

ECONOMIC SURVEY 2007 LAUNCH



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28th May, 2007



INTERNATIONAL SCENE

The global economy recorded a growth of 5.1 per cent in 2006 compared to 4.3 per cent in 2005.

- The low income countries' growths were largely boosted by the strong commodity prices.
- As a result of global demand for commodities and increase in revenue in the oil exporting countries, Africa's economic performance remained impressive with a real GDP growth of 5.4 per cent.



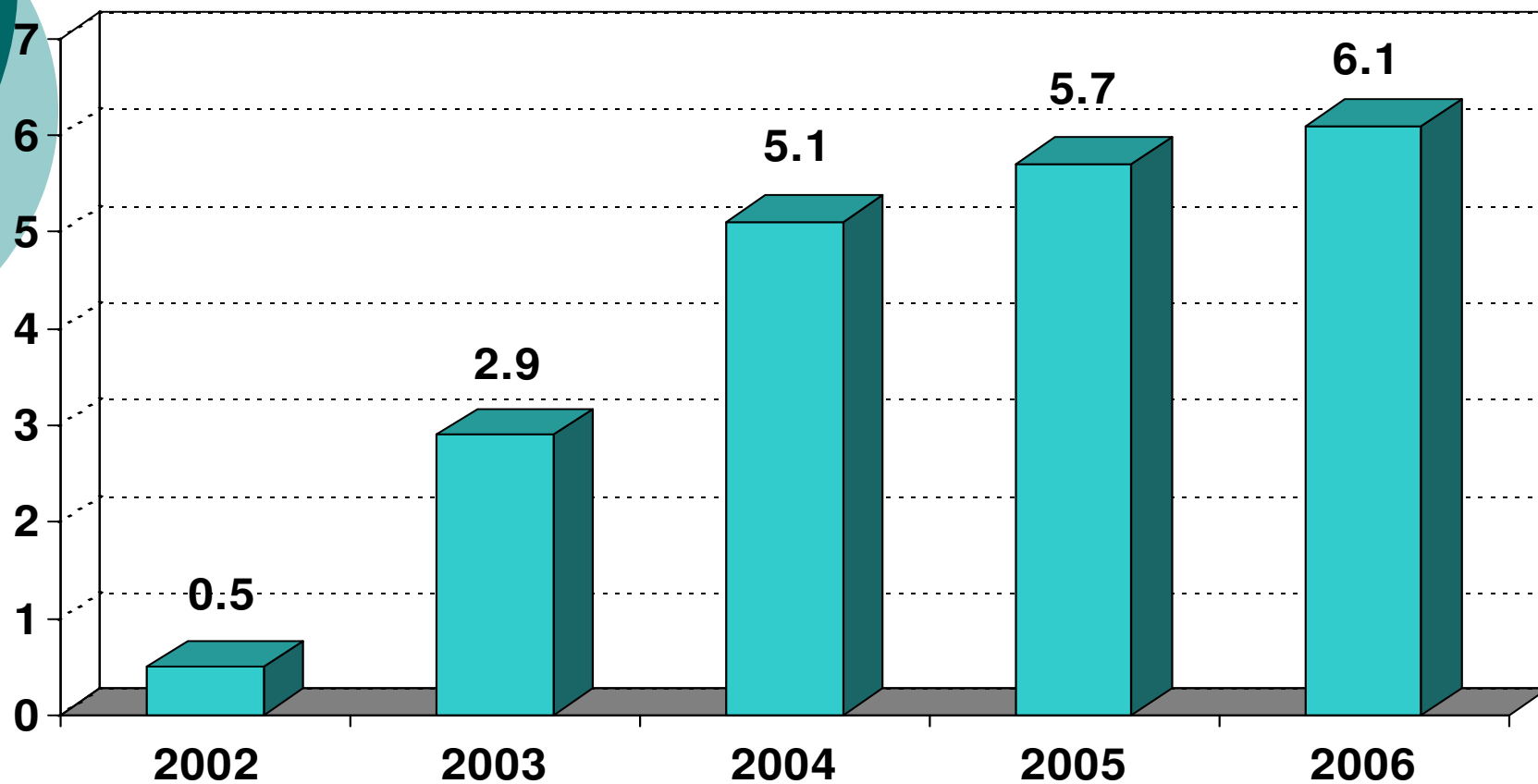
PERFORMANCE OF THE KENYA ECONOMY

- Real Gross Domestic Product (GDP) expanded by 6.1 per cent in 2006 compared to a revised growth of 5.7 per cent in 2005.

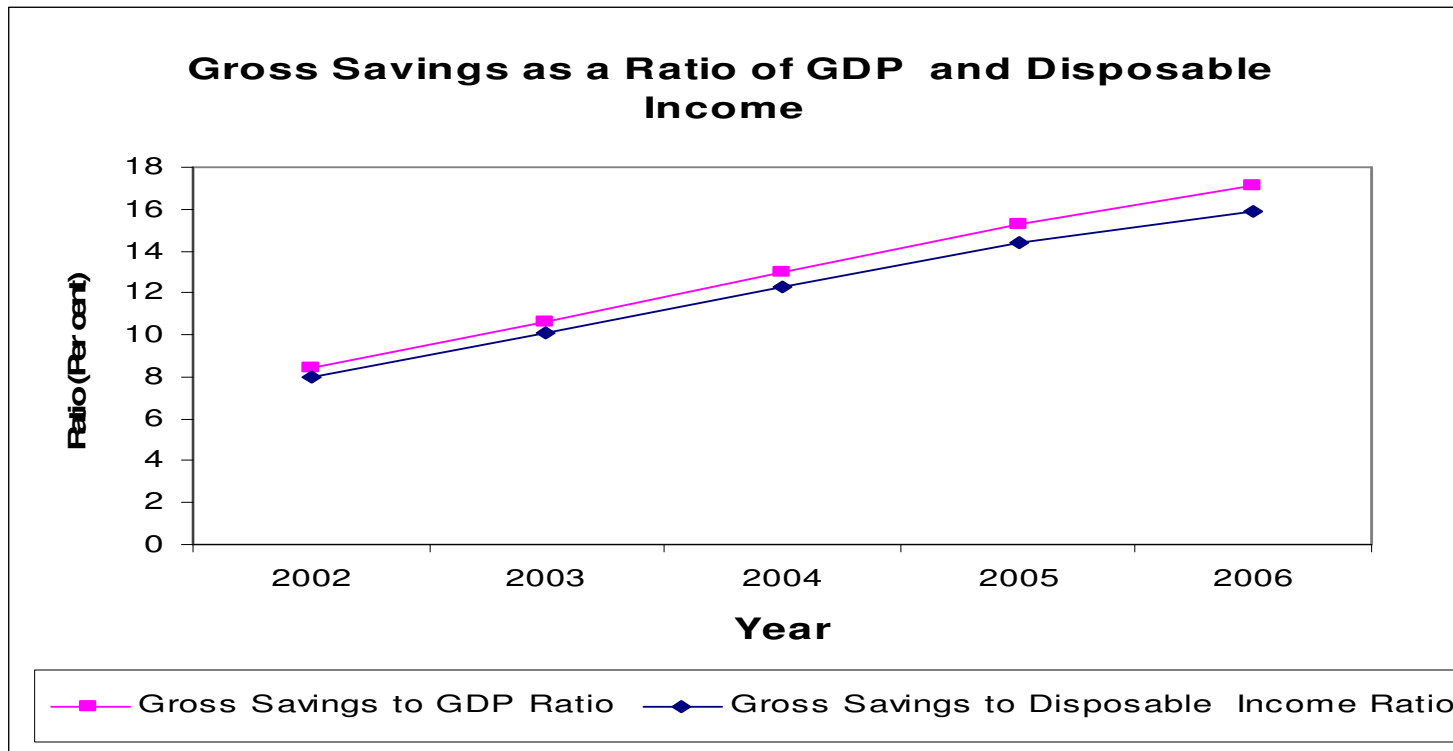
- Key sectors supporting this growth:-

❖ Hotels and Restaurants	:	14.9 Per cent
❖ Wholesale & Retail Trade	:	10.9 Per cent
❖ Transport and Communication	:	10.8 Per cent
❖ Manufacturing	:	6.9 Per cent
❖ Building & Construction	:	6.3 Per cent
❖ Financial Intermediation	:	5.5 Per cent
❖ Agriculture and Forestry	:	5.4 Per cent

REAL GDP GROWTH RATE AT MARKET PRICES 2002 - 2006



GROSS SAVINGS



- Net savings have been increasing since 2002



ECONOMIC PERFORMANCE BY SECTORS: SOCIAL SCENE

Education

- Total enrolment of pupils in primary schools was 7.63 million in 2006, up from 7.59 million in 2005.
- Admission to Form One as a percentage of total KCPE Candidates increased from 56.0 per cent in 2005 to 60.0 per cent in 2006.
- Enrolment in secondary schools was 1,030,080 in 2006, up from 934,149 students in 2005, an increase of 10.3 per cent.



SOCIAL SCENE Cont'd

Education Cont'd

- The number of teacher trainees enrolled increased marginally from 22,335 in 2005 to 22,620 in 2006 with 60.6 per cent being in public institutions.
- Enrolment in public universities increased by 11.8 per cent from 81,677 students in 2005/06 academic year to 91,337 in 2006/07.



SOCIAL SCENE **Cont'd**

Health

- The number of health facilities increased by 5.3 per cent from 4,912 in 2005 to 5,170 in 2006.
- Benefits accrued to members of the National Health Insurance Fund increased by 61.3 per cent from KSh 0.7 billion in 2004/05 to KSh 1.1 billion in 2005/06.
- Registered medical personnel increased by 1.8 per cent from 65,914 in 2005 to 67,126 in 2006.
- National Full Immunisation Coverage improved from 63.0 per cent in 2005 to 70 per cent in 2006.



SOCIAL SCENE Cont'd

Crime Statistics

- Number of offences reported to the Police declined by 4.2 per cent from 75,400 in 2005 to 72,225 in 2006.
- Cases filed in Law Courts declined by 2.6 per cent from 390,807 recorded in 2005 to 380,765 in 2006
- Cases disposed of increased by 1.2 per cent from 340,593 in 2005 to 344,712 in 2006.
- The number of offenders on probation service increased by 25.3 per cent from 13,906 in 2005 to 17,425 in 2006.



EMPLOYMENT, EARNINGS AND CONSUMER PRICES

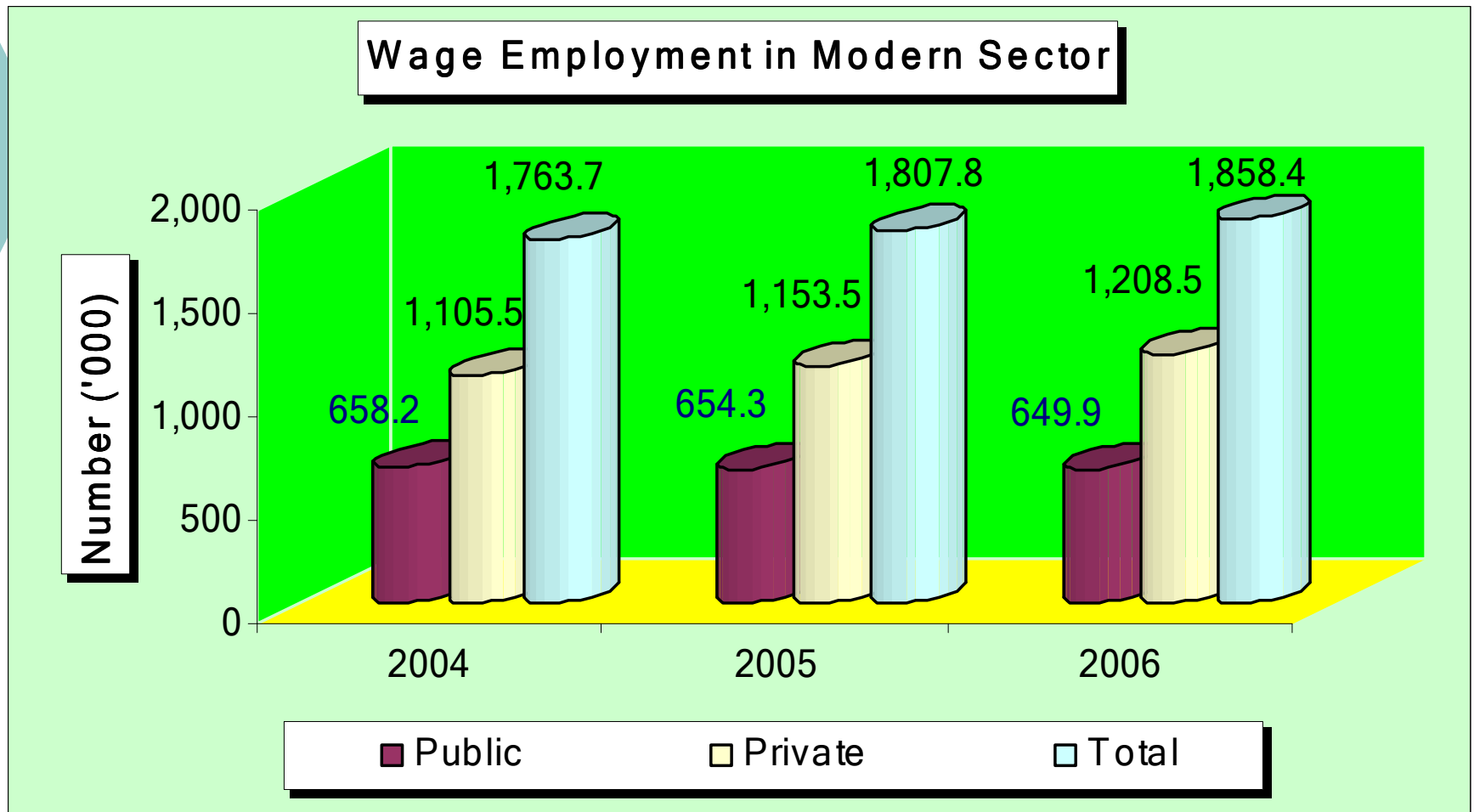
- Total employment excluding rural small scale agriculture and pastoral activities stood at 8.7 million persons in 2006 up from 8.3 million recorded in 2005.
- The economy generated 469 thousand new jobs in the year under review, an increase of 5.7 per cent from the 2005 levels.
- A large number of the new jobs, (89 per cent) was absorbed in the informal sector.



EMPLOYMENT, EARNINGS AND CONSUMER PRICES

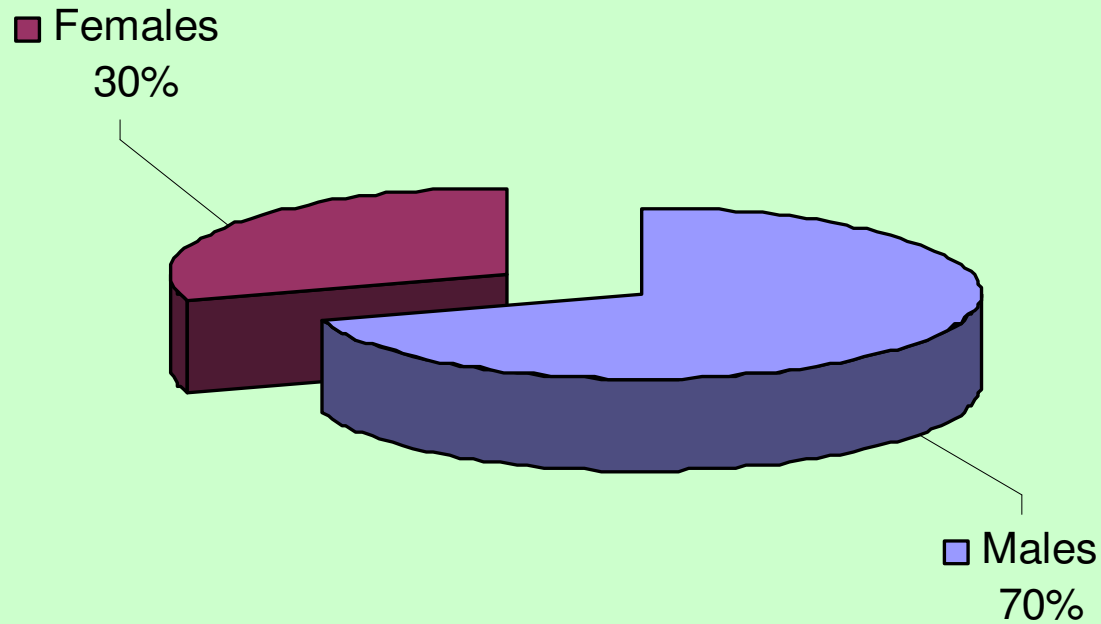
- In the modern private sector, wage employment increase by 4.8 per cent, mainly on account of improved economic environment that prevailed in the year.
- Average nominal wages rose by 14.6 per cent in 2006 compared to the increase of 14.4 per cent registered in 2005.
- Real average earnings rose marginally by 0.2 per cent in 2006

EMPLOYMENT, EARNINGS AND CONSUMER PRICES Cont'd



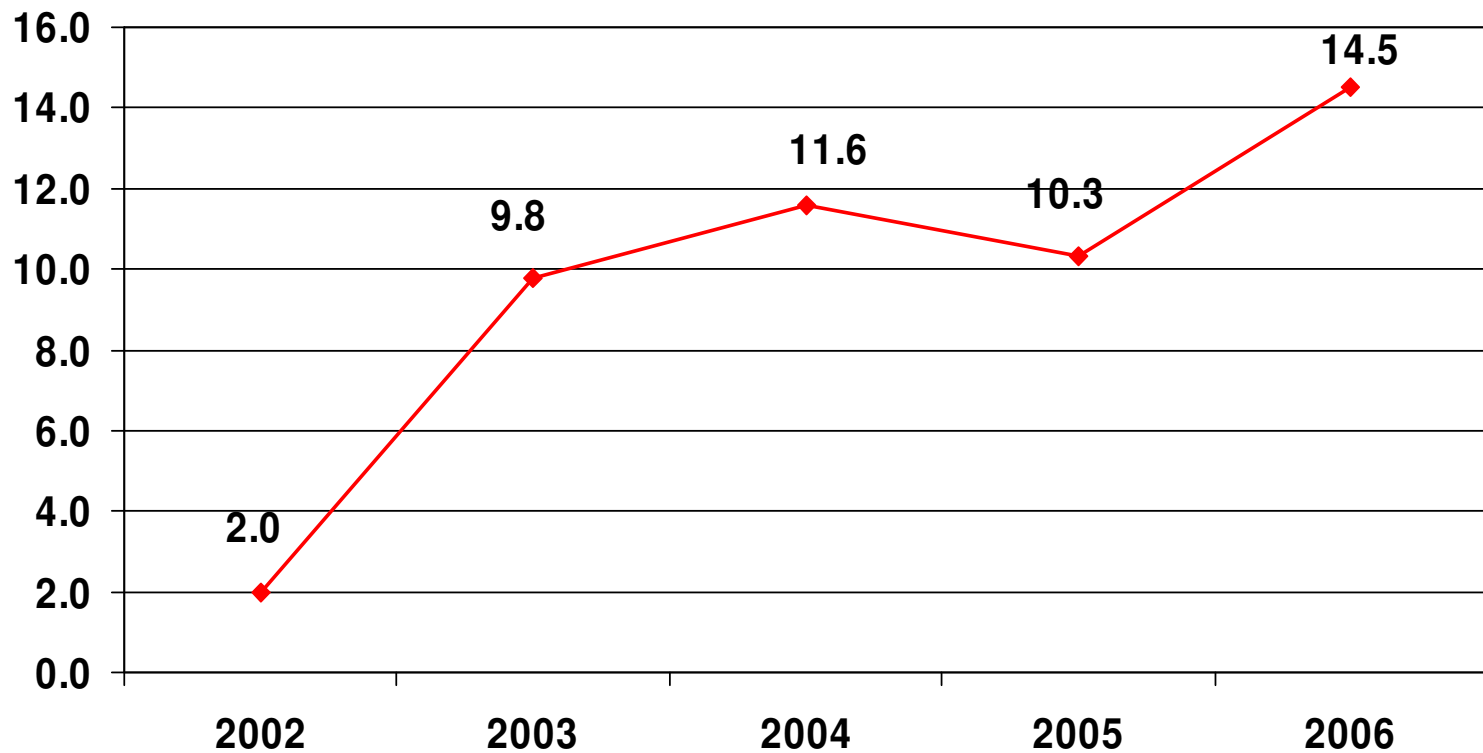
EMPLOYMENT, EARNINGS AND CONSUMER PRICES Cont'd

Total Wage employment by Sex, 2006



EMPLOYMENT, EARNINGS AND CONSUMER PRICES Cont'd

INFLATION RATE





EMPLOYMENT, EARNINGS AND CONSUMER PRICES Cont'd

INFLATION RATE cont'd

- The average annual inflation rate went up from 10.3 per cent in 2005 to 14.5 per cent in 2006 mainly due to increased international oil prices and the drought that was experienced in the 1st quarter of the year under review.
- Underlying inflation, which excludes food commodities declined from 7.4 per cent in 2005 to 5.5 per cent in 2006.



MONEY, BANKING AND FINANCE

The financial intermediation sector achieved an impressive performance by registering a growth of 5.5 per cent.

- Net Foreign Assets (NFA) of the banking system increased by 32.6 per cent in 2006 to KSh 209.5 billion compared to 10.4 per cent increase recorded in the previous year.
- Domestic credit extended to public and private sectors by the banking system expanded by 13.3 per cent from KSh 529.4 billion in 2005 to KSh 600.0 billion in December 2006.



MONEY, BANKING AND FINANCE

cont'd

- Assets of the banking system grew by 17.8 per cent in 2006 to stand at KSh 809.5 billion compared to 6.7 per cent growth recorded in the previous period.
- Average interest rate for 91-day treasury bills dropped by 2.31 percentage points by December 2006 to stand at 5.83 per cent.
- Inter- bank interest rates declined marginally by 1.45 percentage points to settle at 6.34 per cent by December 2006.
- Commercial banks lending rates remained stable at an average 13.77 per cent in the year 2006 with the second half recording 13.74 per cent



MONEY, BANKING AND FINANCE

cont'd

- Between December 2005 and December 2006 the NSE 20 Share Index rose from 3,973 points to 5,646 points.
- Market capitalization increased by 71.4 per cent moving from KSh 462.0 billion in December 2005 to KSh 792.0 billion in December 2006.



PUBLIC FINANCE

- The Government expenditure in 2006/07 is expected to be KSh 565.9 billion of which KSh 423.5 billion will be for recurrent and KSh 142.4 billion for development account.
- The Government intends to raise KSh 401.5 billion of which KSh 336.5 billion will be sourced from ordinary revenue and KSh 65.0 billion from Appropriation-In-Aid.
- Overall net lending/borrowing is expected to change from a net lending of KSh 17.4 billion in 2005/06 to a net borrowing of KSh 89.5 billion in 2006/07.



PUBLIC FINANCE

- Total public debt went up from KSh 688.0 billion in June 2005 to KSh 708.9 billion in June 2006 of which internal debt accounted for 39.2 per cent.
- Government transferred KSh 7.5 billion in 2006/07 financial year compared to KSh 5.0 billion in 2005/06 under the LATF which represents a 50.0 per cent growth.



INTERNATIONAL TRADE AND BALANCE OF PAYMENTS

- The current account deficit widened to KSh 37.9 billion in 2006 from a deficit of KSh 19.7 billion in 2005.
- The capital and financial account recorded a surplus of KSh 63.8 billion in 2006 up from a surplus of KSh 57.9 billion recorded in 2005.



INTERNATIONAL TRADE AND BALANCE OF PAYMENTS cont'd

- The value of international trade increased by 9.8 per cent from KSh 703.5 billion in 2005 to KSh 772.5 billion in 2006
- In 2006, earnings from total exports financed 48.1 per cent of the import bill compared to 58.8 per cent in 2005.



INTERNATIONAL TRADE AND BALANCE OF PAYMENTS cont'd

- In 2006, the terms of trade remained at 72 per cent, the same level recorded in 2005.
- Terms of trade for non-oil items increased to 90 per cent in 2006 compared to the stable level of 84 per cent between 2003-2005.



AGRICULTURE

- Agriculture sector grew by 5.6 per cent in 2006 compared to a revised growth of 7.0 per cent in 2005.
- The value of marketed production rose by 12.4 per cent from KSh 133.1 billion in 2005 to KSh 149.7 billion in 2006.
- The value of marketed cereals moved from KSh 11.9 billion in 2005 to KSh 13.1 billion in 2006
- Value of livestock products increased by KSh 2.1 billion to stand at KSh 26.4 billion in 2006 from KSh 24.3 billion in 2005.



AGRICULTURE cont'd

- Production of maize grew by 11.8 per cent to 36.1 million bags in 2006 from 32.3 million bags harvested in 2005.
- Coffee production recorded a significant increase of 6.9 per cent to 48.3 thousand tonnes in 2005/2006 crop year up from 45.2 thousand tonnes in the previous year.
- The sugarcane sub-sector recorded improved performance in the year, with cane production rising by 2.8 per cent from 4,800.2 thousand tonnes in 2005 to 4,932.8 thousand tonnes in 2006.
- The quantity of marketed milk rose by 6.2 per cent to stand at 361 million litres in the year under review.



AGRICULTURE cont'd

- Tea production dropped from 328.5 thousand tonnes in 2005 to 310.6 thousand tonnes in 2006, mainly due to the drought experienced in the country during the first quarter of the year.
- Exports of fresh horticultural produce remained constant at 163.2 thousand tonnes in 2006.
- Pyrethrum flower production dropped by 42.2 per cent from 1,320.2 tonnes in 2005 to 762.7 tonnes in 2006.



ENVIRONMENT AND NATURAL RESOURCES

- Development expenditure on water supplies and related services increased by 15.1 per cent from KSh 6.6 billion in 2005/06 to KSh 7.6 billion in 2006/07.
- Revenue generated from the fisheries sub-sector increased by 9.5 per cent from KSh 7.4 billion in 2005 to KSh 8.1 billion in 2006.
- Value of mineral products increased from KSh 5.8 billion in 2005 to KSh 6.7 billion in 2006.
- Value of forest products decreased from 994.0 thousand cubic metres in 2005 to 448.2 thousand cubic metres in 2006.



ENERGY

- Total import bill for crude and petroleum products rose by 18.8 per cent from KSh 95.7 billion in 2005 to KSh 113.7 billion in 2006.
- Total quantities of petroleum exports declined by 2.3 per cent from 174.2 thousand tonnes in 2005 to 170.2 thousand tonnes in 2006.
- Total domestic demand for petroleum products rose by 12.0 per cent to stand at 3,131.5 thousand tonnes in 2006 up from 2,797.2 thousand tonnes in 2005.



ENERGY cont'd

- Total electricity supply grew by 6.3 per cent from 5,547.0 million KWh in 2005 to 5,894.9 million KWh in 2006.
- Domestic electricity consumption rose by 5.6 per cent from 4,498.4 million KWh in 2005 to 4,752.4 million KWh in 2006.
- The number of customers connected under the Rural Electrification Programme grew by 8.8 per cent to 110,724 as at July 2006 from 101,793 in July 2005.



MANUFACTURING

- Manufacturing sector which contributes about 10.0 per cent of the GDP annually grew by 6.9 per cent in 2006.
- Value of output amounted to KSh 561.6 billion in 2006 from KSh 499.8 billion in 2005 representing a growth of 12.4 per cent.
- Sub-sectors that performed well include; canned vegetables, fruits fish oils and fats, tobacco and beverages.
- Total sales from the Export Processing Zone (EPZ) enterprises rose by 4.5 per cent to stand at KSh 24.8 billion in 2006 of which total exports amounted to KSh 22.4 billion.



BUILDING AND CONSTRUCTION

- Cement consumption increased by 12.3 per cent from 1,572.5 thousand tonnes in 2005 to 1,765.8 thousand tonnes in 2006.
- Index of government expenditure on roads increased from 62.6 in 2005 to 209.0 in 2006, largely driven by sevenfold increase in government allocation on roads.
- Loans and advances from commercial banks to the sector increased by 41.1 per cent from KSh 21.4 billion in 2005 to KSh 30.2 billion in 2006.



TOURISM

- Tourism earnings expanded by 14.9 per cent from KSh 48.9 billion in 2005 to KSh 56.2 billion in 2006.
- International arrivals grew by 8.2 per cent from 1.5 million in 2005 to 1.6 million in 2006.
- Number of hotel bed-nights occupied recorded a growth of 32.3 per cent from 4,476.6 thousand bed-nights in 2005 to 5,922.1 thousand in 2006.
- Number of local and international conferences went up by 36.5 per cent and 12.4 per cent, respectively in 2006.



TRANSPORT, STORAGE AND COMMUNICATION

- The sector growth improved from 8.9 per cent in 2005 to 10.8 per cent in 2006.
- Total Value of output at current prices expanded by 10.9 per cent from KSh 328.1 billion recorded in 2005 to KSh 363.9 billion in 2006.
- The mobile subscriber base increased by 36.5 per cent to reach 7.2 million in 2006 compared to 5.3 million in 2005.



TRANSPORT, STORAGE AND COMMUNICATION Cont'd

- The volume of cargo handled at the Port of Mombasa grew by 8.4 per cent from 13.3 million tonnes in 2005 to 14.4 million tonnes in 2006.
- Throughput of white petroleum products sustained an upward trend in 2006 expanding by 8.5 per cent to 3.8 million cubic metres



GLOBAL ECONOMIC OUTLOOK

- The global economic growth is expected to slacken to 4.9 per cent in 2007. The downward risk in global economy is predicted mainly due to the inflationary concerns, tighter conditions in the financial markets and a further jump in the oil prices.
- The international oil price is expected to average US Dollar 75 a barrel in 2007, close to the peak reached in early August 2006.



OUTLOOK FOR AFRICA

Overall Africa's GDP is expected to expand further to 5.9 per cent in the year 2007 as a result of:

- ✓ continued global demand for oil and other industrial raw materials at higher prices,
- ✓ increase in official development aid to Africa, driven largely by debt relief and emergency assistance,
- ✓ improving macroeconomic stability and
- ✓ increased oil production in Southern and Central Africa.



OUTLOOK FOR KENYA IN 2007

- The outlook for the domestic economy shows favourable prospects for vibrant growth in 2007.
- Inflation rate is expected to decline in 2007 as a result of lower food commodity prices and a stable macroeconomic environment.
- Activities in the financial sector are likely to depict an upward trend supported by the huge earnings experienced in 2006 and good corporate management.
- Activities in the Nairobi Stock Exchange in 2007 are likely to go up following expected sales of Safaricom, Kenya Reinsurance and Telkom shares to the public through the Initial Public Offer (IPO).



OUTLOOK FOR KENYA IN 2007 cont'd

- Growth in Agriculture, Manufacturing, Hotels and Restaurant, Transport and Communication, Wholesale and Retail trade, and Construction sectors are likely to improve in 2007.
- Gross Domestic Product (GDP) is expected to record a growth rate of between 5.8 to 6.5 per cent in 2007.



CLOSING REMARKS

- I take this opportunity to thank all of you for attending the Launch of this year's Economic Survey.
- My sincere thanks goes to all the data producers, both large and small establishments, for their valuable input into this report.
- I appeal to all data producers, who are still unwilling to provide data to do so, as this information is crucial in the planning and development of our country.
- My special thanks goes to the Director and entire staff of KNBS who have tirelessly worked hard to make the production of this document a success.
- Finally, It is my pleasure to now declare the Economic Survey 2007 officially launched.



END

THANK YOU