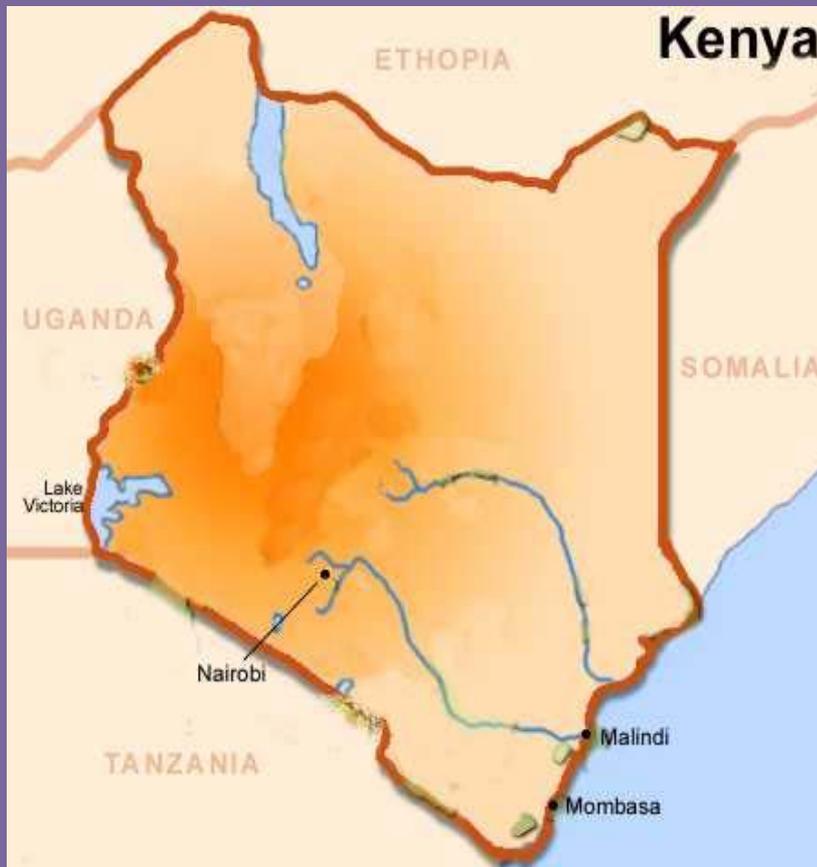




THE ECONOMIC SURVEY 2005

**PRESENTED BY THE
MINISTER FOR
PLANNING AND
NATIONAL
DEVELOPMENT**



**Hon. Prof. Peter
Anyang' Nyong'o,**

25th May 2005

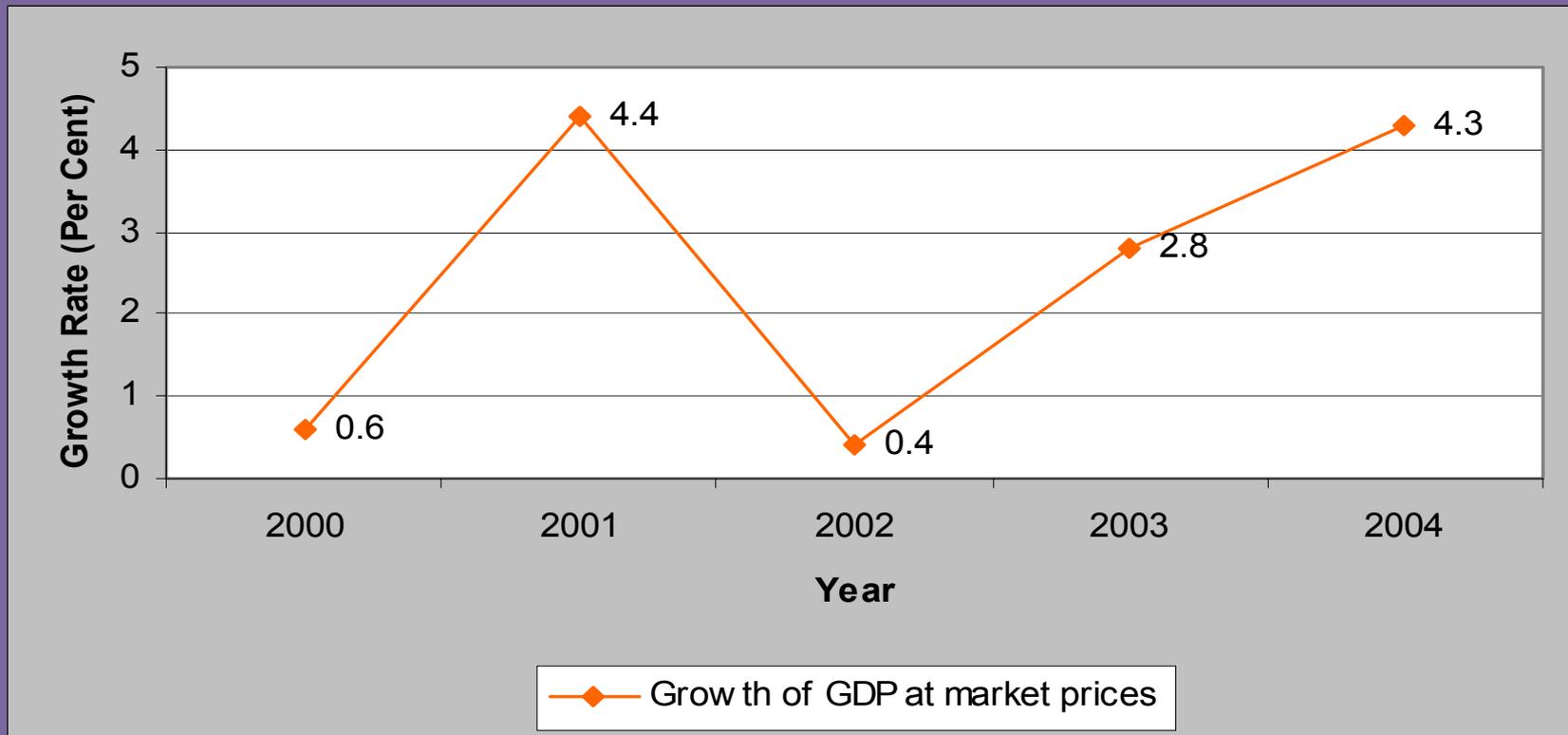
INTERNATIONAL SCENE

- **World economy continued on its recovery path in 2004 with real GDP growth estimated at 5%. The following were the reasons for recovery:**
 - **strong growth in exports**
 - **soaring external demand for investment goods**
- **The global economic prospects are bright in 2005 with world trade expected to be strong.**

PERFORMANCE OF THE ECONOMY

- **Real Gross Domestic Product (GDP), on the basis of the new System of National Accounts (SNA'93), expanded by 4.3 % in 2004 compared to a growth of 2.8% in 2003.**
- **Robust growths were registered in:**
 - **Manufacturing- 4.1%**
 - **Building & Construction-3.5%**
 - **Trade – 9.5%**
 - **Tourism and Hotels – 15.1%**
 - **Transport and Communication- 9.7%**
- **Reasons for Growth;**
 - **increased credit to private sector,**
 - **low interest rates**
 - **Stable macroeconomic environment.**

GDP TRENDS, 2000-2004

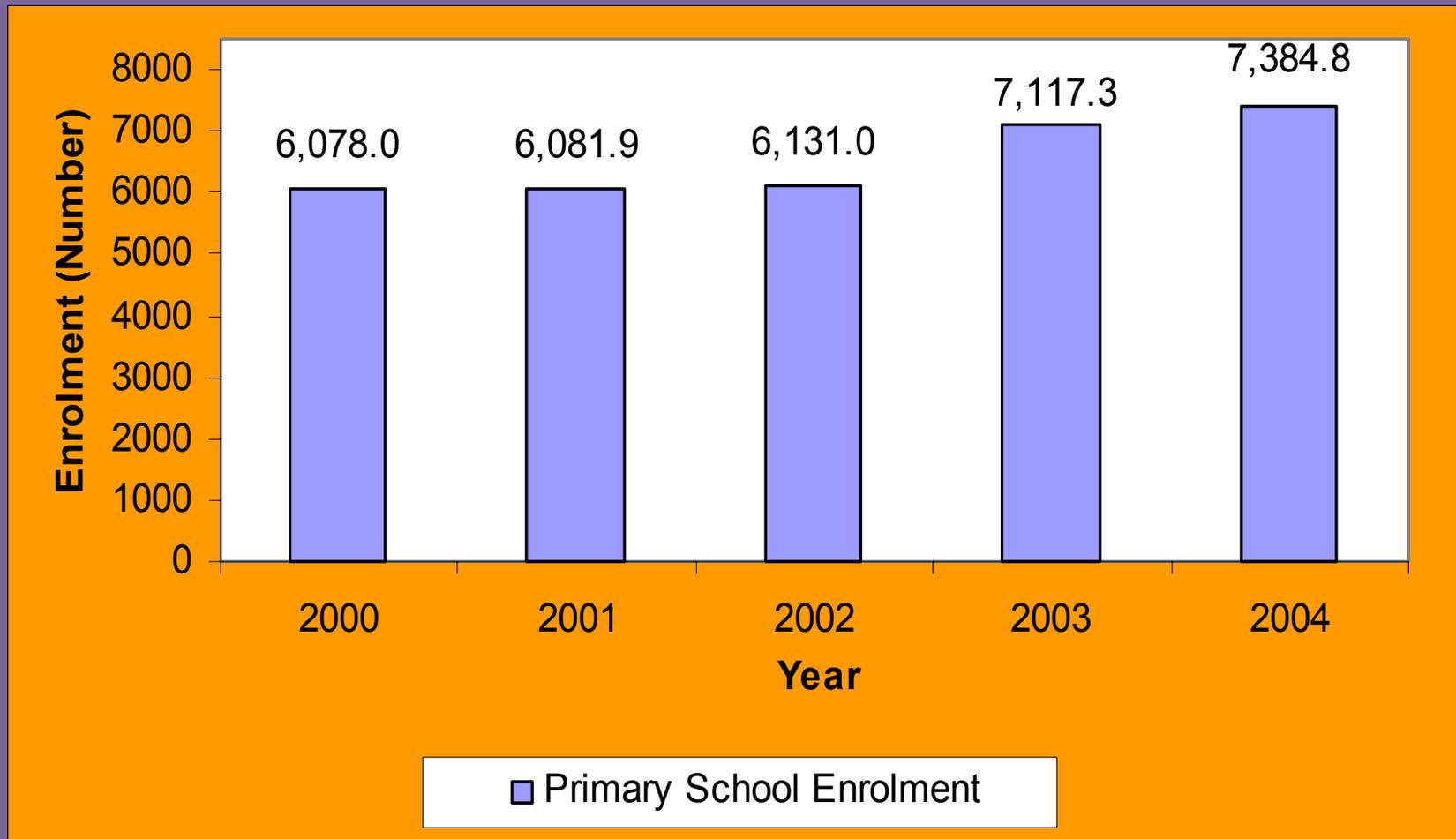


SECTORAL REVIEW OF THE ECONOMY

SOCIAL SECTOR

- **Total Government expenditure on social services increased by 4.9% to KSh 111.3 billion in 2004/05 fiscal year. Most of the expenditure went to finance education and health services.**
- **Total primary school enrolment increased by 4.2% from about 7.1 million in 2003 to about 7.4 million in 2004.**
- **The pupil teacher ratio in primary schools worsened from 40:1 in 2003 to 41:1 in 2004.**
- **Total recurrent expenditure on health rose from KSh 21.0 billion in 2003/04 to KSh 22.0 billion in 2004/05.**
- **The number of health facilities increased by 4.6% from 4,557 in 2003 to 4,767 in 2004.**

PRIMARY SCHOOL ENROLMENT, 2000-2004



GOVERNANCE

- **Reported crime cases rose by 8.4 per cent from 77,340 in 2003 to 83,840 in 2004.**
- **Reported cases on corruption rose from 50 in 2003 to 200 in 2004.**
- **Number of prisoners serving community service sentence declined by 16 per cent for 31,636 in 2003 to 26,554 in 2004.**

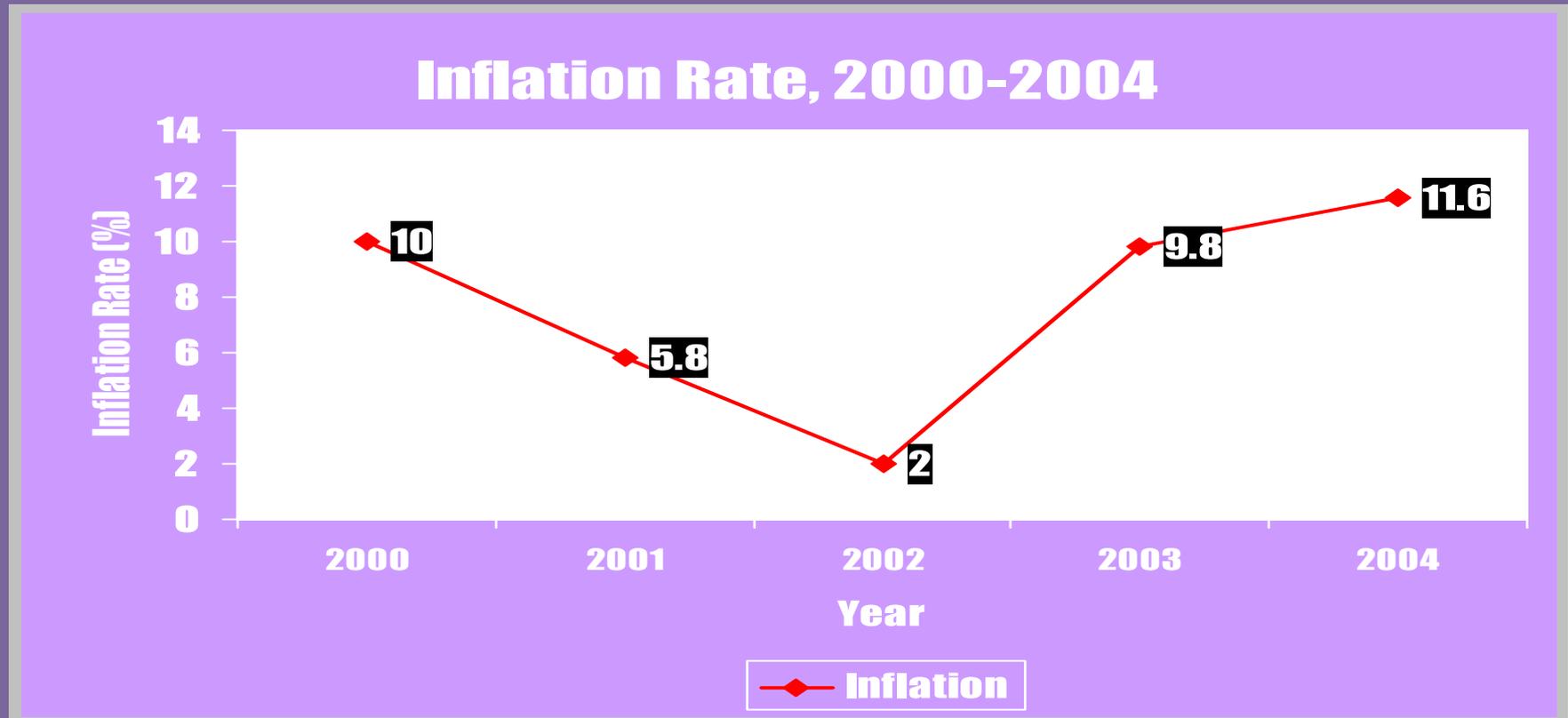
EMPLOYMENT, EARNINGS AND CONSUMER PRICES

- Employed persons are categorised as belonging to:
 - Formal (modern sector employment)
 - Informal (*Jua Kali*)
- Employment figures are benchmarked on the 1998/99 Labour Force Survey, the 1999 Population and Housing Census projections and annual Labour Enumeration Survey (LSE).
- New benchmark data will be generated from the results of Kenya Integrated Household Budget, launched this month.

EMPLOYMENT, EARNINGS AND CONSUMER PRICES cont'd

- **Estimated total employment, both in the modern and informal sector, increased by 6.5 % to stand at 7.8 million.**
- **Key sub-sectors that registered increased employment growth included manufacturing and mobile telephone service providers.**
- **The modern sector created 36,400 extra jobs while informal sector created 437,900 more jobs in 2004.**
- **Average annual rate of inflation rose to 11.6% in 2004 from 9.8% in 2003.**

TRENDS IN RATE OF INFLATION, 2000 -2004



- Inflation trends has been increasing since 2002 due to increase in food and fuel prices

MONEY, BANKING AND FINANCE

- **The financial sector achieved a GDP growth of 1.5% in 2004.**
- **Assets of the banking system expanded by 13.5% in 2004 reaching KSh 644.3 billion.**
- **Broad money supply grew by 9.5% from KSh 395.1 billion in December 2003 to KSh 432.6 billion in December 2004.**
- **Domestic credit expanded by 14.8% to KSh 501.2 billion from KSh 436.5 billion in 2003 while Net Foreign Assets increased by 14.4% in the same period.**
- **The Nairobi Stock Exchange 20-share index increased to close the year under review at 2,946 points.**

PUBLIC FINANCE

- **Central Government expenditure increased by 21.5% from KSh 352.7 billion in 2003/04 to KSh 428.7 billion.**
- **Government expenditure as a percentage of GDP at current market prices increased from 22.7% in 2003/04 to 33.7% in 2004/05.**
- **Government revenue increased by 7.6% in 2004/05 mainly through income taxes.**
- **Total stock of debts increased from 642.6 billion as at 30th June 2003 to KSh 708.4 billion as at June 2004, of which;**
 - **Internal debt is KSh 306.2 billion**
 - **External debt is KSh 402.2 billion**

INTERNATIONAL TRADE AND BALANCE OF PAYMENTS

- **Total value of international trade increased from KSh 465 billion in 2003 to KSh 579 billion in 2004.**
- **Volume of trade expanded by 24.5% in 2004 compared to 8.9 % in 2003. Value of imports rose faster than the value of exports.**

INTERNATIONAL TRADE AND BALANCE OF PAYMENTS cont'd

- **Value of imports rose by;**
 - **Agricultural machinery - 81.0 %,**
 - **Industrial machinery – 33.0 %**
 - **Chemical fertiliser – 70.0 %**
 - **Crude petroleum – 81.0 %**
 - **Iron and Steel – 70.0 %**
- **While Terms of Trade worsened in 2004, exports to Africa expanded by 20% with those to COMESA expanding by 21% and EU by 9%.**

AGRICULTURE, ENVIRONMENT AND NATURAL RESOURCES

- **Agriculture grew by 1.4 % in 2004 compared to 2.6 % in 2003.**
- **Tea production increased by 10.5%**
- **Coffee production declined by 12.7%.**
 - **Better performance is expected in 2005 due to better prices and improved policy measures.**
- **Maize production declined from 28 million bags in 2003 to 23.8 million bags in 2004.**

AGRICULTURE, ENVIRONMENT AND NATURAL RESOURCES cont'd

- **Wheat production increased by 16.8 % in 2004.**
- **The volume of marketed dairy produce increased by 35.0%**
- **Sugarcane production increased by 11.9%**
- **Value of exports of horticultural produce rose by 13.2% in 2004.**

AGRICULTURE, ENVIRONMENT AND NATURAL RESOURCES cont'd

- **Development expenditure on water supplies and related services increased by 27.7% from KSh 4.2 billion in 2003/04 to KSh 5.3 billion in 2004/05.**
- **Value of fish landed increased by 8.4% from KSh 7.0 billion in 2003 to KSh 7.5 billion in 2004.**
- **Both quantity and value of mineral production increased with soda ash contributing 65.8% of the total value.**

INDUSTRIAL PRODUCTION

- The manufacturing sector grew by 2.7% in 2004 compared to 1.4% in 2003.
- Sub-sectors of manufacturing which recorded growths in output included:- agro-processing industries, cement production, motor vehicle assembly and production of galvanized sheets.
- Investments by the EPZ to the sector increased from KSh 16.7 billion in 2003 to KSh 17.0 billion in 2004. The number of companies under EPZ in 2004 were 74 from 66 in 2003.

INDUSTRIAL PRODUCTION cont'd

- **Total electricity generation increased by 7.1% to stand at 5,194.5 GWh in 2004.**
- **The total oil import bill rose by 37.6% from KSh 64.6 billion in 2003 to KSh 88.8 billion in 2004.**
- **Total installed electricity generating capacity increased by 4.9% from 1,142.2 MW in 2003 to 1,198.1 MW in 2004.**
- **Cement consumption increased by 11.9% to stand at 1,418.3 thousand tonnes in 2004.**

TOURISM

- **Tourism earnings increased by 51.9% from KSh 25.8 billion in 2003 to KSh 39.2 billion in 2004.**
- **International visitor arrivals increased by 18.7% from 1.1 million in 2003 to 1.4 million in 2004.**
- **Hotel bed-nights occupancy increased significantly from 2.6 million in 2003 to 3.8 million in 2004.**

TRANSPORT, STORAGE AND COMMUNICATIONS

- The communications sector grew by 10.1% in 2004.
- Mobile phone connections increased by 42.0% from 1,097 thousand in 2003 to 1,558 thousand in 2004.
- Land line connections declined by 16.8% from 328 thousand in 2003 to 273 thousand in 2004.
- There was a significant increase in the registration of new vehicles from 33,768 in 2003 to 42,482 in 2004.

PARASTATAL PERFORMANCE

- **Railway Performance**

- Value of output from railway transport continued to decline from KSh 4,878 million in 2001 to KSh 4,098 million in 2004.

- **Pipeline Transport**

- Pipeline transport output value continued to increase from KSh 6,532 million in 2001 to KSh 6,810 million in 2004.

- **Sea Port Performance (KPA)**

- Port of Mombasa operations recorded marked improved performance in 2004. Ship docking at the port increased from 1,705 in 2003 to 1,779 in 2004, passenger cruisers increased from 49 to 63 in the same period

- Number of container traffic handled in 2004 was 438 thousand twenty feet size containers compared to 380 thousand for 2003.

POVERTY AND SOCIAL ECONOMIC DIMENSIONS

- **Poverty incidences varied widely from 31.0 per cent in Central Province (the least poor) to 65.0 per cent in Nyanza Province (the most poor).**
- **The poverty results presented here were used for the allocation of the Constituency Development Funds (CDF).**

OUTLOOK AND POLICY IMPLICATION

- **The economy is expected to grow between 4.5 to 5.0 % on account of;**
 - **Overall macro economic stability,**
 - **Improvement in the investment climate,**
 - **Low level of interest rates,**
 - **Continued rehabilitation of infrastructure,**
 - **Stability of oil prices**

OUTLOOK AND POLICY IMPLICATION cont'd

- **No country can have quality statistics unless it has a well functional National Statistical System and robust National Statistics Office.**
- **Government expects that with a sound Bureau in place and a reinvigorated National Statistical System, the government and other stakeholders will have access to quality statistics.**
- **The New Statistics Bill which is in process of being enacted will provide autonomy to the Bureau and enable it respond to the emerging statistics needs and co-ordinate the National Statistics System well.**

CLOSING REMARKS

- **I thank all of you for getting time to come to the Launch of this year's Economic Survey**
- **My sincere thanks also goes to the data producers whose valuable input cannot be overemphasized.**
- **I appeal to data producers especially the large establishment, who are still unwilling to provide data, to provide data as this information is crucial in the planning and development of our country.**
- **I thank the CBS staff who have worked hard to make this document a success**
- **I now launch officially, the Economic Survey 2005.**

THE END

THANKS