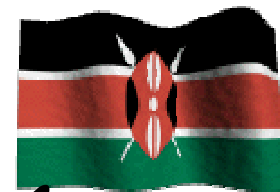


KENYA ECONOMIC SURVEY 2011 HIGHLIGHTS



ECONOMIC SURVEY 2011

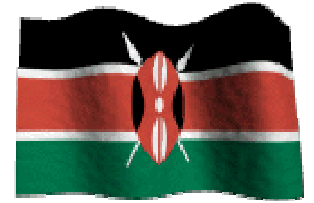
Presented by

Hon. Wycliffe Ambetsa
Oparanya, EGH, MP.

Minister of State for Planning, National
Development and Vision 2030

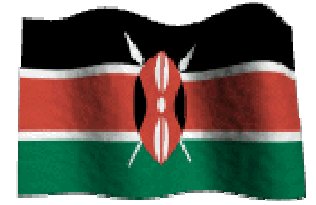
17th May 2011

ECONOMIC SURVEY 2011



Outline

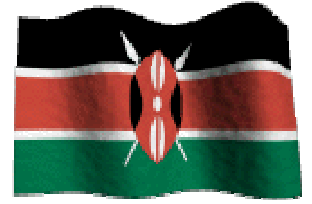
- International scene
- Highlights of the economic performance in 2010
- Highlights of key Social and Governance statistics in 2010
- Economic outlook for 2011



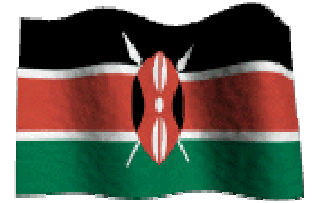
International Scene

- The Global economic performance made a turnaround when its real GDP expanded by 4.6 per cent in 2010 compared to a contraction of 1.0 per cent in 2009
- The improvement was against a backdrop of:-
 - Restored investor confidence

International Scene cont'd



- Stimulus policies
- Rebound in demand for consumer goods
- Increased world trade
- Many of the advanced economies embarked on recovery paths and experienced positive growth rates in 2010
- Most of the emerging and developing economies expanded more robustly e.g. China, India, Brazil, Sub Saharan Africa



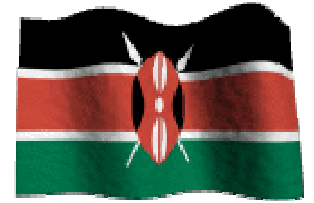
GDP Growth Rates and Projections for Selected Countries

Country	2009	2010	2011*
USA	-2.6	2.7	2.2
Japan	-5.2	3.7	1.7
Euro Area	-4.1	1.7	1.7
China	9.1	10.5	9.7
South Korea	0.2	6.2	4.3
Uganda	7.2	5.8	6.1
Tanzania	6.0	6.5	6.7
Rwanda	4.1	5.1	5.9
Burundi	3.5	3.9	4.5
South Africa	-1.8	3.0	3.5

• Source: OECD and World Economic Outlook [IMF]

*Projections

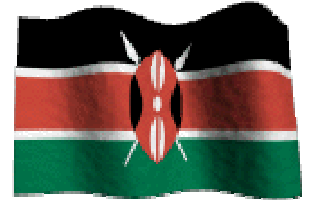
Main Sectors driving the Economy



- All the sectors of the economy recorded positive growths of varying magnitudes

Sector	2009	2010
Agriculture & Forestry	-2.6	6.3
Wholesale & Retail Trade	3.9	7.8
Transport & Communication	4.0	6.9
Manufacturing	1.3	4.4
Financial Intermediation	4.6	8.8

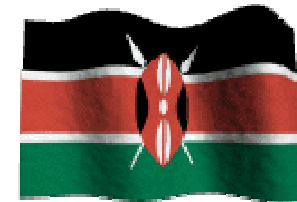
Domestic Economy



Factors that influenced growth in 2010 were

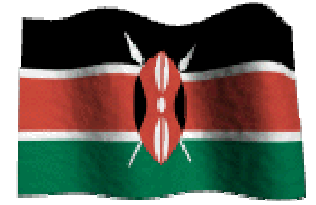
- Improved weather conditions
- Low inflationary pressure
- Low interest rates
- Stable macroeconomic environment
- Increased credit to the private sector
- Higher investments

Sectoral Performance



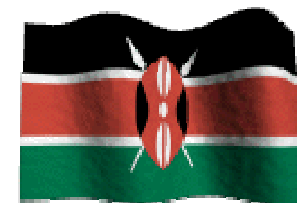
Agriculture

- The sector expanded impressively to record a real growth of 6.3 per cent in 2010 compared to contractions of 4.1 and 2.6 per cent experienced in 2008 and 2009 respectively
- The turnaround was primarily due to:
 - Favourable weather conditions that prevailed in 2010
 - Government intervention through supply of subsidized seeds and fertilizers;
 - Improved prices for some key agricultural exports such as tea and coffee



Agriculture cont'd

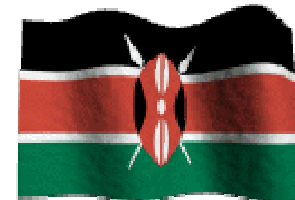
- Maize, wheat, rice, tea, sisal and pyrethrum were among the agricultural commodities whose production improved significantly
- Rising global demand resulted in improved prices of tea, coffee, sisal, pyrethrum and tobacco among other crops



Key Agricultural Crops Production

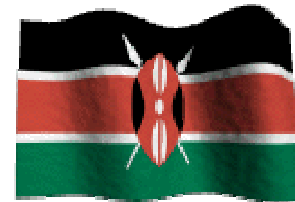
Commodity	2009	2010	% change
Tea ('000 Tonnes)	314.1	399.0	27
Coffee ('000 Tonnes)	54.0	42.0	-22.2
Fresh horticultural produce ('000 Tonnes)	180.8	147.1	-18.6
Maize (Million bags)	27.1	35.8	32.1
Wheat ('000 Tonnes)	129.2	199.7	54.6
Rice ('000 Tonnes)	37.2	72.5	94.9

Agriculture Cont'd

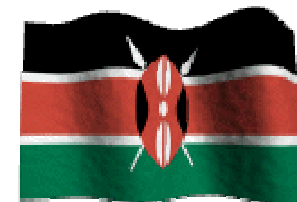


- The favourable weather resulted in increased production of livestock and livestock products leading to:-
 - Rise in volume of milk deliveries by 26.9 per cent from 406.5 million litres in 2009 to 515.7 million litres in 2010
 - Lower consumer prices of livestock products

Manufacturing



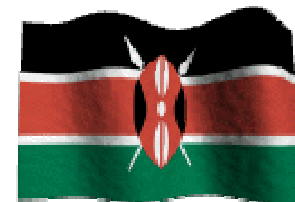
- Manufacturing sector grew by 4.4 per cent in 2010 compared to a marginal growth of 1.3 per cent in 2009.
- This growth is mainly attributed to:-
 - reliable power supplies arising from favourable weather conditions that bolstered electric power generation
 - favorable tax policies, including the removal of duty on capital equipments and some raw materials
 - Increased credit to the manufacturing sector
 - increased availability of raw agricultural materials
 - Growth in the regional market (EAC, COMESA)



Manufacturing cont'd

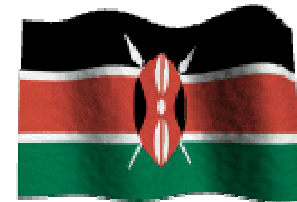
- The recovery in the global economy positively impacted on the EPZ programmes recording an increase of KSh 5.5 billion in turnover to KSh 31.7 billion in 2010
- Investments in the Export Processing Zones (EPZ) attracted an additional KSh 1.3 billion in 2010

Money, Banking and Finance

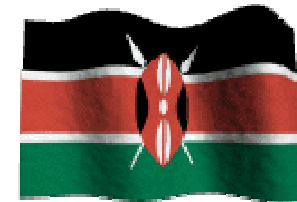


- The financial intermediaries' performance was exemplary during the period under review
 - the sector posted a more robust expansion of 8.8 per cent in 2010 compared to 4.6 per cent in 2009
- The Central Bank Rate (CBR) was lowered twice in 2010, with a view of lowering the cost of credit.
- Banks lowered their interest rates, which in turn benefited the private sector through access to cheaper credit
- However the spread of between the deposit and lending rates remains relatively high at 12.4 per cent in 2010.

Money, Banking and Finance Cont'



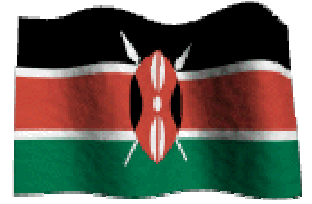
- Overall domestic credit grew by 30.4 per cent from KSh 978.3 billion in 2009 to KSh 1.3 trillion in December 2010. This growth was well above the targeted growth of 19.9 per cent
- Contributing to this growth were:-
 - 21.2 per cent increase in credit to private sector including quasi government bodies and
 - 62.3 per cent increase in domestic credit to Central Government



Stock Market

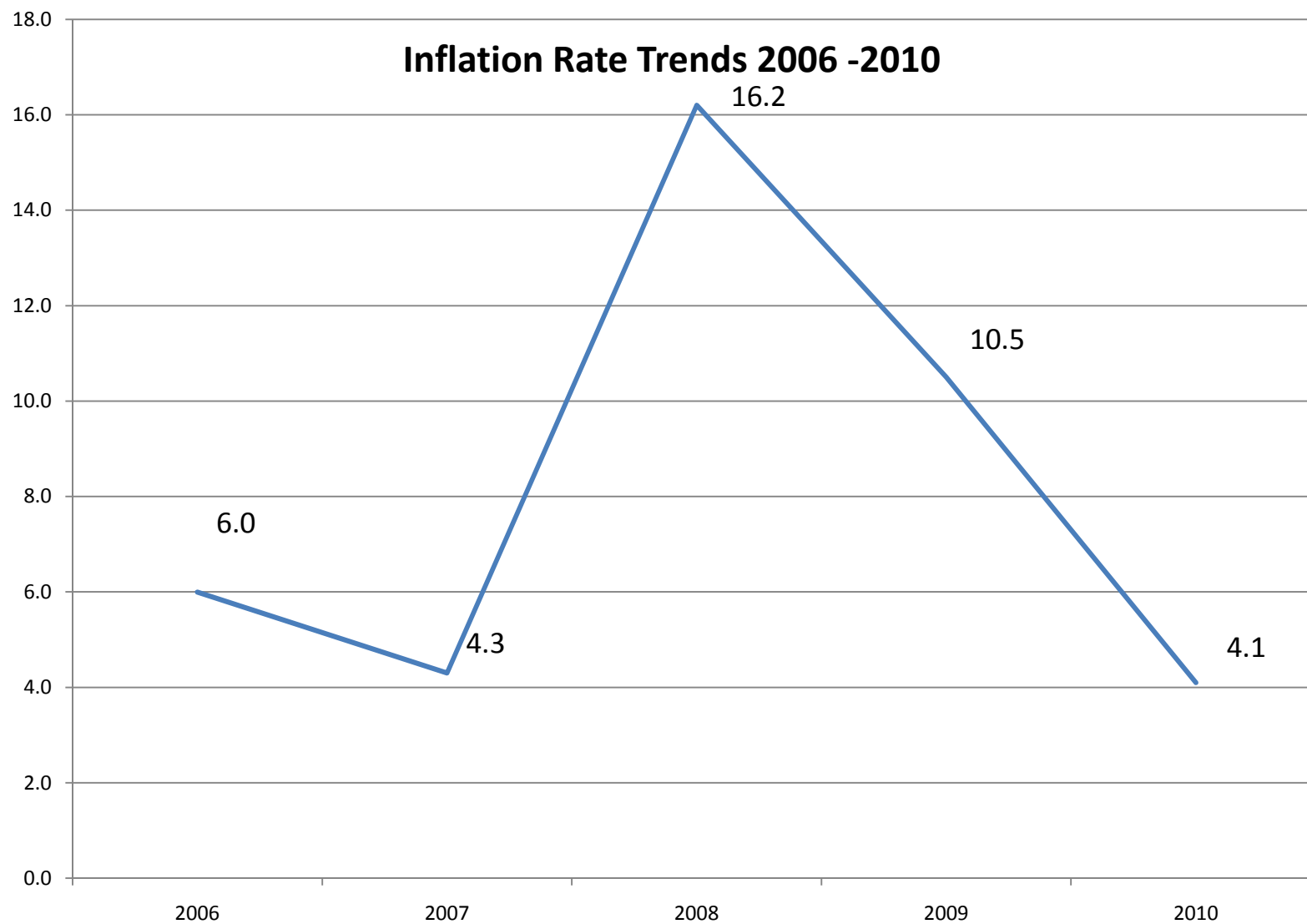
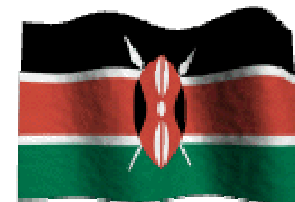
- The Nairobi Stock Exchange(NSE) 20 share index rose steadily over the first three quarters of 2010 to reach a peak of 4,630 points during the third quarter
- The index edged downwards slightly in the fourth quarter but remained relatively high at 4,433 points at the end of December 2010 compared to 3,247 points in December 2009

Inflation

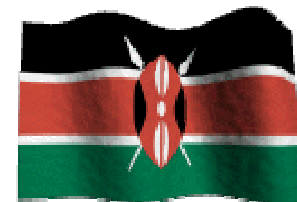


- Inflation was contained within the Government's target of 5.0 per cent in 2010
- The average annual inflation was 4.1 per cent in 2010 down from a high of 10.5 per cent recorded in 2009
- The decline in the inflation rate was mainly on account of:-
 - Favourable weather which led to low food prices emanating from improved agricultural production
 - Competition between the mobile telephone operators which resulted in reduction in calling rates

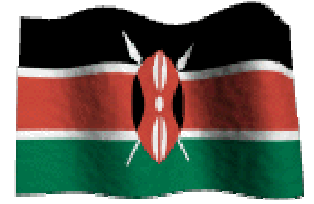
Inflation cont'd



Tourism



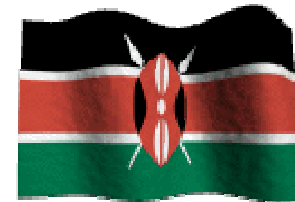
- Tourism earnings, which are a key source of foreign exchange earnings, rose by 17.9 per cent to KSh 73.7 billion in 2010 from KSh 62.5 billion in 2009
- Volume of international arrivals grew by 8.0 per cent from 1.49 million visitors in 2009 to 1.61 million in 2010



Tourism Cont'd

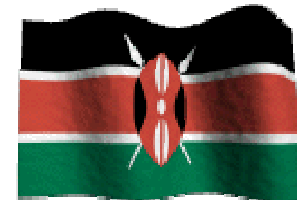
- Factors that contributed to the growth of tourism include
 - Promotion in new markets (e.g. Asia)
 - Repositioning the country as a high value destination (e.g. Brand Kenya Initiative)
 - Political stability
 - Improved security and infrastructure

Building and Construction



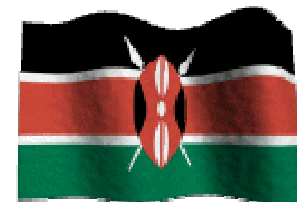
- The sector recorded a slowed growth of 4.5 per cent in 2010 compared to growth of 12.4 per cent in 2009
- In 2010/11, a total of KSh 91.0 billion was allocated to the road subsector by the Government compared to KSh 68.1 billion in 2009/10.
- Loans and advances from commercial banks to the construction sector grew by 7.3 per cent from KSh 30.4 billion in 2009 to KSh 32.6 billion in 2010

Building and Construction cont'd



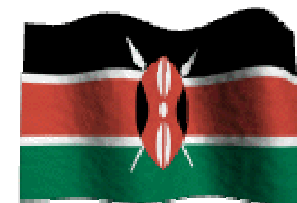
- Cement consumption went up by 16.2 per cent to 3.1 million tonnes in 2010 compared to 2.7 million tonnes in 2009
- Total value of reported private building works completed in selected main towns went up significantly from KSh 21.8 billion in 2009 to KSh 37.3 billion in 2010

Public Finance



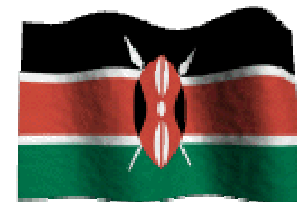
- During the fiscal year 2010/11, the Government adopted a policy geared towards;
 - Consolidating economic recovery
 - Putting the economy back on the Vision 2030 growth path
 - Containing the risk of recessionary effects of multiple shocks encountered in the preceding years

Public Finance-cont'd

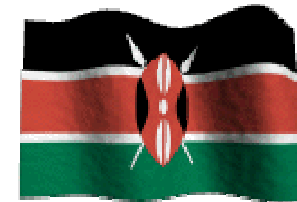


- In 2010/11, overall Government expenditure is expected to stand at KSh 998.3 billion compared to KSh 805.3 billion in 2009/10
 - Total budgeted recurrent expenditure is projected to increase from KSh 620.5 billion in 2009/10 to KSh 691.6 billion in 2010/11
 - Development expenditure is also expected to increase from KSh 184.8 billion in 2009/10 to KSh 306.7 billion in 2010/11

Public Finance cont'd

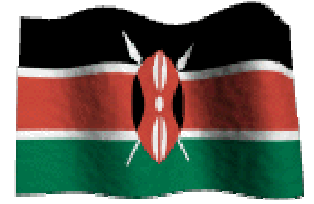


- The stock of Central Government outstanding public debt increased by 19.5 per cent from 889.9 billion in June 2009 to KSh 1.1 trillion in June 2010
- Domestic debt stood at KSh 534.5 billion and accounted for 50.2 per cent of the total debt
- External debt stood at KSh 528.9 billion
- Ratio of total debt to GDP stands at 42.3 per cent in 2010 compared to 37.6 per cent in 2009



Energy - Petroleum

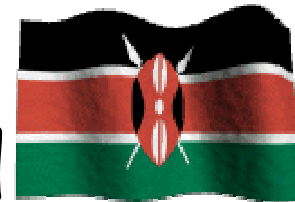
- The annual average price of oil increased to US\$ 79.16 per barrel in 2010 compared to US \$ 62.65 per barrel in 2009
- The high international oil prices translated to higher petroleum prices in the domestic market
- Total demand of petroleum products grew by 4.3 per cent from 3,610.8 thousand tonnes in 2009 to 3,760.7 thousand tonnes in 2010



Energy - Electricity

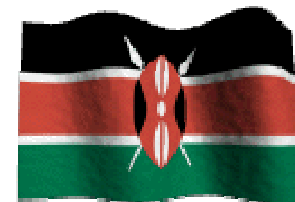
- Installed capacity expanded by 7.7 per cent to 1,412.2 MW in 2010 from 1,311.5 MW in 2009
- Consequently total electricity generation increased by 7.2 per cent to 6,975.8 million KWh in 2010 compared to 6,507.2 million KWh in 2009.
 - The growth in electricity generation was mainly driven by 49.3 per cent increase in production from hydro power sources associated with improved water levels at the seven forks dams

Energy – Electricity cont'd



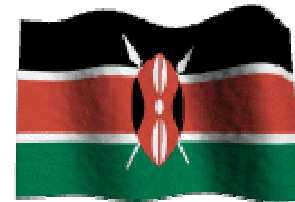
- Total Electricity consumption registered a growth of 6.0 per cent from 5,428.6 million KWh in 2009 to 5,754.7 million KWh in 2010
- The number of connections under the Rural Electrification Programme rose by 22.3 per cent from 205,287 as at June 2009 to 251,056 as at June 2010

Transport, Storage and Communication



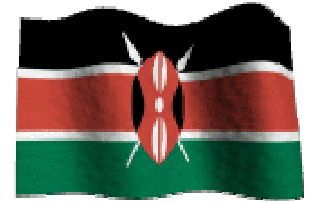
- Transport and Communication sector recorded a growth of 5.9 per cent in 2010 compared to 6.4 per cent in 2009
- The growth was mainly driven by expansion of transport and storage subsector
- Growth in the activities of the post and telecommunication slowed to 4.4 per cent in 2010 compared to a rapid expansion of 10.0 per cent in 2009
- The mobile subscriber base reached 20.1 million in 2010 from 17.4 million in 2009

Transport, Storage and Communication Cont'd

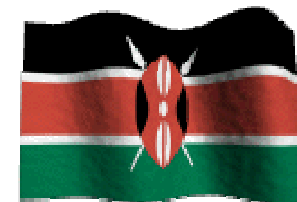


- Revenue earned from cargo transportation in the railway subsector decreased from KSh 4.3 billion in 2009 to KSh 4.1 billion in 2010.
- Government directive to phase out 14-seater Public Service Vehicle from 2011 started to take effect in 2010 with new registration of minibus/*matatu* declining by 19.7 per cent.
- Consequently, the number of newly registered buses and coaches went up by 19.6 per cent.

International Trade



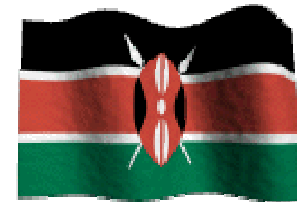
- Value of total exports grew by 18.8 per cent from KSh 344.9 billion in 2009 to KSh 409.8 billion in 2010
- Value of imports grew by 20.2 per cent to KSh 947.4 billion in 2010 compared to a marginal growth of 2.3 per cent in 2009
- Consequently, Kenya's trade balance worsened by 21.3 per cent in 2010 compared to the earlier deterioration of 4.1 per cent in 2009



Balance of Payments

- The current account balance widened to a deficit of KSh 199.2 billion in 2010 from a deficit of KSh 129.2 billion in 2009
 - Total transfers amounted to KSh 187.6 billion in 2010 of which the remittances in flow to the country was KSh 54.2 billion
- The capital and financial account recorded a surplus of KSh 187.4 billion in 2010 down from a surplus of KSh 200.0 billion recorded in 2009

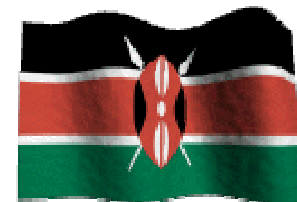
Balance of Payments



- The overall balance of payments deteriorated from a surplus of KSh 75.2 billion in 2009 to a surplus of KSh 12.2 billion in 2010
- This deterioration was on account of decreased net capital inflows coupled with deterioration in the current account balance

Social sectors

Social Scene

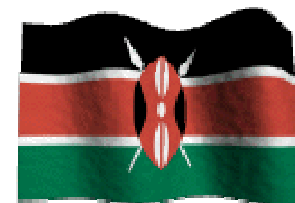


- Total Government allocation to the social sector is expected to increase by 24.5 per cent from KSh 208.8 billion in 2009/10 to KSh 259.9 billion in 2010/11
- The allocation to Education subsector is expected to reach KSh 193.3 billion in 2010/11 while that of health subsector is expected to reach KSh 31.6 billion in 2010/11

Selected indicators on Education

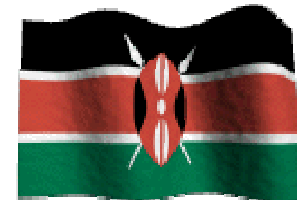
Indicator	2009	2010	% change
No. of Primary schools	26,667	27,489	3.1%
No. of Secondary schools	6,971	7,308	4.8%
Total enrollment in Primary	8.83m	9.38m	6.2%
Total enrollment in Secondary	1.51m	1.70m	12.6%
Gross enrollment rate for boys	112.8%	112.2%	-0.6%
Gross enrollment rate for girls	107.2%	107.8%	0.6%
No. of Primary school teachers	171,301	184,873	7.9%
No. of Sec. school teachers	48,087	53,047	10.3%
Pupil/teacher ratio (Primary)	45:1	45:1	0%
Student/teacher ratio (Sec)	31:1	32:1	-3.2%

Selected indicators on Health



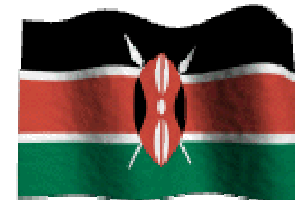
Indicator	2009	2010	% change
No. of health institutions	6,696	7,111	6.2%
No. of registered medical personnel	95,390	100,301	5.1%
No. of medical students (university)	4,877	5381	10.3%
No. of medical students (MTC)	5,715	6,699	17.2 %
No. of medical personnel per 100,000 of population	247	252	2.0 %
Full Immunization Coverage (FIC) Rate	78.0 %	83.0%	5.0%

Environment and Natural Resources



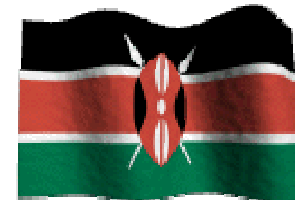
- Total development expenditure on water supplies and related services is expected to increase by 40.8 per cent from KSh 22.3 billion in the financial year 2009/10 to KSh 31.3 billion in 2010/11

Environment and Natural Resources cont'd



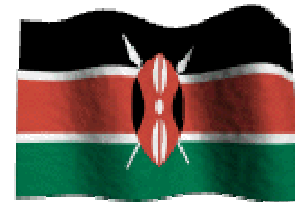
- Quantity of mineral production increased from 1,399 thousand tonnes in 2009 to 1,497 thousand tonnes in 2010.
- Production of soda ash and fluorspar increased from 404.9 thousand tonnes and 5.5 thousand tonnes in 2009 to 473.7 thousand tonnes and 40.8 thousand tonnes in 2010, respectively
 - The significant increase in production of the fluorspar is as a consequence of resumption of production by the mining company after temporary closure in 2009

Environment and Natural Resources

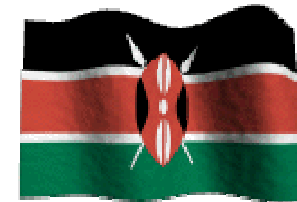


- Quantity of fish landed in 2010 increased by 8.3 per cent to 144.5 thousand tonnes from 133.6 thousand tonnes in 2009
- The forest plantation stocking decreased from 112.7 thousand hectares in 2009 to 111.8 thousand hectares in 2010, mainly due to increased forest fires

Employment



- In the year under review, the labour market recorded 503 thousand new jobs
- This was attributed to:-
 - Improved economic conditions
 - Increased access to affordable credit from banks, the Women Enterprise Fund and the Youth Development Fund which aided in starting and expanding businesses thereby generating more jobs

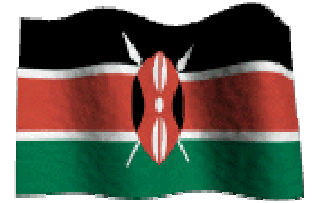


Employment Cont'

- In total, 62.6 thousand new jobs were created in the modern sector, compared to 56.3 thousand in 2009, contributing 12.4 per cent of total jobs created
- The bulk of the new jobs in the modern sector were created in Building and Construction, Transport and Communications, Wholesale and Retail Trade, Restaurants and Hotels
- The informal sector which constituted 80.6 per cent of total employment created an additional 440.9 thousand jobs

Governance

Governance

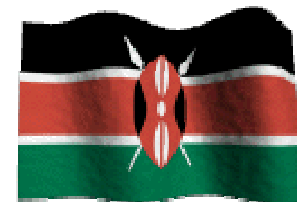


- Government continued to implement governance reforms in line with Agenda 4 of the Kenya National Dialogue and Reconciliation process
- Enactment of the new constitution which was promulgated in August 2010 was a milestone in the implementation of Agenda 4



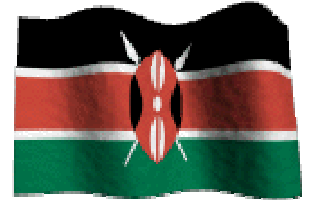
Selected indicators on crime and judiciary

Indicator	2009	2010	% change
Crimes reported to police	72,255	70,779	-2.0
Crimes reported to KACC	4,473	6,018	34.5
Firearms surrendered (Amnesty)	163	1,064	
Firearms recovered	423	252	
Total prison population	108,032	88,631	-18.0
Cases pending in court	838,934	688,760	-17.9
Cases disposed off	454,297	509,354	12.1

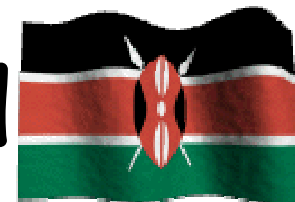


Economic growth 2010

Domestic Economy

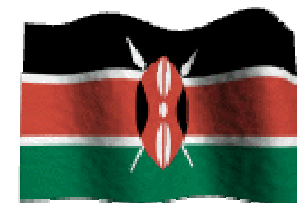


- Real GDP expanded by 5.6 per cent in 2010 compared to a growth of 2.6 per cent in 2009



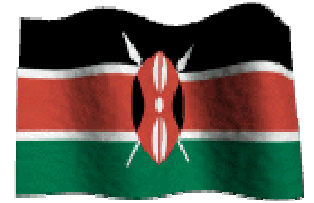
GDP Growth Rate





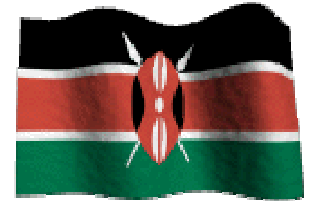
Economic outlook 2011

Economic Outlook for 2011



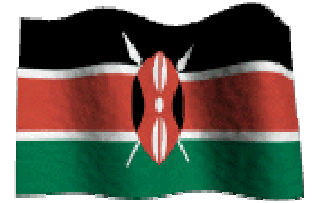
- The global economy is projected to continue on a recovery path but at a slower real GDP growth rate of 4.2 per cent in 2011 compared to 4.6 per cent in 2010
- Similarly the domestic economy is likely to maintain a positive growth but at a decelerated rate of between 3.5 and 4.5 per cent

Economic Outlook for 2011 cont'd



- Risks likely to shape economic growth include:
 - High international oil prices - which could remain high for the rest of the year (due to instability in the Middle East and North Africa)
 - Fluctuations in the exchange rate
 - Inadequate rainfall - which has so far been insufficient
 - Rising global food prices
 - Political environment as the country moves close to 2012 elections

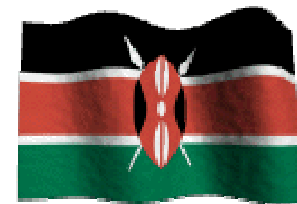
Policy interventions to safeguard growth in 2011



Domestic

1. Food - Scale up policy for more incentives for food production and irrigation
2. Widen Social protection policies and relief for 4 million vulnerable Kenyans
3. Better coordination of key players in production and distribution in the food sector i.e. GoK, Donors, NEPAD, NGOs
4. Fast-track implementation of the National Land Policy to ensure effective land utilization

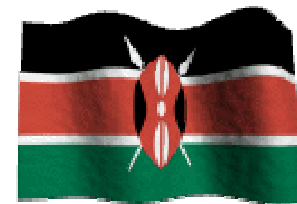
Policy interventions to safeguard growth in 2011



Domestic cont'd

5. Removal of tariffs on imported grain for a limited time
6. Actualize the 8 million strategic grain reserves
7. Maintain recent reduction in taxes on Diesel and kerosene
8. Accelerate Strategic oil reserves policy
9. Speed up reforms in the Railway sector and Mombasa port and construction of Lamu port
10. Strengthen policies on youth employment and MSE sector

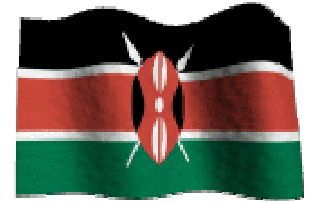
Policy interventions to safeguard growth in 2011



Domestic cont'd

11. Continued Infrastructure developments
12. Control population growth
13. Continue to improve business environment
(cost of doing business);
14. Increase funding for Research and
Development
15. Fast-track the implementation of the new
constitution especially the critical bills

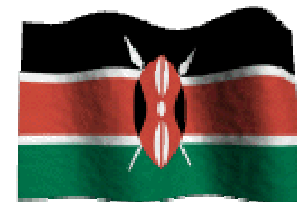
Policy interventions to safeguard growth in 2011



International

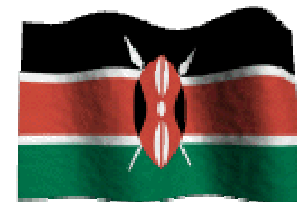
1. To work with AU/FAO towards long term supply of affordable food in Africa
2. To work with EAC and COMESA partners to streamline food supply in the region
3. Intensify efforts to attract FDI
4. Intensify economic integration program e.g. East and central Africa Power pool.

Closing Remarks

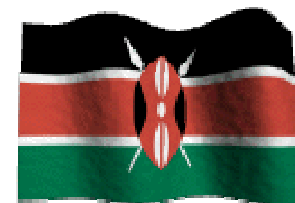


- I take this opportunity to thank all of you for attending the Launch of this year's Economic Survey
- My sincere appreciation goes to all the data producers, both large and small establishments, for their valuable input into this report
- I once again appeal to all data producers, who are still hesitant 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 KNBS Board of Directors, Director General and entire staff of KNBS who have worked tirelessly to make the production of this document a success
- Finally, it is my pleasure to now declare the Economic Survey 2011 officially launched



END