00	0.00	0.00	0.00	0.00
Short Term	31.65	933.81	-902.16	2,730.53	1.82	2,728.71
Loans	745.83	476.71	269.12	0.00	863.64	-863.64
Long Term	0.00	476.16	-476.16	0.00	463.05	-463.05
Short Term	745.83	0.55	745.29	0.00	400.58	-400.58
Insurance, Pension and Standardised Guarantee Schemes	0.00	0.00	0.00	0.00	0.00	0.00
Life Insurance Reserves	0.00	0.00	0.00	0.00	0.00	0.00
Non-life Insurance Reserves	0.00	0.00	0.00	0.00	0.00	0.00
Pension Entitlements / Claims	0.00	0.00	0.00	0.00	0.00	0.00
Standardised Guarantee Schemes	0.00	0.00	0.00	0.00	0.00	0.00
Other Accounts Receivable	222.33	355.99	-133.66	341.34	322.33	19.01
Long Term	0.00	125.68	-125.68	67.87	67.87	0.00
Short Term	222.33	230.31	-7.98	273.47	254.46	19.01
Total	**40,772.96**	**38,969.53**	**1,803.43**	**45,913.24**	**35,587.07**	**10,326.18**

Stock of Foreign Assets by Country

3.7. The stock of outward investments grew by KSh 14,716 million to KSh 234,345 million as at the end of 2019 as presented in **Table 3.3.** Similarly, the stock of outward investment to the EAC partner states rose from KSh 104,272 million as at the end of 2018 to KSh 108,062 million as at the end of 2019, accounting for an average of 46.8 per cent of the total stock of foreign assets across the two years. Within this region, the stock of outward investment to Tanzania rose by 13.7 per cent to KSh 37,515 million as at the end of 2019. Similarly, the stock of foreign assets to Rwanda, South Sudan and Burundi rose by 13.5, 5.6 and 6.7 per cent, respectively, as at the end of 2019. However, the stock of foreign assets to Uganda declined by 7.1 per cent to KSh 41,454 million in the same period.

3.8. The total stock of foreign assets in Mauritius increased by 8.2 per cent to KSh 30,911 million and accounted for 13.2 per cent of the total stock of foreign assets as at the end of 2019. The stock of foreign assets in the United Kingdom rose from KSh 18,760 million as at the end of 2018 to KSh 24,261 million and represented 10.4 per cent of the total stock of foreign assets as at the end of 2019. Outward investments to Germany, Netherlands and France jointly rose from KSh 10,460 million as at the end of 2018 to KSh 11,752 million as at the end of 2019. There was a remarkable growth in the stock of foreign assets in the United Arab Emirates from KSh 2,106 million as at end of 2018 to KSh 7,347 million as at the end of 2019.

3.9. The stock of foreign assets to South Africa however declined by 49.1 per cent to KSh 7,140 million as at the end of 2019. This trend was also observed for Malawi with the stock of foreign assets to this destination reducing by KSh 1,016 million to KSh 2,899 million as at end of 2019. There was a marked decline in the stock of assets to Spain from KSh 1,479 million as at the end of 2018 to KSh 167 million as at the end of 2019.

Table 3.3: Stock of Foreign Assets by Country, 2018-2019

Country	2018		2019	
	KSh Million	% Share	KSh Million	% Share
Uganda	44,639.16	20.3	41,453.88	17.7
Tanzania	32,986.44	15.0	37,515.04	16.0
Mauritius	28,575.20	13.0	30,911.14	13.2
United Kingdom	18,760.24	8.5	24,260.52	10.4
Rwanda	11,789.56	5.4	13,384.96	5.7
South Sudan	12,675.68	5.8	13,380.52	5.7
United States of America	4,874.23	2.2	8,189.97	3.5
United Arab Emirates	5,241.07	2.4	7,347.04	3.1
South Africa	14,026.76	6.4	7,139.89	3.0
Congo, Dem. Rep. of	6,872.64	3.1	6,882.11	2.9
Germany	6,722.51	3.1	6,131.18	2.6
Netherlands	2,125.62	1.0	3,597.32	1.5
Malawi	3,914.31	1.8	2,898.72	1.2
Zambia	2,027.70	0.9	2,348.76	1.0
Burundi	2,180.77	1.0	2,327.55	1.0
Barbados	1,263.60	0.6	2,033.40	0.9
France	1,612.12	0.7	2,023.13	0.9
China	47.61	0.0	1,389.00	0.6
Hong Kong	116.24	0.1	979.27	0.4
Japan	730.80	0.3	812.58	0.3
Ghana	636.13	0.3	682.88	0.3
Zanzibar	437.42	0.2	437.42	0.2
Mozambique	225.78	0.1	411.79	0.2
Switzerland	455.15	0.2	300.30	0.1
India	284.05	0.1	266.96	0.1
Zimbabwe	270.15	0.1	244.70	0.1
Spain	1,479.09	0.7	166.68	0.1
Madagascar	174.99	0.1	143.75	0.1
Others[1]	14,484.80	6.6	16,684.90	7.1
Total	**219,629.83**	**100.0**	**234,345.35**	**100.0**

[1]Includes Countries not specified

Flows of Foreign Assets by Country

3.10. Table 3.4 highlights the flows of foreign assets by country for 2018 and 2019. The United Kingdom was the leading recipient of Kenya's investments abroad, accounting for 31.2 per cent of total outflows in 2019. Flows of outward investments to this destination nearly doubled from KSh 8,414 million in 2018 to KSh 14,302 million in 2019. Similarly, investments to Mauritius increased with outflows rising from KSh 3,944 million in 2018 to KSh 4,597 million in 2019 and accounted for 10.0 per cent of total outflows in 2019. There was a marked increase in outflows of foreign investments to the United States, the United Arab Emirates, China and Germany in 2019 compared to 2018 with outflows to these destinations jointly amounting to KSh 9,888 million in 2019.

3.11. Outward investment to South Sudan more than doubled from KSh 357 million in 2018 to KSh 791 million in 2019 while that to Rwanda rose by 35.7 per cent to KSh 872 million in 2019. The combined outward investments to other EAC partner states; Tanzania, Uganda and Burundi, however declined from KSh 11,290 million in 2018 to KSh 3,291 million in 2019.

3.12. Inflows of foreign assets from South Africa and Uganda stood at KSh 7,609 million and KSh 7,404 million and accounted for 21.4 per cent and 20.8 per cent of total investment inflows in 2019, respectively. There was increased withdrawal of investment by the United Kingdom, Mauritius, Germany and France jointly accounting for KSh 10,425 million of outflows in 2019. There was reduced disinvestment from Tanzania of KSh 760 million in 2019 compared to KSh 16,721 million in 2018.

3.13. The country recorded net outflows of foreign assets of KSh 10,326 million in 2019 compared to KSh 1,803 million recorded the previous year. Net outflows to the United Kingdom rose by 38.8 per cent to KSh 10,459 million while those to the Netherlands rose by 24.6 per cent to KSh 1,487 million in 2019. On the other hand, net outflows to Mauritius declined from KSh 3,499 million in 2018 to KSh 1,193 million in 2019. In 2019, KSh 777 million in net outflows of foreign assets to Tanzania were recorded contrary to net disinvestments of KSh 12,480 million recorded in 2018. The trend was reversed in the case of Uganda with net disinvestment of KSh 5,786 million in 2019 compared to net investments of KSh 5,411 million in 2018.

Table 3.4: Flows of Foreign Assets by Country, 2018-2019

Country						KSh Million
	2018			2019		
	Outflows	Inflows	Net	Outflows	Inflows	Net
United Kingdom	8,414.13	878.85	7,535.28	14,302.29	3,843.53	10,458.76
United States of America	2,311.31	3,349.53	-1,038.22	4,304.79	914.91	3,389.88
United Arab Emirates	386.97	5,503.05	-5,116.08	2,820.04	198.22	2,621.82
Netherlands	1,252.46	58.41	1,194.05	1,487.28	0.01	1,487.27
China	47.18	0.01	47.17	1,343.32	1.92	1,341.39
Mauritius	3,943.61	444.44	3,499.16	4,596.61	3,403.40	1,193.21
Hong Kong	2.42	1,285.77	-1,283.35	863.80	0.77	863.03
Rwanda	642.70	166.35	476.36	871.90	31.55	840.35
Tanzania	4,240.26	16,720.53	-12,480.27	1,536.81	759.70	777.11
Barbados	1,263.60	0.00	1,263.60	769.80	0.00	769.80
South Sudan	357.43	2,444.00	-2,086.56	791.00	86.16	704.84
France	1,402.37	531.64	870.73	1,544.62	1,167.45	377.17
Belgium	12.69	309.52	-296.84	272.01	12.69	259.32
Mozambique	0.21	52.90	-52.69	186.23	0.21	186.01
Burundi	349.23	0.54	348.69	136.00	10.91	125.09
Sweden	1.61	0.48	1.13	71.97	0.07	71.90
Japan	690.42	67.34	623.08	129.60	62.56	67.05
Ghana	7.84	1,340.76	-1,332.92	48.73	4.29	44.44
Somalia	0.00	0.00	0.00	42.88	0.00	42.88
Italy	22.10	0.00	22.10	36.53	0.00	36.53
Morocco	52.55	0.00	52.55	30.13	5.11	25.02
Canada	82.98	0.00	82.98	98.84	82.30	16.54
Nigeria	62.74	55.30	7.45	97.89	82.09	15.80
Zambia	407.18	147.03	260.15	13.81	2.30	11.51
Switzerland	50.76	239.43	-188.67	20.84	166.60	-145.75
India	265.22	21.86	243.36	34.46	421.67	-387.21
Germany	861.07	606.38	254.69	1,419.72	2,011.05	-591.33
Malawi	1,175.44	3.47	1,171.97	0.00	1,015.59	-1,015.59
Spain	1,265.38	6.84	1,258.54	87.57	1,399.98	-1,312.41
Singapore	1,456.72	0.00	1,456.72	0.00	1,446.59	-1,446.59
Uganda	6,700.47	1,289.35	5,411.12	1,618.30	7,404.05	-5,785.75
South Africa	2,022.24	1,939.88	82.37	652.70	7,608.95	-6,956.25
Others[1]	1,021.66	1,505.89	-484.23	5,682.79	3,442.46	2,240.32
Total	**40,772.96**	**38,969.53**	**1,803.43**	**45,913.24**	**35,587.07**	**10,326.18**

[1]Includes Countries not specified

Stock of Foreign Direct Investment Assets by Country

3.14. Overall, the stock of FDI assets increased by 5.3 per cent from KSh 151526 million as at the end of 2018 to KSh 159,579 million as at the end of 2019 as shown in **Table 3.5**. The stock of FDI assets to Mozambique, Netherlands, Barbados, France and United States increased significantly as at the end of 2019. The stock of FDI assets to Mozambique increased from KSh 226 million as at the end of 2018 to KSh 412 million as at the end of 2019, while those to Netherlands increased to KSh 3,597 million from KSh 2,126 million. The stock of FDI assets to Barbados, France and United States increased from KSh 1,264 million to KSh 2,033 million, KSh 265 million to KSh 403 million and Ksh 390 million to Ksh 585 million, respectively. The stock of FDI assets to Switzerland, Germany, Malawi and Madagascar declined by 39.3, 31.8, 25.9 and 17.9 per cent respectively, as at the end of 2019.

3.15. The EAC held the highest share of stock of FDI cumulatively at 67.9 per cent and 67.1 per cent of the total FDI assets as at the end of 2018 and 2019, respectively. Within the region, Uganda held the highest proportion of FDI assets as at the end of 2018 and 2019 at 29.1 and 25.6 per cent, respectively followed by Tanzania at 21.2 per cent and 23.3 per cent, respectively. As at the end of 2019, the stock of FDI to the United Kingdom increased to KSh 4,310 million from KSh 3,678 million as at the end of 2018, while those to South Africa increased from KSh 907 million to KSh 955 million.

Table 3.5: Stock of FDI Assets by Country, 2018-2019

Country	2018		2019	
	KSh Million	% Share	KSh Million	% Share
Uganda	44,066.70	29.1	40,863.55	25.6
Tanzania	32,193.76	21.2	37,129.04	23.3
Mauritius	21,043.76	13.9	23,004.01	14.4
South Sudan	12,675.68	8.4	13,380.52	8.4
Rwanda	11,780.00	7.8	13,373.59	8.4
Congo, Dem. Rep. of	6,872.64	4.5	6,882.11	4.3
United Kingdom	3,677.75	2.4	4,310.51	2.7
Netherlands	2,125.62	1.4	3,597.32	2.3
Malawi	3,914.31	2.6	2,898.72	1.8
Zambia	2,027.32	1.3	2,348.63	1.5
Burundi	2,180.54	1.4	2,327.39	1.5
Germany	3,008.66	2.0	2,050.44	1.3
Barbados	1,263.60	0.8	2,033.40	1.3
South Africa	906.94	0.6	954.93	0.6
Ghana	636.13	0.4	682.88	0.4
United States of America	389.99	0.3	585.00	0.4
Zanzibar	437.42	0.3	437.42	0.3
Mozambique	225.78	0.1	411.79	0.3
France	264.60	0.2	402.69	0.3
Switzerland	423.95	0.3	257.35	0.2
Zimbabwe	270.15	0.2	244.70	0.2
Madagascar	174.99	0.1	143.75	0.1
Morocco	82.97	0.1	108.00	0.1
Others[1]	883.11	0.6	1,151.67	0.7
Total	**151,526.37**	**100.0**	**159,579.42**	**100.0**

[1]Includes Countries not specified

Flows of Foreign Direct Investment Assets by Country

3.16. Total outflow of FDI decreased by 50.5 per cent to KSh 11,542 million in 2019 from KSh 23,318 million in 2018 as presented in Table 3.6. FDI outflows to the EAC accounted for 47.2 per cent and 42.6 per cent of the total FDI outflows in 2018 and 2019, respectively. Outflows to Mozambique increased from KSh 0.2 million in 2018 to KSh 186 million 2019, while outflows to Sweden increased from KSh 2 million to KSh 72 million over the same period. Outflows to Ghana and South Africa also increased from KSh 8 million and 357 million in 2018 to KSh 49 million and KSh 791 million 2019, respectively.

3.17. FDI inflows decreased more than two-fold from KSh 23,799 million in 2018 to KSh 11,045 million in 2019. The significant decrease observed was largely due to decline in inflows from Netherlands, Mozambique, Zambia, Tanzania and South Sudan at KSh 0.01 million, KSh 0.2 million, KSh 2 million, KSh 344 million and KSh 86 million respectively in 2019 from KSh 43 million, KSh 53 million, KSh 147 million, KSh 16,686 million and KSh 2,44 million respectively in 2018. FDI inflows from the EAC accounted for 86.5 per cent and 71.28 per cent of the total FDI outflows in 2018 and 2019, respectively.

3.18. Net outflow of FDI increased to KSh 496 million in 2019 from a net inflow of KSh 481 million in 2018 mainly on account of relatively lower inflows coupled with substantial increase in outflows in 2019.

Table 3.6: Flows of FDI Assets by Country, 2018-2019

KSh Million

Country	2018			2019		
	Outflows	Inflows	Net	Outflows	Inflows	Net
Mauritius	2,990.95	0.00	2,990.95	2,182.45	299.43	1,883.03
Netherlands	1,252.46	42.92	1,209.54	1,487.28	0.01	1,487.27
Tanzania	3,471.20	16,685.58	-13,214.37	1,527.45	343.66	1,183.79
Rwanda	633.41	165.80	467.62	870.09	31.55	838.54
Barbados	1,263.60	0.00	1,263.60	769.80	0.00	769.80
South Sudan	357.43	2,444.00	-2,086.56	791.00	86.16	704.84
United Kingdom	3,437.75	285.82	3,151.93	710.50	77.74	632.77
United States of America	322.49	0.00	322.49	195.02	0.00	195.02
Mozambique	0.21	52.90	-52.69	186.23	0.21	186.01
France	101.83	511.96	-410.14	169.25	31.16	138.09
Burundi	349.23	0.00	349.23	136.00	10.84	125.16
Sweden	1.61	0.00	1.61	71.97	0.00	71.97
Ghana	7.84	1,340.76	-1,332.92	48.73	4.29	44.44
Somalia	0.00	0.00	0.00	42.88	0.00	42.88
Morocco	52.55	0.00	52.55	30.13	5.11	25.02
India	11.26	0.00	11.26	21.70	0.00	21.70
Zambia	406.80	147.03	259.77	13.81	2.04	11.76
Zimbabwe	209.06	0.00	209.06	0.00	25.45	-25.45
Madagascar	0.00	52.44	-52.44	0.00	31.25	-31.25
Togo	66.76	0.00	66.76	0.00	80.82	-80.82
United Arab Emirates	374.20	243.73	130.47	63.61	162.13	-98.52
Switzerland	50.76	223.69	-172.93	0.00	166.60	-166.60
Germany	228.62	0.00	228.62	112.86	1,071.07	-958.21
Malawi	1,175.44	3.47	1,171.97	0.00	1,015.59	-1,015.59
Uganda	6,197.02	1,283.58	4,913.44	1,597.37	7,400.99	-5,803.62
Others[1]	355.91	315.67	40.23	514.01	199.60	314.41
Total	**23,318.40**	**23,799.35**	**-480.95**	**11,542.14**	**11,045.70**	**496.45**

[1]*Includes Countries not specified*

CHAPTER 4: INTERNATIONAL TRADE AND EMPLOYMENT



Overview

Survey findings on international trade in goods and services; employment and compensation of employees are presented in this chapter.

International Trade in Goods

4.2. In 2019, the volume of international trade in goods by enterprises that reported transactions in FAL increased by 73.0 per cent mainly on account of an increase in the value of both exports and imports. The increase was mainly reflected in goods for manufacturing: wholesale and retail trade; repair of motor vehicles and motorcycle services. In 2019, a deficit of KSh 393 million was recorded in net merchanting compared to a surplus of KSh 341 million in 2018.

Exports

4.3. The value of exports by enterprises that reported transactions in FAL increased by 55.0 per cent to KSh 168,062 million in 2019 from KSh 108,761 million in 2018 as represented in Table 4.1. The increase was mainly reflected in manufacturing which increased by 44.5 per cent to KSh 81,018 million in 2019; and wholesale and retail trade, repair of motor vehicles and motorcycles services which more than doubled to KSh 71,021 million over the same period.

Imports

4.4. Table 4.1 shows that the value of imports of goods by enterprises that reported transactions in FAL increased by 82.6 per cent to KSh 391,882 million 2019. The value of goods imported by enterprises in wholesale and retail trade; repair of motor vehicles and motorcycle service sector increased to KSh 294,188 million in 2019 from KSh 118,440 million in 2018.

Merchanting

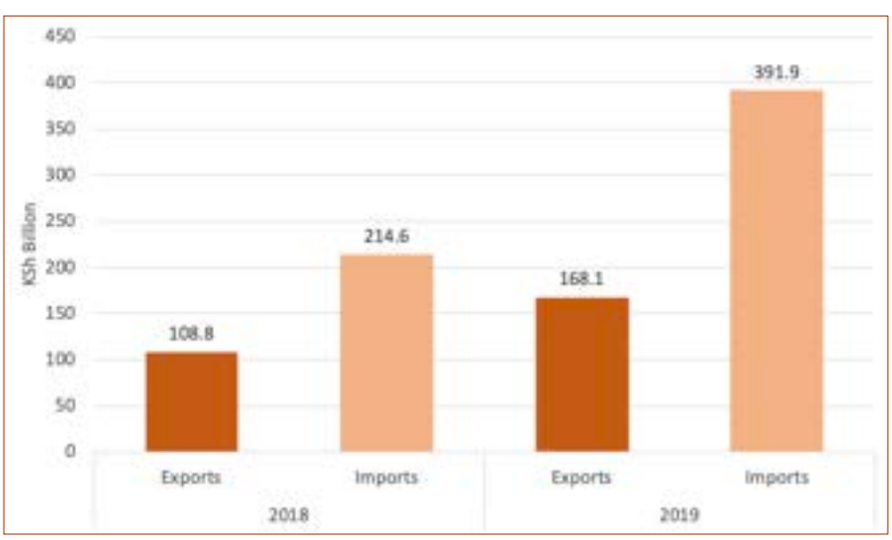
4.5. In 2019, a deficit of KSh 393 million was recorded in net merchanting compared to a surplus of KSh 341 million in 2018. The decline was mainly recorded in agriculture, forestry and fishing sector with the value of net merchanting of KSh 376 million in 2019.

Table 4.1: International Trade in Goods, 2018-2019

KSh Million

Sector	2018			2019		
	Exports	Imports	Net Merchanting	Exports	Imports	Net Merchanting
A. Agriculture, forestry and fishing	17,213.02	507.50	-36.45	15,831.72	774.75	-375.59
B. Mining and quarrying	6,955.63	20.00	0.00	6,436.76	46.52	0.00
C. Manufacturing	49,051.40	84,550.85	-45.48	70,897.15	81,306.15	-45.59
D. Electricity, gas and air conditioning supply	1,143.47	4,049.50	0.00	586.38	4,828.10	0.00
E. Water supply; sewerage, waste management and remediation activities	0.00	0.00	0.00	0.00	0.00	0.00
F. Construction	23.81	592.96	0.00	10.90	873.85	0.00
G. Wholesale & retail trade	31,023.89	118,439.60	7.73	71,020.85	294,187.61	28.18
H. Transportation and storage	2,126.18	2,845.92	0.00	1,771.58	1,256.02	0.00
I. Accommodation and food service activities	0.00	283.48	0.00	0.00	1,160.87	0.00
J. Information and communication	502.77	1,781.00	0.00	642.31	3,172.54	0.00
K. Finance and insurance activities	0.00	0.00	0.00	0.00	0.00	0.00
L. Real estate activities	0.00	0.00	0.00	0.00	0.00	0.00
M. Professional, scientific and technical activities	0.00	0.00	0.00	0.00	2,532.49	0.00
N. Administrative and support service activities	0.00	20.64	0.00	0.00	164.71	0.00
P. Education	0.00	33.21	0.00	0.00	38.73	0.00
Q. Human health and social work activities	721.26	1,278.64	415.25	864.50	1,368.89	0.00
S. Other service activities	0.00	161.67	0.00	0.00	170.80	0.00
Grand Total	**108,761.43**	**214,564.97**	**341.05**	**168,062.15**	**391,882.03**	**-392.99**

Figure 4.1: International Trade in goods, 2018-2019



Expenditure on services provided by non-residents

4.6. Import expenditure on services by enterprises that reported transactions in Foreign Assets and Liabilities (FAL) in 2019 declined by 60.9 per cent to KSh 83,667 million as presented in **Table 4.2.** Expenditure on telecommunications, transport and travel services jointly accounted for 93.4 per cent of the total expenditure on services in 2018 and 74.1 per cent in 2019. The expenditure on maintenance and repair services more than tripled, from KSh 2,607 million in 2018 to KSh 9,611 million in 2019. Expenditure on accounting, management consulting, managerial services and public relations services expanded by 52.3 per cent to KSh 1,189 million in 2019 from KSh 781 million in 2018. In addition, import bill on construction services rose from KSh 69 million in 2018 to KSh 106 million in 2019. Conversely, expenditure on freight and telecommunication services declined by 97.0 per cent and 47.7 per cent to KSh 2,706 million and KSh 55,466 million, respectively.

Table 4.2: Expenditure on Services provided by Non-Residents, 2018-2019

Type of Service	2018		2019	
	KSh Million	% Share	KSh Million	% Share
Manufacturing services on physical inputs owned by others	1,381.77	0.6	979.07	1.2
Maintenance and repair services not included elsewhere (n.i.e)	2,607.00	1.2	9,610.95	11.5
Transport services	89,790.71	42.0	2,747.92	3.3
(i) Passenger services	3.42	0.0	8.92	0.0
(ii) Freight services	89,745.74	42.0	2,705.97	3.2
(iii) Postal and courier services	10.33	0.0	3.29	0.0
(iv) Other Transport services	31.22	0.0	29.73	0.0
Travel services	3,994.80	1.9	3,806.57	4.5
(i) Accommodation	3,994.80	1.9	3,805.67	4.5
(ii) Food and beverages	0.00	0.0	0.91	0.0
Construction services from non residents	68.83	0.0	105.88	0.1
Insurance	1,621.66	0.8	1,724.60	2.1
(i) Premiums	1,621.66	0.8	1,724.60	2.1
Financial services (commission, fees and other charges excluding interest)	536.25	0.3	765.00	0.9
Charges for the use of intellectual property	2,276.61	1.1	2,444.86	2.9
Telecommunication Services	106,038.56	49.6	55,466.22	66.3
Computer Services	1,717.69	0.8	2,488.02	3.0
Information Services	182.25	0.1	296.12	0.4
Research and development services	63.14	0.0	30.80	0.0
Legal services	24.91	0.0	50.90	0.1
Accounting, management consulting, managerial services and public relations services	780.81	0.4	1,189.43	1.4
Advertising, market research and public opinion polling	292.52	0.1	41.49	0.0
Technical, trade and other related services	36.18	0.0	52.42	0.1
Operational leasing services	2,486.17	1.2	1,864.86	2.2
Personal, cultural and recreational services	5.01	0.0	1.78	0.0
Total	**213,904.87**	**100.0**	**83,666.89**	**100.0**

Figure 4.2a: Expenditure on Top Five Services, 2018

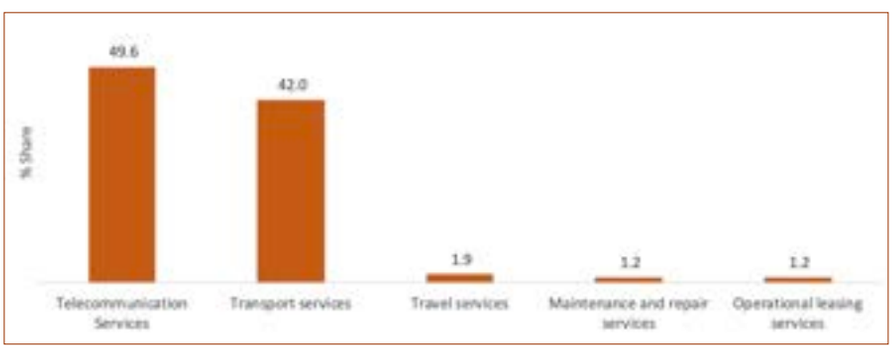
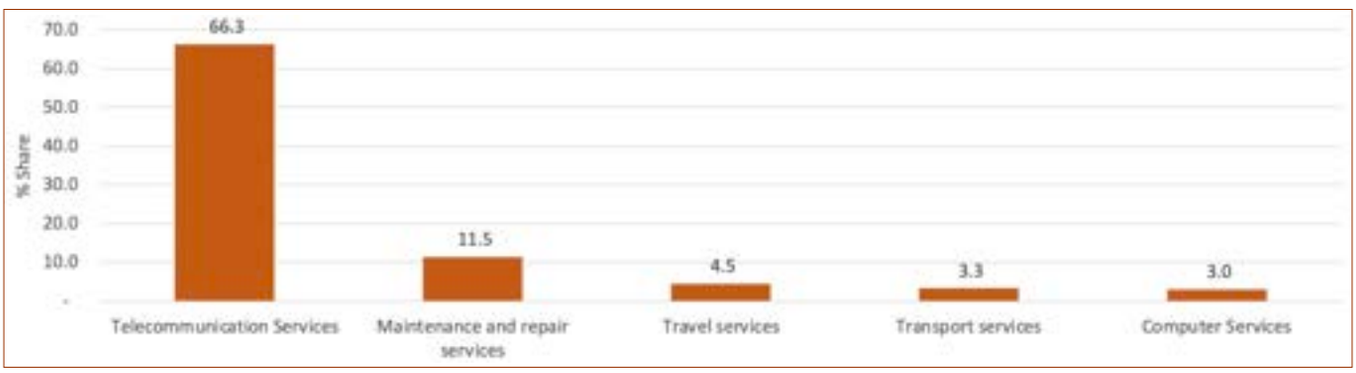


Figure 4.2b: Expenditure on Top Five Services, 2019



Income from Services rendered to non-residents

4.7. Income received from services provided by enterprises that reported transactions in Foreign Assets and Liabilities (FAL) to non-residents contracted by 4.8 per cent from KSh 14,354 million in 2018 to KSh 13,665 million in 2019. This follows a significant drop of 43.7 per cent in income from travel services and that of insurance services which more than halved, as depicted in **Table 4.3.** Income from information services deteriorated by 92.0 per cent to KSh 9 million in 2019. However, notable increases in earnings from advertising, market research and public opinion polling services were recorded from KSh 52 million in 2018 to KSh 289 million in 2019. Similarly, income from manufacturing services on physical inputs owned by others and freight services rose by 11.7 per cent and 3.8 per cent to KSh 1,772 million and KSh 8,093 million, respectively.

Table 4.3: Income from services rendered to non-residents, 2018-2019

Type of Service	2018		2019	
	KSh Million	% Share	KSh Million	% Share
Manufacturing services on physical inputs owned by others	1,586.64	11.1	1,772.40	13.0
Transport services	7,803.93	54.4	8,092.54	59.2
(i) Passenger services	4.40	0.0	0.00	0.0
(ii) Freight services	7,799.52	54.3	8,092.54	59.2
Travel services	936.78	6.5	527.35	3.9
(i) Accommodation	892.44	6.2	485.15	3.6
(ii) Food and beverages	44.35	0.3	42.19	0.3
Construction services to non residents	96.83	0.7	21.78	0.2
Insurance services	1,716.18	12.0	767.02	5.6
(i) Premiums	1,686.87	11.8	726.42	5.3
(ii) Claims	29.31	0.2	40.60	0.3
Financial services (commission, fees and other charges excluding interest)	444.21	3.1	43.00	4.0
Charges for the use of intellectual property	135.37	0.9	89.25	0.7
Telecommunications Services	0.00	0.0	0.00	0.0
Computer Services	482.37	3.4	455.12	3.3
Information Services	117.82	0.8	9.40	0.1
Research and development services	151.35	1.1	143.66	1.1
Technical, trade and other related services	17.35	0.1	18.44	0.1
Accounting, management consulting, managerial services, and public relations services	677.69	4.7	860.67	6.3
Advertising, market research and public opinion polling	51.53	0.4	289.47	2.1
Operating leasing services	8.96	0.1	1.50	0.0
Personal, cultural and recreational services	127.23	0.9	70.68	0.5
Total	**14,354.22**	**100.0**	**13,664.86**	**100.0**

Figure 4.3a: Income on top five services, 2018

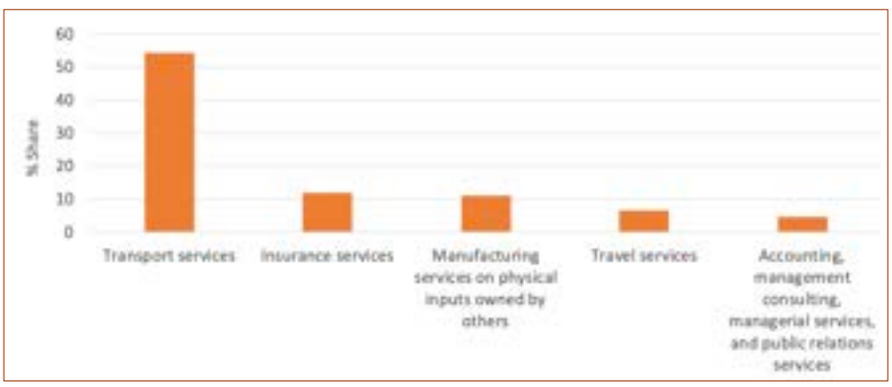


Figure 4.3b: Income on top five services, 2019



Employment by Skill Category, Nationality and Sex

4.8. The level of employment declined from 226,419 employees in 2018 to 217,521 employees in 2019, as shown in **Table 4.4.** The number of full-time and part-time local employees collectively declined from 225,014 in 2018 to 216,302 in 2019. The number of long-term and short-term foreign employees declined by 7.3 per cent and 50.6 per cent to 1,061 and 158, respectively, in 2019. The share of skilled local employees to total employment decreased from 78.3 per cent in 2018 to 76.7 per cent in 2019. The proportion of female employees to total employment improved from 29.7 per cent in 2018 to 35.3 per cent in 2019.

Table 4.4: Employment by Skill Category, Nationality and Sex, 2018-2019

Skill Category	2018						
	Local		Foreign		Total by Sex		Total Employment
	Full time	Part time	Long term	Short term	Male	Female	
Skilled	168,584	8,880	1,135	138	126,250	52,487	178,737
Unskilled	41,142	6,348	10	182	32,999	14,683	47,682
Total	**209,726**	**15,228**	**1,145**	**320**	**159,249**	**67,170**	**226,419**

Skill Category	2019						
	Local		Foreign		Total by Sex		Total Employment
	Full time	Part time	Long term	Short term	Male	Female	
Skilled	159,209	7,575	1,049	96	111,195	56,734	167,929
Unskilled	43,988	5,530	12	62	29,529	20,063	49,592
Total	**203,197**	**13,105**	**1,061**	**158**	**140,724**	**76,797**	**217,521**

Employment by Sector

4.9. Employment in the manufacturing industry accounted for 32.3 per cent and 30.2 per cent of the total employment in 2018 and 2019, respectively, as presented in **Table 4.5.** Employment in the financial and insurance sector increased by 14.7 per cent to KSh 47,125 and was the second leading employer with a share of 21.7 per cent of the total employees in 2019. Similarly, employment in the accommodation and food service activities improved by 15.9 per cent from 4,563 employees in 2018 to 5,289 employees in 2019.

Table 4.5: Employment by Sector, 2018-2019

Sector	2018		2019	
	Employees	% Share	Employees	% Share
A. Agriculture, forestry and fishing	32,466	14.3	30,263	13.9
B. Mining and quarrying	2,002	0.9	1,457	0.7
C. Manufacturing	73,229	32.3	65,680	30.2
D. Electricity, gas and air conditioning supply	12,140	5.4	11,900	5.5
F. Construction	3,035	1.3	2,473	1.1
G. Wholesale & retail trade	8,952	4.0	8,436	3.9
H. Transportation and storage	7,970	3.5	7,894	3.6
I. Accommodation and food service activities	4,563	2.0	5,289	2.4
J. Information and communication	13,747	6.1	11,471	5.3
K. Finance and insurance activities	41,070	18.1	47,125	21.7
L. Real estate activities	165	0.1	149	0.1
M. Professional, scientific and technical activities	619	0.3	545	0.3
N. Administrative and support service activities	24,888	11.0	23,602	10.9
P. Education	1,234	0.5	945	0.4
Q. Human health and social work activities	180	0.1	169	0.1
S. Other service activities	159	0.1	123	0.1
Grand Total	**226,419**	**100.0**	**217,521**	**100.0**

Compensation of Employees by Sector

4.10. Compensation of employees increased by 4.5 per cent to KSh 344,075 million in 2019 from KSh 329,127 million in 2018 as shown in **Table 4.6.** Compensation of employees in the finance and insurance sector accounted for 27.5 per cent of total compensation in 2019, reflecting an increase of 19.5 per cent. In the manufacturing industry, compensation of employees declined by 1.5 per cent to KSh 175,993 million in 2019 accounting for 51.1 percent of the total compensation of employees. Similarly, the compensation of employees in the education industry declined by 69.4 per cent to KSh 807 million in 2019.

Table 4.6: Compensation of Employees by Sector, 2018-2019

Sector	KSh Million	
	2018	2019
A. Agriculture, forestry and fishing	5,114.49	4,735.17
B. Mining and quarrying	2,969.02	3,071.13
C. Manufacturing	178,705.21	175,993.24
D. Electricity, gas and air conditioning supply	10,011.83	10,561.63
F. Construction	1,443.57	1,189.38
G. Wholesale & retail trade	8,893.36	12,223.14
H. Transportation and storage	5,682.53	4,716.38
I. Accommodation and food service activities	2,937.92	3,289.16
J. Information and communication	19,949.76	21,817.55
K. Finance and insurance activities	79,175.22	94,615.09
L. Real estate activities	511.79	539.63
M. Professional, scientific and technical activities	2,012.83	1,973.10
N. Administrative and support service activities	8,912.54	8,252.00
P. Education	2,633.79	807.25
Q. Human health and social work activities	127.45	135.47
S. Other service activities	46.14	155.68
Grand Total	**329,127.45**	**344,075.01**

CHAPTER 5: INVESTOR PERCEPTIONS



Overview

This chapter presents the findings of an assessment of investors' perception on various factors that inform investment decisions made by enterprises and the effects of COVID-19 in 2020. The factors were categorized into: changes in business factors between 2018 and 2019; time taken to acquire licenses, approvals and services; and the challenges brought about by COVID-19.

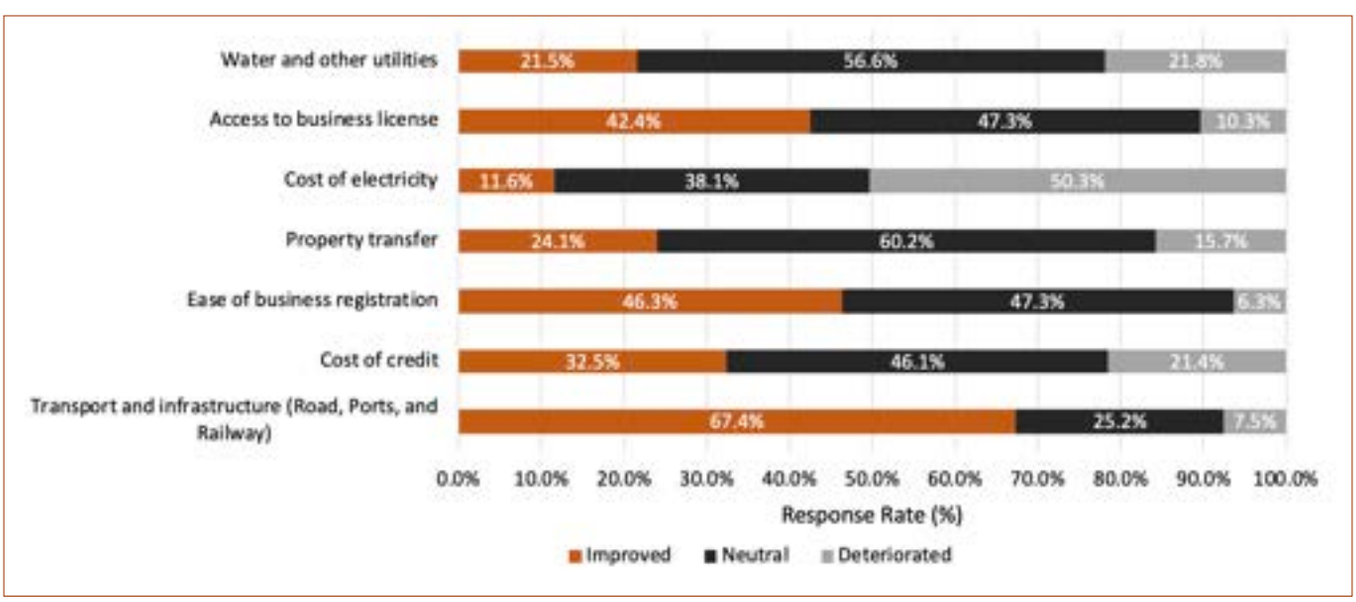
5.2. The COVID-19 pandemic has had adverse effects on Foreign Direct Investment (FDI) and how companies are doing business over the past months. According to the Global Investment Trends Monitor from the United Nations Conference on Trade and Development (UNCTAD), global FDI in 2020 fell by 42 percent to an estimated USD 859 billion in 2020. Across the Eastern Africa region, including Kenya, the impact of COVID-19 has been evident in some sectors notably tourism, hospitality, and aviation, largely due to containment measures witnessed globally. Additionally, the effects have largely affected how enterprises do their businesses which include but not limited to:

- Reductions in household and business spending due to liquidity constraints
- Disruption in supply chain for key inputs
- Decline in imports from affected countries

Changes in business factors

5.3. Respondents were asked to assess changes in selected business factors on whether they had improved, deteriorated or were neutral over the last two years. **Figure 5.1** shows that 67.4 per cent of the respondents indicated that there was improvement in Transport and Infrastructure followed by Ease of business registration and access to business licence at 46.3 per cent and 42.4 per cent, respectively. More than 50 per cent of the respondents indicated that cost of electricity had worsened. Similarly, 21.8 per cent and 21.4 per cent of enterprises indicated that supply of water and other utilities, and the cost of credit had worsened.

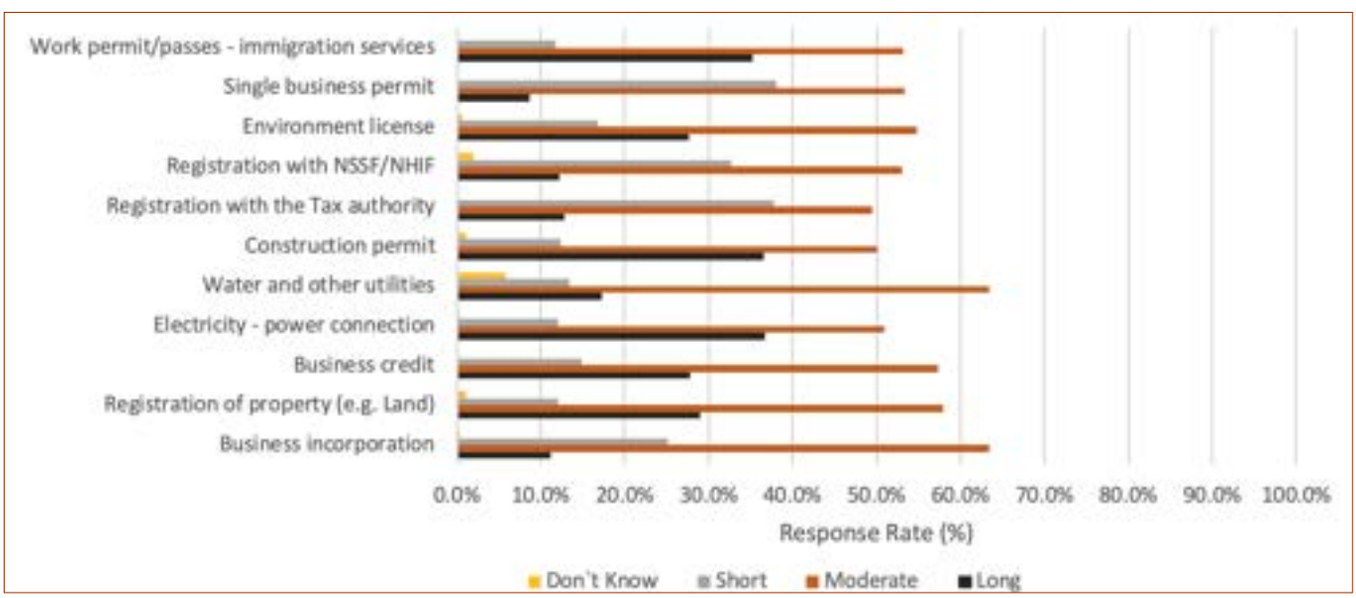
Figure 5.1: Changes in business factors between 2018 and 2019



Time taken to acquire licenses, get approvals and services

5.4. Perception of investors on the time taken to acquire the necessary approvals and services when doing business is illustrated in **Figure 5.2.** The proportion of respondents who indicated that it takes a long time to get power connection was 36.7 per cent. Further, 36.5 per cent and 35.3 per cent of the respondents indicated that it takes long to acquire construction permit and work permits, respectively. In contrast, 38.1 per cent and 37.7 per cent of the respondents indicated that it takes a short time to get business licence and register with the tax authority, respectively. For the rest of the factors, majority of respondents indicated moderate time in acquiring them.

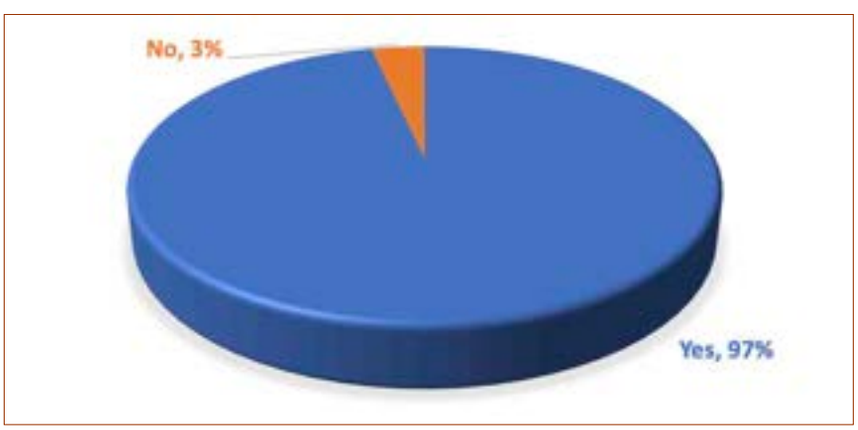
Figure 5.2: Time taken to acquire licenses, get approvals and services when doing business



Effect of COVID-19 on businesses

5.5. The survey sought to find out if businesses had been affected by the COVID-19 pandemic. The survey results show that 97 per cent of the respondents indicated that their businesses had been affected by the pandemic, as shown in **Figure 5.3.**

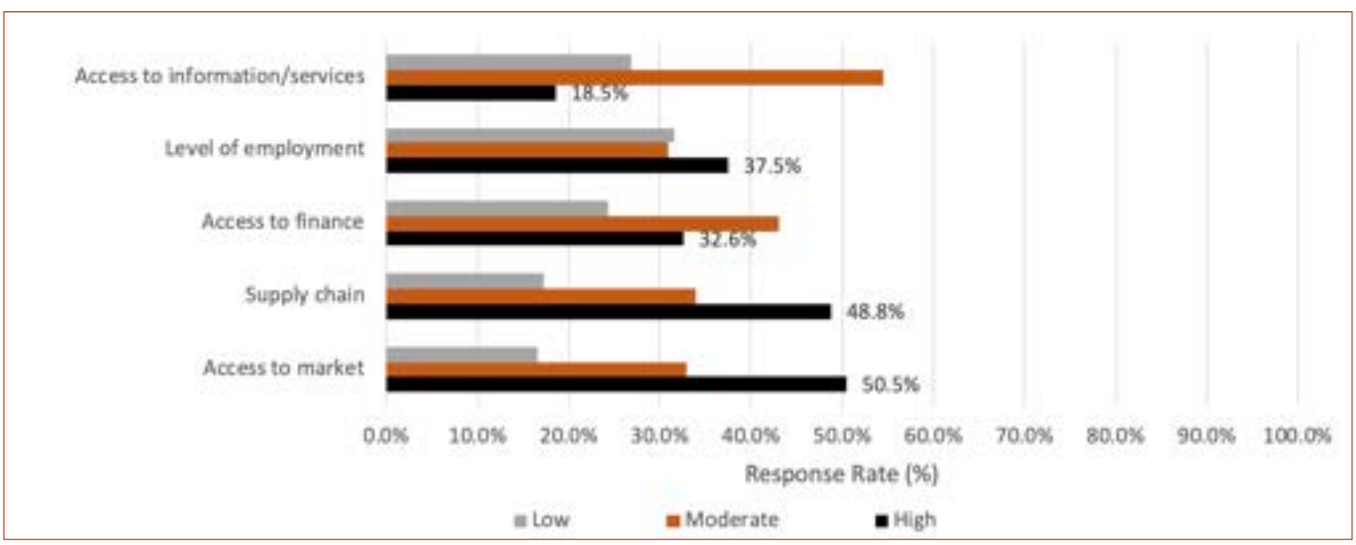
Figure 5.3: Effect of COVID-19 on businesses



Impact of Covid-19 on affected businesses

5.6. Perception of investors on the impact of COVID-19 on their businesses is presented in **Figure 5.4.** Access to market, disruption in supply chain and level of employment were rated as the most affected aspects by the pandemic at 50.5, 48.8 and 37.5 per cent, respectively. COVID-19 impact on the other selected aspects was considered to be moderate by majority of the respondents.

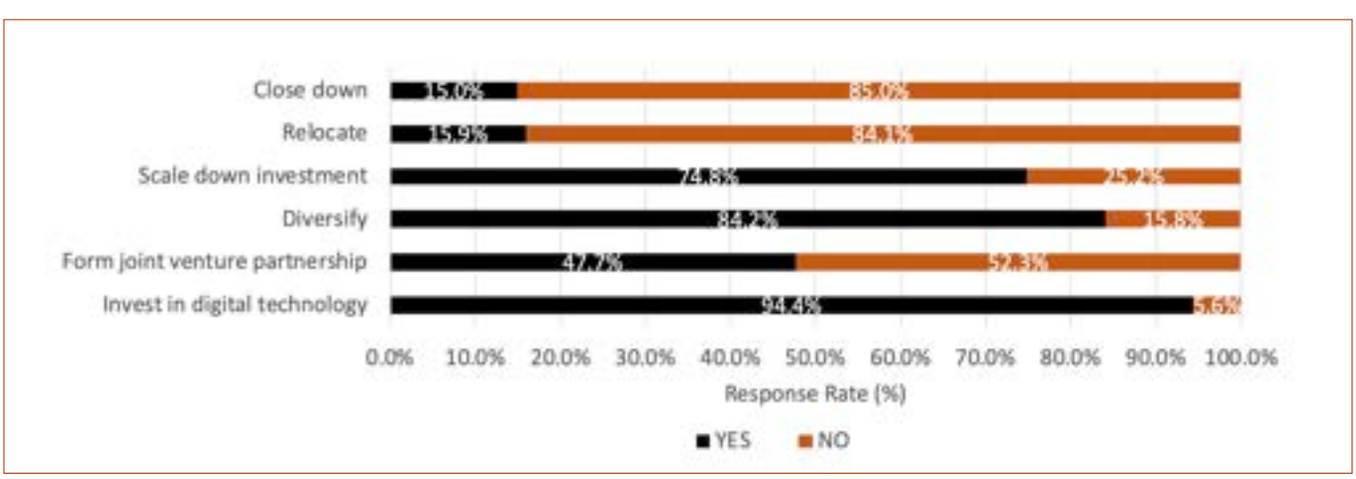
Figure 5.4: Impact of COVID-19 on various aspects



Response to COVID-19 in the next one year

5.7. Figure 5.5 shows that 94.4 per cent of the respondents indicated they will invest in digital technology while 84.2 per cent and 74.8 per cent would diversify and scale down their investments, respectively. Despite the challenges posed by the pandemic, majority of the respondents indicated they would not close down or relocate.

Figure 5.5: Response to COVID 19 in the next one year



CHAPTER 6: SURVEY METHODS AND TECHNIQUES



Overview

The Foreign Investment Survey (FIS) 2020 targeted enterprises with Foreign Assets and Liabilities (FAL). The survey was designed to capture data on foreign private capital for the reference period 2018 and 2019. To enhance the quality of FAL statistics, additional information on foreign investment was sought using non-survey methods from KenInvest and Capital Markets Authority.

Legal, Regulatory and Institutional Framework

6.2. The FIS 2020 was conducted under the Statistics Act, 2006 that empowers KNBS to collect, analyse and disseminate statistical information, as well as coordinate the National Statistical System (NSS). The Act mandates KNBS to collaborate with other bodies within or outside Kenya as is appropriate the purpose of development and production of quality statistics.

6.3. FIS 2020 was carried out in collaboration with other relevant organizations that include: Central Bank of Kenya, Kenya Investment Authority, Capital Markets Authority, Insurance Regulatory Authority, Export Processing Zones Authority, and Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI).

Sample Selection

6.5. The selection of the enterprises for FIS 2020 was based on the enterprises that reported FAL in the previous Foreign Investment Surveys, and additional enterprises selected based on having foreign shareholders from KenInvest list of enterprises. This resulted in a sample of 708 enterprises.

Survey Instruments

6.6. Data collection instruments comprised of questionnaire and instructions manual. They were developed by the Balance of Payments Technical Working Group (BOP-TWG) responsible for overseeing the implementation of the survey activities. The instruments were designed in accordance with the compilation standards and guidelines of the Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6).

6.7. The Questionnaire: The design of the FIS 2020 questionnaire was guided by the BPM6. The information sought comprised general information on the enterprises, employment, exports and imports, foreign liabilities and assets, international trade in services and investor perception.

6.8. Instructions' Manual: To ensure consistency and quality of data collected, an Instructions' Manual was developed. The Manual was designed for training and for reference by the survey personnel.

Field Activities

Survey Administration

Response Rate and Data Validation

6.10. FIS 2020 targeted a total of 708 enterprises. However, in the wake of COVID-19 pandemic, some of the selected enterprises were found to be temporarily closed while others had instructed their staff to work from home. This, compounded with refusals, permanent closures, mergers and acquisitions, resulted in distribution of 592 questionnaires out of which four hundred and sixty-nine (469) questionnaires were completed and collected as shown in **Table 6.1.** This translated to a response rate of 79.2 per cent. In addition, 400 enterprises indicated that they had Foreign Assets and Liabilities (FAL), while 69 of them had no cross-border transactions during the reference period. For partially completed questionnaires and refusals, imputation techniques were applied to mitigate against item non-response and unit non-response, respectively. This was made possible using the data from the previous surveys and also administrative data.

Table 6.1: Response Rate

Numbers

	Number of Enterprises	Mergers	Closures (Permanent & Tempo-rary)	Refusals	Distributed Question-naires	Partially completed & Returned	Completely filled & Returned	Enterpris-es with FAL	Enterprises without FAL	Response Rate
Question-naires	708	16	57	43	592	123	469	400	69	79.2%

6.11. Data editing involved validation and reconciliation of reported data of the flows and positions in the questionnaires with the submitted financial statements. In addition, the returns with non-FAL were examined to establish the existence of any FAL by interrogating the submitted financial statements and contacting the affected enterprises for confirmation.

Data Processing

6.12. Data Entry: Involved capturing all the information from the questionnaires and storing in electronic format. This was done using the Private Capital Monitoring System (PCMS-Version 3), computer software developed by MEFMI. The system facilitates processing of Private Capital survey and non-survey information in line with BPM6.

6.13. Data Analysis and Tabulation: After cleaning of the captured data, further analysis was done on the various variables that included sector classification, investment type and direction of the investments. Tabulation of these variables was done to provide standard tables reflecting major findings of the survey in a manner useful to policy makers and other users of statistics.

Appendix 1

Glossary of Key Terms and Concepts

Introduction

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

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

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

Note that: Flows refer to economic actions and effects of events within an accounting period. It reflects the creation, transformation, exchange, transfer, or extinction of economic value; they involve changes in the volume, composition, or value of an institutional unit's assets and liabilities. International flows are recorded in the accounts as transactions (Balance of Payments) and other changes in financial assets and liabilities account. Consequently, flows from non-resident to resident enterprises of Kenya also referred to as Kenya's foreign liability flows are recorded in the Kenyan books of account as inflows. Hence, when these foreign liabilities reduce which means that either Kenyan resident enterprises are repaying the liabilities, or the non-resident enterprises are disinvesting from the resident enterprises, then these are recorded in the books of account as outflows. Similarly, flows from resident enterprises of Kenya to non-resident enterprises also referred to as Kenya's foreign assets will be recorded in the Kenyan books of account as outflows. Hence, when these foreign assets reduce which means that either Kenyan resident enterprises are disinvesting from the non-resident enterprises or the non-resident enterprises are repaying their liabilities (which are Kenyan resident's assets), then these are recorded in the books of account as inflows.

2. International Investment Position / Stocks

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

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

3. Residency

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

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

1. Individuals or enterprises that have lived or operated abroad for a year or more, regardless of nationality.
2. Foreign Governments and bilateral development assistance organizations e.g. Department for International Development (DFID), Japan International Cooperation Agency (JICA).
3. International organizations with shareholders who are governments of more than one country e.g. World Bank, African Development Bank, International Finance Corporation, etc.

4. Book (Nominal) Value

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

5. Institutional unit

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

6. Enterprises

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

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

7. Financial Instruments

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

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

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

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

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

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

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

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

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

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

8. Maturity

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

9. Foreign Direct Investment

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

Foreign Direct investment therefore indicates “the investments which a resident entity in one economy (the direct investor) makes with the purpose of acquiring a lasting interest in an enterprise resident in another economy (the direct investment enterprise). By lasting interest, it is meant that there should exist a long-term relationship between the direct investor and the enterprise, and that the investor should exercise a significant influence on the management of the enterprise.

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

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

FDI has 3 components, which the survey captures:

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

11. Direct Investor

A direct investor is an enterprise or group of related enterprises that is able to control or have a significant degree of influence over another enterprise that is resident of a different economy. Control is determined to exist if the direct investor owns more than 50 % of the voting power in the direct investment enterprise (also called a subsidiary). A significant degree of influence is determined to exist if the direct investor owns from 10 to 50 % of the voting power in the direct investment enterprise (also called associate).

12. Direct Investment: is defined as any ownership stake held by a non-resident in theresident enterprise that is 10per cent or more of total equity. The control or influence may be direct (through ownership of voting power) or indirect (through ownership of enterprises that in turn have voting power).

13. Reverse Investment

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

14. Fellow Enterprise (FE)

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

15. Reinvested (or Retained) Earnings

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

16. Investment Fund Shares (IFS)

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

17. Investment Income

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

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

18. Portfolio Investment

This entails ownership of shares/voting rights of less than 10 per cent of the total equity by a non-resident entity. As with FDI, this is divided into **equity securities** and **debt (non-equity) securities.** Portfolio investment instruments are tradable between **non-residents** and **residents.**

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

19. Financial derivatives

These are financial instruments whose value is derived from the value of something else (particularly from other financial instruments). They generally take the form of contracts under which the parties agree to payments between them based upon the value of an underlying asset or other data at a particular point in time. The main types of derivatives are futures, forwards, options and swaps.

20. Other Investment

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

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

22. Employee Stock Option

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

23. Compensation of employees

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

Employees in this context include seasonal or other short-term workers (less than one year) and border workers who have centres of economic interest in their own economies. For the economy where the producing units are resident, compensation of employees is the total remuneration, **in cash or in kind,** payable by resident enterprises to non-resident employees in return for work done by the latter during the accounting period.

24. Merchanting

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

Notes

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