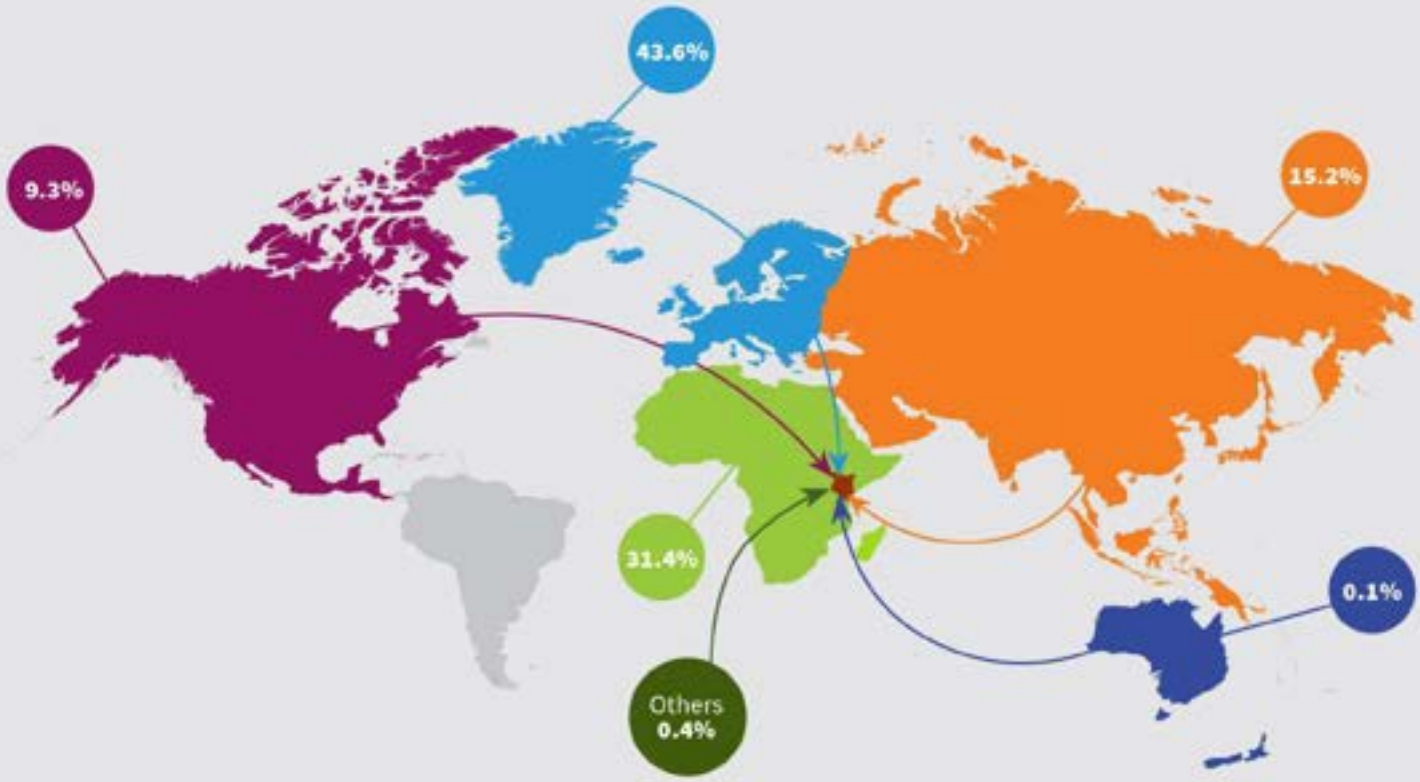
KNBS
KENYA NATIONAL BUREAU OF STATISTICS

KenInvest
PROMOTING INVESTMENTS IN KENYA

Central Bank of Kenya

Foreign Investment Survey 2018



Share of FDI Liabilities by Region in 2017

Foreword

Foreign investment survey reports continue to be the authoritative source of information on Kenya's private foreign capital and related statistics such as investment perceptions on business environment. The surveys have been jointly conducted by the Kenya National Bureau of Statistics (KNBS), Central Bank of Kenya (CBK) and Kenya Investment Authority (KenInvest) since inception in 2010. The Foreign Investment Survey (FIS) 2018 is the fifth in a series of annual surveys for collection of information on foreign private capital flows and stocks. The FIS 2018 collected information on foreign direct investment, portfolio investment, external borrowing and on other variables pertaining to private sector for the period 2016 and 2017, and the current business environment. The information generated will be used for macroeconomic analysis including the compilation of Balance of Payments and International Investment Position statistics.

In November 2018, the Government launched the Third Medium Term Plan (MTP III) of the Vision 2030 for the period 2018-2022, themed "Transforming Lives: Advancing Socio-Economic Development through 'the Big Four. The MTP III, prioritizes implementation of the "Big Four" initiatives to; increase the manufacturing share of Gross Domestic Product (GDP), provide affordable housing, enhance food and nutrition security, and achieve universal health coverage. These government policies and programmes are aimed at strengthening the business environment to attract both domestic and international investment for inclusive growth and development. The FIS 2018 report is an additional source of information for monitoring the effectiveness of policies and programmes on investments.

This report contains useful information on foreign private capital flows and stocks for the period 2016 and 2017. I believe these insights will assist stakeholders in making informed decisions as they continue to develop their blueprints as well as monitor business progress. I therefore encourage all to read this report.

The KNBS acknowledges and appreciates enterprises that participated in the successful conduct of the survey by providing the data sought. I also appreciate CBK, KenInvest, Capital Market Authority and other stakeholders for their valuable contribution in preparation of this report.

I wish to recognize the technical team of the Balance of Payments Committee for its unwavering dedication that in many ways enabled the smooth implementation of the survey. The team included Benjamin Avusevwa, Benjamin Muchiri, William Etwasi, Rosemary Bowen, Gladys Mbaluku, Pauline Kamau and Anthony Makau from KNBS; Nelson Rutto, Kethi Ngoka, Nahashon Mutai, Leonard Kipyegon, Christopher Amdany, Maureen Odongo and Juliet Akello from CBK; Caren Mutai from KenInvest and Justus Agoti from CMA. Further, I owe my gratitude to Collins Omondi (KNBS), Raphael Otieno and Lydia Ndirangu (CBK) for their guidance through the various stages of the survey implementation.

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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
COMESA	Common Market for Eastern and Southern Africa
DFID	Department of International Development
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
FIS	Foreign Investment Survey
PI	Portfolio Investment
GDP	Gross Domestic Product
IFAD	International Fund for Agricultural Development
IFC	International Financial Corporation
IMF	International Monetary Fund
IIP	International Investment Position
IRA	Insurance Regulatory Authority
JICA	Japan International Cooperation Agency
KenInvest	Kenya Investment Authority
KfW	KredistanstaltfurWiederaufbau
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
PTA	Preferential Trade Area
PSED	Private Sector External Debt
SSA	Sub –Saharan Africa
UK	United Kingdom
US	United States of America
USD	United States Dollar
UNCTAD	United Nations Conference on Trade and Development
WEO	World Economic Outlook
WIR	World Investment Report

Executive Summary

Kenya has continued to make impressive progress in strengthening the investment climate, with the objective of making the country a regional industrial and financial hub. The country improved significantly in its ranking in the World Bank Doing Business 2019 Indicators moving 19 places to position 61 from 80 out of 190 countries in the 2017. Investments have expanded in the country, principally in the finance and insurance; trade; manufacturing, communication and education industries.

In order to support economic policy making and to monitor risks that may arise from these investments, the collection of reliable and timely data is important. Results from the foreign investment surveys will be integrated into the Balance of Payments and International Investment Position (IIP) statistics. The Foreign Investment Survey (FIS) 2018 is the fifth in the series since the launch of the surveys in 2010. The survey captured data on foreign capital stocks and flows for the period 2016 and 2017. A total of 740 enterprises were targeted during FIS 2018, with a response rate of 74.6 per cent compared to 72.8 per cent recorded in the FIS 2016.

The stock of foreign liabilities increased by 4.9 per cent to KSh 1,381,197 million in 2017, largely on account of FDI and Other Investment. The stock of FDI accounted for 47.9 per cent and 49.5 per cent of the total foreign liabilities in 2016 and 2017, respectively. The share of Other Investment and Portfolio Investment in the total foreign liabilities was 46.2 per cent and 3.5 per cent in 2017, respectively.

Total foreign liability inflows increased by 24.0 per cent from KSh 343,180 million in 2016 to KSh 425,597 million in 2017. Similarly, total foreign liability outflows increased by 16.2 per cent to KSh 339,237 million in 2017. As a result, net inflows increased by 68.7 per cent from KSh 51,206 million in 2016 to KSh 86,360 million in 2017.

The United Kingdom (15.8%), South Africa (12.4%), United States (11.6%), France (5.8%) and Mauritius (4.9%) were the major sources of foreign liabilities in 2017. Finance and insurance, manufacturing, information and communication; and transportation and storage industries were the main beneficiaries of investment.

The stock of Private Sector External Debt (PSED) increased by 7.4 per cent to KSh 730,554 million in 2017. This was largely in form of long-term debt instruments which accounted for 68.8 per cent of the total debt in 2017. On a net basis, the value of PSED inflows increased by 96.0 per cent to KSh 23,059 million in 2017, largely supported by increase in Other Investment flows in form of currency and deposits, insurance reserves and pension entitlements.

The stock of assets abroad by resident enterprises increased by 2.4 per cent to KSh 215,875 million in 2017. This was on account of investment in equity and investment fund shares. The EAC was the main destination of

investments, holding 61.4 per cent of the total assets abroad in 2017. Finance and insurance, manufacturing, transport and; information and communication were the major industries with investments abroad.

The net outflows of foreign assets were KSh 20,921 million in 2016 compared to KSh 8,062 million recorded in 2017, representing a 61.5 per cent decline. Outflows of foreign assets nearly doubled to KSh 46,002 million in 2017 while inflows increased from KSh 6,670 million in 2016 to KSh 37,940 million in 2017.

Exports of goods by enterprises surveyed increased by 2.7 per cent to KSh 160,445 million in 2017. This represents 27.0 per cent of total exports in 2017. The value of imports by enterprises declined by 4.5 per cent to KSh 345,082 million in 2017 accounting for 20.0 per cent of total imports.

Expenditure on services provided by non-residents rose by 14.1 per cent to KSh 29,297 million in 2017. Telecommunications and transport services accounted for 27.8 per cent and 17.1 per cent of total expenditure on services. Income from services rendered to non-residents increased by 24.8 per cent to KSh 16,057 million in 2017 partly on account of travel receipts.

Employment in the enterprises surveyed declined slightly from 198,374 jobs in 2016 to 197,412 jobs in 2017. The share of skilled local employees increased from 73.6 per cent in 2016 to 76.0 per cent. Majority of these employees were engaged in the manufacturing and, financial and insurance activities.

The survey also sought to ascertain factors that attract investment and the challenges of doing business in the country. Ease of doing business, economic and political stability and market access were the key factors driving business decisions in 2018. More than fifty per cent of respondents indicated an intention to expand investments in the country in the next three years, while 39.9 per cent intend to maintain current investment level. However, the major hindrances to doing business were high cost of doing business and tax burden.

The results further show that 69.0 per cent of respondents intend to expand investments in the form of extension of capital, 20.3 per cent would venture into greenfield investment, while 10.8 per cent would expand through mergers and acquisitions. The enterprises intending to expand through mergers and acquisitions, greenfield investment and extension of capital preferred domestic funding.

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CHAPTER 1: INTRODUCTION



Background

The Government of Kenya continued to deepen structural reforms to enhance the investment climate with the objective of making the country a regional industrial and financial hub. The Government's structural reform agenda centred on further progress in strengthening the business climate, better provision of public infrastructure services and public investment management. The investment climate has been characterised by a stable macroeconomic environment that has made it conducive for the private sector to thrive. 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.

1.2. Kenya made impressive progress in provision of public infrastructure services and in strengthening the business environment. Kenya improved significantly in its ranking in the World Bank Doing Business 2019 Indicators moving 19 places to position 61 from 80 out of 190 countries in the 2017. This reflects improvements on starting a business, protecting minority investors, and resolving insolvency. Kenya also improved in the World Economic Forum competitiveness ranking, moving to 93 out of 140 in 2018, from 99 out of 140 in the 2015-16 ranking reflecting improvements in the governance of institutions, infrastructure, and adoption of Information Communication Technology (ICT). 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. The improved business environment has supported companies based in Kenya to expand to other African countries.

1.3. The foreign investment surveys provide a framework for obtaining up to date information for monitoring progress and decision making on foreign investments. The Foreign Investment Survey (FIS) 2018 is the fifth in the series since the launch of the surveys in 2010 and captured data on foreign private capital flows and position for the period 2016 and 2017. 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; investment promotion, planning and policy formulation; and assessing the impact of risks and vulnerabilities that may arise.

1.4. 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 on the investment climate.

1.5. The data collected through the FIS 2018 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. According to the IMF World Economic Outlook (WEO) report of October 2018, Global growth strengthened to 3.7 per cent in 2017 from 3.3 per cent in 2016 reflecting faster expansion in output in advanced as well as emerging market and developing economies. Growth was driven by investment spending in advanced economies as well as an end to the contraction in investment spending in emerging market commodity exporters. Growth in the advanced economies expanded by 0.6 percentage points to 2.3 per cent in 2017 driven by investment spending reflecting stronger gross fixed capital formation and a build-up of inventories. The demand for capital goods was supported by accommodative financial market conditions, stronger balance sheets, and an improved outlook. Growth in emerging market and developing economies improved by 0.3 percentage points to 4.7 per cent in 2017, driven by country specific factors. A resurgence in net exports and private consumption contributed to the recovery in China and India, while an end to fixed investment contractions on account of a commodity price upturn and, private consumption contributed to the recovery in commodity exporters.

1.7. In its January 2019 update of the WEO, the IMF estimates global growth to decline from 3.7 per cent in 2018 to 3.5 per cent in 2019. Growth in advanced economies is expected to decline from 2.3 per cent in 2018 to 2.0 per cent in 2019, partly due to the impact of new fuel emission standards on Germany's auto industry, and sovereign and financial risks in Italy. Growth of the Emerging and Developing Economies group is expected to decline from 4.6 per cent to 4.5 percent in 2019 partly on account of trade actions on China, as well as policy tightening in Turkey and Mexico.

1.8. The Kenyan economy grew by 4.9 per cent in 2017 compared to 5.9 per cent in 2016, despite domestic shocks related to adverse weather conditions, uncertainties associated with prolonged electioneering period, and continued slowdown in growth of private sector credit partly arising from interest rate caps implemented in September 2016. Economic growth was mainly driven by resilience of the Services sector, particularly, Wholesale and retail trade, Information and Communication; and Transport and storage industries. The macroeconomic environment remained broadly stable and therefore supportive of growth in 2017.

1.9. The Kenyan economy posted robust growth in the first three quarters of 2018 of 5.8, 6.2 and 6.0 per cent respectively, largely supported by improved activities in agriculture and service sectors. As a result, 2018 is expected to post higher economic growth than 2017.

International Private Capital Flows

1.10. According to the United Nations Conference on Trade and Development (UNCTAD) World Investment Report (WIR), 2018, global FDI inflows declined by 23.4 per cent to US Dollar 1,430 billion in 2017. This was partly as a result of fewer megadeals in cross-border mergers and acquisitions in 2017 than in 2016.

1.11. FDI inflows to developed economies declined by 37.1 per cent to US Dollar 713 billion in 2017, driven by reduction in flows to the United Kingdom and a curb on tax inversions in the United States. Inward FDI flows to developing economies (excluding Caribbean financial centres) remained stable at US Dollar 670 billion in 2017. The major recipient of FDI flows remained Developing Asia reflecting a significant increase in mergers and acquisitions. FDI inflows to Africa declined by 21.5 per cent to US Dollar 42 billion in 2017 due to a drop in international oil prices that led to a contraction in flows to commodity exporters. Similarly, FDI inflows to East Africa declined by 3.3 per cent to US Dollar 7.6 billion.

1.12. According to WIR 2018, global FDI inflows are projected to increase by 4.9 per cent to US Dollar 1,500 billion in 2018 underpinned by a positive short-term macroeconomic outlook.

CHAPTER 2: SURVEY FINDINGS ON FOREIGN LIABILITIES







Overview

This chapter presents survey findings on investments in Kenya by non-residents, mostly referred to as foreign liabilities. These investments are broadly categorized into Foreign Direct Investment (FDI), Portfolio Investment (PI), Financial Derivatives and Other Investment (OI). Foreign Direct Investment and Portfolio Investment comprise equity and investment fund shares and debt instruments/securities, while OI includes other equity, currency and deposits, trade credit and advances, loans, insurance, pension and standardized guarantees and; other accounts payables.

Stock of Foreign Liabilities

2.2. The stock of foreign liabilities increased by 4.9 per cent from KSh 1,316,286 million in 2016 to KSh 1,381,197 million in 2017 as shown in Table 2.1. The stock of FDI accounted for the largest share of the total foreign liabilities at 47.9 per cent and 49.5 per cent in 2016 and 2017, respectively, mainly contributed by equity and investment shares. The share of OI in total foreign liabilities was 47.1 per cent in 2016 and 46.2 per cent in 2017, largely reflected in long term loans. Portfolio Investment accounted for 4.7 per cent and 3.5 per cent of total foreign liabilities in 2016 and 2017, respectively.

2.3. The stock of FDI increased by 8.5 per cent from KSh 630,456 million in 2016 to KSh 683,839 million in 2017 on account of a 70.6 per cent increase in long term debt instruments. The stock of OI increased by 2.8 per cent from KSh 620,195 million in 2016 to KSh 637,709 million in 2017 largely reflecting increases in currency and deposits, insurance reserves and pension entitlements. Stock of PI decreased by 21.0 per cent from KSh 61,951 million in 2016 to KSh 48,941 million in 2017, following a decrease in equity and investment fund shares.

Table 2.1: Stock of Foreign Liabilities, 2016-2017

Category	2016		2017	
	KSh Million	% Share	KSh Million	% Share
Foreign Direct Investment	**630,455.69**	**47.9**	**683,838.81**	**49.5**
Equity and Investment Fund Shares	551,255.61	41.9	575,550.12	41.7
Equity and Investment Fund Shares other than Reinvested Earnings	330,711.66	25.1	338,482.03	24.5
Accumulated Retained Earnings	220,543.95	16.8	237,068.09	17.2
Debt Instruments	79,200.08	6.0	108,288.69	7.8
Long Term	47,362.01	3.6	80,780.50	5.8
Short Term	31,838.07	2.4	27,508.19	2.0
Portfolio Investment	**61,951.47**	**4.7**	**48,941.29**	**3.5**
Equity and Investment Fund Shares	61,235.42	4.7	48,188.87	3.5
Debt Securities	716.05	0.1	752.42	0.1
Long Term	716.05	0.1	752.42	0.1
Short Term	0.00	0.0	0.0	0.0
Financial Derivatives and Employee Stock Options	**3,684.06**	**0.3**	**10,708.32**	**0.8**
Forwards	3,684.06	0.3	10,708.32	0.8
Option	0.00	0.0	0.0	0.0
Employees Stock Options	0.00	0.0	0.0	0.0
Other Investment	**620,194.98**	**47.1**	**637,708.67**	**46.2**
Other Equity	23,858.74	1.8	26,904.24	1.9
Currency and Deposits	30,009.88	2.3	49,003.00	3.5
Long Term	3,166.82	0.2	92.36	0.0
Short Term	26,843.05	2.0	48,910.64	3.5
Trade Credits and Advances	10,063.60	0.8	8,333.95	0.6
Long Term	926.59	0.1	1,008.09	0.1
Short Term	9,137.01	0.7	7,325.87	0.5
Loans	453,476.54	34.5	431,480.42	31.2
Long Term	443,479.46	33.7	421,310.40	30.5
Short Term	9,997.08	0.8	10,170.02	0.7
Insurance, Pension and Standardised Guarantees	95,229.36	7.2	112,217.84	8.1
Life Insurance Reserves	9,846.37	0.7	16,321.57	1.2
Non-life Insurance Reserves	46,961.98	3.6	49,226.97	3.6
Pension Entitlements / Claims	37,838.67	2.9	45,446.35	3.3
Standardised Guarantees	582.34	0.0	1,222.96	0.1
Other Accounts Payable	7,556.88	0.6	9,769.21	0.7
Long Term	16.27	0.0	74.66	0.0
Short Term	7,540.61	0.6	9,694.56	0.7
Grand Total	**1,316,286.20**	**100.0**	**1,381,197.10**	**100.0**

Flows of Foreign Liabilities

2.4. Total foreign liability inflows increased by 24.0 per cent from KSh 343,180 million in 2016 to KSh 425,597 million in 2017, as presented in Table 2.2. Similarly, total foreign liability outflows increased by 16.2 per cent to KSh 339,237 million in 2017. As a result, overall net inflows increased by 68.7 per cent from KSh 51,206 million in 2016 to KSh 86,360 million in 2017. The increase was attributed to a 39.5 per cent growth in FDI net inflows to KSh 68,723 million in 2017. Similarly, OI net inflows improved significantly to KSh 30,624 million in 2017 on account of currency and deposits.

2.5. Foreign Direct Investment inflows increased by 25.6 per cent from KSh 115,574 million in 2016 to KSh 145,144 million in 2017 and accounted for 33.7 per cent and 34.1 per cent of the total inflows, in 2016 and 2017, respectively. These were mainly in the form of equity and investment fund shares. Other Investment inflows increased by 32.4 per cent to KSh 163,245 million in 2017 and accounted for 38.4 per cent of total inflows. Portfolio Investment inflows, mainly in the form of equity and investment fund shares, increased by 11.8 per cent to KSh 116,552 million in 2017.

2.6. Foreign Direct Investment outflows increased by 15.2 per cent from KSh 66,321 million in 2016 to KSh 76,421 million in 2017 on account of long-term debt instruments. The outflows of Portfolio Investment increased by 38.2 per cent from KSh 98,511 million in 2016 to KSh 129,562 million in 2017 on account of increased equity and investment fund shares. Similarly, Other Investment outflows increased by 39.1 per cent to KSh 132,621 in 2017, attributed to short term currency and deposits.

Table 2.2: Flows of Foreign Liabilities, 2016 – 2017

KSh Million

Category	2016			2017		
	Inflows	Outflows	Net	Inflows	Outflows	Net
Foreign Direct Investment	**115,574.14**	**66,320.55**	**49,253.59**	**145,144.21**	**76,420.93**	**68,723.28**
Equity and Investment Fund Shares	72,208.30	38,538.98	33,669.32	116,126.02	40,662.25	75,463.77
Equity and Investment Fund Shares other than Reinvested Earnings	7,179.31	7,210.68	-31.37	14,818.13	7,970.69	6,847.44
Accumulated Retained Earnings	65,029.00	31,328.30	33,700.69	101,307.89	32,691.56	68,616.33
Debt Instruments	43,365.84	27,781.57	15,584.27	29,018.19	35,758.68	-6,740.49
Long Term	31,736.19	16,515.34	15,220.85	18,928.81	21,966.21	-3,037.40
Short Term	11,629.65	11,266.24	363.41	10,089.38	13,792.47	-3,703.09
Portfolio Investment	**104,270.00**	**98,511.00**	**5,759.00**	**116,551.54**	**129,561.72**	**-13,010.18**
Equity and Investment Fund Shares	104,270.00	98,511.00	5,759.00	116,515.17	129,561.72	-13,046.55
Debt Securities	0.00	0.00	0.00	36.37	0.00	36.37
Long Term	0.00	0.00	0.00	36.37	0.00	36.37
Short Term	0.00	0.00	0.00	0.00	0.00	0.00
Financial Derivatives and Employee Stock Options	**43.78**	**506.12**	**-462.34**	**656.73**	**633.50**	**23.23**
Forwards	43.78	506.12	-462.34	656.73	633.50	23.23
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	**123,292.10**	**126,636.83**	**-3,344.73**	**163,244.57**	**132,620.91**	**30,623.66**
Other Equity	100.81	89.14	11.68	1,121.18	237.72	883.46
Currency and Deposits	8,040.44	19,697.90	-11,657.46	84,087.14	62,019.56	22,067.58
Long Term	0.00	0.00	0.00	0.00	0.00	0.00
Short Term	8,040.44	19,697.90	-11,657.46	84,087.14	62,019.56	22,067.58
Trade Credits and Advances	8,080.32	9,376.80	-1,296.49	6,111.34	8,155.37	-2,044.03
Long Term	300.00	98.84	201.16	571.77	567.07	4.71
Short Term	7,780.32	9,277.97	-1,497.65	5,539.57	7,588.30	-2,048.73
Loans	90,886.49	78,637.44	12,249.05	47,086.02	54,115.48	-7,029.46
Long Term	86,444.21	76,898.59	9,545.62	45,079.69	53,249.54	-8,169.84
Short Term	4,442.29	1,738.86	2,703.43	2,006.32	865.94	1,140.38
Insurance, Pension and Standardised Guarantees	8,532.64	2,790.24	5,742.40	15,670.63	892.44	14,778.19
Life Insurance Reserves	0.00	1,559.31	-1,559.31	6,475.20	0.00	6,475.20
Non-life Insurance Reserves	3,432.30	1,182.08	2,250.22	2,790.75	848.07	1,942.68
Pension Entitlements / Claims	4,628.01	3.85	4,624.16	5,764.06	44.37	5,719.69
Standardised Guarantees	472.33	45.00	427.33	640.62	0.00	640.62
Other Accounts Payable	7,651.39	16,045.31	-8,393.92	9,168.26	7,200.33	1,967.92
Long Term	18.42	10.39	8.03	68.40	8.95	59.45
Short Term	7,632.96	16,034.92	-8,401.95	9,099.86	7,191.38	1,908.48
Grand Total	**343,180.02**	**291,974.51**	**51,205.51**	**425,597.06**	**339,237.05**	**86,360.01**

Stock of Foreign Liabilities by Region and Country

2.7. Stock of foreign liabilities by region and country for the period 2016 and 2017 is presented in Table 2.3; and Figures 2.1 and 2.2. Europe was the dominant source of investment with a share of 29.7 per cent and 28.8 per cent of total stock of foreign liabilities in 2016 and 2017, respectively. United Kingdom (UK) was the main source of investment within the EU accounting for 16.8 per cent and 15.8 per cent of the total foreign liabilities in 2016 and 2017 respectively. Investments from the UK were mainly in the financial and insurance; manufacturing; information and communication; and transportation and storage industries.

2.8. Africa was the second largest source of investment accounting for 20.8 per cent and 21.9 per cent of the total stock of foreign liabilities in 2016 and 2017, respectively. The stock of foreign liabilities attributed to Africa increased by 10.7 per cent to KSh 302,499 million in 2017. The leading sources of investment from the region were South Africa, Mauritius, and Uganda. Foreign liabilities from South Africa increased by 60.0 per cent to KSh 171,649 million in 2017, accounting for 12.4 per cent of total stock of foreign liabilities. Investments from South Africa were equivalent to 39.3 per cent and 56.7 per cent of total foreign liabilities from Africa and were mainly in finance and insurance industry.

2.9. Investments from US increased by 1.7 per cent to KSh 159,923 million in 2017. During the review period, US was the dominant source of investment within America, with investments mainly in transport and storage, and manufacturing activities.

2.10. Stock of foreign liabilities from Asia increased by 1.5 per cent to KSh 121,348 million in 2017. Investments from India, Japan and the United Arab Emirates collectively accounted for 64.8 per cent and 70.0 per cent of total investments within Asia in 2016 and 2017, respectively. The investments from these countries were mainly to manufacturing, finance and insurance, wholesale and retail, and education industries.

Table 2.3: Stock of Foreign Liabilities by Region and Country, 2016-2017

Country	2016		2017	
	KSh Million	% Share	KSh Million	% Share
Africa	**273,345.40**	**20.8**	**302,498.82**	**21.9**
COMESA[1]	143,206.53	10.9	108,460.15	7.9
Mauritius	102,396.90	7.8	68,173.37	4.9
Uganda	27,802.82	2.1	28,816.53	2.1
Djibouti	1,692.36	0.1	3,723.37	0.3
Madagascar	2,879.70	0.2	2,959.26	0.2
Libya	2,302.95	0.2	2,075.50	0.2
Zambia	1,461.25	0.1	1,645.03	0.1
Other COMESA	689.79	0.1	598.87	0.0
EAC	33,628.85	2.6	31,778.38	2.3
Uganda	27,802.82	2.1	28,816.53	2.1
Tanzania	1,845.28	0.1	2,493.62	0.2
South Sudan	3,375.01	0.3	256.34	0.0
Other EAC	605.74	0.0	211.90	0.0
Other Africa	128,293.59	9.7	191,545.04	13.9
South Africa	107,304.72	8.2	171,648.67	12.4
Nigeria	8,197.89	0.6	8,262.20	0.6
Togo	7,458.45	0.6	6,476.60	0.5
Benin	2,255.37	0.2	2,673.62	0.2
Ghana	666.71	0.1	1,564.42	0.1
Rest of Africa	2,410.46	0.2	919.54	0.1
America	**159,374.43**	**12.1**	**161,909.02**	**11.7**
North America	159,374.43	12.1	161,909.02	11.7
United States	157,313.91	12.0	159,922.58	11.6
Canada	2,060.52	0.2	1,986.44	0.1
Asia	**119,499.51**	**9.1**	**121,348.19**	**8.8**
Far East	84,295.01	6.4	84,258.70	6.1
India	33,024.59	2.5	33,897.27	2.5
Japan	21,091.35	1.6	25,554.18	1.9
China	14,231.91	1.1	11,205.94	0.8
Pakistan	5,151.24	0.4	7,733.13	0.6
Malaysia	5,484.34	0.4	5,444.04	0.4
Others	5,311.58	0.4	424.13	0.0
Middle East	35,204.50	2.7	37,089.50	2.7
United Arab Emirates	23,347.32	1.8	25,477.54	1.8
Israel	7,479.16	0.6	7,570.60	0.5
Lebanon	2,581.85	0.2	2,166.97	0.2
Others	1,796.17	0.1	1,874.38	0.1
Europe	**391,055.41**	**29.7**	**397,351.71**	**28.8**
Eastern Europe	619.57	0.0	775.35	0.1
EU	344,894.38	26.2	344,972.34	25.0
United Kingdom	221,280.85	16.8	217,839.49	15.8
France	73,548.61	5.6	80,165.78	5.8
Netherlands	24,125.98	1.8	20,377.44	1.5
Germany	13,411.65	1.0	10,468.72	0.8
Sweden	5,605.48	0.4	5,409.86	0.4
Spain	2,720.64	0.2	2,871.60	0.2
Belgium	2,324.14	0.2	1,452.70	0.1
Rest of EU	1,877.03	0.1	6,386.77	0.5
Western Europe	45,541.47	3.5	51,604.03	3.7
Switzerland	40,652.37	3.1	47,616.17	3.4
Norway	3,379.55	0.3	3,037.28	0.2
Others	1,509.54	0.1	950.58	0.1
Australia and Oceanic	**18,185.61**	**1.4**	**13,314.23**	**1.0**
International Financial Institutions/organizations[2]	**204,160.89**	**15.5**	**209,746.16**	**15.2**
Countries not stated	**150,664.95**	**11.4**	**175,028.96**	**12.7**
Total	**1,316,286.20**	**100.0**	**1,381,197.10**	**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, 2016

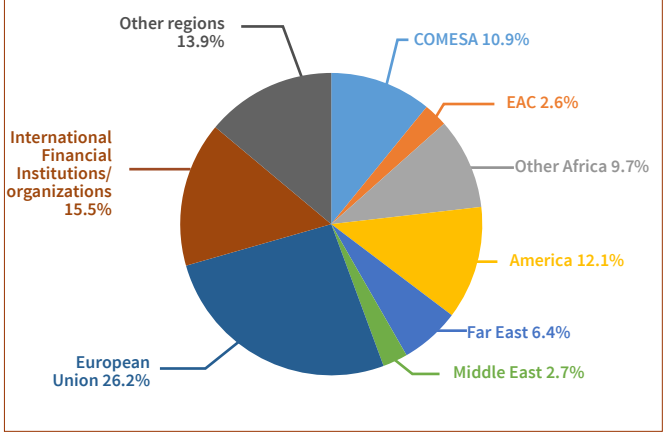
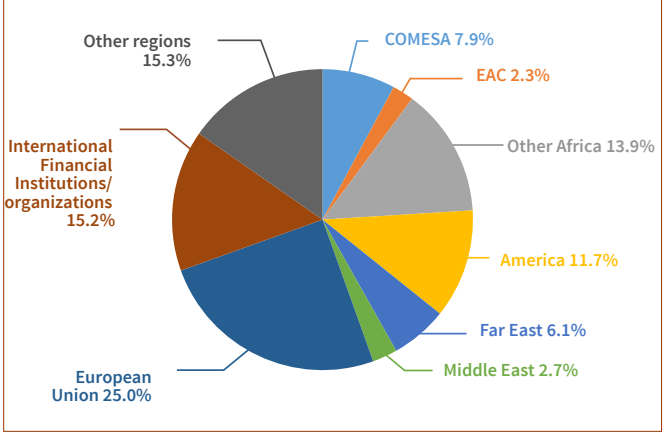


Figure 2.2: Share of Stock of Foreign Liabilities by Region, 2017



Flows of Foreign Liabilities by Region and Country

2.11. Flows of foreign liabilities by region and country is presented in Table 2.4 and Figures 2.3 and 2.4. Inflows from Europe increased from KSh 89,567 million in 2016 to KSh 193,807 million in 2017 and were predominantly from the UK, France and Netherlands. Inflows from the UK almost tripled to KSh 135,023 million in 2017. Inflows of foreign liabilities from Africa increased from KSh 31,827 million in 2016 to KSh 60,796 million in 2017. The increase was occasioned by growth in inflows from South Africa which tripled to KSh 34,575 million in 2017. However, inflows from Asia dropped from KSh 69,584 million in 2016 to KSh 49,526 million in 2017 as a result of reduction in inflows from China.

2.12. Foreign liability outflows increased by 16.2 per cent to KSh 339,237 million in 2017 and were mainly to Europe which more than doubled to KSh 144,077 million. Outflows to the UK accounted for 71.0 per cent of total outflows to Europe. Outflows to Africa increased by 5.0 per cent to KSh 43,725 million in 2017, largely reflected in outflows to Mauritius. However, outflows to Asia declined by 14.8 per cent to KSh 59,008 million mainly reflected in reduced outflows to China.

2.13. Total net inflows increased by 68.7 per cent to KSh 86,360 million in 2017, as a result of growth in net inflows from Europe and Africa. Net inflows from the UK increased substantially from KSh 12,108 million in 2016 to KSh 32,761 million in 2017 while those from South Africa increased to KSh 24,348 million from a net outflow of KSh 9,235 million in 2016. Net inflows from the EAC decreased from KSh 3,626 million in 2016 to KSh 3,099 million in 2017. Kenya recorded a net outflow of KSh 6,747 million to COMESA in 2017 compared to a net inflow of KSh 2,421 million in 2016.

Table 2.4: Flows of Foreign Liabilities by Region and Country, 2016-2017

KSh Million

Country	2016			2017		
	Inflows	Outflows	Net	Inflows	Outflows	Net
Africa	**31,827.34**	**41,655.61**	**-9,828.26**	**60,796.27**	**43,725.40**	**17,070.88**
COMESA[1]	18,223.90	15,802.88	2,421.03	22,608.25	29,355.55	-6,747.30
Uganda	5,115.31	1,746.21	3,369.10	3,876.36	204.72	3,671.64
Zambia	215.76	90.30	125.47	347.92	81.03	266.89
Egypt	81.64	0.00	81.64	90.70	0.00	90.70
Seychelles	0.00	8.35	-8.35	16.88	2.62	14.26
Other COMESA	1.75	2,176.00	-2,174.25	10.83	557.15	-546.32
Mauritius	12,071.28	11,711.61	359.67	18,113.67	27,763.28	-9,649.62
EAC	**6,024.12**	**2,398.33**	**3,625.79**	**4,301.85**	**1,203.02**	**3,098.84**
Uganda	5,115.31	1,746.21	3,369.10	3,876.36	204.72	3,671.64
Tanzania	170.65	581.72	-411.07	273.59	251.55	22.04
Other EAC	738.17	70.41	667.76	151.90	746.75	-594.85
Other Africa	13,432.80	25,271.01	-11,838.22	37,914.43	14,118.29	23,796.13
South Africa	11,179.25	20,413.94	-9,234.69	34,574.99	10,227.21	24,347.77
Ghana	8.34	972.83	-964.49	2,836.62	1,877.65	958.97
Nigeria	2,178.55	228.77	1,949.78	247.78	42.04	205.74
Rest of Africa	66.65	3,655.47	-3,588.82	255.04	1,971.39	-1,716.35
America	**36,598.96**	**29,423.53**	**7,175.43**	**41,964.07**	**38,773.47**	**3,190.59**
North America	36,598.96	29,423.50	7,175.47	41,964.07	38,773.47	3,190.59
United States	36,432.96	29,377.45	7,055.51	41,889.42	38,566.55	3,322.87
Rest of North America	166.00	46.05	119.95	74.65	206.92	-132.28
South America	0.00	0.03	-0.03	0.00	0.00	0.00
Asia	**69,584.36**	**69,228.55**	**355.81**	**49,526.06**	**59,008.48**	**-9,482.42**
Far East	59,022.05	60,682.19	-1,660.13	44,900.60	55,551.76	-10,651.16
Malaysia	4,764.66	71.27	4,693.39	4,411.62	60.46	4,351.16
Pakistan	1,032.59	21.85	1,010.74	2,229.85	0.00	2,229.85
India	13,255.28	16,110.87	-2,855.59	8,685.00	9,172.57	-487.57
Japan	14,738.12	13,812.67	925.44	12,790.55	14,671.11	-1,880.56
China	22,848.23	29,674.22	-6,825.99	14,412.02	18,201.42	-3,789.40
Hong Kong	923.88	560.45	363.43	59.24	4,318.68	-4,259.44
Others	1,459.29	430.85	1,028.45	2,312.33	9,127.52	-6,815.19
Middle East	10,562.30	8,546.36	2,015.94	4,625.45	3,456.71	1,168.74
United Arab Emirates	6,750.72	7,873.38	-1,122.66	3,276.79	1,894.37	1,382.42
Israel	3,182.15	0.69	3,181.46	949.21	686.40	262.82
Others	629.43	672.29	-42.86	399.45	875.95	-476.50
Europe	**89,566.64**	**67,527.57**	**22,039.07**	**193,806.89**	**144,076.82**	**49,730.08**
Eastern Europe	12.15	117.22	-105.07	20.39	302.26	-281.87
EU	81,405.48	61,054.44	20,351.04	180,161.44	136,074.53	44,086.91
United Kingdom	45,046.43	32,937.99	12,108.44	135,023.06	102,262.05	32,761.01
Denmark	422.48	0.00	422.48	10,247.01	178.89	10,068.12
Netherlands	9,549.64	11,306.62	-1,756.99	13,157.78	6,921.50	6,236.29
France	13,186.40	2,719.32	10,467.08	15,081.93	13,012.09	2,069.84
Spain	231.44	0.00	231.44	260.39	2.61	257.78
Sweden	884.71	804.34	80.37	2,483.44	3,297.54	-814.10
Rest of EU	362.77	563.32	-200.55	372.77	1,411.47	-1,038.70
Belgium	593.67	1,854.53	-1,260.85	518.64	1,828.78	-1,310.13
Germany	11,127.95	10,868.32	259.62	3,016.42	7,159.60	-4,143.18
Western Europe	8,149.01	6,355.92	1,793.10	13,625.06	7,700.03	5,925.04
Switzerland	7,925.37	4,966.82	2,958.56	13,031.83	6,182.54	6,849.28
Norway	163.08	22.62	140.46	411.75	415.32	-3.57
Others	60.56	1,366.48	-1,305.92	181.49	1,102.17	-920.68
Australia and Oceanic	**45.14**	**4,676.59**	**-4,631.45**	**74.98**	**7,752.51**	**-7,677.52**
International Financial Institutions/ organizations[2]	**97,520.38**	**68,865.93**	**28,654.45**	**43,780.81**	**38,307.46**	**5,473.35**
Countries not stated	**18,037.19**	**10,596.73**	**7,440.47**	**35,647.97**	**7,592.92**	**28,055.05**
Total	**343,180.02**	**291,974.51**	**51,205.51**	**425,597.06**	**339,237.05**	**86,360.01**

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

Figure 2.3: Share of Inflows of Foreign Liabilities by Region, 2016

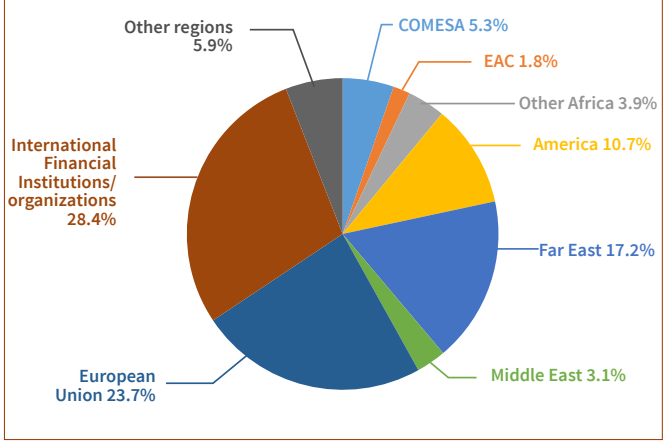
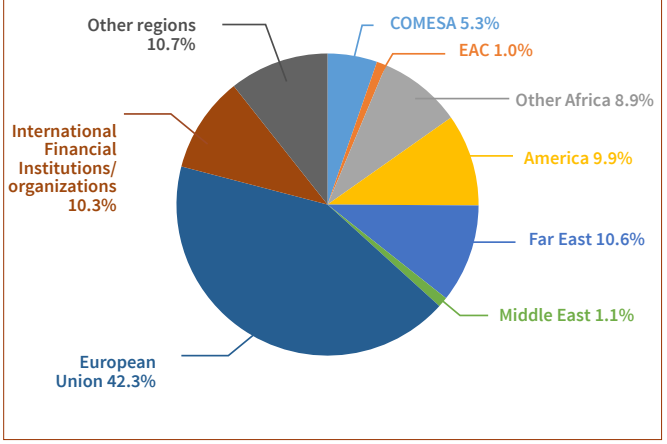


Figure 2.4: Share of Inflows of Foreign Liabilities by Region, 2017



Stock of FDI Liabilities by Region and Country

2.14. As shown in Table 2.5, the stock of FDI liabilities increased by 8.5 per cent to KSh 683,839 million in 2017. Africa was the main driver of this growth with the stock of FDI liabilities from this region increasing by 11.5 per cent to KSh 214,740 million in 2017.

2.15. Europe was the major source of stock of FDI with a share of 45.3 per cent and 43.6 per cent to the total stock of FDI in 2016 and 2017, respectively, attributed to the EU. The stock of FDI attributed to France increased by 20.9 per cent to KSh 51,163 million in 2017 from KSh 42,318 million in 2016.

2.16. Africa was the second source of stock of FDI contributing one third of the total stock of FDI liabilities in the review period. The stock of FDI attributed to South Africa increased by 54.8 per cent to KSh 121,161 million accounting for 56.4 per cent of total stock of FDI attributed to Africa in 2017. Stock of FDI liabilities attributed to COMESA declined by 22.0 per cent to KSh 73,487 million in 2017 accounting for 34.2 per cent of the total stock of FDI liabilities from Africa. The decline was largely reflected in reduced stock of FDI attributed to Mauritius.

2.17. Stock of FDI liabilities attributable to the EAC accounted for 15.1 per cent and 14.0 per cent of the total FDI stock attributed to Africa in 2016 and 2017, respectively. Stock of FDI liabilities attributable to Uganda increased by 4.7 per cent to KSh 27,870 million in 2017 and contributed the highest proportion within the EAC.

2.18. In 2017, the stock of FDI liabilities attributed to Asia increased by 18.1 per cent mainly as a result of FDI liabilities attributed to the Far East, which increased by 25.0 per cent to KSh 68,107 million. India and Japan were the main sources of FDI stock collectively accounting for over 70 per cent of the total stock of FDI from the Far East in the review period. United Arab Emirates was a significant source of stock of FDI liabilities contributing about a quarter of the total FDI stock attributed to Asia in the period under review. The stock of FDI liabilities attributed to North America, grew by 4.3 per cent to KSh 63,843 million in 2017 and was mainly from the United States.

Table 2.5: Stock of FDI Liabilities by Region and Country, 2016-2017

Country	2016		2017	
	KSh Million	% Share	KSh Million	% Share
Africa	**192,553.18**	**30.5**	**214,739.76**	**31.4**
COMESA[1]	94,200.13	14.9	73,487.44	10.7
Mauritius	61,727.15	9.8	40,078.26	5.9
Uganda	26,607.10	4.2	27,870.15	4.1
Libya	2,258.24	0.4	2,064.04	0.3
Zambia	1,428.69	0.2	1,630.85	0.2
Madagascar	820.54	0.1	986.49	0.1
Other COMESA	675.09	0.1	595.56	0.1
EAC	29,077.72	4.6	30,055.25	4.4
Uganda	26,607.10	4.2	27,870.15	4.1
Tanzania	1,787.30	0.3	1,922.99	0.3
Other EAC	683.32	0.1	262.10	0.0
Other Africa	96,565.75	15.3	139,329.32	20.4
South Africa	78,250.51	12.4	121,161.17	17.7
Nigeria	7,973.75	1.3	8,151.04	1.2
Togo	7,307.24	1.2	6,438.54	0.9
Benin	2,211.58	0.4	2,658.86	0.4
Rest of Africa	822.68	0.1	919.71	0.1
America	**61,229.36**	**9.7**	**63,843.48**	**9.3**
North America	61,229.36	9.7	63,843.48	9.3
United States	59,456.85	9.4	62,105.01	9.1
Canada	1,772.52	0.3	1,738.47	0.3
Asia	**88,299.32**	**14.0**	**104,244.15**	**15.2**
Far East	54,465.69	8.6	68,106.81	10.0
India	27,218.68	4.3	32,918.54	4.8
Japan	11,569.49	1.8	19,058.58	2.8
Pakistan	5,051.23	0.8	7,690.44	1.1
Malaysia	5,377.86	0.9	5,413.98	0.8
China	3,975.82	0.6	4,051.32	0.6
Others	1,272.62	0.2	-1,026.05	-0.2
Middle East	33,833.63	5.4	36,137.33	5.3
United Arab Emirates	22,238.46	3.5	24,649.57	3.6
Israel	7,333.95	1.2	7,528.80	1.1
Lebanon	2,531.72	0.4	2,155.01	0.3
Others	1,729.50	0.3	1,803.95	0.3
Europe	**285,888.65**	**45.3**	**298,358.12**	**43.6**
Eastern Europe	480.75	0.1	583.92	0.1
EU	245,531.95	38.9	250,231.68	36.6
United Kingdom	174,071.83	27.6	168,494.58	24.6
France	42,318.13	6.7	51,163.45	7.5
Netherlands	17,682.87	2.8	14,993.61	2.2
Sweden	4,976.02	0.8	5,155.03	0.8
Denmark	0.00	0.0	4,655.54	0.7
Germany	4,275.18	0.7	3,328.58	0.5
Rest of EU	2,207.92	0.4	2,440.89	0.4
Western Europe	39,875.95	6.3	47,542.51	7.0
Switzerland	36,775.94	5.8	44,464.27	6.5
Norway	2,308.84	0.4	2,140.46	0.3
Others	791.17	0.1	937.79	0.1
Australia and Oceanic	**845.96**	**0.1**	**821.64**	**0.1**
International Financial Institutions/organizations[2]	**653.73**	**0.1**	**660.27**	**0.1**
Countries not stated	**985.48**	**0.2**	**1,171.40**	**0.2**
Total	**630,455.69**	**100.0**	**683,838.81**	**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. In 2017, total FDI inflows went up by 25.6 per cent to KSh 145,144 million from KSh 115,574 million in 2016 as presented in Table 2.6. Similarly, total FDI outflows increased by 15.2 per cent to KSh 76,421 million in 2017. As a result, total net FDI inflows increased by 39.5 per cent from KSh 49,254 million in 2016 to KSh 68,723 million in 2017.

2.20. Europe was the dominant source of FDI inflows contributing more than half of the total FDI inflows in 2017. These inflows were largely from the EU accounting for 87. 0 per cent of the total inflows. FDI inflows form EU were predominantly from the United Kingdom accounting for over half of the total inflows. FDI inflows from the United Kingdom increased by 28.9 per cent to KSh 34,730 million in 2017.

2.21. Asia ranked second contributing 28.9 per cent and 19.2 per cent of the total FDI inflows in 2016 and 2017, respectively, largely supported by inflows from Far East. FDI inflows from the Far East were predominantly from China and India which collectively accounted for 76.0 per cent and 63.1 per cent in 2016 and 2017, respectively. However, inflows from China registered a decline of 35.9 per cent to KSh 9,949 million in 2017 while inflows from India increased by 27.7 per cent to KSh 5,514 million.

2.22. FDI inflows from COMESA doubled to KSh 13,815 million accounting for 9.5 per cent of the total FDI inflows in 2017. This was supported by inflows from Mauritius which more than tripled to KSh 10,738 million in 2017. FDI inflows from EAC were largely from Uganda contributing 81.8 per cent and 95.5 per cent in 2016 and 2017. FDI inflows from South Africa increased by 42.3 per cent to KSh 8,048 million in 2017.

2.23. In 2017, FDI outflows were mainly destined to Europe and Africa each accounting for a third of total FDI outflows. Foreign Direct Investment outflows to Europe were mainly to EU. Foreign Direct Investment outflows to Africa almost doubled from KSh 12,268 million in 2016 to KSh 22,499 million in 2017 and were mainly to COMESA. This was largely dominated by outflows to Mauritius which more than doubled to KSh 17,032 million in 2017.

2.24. Far East was the main destination of FDI outflows which were largely to China. However, outflows to China declined by 48.7 per cent from KSh 14,983 million in 2016 to KSh 7,684 million in 2017.

2.25. Total net FDI inflows increased by 39.5 per cent to KSh 68,723 million in 2017. This was mainly supported by net inflows from EU which increased by 83.5 per cent to KSh 46,108 million in 2017. Net FDI inflows from EU were largely from United Kingdom which increased by 66.3 per cent to KSh 30,611 million over the same period. Similarly, net FDI inflows from Far East went up by 10.5 per cent to KSh 10,525 million in 2017. On the contrary, net FDI inflows from America declined by 49.7 per cent to KSh 4,835 million in 2017 while there were net FDI outflows to Africa.

Table 2.6: Flows of FDI Liabilities by Region and Country, 2016-2017

KSh Million

Country	2016			2017		
	Inflows	Outflows	Net	Inflows	Outflows	Net
Africa	**14,291.99**	**12,267.62**	**2,024.38**	**22,320.27**	**22,499.42**	**-179.15**
COMESA[1]	6,995.27	7,740.75	-745.48	13,815.35	17,986.54	-4,171.19
Uganda	2,775.60	69.69	2,705.91	2,701.15	99.92	2,601.24
Zambia	150.65	46.67	103.98	252.26	50.10	202.15
Egypt	57.00	0.00	57.00	66.00	0.00	66.00
Seychelles	0.00	5.54	-5.54	12.28	1.62	10.66
Mauritius	3,495.49	7,136.66	-3,641.17	10,738.13	17,031.52	-6,293.39
Other COMESA	1.22	435.52	-434.30	7.88	344.51	-336.63
EAC	3,394.49	192.34	3,202.14	2,829.36	694.78	2,134.57
Uganda	2,775.60	69.69	2,705.91	2,701.15	99.92	2,601.24
Tanzania	103.58	75.98	27.59	90.55	136.00	-45.45
Rwanda	515.31	0.00	515.31	37.65	408.76	-371.11
South Sudan	0.00	46.67	-46.67	0.00	50.10	-50.10
Other Africa	7,193.14	4,450.88	2,742.26	8,414.36	4,376.87	4,037.49
South Africa	5,654.92	1,880.62	3,774.30	8,047.98	3,131.62	4,916.36
Nigeria	1,485.87	147.10	1,338.77	180.29	25.99	154.29
Togo	0.00	2,023.88	-2,023.88	0.00	1,115.33	-1,115.33
Rest of Africa	52.36	399.28	-346.92	186.10	103.93	82.17
America	**21,323.68**	**11,719.19**	**9,604.49**	**20,017.59**	**15,182.90**	**4,834.69**
North America	21,323.68	11,719.17	9,604.51	20,017.59	15,182.90	4,834.69
United States	21,207.78	11,708.64	9,499.13	19,963.27	15,064.95	4,898.32
Rest of North America	115.90	10.52	105.38	54.32	117.95	-63.63
South America	0.00	0.02	-0.02	0.00	0.00	0.00
Asia	**33,423.33**	**21,753.15**	**11,670.18**	**27,829.29**	**16,103.57**	**11,725.72**
Far East	26,090.94	16,566.12	9,524.82	24,513.20	13,987.82	10,525.38
India	4,316.48	334.28	3,982.20	5,513.63	272.25	5,241.38
Malaysia	3,326.74	47.24	3,279.49	3,209.86	37.06	3,172.80
Japan	2,005.69	792.84	1,212.84	3,309.49	1,023.87	2,285.62
China	15,510.10	14,982.84	527.26	9,948.53	7,683.91	2,264.63
Pakistan	720.96	14.49	706.48	1,622.59	0.00	1,622.59
Sri Lanka	14.10	7.50	6.60	798.96	4,951.19	-4,152.23
Others	196.87	386.93	-190.06	110.14	19.55	90.60
Middle East	7,332.39	5,187.03	2,145.36	3,316.09	2,115.75	1,200.34
United Arab Emirates	4,691.04	4,740.92	-49.88	2,362.99	1,149.68	1,213.31
Israel	2,221.81	0.46	2,221.36	690.71	424.43	266.28
Others	419.53	445.65	-26.12	262.38	541.64	-279.25
Europe	**46,444.88**	**20,491.03**	**25,953.85**	**74,721.98**	**22,571.57**	**52,150.41**
Eastern Europe	8.48	77.70	-69.22	14.84	131.49	-116.66
EU	42,266.27	17,144.57	25,121.70	64,980.02	18,872.12	46,107.90
United Kingdom	26,935.92	8,529.14	18,406.78	34,730.23	4,119.32	30,610.91
Denmark	0.00	0.00	0.00	7,456.41	0.00	7,456.41
Netherlands	6,170.42	6,623.50	-453.08	8,894.25	2,991.15	5,903.09
France	5,835.42	503.48	5,331.95	9,579.17	5,927.27	3,651.90
Rest of EU	760.43	404.15	356.28	679.68	1,129.53	-449.86
Sweden	357.98	514.75	-156.76	1,786.46	1,970.52	-184.05
Germany	2,206.09	569.56	1,636.54	1,853.83	2,734.32	-880.50
Western Europe	4,170.13	3,268.76	901.37	9,727.12	3,567.96	6,159.17
Switzerland	4,014.02	2,955.12	1,058.89	9,420.45	3,561.15	5,859.30
Others	156.12	313.64	-157.52	306.68	6.81	299.87
Australia and Oceanic	**26.38**	**44.29**	**-17.91**	**27.49**	**51.86**	**-24.37**
International Financial Institutions/ organizations[2]	**58.03**	**0.00**	**58.03**	**22.96**	**0.00**	**22.96**
Countries not stated	**5.85**	**45.28**	**-39.44**	**204.64**	**11.62**	**193.02**
Total	**115,574.14**	**66,320.55**	**49,253.59**	**145,144.21**	**76,420.93**	**68,723.28**

[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

2.26. The stock of FDI liabilities based on International Standard of Industrial Classification for all Economic Activities (ISIC) Revision 4, is presented in Table 2.7. Financial and insurance activities had the highest proportion of stock of FDI liabilities accounting for 33.9 per cent in 2016 and 40.0 per cent in 2017. Manufacturing had the second highest share of FDI liabilities at 19.6 per cent and 19.0 per cent in 2016 and 2017, respectively. Wholesale and retail trade also contributed a significant proportion of stock of FDI liabilities in the review period.

2.27. The stock of FDI liabilities in the finance and insurance activity grew by 28.1 per cent to KSh 273,833 million in 2017. Other industries that had notable growth in stock of FDI liabilities in 2017 were real estate (60.4 %), administrative and support service (17.7 %), education (15.5 %), mining and quarrying (15.0 %) and construction (9.1 %). However, the stock of FDI liabilities in the agriculture, forestry and fishing industry declined by 58.9 per cent to KSh 10,886 million in 2017. Notable declines in the stock of FDI liabilities were recorded in wholesale and retail; and information and communication, accommodation and food services and human health and social work activities.

Table 2.7: Stock of FDI liabilities by Economic Activity, 2016-2017

Sector		2016		2017	
		KSh Million	% Share	KSh Million	% Share
A.	Agriculture, Forestry & Fishing	26,462.75	4.2	10,885.85	1.6
B.	Mining & Quarrying	25,989.52	4.1	29,900.31	4.4
C.	Manufacturing	123,270.72	19.6	130,194.34	19.0
D.	Electricity, Gas, Steam & Air Conditioning Supply	33,368.97	5.3	36,308.69	5.3
E.	Water supply; sewerage, waste management and remediation activities	0.00	0.0	0.00	0.0
F.	Construction	10,582.90	1.7	11,546.03	1.7
G.	Wholesale & Retail Trade	111,331.32	17.7	106,166.20	15.5
H.	Transportation & Storage	-1,525.43	-0.2	-974.28	-0.1
I.	Accommodation & Food Service Activities	15,137.77	2.4	14,925.23	2.2
J.	Information & Communication	53,733.69	8.5	50,766.54	7.4
K.	Financial & Insurance Activities	213,711.28	33.9	273,832.96	40.0
L.	Real estate activities	200.59	0.0	321.65	0.0
M.	Professional, Scientific & Technical Activities	9,014.06	1.4	9,706.87	1.4
N.	Administrative & Support Service Activities	1,022.70	0.2	1,201.92	0.2
P.	Education	6,852.35	1.1	7,911.06	1.2
Q.	Human Health & Social Work Activities	638.49	0.1	615.12	0.1
R.	Arts, entertainment and recreation	0.00	0.0	0.00	0.0
S.	Other Service Activities	664.02	0.1	530.33	0.1
Grand Total		**630,455.69**	**100.0**	**683,838.81**	**100.0**

Flows of FDI liabilities by Economic Activity

2.28. Distribution of flows of FDI liabilities by economic activity is shown in Table 2.8. FDI inflows to all industries increased except to construction and; human health and social work. Foreign Direct Investment inflows to finance and insurance economic activity, grew by 8.9 per cent to KSh 39,716 million in 2017, and contributed the highest share of total FDI inflows at 27.4 per cent. FDI inflows to Information and communication industry grew by 77.3 per cent to KSh 37,081 million, and accounted for 25.5 per cent of the total FDI inflows in 2017. Foreign Direct Investment inflows to manufacturing industry increased by 21.8 per cent to KSh 22,870 million in the review period.

2.29. Foreign Direct Investment outflows from information and communication activity more than doubled to KSh 29,085 million in 2017 and accounted for the highest proportion of FDI outflows at 38.1 per cent. Other industries that recorded notable increases in FDI outflows in 2017 were wholesale and retail, accommodation and food services, manufacturing, and finance and insurance. FDI outflows in 2017 declined significantly in transport and storage (56.6%), construction (47.1%), electricity gas, steam and air condition supply (33.0%), and agriculture, forestry and fishing industries (10%).

2.30. Net FDI inflows to finance and insurance grew by 9.6 per cent to KSh 34,688 million in 2017 and contributed the highest net FDI inflows at 50.5 per cent. Other industries that contributed significantly to net FDI inflows were manufacturing and; information and communication at 12.5 per cent and 11.6 per cent in 2017, respectively.

Table 2.8: Flows of FDI liabilities by Economic Activity, 2016-2017

KSh Million

Sector	2016			2017		
	Inflows	Outflows	Net	Inflows	Outflows	Net
A. Agriculture, Forestry & Fishing	1,114.91	3,704.69	-2,589.78	3,801.19	3,332.58	468.62
B. Mining & Quarrying	1,180.43	7.48	1,172.95	4,564.32	30.00	4,534.32
C. Manufacturing	18,783.49	13,592.27	5,191.22	22,870.40	14,294.95	8,575.45
D. Electricity, Gas, Steam & Air Conditioning Supply	3,288.31	145.11	3,143.20	3,396.66	97.24	3,299.42
E. Water supply; sewerage, waste management and remediation activities	0.00	0.00	0.00	0.00	0.00	0.00
F. Construction	15,957.22	15,646.29	310.92	9,946.76	8,276.70	1,670.06
G. Wholesale & Retail Trade	13,325.89	7,916.13	5,409.76	14,350.86	8,774.61	5,576.25
H. Transportation & Storage	1,505.47	7,775.83	-6,270.36	4,007.16	3,389.09	618.07
I. Accommodation & Food Service Activities	854.71	1,095.85	-241.14	1,176.06	1,174.51	1.56
J. Information & Communication	20,913.32	10,774.89	10,138.42	37,080.85	29,084.68	7,996.17
K. Financial & Insurance Activities	36,483.21	4,829.25	31,653.96	39,716.20	5,028.11	34,688.09
L. Real estate activities	0.00	20.07	-20.07	35.05	0.00	35.05
M. Professional, Scientific & Technical Activities	604.58	430.00	174.58	2,574.44	2,266.95	307.48
N. Administrative & Support Service Activities	215.72	22.93	192.79	273.27	151.49	121.78
P. Education	1,181.00	326.70	854.30	1,339.09	350.72	988.36
Q. Human Health & Social Work Activities	165.90	0.00	165.90	5.28	28.64	-23.36
R. Arts, entertainment and recreation	0.00	0.00	0.00	0.00	0.00	0.00
S. Other Service Activities	0.00	33.08	-33.08	6.61	140.66	-134.05
Grand Total	**115,574.14**	**66,320.55**	**49,253.59**	**145,144.21**	**76,420.93**	**68,723.28**

Stock of Private Sector External Debt

2.31. The stock of Private Sector External Debt (PSED) increased by 7.4 per cent to KSh 730,554 million in 2017 as shown in Table 2.9. The highest share of total stock of PSED at 87.7 per cent in 2016 and 83.6 per cent in 2017 was contributed by debt from OI category predominantly in form of long-term debt instruments. Debt associated with FDI increased by 36.7 per cent to KSh 108,289 million in 2017, and accounted for 14.8 per cent of PSED stock.

Table 2.9: Stock of Private Sector External Debt, 2016-2017

Category	2016		2017	
	KSh Million	% Share	KSh Million	% Share
Foreign Direct Investment	**79,200.08**	**11.6**	**108,288.69**	**14.8**
Debt Instruments	79,200.08	11.6	108,288.69	14.8
Long Term	47,362.01	7.0	80,780.50	11.1
Short Term	31,838.07	4.7	27,508.19	3.8
Portfolio Investment	**716.05**	**0.1**	**752.42**	**0.1**
Debt Securities	716.05	0.1	752.42	0.1
Long Term	716.05	0.1	752.42	0.1
Short Term	0.00	0.0	0.0	0.0
Financial Derivatives and Employee Stock Options	**3,684.06**	**0.5**	**10,708.32**	**1.5**
Forwards	3,684.06	0.5	10,708.32	1.5
Option	0.00	0.0	0.0	0.0
Employees Stock Options	0.00	0.0	0.0	0.0
Other Investment	**596,336.25**	**87.7**	**610,804.43**	**83.6**
Currency and Deposits	30,009.88	4.4	49,003.00	6.7
Long Term	3,166.82	0.5	92.36	0.0
Short Term	26,843.05	3.9	48,910.64	6.7
Trade Credits and Advances	10,063.60	1.5	8,333.95	1.1
Long Term	926.59	0.1	1,008.09	0.1
Short Term	9,137.01	1.3	7,325.87	1.0
Loans	453,476.54	66.7	431,480.42	59.1
Long Term	443,479.46	65.2	421,310.40	57.7
Short Term	9,997.08	1.5	10,170.02	1.4
Insurance, Pension and Standardised Guarantees	95,229.36	14.0	112,217.84	15.4
Life Insurance Reserves	9,846.37	1.4	16,321.57	2.2
Non-life Insurance Reserves	46,961.98	6.9	49,226.97	6.7
Pension Entitlements / Claims	37,838.67	5.6	45,446.35	6.2
Standardised Guarantees	582.34	0.1	1,222.96	0.2
Other Accounts Payable	7,556.88	1.1	9,769.21	1.3
Long Term	16.27	0.0	74.66	0.0
Short Term	7,540.61	1.1	9,694.56	1.3
Grand Total	**679,936.43**	**100.0**	**730,553.86**	**100.0**

Flows of Private Sector External Debt

2.32. Flows of PSED by category are presented in Table 2.10. Inflows of PSED increased by 15.1 per cent to KSh 191,835 million in 2017 and was mainly in form of Other Investment. The increase in OI inflows was attributed to currency and deposits, insurance reserves and pension entitlements. PSED outflows increased by 9.0 per cent to KSh 168,775 million in 2017, mainly reflected in increase in debt associated with FDI and debt classified under Other Investment. The increase in Other Investment outflows was mainly driven by currency and deposits.

2.33. The value of net PSED inflows increased by 96.0 per cent from KSh 11,766 million in 2016 to KSh 23,059 million in 2017. This was largely supported by increase in Other Investments flows in form of currency and deposits, insurance reserves and pension entitlements.

Table 2.10: Flows of Private Sector External Debt, 2016-2017

KSh Million

Category	2016			2017		
	Inflows	Outflows	Net	Inflows	Outflows	Net
Foreign Direct Investment	**43,365.84**	**27,781.57**	**15,584.27**	**29,018.19**	**35,758.68**	**-6,740.49**
Debt Instruments	43,365.84	27,781.57	15,584.27	29,018.19	35,758.68	-6,740.49
Long Term	31,736.19	16,515.34	15,220.85	18,928.81	21,966.21	-3,037.40
Short Term	11,629.65	11,266.24	363.41	10,089.38	13,792.47	-3,703.09
Portfolio Investment	**0.00**	**0.00**	**0.00**	**36.37**	**0.00**	**36.37**
Debt Securities	0.00	0.00	0.00	36.37	0.00	36.37
Long Term	0.00	0.00	0.00	36.37	0.00	36.37
Short Term	0.00	0.00	0.00	0.00	0.00	0.00
Financial Derivatives and Employee Stock Options	**43.78**	**506.12**	**-462.34**	**656.73**	**633.50**	**23.23**
Forwards	43.78	506.12	-462.34	656.73	633.50	23.23
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	**123,191.28**	**126,547.69**	**-3,356.41**	**162,123.39**	**132,383.19**	**29,740.21**
Currency and Deposits	8,040.44	19,697.90	-11,657.46	84,087.14	62,019.56	22,067.58
Long Term	0.00	0.00	0.00	0.00	0.00	0.00
Short Term	8,040.44	19,697.90	-11,657.46	84,087.14	62,019.56	22,067.58
Trade Credits and Advances	8,080.32	9,376.80	-1,296.49	6,111.34	8,155.37	-2,044.03
Long Term	300.00	98.84	201.16	571.77	567.07	4.71
Short Term	7,780.32	9,277.97	-1,497.65	5,539.57	7,588.30	-2,048.73
Loans	90,886.49	78,637.44	12,249.05	47,086.02	54,115.48	-7,029.46
Long Term	86,444.21	76,898.59	9,545.62	45,079.69	53,249.54	-8,169.84
Short Term	4,442.29	1,738.86	2,703.43	2,006.32	865.94	1,140.38
Insurance, Pension and Standardised Guarantees	8,532.64	2,790.24	5,742.40	15,670.63	892.44	14,778.19
Life Insurance Reserves	0.00	1,559.31	-1,559.31	6,475.20	0.00	6,475.20
Non-life Insurance Reserves	3,432.30	1,182.08	2,250.22	2,790.75	848.07	1,942.68
Pension Entitlements / Claims	4,628.01	3.85	4,624.16	5,764.06	44.37	5,719.69
Standardised Guarantees	472.33	45.00	427.33	640.62	0.00	640.62
Other Accounts Payable	7,651.39	16,045.31	-8,393.92	9,168.26	7,200.33	1,967.92
Long Term	18.42	10.39	8.03	68.40	8.95	59.45
Short Term	7,632.96	16,034.92	-8,401.95	9,099.86	7,191.38	1,908.48
Grand Total	**166,600.90**	**154,835.39**	**11,765.51**	**191,834.69**	**168,775.37**	**23,059.32**

Stock of Private Sector External Debt by Country

2.34. As shown in Table 2.11 and Figure 2.5, the US, South Africa, United Kingdom, France and Mauritius were the main source of PSED, collectively accounting for 38.9 per cent of the total PSED in 2017. The proportion of PSED from International Financial Organisations increased by 4.2 per cent to KSh 207,962 million and accounted for 28.5 per cent in 2017. Stock of PSED attributed to South Africa more than doubled to KSh 87,946 million in 2017, while its share to total PSED increased from 4.0 per cent in 2016 to 12.0 per cent in 2017.

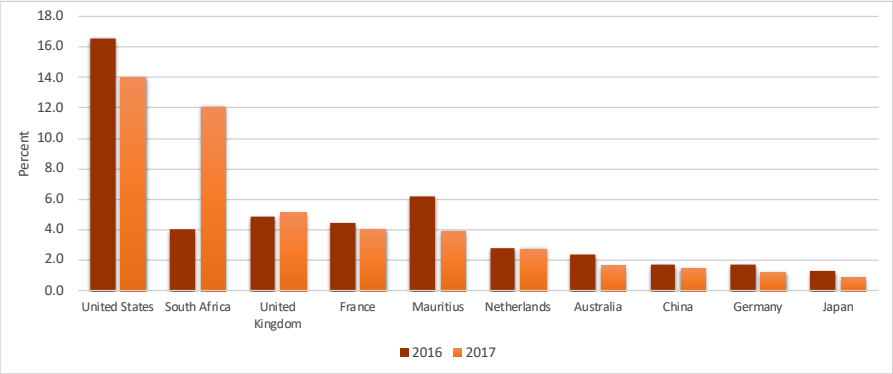
Table 2.11: Stock of Private Sector External Debt by Country, 2016-2017

Country	2016		2017	
	KSh Million	% Share	KSh Million	% Share
United States	112,693.34	16.6	101,977.63	14.0
South Africa	27,374.90	4.0	87,945.64	12.0
United Kingdom	32,906.17	4.8	37,048.60	5.1
France	30,445.38	4.5	29,238.54	4.0
Mauritius	42,019.79	6.2	28,011.25	3.8
Netherlands	18,762.88	2.8	20,281.98	2.8
Australia	16,405.82	2.4	11,666.78	1.6
China	11,586.66	1.7	10,823.72	1.5
Germany	11,461.75	1.7	9,072.53	1.2
Japan	9,097.25	1.3	6,504.70	0.9
Israel	6,065.98	0.9	5,655.37	0.8
Switzerland	4,429.78	0.7	4,652.38	0.6
Sweden	3,508.35	0.5	3,521.58	0.5
Djibouti	1,167.71	0.2	3,114.05	0.4
Hong Kong	5,224.88	0.8	2,689.69	0.4
Spain	2,249.86	0.3	2,369.07	0.3
India	6,738.31	1.0	2,203.43	0.3
Madagascar	2,005.36	0.3	1,958.93	0.3
Ghana	654.46	0.1	1,557.77	0.2
United Arab Emirates	1,843.74	0.3	1,540.67	0.2
Lebanon	1,744.66	0.3	1,434.43	0.2
Macao	1,217.25	0.2	1,372.71	0.2
Saudi Arabia	945.15	0.1	1,197.88	0.2
Tanzania	1,045.56	0.2	1,183.53	0.2
Norway	1,017.73	0.1	889.14	0.1
Belgium	1,752.00	0.3	829.18	0.1
Sri Lanka	0.00	0.0	737.68	0.1
Ireland	764.12	0.1	499.64	0.1
Virgin Islands, British	105.06	0.0	415.92	0.1
Canada	349.47	0.1	341.15	0.0
Cayman Islands	332.83	0.0	336.29	0.0
Uganda	267.98	0.0	296.55	0.0
Italy	89.06	0.0	218.11	0.0
Denmark	295.29	0.0	184.60	0.0
Rwanda	541.23	0.1	169.76	0.0
South Sudan	3,170.16	0.5	162.57	0.0
Bosnia and Herzegovina	164.53	0.0	142.96	0.0
Bahrain	99.40	0.0	105.71	0.0
Pakistan	103.40	0.0	103.42	0.0
Botswana	0.00	0.0	93.74	0.0
Luxembourg	192.61	0.0	63.55	0.0
Cote d`Ivoire	0.37	0.0	61.88	0.0
Indonesia	37.40	0.0	59.78	0.0
New Zealand	36.31	0.0	58.41	0.0
Burundi	53.12	0.0	40.87	0.0
Taiwan	7.41	0.0	39.02	0.0
Bermuda	3.38	0.0	28.05	0.0
Singapore	28.73	0.0	15.32	0.0
Nigeria	33.79	0.0	9.04	0.0
Turkey	689.79	0.1	7.55	0.0
Thailand	4.49	0.0	7.37	0.0
Zambia	4.19	0.0	5.11	0.0
Togo	6.40	0.0	2.30	0.0
Congo, Rep. of	0.59	0.0	0.59	0.0
Hungary	1.81	0.0	0.16	0.0
Poland	1.14	0.0	0.00	0.0
Morocco	1,547.48	0.2	0.00	0.0
Cameroon	42.14	0.0	0.00	0.0
Congo, Dem. Rep. of	1.31	0.0	0.00	0.0
International Financial Institutions/ organizations[1]	199,524.53	29.3	207,962.14	28.5
Others[2]	117,072.21	17.2	139,643.40	19.1
Total	**679,936.43**	**100.0**	**730,553.86**	**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, 2016-2017



Private Sector External Debt Flows by Country

2.35. Flows of PSED by country are shown in Table 2.12. Inflows of PSED were mainly due to a substantial improvement in inflows from the United Kingdom from KSh 5,517 million in 2016 to KSh 63,612 million in 2017. Inflows from South Africa also increased significantly from KSh 2,918 million to KSh 19,405 million and accounted for 16.6 per cent of total PSED inflows in 2017. Outflows of PSED to UK increased significantly from KSh 14,372 million in 2016 to KSh 59,324 million in 2017 and contributed 35.1 per cent of total PSED outflows.

Table 2.12: Private Sector External Debt Flows by Country, 2016-2017

KSh Million

Country	2016			2017		
	Inflows	Outflows	Net	Inflows	Outflows	Net
South Africa	2,917.71	12,228.03	-9,310.32	19,405.26	3,355.05	16,050.21
United Kingdom	5,516.93	14,372.02	-8,855.09	63,611.54	59,324.42	4,287.12
Netherlands	1,940.32	128.52	1,811.80	4,134.05	1,546.17	2,587.88
Ghana	5.83	644.88	-639.05	2,066.44	1,161.03	905.41
Sri Lanka	0.00	0.00	0.00	737.57	0.00	737.57
Cayman Islands	33.04	0.00	33.04	316.32	0.00	316.32
Virgin Islands, British	0.00	0.00	0.00	312.35	0.00	312.35
Saudi Arabia	214.59	44.70	169.90	252.49	0.00	252.49
Sweden	227.55	366.27	-138.72	1,745.50	1,501.18	244.32
Switzerland	2,052.35	3,246.70	-1,194.36	3,599.23	3,364.11	235.11
Macao	811.55	250.80	560.75	817.00	679.02	137.98
Spain	40.28	0.00	40.28	120.30	1.61	118.69
Botswana	0.00	0.00	0.00	93.73	0.00	93.73
South Sudan	0.00	0.00	0.00	70.08	0.00	70.08
Cote d`Ivoire	0.00	0.00	0.00	61.45	0.00	61.45
Uganda	918.26	1,087.86	-169.60	104.14	71.09	33.04
Indonesia	37.36	11.89	25.48	32.78	0.00	32.78
Bermuda	3.37	0.00	3.37	24.67	0.00	24.67
New Zealand	0.00	0.00	0.00	22.09	0.00	22.09
Bahrain	0.00	0.47	-0.47	6.30	0.00	6.30
Thailand	1.67	0.04	1.63	2.88	0.00	2.88
Zambia	0.00	13.19	-13.19	0.92	0.00	0.92
Malaysia	0.00	0.00	0.00	0.32	0.32	0.00
Pakistan	33.14	0.00	33.14	0.00	0.00	0.00
Malawi	0.00	941.00	-941.00	0.00	0.00	0.00
Mexico	0.00	10.52	-10.52	0.00	0.00	0.00
Brazil	0.00	0.02	-0.02	0.00	0.00	0.00
Poland	1.14	0.07	1.08	0.00	1.14	-1.14
Hungary	1.81	0.00	1.81	0.00	1.65	-1.65
Canada	2.46	20.00	-17.54	2.61	10.00	-7.39
Italy	31.86	41.26	-9.40	21.21	33.02	-11.81
Singapore	28.70	6.00	22.70	0.00	13.40	-13.40
Bosnia and Herzegovina	0.00	54.95	-54.95	0.00	21.58	-21.58
Nigeria	33.09	0.00	33.09	1.27	25.99	-24.72
Cameroon	42.09	0.00	42.09	0.00	42.09	-42.09
Tanzania	108.20	315.98	-207.78	62.95	105.44	-42.49
Denmark	294.98	0.00	294.98	0.00	110.62	-110.62
Norway	0.00	5.46	-5.46	125.14	253.65	-128.51
Luxembourg	12.02	180.39	-168.36	51.50	180.39	-128.89
United Arab Emirates	386.03	4,016.04	-3,630.01	217.99	398.02	-180.03
Ireland	179.16	0.00	179.16	3.62	267.93	-264.31
Lebanon	0.00	294.39	-294.39	0.00	310.22	-310.22
Rwanda	515.31	0.00	515.31	40.58	411.64	-371.07
Israel	2,028.51	0.46	2,028.05	0.22	411.67	-411.44
Belgium	296.58	1,224.51	-927.93	288.00	815.25	-527.25
Mauritius	6,383.89	572.68	5,811.21	2,421.68	3,044.70	-623.02
Turkey	0.00	607.15	-607.15	0.00	681.52	-681.52
France	3,541.46	1,299.12	2,242.34	1,397.02	2,118.68	-721.66
China	15,471.12	19,669.96	-4,198.84	10,055.14	10,953.24	-898.10
Germany	7,769.07	6,884.29	884.78	2,077.76	3,881.83	-1,804.07
Japan	9,105.97	8,894.66	211.31	6,990.71	8,839.18	-1,848.47
Hong Kong	631.04	0.00	631.04	0.83	2,664.63	-2,663.80
India	5,083.04	10,503.88	-5,420.84	934.52	5,570.65	-4,636.13
Australia	5.13	3,055.75	-3,050.62	5.01	4,741.86	-4,736.85
United States	19,756.26	11,212.13	8,544.13	12,786.50	23,499.26	-10,712.76
International Financial Institutions/organizations[1]	68,031.73	45,650.24	22,381.49	31,870.81	23,687.20	8,183.61
Others[2]	12,106.31	6,979.13	5,127.17	24,942.21	4,674.91	20,267.30
Total	**166,600.90**	**154,835.39**	**11,765.51**	**191,834.69**	**168,775.37**	**23,059.32**

[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. Foreign assets are categorized into Foreign Direct Investment (FDI), Portfolio Investment (PI), Financial Derivatives and Other Investment (OI). Foreign Direct Investment and Portfolio Investment comprise equity and investment fund shares and debt instruments, 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 assets held abroad by Kenyan residents increased by 2.4 per cent from KSh 210,858 million in 2016 to KSh 215,875 million in 2017, as shown in Table 3.1. The improvement was on account of FDI which increased by 7.1 per cent to KSh 148,409 million in 2017, attributable to equity and investment fund shares. During the review period, FDI contributed 65.7 per cent and 68.7 per cent of the total stock respectively. The share of debt instruments in FDI assets increased as result of a 28.9 per cent growth in the long-term debt assets.

3.3. The share of Other Investment assets to total external assets declined from 34.1 per cent in 2016 to 31.1 per cent in 2017. This was occasioned by declines in short term currency and deposits; and short-term loans. The stock of currency and deposits decreased from KSh 45,788 million in 2016 to KSh 43,629 million in 2017. In this category, short term currency and deposits contributed 79.3 per cent and 65.1 per cent of the total stock of the currency and deposits, over the review period. The stock of loans decreased by 19.0 per cent from KSh 18,415 million in 2016 to KSh 14,914 million in 2017, with a shift from short term to long term loans. The stock of Portfolio Investment abroad increased by 7.2 per cent from KSh 264.2 million in 2016 to KSh 283.2 million in 2017, on account of equity and investment fund shares.

Table 3.1: Stock of Foreign Assets, 2016-2017

Category	2016		2017	
	KSh Million	% Share	KSh Million	% Share
Foreign Direct Investment	**138,602.70**	**65.7**	**148,408.97**	**68.7**
Equity and Investment Fund Shares	115,464.84	54.8	122,212.54	56.6
Equity and Investment Fund Shares other than Reinvested Earnings	110,258.54	52.3	119,524.27	55.4
Accumulated Retained Earnings	5,206.30	2.5	2,688.26	1.2
Debt Instruments	23,137.86	11.0	26,196.44	12.1
Long Term	16,394.50	7.8	21,137.05	9.8
Short Term	6,743.36	3.2	5,059.39	2.3
Portfolio Investment	**264.19**	**0.1**	**283.19**	**0.1**
Equity and Investment Fund Shares	264.19	0.1	283.19	0.1
Debt Securities	0.00	0.0	0.00	0.0
Long Term	0.00	0.0	0.00	0.0
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	**71,991.05**	**34.1**	**67,183.21**	**31.1**
Other Equity	0.00	0.0	0.00	0.00
Currency and Deposits	45,787.55	21.7	43,628.67	20.2
Long Term	9,445.49	4.5	15,217.88	7.0
Short Term	36,342.06	17.2	28,410.79	13.2
Trade Credits and Advances	1,521.15	0.7	1,504.49	0.7
Long Term	0.00	0.0	0.00	0.0
Short Term	1,521.15	0.7	1,504.49	0.7
Loans	18,415.27	8.7	14,913.95	6.9
Long Term	4,487.46	2.1	10,463.50	4.8
Short Term	13,927.81	6.6	4,450.44	2.1
Insurance, Pension and Standardised Guarantees	6,094.49	2.9	6,961.39	3.2
Life Insurance Reserves	0.00	0.0	0.00	0.0
Non-life Insurance Reserves	6,094.22	2.9	6,961.12	3.2
Pension Entitlements / Claims	0.27	0.0	0.27	0.0
Standardised Guarantees	0.00	0.0	0.00	0.0
Other Accounts Receivable	172.59	0.1	174.72	0.1
Long Term	100.27	0.0	112.95	0.1
Short Term	72.32	0.0	61.76	0.0
Grand Total	**210,857.94**	**100.0**	**215,875.37**	**100.0**

Flows of Foreign Assets

3.4. Total outflow of foreign assets increased from KSh 27,591 million in 2016 to KSh 46,002 million in 2017, as presented in Table 3.2. This was mainly attributed to an increase in Other Investment from KSh 13,405 million in 2016 to KSh 31,152 million in 2017. This was due to a build-up of currency and deposits; and trade credit and advances during the review period. Foreign direct investment outflows grew by 4.7 per cent to KSh 14,850 million in 2017.

3.5. Inflows of foreign assets increased more than five-fold from KSh 6,670 million in 2016 to KSh 37,940 million in 2017, contributed mainly by Other Investment. This largely resulted from a drawdown of short-term currency and deposits abroad. Overall, net outflows of foreign assets declined by 61.5 per cent to KSh 8,062 million in 2017.

Table 3.2: Flows of Foreign Assets, 2016-2017

KSh Million

Category	2016			2017		
	Outflows	Inflows	Net	Outflows	Inflows	Net
Foreign Direct Investment	**14,185.54**	**2,694.49**	**11,491.05**	**14,849.97**	**7,496.68**	**7,353.29**
Equity and Investment Fund Shares	5,799.01	1,382.37	4,416.64	6,252.17	2,039.69	4,212.48
Equity and Investment Fund Shares other than Reinvested Earnings	2,223.68	32.07	2,191.62	3,967.67	13.91	3,953.76
Accumulated Retained Earnings	3,575.33	1,350.31	2,225.02	2,284.51	2,025.78	258.72
Debt Instruments	8,386.53	1,312.12	7,074.41	8,597.80	5,456.99	3,140.81
Long Term	1,949.00	404.52	1,544.48	4,975.50	224.80	4,750.70
Short Term	6,437.53	907.60	5,529.93	3,622.30	5,232.19	-1,609.89
Portfolio Investment	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Equity and Investment Fund Shares	0.00	0.00	0.00	0.00	0.00	0.00
Debt Securities	0.00	0.00	0.00	0.00	0.00	0.00
Long Term	0.00	0.00	0.00	0.00	0.00	0.00
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	**13,405.17**	**3,975.38**	**9,429.79**	**31,151.64**	**30,442.95**	**708.70**
Other Equity	0.00	0.00	0.00	0.00	0.00	0.00
Currency and Deposits	8,520.28	77.86	8,442.42	23,741.48	19,718.56	4,022.92
Long Term	1,866.82	0.00	1,866.82	6,652.56	1,028.43	5,624.13
Short Term	6,653.46	77.86	6,575.60	17,088.92	18,690.13	-1,601.21
Trade Credits and Advances	702.25	1,483.65	-781.41	4,461.44	944.44	3,517.00
Long Term	..	..	..	..	..	..
Short Term	702.25	1,483.65	-781.41	4,461.44	944.44	3,517.00
Loans	3,635.84	0.00	3,635.84	890.59	9,995.92	-9,105.33
Long Term	727.00	0.00	727.00	890.59	518.75	371.84
Short Term	2,908.84	0.00	2,908.84	0.00	9,477.17	-9,477.17
Insurance, Pension and Standardised Guarantees	342.39	2,213.97	-1,871.58	1,904.25	-346.23	2,250.47
Life Insurance Reserves	0.00	0.00	0.00	0.00	0.00	0.00
Non-life Insurance Reserves	342.39	2,213.93	-1,871.55	1,904.25	-346.23	2,250.48
Pension Entitlements / Claims	0.00	0.03	-0.03	0.00	0.01	-0.01
Standardised Guarantees	0.00	0.00	0.00	0.00	0.00	0.00
Other Accounts Receivable	204.42	199.90	4.51	153.89	130.25	23.63
Long Term	49.47	47.00	2.47	34.19	0.00	34.19
Short Term	154.95	152.90	2.05	119.70	130.25	-10.56
Grand Total	**27,590.71**	**6,669.88**	**20,920.84**	**46,001.61**	**37,939.62**	**8,061.99**

Stock of Foreign Assets by Country

3.6. The EAC was the main destination of Kenya's investments abroad with a share of 56.5 per cent and 61.4 per cent of the total stock of foreign assets in 2016 and 2017, respectively. Tanzania and Uganda were the leading destinations of Kenya's investments, accounting for 23.9 per cent and 21.1 per cent of the total stock of external assets in 2017, respectively, as shown in Table 3.3. Kenya's enterprises investing in the EAC region were mainly from finance and insurance, manufacturing, transport and; information and communication industries.

Table 3.3: Stock of Foreign Assets by Country, 2016-2017

Country	2016		2017	
	KSh Million	% Share	KSh Million	% Share
Tanzania	46,800.28	22.2	51,544.33	23.9
Uganda	42,324.28	20.1	45,518.58	21.1
South Sudan	21,550.60	10.2	25,491.79	11.8
Mauritius	11,306.17	5.4	18,282.06	8.5
United Kingdom	13,745.66	6.5	15,072.28	7.0
Rwanda	6,339.48	3.0	8,187.47	3.8
United States	6,450.43	3.1	7,690.43	3.6
Congo, Rep. of	6,748.00	3.2	6,748.00	3.1
South Africa	9,819.31	4.7	4,550.59	2.1
Malawi	874.94	0.4	2,733.38	1.3
Germany	2,603.33	1.2	2,084.58	1.0
Burundi	2,016.34	1.0	1,781.38	0.8
France	2,001.95	0.9	911.00	0.4
Ethiopia	533.34	0.3	586.32	0.3
Sri Lanka	0.00	0.0	420.51	0.2
Mozambique	182.49	0.1	341.89	0.2
Zambia	260.65	0.1	281.77	0.1
Switzerland	136.61	0.1	264.08	0.1
Spain	107.49	0.1	247.25	0.1
Ireland	391.97	0.2	201.27	0.1
Nigeria	29.62	0.0	167.67	0.1
Botswana	96.45	0.0	125.18	0.1
United Arab Emirates	164.32	0.1	95.28	0.0
Others[1]	36,374.23	17.3	22,548.27	10.4
Total	**210,857.94**	**100.0**	**215,875.37**	**100.0**

[1]Includes Countries not specified

Flows of Foreign Assets by Country

3.7. Total outflows of foreign assets nearly doubled to KSh 46,002 million in 2017 as presented in Table 3.4. Investments abroad were mainly to Tanzania, accounting for 29.3 per cent of the total outflows in 2017. Outflows of foreign asset to Rwanda increased from KSh 767 million in 2016 to KSh 11,851 million in 2017.

3.8. Disinvestment from Tanzania increased to KSh 8,297 million, representing 21.9 per cent of the total inflows of Kenya's foreign assets in 2017. Inflows of foreign assets from South Africa accounted for 14.0 per cent while those from Rwanda accounted for 9.3 per cent of total inflows of foreign assets in the review period.

Table 3.4: Flows of Foreign Assets by Country, 2016-2017

KSh Million

Country	2016			2017		
	Outflows	Inflows	Net	Outflows	Inflows	Net
Rwanda	767.29	368.11	399.18	11,851.04	3,524.87	8,326.17
Tanzania	5,003.47	1,001.49	4,001.97	13,500.99	8,296.64	5,204.35
South Sudan	3,920.47	0.49	3,919.98	5,484.32	518.42	4,965.90
Somalia	245.42	291.99	-46.57	3,923.36	377.60	3,545.75
Uganda	3,244.77	3,071.97	172.80	4,399.56	1,408.38	2,991.18
United States	283.46	0.57	282.89	2,017.52	927.23	1,090.29
Mauritius	37.05	0.00	37.05	610.04	0.00	610.04
Sri Lanka	0.00	0.00	0.00	420.51	0.00	420.51
United Kingdom	638.41	243.50	394.90	984.31	808.54	175.77
Mozambique	16.57	4.10	12.48	178.38	19.01	159.37
Spain	39.35	0.00	39.35	139.76	0.00	139.76
Nigeria	29.62	0.00	29.62	138.06	0.00	138.06
Switzerland	71.36	0.00	71.36	141.94	14.46	127.48
Congo, Dem. Rep. of	321.10	320.17	0.93	445.25	387.74	57.51
Ethiopia	36.09	152.70	-116.61	138.51	85.53	52.98
Reunion	26.01	0.00	26.01	47.75	0.00	47.75
Portugal	0.00	113.82	-113.82	26.67	0.00	26.67
Zambia	40.27	9.90	30.37	41.88	21.09	20.78
Sudan	83.66	83.50	0.16	24.82	8.03	16.78
Belgium	47.09	0.00	47.09	12.73	0.00	12.73
Djibouti	90.54	99.75	-9.21	0.46	14.28	-13.81
Zimbabwe	21.57	0.00	21.57	7.71	21.57	-13.85
Australia	22.76	0.00	22.76	0.00	20.84	-20.84
Sweden	10.86	1.27	9.59	4.07	26.54	-22.46
Malawi	264.65	5.34	259.32	2.54	43.98	-41.44
United Arab Emirates	94.71	6.39	88.32	23.53	92.56	-69.04
Cameroon	133.30	0.00	133.30	0.00	122.00	-122.00
Burundi	604.61	1.23	603.38	87.04	244.62	-157.58
Germany	44.58	0.00	44.58	0.00	518.75	-518.75
France	0.00	0.00	0.00	0.00	1,090.95	-1,090.95
Ghana	377.96	0.00	377.96	0.26	3,140.52	-3,140.27
South Africa	2,968.86	3.34	2,965.52	45.20	5,313.82	-5,268.62
Others[1]	8,104.87	890.27	7,214.61	1,303.41	10,891.64	-9,588.23
Total	**27,590.71**	**6,669.88**	**20,920.84**	**46,001.61**	**37,939.62**	**8,061.99**

[1]Includes Countries not specified

Stock of Foreign Direct Investment Assets by Country

3.9. Overall, the country's stock of FDI assets held abroad increased by 7.1 per cent from KSh 138,603 million in 2016 to KSh 148,409 million in 2017, as shown in Table 3.5. The EAC held the highest share of stock of FDI collectively at 80.0 per cent and 78.7 per cent of the total FDI in 2016 and 2017, respectively. Tanzania, Uganda and South Sudan were the main destinations of FDI assets at 33.2, 27.9 and 10.9 per cent, respectively, in 2017.

Table 3.5: Stock of FDI Assets by Country, 2016-2017

Country	2016		2017	
	KSh Million	% Share	KSh Million	% Share
Tanzania	46,492.68	33.5	49,205.67	33.2
Uganda	39,921.57	28.8	41,353.89	27.9
South Sudan	16,518.30	11.9	16,205.02	10.9
Mauritius	10,128.55	7.3	11,500.24	7.7
Rwanda	6,286.60	4.5	8,121.96	5.5
Congo, Rep. of	6,748.00	4.9	6,748.00	4.5
United States	5,455.33	3.9	5,478.45	3.7
Malawi	867.72	0.6	2,732.31	1.8
Burundi	1,855.96	1.3	1,780.12	1.2
United Kingdom	1,364.05	1.0	1,720.47	1.2
France	911.00	0.7	911.00	0.6
Ethiopia	527.45	0.4	530.73	0.4
Sri Lanka	0.00	0.0	420.51	0.3
Zambia	260.65	0.2	281.77	0.2
Spain	107.49	0.1	247.25	0.2
Switzerland	91.93	0.1	233.86	0.2
Mozambique	57.31	0.0	226.45	0.2
Nigeria	2.83	0.0	113.70	0.1
South Africa	60.10	0.0	102.82	0.1
Portugal	61.18	0.0	87.85	0.1
United Arab Emirates	153.33	0.1	87.63	0.1
Reunion	26.01	0.0	73.76	0.0
Ghana	379.27	0.3	52.57	0.0
Cameroon	133.30	0.1	11.30	0.0
Others[1]	192.08	0.1	181.65	0.1
Total	**138,602.70**	**100.0**	**148,408.97**	**100.0**

[1]Includes Countries not specified

Flows of Foreign Direct Investment Assets by Country

3.10. Outflows of FDI increased by 4.7 per cent to KSh 14,850 million in 2017, as presented in Table 3.6. Outflows of FDI to the EAC accounted for 87.1 per cent and 80.9 per cent of the total outflows in 2016 and 2017, respectively. The inflows of FDI assets from the EAC region accounted for 86.1 per cent and 82.7 per cent of the total FDI assets in 2016 and 2017.

Table 3.6: Flows of FDI Assets by Country, 2016-2017

KSh Million

Country	2016			2017		
	Outflows	Inflows	Net	Outflows	Inflows	Net
Tanzania	4,873.66	945.44	3,928.22	5,942.00	3,707.05	2,234.95
Rwanda	721.64	329.17	392.46	2,331.77	613.82	1,717.96
Uganda	3,160.40	1,045.23	2,115.17	2,457.71	1,306.23	1,151.48
South Sudan	3,035.98	0.00	3,035.98	1,205.10	493.67	711.43
Mauritius	37.05	0.00	37.05	610.04	0.00	610.04
Sri Lanka	0.00	0.00	0.00	420.51	0.00	420.51
United Kingdom	363.08	243.50	119.58	984.31	622.82	361.49
Mozambique	16.57	4.10	12.48	178.38	19.01	159.37
Switzerland	36.44	0.00	36.44	141.94	0.00	141.94
Spain	39.35	0.00	39.35	139.76	0.00	139.76
Nigeria	2.83	0.00	2.83	110.87	0.00	110.87
Reunion	26.01	0.00	26.01	47.75	0.00	47.75
South Africa	59.99	3.34	56.66	45.05	2.24	42.82
Portugal	0.00	113.82	-113.82	26.67	0.00	26.67
United States	282.89	0.00	282.89	33.87	10.75	23.12
Zambia	40.27	9.90	30.37	41.88	21.09	20.78
Burundi	560.52	0.00	560.52	82.59	81.06	1.54
Malawi	252.10	0.00	252.10	0.00	35.29	-35.29
United Arab Emirates	94.71	0.00	94.71	23.53	89.22	-65.70
Cameroon	133.30	0.00	133.30	0.00	122.00	-122.00
Ghana	377.96	0.00	377.96	0.26	326.97	-326.71
Others[1]	70.80	0.00	70.80	25.98	45.46	-19.48
Total	**14,185.54**	**2,694.49**	**11,491.05**	**14,849.97**	**7,496.68**	**7,353.29**

[1]Includes Countries not specified

CHAPTER 4: INTERNATIONAL TRADE AND EMPLOYMENT



Overview

This Chapter presents findings on international trade in goods and services; employment and compensation of employees in 2016 and 2017. The scope of analysis covers information on enterprises that reported transactions on Foreign Assets and Liabilities.

Exports of Goods

4.2. Exports of goods by enterprises that reported transactions in Foreign Assets and Liabilities (FAL) increased by 2.7 per cent to KSh 160,445 million in 2017, as presented in Table 4.1. This represents 27.0 per cent of Kenya's total exports in 2017, as per Customs data. Exports from enterprises with FAL in the manufacturing industry were KSh 53,924 million in 2016 and KSh 57,128 million in 2017.

Imports of Goods

4.3. The value of imports by enterprises that reported FAL recorded a 4.5 per cent decline from KSh 361,219 million in 2016 to KSh 345,082 million in 2017 and accounted for 20.0 per cent of Kenya's imports in 2017, as per Customs data. This was largely attributed to 24.5 per cent decline in imports by enterprises in wholesale and retail trade industry to KSh 105,334 million in 2017. Imports by enterprises in the manufacturing industry rose by 10.0 per cent to KSh 212,082 million in 2017.

Goods Traded Under Merchanting

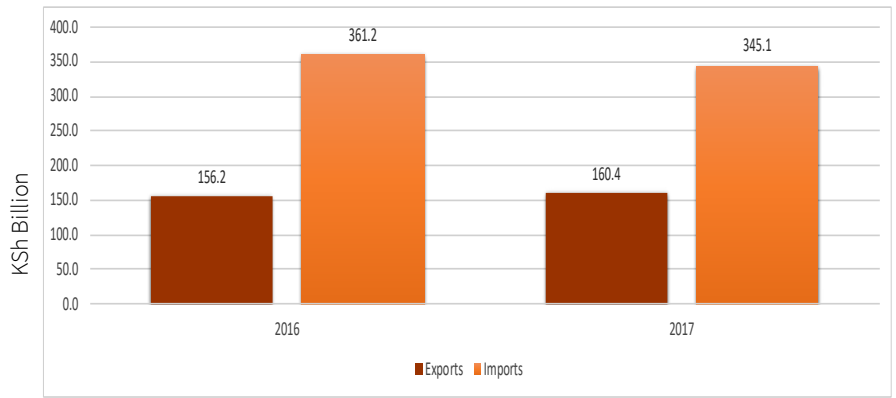
4.4. The value of goods sold under merchanting increased by 7.3 per cent to KSh 12,956 million in 2017 from KSh 12,076 million in 2016. This was mainly driven by an increase in the value of goods sold under merchanting by enterprises in the manufacturing industry which rose by 5.4 per cent in 2017.

Table 4.1: International Trade in Goods, 2016-2017

KSh Million

	Sector	2016			2017		
		Exports	Imports	Merchanting	Exports	Imports	Merchanting
A.	Agriculture, Forestry & Fishing	17,219.36	88.03	0.00	18,372.66	229.37	0.00
B.	Mining & Quarrying	19,993.01	1,144.19	0.00	24,229.90	2,609.96	0.00
C.	Manufacturing	53,923.76	192,891.49	11,067.38	57,127.63	212,082.46	11,668.34
D.	Electricity, Gas, Steam & Air Conditioning Supply	27.27	1,429.86	0.00	737.50	1,617.33	0.00
F.	Construction	37.38	1,660.69	0.00	31.95	1,441.06	0.00
G.	Wholesale & Retail Trade	41,264.75	141,100.02	565.99	36,725.59	105,334.10	298.46
H.	Transportation & Storage	21,285.07	9,325.52	10.75	20,617.83	8,267.78	13.12
I.	Accommodation & Food Service Activities	0.00	472.23	0.00	0.00	508.60	0.00
J.	Information & Communication	0.00	1,281.95	0.00	42.80	1,647.62	0.00
K.	Financial & Insurance Activities	517.88	3,194.94	0.00	0.00	3,145.04	0.00
L.	Real Estate Activities	0.00	0.00	0.00	0.00	0.00	0.00
M.	Professional, Scientific & Technical Activities	750.25	416.07	0.00	706.71	541.65	0.00
N.	Administrative & Support Service Activities	679.39	7,139.50	0.00	779.12	6,484.53	0.00
P.	Education	0.00	55.00	0.00	0.00	62.49	0.00
Q.	Human Health & Social Work Activities	431.74	506.97	431.74	976.07	911.36	976.07
S.	Other Service Activities	33.58	512.28	0.00	96.80	198.98	0.00
	Grand Total	**156,163.43**	**361,218.74**	**12,075.86**	**160,444.57**	**345,082.34**	**12,955.98**

Figure 4.1: International Trade in goods, 2016-2017



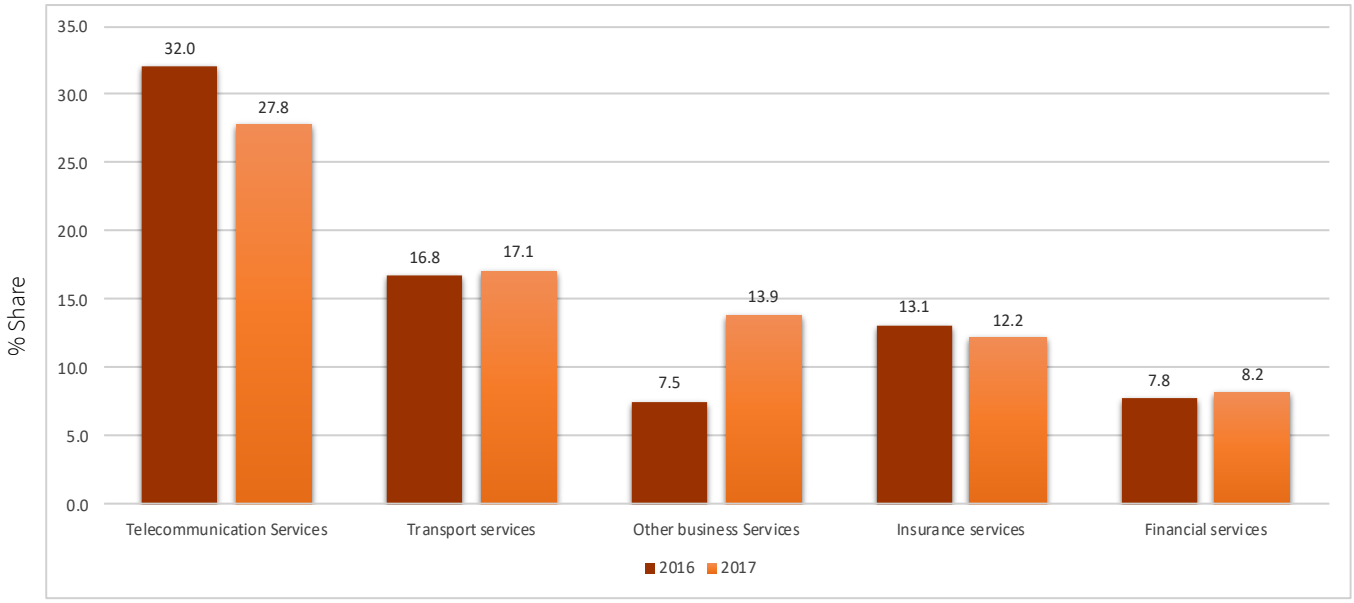
Expenditure on Services provided by Non-Residents

4.5. Expenditure on services provided by non-residents rose from KSh 25,686 million in 2016 to KSh 29,297 million in 2017, representing a 14.1 per cent increase as shown in Table 4.2. In 2017, telecommunications accounted for the highest proportion of expenditure on services at 27.8 per cent. Expenditure on transport services increased by 16.2 per cent to KSh 5,004 million and accounted for 17.1 per cent of total expenditure. This was occasioned by 36.4 per cent increase in expenditure on freight services.

Table 4.2: Expenditure on Services provided by Non-Residents, 2016-2017

Type of Service	2016		2017	
	KSh Million	% Share	KSh Million	% Share
Manufacturing services on physical inputs owned by others	355.53	1.4	599.85	2.0
Maintenance and repair services not included elsewhere(n.i.e)	256.30	1.0	399.36	1.4
Transport services	4,305.10	16.8	5,003.86	17.1
(i)Passenger services	24.26	0.1	34.49	0.1
(ii)Freight services	2,754.82	10.7	3,757.74	12.8
(iii)Postal and courier services	1,525.18	5.9	1,210.72	4.1
(iv)Other Transport services	0.84	0.0	0.91	0.0
Travel services	203.79	0.8	219.14	0.7
(i)Accommodation	202.72	0.8	210.54	0.7
(ii) Food and beverages	1.07	0.0	8.59	0.0
Construction services	1,777.18	6.9	1,344.34	4.6
Payments for Works	559.13	2.2	0.00	0.0
Goods and Services acquired abroad	1,218.05	4.7	1,344.34	4.6
Insurance	3,366.77	13.1	3,564.32	12.2
(i)Premiums	3,359.30	13.1	3,551.33	12.1
(ii)claims	7.48	0.0	13.00	0.0
Financial services (commission, fees and other charges excluding interest)	1,997.66	7.8	2,391.87	8.2
Charges for the use of intellectual property	1,757.03	6.8	1,639.70	5.6
Telecommunication Services	8,220.03	32.0	8,140.29	27.8
Computer Services	1,023.96	4.0	1,138.07	3.9
Information Services	441.10	1.7	692.99	2.4
Other business Services	1,924.88	7.5	4,066.55	13.9
(i) Research and Development services	746.88	2.9	765.33	2.6
(ii) Professional and Management consulting services	807.02	3.1	2,604.52	8.9
(iii) Technical, trade related	292.40	1.1	593.34	2.0
(iv) Business Process Outsourcing services	73.91	0.3	103.36	0.4
(v) Other business Services	4.67	0.0	0.00	0.0
Others	56.86	0.2	96.96	0.3
Grand Total	**25,686.20**	**100.0**	**29,297.30**	**100.0**

Figure 4.2: Expenditure on Top Five Services, 2016-2017



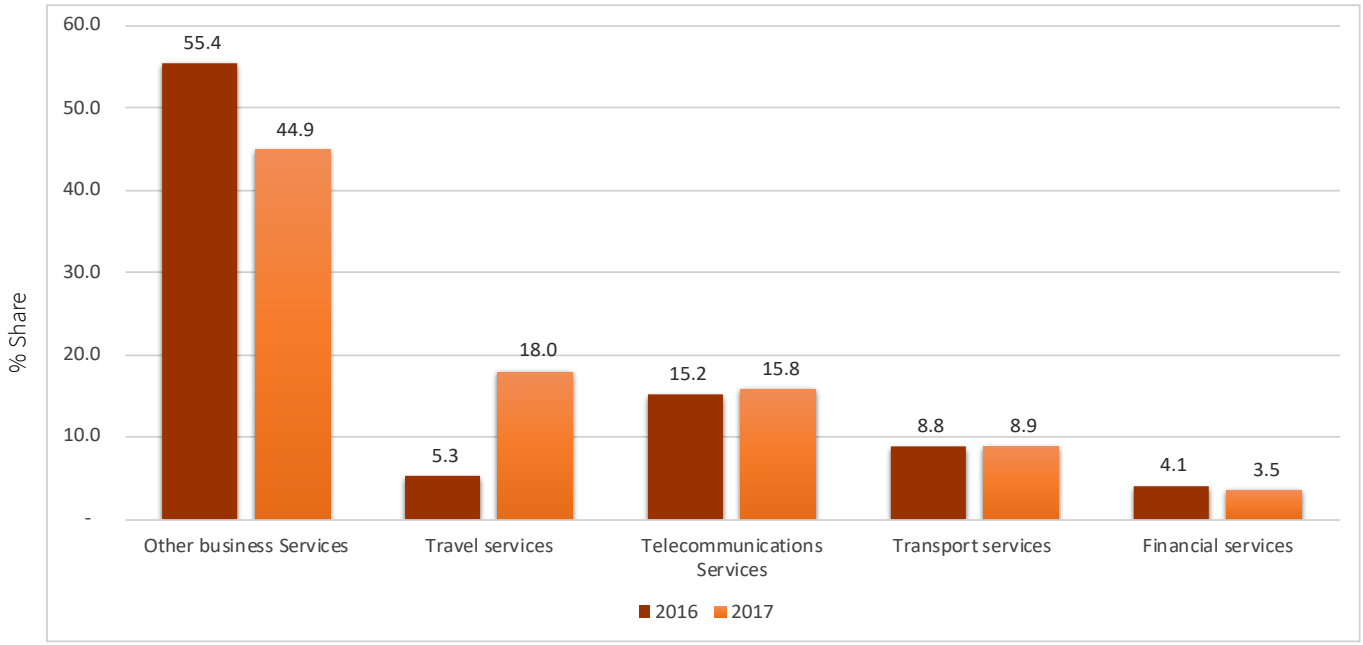
Income from Services rendered to non-residents

4.6. Income from services rendered to non-residents increased by 24.8 per cent to KSh 16,057 million in 2017 as presented in Table 4.3. The increase in travel receipts from KSh 680 million in 2016 to KSh 2,894 million in 2017, largely contributed to the increase in income from services rendered to non-residents. During the review period, notable increases in income from non-residents were also recorded in transport services (25.8 %) and telecommunication services (29.9 %).

Table 4.3: Income from Services rendered to Non-Residents, 2016-2017

Type of Service	2016		2017	
	KSh Million	% Share	KSh Million	% Share
Manufacturing services on physical inputs owned by others	309.93	2.4	88.33	0.6
Maintenance and repair services not included elsewhere (n.i.e)	40.00	0.3	45.00	0.3
Transport services	1,133.67	8.8	1,426.66	8.9
(i) Passenger services	24.35	0.2	13.95	0.1
(ii) Freight services	998.56	7.8	1,410.21	8.8
(iii) Postal and courier services	110.76	0.9	2.50	0.0
Travel services	679.81	5.3	2,893.88	18.0
(i) Accommodation	557.81	4.3	2,745.65	17.1
(ii) Food and beverages	122.00	0.9	148.23	0.9
Construction services by non residents	426.32	3.3	527.40	3.3
Goods and Services acquired locally	426.32	3.3	527.40	3.3
Insurance	224.60	1.7	331.57	2.1
(i)Premiums	222.76	1.7	313.57	2.0
(ii)claims	1.84	0.0	18.00	0.1
Pension services	0.42	0.0	2.14	0.0
Benefits	0.42	0.0	2.14	0.0
Financial services (commission, fees and other charges excluding interest)	527.15	4.1	562.82	3.5
Charges for the use of intellectual property	35.93	0.3	93.08	0.6
Telecommunications Services	1,956.01	15.2	2,539.86	15.8
Computer Services	39.37	0.3	28.35	0.2
Information Services	307.80	2.4	303.48	1.9
Other business Services	7,124.77	55.4	7,214.18	44.9
(i) Research and Development services	2,118.73	16.5	2,014.59	12.5
(ii) Professional and Management consulting services	3,822.99	29.7	3,961.01	24.7
(iii) Technical, trade related	82.27	0.6	98.39	0.6
(v) Other business Services	1,100.78	8.6	1,140.20	7.1
Others Services	57.39	0.4	-	-
Grand Total	**12,863.19**	**100.0**	**16,056.74**	**100.0**

Figure 4.3: Income on Top Five Services, 2016-2017



Employment in Enterprises with Foreign Assets and Liabilities

4.7. Employment declined from 198,374 jobs in 2016 to 197,412 jobs in 2017, as shown in Table 4.4. The number of local employees declined from 197,076 in 2016 to 194,415 in 2017. The number of long-term and short-term foreign employees increased by 49.1 per cent and 13.0 per cent, respectively, in 2017. The share of skilled local employees increased from 73.6 per cent in 2016 to 76.0 per cent in 2017.

Table 4.4: Employment by Skill Category, Nationality and Sex, 2016-2017

Number

Skill Category	2016						
	Local		Foreign		Total By Sex		
	Full-time	Part-time	Long term	Short term	Male	Female	Total Employment
Skilled	140,102	5,035	1,174	91	98,827	47,575	146,402
Unskilled	40,667	11,272	32	1	42,649	9,323	51,972
Total	**180,769**	**16,307**	**1,206**	**92**	**141,476**	**56,898**	**198,374**

Number

Skill Category	2017						
	Local		Foreign		Total By Sex		
	Full-time	Part-time	Long term	Short term	Male	Female	Total Employment
Skilled	142,648	5,148	1,775	1,196	109,240	41,527	150,767
Unskilled	35,806	10,813	23	3	41,154	5,491	46,645
Total	**178,454**	**15,961**	**1,798**	**1,199**	**150,394**	**47,018**	**197,412**

Employment by Economic Activity

4.8. Manufacturing industry accounted for the largest share of employees at 31.0 per cent and 32.7 per cent in 2016 and 2017, respectively, as shown in Table 4.5. The financial and insurance activities were the second leading employer engaging an average of 25.1 per cent of total employees.

4.9. Employment in the transportation and storage and; wholesale and retail trade industries increased by 12.3 per cent and 5.9 per cent to 8,914 employees and 8,094 employees, respectively, in 2016 and 2017. However, employment within the agriculture, forestry and fishing; administrative and support service; accommodation and food service activities dropped by 12.3, 7.0 and 7.7 per cent, respectively, over the same period.

Table 4.5: Employment by Economic Activity, 2016-2017

Sector	2016		2017	
	Employees	% Share	Employees	% Share
A. Agriculture, Forestry & Fishing	13,624	6.9	11,942	6.0
B. Mining & Quarrying	1,298	0.7	652	0.3
C. Manufacturing	61,434	31.0	64,517	32.7
D. Electricity, Gas, Steam & Air Conditioning Supply	13,578	6.8	13,812	7.0
F. Construction	3,709	1.9	3,292	1.7
G. Wholesale & Retail Trade	7,640	3.9	8,094	4.1
H. Transportation & Storage	7,938	4.0	8,914	4.5
I. Accommodation & Food Service Activities	7,655	3.9	7,066	3.6
J. Information & Communication	11,510	5.8	11,496	5.8
K. Financial & Insurance Activities	50,268	25.3	49,035	24.8
L. Real Estate Activities	28	0.0	28	0.0
M. Professional, Scientific & Technical Activities	2,153	1.1	2,092	1.1
N. Administrative & Support Service Activities	16,080	8.1	14,960	7.6
P. Education	1,243	0.6	1,280	0.6
Q. Human Health & Social Work Activities	147	0.1	160	0.1
S. Other Service Activities	69	0.0	72	0.0
Grand Total	**198,374**	**100.0**	**197,412**	**100.0**

Compensation of Employees by Economic Activity

4.10. Compensation of employees declined by 7.9 per cent, to KSh 514,171 million in 2017 as shown in Table 4.6, with manufacturing industry accounting for 53.2 per cent of total compensation in 2017. Compensation of employees in the manufacturing industry declined by 14.8 per cent to KSh 273,370 while those to financial and insurance activities dropped by 6.1 per cent to KSh 93,674 million in 2017.

Table 4.6: Compensation of Employees by Economic Activity, 2016-2017

		KSh Million
Sector	**2016**	**2017**
A. Agriculture, Forestry & Fishing	3,180.74	3,516.57
B. Mining & Quarrying	2,408.09	2,892.12
C. Manufacturing	320,867.19	273,369.58
D. Electricity, Gas, Steam & Air Conditioning Supply	26,180.71	27,899.80
F. Construction	1,000.37	1,060.34
G. Wholesale & Retail Trade	13,146.61	13,199.54
H. Transportation & Storage	17,905.31	18,793.55
I. Accommodation & Food Service Activities	5,992.32	4,900.44
J. Information & Communication	45,986.72	56,852.07
K. Financial & Insurance Activities	99,798.64	93,674.60
L. Real Estate Activities	0.64	0.64
M. Professional, Scientific & Technical Activities	11,250.38	7,153.97
N. Administrative & Support Service Activities	8,493.45	8,600.59
P. Education	1,920.27	2,074.10
Q. Human Health & Social Work Activities	93.74	88.94
S. Other Service Activities	110.03	93.83
Grand Total	**558,335.22**	**514,170.68**

CHAPTER 5:
INVESTOR PERCEPTIONS



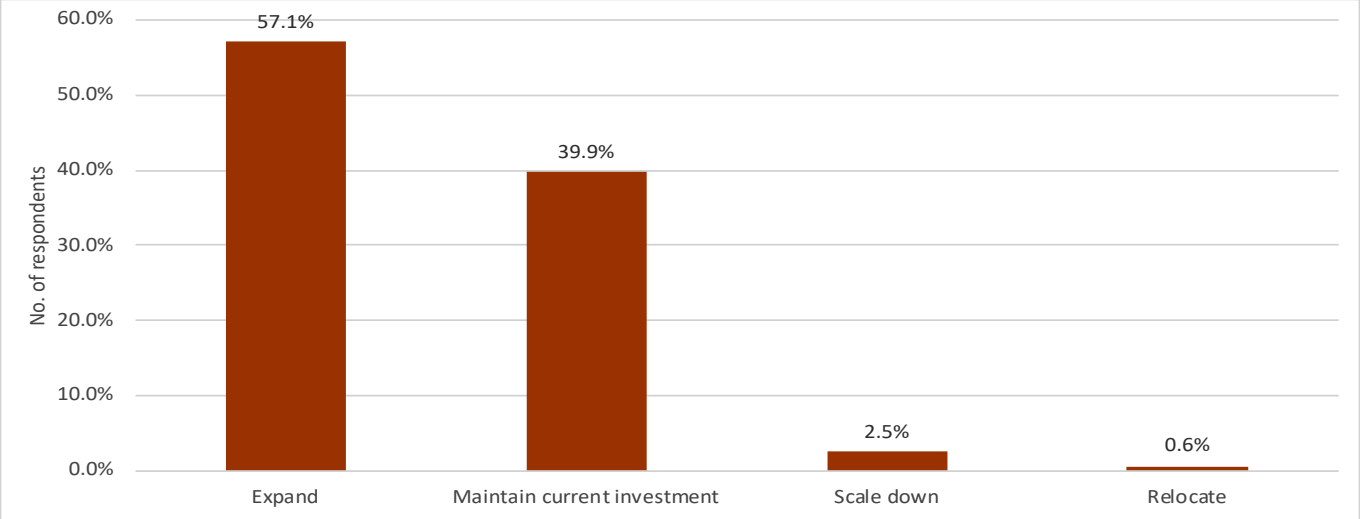
Overview

This chapter presents findings on the business environment in 2018 that impact investors' decisions to invest in Kenya. The findings focused on indicators which include, direction of investment in the country, mode of expansion, source of capital and value of investment. The survey also sought to ascertain factors that attract investment and the challenges of doing business in Kenya.

Direction of investment

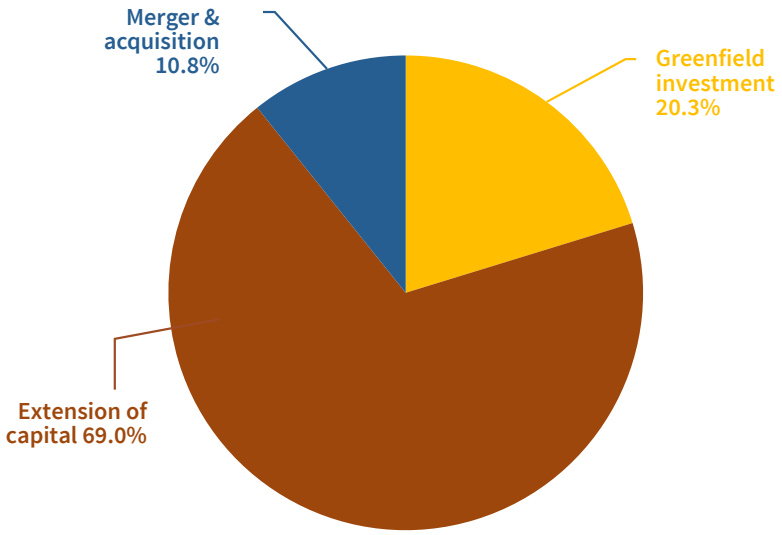
5.2. More than fifty per cent of respondents indicated an intention to expand investments in the country in the next three years, while 39.9 per cent intend to maintain current investment level, as depicted in Figure 5.1. However, 2.5 per cent of the respondents intend to scale down investments.

Figure 5.1: Direction of Investments in Kenya in the next three years



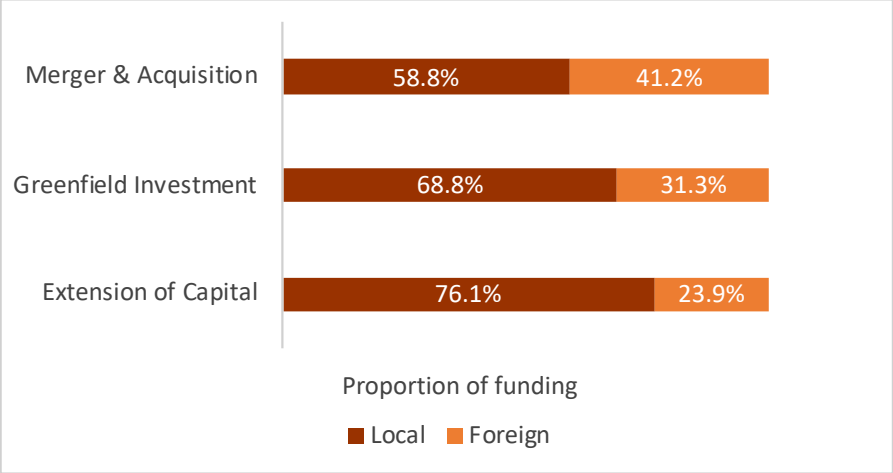
5.3. The results show that 69.0 per cent of respondents intend to expand investments in the form of extension of capital, 20.3 per cent would venture into greenfield investment, while 10.8 per cent would expand through mergers and acquisitions, as shown in Figure 5.2.

Figure 5.2: Mode of Expansion



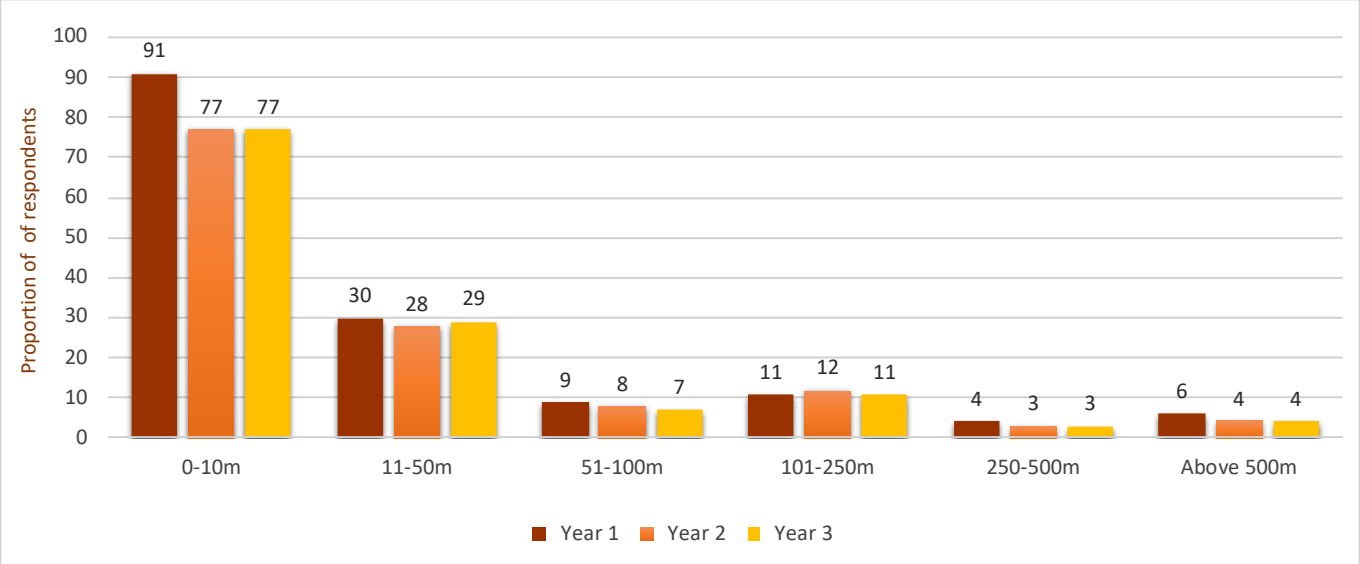
5.4. The enterprises intending to expand through mergers and acquisitions, greenfield investment and extension of capital preferred domestic funding at 58.8, 68.8 and 76.1 per cent, respectively, as depicted in Figure 5.3.

Figure 5.3: Source of Capital



5.5. More than 50 per cent of respondents would invest less than US Dollar 10 million in the next three years while 21.1 per cent of respondents would invest between US Dollar 10 million and US Dollar 50 million, as depicted in Figure 5.4.

Figure 5.4: Value of Investment in the next three years

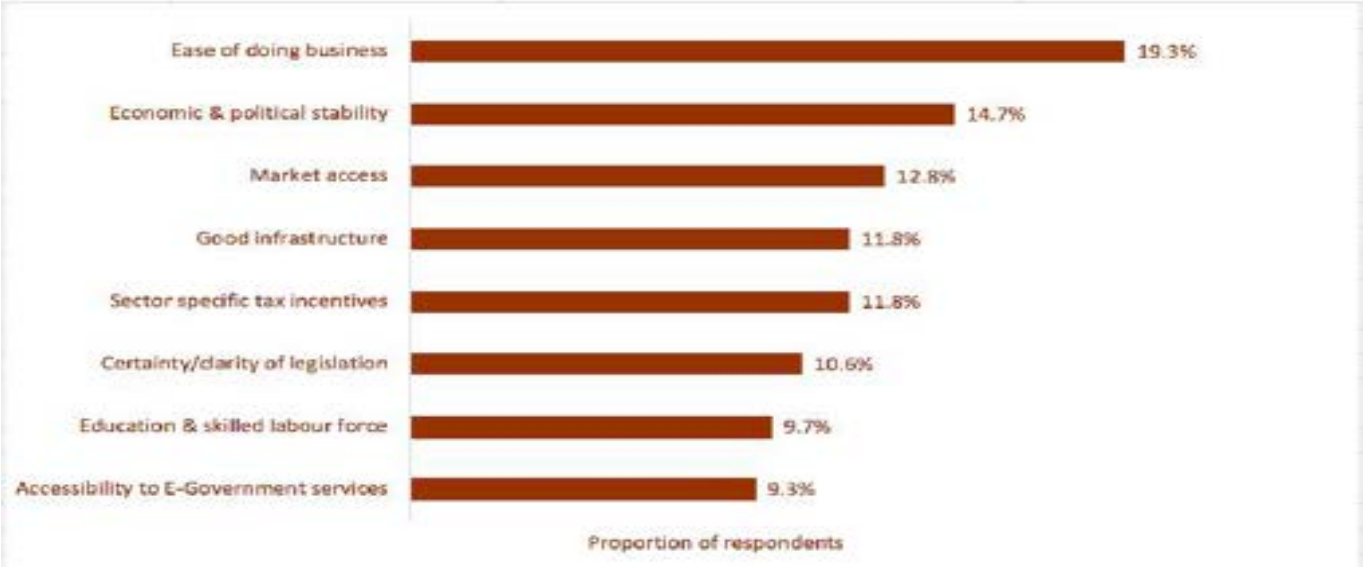


Value in US Dollar

Factors that render Kenya an attractive investment destination

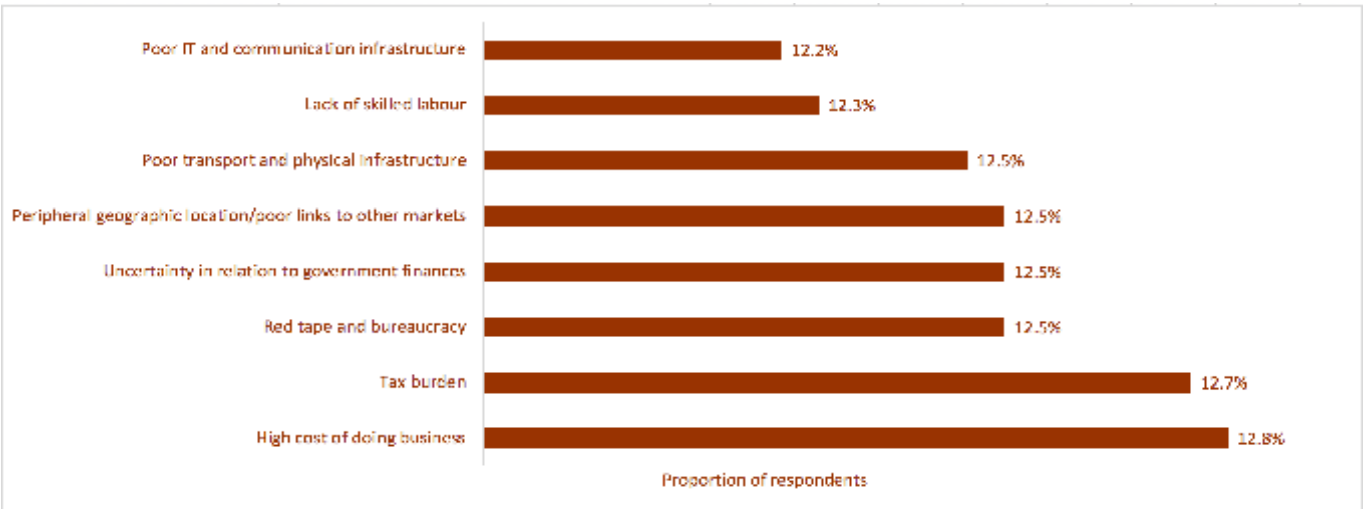
5.6. The ease of doing business, economic and political stability, and market access are key factors that attract investments to Kenya, as presented in Figure 5.5.

Figure 5.5: Factors that Makes Kenya as an Attractive Investment Destination



5.7. However, the top most hindrances to doing business in Kenya as reported by respondents include; high cost of doing business and tax burden, as shown in Figure 5.6.

Figure 5.6: Challenges of Doing Business in Kenya



CHAPTER 6: SURVEY METHODS AND TECHNIQUES



Overview

The Foreign Investment Survey (FIS) 2018 targeted enterprises with Foreign Assets and Liabilities (FAL). The survey was designed to capture data on foreign private capital for the reference period 2016 and 2017. Additional information on foreign investment was obtained from KenInvest and Capital Markets Authority.

6.2. To enhance the response rate, press advertisements were placed in the local dailies, prior to data collection exercise. Training of the survey personnel was conducted for ten days, followed by data collection which commenced on 6th June 2018 for a period of 40 days.

Legal, Regulatory and Institutional Framework

6.3. The FIS 2018 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.

6.4. FIS 2018 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 2018 was based on the enterprises covered in the previous Foreign Investment Surveys, and additional enterprises selected based on establishments database from KenInvest. As a result, a total of 832 enterprises were selected.

Survey Instruments

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

6.7. *The Questionnaire:* It 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

6.9. The overall survey process was overseen by coordinators and supervisors. A total of forty-two (42) research assistants, grouped into fourteen teams, were deployed to administer the questionnaires. Each team comprised three research assistants and a supervisor. The distribution of teams was according to the estimated concentration of the target enterprises in a particular area. Due to large number of establishments operating in Nairobi, 9 teams comprising of 28 RAs were deployed to the region, while the rest were deployed outside Nairobi. The survey administration entailed distribution of the questionnaires to the respondents, face-to-face interviews and follow-up. The data collection exercise commenced on 6thJune, 2018 for a period of 40 days.

Response Rate and Data Validation

6.10. A total of 832 enterprises were targeted for FIS 2018. However, due to relocation of some enterprises compounded with refusals, closures, mergers and acquisitions, 740 questionnaires were distributed to the enterprises. Five hundred and fifty-two (552) questionnaires were completed and collected as shown in Table 6.1. This translated to a response rate of 74.6 per cent. Out of the 832 enterprises selected for the survey, 476 indicated that they had Foreign Assets and Liabilities (FAL), out of which 407 completed the questionnaire successfully, equivalent to a response rate of 85.5 per cent. 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.

Table 6.1: Response Rate

Enterprise Category	Number of Enterprises	Distributed Questionnaires	Completed & Returned	Partially Completed & Returned	Refusals	Mergers	Closures	% Response Rate (Completed)
Enterprise with FAL	504	476	407	15	20	11	23	85.5
Enterprise without FAL	328	264	145	119	0	0	0	54.9
Total	**832**	**740**	**552**	**134**	**20**	**11**	**23**	**74.6**

6.11. Data were edited to validate and reconcile flows and positions recorded in the questionnaire with those reported in the financial statements of the enterprises. In addition, the returns with non-FAL were further 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.

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).

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 the resident 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

Notes



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