

KENYA ECONOMIC SURVEY 2010 HIGHLIGHTS



ECONOMIC SURVEY 2010

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ECONOMIC SURVEY 2010

Outline

- Highlights of the economic performance in 2009
- Key Socio-economic statistics for the period 2005 - 2009

International Scene

- The global economic recession continued in 2009 and mainly affected the real and financial sectors.
- The global economy recorded a negative growth of 0.8 % in 2009 compared to 3.0 % in 2008.
- Most economies in the OECD contracted with their combined growth in real GDP estimated at negative 3.5% in 2009 from 0.6% in 2008.

International Scene

- Africa's economic prospects for 2009 were reduced due to its integration in the global economy through trade, foreign direct investments and remittances.
- As a result, the continent recorded a slowed real GDP growth of 1.9 % in 2009 compared to 5.2 % in 2008.
- The continent was mostly affected due to its reliance on primary commodity exports in the face of contraction in global demand and declining prices.



International Scene

- The Sub-Saharan Africa's GDP dropped from 5.6% in 2008 to 1.8% in 2009 mainly due to subdued demand and low prices of agricultural exports
- East African Community (EAC) recorded a decline in its combined GDP growth from 5.8 % in 2008 to 4.5 % in 2009.

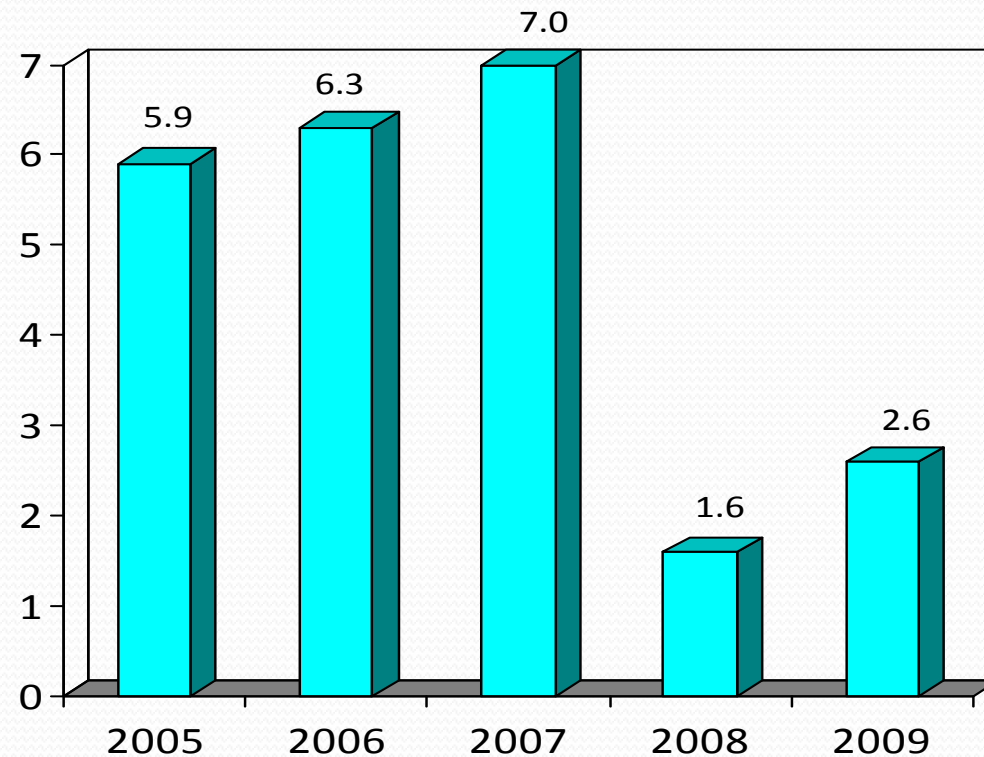
Domestic Economy

- The economy maintained a rapid growth between 2005 - 2007 of 5.9% and 7.0%
- However, the growth recorded a major decline in 2008 of 1.6%
- In response, the government put up measures to stimulate growth including:
 - Restoring investor confidence
 - Expansionary fiscal policy (e.g. economic stimulus package)
 - Monetary policy focusing on achieving and maintaining price stability within a single digit inflation rate of 5.0%
- The economy responded accordingly with an improved growth rate of 2.6 per cent in 2009.

Domestic economy

- Real GDP grew by 2.6 % in 2009.
- As shown, the economy is on the recovery path

GDP Growth Rate



Domestic economy Cont'

- The growth was mainly attributed to:
 - Resurgence of activities in the tourism sector
 - Resilience in the building and construction industry; and
 - Transport and Communication sector
- The government's supported growth through an enabling environment and the economic stimulus package.

Domestic Economy - Cont'd

- However, economic performance was constrained by:-
 - Unfavorable weather condition
 - The global economic recession
 - Sluggish internal and external demand

Domestic Economy - Cont'd

Some of the leading sectors that recorded improved growth

Sector	2008	2009
Hotels and restaurants	-36.1%	42.8%
Construction	8.2%	14.1%
Transport and communication	3.1%	6.4%
Financial intermediation	2.7%	4.6%
Fishing	-13.2%	7.4%

Domestic Economy - Cont'd

Sectors that recorded Negative growth

Sector	2008	2009
Agriculture and forestry	-4.1%	-2.6%
Mining and Quarrying	2.9%	-4.2%
Electricity and Water Supply	5.4%	-3.1%

Sector Performance - Social Scene

- Budget allocation to social services increased by 19.8% from KSh 197.5 billion in 2008/09 to KSh 236.6 billion in 2009/2010.
- Ministries of education and health received the highest share of social services expenditure at 73.8% and 16.0% in 2009/10 respectively.

Social Scene-selected indicators

Education

Indicator	2008	2009	% change
No. of Primary schools	26,206	26,667	1.8%
No. of Secondary schools	6,566	6,971	6.2%
Total enrollment in Primary	8.56 m	8.83m	3.2%
Total enrollment in Secondary	1.38 m	1.51m	9.4%
Gross enrollment rate for boys	112.2%	112.8%	
Gross enrollment rate for girls	107.8%	107.2%	
No. of Primary school teachers	170,059	171,301	0.7%
No. of Sec. school teachers	43,016	48,087	11.8%
Pupil/teacher ratio (Primary)	45:1	45:1	
Student/teacher ratio (Sec)	28:1	30:1	

Social Scene-selected indicators

Health

Indicator	2008	2009	% change
No. of health institutions	6,190	6,696	8.2%
No. of registered medical personnel	76,883	80,464	4.7%
No. of medical students (university)	4,704	4,877	3.7%
No. of medical students (MTC)	6,090	5,356	-12.1 %
No. of medical personnel per 100,000 of population	203	204	0.5 %
Full Immunization Coverage (FIC) Rate	71.0 %	64.0 %	



Social Scene - Vital statistics

- A total of 664,716 births and 189,985 deaths registrations were recorded in 2009.
- The Government has embarked on sensitization campaigns to address the low coverage rates on registration of births and deaths.

Social Scene - Gender

- Women Groups membership contribution improved from KSh 547.3 million in 2008 to KSh 548.4 million in 2009.
- A financing mechanism is being implemented on pilot basis to address the plights of Orphans and Vulnerable Children and the poor.
 - A total of KSh 1.0 billion was disbursed directly to the recipients.
- There has been an increment in the number of women appointed to key positions to address the gender disparities in employment

Governance

- Governance addresses issues of public safety, law and order as a necessary condition for economic growth
- In 2009, crimes reported to Police increased by 13.8% from 63,476 in 2008 to 72,255
- Major increases were noted among cases of infanticide (63.2%), causing death by dangerous driving (40.1%) and manslaughter (11.5%).
- Reductions were noted on offences related to procuring abortion (24.4%), concealing birth (17.4%), suicide (5.2%) and murder (4.6%).

Governance Cont'

- Corruption cases reported to KACC increased by 16% from 3,637 in 2008 to 4,473 in 2009
- Cases filed with judiciary increased from 347,169 in 2008 to 401,295 in 2009 and those disposed of rose by 17 % from 358,244 to 420,901 in the same period.
- However, pending cases reduced by 12% from 788,595 in 2008 to 696,726 in 2009.

Governance Cont'

- The total convicted prison population increased by 22.4 % from 88,242 in 2008 to 107,987 in 2009
- The number of entry permits renewed increased by 80.3 % from 3,302 in 2008 to 5,953 in 2009
- The Number of passports issued increased by 19.4 % from 128,345 in 2008 to 153,266 in 2009

Employment

- The modern sector registered an improvement in job creation, with the number of new jobs registered in the period under review approximating 55,500 up from 34,000 in 2008.
- Both the private and public sectors recorded positive growths in employment of 3.1 and 2.4 %, respectively.

Employment Cont'

- Total employment excluding those in rural small scale agriculture and pastoralist activities went up by 4.5 % to 10.4 million in 2009.
- This is attributed to favourable business environment, availability of credit from financial institutions and increase in investment opportunities in the country during 2009.

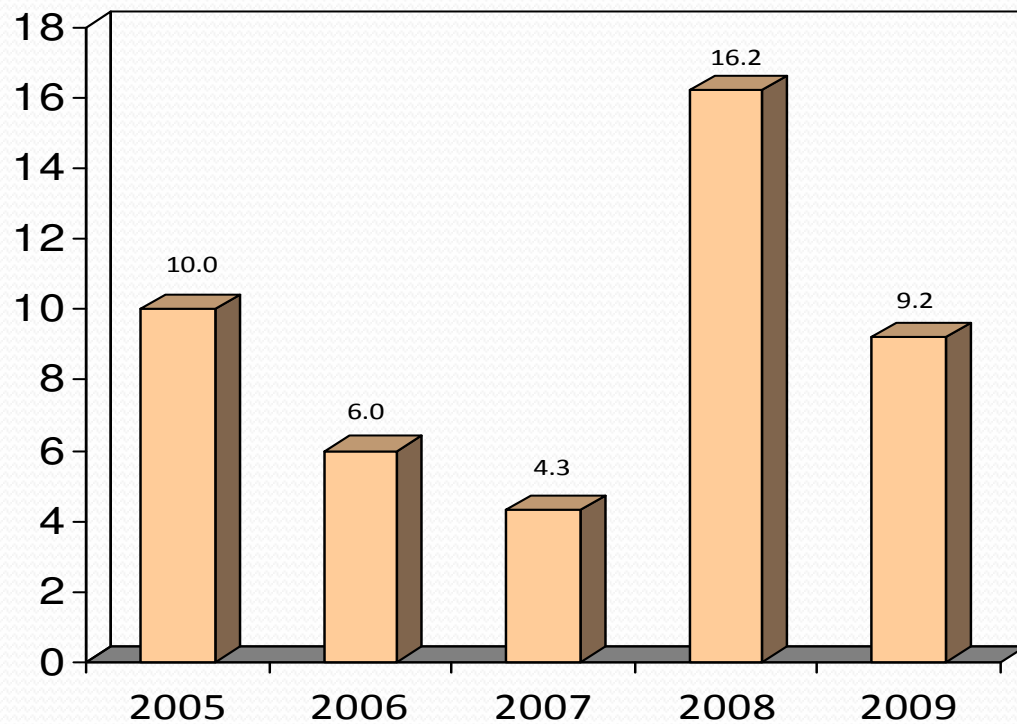
Earnings

- The nominal wage bill went up by 7.7% from KSh 707.4 billion in 2008 to KSh 761.6 billion in 2009.
- The public sector wage bill went up by 8.2% in 2009, slightly lower than 11.0% recorded in 2008.
- Overall, annual average earnings per employee registered an increase of 4.0% to KSh 378,349.6 per annum in 2009.
- In 2009, the government increased the statutory minimum wage rates by 20% and 18% for agriculture and other sectors, respectively.

Inflation

- Inflation eased from 16.2% in 2008 to 9.2% in 2009.
- This was occasioned by reduction in fuel and food prices

Inflation Rate



Money, Banking and Finance

- The financial sector expanded by 4.6% in 2009 compared to 2.7% in 2008. This was mainly caused by increased profitability by banks.
- Expansion in domestic credit slowed to 18.2% compared to a growth of 23.3% in 2008.
- The minimum cash ratio requirement was reduced from 6.00% in December 2008 to 4.50% by July 2009.

Money, Banking and Finance

Cont'

- The intermediate monetary policy target, broad money supply (M3), grew at the targeted rate of 16.0% to stand at KSh 1.044 trillion in December 2009.
- The average interest rate on 91-day treasury bills fell to 6.82 % in December 2009 from 8.59% in December 2008.
- Volume of shares traded at the NSE increased from 855 million in 2008 to 1,124 million in 2009.
- The NSE 20 Share Index fell by 7.8% to stand at 3,247 points in December 2009 compared to 3,521 points December 2008.

Public Finance

- Central Government expenditure is expected to expand by 31.9% to stand at KSh 887.0 billion in 2009/10.
- Development expenditure accounted for 28.5% of the total expenditure in 2009/10 compared to 23.1% in 2008/09.
- Total expenditure as a percentage of the GDP is expected to rise to 39.1% in 2009/10 compared to 32.4% in 2008/09.

Public Finance

- Central Government revenue (including grants) is expected to record a 15.3% increase to stand at KSh 612.6 billion in 2009/10.
- Revenue (including grants) as a percentage of GDP is expected to rise to 27% in 2009/10.
- The fiscal deficit is expected to widen, necessitating increased short term and long term domestic financing by 30.3% and 53.2%, respectively.
- The stock of total outstanding debt as at 30th June 2009 amounted to KSh 889.9 billion compared to KSh 748.5 billion owed one year earlier.

Public Finance-cont'd

- The expenditure by local authorities is expected to grow from KSh 25.3 billion in 2008/09 to KSh 29.4 billion in 2009/10.
- Revenue generated by local authorities is expected to reduce to KSh 16.4 billion from KSh 17.7 billion realized in 2008/09.
- Local authorities are expected to receive KSh 10.4 billion from the Central Government through LATF compared to KSh 9.3 billion transferred in 2008/09.

International Trade

- Domestic exports grew marginally by 0.3% while re-exports declined by 4.1%.
- Total imports grew by 2.3% in 2009 compared to a 27.4% growth recorded in 2008.
- This resulted in the volume of trade growing by 1.6% in 2009 compared to a growth of 26.8% in 2008.
- The low volume of trade is attributed to reduced aggregate demand in the main trading partners.

International Trade Cont'd

- Trade deficit deteriorated from KSh 425.7 billion in 2008 to KSh 443.1 billion in 2009.
- Tea, coffee, horticultural products, and articles of apparels and clothing accessories were the leading export earners, collectively accounting for 50.5 % of the total domestic export earnings.

Balance of Payments

- Balance of payments position recorded a surplus of KSh 75.2 billion in 2009 compared to a deficit of KSh 33.2 billion in 2008.
- This was on account of increased net capital inflows and improved current account balance from a deficit of KSh 137.1 billion recorded in 2008 to a deficit of KSh 124.4 billion in 2009.

Balance of Payments

- The Kenya Shilling depreciated against the US dollar to record KSh 77.35 in 2009 compared to KSh 69.18 per US dollar in 2008.
- Remittances inflow declined from US\$ 611.4 million in 2008 to US\$ 609.2 million in 2009.

Agriculture

- The sector's value added contracted by 2.7 % in 2009 after contracting by 4.3 % in 2008.
- This was as a result of:
 - Poor weather conditions;
 - High input costs;
 - Depressed demand in the international market especially for horticultural produce.



Agriculture Cont'd

- To mitigate the challenge of adverse weather conditions, the government allocated substantial amount of money to the sector to revive irrigation schemes and establish new ones.

Agriculture Cont'd

- Maize production increased marginally from an estimated 26.0 million bags in 2008 to 27.1 million bags produced in 2009.
- 16.8 million bags of maize were imported.
- Wheat production increased from 86.2 thousand tonnes in 2008 to 129.2 thousand tonnes in 2009.

Agriculture Cont'd

- ▶ Tea production declined by 9.2% from 345.8 thousand tonnes in 2008 to 314.1 thousand tonnes in 2009.
- ▶ Tea export earnings increased from KSh 63.8 billion in 2008 to KSh 68.8 billion in 2009 due to improved international prices.
- ▶ Coffee production increased by 35.7% from 42 thousand tonnes to 57 thousand tonnes in 2009.
- ▶ Exports of fresh horticultural produce reduced from 193.1 thousand tonnes in 2008 to 180.8 thousand tonnes in 2009, while export earnings declined from KSh 58.0 billion in 2008 to KSh 49.4 billion in 2009.

Environment and Natural Resources

- **Water Supply:** The budgetary allocation increased by 22.0 % from KSh 15.3 billion in 2008/09 to KSh 18.6 billion in 2009/10.
- **Fishing:** Total earnings from fish landed rose from KSh 11.5 billion in 2008 to KSh 12.0 billion in 2009 attributed to increased fish landings and favorable domestic and export market prices.
- The value of freshwater fish increased from KSh 10.72 billion in 2008 to KSh 11.2 billion in 2009, accounting for 93.5 % of the total revenue generated from the fisheries sub-sector in 2009.

Environment Cont'd

- Quantity of mineral production declined by 9.4% from 1,545 thousand tonnes in 2008 to 1,399 thousand tonnes in 2009.
- Population of most wildlife species declined due to severe drought conditions.
- The forest plantation stocking decreased from 114.0 thousand hectares in 2008 to 107.0 thousand hectares in 2009, due to high planting failures and bushfire damages.

Energy

- International crude oil prices rose significantly by 81% from US\$ 42.10 per barrel in December 2008 to US\$ 76.10 per barrel in December 2009.
- This was due to:
 - A weak US dollar against major international currencies; and
 - The action by OPEC to maintain supply at 24.84 million barrels per day.



Energy

- The volume of total imported Petroleum into the country increased by 17.6% from 3,976.3 thousand tonnes in 2008 to 4,676.8 thousand tonnes in 2009.
- Crude oil intake at the oil refinery rose marginally by 1.4% from 1,582.7 thousand tonnes in 2008 to 1,605.0 thousand tonnes in 2009.

Energy - Electricity

- Total electricity generation rose slightly by 0.2% from 6,455.6 Giga-watt per hour (GWh) in 2008 to 6,468.8 GWh in 2009.
- Electricity production from hydro-electric power sources declined by 35% from 3,267.0 GWh in 2008 to 2,122.0 GWh in 2009.
- The drastic decline was attributed to low water levels at the power generation dams, due to inadequate rainfall.

Energy - Electricity

- The number of customers connected under Rural Electrification programme (REP) grew by 27.2 % to 205,287 in June 2009 up from 161,354 as at June 2008.



Manufacturing

- The manufacturing sector grew by 2.0% in 2009 compared to 3.6% in 2008.
- The Kenyan manufacturing industry has been supported by a vibrant domestic demand and regional market.

Manufacturing

- The sub-sectors that registered growth were:
 - Leather and footwear 36.5%
 - Rubber products 14.7%
 - Plastic products 11.1%
 - Non-metallic minerals 34.4%
 - Food manufacturing 2.1%
- The value added of Manufacture of non food products grew by 2.0 % in 2009 compared to 6.0 % in 2008.



Manufacturing Cont'd

- The sector experienced the following challenges:
 - Depressed demand for manufactured exports in the COMESA market
 - Competition by cheap imports
 - High energy costs



Building and Construction

- The sector registered a remarkable growth of 14.1% in 2009 compared to an expansion of 8.2% realized in 2008.
- Growth in the sector was reflected in cement consumption which grew by 21.1% in 2009.
- Overall Government expenditure on roads is expected to rise to KSh 60.8 billion in 2009/10 against KSh 46.4 billion in 2008/09.

Tourism

- Tourism earnings rose from KSh 52.7 billion in 2008 to KSh 62.5 billion in 2009.
- Volume of international arrivals rose by 23.9% from 1.2 million visitors in 2008 to 1.5 million in 2009.

Tourism Cont'd

- The turnaround in the tourism sector is attributable to:
 - Successful tourism promotion
 - Recovery from the effects of the post-election violence and the global recession.
 - Political stability.
- The growth in the sector is likely to be sustained in 2010 due to improved economic performance and a rebound in global economy.

Transport, Storage and Communication

- The sector grew by 6.4% in 2009 compared to 3.1% recorded in 2008.
- This was mainly due to strong expansion of the telecommunications sub-sector in 2009.
- Mobile phone connections expanded by 34.2% from 12.9 million in 2008 to 17.4 million connection in 2009.
- The sector further gained from a slight decline in retail fuel prices and improvement of the roads infrastructure.

Economic Outlook for 2010

- World economy is projected to realize higher performance in 2010, growing at 3.9% compared to -0.8% recorded in 2009.
- The domestic economy is expected to continue on a recovery path in 2010 with real GDP projected to grow by a rate between 4% and 5%.

Economic Outlook for 2010

Cont'd

- The economy is likely to benefit from:
 - Stable macro economic environment
 - Improved weather conditions
 - The anticipated global economic recovery leading to increased demand for Kenyan exports and a higher number of tourists.

Economic Outlook for 2010

cont'd

- Expanded market due to implementation of the EAC common market protocol in June 2010.

Intervention measures to spur growth

- **Infrastructure sector**
 - Increase and sustained funding in the roads sector
 - Port efficiency improvement and construction of Lamu port
 - Construction of standard gauge railway line from Mombasa to Kampala.
- **Manufacturing**
 - Reducing cost of Energy and curbing dumping of cheap imports through enforcement of counterfeit law.

Intervention measures to spur growth

- **Agriculture**
 - Expanding area under irrigation,
 - reducing cost of production (subsidizing farm inputs),
 - reducing post harvest losses by building storage facilities and;
 - increase value addition.

Intervention Measures to spur growth Cont'd

- **Water**
 - Construction of adequate dams in specific locations .
- **Tourism**
 - Rigorous marketing of the country as a preferred tourism destination and;
 - Promotion of domestic tourism.
- **Education Sector**
 - Recruit more teachers to reduce teacher pupil/student ratio.
 - Continued investment in education infrastructure development
- **Health:**
 - Enhance implementation of reforms in the sector.

Intervention Measures to spur growth cont'd

- **Energy:**
 - Rapid expansion of installed electricity capacity to power the economy and;
 - Development of new alternative sources of energy.
- **Foreign Direct Investments**
 - Enhance conducive climate to attract investors.
- **Diaspora Remittances**
 - Develop specially targeted products to tap the resources.
- **Conservation of environment**
 - Enhance measures to mitigate Climate change.

Intervention Measures to spur growth cont'd

- **Traffic accidents**
 - Reinforcement of traffic laws to curb road accidents
- **Judiciary**
 - Enhanced budgetary support to the judiciary
- **Local Authority**
 - Restructuring of local authorities to make them more efficient

Closing Remarks

- I take this opportunity to thank all of you for attending the Launch of this year's Economic Survey.
- My sincere appreciation goes to all the data producers, both large and small establishments, for their valuable input into this report.
- I appeal to all data producers, who are still unwilling to provide data to do so, as this information is crucial in the planning and development of our country.

Closing Remarks

- My special thanks goes to the Director General and entire staff of KNBS who have tirelessly worked hard to make the production of this document a success.
- Finally, it is my pleasure to now declare the Economic Survey 2010 officially launched.



Thank You