

# ECONOMIC SURVEY 2017 HIGHLIGHTS

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19<sup>TH</sup> APRIL 2017

# ECONOMIC SURVEY 2017

## Outline

- International scene
- Highlights of the country's economic performance in 2016
- Highlights of key Social and Governance statistics in 2016
- Economic outlook for 2017

# INTERNATIONAL SCENE

- World real Gross Domestic Product (GDP) growth decelerated to 2.9 per cent in 2016 from a revised growth of 3.1 per cent in 2015.
  - This slower growth was occasioned by:
    - Constrained global trade
    - Subdued investment
    - Heightened policy uncertainty associated with the United Kingdom withdrawal European Union; and
    - Elections in the United States of America.

# INTERNATIONAL SCENE CONT'D

- Real economic growth in Sub-Saharan Africa (SSA) slowed from a revised growth of 3.4 per cent in 2015 to 1.6 per cent in 2016.
  - Attributed to lower commodity prices for metal exporting countries, and
  - Domestic shocks from a generally less supportive global economic environment.
- There was accelerated growth of 6.1 per cent for the East Africa Community fuelled by public infrastructure investment, buoyant private consumption and low oil prices.

# INTERNATIONAL SCENE CONT'D

## GDP Growth Rates and Projections for Selected Countries

Country	2015	2016	2017*
USA	2.6	1.5	2.3
UK	2.2	2.0	1.2
Japan	0.6	0.8	1.0
Euro Area	1.5	1.7	1.6
China	6.9	6.7	6.5
Uganda	4.8	4.9	5.5
Tanzania	7.0	7.2	7.2
Rwanda	6.9	6.0	6.0
Burundi	-4.0	-0.5	2.0
EAC	5.8	6.1	6.3
South Africa	1.3	0.3	0.8

• Source: OECD and World Economic Outlook [IMF] \*Projections

# DOMESTIC ECONOMY - Sectoral Performance

# AGRICULTURE, FORESTRY AND FISHING

- Agriculture, Forestry and Fishing value added decelerated from a revised growth of 5.5 per cent in 2015 to 4.0 per cent in 2016.
  - This slow growth was influenced by insufficient rains during the short rain period.
- Total value of marketed production at current prices increased by 9.5 per cent from KSh372.0 billion in 2015 to KSh 407.2 billion in 2016.
  - Total earnings from crop sales increased by 5.4 per cent to KSh 287.6 billion in 2016.

# Key Crops Production

Commodity	2015	2016	% change
Tea ('000 Tonnes)	399	473	18.5
Coffee ('000 Tonnes)	41.6	46.1	10.8
Fresh horticultural produce ('000 Tonnes)	239	261	9.4
Maize (Million bags)	42.5	37.1	-12.7
Wheat ('000 Tonnes)	239	222	-6.8
Rice ('000 Tonnes)	117	102	-12.9
Sugarcane ('000 Tonnes)	636	640	0.6

# ENVIRONMENT AND NATURAL RESOURCES

- The expenditure on water and related services is expected to increase by 32.2 per cent from KSh 41.3 billion in 2015/16 financial year to KSh 54.6 billion in 2016/17 financial year.
- The acreage under government forest plantation expanded slightly from 130.5 thousand hectares in 2015 to 131.3 thousand hectares in 2016.
- Total mineral output increased by 6.3 per cent from 1.6 million tonnes in 2015 to 1.7 million tonnes in 2016 though the value declined marginally from KSh 23.8 billion in 2015 to KSh 23.3 billion in 2016
- Total quantity of fish landed declined by 16.0 per cent from 140.1 thousand metric tonnes in 2015 to 117.8 thousand metric tonnes in 2016.

# MANUFACTURING

- The manufacturing sector recorded a real growth of 3.5 per cent in 2016 compared to a revised growth of 3.6 per cent in 2015.
- Credit to manufacturing sector contracted by 4.6 per cent from KSh 290.9 billion in 2015 to KSh 277.4 billion in 2016.
- Cement production increased from 6.3 million tonnes in 2015 to 6.7 million tonnes in 2016.

# MANUFACTURING

- Formal employment in the manufacturing sector went up marginally by 1.8 per cent to 300.8 thousand persons in 2016.
- The Export Processing Zones (EPZ) experienced growth in most of its performance indicators in 2016. Total capital investment of EPZ enterprises increased from KSh 48.1 billion in 2015 to KSh 51.2 billion in 2016.

# PUBLIC FINANCE

- In 2016/17, the National Government has budgeted to spend a total of KSh 2.5 trillion compared to KSh 2.0 trillion spent in 2015/16.
  - KSh 1.4 trillion was allocated for recurrent expenditure while KSh 1.0 trillion was allocated for development expenditure.
- The Government has budgeted KSh 467.5 billion for public debt servicing, and KSh 284.8 billion as current grants to County Governments.

## PUBLIC FINANCE CONT'D

- The Government estimates to receive KSh 1.6 trillion as revenue, of which KSh 1.3 trillion is tax revenue.
- As at June 2016, the total stock of public debt amounted to KSh 3.2 trillion, of which domestic debt accounted for 43.9 per cent.
- In 2016/17, County Governments are estimated to spend KSh 360.0 billion, against an estimated revenue of KSh 361.5 billion.

# MONEY, BANKING AND FINANCE

- Overall growth of the financial sector decelerated from 9.4 per cent in 2015 to 6.9 per cent in 2016.
- The Kenya Shilling (KSh) weakened against major currencies and averaged KSh 101.5 per USD in 2016 compared to KSh 98.2 per USD in 2015.
- The period witnessed the amendment of the Banking Act, which introduced capping of interest rates on loans in the fourth quarter.

# MONEY, BANKING AND FINANCE CONT'D

- The Central Bank Rate (CBR) was revised downward twice to 10.50 per cent in June and 10.00 per cent in December, 2016 to support growth in the economy and to contain anticipated inflationary pressures amid fears of drought.
- Commercial banks interest rates on loans and advances declined to 13.67 per cent as at December 2016 from 17.45 per cent in December 2015 that narrowed the interest spread significantly to 6.34 per cent.
- Commercial banks credit to private sector expanded by 5.6 per cent from KSh 1.8 trillion in 2015 to KSh 1.9 trillion in, 2016.

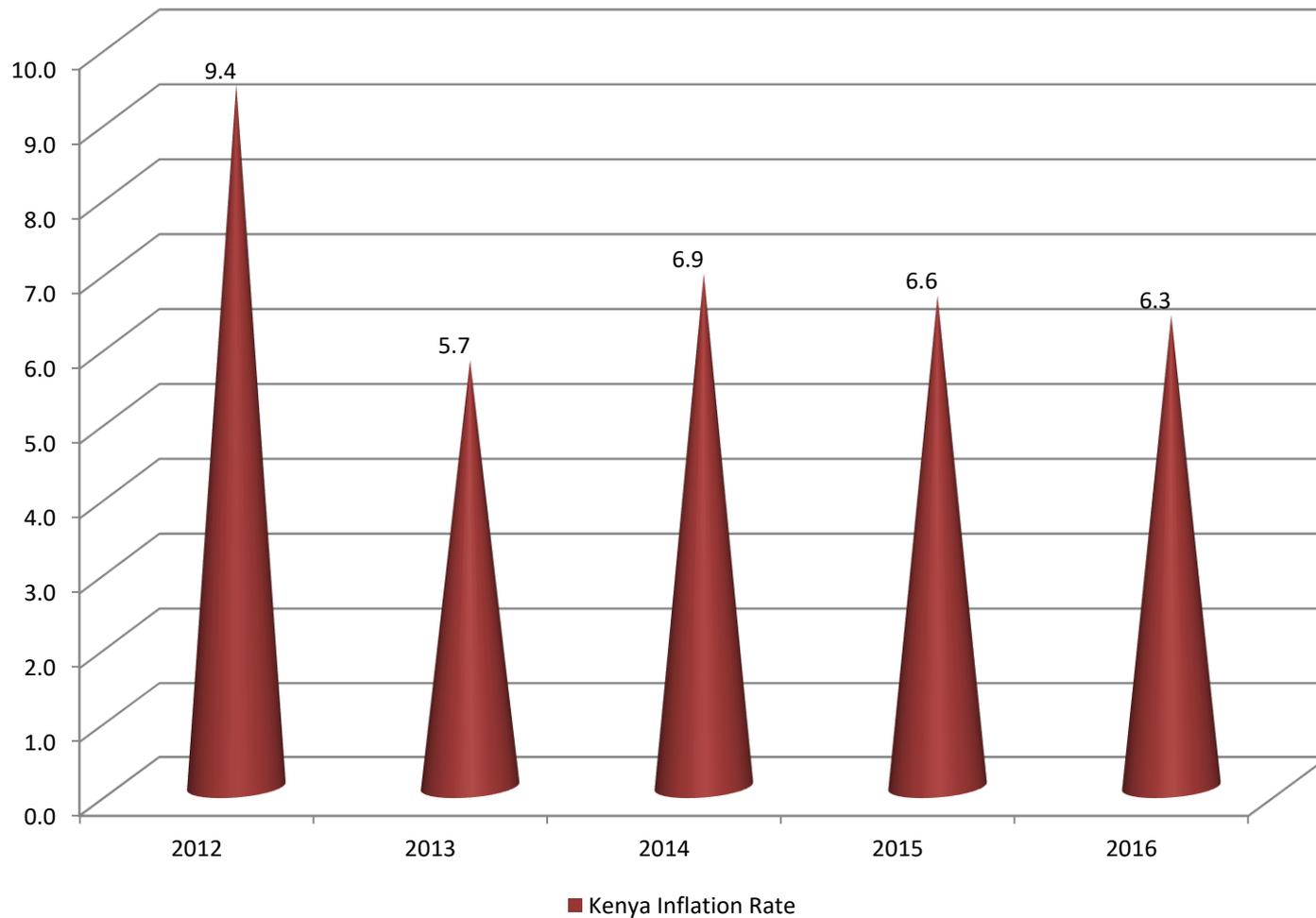
# Stock Market

- The Nairobi Securities Exchange NSE 20-Share index recorded an increase to 3,982 points in the first quarter of 2016 but declined through to the fourth quarter to record 3,186 points in December 2016, representing a drop of 21.1 per cent compared to December 2015.
- The total number of shares traded dropped from 6.8 billion in 2015 to 5.8 billion in 2016 resulting in a corresponding drop in equity turnover from KSh 209 billion in 2015 to KSh 147 billion in 2016.
- The total number of licensed/approved institutions in the capital market rose from 125 to 132 during the review period.

# Inflation

- The annual inflation decelerated from 6.6 per cent in 2015 to 6.3 per cent in 2016.
  - The easing of inflation was largely due to reduced costs of petroleum products and tight monetary policies.

# Inflation Rate



# TOURISM

- Tourism sector had a remarkable recovery as it benefited from improved security, successful conference tourism and aggressive marketing in the domestic and international markets
- The number of international visitor arrivals experienced a rebound, expanding by 13.5 per cent from 1.18 million in 2015 to 1.34 million in 2016.
- Receipts accruing to the tourism sector earnings improved to KSh 99.7 billion in 2016 compared to KSh 84.6 billion in 2015, translating to an increase of 17.8 per cent.

# TOURISM CONT'D

- The number of hotel bed-nights occupancy rose by 8.5 per cent from 5.9 million in 2015 to 6.4 million in 2016.
- The number of international conferences held expanded by 4.1 per cent from 218 in 2015 to 227 in 2016.

# BUILDING AND CONSTRUCTION

- The building and construction industry registered a slower growth of 9.2 per cent in 2016 compared to 13.9 per cent in 2015. This growth was partly attributed to:-
  - Continued activities of SGR construction works,
  - Road works by both National and County Governments
- Government overall expenditure on roads is expected to increase by 38.3 per cent from KSh 113.2 billion in 2015 to KSh 156.5 billion in 2016

# BUILDING AND CONSTRUCTION CONT'D

- Disbursement of funds from the Roads Maintenance Levy Fund (RMLF) by Kenya Roads Board (KRB) to various road agencies and county governments is anticipated to increase significantly to KSh 40.9 billion in 2016/17 from KSh 25.4 billion in 2015/16.
- Cement consumption went up by 10.5 per cent from 5.7 million tonnes in 2015 to 6.3 million tonnes in 2016.
- Credit to the construction industry contracted marginally by 1.4 per cent from KSh 106.3 billion in 2015 to KSh 104.8 billion in 2016.

# ENERGY

- The global energy market witnessed relatively high crude oil production and inventories that led to reduction in international oil prices throughout 2016.
- Murban crude prices decreased to an average of 44.18 US dollars per barrel in 2016 from 52.53 US dollars per barrel in 2015.
- The volume of petroleum products imported expanded by 11.4 per cent from 4.4 million tonnes in 2015 to 4.9 million tonnes in 2016.
- Total import bill of petroleum products declined by 12.6 per cent to KSh 197.5 billion.

# ENERGY CONT'D

- Total installed electricity capacity stood at 2,325.7 megawatts (MW) as at December 2016.
- The supply of electricity recorded a 5.7 per cent increase from 9,514.6 GWh to 10,057.7 GWh over the same period.
- Number of customers connected under the Rural Electrification Programme (REP) rose by 38.2 per cent from 703.2 thousand in 2015 to 972.0 thousand in 2016.

# TRANSPORT AND STORAGE

- The Transport and storage recorded a growth of 8.4 per cent in 2016 compared to a growth of 8.0 per cent in 2015
- Total cargo throughput handled at the Port of Mombasa rose by 2.4 per cent from 26.7 million tonnes in 2015 to 27.4 million tonnes in 2016.
- Total pipeline throughput of white petroleum products expanded by 2.8 per cent to 5.9 million cubic metres in 2016

# TRANSPORT AND STORAGE CONT'D

- The performance of the air transport sub-sector improved during the review period, with the total commercial passengers increasing by 11.7 per cent to 10.0 million in 2016.
- Total passengers handled at Jomo Kenyatta International Airport ( JKIA) rose by 9.7 per cent to 7.1 million in 2016 while those handled at Moi International Airport (MIA) rose by 7.6 per cent to 1.3 million during the same period.
- Total number of newly registered motor vehicles declined by 16.3 per cent from 107.8 thousand units in 2015 to 90.2 thousands units in 2016.

# INFORMATION COMMUNICATION AND TECHNOLOGY

- The ICT sector recorded a growth of 9.7 per cent in 2016 compared to a growth of 7.4 per cent in 2015.
- Mobile subscriptions increased from 37.7 million in 2015 to 39.0 million in 2016.
- The value of money transacted through mobile phones increased by 21.4 per cent from KSh 2.8 trillion in 2015 to KSh 3.4 trillion in 2016.

# INFORMATION COMMUNICATION AND TECHNOLOGY CONT'D

- Number of internet users rose by 10.7 per cent from 35.6 million in 2015 to 39.4 million users in 2016.
- The number of Internet Service Providers (ISPs) increased from 221 in 2015 to 242 in 2016.
- Circulation of daily English and Kiswahili newspapers continued to decline mainly attributable to increased online readership of newspapers with the average online newspaper readers increasing by 18.3 per cent to 1.9 million per day in 2016.

# INTERNATIONAL TRADE

- Total exports declined marginally from KSh 581.0 billion in 2015 to KSh 578.1 billion in 2016 while total imports contracted by 9.2 per cent from KSh 1.6 trillion to KSh 1.4 trillion.
- This led to an improvement in the balance of trade from KSh 996.5 billion in 2015 to KSh 853.7 billion, in 2016.
- Tea, horticulture, articles of apparel and clothing accessories, and coffee were the leading export earners accounting for 56.7 per cent of the total domestic exports during the review period.

# INTERNATIONAL TRADE Cont'd

- The value of exports covered 40.4 per cent of the value of imports, an improvement from 36.8 per cent recorded in 2015.
- The current account balance narrowed by 11.9 per cent to a deficit of KSh 370.8 billion in 2016, reflecting a 5.2 per cent of Gross Domestic Product (GDP).
- The overall balance of payments position improved from a deficit of KSh 24.9 billion in 2015 to a surplus of KSh 13.1 billion in 2016.

# VALUE OF KEY DOMESTIC EXPORTS

Commodity	KSh Billion		% Change
	2015	2016	
Tea	123	124	0.8
Horticulture	101	110	8.9
Articles of apparel and clothing accessories	28	31	10.7
Coffee, unroasted	21	21	0
Tobacco and tobacco manufactures	16	15	-6.3

# VALUE OF KEY IMPORTS

Commodity	KSh Billion		% change
	2015	2016	
Petroleum products	215	184	-14.4
Industrial machinery	212	254	19.8
Aircraft and associated equipments	83	8	-90.4
Road motor vehicles	118	86	-27.1
Iron & Steel	88	75	-14.8

# Social sector

## Selected indicators on Education

Indicator	2015	2016	% change
No. of primary schools	31,333	33,202	6.0
No. of Secondary schools	9,440	9,942	5.3
Total enrolment in Primary	10.1 mn	10.3 mn	2.0
Total enrolment in Secondary	2.6 mn	2.7 mn	3.8
Gross enrolment rate, Primary	103.6%	104.1%	
Gross enrolment rate, Secondary	63.3%	66.7%	
Enrolment in Universities	510,685	564,507	10.5
Enrolment in TVET	153,314	202,556	32.1
No. of public Primary school teachers	210,991	214,719	1.8
Pupil/teacher ratio - Public Primary	41:1	40:1	

## Selected indicators on Health

Indicator	2015	2016	% change
No. of registered medical personnel	153,802	172,706	12.3
No. of medical students (MTC)	8,565	9,464	10.5
No. of medical personnel per 100,000 of population	346	382	10.4

# EMPLOYMENT

- In 2016, the economy generated a total of 832.9 thousand new jobs of which 85.6 thousand were in the modern sector while 747.3 thousand were in the informal sector.
- Wage employment in the private sector increased by 3.3 per cent from 1,759.6 thousand persons in 2015 to 1,817.2 thousand persons in 2016.
- Within the public sector, wage employment increased from 718.4 thousand persons in 2015 to 737.1 thousand persons in 2016.

# EMPLOYMENT CONT'D

- Total wage payments in the public sector increased by 9.1 per cent from KSh 461.7 billion in 2015 to KSh 503.5 billion in 2016.
- Wage payments in the private sector increased by 9.2 per cent to KSh 1.1 trillion in 2016.
- Annual average wage earnings grew by 5.9 per cent to KSh 644.8 thousand in 2016.

# GOVERNANCE

- The number of crimes reported to the police increased by 6.2 per cent from 72.5 thousands in 2015 to 77.0 thousands in 2016.
- The total number of cases handled by the Ethics and Anti-Corruption Commission (EACC) increased by 40.1 per cent from 5,660 in 2014/15 to 7,929 in 2015/16.
- The value of public assets recovered in 2015/16 amounted to KSh 420.6 million compared to KSh 140.3 million in 2014/15.

# GOVERNANCE CONT'D

- The number of cases filed in the law courts decreased by 37.1 per cent from 360.0 thousand in 2015 to 226.6 thousand in 2016.
- The total prison population which comprise of all persons committed to prison regardless of duration during the reference period decreased by 5.3 per cent to 210.2 thousand in 2016.

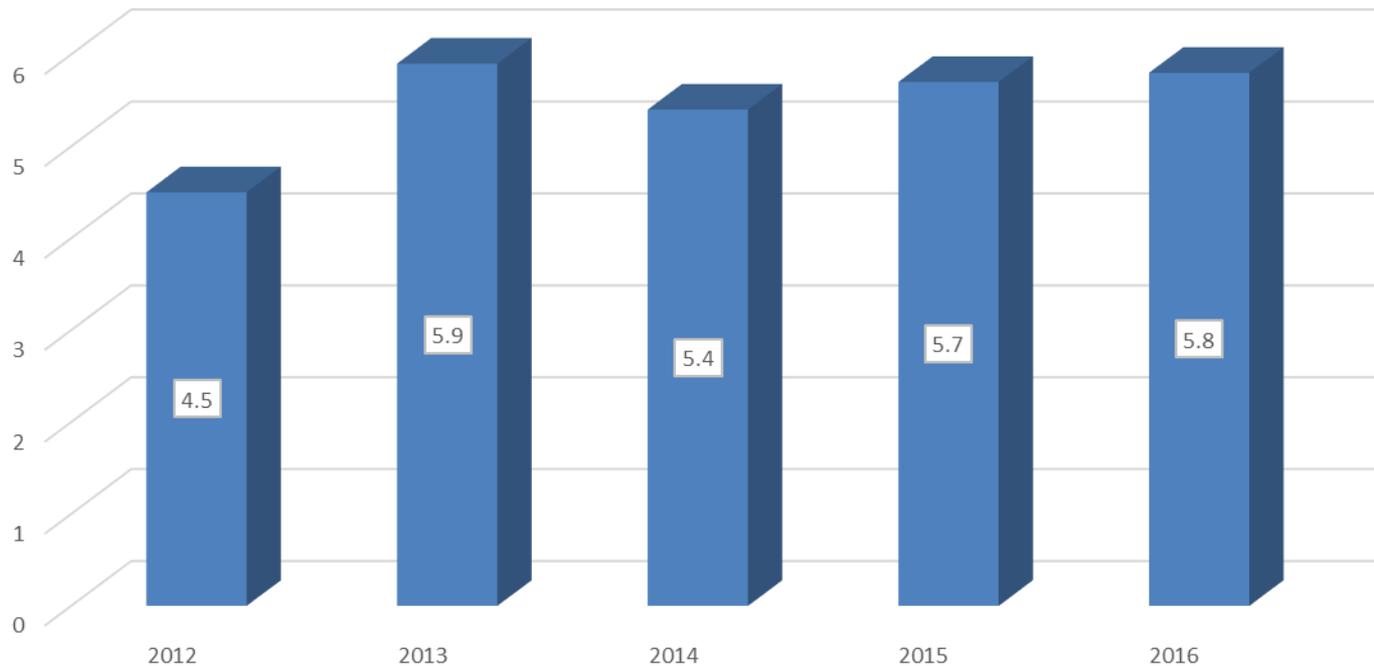
# Domestic Economy

# DOMESTIC ECONOMY

- The country's real Gross Domestic Product (GDP) is estimated to have maintained growth momentum for the third consecutive year to expand at 5.8 per cent in 2016 compared to a revised growth of 5.7 per cent in 2015.
- The economy experienced a relatively conducive environment for growth during the first three quarters of 2016. However, the last quarter's growth was undermined by drought that impacted negatively on the agriculture sector and led to a slower growth.
- The GDP at current prices increased from KSh 6,260.6 billion ( USD 63,754.03 million) in 2015 to KSh 7,158.7 billion (USD 70,529.01 million) in 2016

# DOMESTIC ECONOMY CONT'D

GDP Growth Rates, 2012 - 2016



# Main Sectors driving the Economy

## Sectors with significant growths

<b>Sector</b>	<b>2015</b>	<b>2016</b>
Agriculture, Forestry & Fishing	5.5	4.0
Mining and quarrying	12.4	9.5
Wholesale and Retail trade; Repairs	5.9	3.8
Information and Communication	7.4	9.7
Financial and Insurance activities	9.4	6.9
Construction	13.9	9.2
Electricity supply	11.5	9.1
Transport and storage	8.0	8.4
Real estate	7.2	8.8

# Economic outlook 2017

# ECONOMIC OUTLOOK FOR 2017

## Global Economy

- World real Gross Domestic Product (GDP) is projected to grow by 3.3 per cent in 2017. Supported by
  - Expected continuous growth in major high-income countries
  - stabilization of commodity prices
- Global trade is also projected to grow by 2.9 per cent in 2017, rising broadly in line with global output growth.

# ECONOMIC OUTLOOK FOR 2017 CONT'D

## Domestic Economy

- Performance of Kenya's economy in 2017 is likely to be determined largely by internal factors
  - external factors also likely to shape the economy but to a lesser extent.
- The first quarter of 2017 was somehow not favoured by the prolonged droughts, key crop growing regions are expected to receive late and inadequate rains.
- Performance of the agriculture sector is therefore likely to be lower than in 2016.

# ECONOMIC OUTLOOK FOR 2017 CONT'D

## Domestic Economy

- The exchange rate is expected to remain stable due to significant level of reserves, the continued growth in emigrant remittances and sustainability of the current account deficit.
- The construction industry is expected to continue supporting the growth due to the ongoing public infrastructure development and continued investment in residential and non-residential assets by the private sector

# ECONOMIC OUTLOOK FOR 2017 CONT'D

## Domestic Economy

- On the external front, world trade is projected to improve while the expansion of global economy is expected to be strong in 2017. Similarly, majority of Kenya's main European trading partner are likely to sustain strong growths and therefore support the domestic economy
- Other key macroeconomic indicators are expected to remain stable and supportive of growth in 2017.

# CONCLUSION

- This 2017 Economic Survey report, contains two special chapters at the end, that provide highlights of MSME and ICT surveys that have been undertaken by the Bureau with collaboration with her stakeholders.
- 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.

Thank You