

**KENYA
ECONOMIC SURVEY
2009
HIGHLIGHTS**

ECONOMIC SURVEY 2009



PRESENTED BY

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ECONOMIC SURVEY 2009



- The Economic Survey 2009
 - Present highlights of the economy for 2008
 - And key socio-economic statistics for the period 2004 to 2008

Overview



- Country experienced remarkable sustained economic growth for the period 2003 - 2007 with the GDP growth rate reaching 7.1 percent in 2007, the highest growth rate over the period.

Overview

However 2008 was affected by:

Internal shocks

- Post election disruptions
- Unfavourable weather conditions
- High cost of food and fuel prices
- Continued Political bickering

External shocks

- High crude oil prices
- Global financial crisis

International Scene



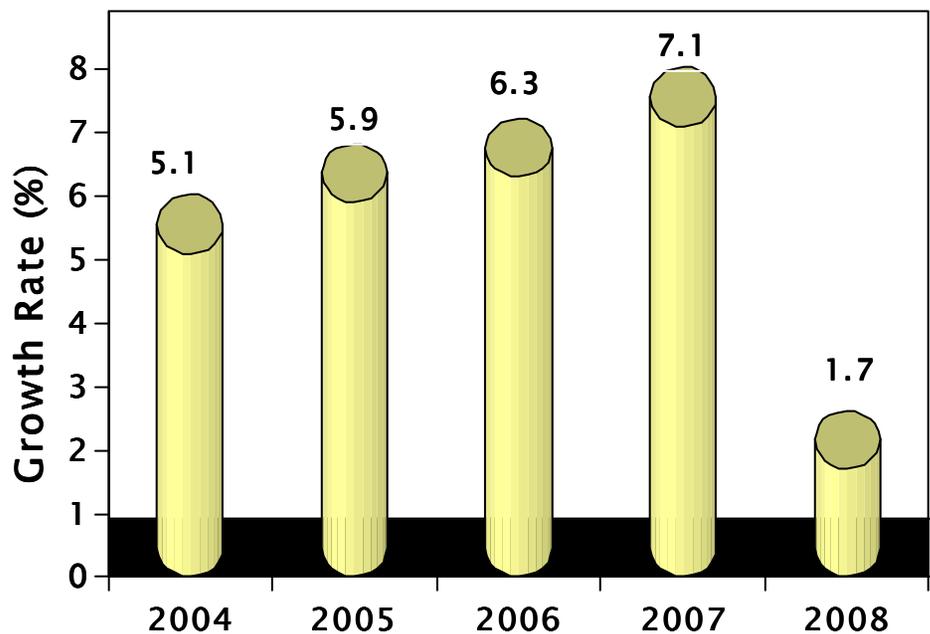
- The Global economy expanded by 2.7% in 2008 compared to 3.7% growth in 2007
- In the **USA**, GDP grew by 1.4%; the slowest since 2001
- **Japan's** economy expanded by 0.5% in 2008. This was the slowest growth since 2002 when it grew by 0.3%
- **Africa's** growth slowed to 5.9% in 2008 from 6.3% in 2007
- **Sub-Saharan Africa** also slowed to 6.1% in 2008 compared to 6.9% in 2007

International Scene cont'd



- There was a resurgence of high inflation; with average rates being 3.6% for advanced economies, 7.3% for emerging Asia and 10.2% for Africa in 2008
- Growth in fuel importing countries was restrained by high energy prices
- However, there was improved terms of trade for many African countries due to a surge in commodity prices which boosted growth

Performance of Kenya's Economy



- Real Gross Domestic Product (GDP) is estimated to have expanded by 1.7% in 2008 compared to a 7.1% in 2007
- This is the lowest growth rate since 2003

Domestic Economy Cont'd

Sectors which recorded positive growths:-

Sector	2007	2008
Construction	6.9%	8.3%
Education	3.7%	5.8%
Wholesale & Retail trade	11.5%	5.1%
Manufacturing	6.5%	3.8%
Transport & Communication	15.1%	3.1%
Financial Intermediation	6.7%	3.1%

Domestic Economy Cont'd



Sectors in which output contracted

Sector	2007	2008
Hotels and restaurants	16.3 %	-36.1 %
Agriculture and forestry	2.0 %	-5.1 %



Economic Performance by Sector

Social Scene



- Central Government expenditure on social services increased by 7.8% from KSh 187.8 billion in 2007/08 to KSh 202.4 billion in 2008/09
- Local Government expenditure on this sector rose by 14.7% from KSh 4.1 billion to KSh 4.7 billion over the same period

Social Scene; Selected indicators for Education



Indicator	2007	2008	% change
No. of Primary schools	26,104	26,206	0.4%
No. of Secondary schools	6,485	6,566	1.2%
Total enrollment in Primary	8.33 m	8.56m	2.8%
Total enrollment in Secondary	1.18 m	1.33m	12.7%
Gross enrollment rate for boys	110.7%	118.1%	
Gross enrollment rate for girls	104.4%	113.1%	
No. of Primary school teachers	173,157	170,059	-1.8%
No. of Sec. school teachers	44,305	43,016	-2.9%
Pupil/teacher ratio (Primary)	44:1	45:1	
Student/teacher ratio (Sec)	23:1	28:1	

Social Scene; Selected Indicators for Health



Indicator	2007	2008	% change
No. of health institutions	5,589	5,712	2.2%
No. of registered medical personnel	73,236	77,736	6.1%
No. of medical students (university)	4,640	5,814	25.3%
No. of medical students (MTC)	5,932	6,090	2.2 %
No. of medical personnel per 100,000 of population	197	203	3.0 %
Full Immunization Coverage (FIC) Rate	73.0 %	71.0 %	

Social Scene; Health cont'd



- ▶ National Health Insurance Fund (NHIF) receipts increased by 14.1% to KSh 4.5 billion in 2007/08
- ▶ Over the same period, benefits to members rose by 31.2% to stand at KSh 1.9 billion in 2007/08
- ▶ Central government allocation to the Ministries of Medical services and Public and sanitation decreased by 5.7% from KSh 36.7 billion in 2007/08 to KSh 34.6 billion in 2008/09

Governance

- Total number of crimes reported to the Police rose to 63,476 cases in 2008 from 63,028 cases the previous year
- Cases reported to KACC dropped from 6,728 in 2007 to 3,637 in 2008
- Cases filed in magistrates' courts declined from 408,097 in 2007 to 343,152 in 2008
- Cases disposed of by magistrates' courts went down from 500,788 in 2007 to 353,136 in 2008

Governance; Selected Indicators

Indicator	2007	2008	% change
Crimes reported to police	63,028	63,476	0.7%
Firearms/ammunitions recovered	7,288	9,621	32.0%
Cases reported to KACC	6,728	3,637	-45.9%
Cases filed in magistrates' courts	408,097	343,152	-15.9%
Cases pending in magistrates' courts	780,772	768,908	-1.5%
Cases disposed of by magistrates' courts	500,788	353,136	-29.5%
Convicted prison population	89,770	88,414	-1.5%
Daily average population - convicted prisoners	22,249	25,429	14.3%
Daily average population - remanded prisoners	41,917	46,602	11.2%

Governance; Selected Indicators

Personnel in the police, prisons, probation and law courts

Indicator	2007	2008	% change
Police officers	40,997	45,057	9.9%
Prison officers	16,526	17,255	4.4%
Probation officers	415	465	12.0%
Magistrates	252	287	13.9%
Judges	60	58	-3.3%

Employment, Earnings and Consumer Prices



- New jobs created declined from 485.5 thousand in 2007 to 467.3 thousand in 2008
- Employment creation in the modern private sector decelerated by 67.7%; from 74.0 thousand new jobs in 2007 to 23.8 thousand new jobs in 2008
- Employment in the public sector rose marginally by 1.6% in 2008 to 638 thousand employees from a decline of 3.4% in 2007

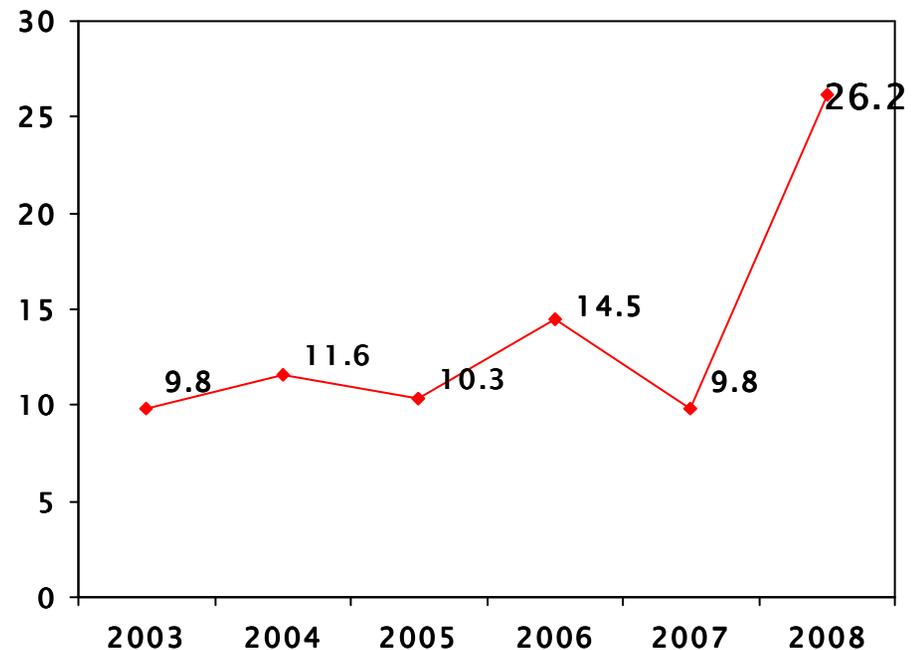
Employment, Earnings and Consumer Prices cont'd



- Employment in the informal sector is estimated to have expanded from 7.5 million in 2007 to 7.9 million in 2008
- Monthly average earnings in the modern sector rose by 8.3% from KSh 28,666 in 2007 to KSh 31,058 in 2008
- However, real average earnings contracted by 16.2% in 2008 due to high inflation during the year

Inflation Rates

- The average annual inflation rate rose from 9.8% in 2007 to 26.2% in 2008
- This was the highest rise in inflation since 1994 when it reached 28.8%



Inflation Cont'd



- Underlying inflation rose from 5.7% in 2007 to 11.1% in 2008
- The rise in inflation was caused by the high food and fuel prices witnessed during the period under review

Money, Banking and Finance



- Broad money supply, M3 expanded by 15.9% in 2008 compared to 19.1% in 2007
- Total domestic credit rose from KSh 670.8 billion in Dec 2007 to KSh 827.4 billion in Dec 2008 representing a 23.3% rise
- Domestic credit advanced to the Government and to the Private sector increased by 24.5% and 18.8%, respectively in 2008

Money, Banking and Finance cont'd



Interest rate type (end of period)	2007	2008	Change (percentage points)
91-day treasury bill	6.87	8.59	1.72
Loans and advances for commercial banks	13.32	14.80	1.48
Overdrafts	12.96	14.40	1.44
Commercial bank deposit (savings)	1.67	1.62	-0.05

Money, Banking and Finance cont'd



- The NSE 20-share index recorded sharp drop (along with the rest of the world) of 1924 to 3531 points by end of Dec 2008
- Despite the drop in NSE 20-share index, market capitalization rose marginally from KSh 851 billion in December 2007 to KSh 854 billion in December 2008 owing to Safaricom IPO
- Total bond turnover rose by 12.4 per cent to KSh 95.4 billion in 2008 from KSh 84.9 billion in 2007

Public Finance



- The Government expenditure for 2008/09 is expected to reach KSh 773.0 billion from KSh 658.1 billion spent in 2007/08
- Development expenditure for 2008/09 budget accounted for 26.8 per cent from 24.4 per cent in 2007/08
- Total Government receipts for 2008/09 are expected to reach KSh 549.6 billion compared to KSh 468.6 billion in 2007/08

Public Finance cont'd



- Stock of outstanding debts as at the end of June 2008 was KSh 748.5 billion as compared to KSh 715.5 billion in June 2007
- Stock of outstanding foreign debt as at the end of June 2008 was KSh 413.5 billion compared to KSh 397.1 billion in June 2007.
- LATF funds increased to KSh 9.25 billion in 2008/09 from KSh 8.25 billion in 2007/08

International Trade and BOP



- The overall balance of payments deteriorated from a surplus of KSh 63.3 billion in 2007 to a deficit of KSh 33.2 billion in 2008
- The BOP deficit was mainly on account of
 - Decreased foreign direct investment inflows and
 - Widened merchandise trade deficit

International Trade and BOP Cont'd



- Trade balance widened from a deficit of KSh 330.5 billion in 2007 to a deficit KSh 425.7 billion in 2008 representing a deterioration of 28.8 per cent.
- Value of total exports increased from KSh 274.7 billion in 2007 to KSh 344.9 billion in 2008
- Total imports also increased by 27.4 per cent to reach KSh 770.7 billion in 2008 compared to KSh 605.1 billion in 2007

International Trade and BOP Cont'd



- The current account balance deteriorated further from a deficit of KSh 69.6 billion in 2007 to a deficit of KSh 136.9 billion in 2008
- The capital and financial account recorded a declined surplus of KSh 81.1 billion in 2008 from a surplus of KSh 150.1 billion in 2007

Agriculture



- Production in almost all the sub-sectors of Agriculture declined
- Real value added for the sector declined by 5.4 per cent in 2008 compared to a growth of 2.2 per cent in 2007
- Major factors that led to the decline include
 - High prices of inputs
 - Adverse weather conditions and
 - Disruption from the post election violence

Agriculture cont'd



- The contraction in agricultural production led to price increases of most of the food commodities
- Maize production declined from an estimated 32.5 million bags in 2007 to 26.0 million bags produced in 2008
- Likewise, wheat production declined from 112.9 thousand tonnes in 2007 to 82.6 thousand tonnes in 2008

Agriculture cont'd



- ▶ Exports of horticultural produce increased marginally by 0.5 per cent from 192.2 thousand tonnes in 2007 to 193.1 thousand tonnes in 2008
- ▶ However, export earnings from horticulture declined from KSh 67.3 billion in 2007 to KSh 58.0 billion in 2008 due to reduction in prices

Environment and Natural Resources



Water

- ▶ Development expenditure on water supply & related services increased from KSh 8.4 billion in 2007/08 to KSh 10.6 billion in 2008/09

Fisheries

- ▶ Quantities of fish landed rose from 135.1 thousand tonnes in 2007 to 142.5 thousand tonnes in 2008

Forestry

- ▶ Forest plantation stocking rose from 112.3 thousand hectares in 2007 to 114.0 thousand hectares in 2008

Environment and Natural Resources Cont'd



Mining

- ▶ Mineral production increased by 14.5 per cent from 1,350.0 thousand tonnes in 2007 to 1,545.2 thousand tonnes in 2008
- ▶ Value of minerals produced rose by 76.0 per cent to KSh 12.3 billion in 2008

Wildlife

- ▶ Most wildlife herbivores declined due to
 - Poaching
 - Migration due to loss of habitat
 - Unfavourable weather

Energy

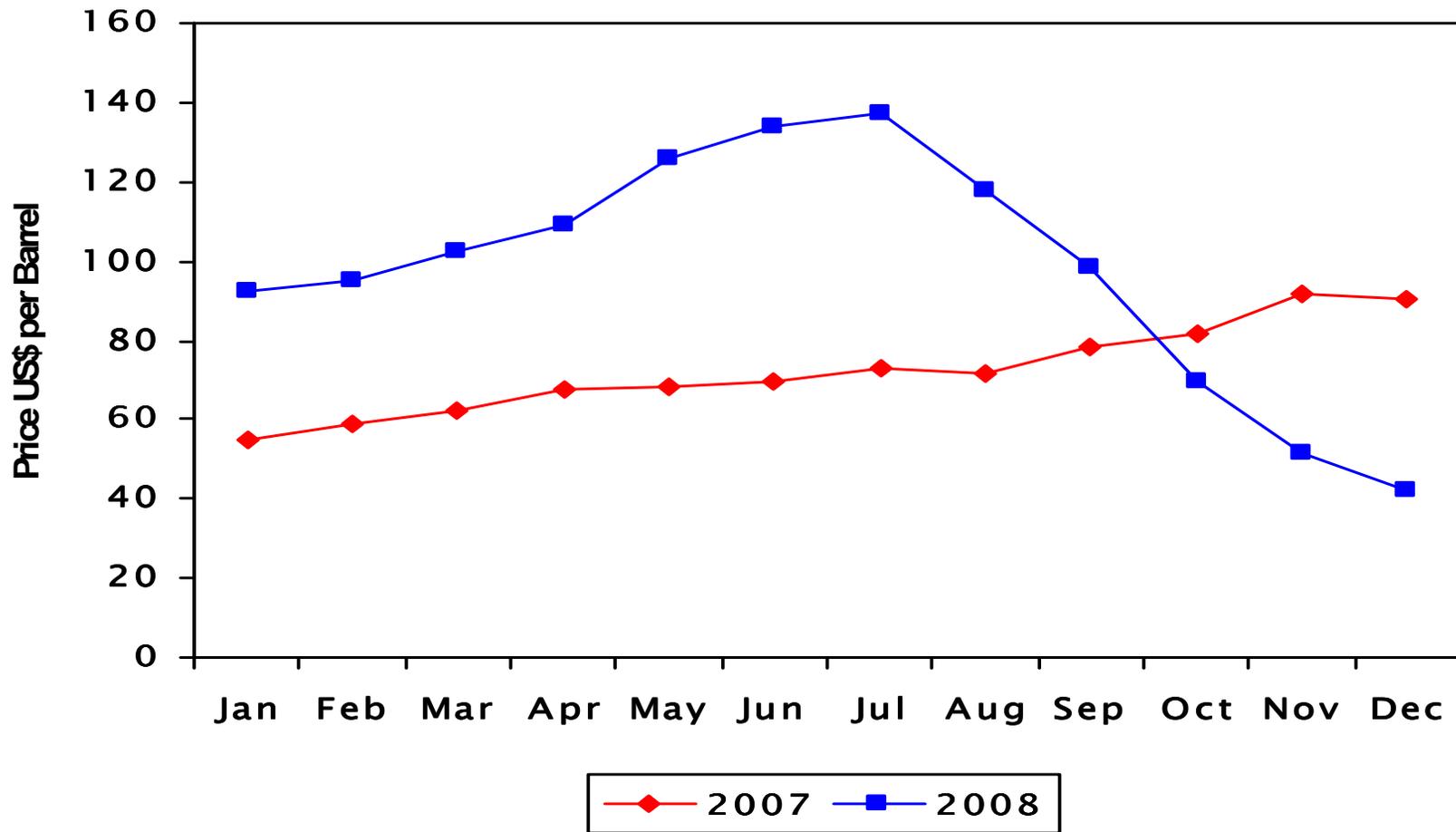


- For the better part of 2008 the international prices of fuel were on an upward trend
- However, crude oil prices declined in the 4th quarter of 2008
- High oil prices were occasioned by
 - Speculative demand
 - Unstable geo-political situation in some oil-producing countries
 - Increased demand, particularly in Asia and Latin America

Energy Cont'd



Murban Adnoc Prices 2007 and 2008



Energy Cont'd



- Total demand for petroleum products rose marginally by 2.0 per cent from 3,218.3 thousand tonnes in 2007 to 3,283.0 thousand tonnes in 2008.
- The total quantity of petroleum products imported into the country dropped by 3.0 per cent from 3,691.8 thousand tonnes in 2007 to 3,579.7 thousand tonnes in 2008.

Energy cont'd



- Hydro-electricity generation declined from 3,591.5 GWh in 2007 to 3,271.8 GWh in 2008 due to inadequate rainfall experienced in most parts of the country
- This resulted to increased reliance on thermal generation which rose to 2,145.4 GWh in 2008 from 1,735.8 GWh in 2007
- Total electricity generation posted a decelerated growth of 2.1 per cent in 2008 compared to a growth of 7.3 per cent in 2007

Manufacturing



- The sector's real value added grew at 3.8 per cent in 2008 compared to a higher growth of 6.5 per cent in 2007
- This growth was against a number of challenges
 - Supply disruption and temporary closures during the post-election skirmishes
 - Stiff competition from cheap imports and counterfeits
 - Subdued domestic and external demand

Manufacturing cont'd



- Manufacture of food, beverages and tobacco were the most affected; their combined valued added contracted by 1.7 per cent in 2008 compared to an expansion of 9.3 per cent in 2007
- However, Manufacture of non-food items grew by 6.3 per cent in 2008 compared to 5.2 in 2007

Building and Construction

- The sector recorded a growth of 8.3 per cent in 2008 compared to 6.9 per cent in 2007
- This growth was largely supported by increased capital investments in roads and housing
- Government expenditure on housing rose from KSh 3.1 billion to KSh 4.1 in 2008

Building and Construction cont'd



- Disbursement of funds by Kenya Roads Board rose from KSh 15.4 billion in 2007 to KSh 19.0 billion in 2008
- In total
 - 502 kilometers of roads were maintained
 - 1,411.8 kilometers of roads were rehabilitated
 - 808.8 kilometers of roads were constructed

Tourism



- The sector recorded one of its worst performances ever in real terms.
- The dismal performance was occasioned by
 - Post election crisis
 - The global financial crisis
- Tourism earnings decreased by 19.2 per cent from KSh 65.2 billion in 2007 to KSh 52.7 billion in 2008

Tourism cont'd



- Volume of international arrivals declined by 33.8 per cent in 2008 to 1.2 million from 1.8 million attained in 2007
- Bed occupancy rate dropped to 26.0 per cent in 2008 from 47.2 per cent in 2007
- Visitors to Game Parks and Reserves decreased by 34.5 per cent from 2.5 million in 2007 to 1.6 million in 2008

Transport, Storage and Communications



- The sector recorded its slowest growth since 1998
- Its value added grew by 3.1 per cent in 2008 compared to 15.1 per cent in 2007
- The depressed output was mainly on account of
 - Disruption caused by the 2007 post election violence
 - Increased oil pump prices

Transport and Communications Cont'd



- The number of mobile subscriber base increased to 12.9 million in 2008 from 9.3 million in 2007
- Mobile telephony saw entrance of 2 new players; Telkom Orange and Econet
- The number of newly registered vehicles increased significantly by 42.8 per cent from 85,324 in 2007 to 121,831 in 2008
- Commercial passenger air traffic dropped from 7.0 million in 2007 to 6.4 million in 2008

Transport and Communications Cont'd



- Volume of traffic throughput at the Port of Mombasa increased marginally by 2.8 per cent; from 16.0 million tonnes in 2007 to 16.4 million tonnes in 2008
- Overall pipeline throughput declined by 2.9 per cent to stand at 3.8 million cubic meters in 2008 from 4.0 million cubic meters in 2007
- Railway freight tonnage transported decreased by 23.4 per cent from 2.3 billion in 2007 to 1.8 billion tonnes in 2008

Outlook 2009; International Scene



- The outlook for the global economy for the year 2009 is bleak
- Although the global financial crisis is expected to ease within the course of 2009, its effects are likely to impact negatively on many of the OECD countries
- In line with these expectations, most of the major economies of the world are projected to contract as shown in the table below:

Outlook 2009; International Scene Cont'd



Country/Region	Projected Growth (%)
United States of America	-0.9
Japan	-0.1
Germany	-0.8
United Kingdom	-1.1
Euro Area	-0.6
Sub-Saharan Africa	6.3

Outlook for Kenya in 2009



Economic growth in Kenya is largely going to be determined by a number of factors

- Production in agriculture:- might remain subdued due to delay in long rains
- Tourism:- likely to perform below potential due to low level of prosperity in source nations
- The duration of the Global crisis
- Political Governance:- Restoration of investor confidence is dependent on a rapid return to credibility in governance structure

Outlook for Kenya in 2009 Cont'd



To urgently mitigate the slowdown in the economy the 2009/10 Budget will therefore address the following key areas:-

- **Infrastructure** - More resources need to be earmarked for expansion and rehabilitation of the road, power, railways and ports
- **Tourism**- Aggressive marketing both internally and externally is required to revive the sector
- **Agriculture**-Subsidizing of agricultural inputs and irrigation development
- **Security**

Outlook for Kenya in 2009 Cont'd



- **Manufacturing** - Lower the cost of production and urgently address the issue of cheap imports/counterfeit goods which are forcing companies to close down
- **Water and Environment** - Conservation of the environment and water (water catchment areas)
- **Kazi Kwa Vijana** -requires urgent refocusing on key impact areas both at employment level and activity areas like afforestation, construction of rural roads and damming of seasonal rivers and construction of water pans

Outlook for Kenya in 2009 Cont'd

- **Education** - Teacher employment needs to be addressed taking note that the total number of teachers at both primary and secondary school level is on the decline while enrolment is expanding.

Lastly, with stable macroeconomic variables, the economy is estimated to expand by between 2.0 and 3.0 per cent in 2009

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.
- 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 2009 officially launched.