

ECONOMIC SURVEY 2016 HIGHLIGHTS

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ECONOMIC SURVEY 2016

Outline

- International scene
- Highlights of the country's economic performance in 2015
- Highlights of key Social and Governance statistics in 2015
- Economic outlook for 2016

INTERNATIONAL SCENE

- World real Gross Domestic Product (GDP) growth decelerated to 3.1 per cent in 2015 from a revised growth of 3.4 per cent in 2014
- The growth was due to
 - A modest economic recovery in most advanced economies:
 - mainly driven by stronger domestic demand as labour markets and credit conditions improved.

INTERNATIONAL SCENE

- However, growth in most emerging markets and developing economies was suppressed by:
 - Low commodity prices,
 - Weaker capital flows,
 - Subdued global trade and
 - Increased financial market volatility

INTERNATIONAL SCENE

- The economic growth in Sub-Saharan Africa (SSA) slowed from 5.1 per cent in 2014 to 3.8 per cent in 2015.
 - Attributed to a decline in the prices of the main commodities, and
 - Weak global economic performance
- There was a slowed growth of 3.4 per cent for the East Africa Community mainly associated with political instability in Burundi and uncertainties associated with general elections in Tanzania and Uganda.

International Scene cont'd

GDP Growth Rates and Projections for Selected Countries

Country	2014	2015	2016*
USA	2.4	2.4	2.5
UK	2.9	2.4	2.4
Japan	-0.1	0.6	1.0
Euro Area	0.9	1.5	1.8
China	7.4	6.8	6.3
Uganda	5.9	5.2	5.5
Tanzania	7.2	6.9	7.0
Rwanda	6.0	6.5	7.0
Burundi	4.7	-7.2	5.2
South Africa	1.4	1.4	1.3

• Source: OECD and World Economic Outlook [IMF]

*Projections

DOMESTIC ECONOMY - Sectoral Performance

AGRICULTURE

- Agriculture value added rose from 3.5 per cent in 2014 to 5.6 per cent in 2015.
 - This was partially influenced by abundant rainfall characterized by the *el nino* weather phenomenon
- Total value of marketed production at current prices increased by 11.3 per cent from KSh 333.2 billion in 2014 to KSh 371.0 billion in 2015.
 - Total earnings from crop sales increased by 15.5 per cent to KSh 271.8 billion in 2015.
 - Marketed crops continued to account for over 70 per cent of total marketed production in 2015.

KEY CROPS PRODUCTION

Commodity	2014	2015	% change
Tea ('000 Tonnes)	445.1	399.1	-10.3
Coffee ('000 Tonnes)	49.5	41.6	-16.0
Fresh horticultural produce ('000 Tonnes)	220.2	238.7	8.4
Maize (Million bags)	39.0	42.5	9.0
Wheat ('000 Tonnes)	228.9	238.6	4.2
Rice ('000 Tonnes)	96.0	119.1	24.1

ENVIRONMENT AND NATURAL RESOURCES

- The Government continued to review and enforce policy measures that govern the exploitation, management and conservation of the environment and natural resources.
- Area under forest plantation stocking increased marginally to 130.5 thousand hectares in 2015 from 129.4 thousand hectares in 2014
- Total fish output declined by 14.3 per cent from 168.4 thousand metric tonnes in 2014 to 144.3 thousand metric tonnes in 2015.
- Mineral production registered 14.7 per cent rise in value from KSh 21.1 billion in 2014 to 24.2 billion in 2015.

MANUFACTURING

- The manufacturing sector's contribution to Gross Domestic Product (GDP) improved marginally to 10.3 per cent in 2015 compared to 10.0 per cent in 2014
- The sector grew from 3.2 per cent recorded in 2014 to 3.5 per cent in 2015.
- The growth was partly attributed to:-
 - Reduced cost of inputs such as petroleum products and electricity
 - Favourable macroeconomic environment,
- However, high cost of credit and cheap imports curtailed performance

MONEY, BANKING AND FINANCE

- The sector recorded a growth of 8.7 per cent in 2015 compared to a growth 8.3 per cent in 2014.
- The Central Bank of Kenya (CBK) through the Monetary Policy Committee (MPC) focused on achieving and maintaining stability in the general price levels in the economy.
- The MPC raised the Central Bank Rate (CBR) from 8.5 per cent to 10.0 per cent in June, and further to 11.5 per cent in July, 2015 to contain incipient inflationary pressures and control exchange rate volatility.

MONEY, BANKING AND FINANCE

- Commercial banks interest rates on loans and advances rose from 15.99 per cent in December 2014 to 17.45 per cent in December 2015.
- However,
 - Total domestic credit grew by 19.2 per cent by December 2015 compared to 16.1 per cent in December 2014, mainly as a result of increased credit to the National Government that rose to KSh 538.0 billion.
 - Credit to the private sector including other public bodies expanded by 17.5 per cent in the 2015 to reach KSh 2,292.4 billion, to account for 81.0 per cent of the total credit

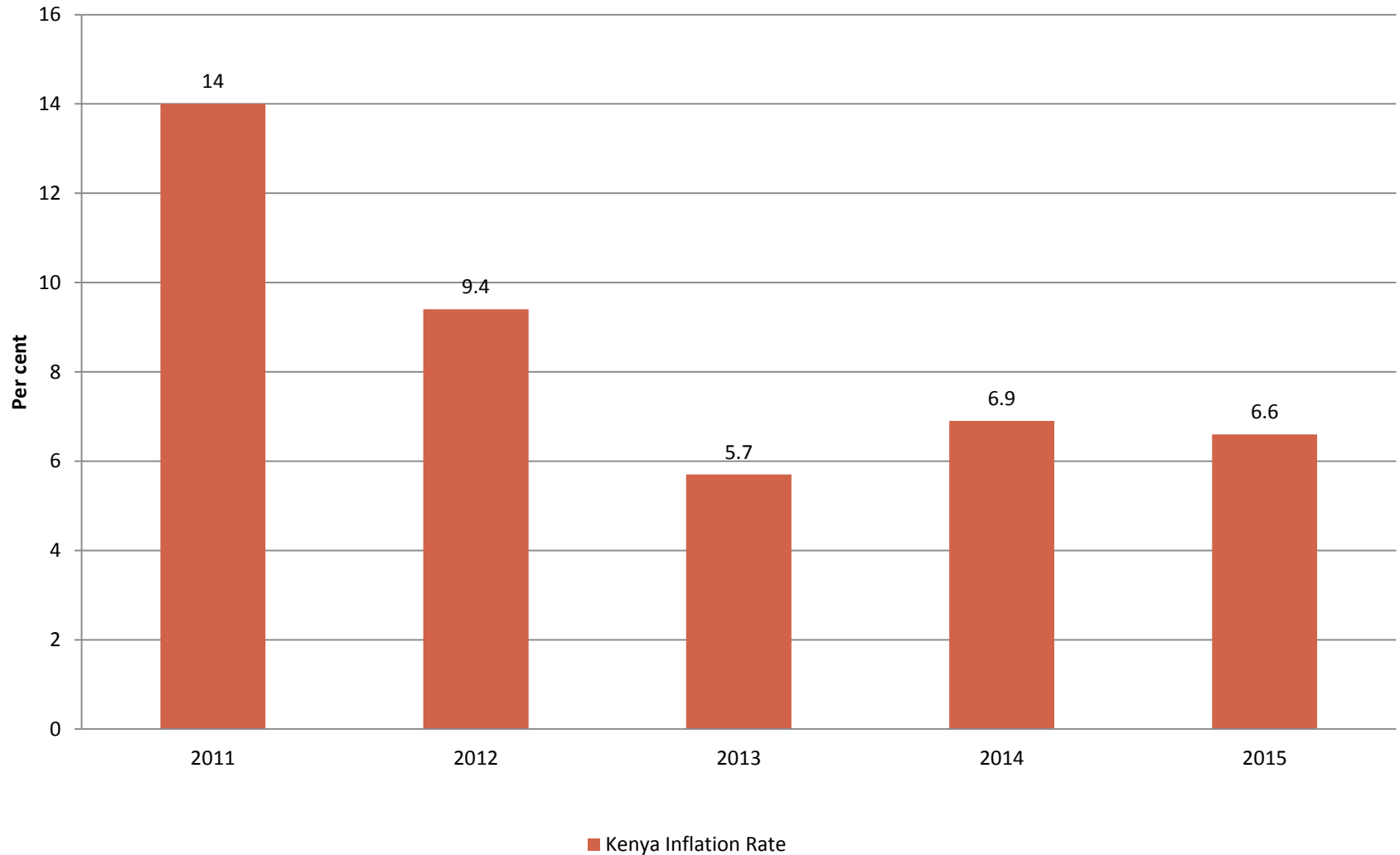
STOCK MARKET

- Activities at Nairobi Securities Exchange (NSE) were generally bearish in 2015.
- The total number of shares traded declined by 17.3 per cent to 6.8 billion in 2015 compared to an increase of 7.4 per cent recorded in 2014.
- Equity turnover dropped by 3.2 per cent from KSh 216 billion in 2014 to KSh 209 billion in 2015.
- The NSE 20 share index recorded a high of 5,346 points during the first quarter of 2015 but started to dip in the second quarter to record 4,040 points in December 2015

INFLATION

- The annual inflation rate as measured by the Consumer Price Index (CPI) decelerated marginally from 6.9 per cent in 2014 to 6.6 per cent in 2015.
 - The easing of inflation was largely due to reduced costs of petroleum products, electricity and tightening of the monetary policy.

INFLATION RATE



TOURISM

- The number of international visitor arrivals continued on a downward trend, contracting by 12.6 per cent from 1.35 million in 2014 to 1.18 million in 2015.
- Tourism earnings declined by 2.9 per cent from KSh 87.1 billion to KSh 84.6 billion over the same period.
- The sector's suppressed performance was mainly due to:
 - Security concerns
 - Negative travel advisories, and
 - Health concerns associated with spread of Ebola.

TOURISM CONT'D

- The number of bed-nights occupied decreased by 6.4 per cent in 2015
- The number of international conferences decreased by 9.5 per cent from 241 in 2014 to 218 in 2015
- However, local conferences and delegates increased by 4.0 per cent and 7.4 per cent, respectively

BUILDING AND CONSTRUCTION

- The building and construction industry registered a growth of 13.6 per cent in 2015 compared to an expansion of 13.1 per cent recorded in 2014.
- This growth was partly attributed to the ongoing
 - SGR construction works and
 - Road works by both National and County Governments

BUILDING AND CONSTRUCTION CONT'D

- Cement consumption went up by 9.9 per cent from 5.2 million tonnes in 2014 to 5.7 million tonnes in 2015.
- Commercial bank credit extended to the sector expanded significantly by 32.3 per cent from KSh 80.4 billion in 2014 to KSh 106.4 billion in 2015

ENERGY

- The energy sector witnessed a steady rise in global inventories of crude oil and other fuels in 2015
- This was due to
 - Sustained excess supply of crude oil
 - Slowed global demand driven by slowed growth in the Chinese economy
 - Increased production of shale oil in the US and
 - Over-supply by the Organization of the Petroleum Exporting Countries (OPEC)

ENERGY

- Consequently,
 - Murban crude prices decreased to an average of USD 52.53 per barrel in 2015, down from an average of USD 99.45 per barrel in 2014
 - Locally, average retail prices of diesel and petrol declined by 13.4 per cent and 11.6 per cent, respectively, in 2015
 - Retail prices for illuminating kerosene recorded the largest decline of 25.0 per cent while that of liquefied petroleum gas (LPG) for a 13Kg cylinder dropped by 21.5 per cent over the same period

ENERGY CONT'D

- Total installed electricity capacity increased by 6.3 per cent to 2,333.6 MW in 2015
- Total electricity generation expanded by 4.1 per cent to 9,514.6 GWh during the same period
- Demand for electricity increased from 7,415.4 million KWh in 2014 to 7,826.4 million KWh in 2015
- Number of customers connected under the Rural Electrification Programme (REP) rose by 33.0 per cent to stand at 703,190 customers as at July 2015, up from 528,552 as at July 2014.

TRANSPORT AND STORAGE

- The Transport and Storage sector recorded a faster growth of 7.1 per cent in 2015 from the previous growth of 4.6 per cent in 2014.
 - The improved performance was partly due to lower retail prices for petroleum products
- Total throughput handled at the Port of Mombasa increased from 24.9 million tonnes in 2014 to 26.7 million tonnes in 2015

TRANSPORT AND STORAGE CONT'D

- The total throughput of refined petroleum products transported via pipeline increased by 154.2 thousand cubic metres to 5.7million cubic metres in 2015
- Air transport sub-sector, recorded a slower growth of 1.3 per cent in commercial passengers in 2015 which was mainly attributed to suppressed activities in the tourism sector due to:
 - Suspension of operations in some routes in Western Africa by the national carrier and health concern associated to the Ebola pandemic

TRANSPORT AND STORAGE CONT'D

- Number of newly registered motor vehicles increased from 102,606 units in 2014 to 107,761 units in 2015, representing a growth of 5.0 per cent.
 - The most noticeable growth was that of new registration of lorries and heavy trucks at 29.1 per cent
 - number of newly registered station wagons rose by 1.1 per cent
 - but number of newly registered saloon cars declined by 9.6 per cent

INFORMATION COMMUNICATION AND TECHNOLOGY

- The sector's growth slowed to 7.3 per cent in 2015 after a robust expansion of 14.6 per cent in 2014
 - on account of resilient expansion in mobile telephony network and increased uptake of internet services
- In 2015, the country successfully concluded the digital migration for TV broadcasting ahead of the global deadline
- Internet subscriptions increased significantly from 16.4 million in 2014 to 23.9 million in 2015

INFORMATION COMMUNICATION AND TECHNOLOGY

- Internet penetration increased from 38.3 per cent in 2014 to 54.2 per cent in 2015
- Total amount of money transacted through mobile money platform expanded by 18.7 per cent to KSh 2.8 trillion over the review period
- Circulation of daily English and Kiswahili newspapers continued to decline due to online readership of newspaper

INTERNATIONAL TRADE

- The balance of trade improved from a deficit of KSh 1,081 billion recorded in 2014 to a deficit of KSh 997 billion in 2015
- Improvement in the balance of trade was due to
 - A rise in exports by 8.2 per cent to KSh 581 billion in 2015
 - A decline in imports by 2.5 per cent to KSh 1,578 billion over the same period
- The decline in imports was mainly due to
 - A remarkable fall in import prices of mineral fuels

VALUE OF KEY DOMESTIC EXPORTS

Commodity	KSh Billion	
	2014	2015
Tea	94	123
horticulture	97	101
Articles of apparel and clothing accessories	29	28
Coffee, unroasted	20	21
Tobacco and tobacco manufactures	17	16

VALUE OF KEY IMPORTS

Commodity	KSh Billion	
	2014	2015
Petroleum products	293	215
Industrial machinery	257	212
Aircraft and associated equipments	130	83
Road motor vehicles	102	118
Iron & Steel	76	88

Social sector

SELECTED INDICATORS ON EDUCATION

Indicator	2014	2015	% change
No. of primary schools	29,460	31,333	6.4
No. of Secondary schools	8,747	9,440	7.9
Total enrollment in Primary	10.0 mn	10.1 mn	1.4
Total enrollment in Secondary	2.3 mn	2.6 mn	9.7
Gross enrollment rate, Primary	103.5 %	103.6%	
Gross enrollment rate, Secondary	58.7 %	62.9%	
No. of public Primary school teachers	200,697	210,991	5.1
Pupil/teacher ratio - Public Primary	43:1	41:1	

SELECTED INDICATORS ON HEALTH

Indicator	2014	2015	% change
No. of registered medical personnel	121,578	133,002	9.4
No. of medical students (MTC)	8,079	9,254	14.5
No. of medical personnel per 100,000 of population	282	301	7.1

EMPLOYMENT

- In 2015, total number of new jobs generated in the economy is estimated to have increased by 4.9 per cent to 841.6 thousand, of which 128.0 thousand jobs were in the modern sector.
- Total employment outside small-scale agriculture and pastoralist activities increased by 5.9 per cent to 15.2 million persons in 2015
- Informal sector employment rose by 6.0 per cent to 12.6 million persons, with a share of 82.8 per cent of total persons engaged.

EMPLOYMENT CONT'D

- The number of self-employed and unpaid family workers engaged in the modern sector grew by 19.6 per cent in 2015 compared to 22.9 per cent recorded in 2014.
- The nominal wage bill rose from KSh 1,311.1 billion in 2014 to KSh 1,497.3 billion in 2015. This was an increase of 14.2 per cent compared to 12.0 per cent in 2014

GOVERNANCE

- The number of crimes reported to the Police in 2015 was 72,490 compared to 69,376 in 2014.
- The number of cases handled by the Ethics and Anti-Corruption Commission in 2014/15 was 5,551. During this period, public assets worth KSh 3.9 billion were traced while assets valued at KSh 140 million were recovered.
- The number of new cases filed in various courts of law were 330,553 in 2015 compared to 500,349 in 2014.

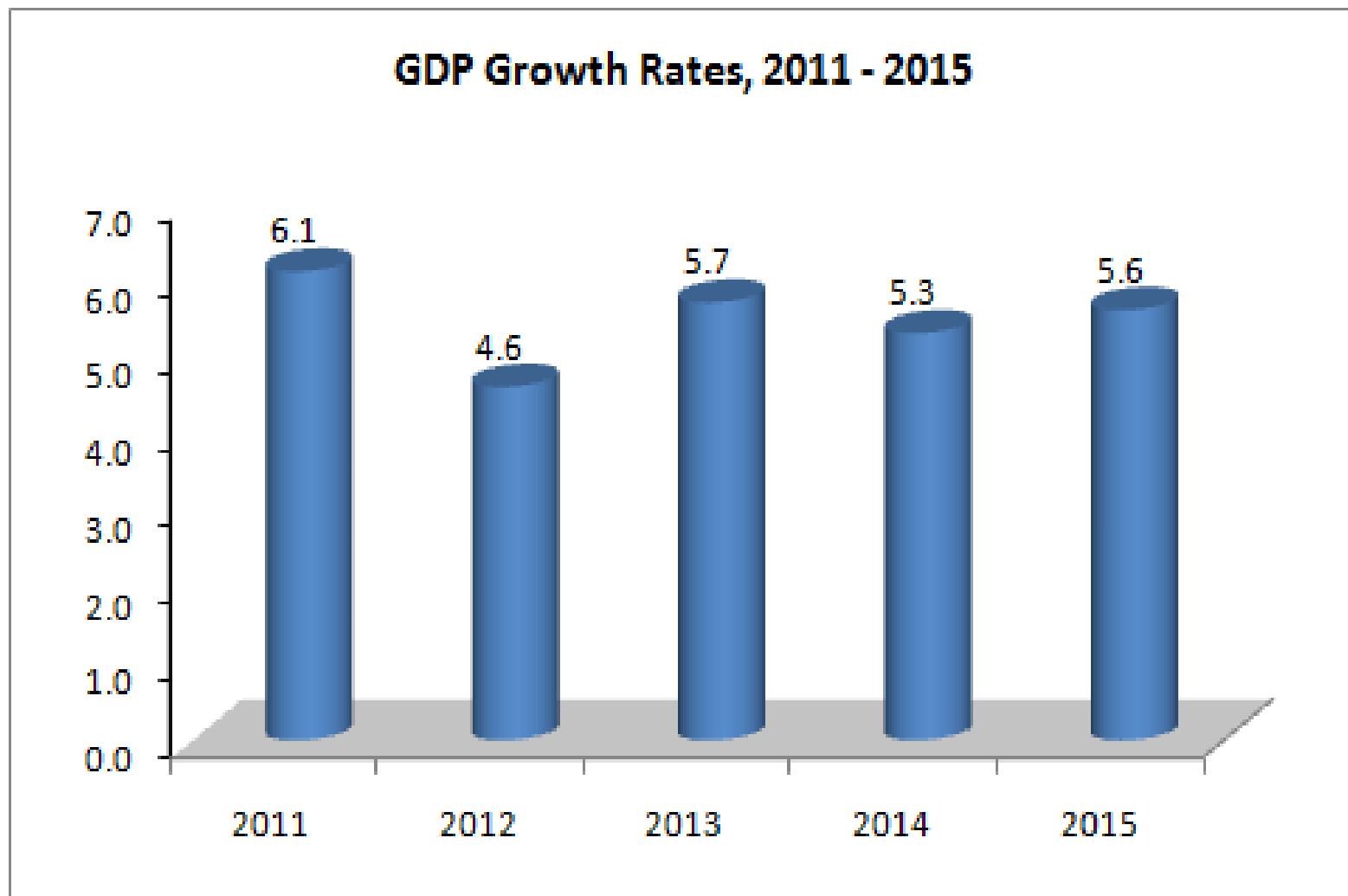
GOVERNANCE CONT'D

- The period in review recorded a reduction in the number of cases arbitrated and disposed of, to stand at 247,743.
- The total prison population declined by 10.6 per cent to 221,974 in 2015
- The number of convicted prisoners declined by 18.8 per cent to 88,115 in 2015, while remandees declined by 4.0 per cent to 133,272.

DOMESTIC ECONOMY

- The Gross Domestic Product (GDP) is estimated to have expanded by 5.6 per cent in 2015 which was a slight improvement compared to a 5.3 per cent growth in 2014
- The Performance was mainly supported by
 - A stable macroeconomic environment and
 - Improvement in outputs of agriculture; construction; finance and insurance; and real estate

DOMESTIC ECONOMY CONT'D



MAIN SECTORS DRIVING THE ECONOMY

Sectors with high growths

Sector	2014	2015
Agriculture, Forestry & Fishing	3.5	5.6
Mining and quarrying	14.5	11.0
Wholesale and Retail trade; Repairs	7.5	6.0
Information and Communication	14.6	7.3
Financial and Insurance activities	8.3	8.7
Construction	13.1	13.6
Electricity supply	7.3	9.7

Economic outlook 2016

ECONOMIC OUTLOOK FOR 2016

Global Economy

- World real Gross Domestic Product (GDP) is projected to grow by 3.6 per cent in 2016.
Supported by
 - Predicted continuous growth in major high-income countries
 - stabilization of commodity prices
- Global trade is also projected to grow by 3.6 per cent in 2016, rising broadly in line with global output growth.
- Oil prices are projected to remain subdued throughout 2016

ECONOMIC OUTLOOK FOR 2016 CONT'D

Domestic Economy

- Performance of Kenya's economy in 2016 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 was somehow favoured by the effects of *el nino* but rainfall is forecasted to be depressed in some regions in 2016
 - However, key crop growing regions are expected to receive near normal long rains
- Performance of the agriculture sector is therefore likely to be lower than in 2015

ECONOMIC OUTLOOK FOR 2016 CONT'D

Domestic Economy

- Inflation is projected to ease further and remain within the Central Bank's target
- Financial intermediation sector is likely to remain robust despite the recent takeover of three commercial banks by the Central Bank of Kenya due to financial impropriety
- 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 2016 CONT'D

Domestic Economy

The current account deficit is likely to narrow further due to the expected slowdown in the value of imports

Key macroeconomic indicators are expected to remain stable and supportive of growth in 2016

Thank You

