

# ECONOMIC SURVEY 2012 HIGHLIGHTS



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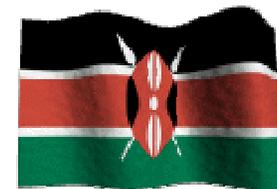
Presented by

**Hon. Wycliffe Ambetsa**  
**Oparanya, EGH, MP.**

Minister of State for Planning, National  
Development and Vision 2030

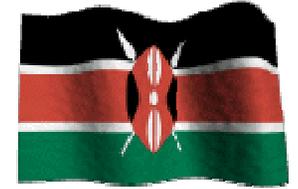
May 2012

# ECONOMIC SURVEY 2012



## Outline

- International scene
- Highlights of the performance of the Kenyan economy in 2011
- Highlights of key Social and Governance indicators in 2011
- Economic outlook for 2012



# International Scene

- The growth rate of the Global economy slowed from 5.0 per cent in 2010 to 3.8 per cent in 2011.
- This was due to:-
  - Rise in oil prices in the international markets
  - Euro debt crisis and implementation of austerity measures in many leading industrial economies
  - Slow down in growth in leading emerging economies such as China due to increased production costs.



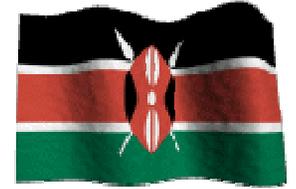
## GDP Growth Rates and Projections for Selected Countries

Country	2010	2011	2012*
<b>Industrial and Emerging economies</b>			
USA	3.0	1.7	2.0
Japan	4.1	-0.3	2.0
Euro Area	1.8	1.6	0.2
China	10.4	9.3	8.5
<b>Africa</b>			
Uganda	5.2	6.4	5.5
Tanzania	6.4	6.1	6.1
Rwanda	7.5	7.0	6.8
Burundi	3.9	4.2	4.8
South Africa	2.8	3.2	3.6

• Source: OECD and World Economic Outlook [IMF]

\*Projections

# Domestic Economy



There were both positive and negative factors that affected growth in 2011

## Positive factors

- Increased credit to the private sector
- Higher public investments in infrastructure e.g. roads
- Higher inflows of remittances from the diaspora

## Negative factors

- Erratic weather conditions
- Escalating oil prices
- Weakening of the Kenya shilling which led to widening of the current account deficit
- High inflation

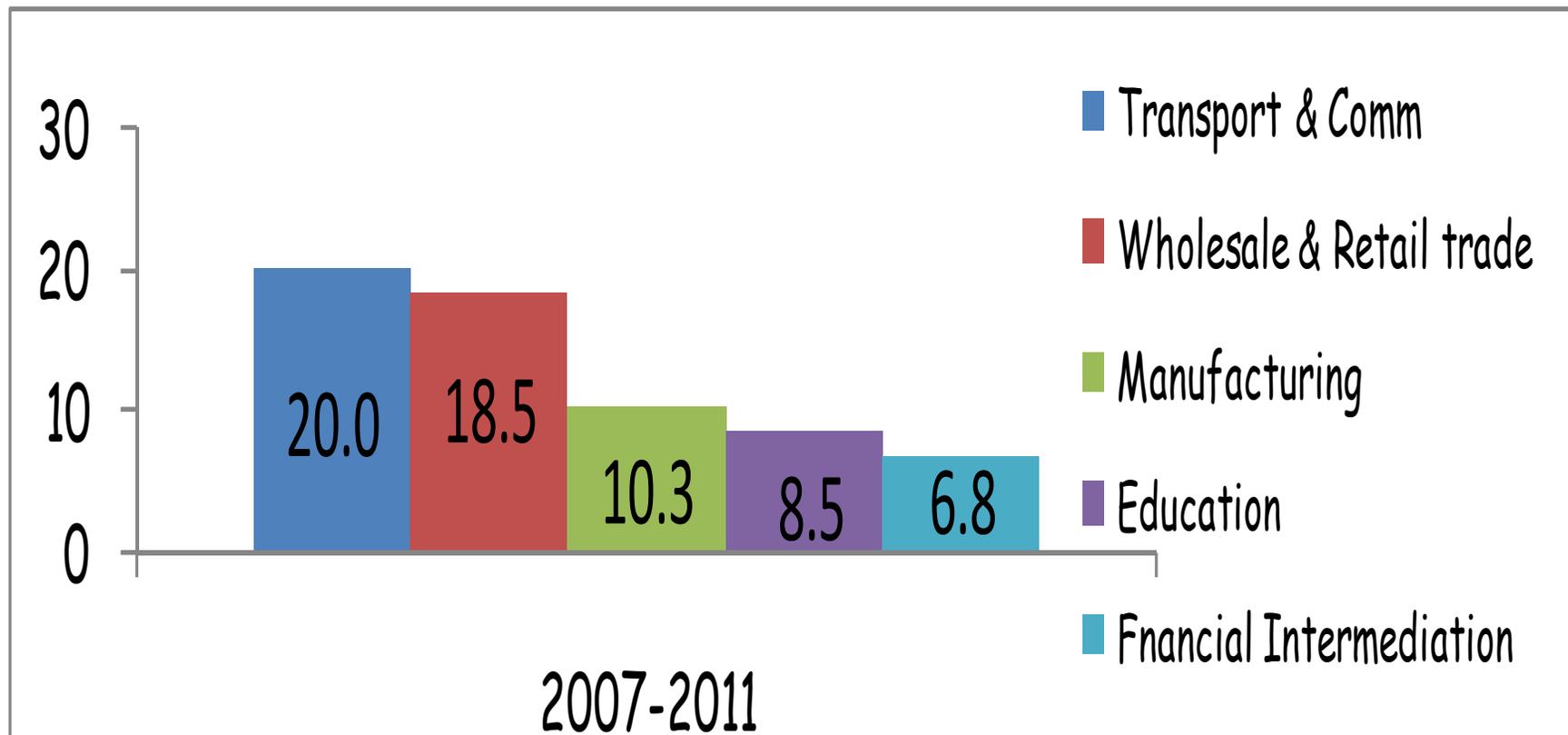
# Main Sectors driving the Economy

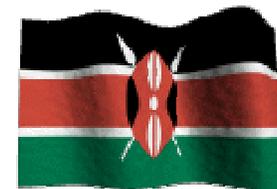


- All the major sectors of the economy decelerated in growth between 2010 and 2011. However, comparatively higher growths were witnessed in some sectors:

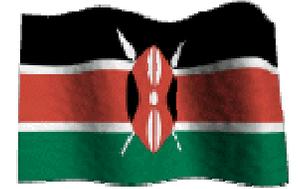
<b>Sector</b>	<b>2010</b>	<b>2011</b>
Financial Intermediation	9.0	7.8
Wholesale & Retail Trade	8.0	7.3
Hotels & Restaurants	4.2	5.0
Transport & Communication	6.9	4.6
Education	4.5	4.9

# Main sources of growth for the last five years (average %)



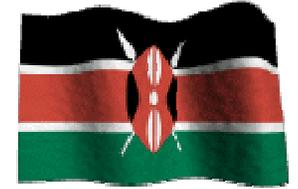


# Sectoral Performance



# Agriculture

- The sector recorded a lower growth of 1.5 per cent in 2011 compared to 6.4 per cent in 2010
- The slower growth in 2011 was primarily due to:
  - Erratic weather conditions
  - High cost of agricultural production (rising farm inputs prices)



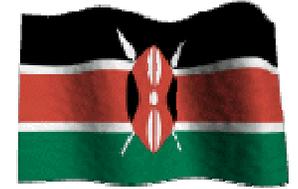
# Agriculture cont'd

- All major crops registered declines in production in the year under review except for rice, cotton, pyrethrum and sisal.
- Global supply constraint resulted in higher (better) prices for tea and coffee



# Key indicators of agricultural production

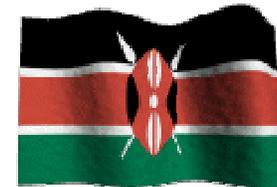
Commodity	2010	2011	% change
Tea ('000 Tonnes)	399.0	377.9	-5.3
Coffee ('000 Tonnes)	38.9	30.0	-22.9
Fresh horticultural produce ('000 Tonnes)	228.3	227.1	-0.5
Maize (Million bags)	35.8	34.4	-3.9
Wheat ('000 Tonnes)	199.7	105.9	-47.0
Rice ('000 Tonnes)	72.5	80.2	10.6
Milk delivered to processors (million litres)	515.7	549.0	6.5



# Manufacturing

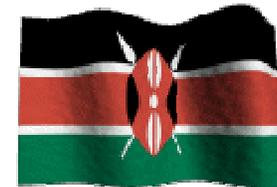
- Manufacturing grew by 3.3 per cent in 2011 compared to 4.4 per cent in 2010.
- Growth in the sector was undermined by :-
  - Increase in price of primary inputs and fuel costs.
  - Depreciating Kenya shilling which increased cost of imported intermediate inputs.
  - Unfavourable weather conditions that led to reduced availability of raw materials to agro-based industries

# Manufacturing cont'd



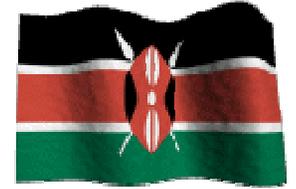
- The total sales from the EPZ enterprises grew by 21.6 per cent in 2011 to stand at KSh 39.3 billion from KSh32.3 billion despite the challenges witnessed in the global market.
- The number of enterprises operating under the Export Processing Zones (EPZ) increased from 75 in 2010 to 79 in 2011

# Money, Banking and Finance

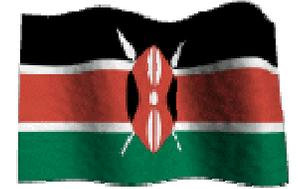


- The financial sector posted an impressive growth of 7.8 per cent in 2011 though lower than 9.0 per cent posted in 2010
  - This performance is mainly attributed to rise in credit to private sector of the economy
- Challenges facing the sector included:
  - Persistent high inflation
  - High interest rates which affect cost of borrowing
  - Large interest rate spreads between lending and savings/deposits rates (13.05%)

# Money, Banking and Finance Cont'

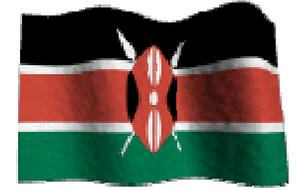


- The overall domestic credit grew by 20.8 per cent to KSh 1.5 trillion up from KSh 1.3 trillion in 2010.
- Contributing to this growth mainly was:-
  - Increased credit to the private sector by 30.8 per cent, which more than offset a decline of 5.5 per cent in credit to Central Government



# Stock Market

- Performance of the stock market slowed during the year under review.
- The NSE 20 Share Index dropped by 27.8 per cent to 3,205 from 4,433 in December 2010.
- Market capitalization as at the end of 2011 dropped by 26.0 per cent from KSh 1,167 billion in 2010 to KSh 868 billion in December 2011



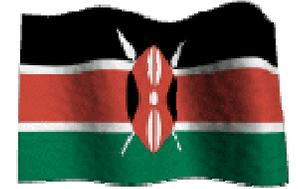
# Inflation

- Annual inflation increased to 14.0 per cent in 2011 from 4.1 per cent in 2010
- The rise in inflation was mainly on account of:-
  - Sharp increase in oil prices.
  - Inadequate rainfall in the first half of the year, which pushed prices of staple foods upwards.
  - Weakening of Kenya shilling against major currencies

# Tourism

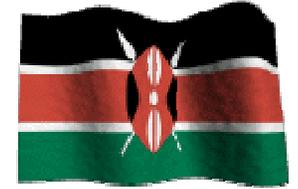


- Tourism earnings, which are a key source of foreign exchange earnings, rose by 32.8 per cent from KSh 73.7 billion in 2010 to KSh 97.9 billion in 2011.
- International visitors, mainly on holiday, resulted in a 13.3 per cent rise, in the volume of arrivals. Total arrivals grew from 1.6 million in 2010 to 1.8 million in 2011.



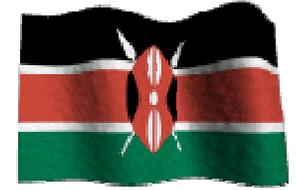
# Tourism Cont'd

- Factors that contributed to the growth of tourism include
  - Promotion in new markets (e.g. Asia)
  - Repositioning the country as a high value destination (e.g. Brand Kenya Initiative)
  - Political stability
  - Improved security and infrastructure



# Building and Construction

- The sector recorded a growth of 4.3 per cent in 2011 compared to growth of 4.5 per cent in 2010
- Loans and advances to the sector from commercial banks increased by 55.8 per cent from KSh 32.6 billion in 2010, to KSh 50.8 billion in 2011
- Overall expenditure for the Ministry of Roads in 2011/2012 is expected to rise by 34.4 per cent, from KSh 61.2 billion to KSh 82.3 billion.



## Building and Construction cont'd

- Cement consumption rose by 10.6 per cent from 3.1 million tonnes in 2010 to 3.4 million tonnes in 2011
- Total value of private building works completed went up from KSh 38.3 billion in 2010 to KSh 43.1 billion in 2011

# Public Finance

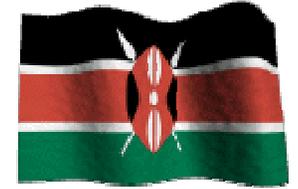


- During the fiscal year 2011/12, the Government adopted a policy geared towards;
  - Constraining public spending to complement the tight monetary policy adopted to reduce aggregate demand and contain inflationary pressure.
  - Restricting public debt to concessional loans due to their low interest rates and longer repayment period
  - Enhancing revenue mobilization efforts by expanding the revenue base

# Public Finance-cont'd

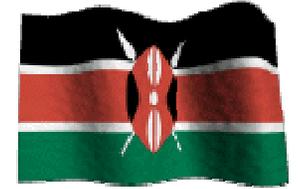


- In 2011/12, overall Government expenditure is expected to stand at KSh 1.2 trillion compared to KSh 922.6 billion in 2010/11
  - Total budgeted recurrent expenditure is projected to increase from KSh 706.4 billion in 2010/11 to KSh 787.9 billion in 2011/12
  - Development expenditure is also expected to increase from KSh 216.1 billion in 2010/11 to KSh 377.6 billion in 2011/12



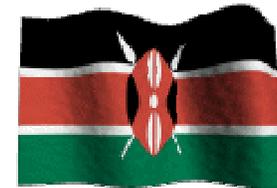
## Public Finance cont'd

- The stock of Central Government outstanding public debt increased by 22.2 per cent from KSh 1.1 trillion as at June 2010 to 1.3 trillion as at June 2011.
- Domestic debt stood at KSh 624.8 billion and accounted for 47.2 per cent of the total debt
- External debt stood at KSh 697.8 billion
- Ratio of total debt to GDP stands at 43.7 per cent in 2011 compared to 42.5 per cent in 2010. The ratio is within the GoK medium term debt sustainability framework.



# Energy - Petroleum

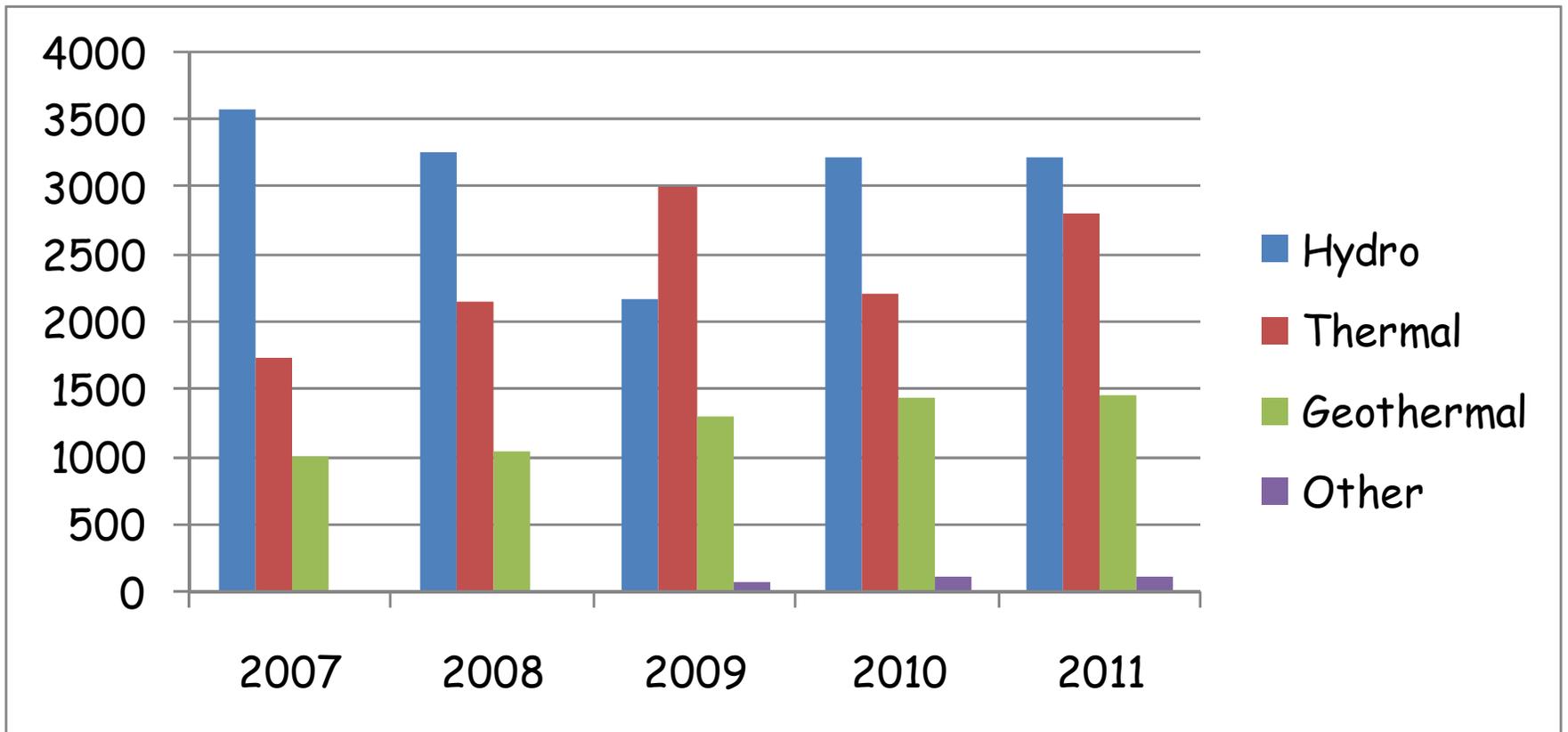
- The annual average price of oil increased from US\$ 79.16 per barrel in 2010 to US \$ 110.60 per barrel in 2011
  - High international prices coupled with a weakened Kenya shilling, contributed to the high prices, locally.
- Total demand of petroleum products grew by 1.9 per cent from 3,867.1 thousand tonnes in 2010 to 3,941.6 thousand tonnes in 2011



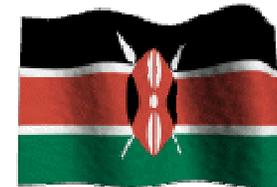
# Energy - Electricity

- Installed capacity expanded by 8.6 per cent from 1,412.2 MW in 2010 to 1,534.3 MW in 2011
- Consequently total electricity generation increased by 8.4 per cent to 7,559.9 GWh in 2011 compared to 6,975.8 GWh in 2010.
  - The growth in electricity generation was mainly driven by 27.3 per cent increase in production from thermal oil.

# Electricity generation



## Energy - Electricity cont'd



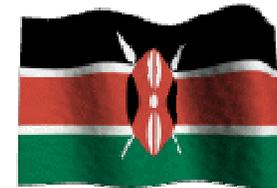
- Total Electricity consumption registered a growth of 9.0 per cent from 5,754.7 GWh in 2010 to 6,273.6 GWh in 2011
- The number of connections under the Rural Electrification Programme rose by 23.2 per cent from 251,056 customers at June 2010 to 309,287 as at June 2011

# Transport, Storage and Communication



- Transport and Communication sector recorded a growth of 4.5 per cent in 2011 compared to 5.9 per cent in 2010
  - Transport and Storage sub-sector increased by 4.0 per cent in 2011, compared to 6.9 per cent in 2010.
  - Communication sub-sector, recorded a growth of 4.3 per cent in 2011 compared to 4.5 per cent in 2010.

# Transport, Storage and Communication Cont'd



- The railway subsector recorded increase in earnings in both passenger and freight of 20.2 and 14.5 per cent respectively in the year under review
  - This is attributed to restructuring of the operations of the Rift Valley Railways (RVR)
- A total of 205,841 new vehicles were registered in 2011 compared to 196,456 in 2010.

# Transport, Storage and Communication Cont'd



- The mobile subscriber base increased from 20.1 million in 2010 to 25.3 million as at June 2011
- The number of mobile money transfer subscribers increased from 10.6 million in 2010 to 17.4 million in 2011.

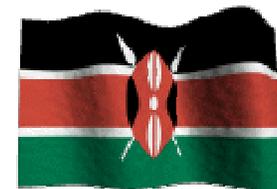
# International Trade



- Value of total exports grew by 24.7 per cent from KSh 409.8 billion in 2010 to KSh 511.0 billion in 2011

## Key exports in KSh million

Commodity	2010	2011
Tea	91,617	102,235
Horticulture	72,092	83,331
Coffee	16,244	19,296
Tobacco & Tobacco manufactures	10,562	18,633



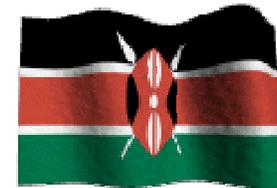
# International Trade

- Value of imports grew by 38.9 per cent from KSh 947.4 billion in 2010 to 1.3 trillion in 2011

## Key imports in KSh million

Commodity	2010	2011
Petroleum	194,602	330,714
Industrial machineries	158,721	177,323
Road motor vehicles	55,812	64,669

- Consequently, Kenya's trade balance worsened further by 49.7 per cent in 2011 compared to 21.3 per cent in 2010



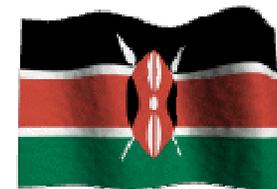
# Balance of Payments

- The current account deteriorated to a deficit of KSh 296.0 billion in 2011 from a deficit of 187.7 billion in 2010.
  - This deterioration is mainly due to the widening trade deficit.
- The capital and financial account recorded a surplus of KSh 289.6 billion in 2011 compared to a surplus of KSh 186.0 billion recorded in 2010
  - This is mainly due to increase in net foreign direct investment and capital inflows

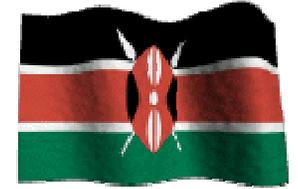
# Balance of Payments



- The overall balance of payments improved from a surplus of KSh 12.2 billion in 2010 to a surplus of KSh 21.8 billion in 2011
  - Mainly due to improved Capital and financial account



# Social sectors



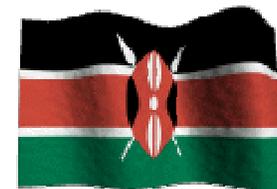
# Social Scene

- Total Government allocation to the social sector is expected to increase by 24.5 per cent from KSh 208.8 billion in 2010/11 to KSh 259.9 billion in 2011/12
  - The allocation to Education subsector is expected to reach KSh 193.3 billion in 2011/12 while that of health subsector is expected to reach KSh 31.6 billion in 2011/12



# Selected indicators on Education

Indicator	2010	2011	% change
No. of Primary schools	27,489	28,567	3.9%
No. of Secondary schools	7,268	7,297	0.4%
Total enrollment in Primary	9.38m	9.86m	5.1%
Total enrollment in Secondary	1.65m	1.77m	7.3%
Gross enrollment rate for boys	109.8%	114.8%	5.0%
Gross enrollment rate for girls	109.9%	115.1%	5.2%
No. of Primary school teachers	173,388	174,267	0.5%
No. of Sec. school teachers	53,047	56,735	7.0%
Pupil/teacher ratio (Primary)	54:1	57:1	
Student/teacher ratio (Sec)	31:1	31:1	
Enrollment in university	177,618	198,260	11.6%



## Selected indicators on Health

Indicator	2010	2011	% change
No. of health institutions	7,111	8,006	12.6%
No. of registered medical personnel	100,411	106,086	5.7%
No. of medical students (university)	5381	6,546	21.7%
No. of medical students (MTC)	6,471	7,074	9.3 %
Full Immunization Coverage (FIC) Rate	81.0%	80.0%	-1.0%

# Environment and Natural Resources



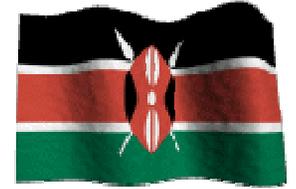
- Quantity of mineral production increased from 1,496.3 thousand tonnes in 2010 to 1,690.3 thousand tonnes in 2011, while its value increased from KSh 15.1 billion to KSh 18.3 billion.
- Production of soda ash and fluorspar increased from 473.3 thousand tonnes and 40.8 thousand tonnes in 2010 to 499.1 thousand tonnes and 95.1 thousand tonnes in 2011, respectively
  - The significant increase in production of the fluorspar is as a result of recovery in production due to improved prices of the commodity in the export market

# Environment and Natural Resources

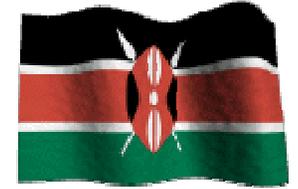


- Quantity of fish landed increased by 5.9 per cent in 2011 to 149.0 thousand tonnes from 140.8 thousand tonnes in 2010
- Total forest plantation stocking increased by 2.4 per cent from 118.8 thousand hectares in 2010 to 121.7 thousand hectares in 2011

# Employment

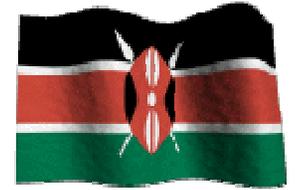


- In the year under review, the labour market recorded 520.1 thousand new jobs compared to 498.6 thousand new jobs in 2010, representing an increase of 4.7 per cent.
- Annual average nominal earnings increased by 5.3 per cent in 2011 while the real average earnings declined by 8.1 per cent due to inflation.



# Employment Cont'

- In total, 74.2 thousand new jobs were created in the modern sector in 2011 compared to 61.3 thousand in 2010, contributing 14.3 per cent of total jobs created
- Most of the modern sector jobs created were in Building and construction, Energy, tourism, Transport and financial services
- The informal sector which constituted 80.8 per cent of total employment created an additional 445.9 thousand jobs

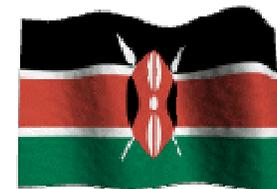


# Governance



## Selected indicators on crime and judiciary

Indicator	2010	2011	% change
Crimes reported to police	70,779	75,733	7.0
Crimes reported to EACC	6,018	7,326	21.7
Firearms recovered	252	304	20.6
Total prison population	88,631	76,991	-13.1
Cases pending in court	660,381	650,010	-1.5
Cases disposed off	575,706	357,693	-37.9



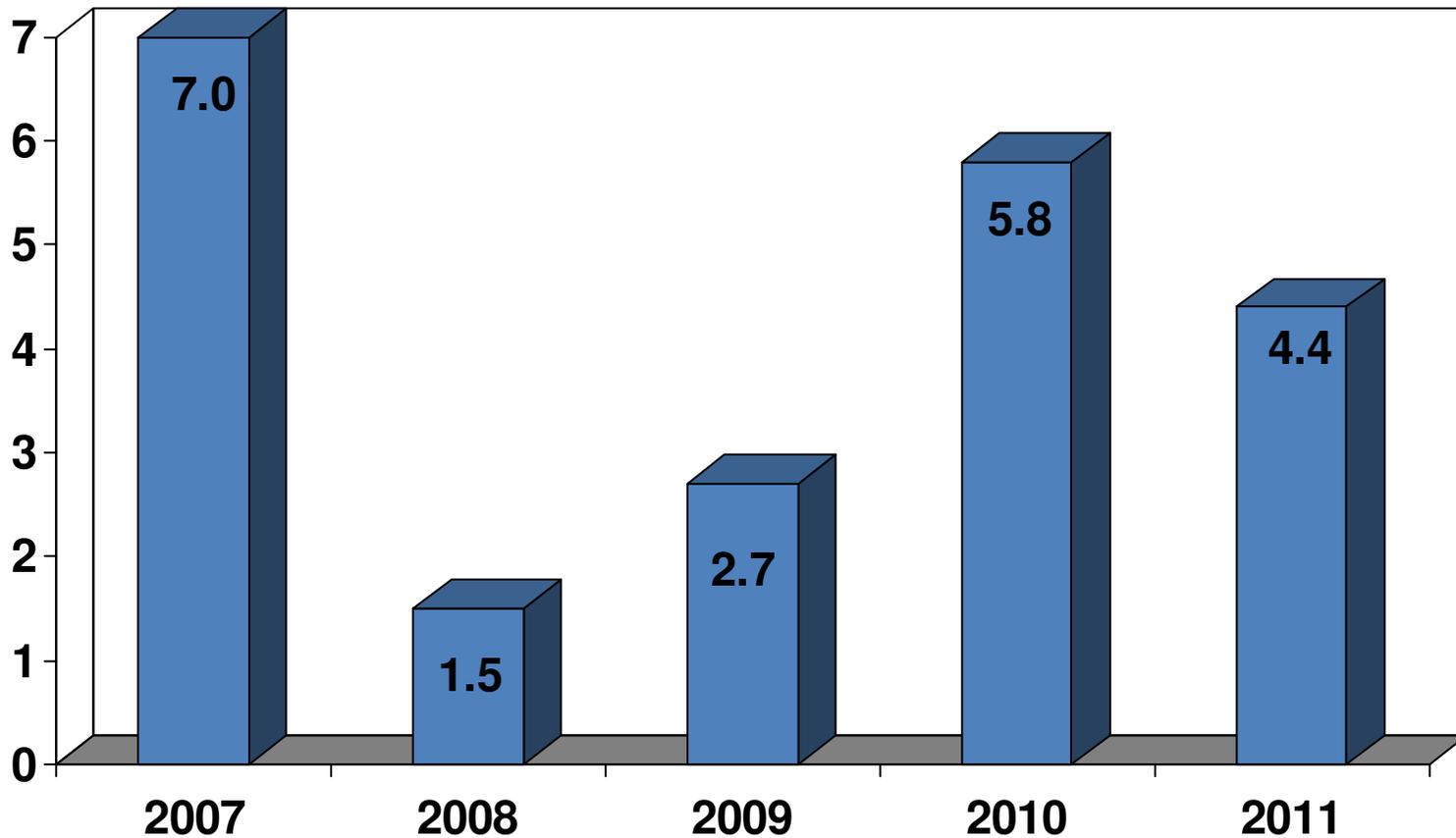
# Economic growth 2011

# Domestic Economy



- The Nominal GDP grew from KSh 2.5 trillion (US \$32,187.6 million) in 2010 to KSh 3.0 trillion in 2011 (US \$34,059.0 million)
- The economy (Real GDP) expanded by 4.4 per cent in 2011 compared to a revised growth of 5.8 per cent in 2010

# GDP Growth rates





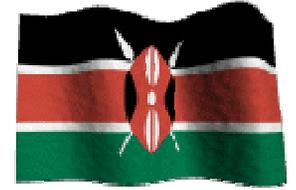
# Economic outlook 2012

# Economic Outlook for 2012



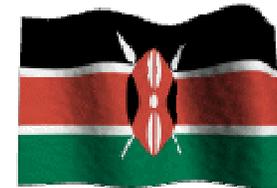
- The global economy is projected to record slower real GDP growth rate of 3.4 per cent in 2012 compared to 3.8 per cent in 2011
- Similarly the domestic economy is likely to maintain a positive growth but at a decelerated rate of between 3.5 and 4.5 per cent

# Economic Outlook for 2012 cont'd



- Risks likely to shape economic growth include:
  - Delayed or insufficient rainfall
  - High interest rates which might constraint credit to the productive sector and may also result in loan defaults
  - Increase in Government expenditure on account of the implementation of the new constitution and elections
  - Political environment as the country moves close to the elections
  - High oil prices

# Policy interventions

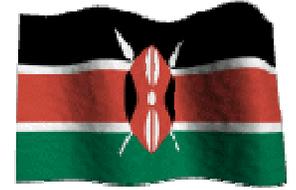


## – Infrastructure sector

- Increase and sustained funding in the roads and energy sectors
- Accelerate efficiency improvement measures at Mombasa Port and initiate construction of Lamu port
- Initiate the planned construction of standard gauge railway line from Mombasa to Kampala.
- Finalize preparations and launch Konza City to create confidence and attract potential investors
- Expedite enactment of the Special Economic Zones (SEZ) Bill for establishment of the SEZs (a key vision 2030 flagship project)
- Expedite enactment of the Public Private Partnership (PPP) Bill

- **Water** Construction of adequate dams for water harvesting and to contain floods

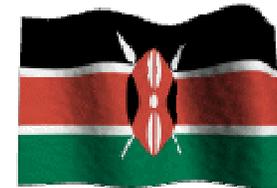
# Policy interventions



## -Food

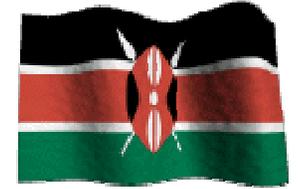
- Sustain and expand Gok programmes for provision of improved seeds and fertilizer to farmers to increase food production
- Sustain and expand Gok funding for irrigation
- Tax incentives for agricultural cooperatives and investors to invest in food processing and value addition
- Provide appropriate incentives for private sector investors for local manufacture of fertilizers
- Invest in food storage to prevent post harvest losses

# Policy interventions



## – Energy

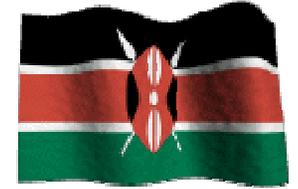
- Sustain the current GoK initiatives on exploration of fossil fuels
- Accelerate implementation of green energy projects to target at least 15 % of the total generation over the medium term
- Set targets towards national coverage of energy efficiency light bulbs over the medium term period.
- Revise Building Codes and Regulations to provide for mandatory use of solar energy for heating.



# Policy interventions

## – Fiscal Discipline

- Maintain the fiscal deficit at sustainable levels notwithstanding the implementation of the new constitution
- Prioritization and expansion of programmes such as investment in labour intensive public works -e.g. small scale dam construction in rural areas; which have higher multiplier effect
- Increase absorption of development budget from the current 30-40 % to 70-80 %.

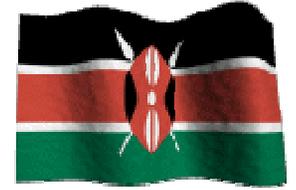


# Policy interventions

## – Employment

- Strengthen policies on youth employment and youth participation in MSE sector
- Fast track enactment of MSE bill

# Closing Remarks

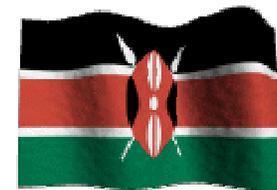


- I take this opportunity to thank all of you for attending the Launch of this year's Economic Survey
- My sincere appreciation goes to all the data producers, both large and small establishments, for their valuable input into this report
- I once again appeal to all data producers, who are still hesitant 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 2012 officially launched



# Thank You