

THE ECONOMIC SURVEY 2006



PRESENTATION

BY

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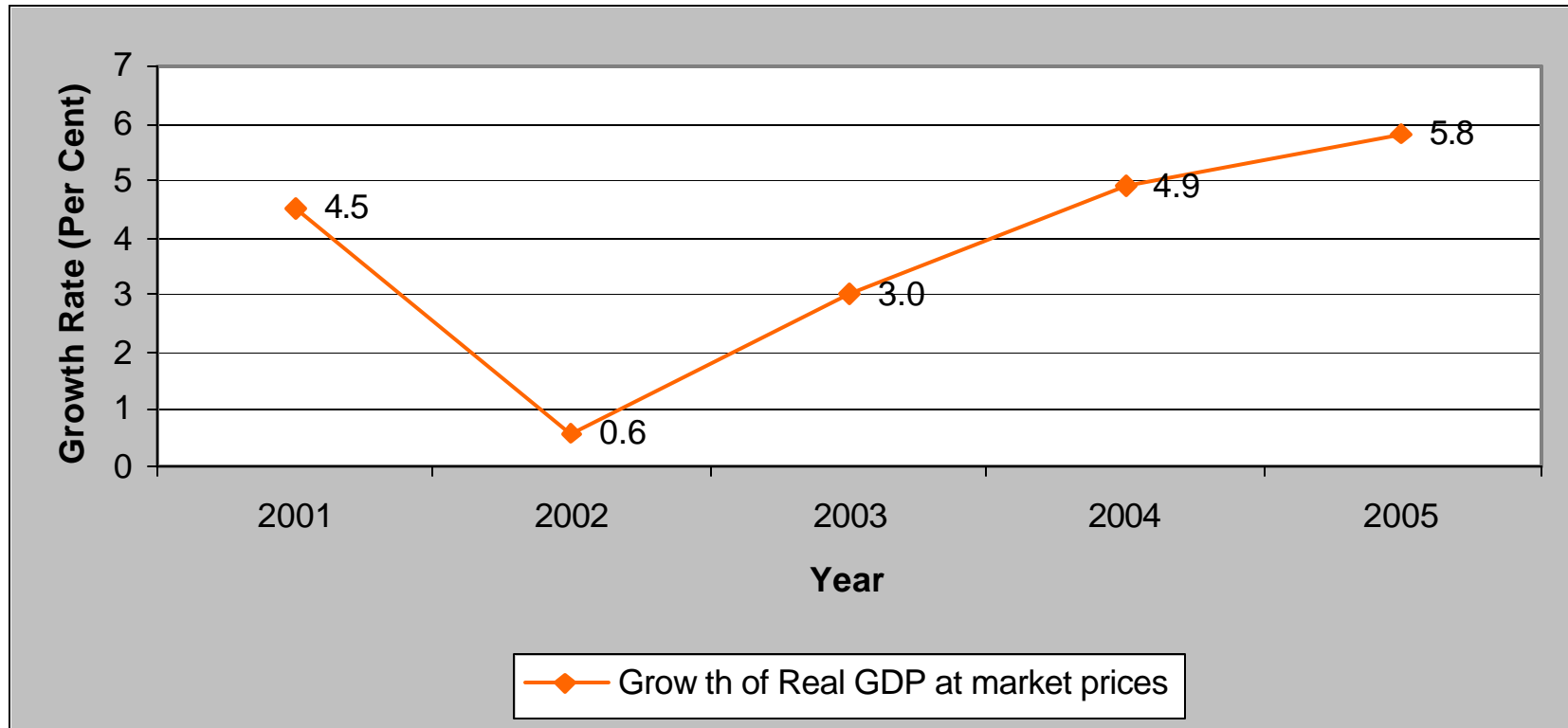
INTERNATIONAL SCENE

- Global economy recorded GDP growth of 4.3% in 2005.
- Low long-term interest rates and stable inflation boosted the positive developments
- World trade grew by 7.0% in 2005 and is expected to grow by 7.4% in 2006.
- Real GDP for African Continent grew by 4.5% supported by strong global demand and improved macroeconomic policies.

PERFORMANCE OF THE KENYA ECONOMY

- Domestic Real Gross Domestic Product (GDP) grew by 5.8 % in 2005 from a revised growth of 4.9% in 2004.
- Expansion in GDP was supported by growths in:
 - ✓ **Tourism and Hotels – 13.3%**
 - ✓ **Transport and Communication- 8.3%**
 - ✓ **Building & Construction-7.2%**
 - ✓ **Agriculture and Forestry – 6.7%**
 - ✓ **Wholesale & Retail Trade- 6.4%**
 - ✓ **Manufacturing- 5.0%**
- Private consumption expanded by 7.1% supported by increased access to credit facilities.

REAL GDP GROWTH AT MARKET PRICES, 2001-2005



ECONOMIC PERFORMANCE BY SECTORS: SOCIAL SCENE

(A) Education

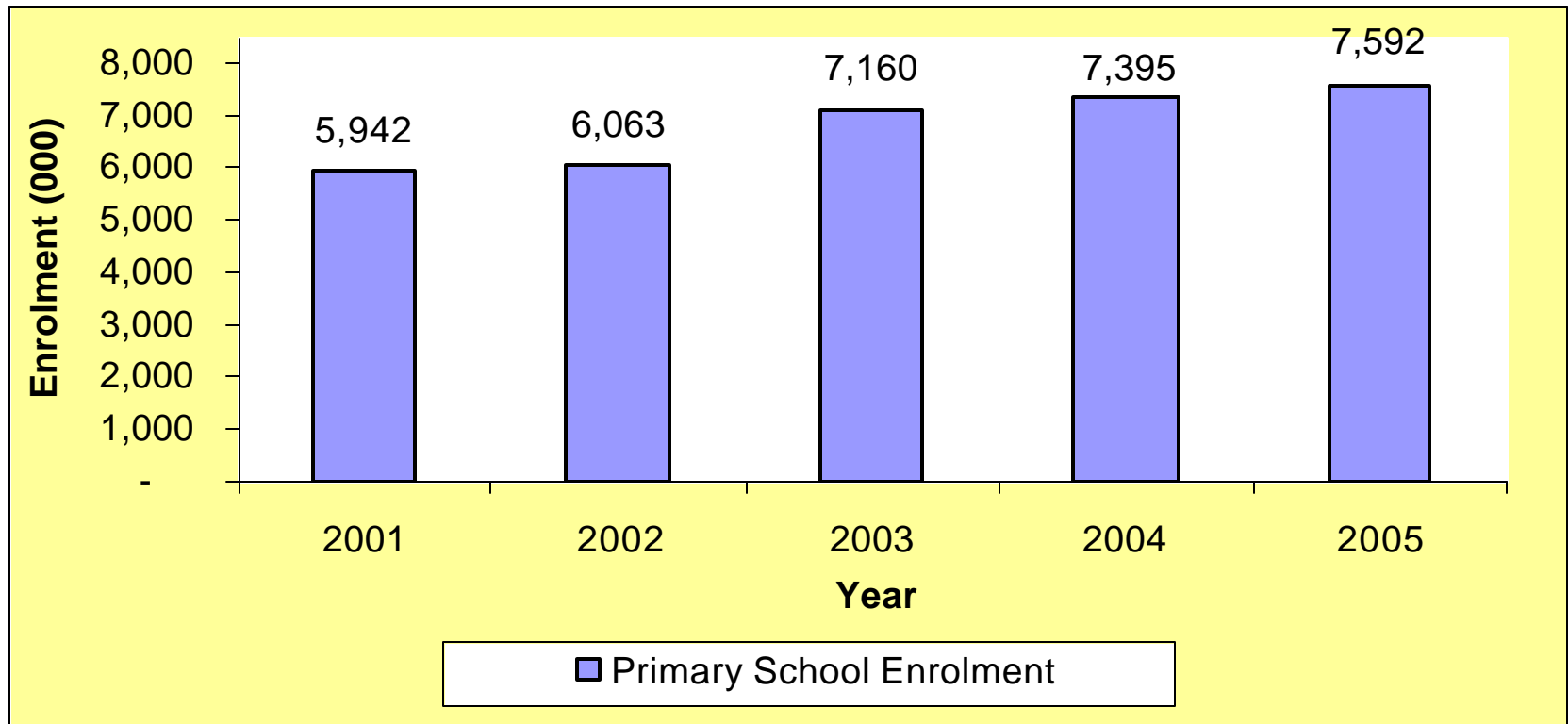
- Total expenditure on education sector increased by 8.6% in 2005.
- Primary school enrolment increased by 2.7% from 7.4 million in 2004 to 7.6 million in 2005.
- Gross Enrolment Rate (GER) for primary schools remained constant at 105% and Net Enrolment Rate (NER) increased from 82.1% to 83.2%.

SOCIAL SCENE cont'd

Education cont'd

- Total number of teachers in primary schools declined from 178,184 in 2004 to 171,033 in 2005.
- Number of students enrolled in secondary schools increased from 923,134 in 2004 to 928,149 in 2005
- Students enrolled in Universities dropped by 1.7% from 91,541 in 2004 to 89,979 in 2005.

PRIMARY SCHOOL ENROLMENT, 2001-2005



SOCIAL SCENE cont'd

(c) Health

- The total recurrent expenditure on health increased from KSh 17.6 billion in 2004/05 to KSh 19.0 billion while development expenditure decreased from KSh 5.1 billion to KSh 4.5 billion in 2005/06.
- Number of health facilities increased by 3.0% from 4,767 in 2004 to 4,912 in 2005.
- Number of registered medical personnel registered an increase of 4.2% from 63,227 in 2004 to 65,914 in 2005
- National full immunization coverage improved from 59% in 2004 to 63% in 2005.

SOCIAL SCENE cont'd

(C) Crime Statistics

- Cases of crime reported to Police reduced by 10.1% from 83,841 reported in 2004 to 75,400 in 2005.
- Reported cases of violence against women increased by 1.4% from 11,867 in 2004 to 12,036 in 2005.
- Number of pending cases increased by 29.1 per cent from 6.5 million in 2004 to 8.4 million in 2005.
- Filed cases increased from 364 thousand in 2004 to 489 thousand in 2005.
- Cases that were decided upon rose from 318 thousand in 2004 to 431 thousand in 2005.

EMPLOYMENT, EARNINGS AND CONSUMER PRICES

- Total employment in the modern and informal sectors increased by 5.9% from 7,822.8 thousand in 2004 to 8,281.7 thousand in 2005.
- The economy created a total of 458.9 thousand new jobs in 2005; 44,500 in the modern sector and 414,400 in the informal sector.
- Private sector wage employment increased by 4.3% supported by growth in Agriculture and Forestry activities, Whole & Retail Trade, Transport and Communication and Community, Social, and Personal services.

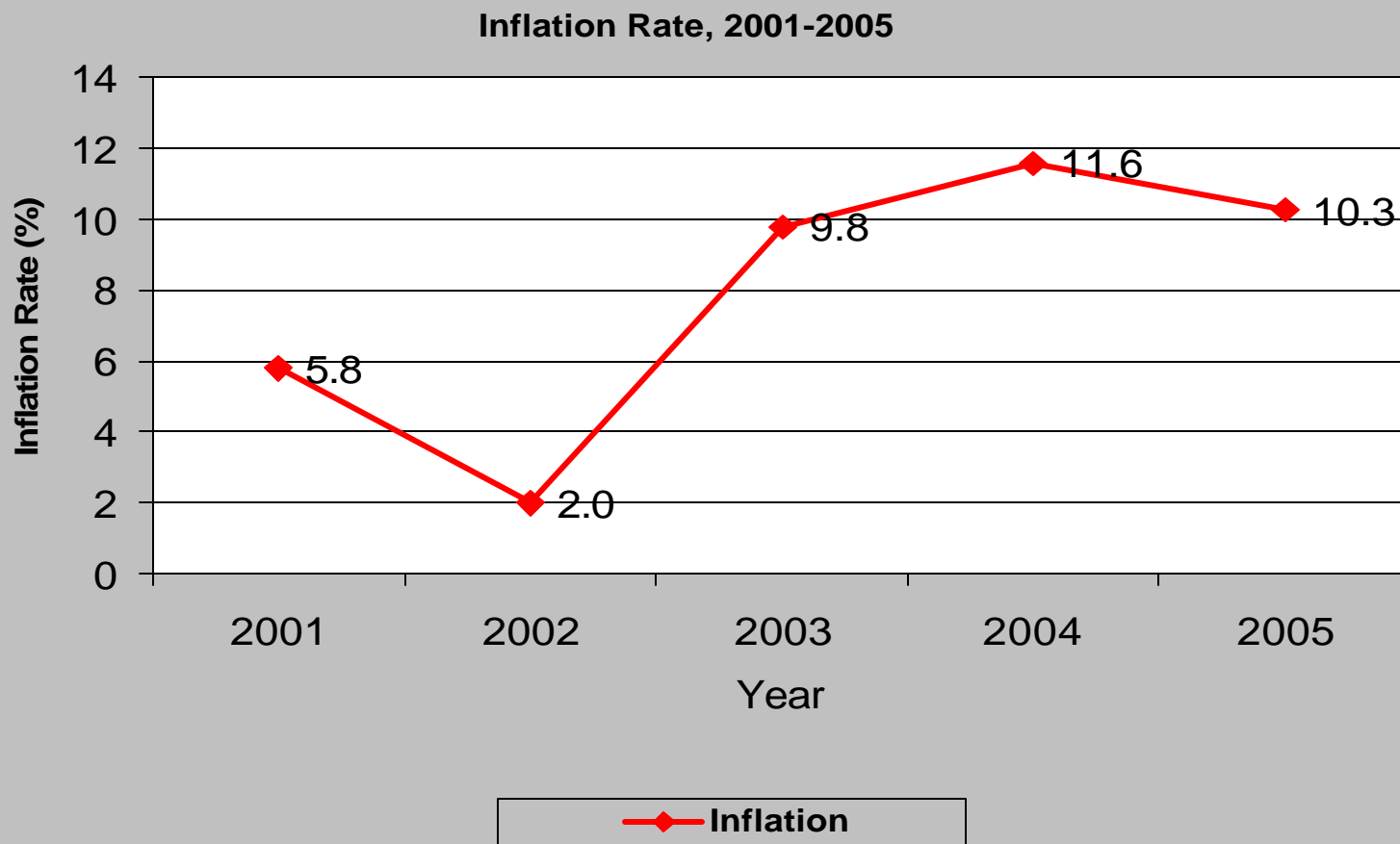
EMPLOYMENT, EARNINGS AND CONSUMER PRICES Cont'd

- Public Sector wage employment declined by 0.6% .
- Total nominal wage bill increased by 17.8% from KSh 506.5 billion in 2004 to KSh 596.9 billion in 2005.
- Private sector wage bill rose by 23.3% from KSh 322.5 billion to KSh 397.5 billion.

EMPLOYMENT, EARNINGS AND CONSUMER PRICES Cont'd

- Public Sector wage bill increased by 8.4% from KSh 184.0 billion in 2004 to 199.4 billion in 2005.
- Overall inflation rate declined from 11.6% in 2004 to 10.3% in 2005.
- Underlying inflation however, increased from 6.8% in 2004 to 7.4% in 2005 mainly due to high international oil prices and electricity costs.

INFLATION RATE, 2001-2005



MONEY, BANKING AND FINANCE

- The financial sector achieved GDP growth of 8.1% in 2005 from a revised growth of 1.4% in 2004.
- Net Foreign Assets of the banking system grew by 10.4% to KSh 158.1 billion in December, 2005.
- Broad money supply increased by 9.1% from KSh 511.4 billion in December 2004 to KSh 557.8 billion in December 2005.

MONEY, BANKING AND FINANCE

cont'd

- Domestic credit to private sector grew by 8.1% while credit to Central Government declined by 2.2%.
- Overall lending rates increased to 13.2% in 2005 from 12.3% in 2004.
- The Nairobi Stock Exchange 20-share index increased by 1027 points from 2946 points in December 2004 to 3973 point in December 2005 mainly due to investor optimism and profitable results of most listed companies.

PUBLIC FINANCE

- Total Government revenue including grants increased by 11.5% from KSh 307.1 billion in 2004/05 to KSh 342.3 billion in 2005/06 mainly from taxes on income, profits and capital gains and taxes on goods.
- Total Government expenditure went up by 16.3% from KSh 423.4 billion in 2004/05 to KSh 493.0 billion in the current financial year.
- Government expenditure as a percentage of GDP rose from 33.0% in 2004/05 to 34.8% in 2005/06.

PUBLIC FINANCE cont'd

- Net operating balance worsened from a deficit of KSh 6.0 billion in 2004/05 to KSh 13.8 billion in 2005/06.
- Total outstanding debt as at 30th June 2005 stood at KSh 687.9 billion, a drop of 1.4% from KSh 697.8 billion as at 30th June 2004.
- Total amount dispersed to LATF increased by 25.0% from KSh 4.0 billion in 2004/05 to KSh 4.9 billion in 2005/06 due to increased revenue collection.

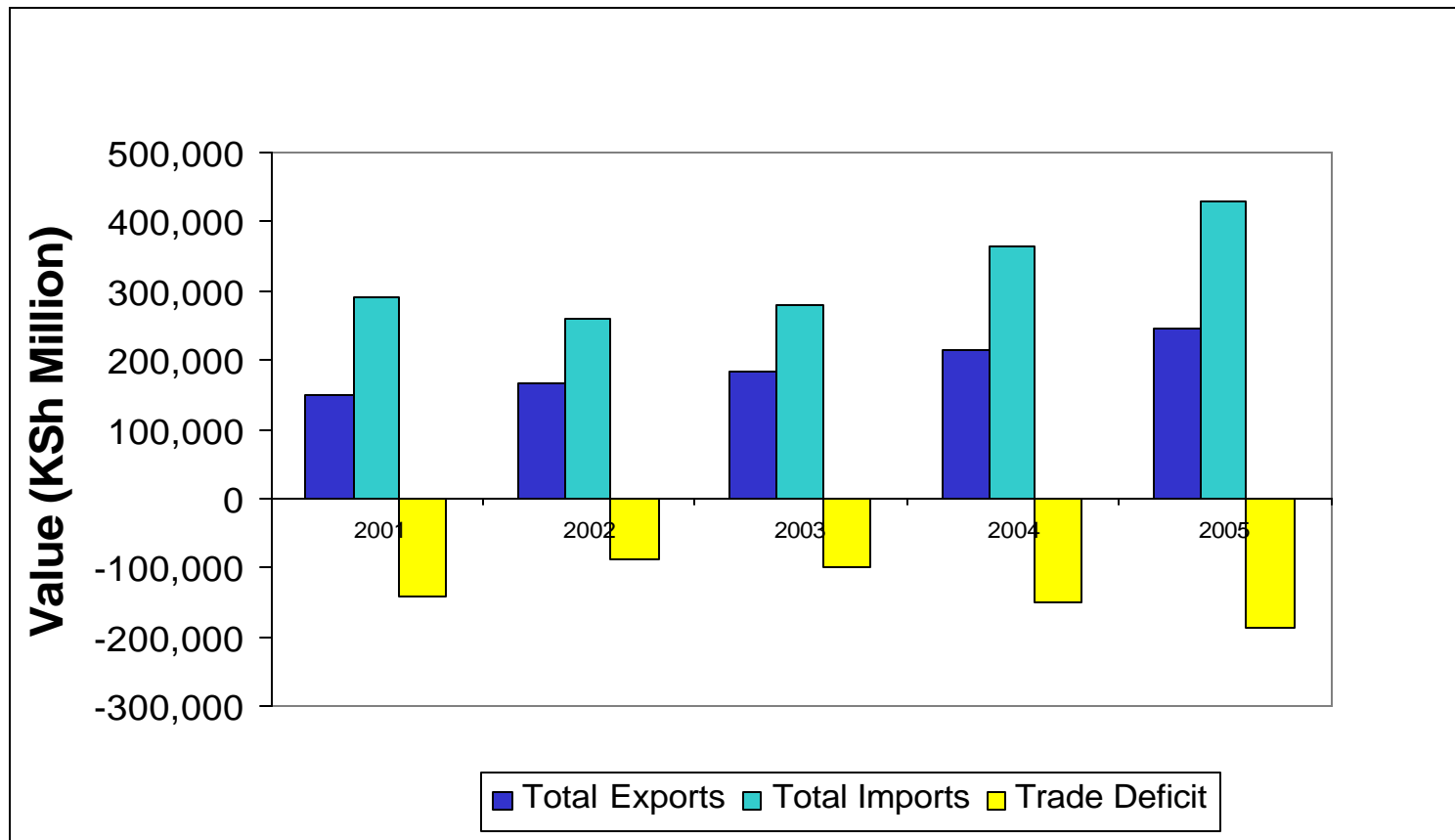
INTERNATIONAL TRADE AND BALANCE OF PAYMENTS

- Total value of international trade increased from KSh 579.4 billion in 2004 to KSh 675.0 billion in 2005.
- Total export earnings increased by 13.7% while total import bill grew by 18.2 % in 2005.
- Total export-Import ratio deteriorated from 58.9% in 2004 to 56.7% in 2005, largely due to strengthening of the shilling against major trading currencies.

INTERNATIONAL TRADE AND BALANCE OF PAYMENTS cont'd

- Trade deficit deteriorated from KSh 149.8 billion in 2004 to KSh 186.5 billion in 2005.
- The overall balance of payments widened to a surplus of KSh 21.2 billion in 2005 from a surplus of KSh 3.1 billion in 2004.
- The current account balance deteriorated further to a deficit of KSh 37.4 billion in 2005 from a deficit of KSh 28.0 billion in 2004.

BALANCE OF TRADE



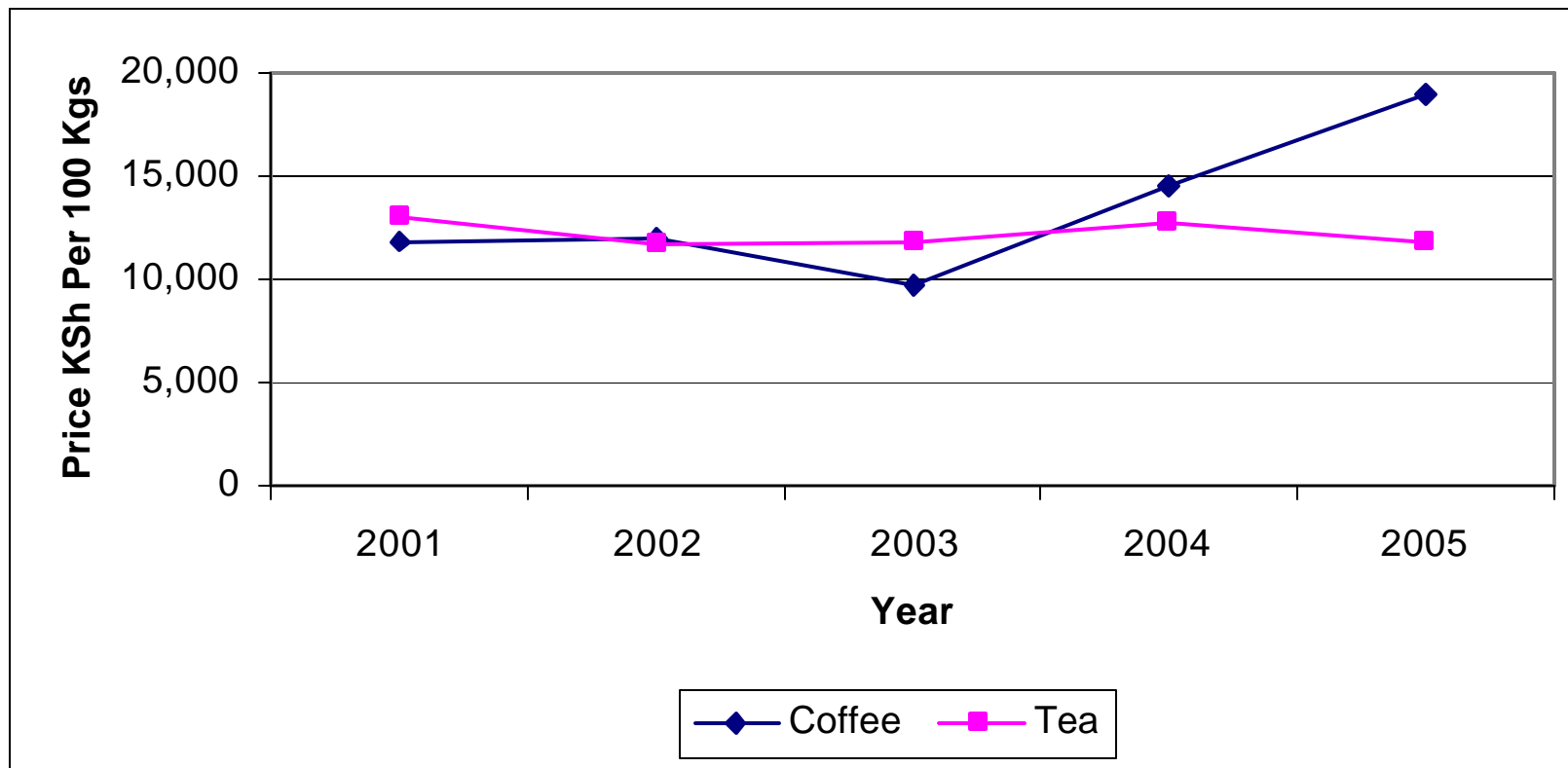
AGRICULTURE

- ? Agricultural value added at constant prices rose by 6.9% from a revised value of KSh 269,876 million in 2004 to KSh 288,528 million in 2005.
- ? Agricultural output at current prices rose by 10.8% from KSh 395,524 million in 2004 to KSh 438,394 million in 2005.
- ? Tea production increased by 1.2% from 324.6 thousand tonnes in 2004 to 328.5 thousand tonnes in 2005.
- ? Coffee production declined by 6.6% from 48.4 thousand tonnes in the 2003/04 to 45.2 thousand tonnes in 2004/05 crop year.

AGRICULTURE cont'd

- ? Maize production increased from a revised quantity of 29 million bags in 2004 to 32.3 million bags in 2005.
- ? Wheat production increased by 45.8% from 88.3 thousand tonnes in 2004 to 128.7 thousand tonnes in 2005.
- ? The volume of marketed dairy produce increased by 21.2% from 274 million litres in 2004 to 332 million litres in 2005.
- ? Sugar cane production increased from 4.7 million tonnes in 2004 to 4.8 million tonnes in 2005.

AVERAGE PRICE FOR COFFEE & TEA, 2001-2005



AGRICULTURE cont'd

- ? Exports of fresh horticultural produce rose by 12.1% from 145.6 thousand tonnes in 2004 to 163.2 thousand tonnes in 2005.
- ? Export earnings from fresh horticultural produce increased by 19.0% from KSh 32.6 billion in 2004 to KSh 38.8 billion in 2005.

ENVIRONMENT AND NATURAL RESOURCES

- ? Development expenditure on water supplies and related services increased by 87.0% from KSh 3.2 billion in 2004/05 to KSh 6.0 billion in 2005/06.
- ? Quantity of fish landed increased by 5.7% from 135.6 thousand tonnes in 2004 to 143.3 thousand tonnes in 2005.
- ? Total forest plantation area increased by 5.8% from 125.1 thousand hectares in 2004 to 132.3 thousand hectares in 2005.
- ? Value of mineral production rose by 28.3% with soda ash contributing 55.5% of the total value.

ENERGY

- ? Oil import bill rose by 7.7% from KSh 88,814.8 million in 2004 to KSh 95,669.2 million in 2005.
- ? Total electricity generation grew by 6.8% to stand at 5,547.0 GWh in 2005 from 5,194.5 GWh in 2004.
- ? Electricity consumption recorded a growth of 6.8% from 4,234.1 GWh in 2004 to 4,498.4 GWh in 2005.
- ? Installed electricity capacity declined by 3.5% from 1,198.1 MW in 2004 to 1,156.6 MW in 2005.

MANUFACTURING

- The manufacturing sector GDP grew by 5.0% in 2005 from a revised growth of 4.5% in 2004.
- The value of output in the manufacturing sector rose by 12.8% from a revised value of KSh 445.1 billion in 2004 to KSh 502.1 billion in 2005.
- Key sub-sectors that performed well included; Tobacco, Beverages, Grain Milling, Paper and Paper products, and Plastic products.
- Number of enterprises under EPZ dropped from 74 in 2004 to 68 in 2005.
- Aggregate cumulative private investments in EPZ rose from KSh 17,012 million in 2004 to KSh 17,637 million in 2005.

BUILDING AND CONSTRUCTION

- Cement consumption increased by 10.9% from 1,418.3 thousand tonnes in 2004 to 1,572.5 thousand tonnes in 2005.
- Value of building plans approved increased by 7.7% from Ksh 35.0 billion in 2004 to Ksh 37.6 billion in 2005.
- Total expenditure on roads increased from Ksh 15.8 billion in 2004/05 to Ksh 19.2 billion in 2005/06.

TOURISM

- Tourism earnings increased from KSh 38.5 billion in 2004 to KSh 48.9 billion in 2005, an increase of 27.0%.
- International visitor arrivals increased by 8.7% from 1.4 million in 2004 to 1.5 million in 2005.
- Hotel bed-nights occupancy increased by 18.1% from 3.8 million in 2004 to 4.5 million in 2005.
- Local conferences held went up from 912 in 2004 to 1,553 while International conferences increased from 145 to 186 in the review period.

TRANSPORT, STORAGE AND COMMUNICATIONS

- ? Output valued at market prices increased by 16.5% from KSh 283.3 billion in 2004 to KSh 329.9 billion in 2005 due to robust growth in the communication sub-sector and the revamped tourism sector.
- ? The communications sector contributed 18.8% of the total sector output and grew by 11.1% from KSh 55.7 billion in 2004 to KSh 61.9 billion in 2005.
- ? Registration of new vehicles increased from 42,482 in 2004 to 45,653 in 2005.
- ? Total cargo traffic handled at the airports increased by 12.8% to reach 272.3 million kilogrammes in 2005.

TRANSPORT, STORAGE AND COMMUNICATIONS cont'd

- ? Subscriber base of mobile phone connections increased from 4.3 million in 2004 to 5.6 million in 2005.
- ? A total of 244 FM and 89 TV frequencies had been assigned by 2005.
- ? Sales of English newspaper increased by 3.4% while Kiswahili declined by 11.6% in 2005.
- ? Land line connections increased by 2.5% from 280 thousand in 2004 to 287 thousand in 2005.

OUTLOOK

- Global leading economic indicators point to a sustained growth momentum in 2006 and 2007. The current positive outlook, however, is clouded with considerable risks stemming from energy prices and the current account imbalances.
- On the domestic front, key economic indicators show that the economy performed better in first quarter of 2006 than same quarter of 2005.
- Economic growth was slowed down in first quarter of 2006 on account of dry weather and high international oil prices.
- Underlying inflation rate is expected to remain within target in the next twelve months supported by good monetary policy.

OUTLOOK (Cont.)

- Agriculture is likely to record a moderate growth on account of the long rains being experienced in the country after being slowed down by the drought in last quarter of 2005 and first quarter of 2006.
- Manufacturing, Construction and Mining and quarrying are likely to maintain their momentum that started in 2004.
- Riding on the back of the current boom in tourism, hotels and restaurants and transport are expected to record growths within the levels experienced in 2005.

OUTLOOK (Cont.)

- Activities in financial sector are likely to be on an upward trend supported by the good corporate management and rising credit to private sector.
- Recent good corporate profitability and expected sale of National Bank and Telkom shares to the public are likely to maintain activities of Nairobi Stock Exchange as seen from the Initial Public Offer (IPO) of Kengen shares.
- GDP growth in 2006 is therefore likely to be between 5.5% and 6.0%.

CLOSING REMARKS

- Lastly, I would like to 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 once again appeal to data producers especially the large establishments, 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 tirelessly worked hard to make the production of this document a success.
- I now officially launch, the Economic Survey 2006

THE END

THANK YOU,
LADIES AND GENTLEMEN