

2014 ECONOMIC SURVEY REPORT HIGHLIGHTS



Presented by

**CABINET SECRETARY
MINISTRY OF DEVOLUTION AND
PLANNING**

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ECONOMIC SURVEY 2014

Outline

- International scene
- Performance of economic sectors
- Inflation, interest rates and trade
- Public Finance
- Social sectors
- 2013 Economic Growth
- Economic outlook for 2014
- Policy Interventions

International Scene

- The world economy is estimated to have grown by 3.0 per cent in 2013 compared to the revised growth of 3.1 per cent in 2012.
- The lower performance was observed across most regions and major economic groups. However, the world economy is expected to turn around in 2014.
- Growth in Sub-Saharan Africa and the East African Community (EAC) however remained relatively robust with real GDP estimated to have expanded by 5.0 and 6.1 per cent, respectively in 2013. This was due to an increase in trade and investment with emerging market economies.

International Scene cont'd

GDP Growth Rates and Projections for Selected Countries

Country	2012	2013	2014*
Euro Area	-0.6	-0.4	1.0
China	7.7	7.6	7.3
Uganda	2.8	5.6	6.5
Tanzania	6.9	7.0	7.2
Rwanda	8.0	7.5	7.5
Burundi	4.0	4.5	4.7
South Africa	2.5	2.0	2.9

• Source: OECD and World Economic Outlook [IMF]

*Projections



PERFORMANCE OF ECONOMIC SECTORS

Agriculture



- Growth in the agricultural sector decelerated in 2013 to 2.9 per cent from a revised growth of 4.2 per cent in 2012 partly due to inadequate rainfall received in some grain growing regions
- Livestock output increased by 5.0 per cent during the review year.

Key crops production

Commodity Volumes	2012	2013	% change
Tea ('000 Tonnes)	369.4	432.4	17.1
Coffee ('000 Tonnes)	49.0	39.8	-18.8
Fresh horticultural produce ('000 Tonnes)	205.7	213.8	3.9
Maize (Million bags)	39.7	38.9	-2.0
Wheat ('000 Tonnes)	162.7	194.5	19.5
Rice ('000 Tonnes)	83.6	90.5	8.3

Manufacturing

- The sector grew by 4.8 per cent in 2013 compared to a revised growth of 3.2 per cent in 2012.
- The accelerated growth was partly due to:-
 - ✓ Increased investor confidence.
 - ✓ Easing of inflationary pressure
 - ✓ Stable exchange and lending interest rates.

Transport

- Total output value from the transport sector expanded by 3.3 per cent in 2013
 - ✓ Road transport accounted for 64.3 per cent of this.
 - ✓ Cargo throughput handled at the Port of Mombasa increased by 1.8 per cent to 22.3 million tonnes
 - ✓ Railway freight tonnage dropped from 1.4 million tonnes in 2012 to 1.2 million tonnes in 2013.
 - ✓ Total volume of white petroleum products through Pipeline increased from 4.9 Million cubic metres in 2012 to 5.2 Million cubic metres in 2013

Information Communication and Technology

- Communications sector value added grew by 6.2 per cent in 2013 compared to a growth of 8.6 per cent recorded in 2012.
- The number of mobile connections rose from 30.4 million in 2012 to 31.2 million in 2013
- Internet subscriptions rose significantly from 8.5 million in 2012 to 13.3 million in 2013
- The amount of money transacted through the mobile money transfer service also grew remarkably from KSh 672 billion as at June 2012 to KSh 914 billion as at June 2013.

Tourism

- The number of international visitor arrivals decreased from 1.7 million in 2012 to 1.5 million in 2013.
- The decline in international arrivals may be attributed to travel advisories by traditional tourist markets due to security concerns.

Energy - Petroleum



- In 2013, there was reduced volatility in prices of global crude oil.
- The total import bill of petroleum products declined by 3.5 per cent to KSh 315.4 billion in 2013
- Net domestic sales of petroleum fuels increased from 3.6 million tonnes to 3.7 million tonnes in the same period

Energy - Electricity

- Total installed electricity generating capacity increased from 1,606.1 Mega Watts (MW) in 2012 to 1,717.8 MW in 2013.
- Domestic demand for electricity increased by 8.0 per cent.
- Number of connections under the Rural Electrification Programme (REP) rose by 18.5 per cent to stand at 453.5 thousand customers.

Building and Construction



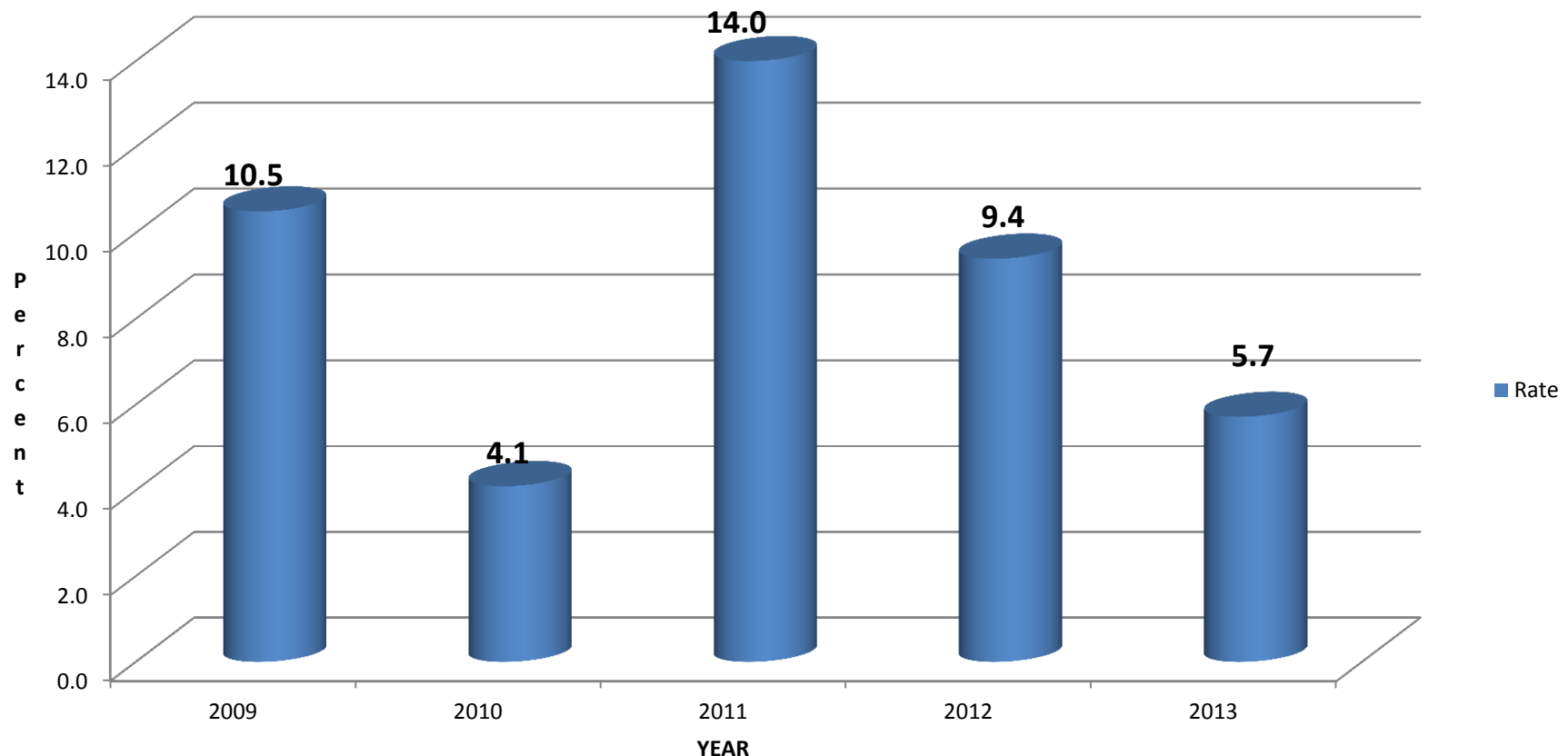
- During the year under review, building and construction sector expanded by 5.5 per cent up from a growth of 4.8 per cent registered in 2012.



INFLATION, INTEREST RATES AND TRADE

Annual Average Inflation Rate

The decline in inflation was largely attributed to improved supply of basic foodstuffs and stable domestic prices of petroleum products



Interest rates

- Central Bank Rate reduced from 11.0 per cent in December 2012 to 8.50 per cent during the first half of 2013.
- The overdraft and maximum lending interest rates dropped by 1.28 and 1.16 percentage points, to 16.51 per cent and 16.99 per cent, respectively in December 2013, largely due to the lower inflationary pressure and the CBR reduction.

Stock Market

In the capital market,

- ✓ the total number of shares traded increased by 38.7 per cent to KSh 7.6 billion
- ✓ market capitalization grew by 51.0 per cent to KSh 1.9 trillion in December 2013 and
- ✓ (NSE) 20-Share index rose by 19.2 per cent to 4,927 points in 2013.

International Trade and Balance of Payments

- Total exports declined by 3.0 per cent from KSh 517.8 billion in 2012 to KSh 502.0 billion in 2013
- Total imports increased by 2.8 per cent from KSh 1,374.6 billion in 2012 to KSh 1,413.0 billion in 2013.
- This led to the export-import ratio deteriorating from 37.7 per cent in 2012 to 35.5 per cent in 2013
- Trade balance deteriorated further by 6.3 per cent in 2013 mainly on account of a reduction in domestic exports
- The country's overall balance of payments position declined from a surplus of KSh 123.0 billion in 2012 to a surplus of KSh 74.0 billion in 2013.



PUBLIC FINANCE

Public Finance

- Total revenue is expected to surpass one trillion Kenya shillings for the first time to stand at KSh 1,017.7billion in 2013/14 from 835.1 billion in 2012/2013.
- Total expenditure is anticipated to stand at KSh1.3 trillion in 2013/14.
- As a result, the net borrowing is expected to deteriorate further to a deficit of KSh 300.0 billion



PERFORMANCE OF THE SOCIAL SECTORS

Social Scene

- The total expenditure in the social sector for the national government is expected to increase by 7.1 per cent from KSh 369.1 billion in 2012/13 to KSh 395.4 billion in 2013/14.

Selected indicators on Education

Indicator	2012	2013	% change
No. of Primary schools	29,161	30,122	3.3
No. of Secondary schools	8,197	8,848	7.9
No. of public universities	8	22	175.0
No. of private universities	27	30	11.1
No. of TIVET institutions	701	748	6.7

Selected indicators on Education cont'

Indicator	2012	2013	% change
Total enrollment in Primary	10.0m	10.2 m	2.0
Total enrollment in Secondary	1.91m	2.10m	10.5
No. of public Primary school teachers	191,034	199,686	4.9
No. of public Sec. school teachers	64,338	65,494	1.8
University enrollment	240,551	324,560	34.9

NB: University enrollment is for financial years 2012/2013 and 2013/2014

Selected indicators on Health

Indicator	2012	2013	% change
No. of registered medical personnel	104,913	112,576	7.3
No. of medical students (university)	8,131	9,602	18.1
No. of medical students (MTC)	7,893	8,118	2.9
No. of medical personnel per 100,000 of population	258	269	4.3

Environment and Natural Resources



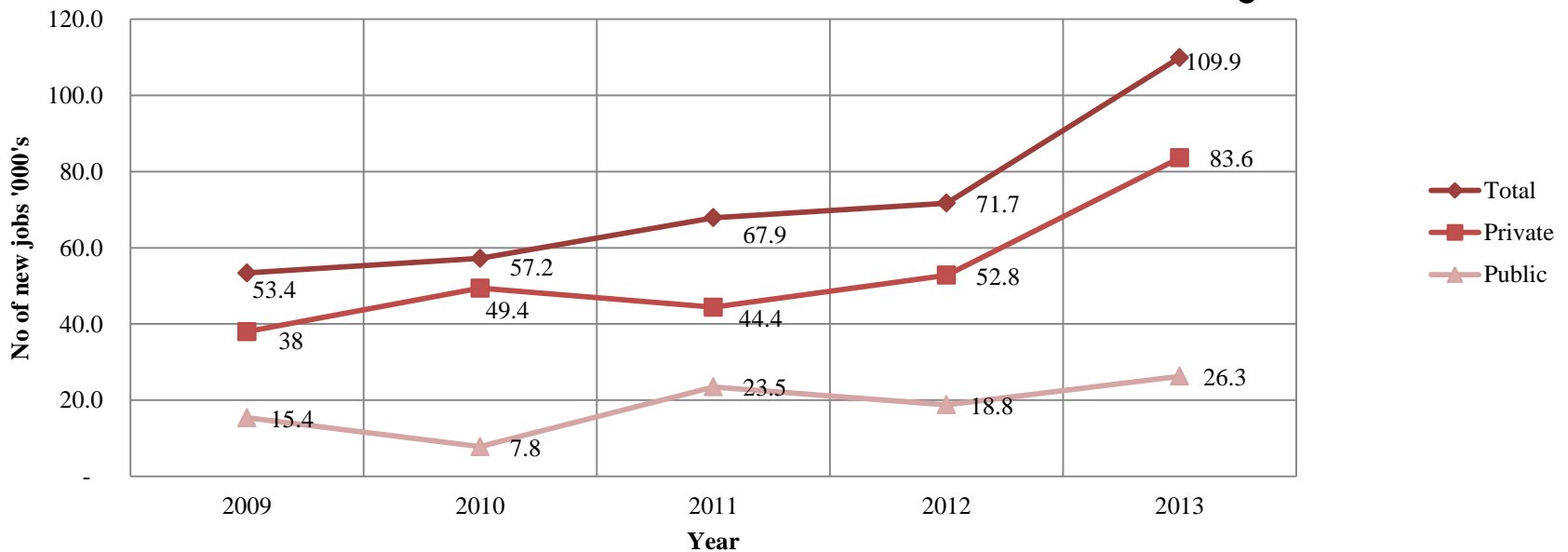
- Total forest plantation area increased by 2,200 hectares from 127.1 thousand hectares in 2012 to 129.3 thousand hectares in 2013, on account of improved forest management.
- The total value of mineral output declined by 28.6 per cent from KSh 27.6 billion in 2012 to KSh 19.7 billion in 2013 mainly due to declines in fluorspar and gold production .

Employment

- The total number of persons engaged in both formal and informal sectors increased from 12.8 million in 2012 to 13.5 million in 2013, translating to **742.8** thousand new jobs.

Employment Cont'

- The formal sector recorded 116.8 thousand new jobs out of which the public sector contributed 26.3 thousand jobs.




NB: New jobs for self employed persons excluded



ECONOMIC GROWTH 2013

Domestic Economy



- The country's Gross Domestic Product (GDP) expanded by **4.7 per cent in 2013** compared to 4.6 per cent in 2012.

- This performance was supported by:-

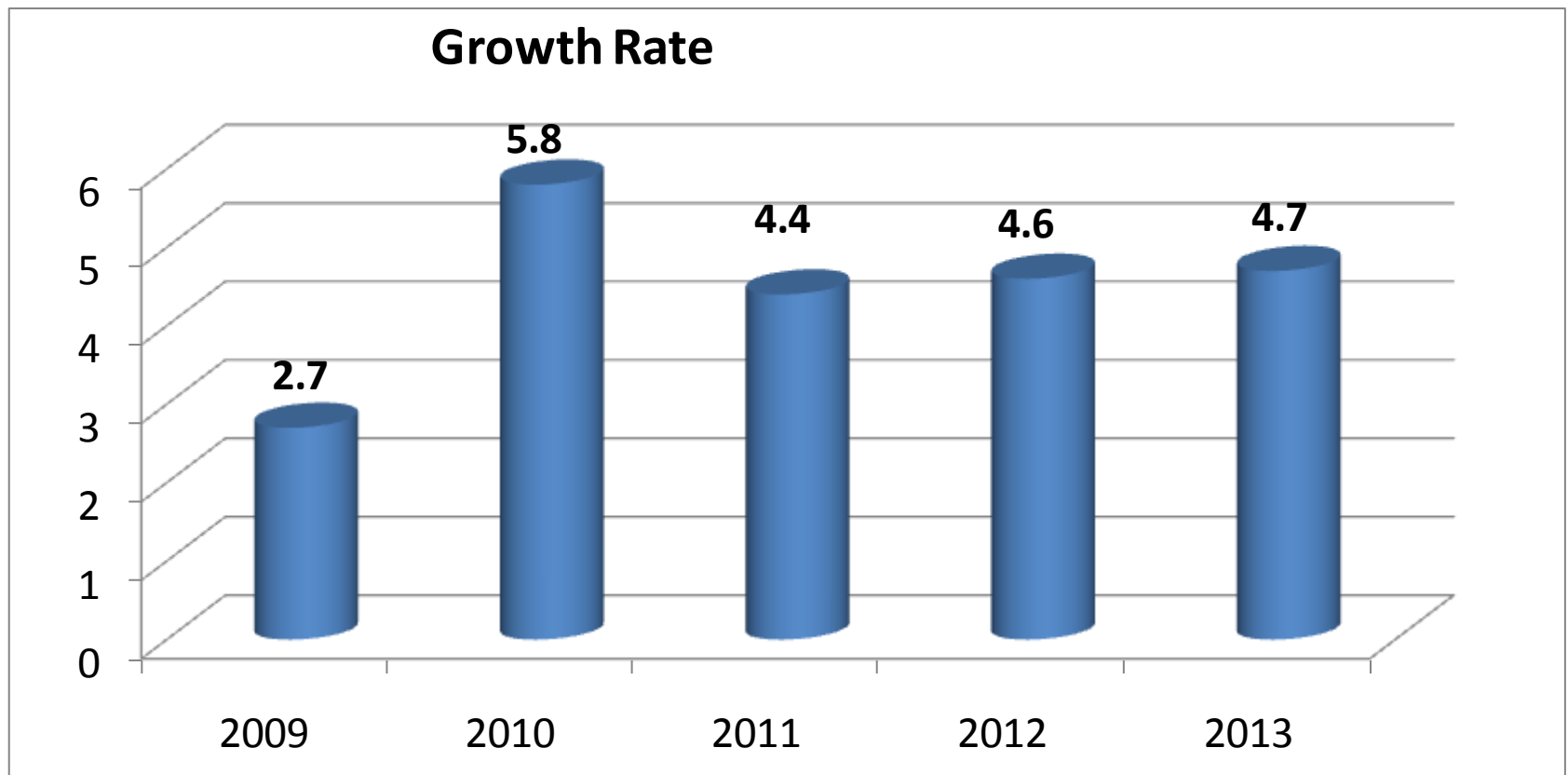
- ✓The stable macroeconomic environment for the better part of the year.

- ✓Low and stable inflation supported by improved supply of basic foods, lower international oil prices and lower costs of electricity.

- ✓Infrastructural development

- ✓Construction sector

Domestic Economy



Main Sectors driving the Economy

- The main sectors that drive the economy recorded positive growths of varying magnitudes

Sector	2012	2013
Agriculture & Forestry	4.2	2.9
Transport & Communication	4.7	6.0
Manufacturing	3.2	4.8
Financial Intermediation	6.5	7.2
Construction	4.8	5.5
Wholesale and retail trade, Repairs	9.0	7.5
Electricity & Water	10.3	5.9

Contribution of main Sectors to the Economy

Sector	2012	2013
Agriculture & Forestry	24.6	25.3
Wholesale and retail trade, Repairs	10.5	10.2
Transport & Communication	9.6	9.1
Manufacturing	9.5	8.9
Education	6.1	6.7
Financial Intermediation	5.2	4.8
Construction	4.2	4.4

Reasons for lower Growth than the Projected

- Depressed performance of the rains that affected the agriculture sector which is the single largest contributor to our GDP.
- Decline in exports resulting to worsening of trade balance
- Comparably higher interest rates.
- Reduced spending by government agencies, during the transition.
- Risk aversion in the lead up to the general election in the first quarter
- Insecurity concerns



ECONOMIC OUTLOOK 2014

Economic Outlook for 2014

- The macroeconomic stability witnessed in 2013 continued into the first quarter of 2014 and is likely to be maintained to the rest of the year.
- Operationalization of the development budget in the counties is expected to spur further economic growth
- Private consumption is also likely to improve given the stable interest rates and low inflation regime.
- Recent discoveries of petroleum oil and natural gas are likely to trigger more foreign direct investment inflows.

Economic Outlook for 2014 cont'

- The manufacturing sector's performance is projected to maintain its current growth path given the positive growth within the region
- Similarly, the financial intermediation sector is likely to maintain its momentum in 2014 mainly on account of enhanced performance and innovations in the sectors.
- Investments in the construction industry is likely to remain robust against a background of stable interest rates coupled with the ongoing government infrastructural projects and the private sector's resilient participation especially in the real estate development.



POLICY INTERVENTIONS

Agriculture


- To spur growth in the sector, the government will;
- ✓ Expedite establishment of fertilizer factories to reduce the cost of agricultural inputs to farmers
 - ✓ Increase investment in irrigation to reduce dependency of rain fed agriculture and increase amount of land under crop production
 - ✓ In collaboration with county governments, ensure that each county has at least one agricultural value addition processing plant

Manufacturing

To spur growth in the sector, the government will;

- ✓ Increase installed electricity capacity to 5000MW
- ✓ This will not only improve reliability of supply but also reduce the cost of energy.
- ✓ Improving the logistics framework including the Port of Mombasa, the standard gauge railway and the transport corridor.

Tourism

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- ✓ The government will continue to improve on security measures.
 - ✓ Diversify and intensify efforts to attract visitors particularly from emerging economies such as China, India, Middle East and Brazil amongst others

Trade

- ✓ To improve on the country's terms of trade, the government will expand measures aimed at facilitating export growth such as establishment of Special Economic Zones.
- ✓ The government will seek to enhance bilateral arrangements with regional trading economic blocks, to expand trade.

Fiscal measures

- ✓ In order to provide funds for development, the government will put in place measures to enhance revenue collection including broadening of the tax base to capture all eligible tax payers.

Closing Remarks

- This 2014 Economic Survey, contains a special section at the end, that includes snap shots of the various surveys that have been undertaken by the Bureau.
- My sincere appreciation goes to all the data producers, both large and small establishments, for their valuable input into this report. We appeal for cooperation from all data producers, in sharing timely, accurate and consistent data.

Closing Remarks

- My special thanks goes to the KNBS Management, and entire staff who have worked tirelessly to make the production of this document a success
- Finally, it is now my pleasure to declare the 2014 Economic Survey Report officially launched



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