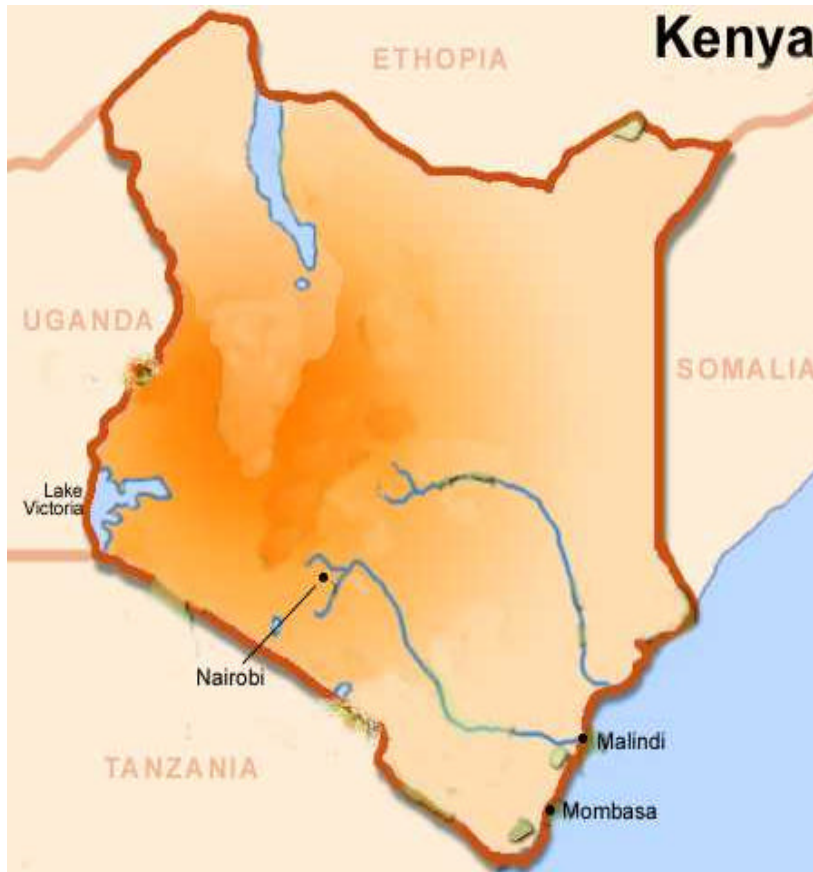


THE ECONOMIC SURVEY 2004



PRESENTED BY THE
MINISTER FOR
PLANNING AND
NATIONAL
DEVELOPMENT

Hon. Prof. Peter
Anyang' Nyong'o



INTERNATIONAL SCENE

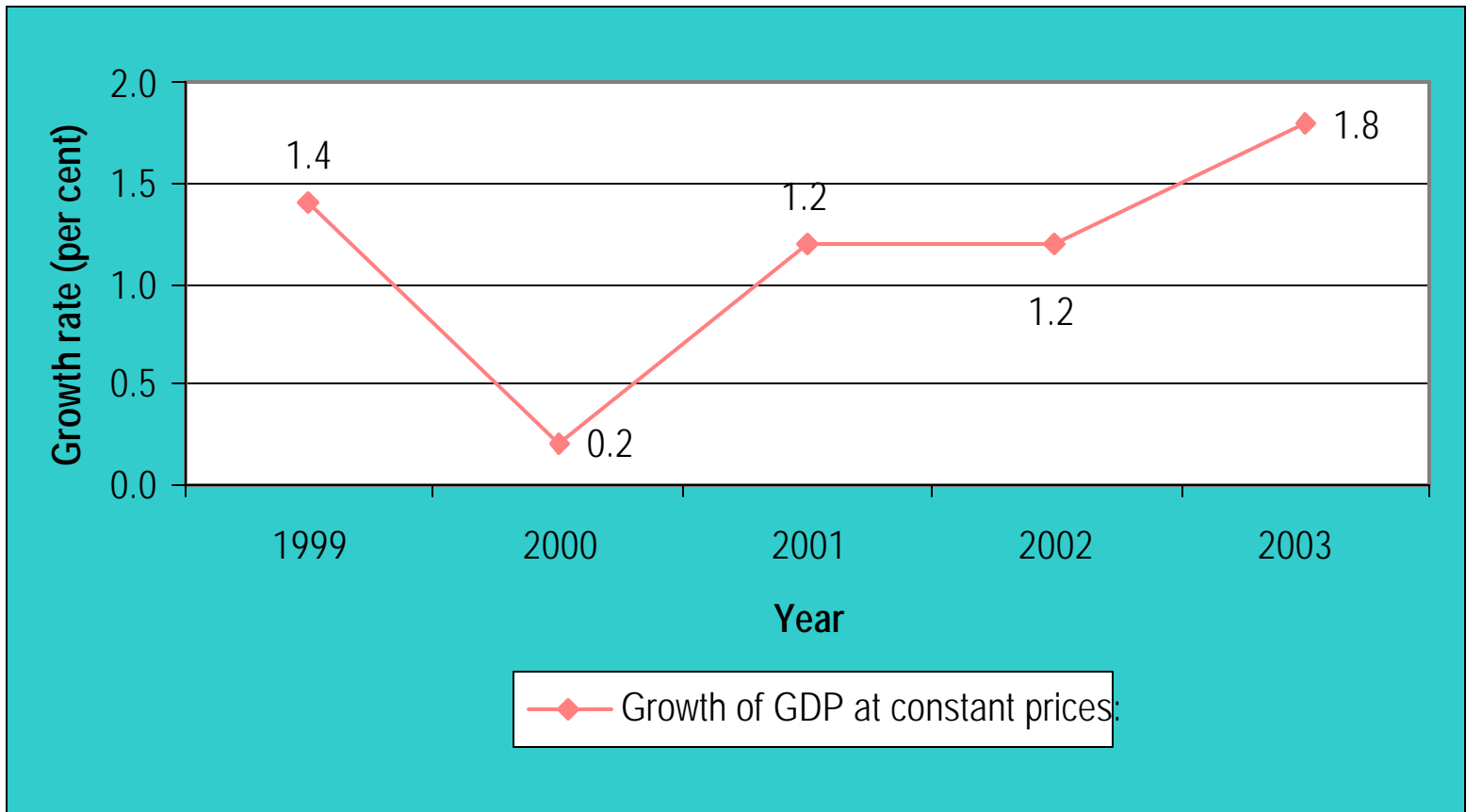
- The world economy recovered in 2003 but unemployment situation worsened. World inflation, however, remained at 1.8%.
- The US dollar depreciated by 12% in nominal terms while the Euro and Sterling pound appreciated. Implying stronger shilling against the dollar and a weaker one against Euro and pound.
- The GDP growth in Sub-Saharan Africa (excluding South Africa) was 3.6% in 2003.
- Prospects for better economic performance 2004 look bright if world commodity prices maintain current an upward trend and oil prices decline.



PERFORMANCE OF THE DOMESTIC ECONOMY

- The economy is on a recovery path recording a 1.8% growth in 2003 close to our projection in 2002.
- Almost all sectors recorded moderate growth rates as follows:
 - ✓ Agriculture - 1.5%
 - ✓ Manufacturing- 1.4%
 - ✓ Building & Construction-2.2%
 - ✓ Finance, Real Estate and Business Services-3.0%
- Rapid economic growth was hampered by poor state of infrastructure, low investment and the spill over effects poor performance of the previous year.

GDP growth at constant prices, 1999-2003



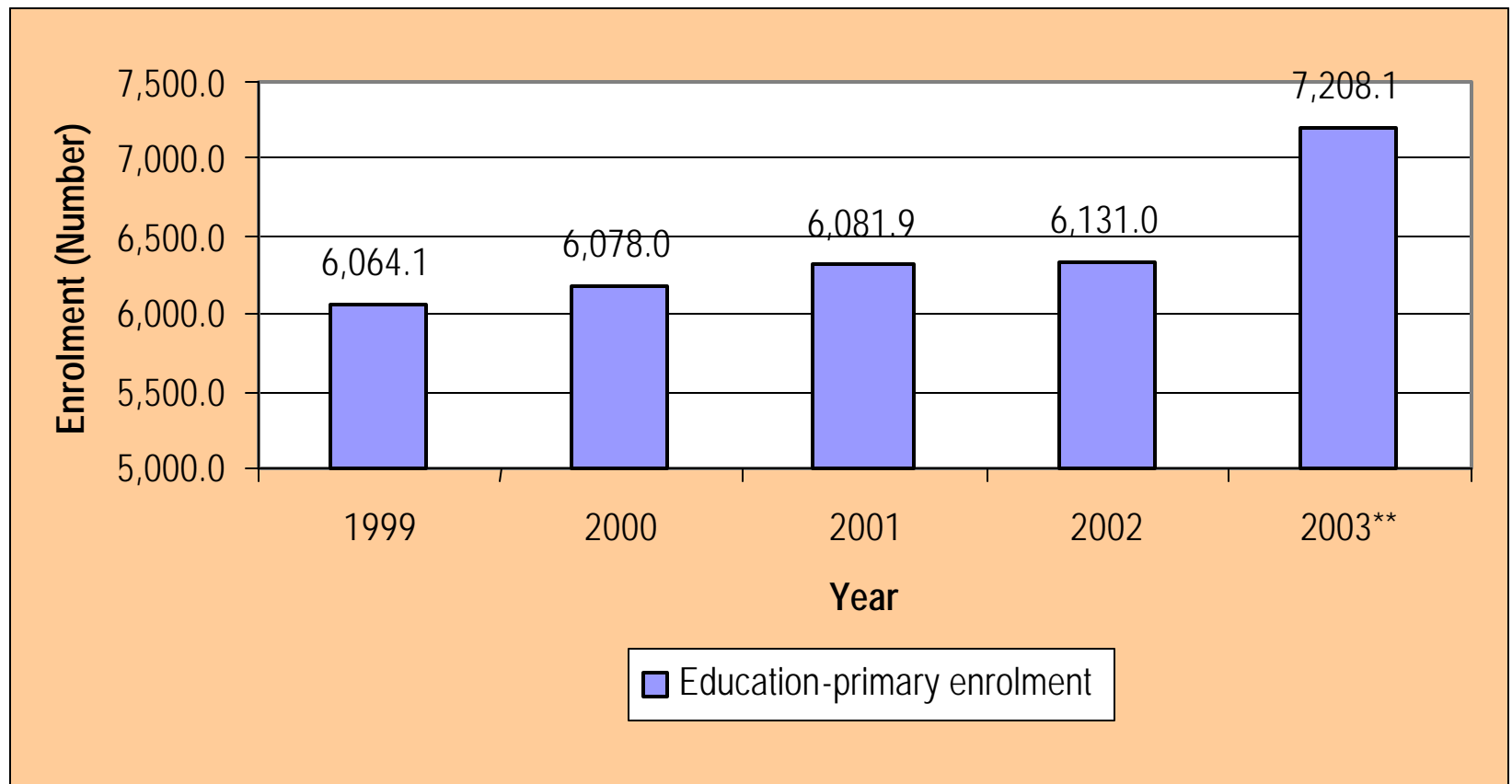


ECONOMIC PERFORMANCE BY SECTORS: SOCIAL SCENE

(A) EDUCATION

- Total primary school enrolment increased by 17.6% from about 6.1 million in 2002 to 7.2 million in 2003.
- Enrolment in secondary schools increased marginally from 819,227 in 2002 to 862,907 in 2003.
- The number of teachers in primary schools also increased marginally from 178,037 in 2002 to 178,622 in 2003
- The pupil teacher ratio in primary school worsened from 34:1 in 2002 to 40:1 in 2003 mainly due to implementation of Free Primary Education.

PRIMARY SCHOOL ENROLMENT, 1999-2003





SOCIAL SCENE cont'd

(B) HEALTH

- The number of health facilities increased by 1.3% from 4,499 in 2002 to 4,557 in 2003.
- Hospital beds and cots increased by 4.5% from 60,657 to 63,407 in the same period.
- The number of registered medical personnel rose by 2.6% from 59,049 in 2002 to 60,599 in 2003.



EMPLOYMENT, EARNINGS AND CONSUMER PRICES

(A) EMPLOYMENT

- Employment outside small-scale farming and pastoralists activities rose from 6.8 million 2002 reaching 7.3 million in 2003.
- The informal sector created about 459 thousand new jobs in 2003 compared to 462 thousand in 2002.
- Wage employment in the modern sector grew by 1.6% equivalent to about 28 thousand new jobs most of which came from Export Processing Zones and the formal agricultural sector.

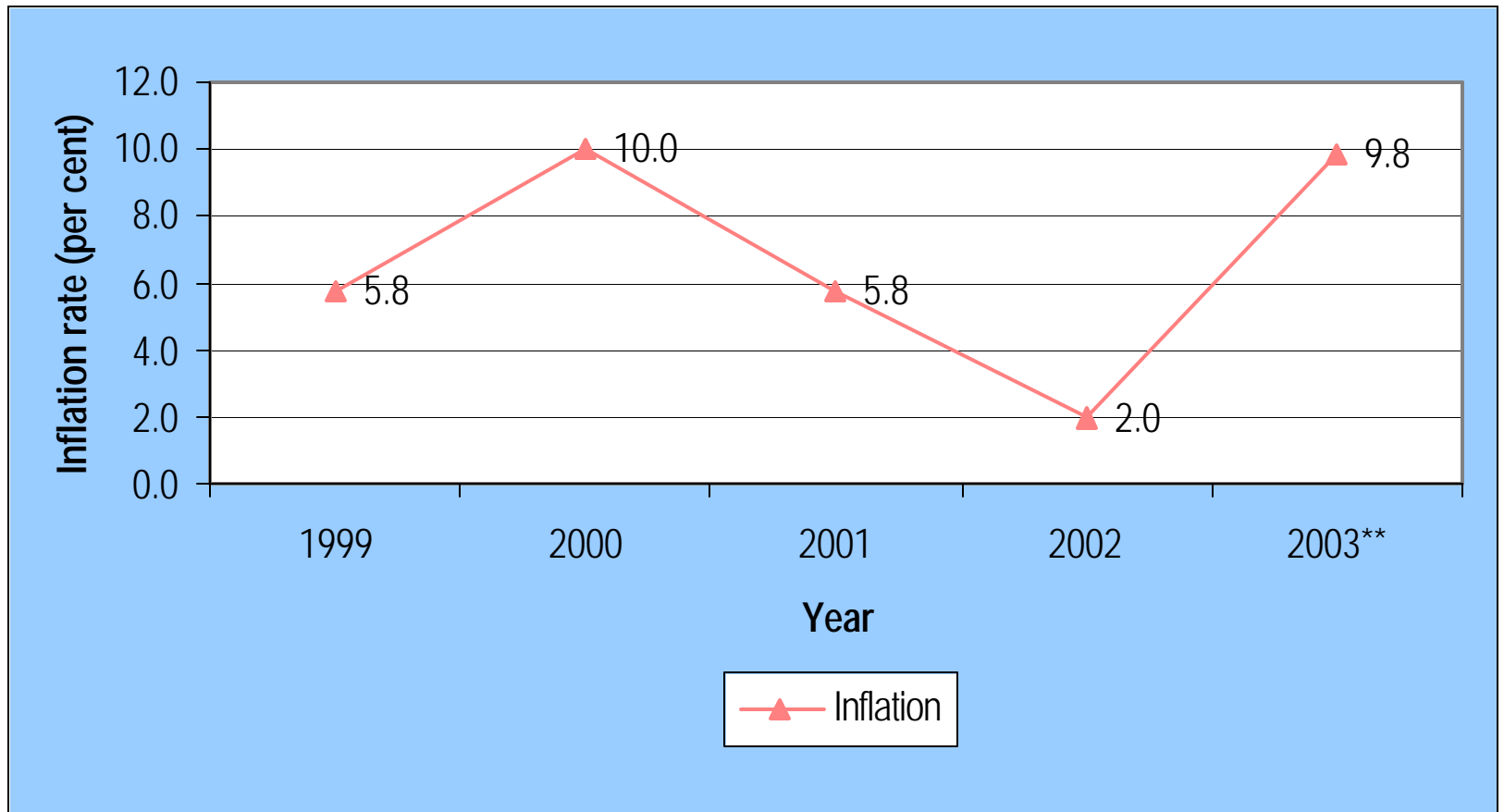


EMPLOYMENT, EARNINGS & CONSUMER PRICES

(B) WAGE BILL

- In general nominal wage bill in the modern sector increased by 14.9% reaching KShs 446.3 billion in 2003.
- Private sector wage bill was KShs 284.9 billion, an 18.3% increase while the public sector bill went up by 9.4% lower than the rate recorded in 2002 which was 15.6%.
- The average annual inflation rate increased from 2.0% in 2002 to 9.8% in 2003 due to rising food prices and non alcoholic items, fuel and power.

Inflation rate, 1999-2003





MONEY, BANKING AND FINANCE

- The financial sector achieved GDP growth of 27% at market prices.
- Assets of the banking system expanded by 10.3% in 2003 reaching Kshs 567.6 billion.
- Broad money supply grew by 11.9% from KShs 424.78 billion in 2002 to KShs 453.02 billion in 2003.
- Domestic credit increased by 7.9% while Net Foreign Assets increased by 19.8%.
- The Nairobi Stock Exchange 20-share index doubled at the close the year to 2,738 points.



PUBLIC FINANCE

- Government expenditure increased by 27.8% mainly due to implementation of Free Primary Education.
- Government revenue also registered an increase of 12.6% in 2003/04 over 2002/03.
- Total outstanding debt as at June 2003 stood at KShs 642.3 billion of which KShs 289.4 billion is domestic debt.
- The net debt servicing charges declined from KShs 114.63 billion in 2001/02 to KShs 91.21 billion in 2002/03



INTERNATIONAL TRADE AND BALANCE OF PAYMENTS

- Total value of international trade increased from KShs 426.99 billion in 2002 to KShs 464.99 billion during the year under review.
- Trade deficit expanded by 11.6% from KShs 88.43 billion in 2002 to KShs 98.7 billion in 2003.
- The export - import ratio dropped from 65.7% in 2002 to 65% in 2003 showing growth in imports.
- Imports increased primarily due to higher import quantities of food and live animals, manufactured goods and miscellaneous manufactured articles.



INTERNATIONAL TRADE AND BALANCE OF TRADE (CONT'D)

- The current account recorded a surplus of KShs 5.1 billion from a deficit of KShs 14 billion in 2002 due to increase in tourism earnings and grants inflows from abroad.
- The overall balance of payments widened to a surplus of KShs 31,385 million in 2003 compared to a surplus of KShs 257 million in 2002.
- This surplus is in part attributed to the increase in net capital and financial inflows.



AGRICULTURE

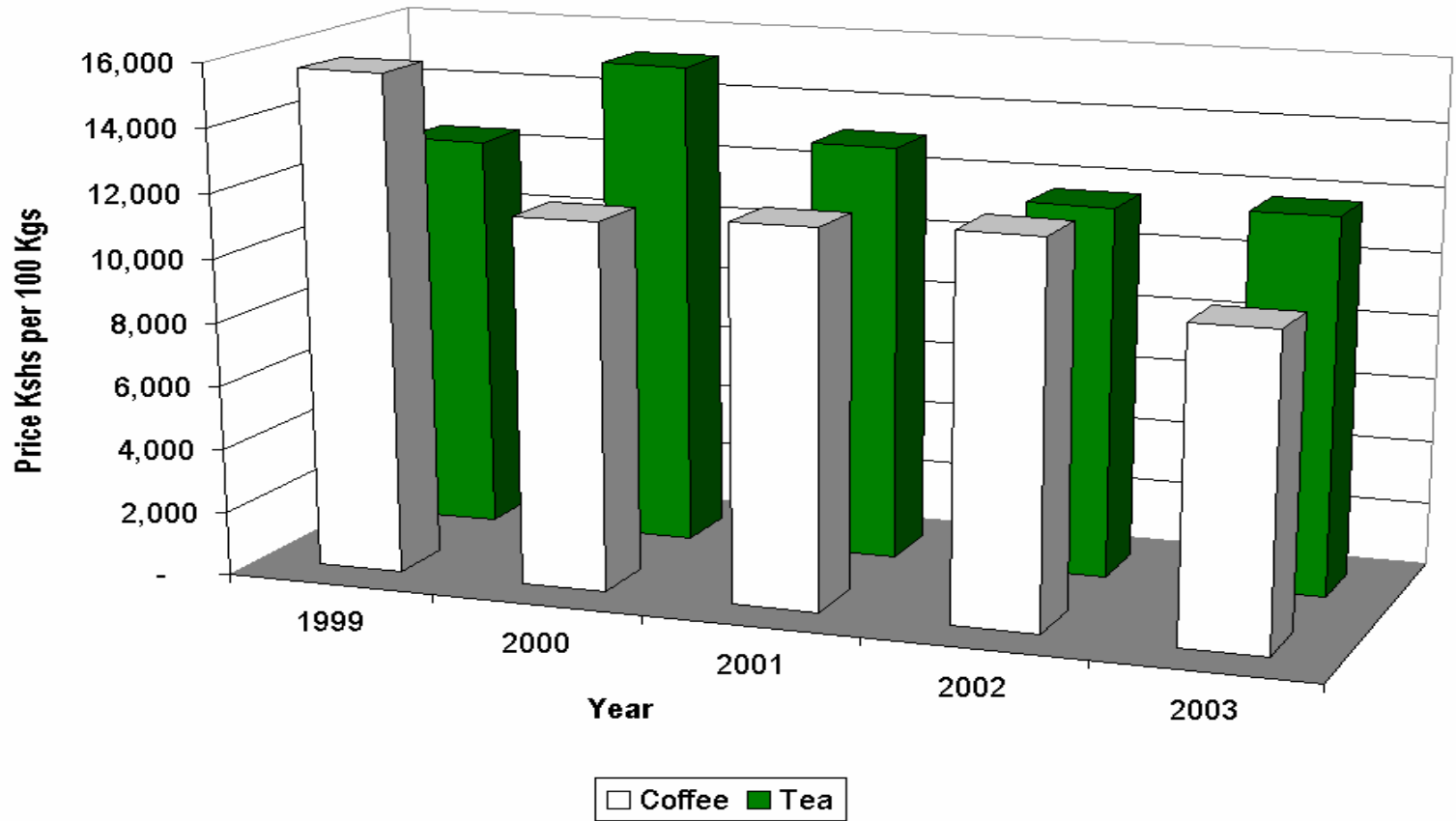
- ? Agricultural value added increased to 1.5% in 2003 from a revised level of 0.8% in 2002.
- ? Value of agricultural output increased by 5.6% from KShs 148.9 billion in 2002 to KShs 157.2 billion in 2003.
- ? Coffee production rose from 51.9 thousand tonnes in 2001/02 to 55.4 thousand tonnes in the 2002/03 crop year.
- ? Tea production rose 287.1 thousand tonnes in 2002₁₅ to 293.7 thousand tonnes in 2003.



AGRICULTURE cont'd

- ? Maize production rose from 26 in 2002 to 28 million bags in 2003.
- ? Wheat recorded a 7.1% increased production reaching to 64.4 thousand tonnes in 2003.
- ? Marketed dairy produce increased by 14.0% from 178 million litres in 2002 to 203 million litres in 2003.
- ? Cotton production increased from 1.1 thousand tonnes in 2002 to 1.7 thousand tonnes in 2003.

AVERAGE PRICE FOR COFFEE & TEA, 1999-2003





AGRICULTURE cont'd

- ? Exports of horticultural produce rose by 10% from 121.1 thousand tonnes in 2002 to 133.2 thousand tonnes in 2003.
- ? Export earnings from horticulture rose from KShs 26.7 billion in 2002 to KShs 28.8 billion in 2003.
- ? Sugar cane production declined by 6.7% from 4.5 million tonnes in 2002 to 4.2 million tonnes in 2003.
- ? Pyrethrum (extract) production declined from 175 tonnes in 2002 to 108 tonnes in 2003.



ENVIRONMENT AND NATURAL RESOURCES

- ? Development expenditure on water supplies and related services increased by 88.4% from KShs 2,319.1 million in 2002/2003 to KShs 4,368.7 million in 2003/2004.
- ? Total revenue from fisheries sub-sector increased from KShs 7.6 billion in 2002 to KShs 8.0 billion in 2003.
- ? Area planted with trees increased from 6.7 thousand hectares in 2002 to 8.0 thousand hectares in 2003.



ENERGY

- ? Energy consumption declined by 6.1 per cent from 2,707.1 thousand tonnes of oil equivalent in 2002 to 2,542.7 thousand tonnes of oil equivalent.
- ? The total oil import bill rose by 46.9 per cent from Ksh 43,957.4 million in 2002 to Ksh 64,561.5 million in 2003.
- ? Total electricity generation was 4,662.6 GWh in 2003 compared to 4,685.8 GWh recorded in 2002.
- ? Rural Electrification programme benefited a total number of 91,069 customers by the end of 2003.



MANUFACTURING

- The manufacturing sector grew by 1.4% in 2003 from 1.2% in 2002. The value of output in the manufacturing sector rose by 6.1% from KSh 726.7 billion in 2002 to KSh 684.7 billion in 2003.
- Growth was recorded in motor vehicle assembly, fish processing, fats and oils, confectionery and chocolate, miscellaneous foods sub-sector, drugs and medicines, perfumes and toiletries, petroleum produce and non-metallic products.



MANUFACTURING cont'd

- In 2003, employment in the Export Processing Zones (EPZ) accounted for 14.9 per cent of total employment in the manufacturing sector.
- The number of manufacturing companies under the EPZ increased by 15 to 69 in 2003.
- Investments by the EPZ to the sector increased by 23.6 per cent from KSh 12.7 billion in 2002 to KSh 15.7 billion in 2003.



BUILDING AND CONSTRUCTION

- Cement consumption increased by 4.5% from 1,212.3 thousand tonnes in 2002 to 1,267.0 thousand tonnes in 2003.
- Value of building plans approved increased by 2.7 per cent from Ksh 10,607.4 million in 2002 to Ksh 10,892.6 million in 2003.
- Total expenditure on roads increased from Ksh 8.6 billion in 2002/03 to Ksh 10.0 billion in 2003/04 financial year.
- The Kenya Roads Board disbursed a total of Ksh 6.92 billion to the various roads agencies in the year 2003.²³



TOURISM

- Tourism earnings increased by 18.9% from Ksh 21.7 billion in 2002 to 25.8 billion in 2003.
- Visitor arrivals increased by 14.5 per cent from 1.0 million in 2002 to 1.1 in 2003.
- Average length of stay in days decreased from 8.5 in 2002 to 8.4 in 2003.
- Hotel bed-nights occupancy dropped from 3.4 million in 2002 to 2.6 million in 2003.
- Local conferences held increased from 754 in 2002 to 805 in 2003, while International conferences increased from 115 to 126 during the same period.



TRANSPORT, STORAGE AND COMMUNICATIONS

- ? The Transport sector grew by 1.5% in 2003
- ? Railway transport output increased by 27.1% compared to a decline of 10.9 per cent in 2002.
- ? Total number of vehicles registered in 2003 rose to 33,917 vehicles from 32,638 vehicles registered in 2002.
- ? Total cargo traffic handled at the port of Mombasa rose by 12.6% to 14,384 thousand tonnes in 2003 from 12,779 thousand tonnes in 2002.



TRANSPORT, STORAGE AND COMMUNICATIONS cont'd

- ? The communications sector grew fastest contributing 37% of the total sector output in 2003.
- ? Land line connections declined by 1.8% while the number of pay phones rose marginally to 10,708 in 2003.
- ? Mobile phone connections increased by 2.7% from 1,068 thousand in 2002 to 1,097 thousand in 2003.
- ? Simu ya Jamii (Community) mobile pay phones were introduced into the market in late 2003



POVERTY AND INEQUALITY

- Poverty is defined to be income of KSh 2,648 and KShs 1,238 per adult equivalent per month, in urban and rural areas, respectively.
- Results show that Kabete constituency in Kiambu district is the least poor, while Ganze constituency in Kilifi district is the poorest.
- The Gini coefficient reveals that income inequality is lowest in Ganze and highest in Kabete.



THE 2003 DEMOGRAPHIC AND HEALTH SURVEY

- The survey reveals decline in almost all indicators of health. Fertility rate which has been declining since 1980s reversed from 4.7 to 4.9 in 1998 and 2003. Infant and under five mortality rates continued to increase.
- The estimate of HIV prevalence rate at national level is 6.7% for respondents aged 15-49 years.
- Females have higher prevalence rates than males.
- Nyanza had the highest HIV prevalence while lowest rates were observed in North Eastern Province.