

2015 ECONOMIC SURVEY REPORT HIGHLIGHTS



Presented by

CABINET SECRETARY
MINISTRY OF DEVOLUTION AND
PLANNING

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ECONOMIC SURVEY 2015

Outline

- International scene
- Highlights of the country's economic performance in 2014
- Highlights of key Social and Governance statistics in 2014
- Economic outlook for 2015



International Scene

- The world economy is estimated to have grown by 3.3 per cent in 2014.
- This growth rate is similar to the revised growth of 3.3 per cent in 2013.
- This low growth was due to
 - persistent weak import demand from advanced economies,
 - slower expansion of global supply chains and
 - shifts in demand towards less import intensive products.

International Scene cont'd



GDP Growth Rates and Projections for Selected Countries

Country	2013	2014	2015*
USA	2.2	2.2	3.1
UK	1.7	3.0	2.7
Japan	1.5	0.4	0.8
Euro Area	-0.4	0.8	1.1
China	7.7	7.4	7.1
Uganda	5.8	5.9	6.3
Tanzania	7.0	7.2	7.0
Rwanda	4.7	6.0	6.7
Burundi	4.5	4.7	4.8
South Africa	2.0	1.4	2.3

• Source: OECD and World Economic Outlook [IMF]

*Projections



DOMESTIC ECONOMY - Sectoral Performance



Agriculture

- Agricultural sector in 2014 recorded a growth of 3.5 per cent compared to a growth of 5.2 per cent in 2013
- The Agricultural sector recorded mixed performance mainly attributable to erratic rains with some regions experiencing depressed rainfall.
- The value of marketed agricultural production at current prices declined marginally from KSh 334.8 billion in 2013 to 333.2 billion in 2014.



Key Crops Production

Commodity	2013	2014	% change
Tea ('000 Tonnes)	432.4	445.1	2.9
Coffee ('000 Tonnes)	39.8	49.5	24.4
Fresh horticultural produce ('000 Tonnes)	213.8	220.2	3.0
Maize (Million bags)	40.7	39.0	-4.2
Wheat ('000 Tonnes)	194.5	228.9	17.7
Rice ('000 Tonnes)	90.7	96.0	5.8

Manufacturing



- The manufacturing sector's contribution to Gross Domestic Product (GDP) remained at about 10 per cent
- The sector's recorded a growth of 3.4 per cent in 2014 compared to a growth of 5.6 per cent in 2013.
- The growth was partly due to:-
 - modest inflation
 - decrease in oil prices which led to reduction in input costs



Manufacturing Cont'd

- Formal employment in the manufacturing sector increased by 2.9 per cent from 279.4 thousand in 2013 to 287.5 thousand persons in 2014.
- The total value of manufacturing projects approved by financial institutions rose by 30.3 per cent to KSh 237.9 billion in 2014 from KSh 182.6 billion in 2013.
- The value of export of articles of apparel to USA, under the African Growth and Opportunity Act (AGOA), increased by 24.4 per cent to KSh 30.1 billion in 2014 from KSh 24.2 billion in 2013

Money, Banking and Finance



- The Central Bank of Kenya (CBK) adopted monetary policy measures in 2014 that contributed to the easing of inflationary pressure.
- The CBK retained the Central Bank Rate (CBR) at 8.50 per cent throughout the period in an effort to anchor inflationary expectations.
- Interest rates remained stable, with the 91-day Treasury bill rate settling at 8.58 per cent in December 2014.



Money, Banking and Finance Cont'd

- Broad money supply (M3) grew by 19.0 per cent which was close to the policy target over the period.
- Commercial banks credit to the National Government declined with its share in total credit dropping from 22.7 per cent in December 2013 to 9.7 per cent in December 2014.
- The share of the commercial banks' credit going to private sector increased from 61.2 per cent of total domestic credit to 69.6 per cent.

Stock Market



- All stock market indicators maintained the vibrant trend that started in mid-2013 but at a slower pace.
- The total number of shares traded increased by 7.4 per cent to 8.1 billion in 2014 compared to an increase of 38.7 per cent recorded in 2013.
- The value of shares traded recorded a growth of 38.5 per cent from KSh 156 billion in 2013 to KSh 216 billion in 2014, to
- The Nairobi Securities Exchange 20 share index rose from 4,927 points in 2013 to 5,113 points in December 2014.

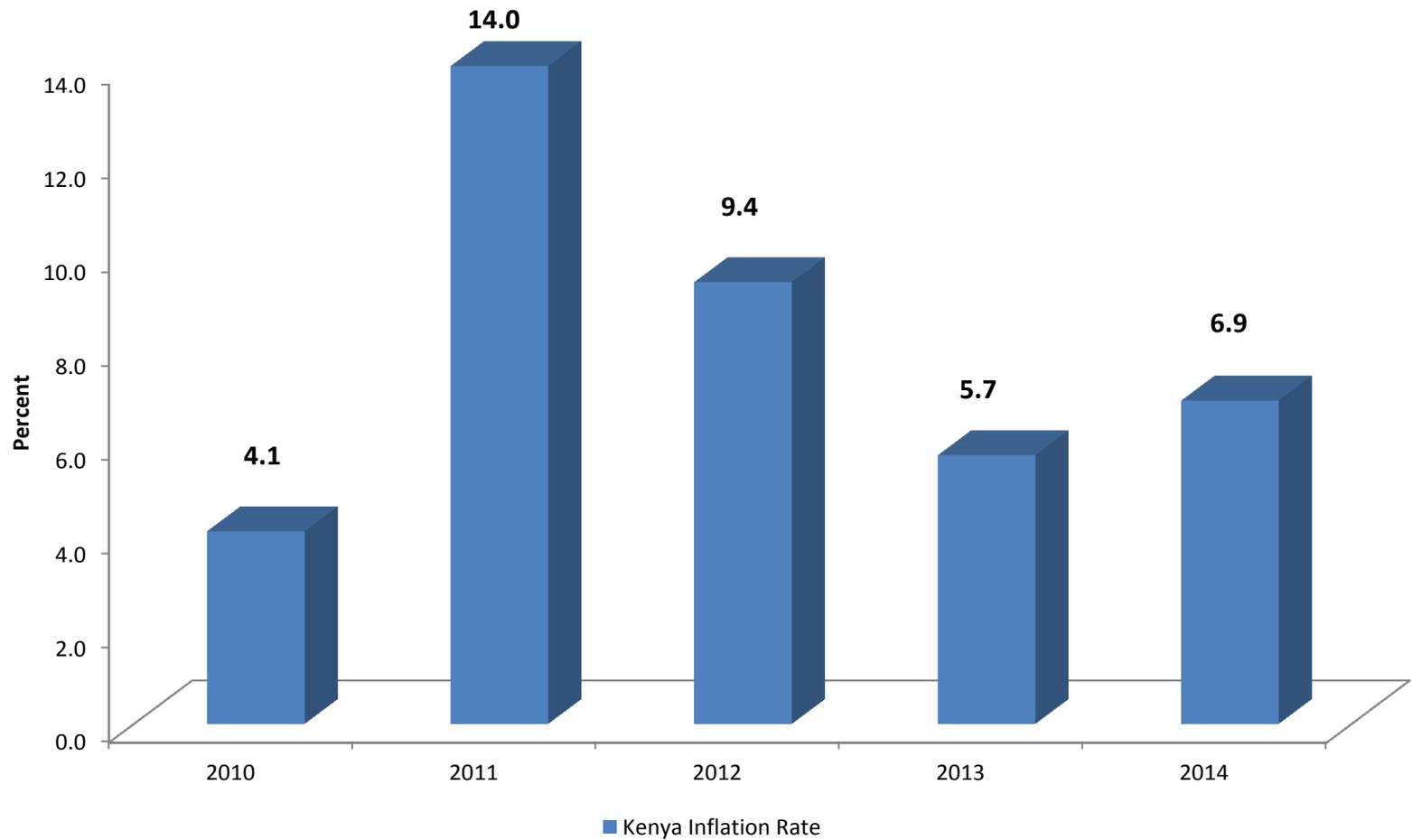
Inflation



- Annual average inflation increased from 5.7 per cent in 2013 to 6.9 per cent in 2014.
- The modest increase in the rate of inflation was attributed to:
 - increases in the cost of several food and non-food items which outweighed notable falls in the cost of electricity and petroleum products including petrol, diesel and kerosene



Inflation Rate



Tourism



- The number of international visitor arrivals contracted by 11.1 per cent from 1.52 million in 2013 to 1.35 million in 2014.
- Tourism earnings declined by 7.3 per cent from KSh 94.0 billion to KSh 87.1 billion over the same period.
- Factors that impacted negatively on the tourism sector include:
 - security concerns , negative travel advisories and fear of spread of Ebola.

Tourism Cont'd



- The number of bed-nights occupied declined from 6.6 million in 2013 to 6.3 million in 2014.
- The number of international conferences decreased by 19.4 per cent to 241 in 2014 from 299 in 2013
- However, the number of local conferences held increased by 8.0 per cent from 2,849 in 2013 to 3,077 in 2014.



Building and Construction

- The Building and Construction sector registered an accelerated growth of 13.1 per cent in 2014 compared to a revised growth of 5.8 per cent in 2013.
- This growth is attributed to an increase in funds allocated to construction of roads and railways coupled with rehabilitation of existing road network.

Building and Construction Cont'd



- Cement consumption, a key indicator in the construction industry, grew by 21.8 per cent in 2014 to 5.2 million tonnes.
- Commercial bank credit extended to the sector grew by 13.6 per cent from KSh 70.8 billion in 2013 to KSh 80.4 billion in 2014



Energy

- International crude oil prices plummeted by more than 40 per cent to 60.65 US Dollars per barrel in December 2014.
- This translated to reduced domestic petroleum pump prices. As at December, diesel prices declined from an average of KSh 105.44 per litre in 2013 to KSh 91.79 per litre in 2014
- Total quantity of petroleum products imported increased by 12.5 per cent to 4.5 million tonnes in 2014 from 4.0 million tonnes in 2013



Energy Cont'd

- Import bill of the petroleum products expanded by 5.6 per cent to KSh 333.1 billion.
- Total domestic demand for petroleum products increased by 5.3 per cent to 3.9 million tonnes in 2014.
- Total capacity installed expanded by 4.7 per cent from 1,717.8 MW in 2013 to 1,798.3 MW in 2014 mainly due to increased geothermal capacity.

Energy Cont'd



- Total electricity generation expanded by 8.2 per cent to 9,138.7 GWh in 2014.
- Domestic demand for electricity registered a growth of 3.8 per cent to 7,768.6 GWh in 2014 from 6,928.1 GWh in 2013.
- The number of customers connected under the Rural Electrification Programme expanded by 16.5 per cent to 528,552 as at July 2014.

Transport and Storage



- The Transport and Storage sector registered a growth of 5.0 per cent in 2014 compared to a growth of 1.22 per cent in 2013.
- Output value for the road transport sub-sector rose by 15.2 per cent to KSh 600.2 billion in 2014.
- Total freight traffic via rail expanded by 24.3 per cent from 1.2million tonnes in 2013 to 1.5 million tonnes in 2014.

Transport and Storage Cont'd



- The Port of Mombasa recorded a growth of 11.7 per cent in total cargo throughput handled from 22.3 million tonnes in 2013 to 24.9 million tonnes in 2014.
- Container traffic handled by the port stood at 1,012.0 thousand Twenty-foot Equivalent Units (TEUs) in 2014 compared to 894.0 thousand TEUs in 2013.

Transport and Storage Cont'd



- The volume of white petroleum products transported via pipeline expanded by 7.7 per cent to 5.6 million cubic metres over the review period.
- Total air passenger and cargo traffic handled at the airports rose by 7.9 and 6.8 per cent, respectively, in 2014.
- The total number of newly registered motor vehicles recorded a 9.1 per cent increase from 94,017 units in 2013 to 102,606 units in 2014



Information Communication and Technology

- ICT sector expanded by 13.4 per cent in 2014 from 12.3 per cent growth recorded in 2013.
- Internet penetration stood at 38.3 per cent in the year under review.
- Total domestic Short Messaging Services (SMS) sent increased by 38.5 per cent to 27.5 billion SMS in 2014.
- In 2014, the mobile money subscriptions reached at 26.0 million, representing a penetration rate of 60.6 per cent to the total population.

Information Communication and Technology Cont'd



- The cash deposits made via the mobile money agents reached KSh 1,269 billion in 2014 up from KSh 1,033 billion in 2013 while the total transfers increased by 24.7 per cent to KSh 2,372 billion up from KSh1,902 billion in 2013.
- The broadcasting sub section, implemented the digital migration in the country, which added 36 digital Kenyan TV stations to the existing 14 analogue stations.

International Trade



- Key indicators of international trade show that in 2014, Kenya's merchandise trade deficit continued to widen due to a high import bill.
- Imports rose by 14.5 per cent in 2014 to KSh 1,618.3 billion while total exports grew by 6.9 per cent to KSh 537.2 billion during the same period.
- The trade balance worsened by 18.7 per cent from a deficit of KSh 911.0 billion in 2013 to a deficit of KSh 1,081.1 billion in 2014.

International Trade Cont'd



- Tea, horticulture, articles of apparels and clothing accessories; and coffee were the leading export earners in 2014 collectively accounting for 52.1 per cent of the total export earnings.
- The current account deficit increased by 30.2 per cent to KSh 536.1 billion in 2014.
- The overall Balance of Payments position improved from a surplus of KSh 31.8 billion in 2013 to a surplus of KSh 126.1 billion in 2014



Social sector



Selected indicators on Education

Indicator	2013	2014	% change
No. of primary schools	28,026	29,460	5.1
No. of Secondary schools	7,834	8,747	11.7
Total enrollment in Primary	9.9 mn	10.0 mn	1.0
Total enrollment in Secondary	2.1 mn	2.3 mn	9.5
Gross enrollment rate, Primary	105.0 %	103.5%	
Gross enrollment rate, Secondary	54.3 %	58.2%	
No. of public Primary school teachers	199,686	200,697	0.5
Pupil/teacher ratio (Primary)	41:1	43:1	

Selected key health indicators

	KDHS 2008/09	KDHS 2014
Fertility rate	4.6	3.9
Infant Mortality (per 1000 live births)	52	39
Under 5 mortality rate(per 1000 live births)	74	52
Skilled birth attendance at birth (%)	43.8	61.8
Proportion of households with at least one insecticide treated net (ITN)	55.7	58.7



Selected indicators on Health

Indicator	2013	2014	% change
No. of registered medical personnel	112,576	121,578	8.0
No. of medical students (university)	9,602	11,488	19.6
No. of medical students (MTC)	8,118	8,079	-0.5
No. of medical personnel per 100,000 of population	269	282	

Environment and Natural Resources



- The Government through the Ministry of Environment, Water and Natural Resources continues to intensify environmental conservation efforts to ensure clean, secure and sustainable environmental resources without compromising economic growth.
- Total fish output increased slightly by 2.7 per cent to stand at 167,859 metric tonnes in 2014.
- The value of mineral production rose from KSh 19.7 billion earned in 2013 to KSh 20.9 billion in 2014.

Employment



- In 2014, the economy generated a total of 799.7 thousand new jobs, in both the formal and informal sectors in the review period.
- Total persons engaged outside small scale farming and pastoralists activities increased from 13.5 million in 2013 to 14.3 million in 2014 .
- The informal sector had the largest share of employment accounting for 82.7 per cent of the total employment.

Employment Cont'd



- The total number of self employed and unpaid family workers within the modern sector was estimated to have increased from 83.8 thousand in 2013 to 103.0 thousand in 2014.
- The total wage bill in the modern sector increased by 12.0 per cent to KSh 1,315.9 billion in 2014. This was lower than the 23.8 per cent increase recorded in 2013.
- Average earnings in real terms increased by 0.5 per cent to KSh 370,340.3 per annum over the same period.

Governance



- The number of persons reported to the police to have committed crimes declined by 3.7 per cent from to 78,877 in 2014
- The number of crime cases reported to police declined by 3.4 per cent to 69,376.
- Cases handled by the Ethics and Anti-Corruption Commission (EACC) increased by 19.4 per cent from 3,355 in 2012/13 to 4,006 in 2013/14.
- The total number of cases filed in various courts of law increased by 55.6 per cent from 323,414 in 2013 to 503,144 in 2014.

Governance Cont'd



- The number of cases disposed increased by 53.3 per cent to 360,629 in 2014.
- The total inmates population increased by from 227,918 in 2013 to 248,390 in 2014
- The total convicted prisoners increased by 41.6 per cent to 109,629 in 2014 leading to an increase of 6.0 per cent in Daily Average Population (DAP) of inmates.

Governance



- The number of pending cases increased by 30.3 per cent during the period under review from 470,589 in 2013 to 613,104 in 2014.
- During the period under review, the number of passports issued were 180,223 in 2014 compared to 148,940 in 2013.
- The number of new Identity Cards produced decreased to 740,078 in 2014 compared to 956,230 in 2013.

Domestic Economy

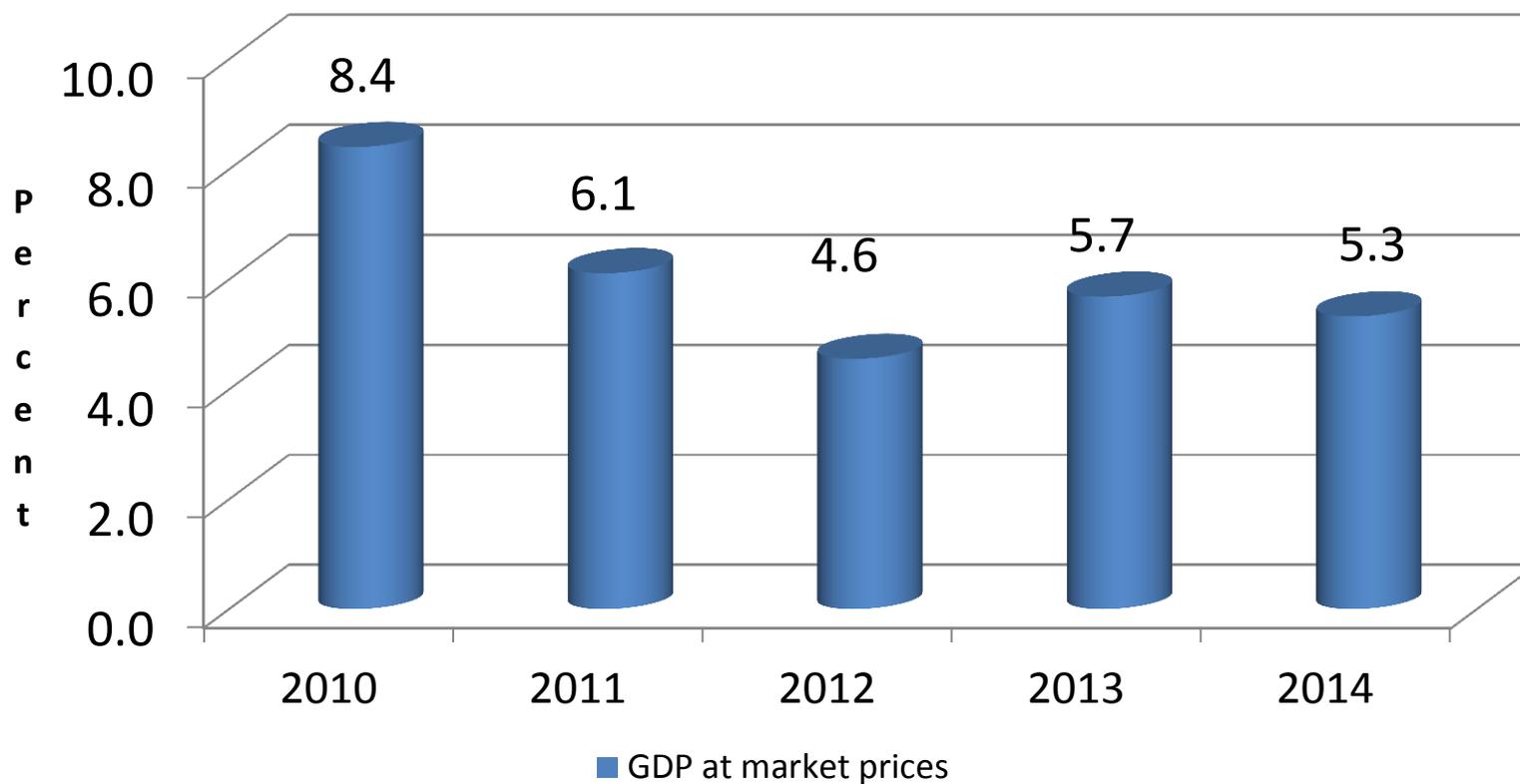


- The country's Gross Domestic Product (GDP) is estimated to have expanded by 5.3 per cent in 2014, compared to a growth of 5.7 per cent in 2013.
- The Performance was supported by
 - Increased government and private final consumption
 - Low oil prices
 - increase in exports of goods and services.
 - Stability of the Kenya Shilling against major currencies (despite slight depreciation against the US dollar)

Domestic economy Cont'd



GDP at market prices





Contribution to Growth

Sector contribution to GDP growth

Sector	2013	2014
Agriculture, Forestry & Fishing	20.8	14.5
Construction	4.6	11.1
Wholesale and Retail trade; Repairs	11.0	9.8
Financial and Insurance activities	8.1	9.1
Manufacturing	10.9	7.1
Real estate	6.0	8.5
Information and Communication	6.8	8.4



Main Sectors driving the Economy

- All the sectors of the economy recorded positive growths of varying magnitudes except Accommodation and food services

Sector	2013	2014
Agriculture, Forestry & Fishing	5.2	3.5
Mining and quarrying	-8.9	14.2
Wholesale and Retail trade; Repairs	8.5	6.9
Manufacturing	5.6	3.4
Financial and Insurance activities	8.1	8.3
Construction	5.8	13.1
Electricity supply	9.8	6.8



Economic outlook 2015

Economic Outlook for 2015



Global Economy

- Globally, most developed and developing economies are projected to experience improved growths in 2015.
- World trade is expected to grow by 4.5 per cent compared to a growth of 3.0 per cent during the year.
- Oil prices are projected to remain subdued throughout the year due to possibilities of sustained oversupply as Iran and Libya add to the current output after improved political environment.

Economic Outlook for 2015



Global Economy

- Based on these projections, the global economic prospects for 2015 is therefore bright with world real GDP projected to grow at 3.5 per cent in 2015 subject to continued recovery from the global financial crisis.
- This is expected to impact positively on Kenya's economic growth.



Economic Outlook for 2015

Domestic Economy

- The country experienced depressed rainfall during first quarter of 2015 while weather forecast points to a possibility of insufficient long rains in parts of the country.
- Performance of the agriculture sector is therefore likely to remain close to the 2014 level due to its over-reliance on rain fed water.
- On average, electricity prices might fall slightly in 2015 due to increased share of geothermal electricity generation.

Economic Outlook for 2015



Domestic Economy

- Inflation is projected to ease in 2015 supported by lower prices of oil and electricity.
- Improved external environment and a sustained strong internal demand are likely to favour growths in many sectors of the economy this year.
- The ratio of current account to GDP is expected to remain close to the level of 2014.

Economic Outlook for 2015



Domestic Economy

- The Government fiscal policies in the 2015/16 national budget will focus on re-orientation of expenditure from recurrent to development while private sector investment is anticipated to remain vibrant.
- Other macroeconomic indicators are projected to remain stable and supportive of growth in 2015.
- 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 endeavor to:-

- Step up efforts aimed at increasing the adoption of commercial agriculture
- Reduce the cost of farm inputs to ensure affordability
- Increase the level of mechanization in farming practices
- Fast track the construction of fertilizer factory to reduce the price of fertilizer and therefore encourage its use.
- Promote good agricultural husbandry especially with regard to agricultural exports
- Reduce rain dependency by expanding land under irrigation

Policy intervention Cont'd

Manufacturing

- Fast track the ongoing efforts aimed at reducing the cost of production
- Diversification of manufactured products
- Fast track the enactment of Special Economic Zones (SEZ) bill and facilitate the establishment of SEZ's and industrial parks

Policy intervention Cont'd

Tourism

To address challenges in the sector, the following measures need to be undertaken:-

- To find a long lasting solution to address insecurity
- Diversify and intensify efforts to attract visitors particularly from emerging economies such as China, India, Middle East and Brazil amongst others
- To aggressively conduct marketing of the country as preferred destination for tourists

Policy intervention Cont'd

Trade

To promote exports and improve balance of trade the Government should;

- Facilitate establishment of SEZ and provide tax and other incentives to exporters
- Put in place measures to facilitate export growth such as establishment of Special Economic Zones (SEZ).
- Facilitate bilateral arrangements with regional trading economic blocks to enhance trade
- Improve the competitiveness of Kenyan products

Closing Remarks



- I take this opportunity to thank all of you for attending the Launch of this year's Economic Survey
- My sincere appreciation once again 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 2015 Report officially launched



Thank You