



# ECONOMIC SURVEY 2013 HIGHLIGHTS



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## Presentation Outline

1. International scene
2. Highlights of the economic performance in 2012
3. Highlights of key Social and Governance statistics in 2012
4. Economic outlook for 2013



## International Scene

- The growth rate of the global economy dropped from 3.9 per cent in 2011 to 3.2 per cent in 2012.
- This was due to:-
  - Rise in oil prices in the international markets
  - The ongoing economic turmoil in the euro zone.
  - Slowed growth in emerging markets and developing economies due to weak demand from advanced economies.



## GDP Growth Rates and Projections for Selected Countries

Country	2011	2012	2013*
USA	1.8	2.2	2.0
Japan	-0.7	1.6	0.7
Euro Area	1.5	-0.4	-0.1
China	9.3	7.5	8.5
Uganda	5.1	4.2	5.7
Tanzania	6.4	6.5	6.8
Rwanda	8.6	7.7	7.5
Burundi	4.2	4.2	4.5
South Africa	3.1	2.6	3.3



## Domestic Economy

- Overall, economic activity in 2012 showed improvement despite a myriad of challenges that include a turbulent global economy, delayed long rains and a weakened Kenya shilling in the beginning of the year.
- This performance was supported by:
  - Stable macroeconomic environment
  - Increased domestic demand
  - Modest growth in credit
  - Notable growths in Agriculture, Wholesale and Retail Trade, and Transport and Communication.



## Main Sectors Driving the Economy

- All the sectors of the economy recorded positive growths of varying magnitudes

<b>Sector</b>	<b>2011</b>	<b>2012</b>
Agriculture & Forestry	1.5	3.8
Wholesale & Retail Trade	7.3	6.4
Transport & Communication	4.7	4.0
Manufacturing	3.4	3.1
Financial Intermediation	7.8	6.5
Construction	4.3	4.8



# Sectoral Performance





## Agriculture

- The sector recorded a growth of 3.8 per cent in 2012 compared to a suppressed growth of 1.5 per cent in 2011
- Performance of different sub-sectors varied mainly on account of delayed long rain across the ecological zones
- Marketed production rose by 3.9 per cent from KSh 331.8 billion in 2011 to KSh 344.6 billion in 2012





## Agriculture ...Cont'd

- There was increased production of key crops save for horticulture, tea and pyrethrum which recorded declines.
- Value of marketed tea rose marginally in spite of a decline in production due to high prices. Production was mainly affected by adverse weather conditions characterized by frost attack in some tea growing regions.
- Volume of marketed coffee registered an increase of 35 per cent while prices contracted by 47.0 per cent owing to unfavourable international prices



## Key Crops Production

Commodity	2011	2012	% change
Tea ('000 Tonnes)	377.9	369.4	-2.2
Coffee ('000 Tonnes)	36.3	49.0	35.0
Fresh horticultural produce ('000 Tonnes)	216.2	205.7	-4.9
Maize (Million bags)	34.4	40.0	16.3
Wheat ('000 Tonnes)	105.9	162.7	53.6
Rice ('000 Tonnes)	80.2	83.6	4.2



## Agriculture ...Cont'd

- Marketed maize production increased by 29.6 per cent on account of higher marketed volumes buoyed by improved prices paid to farmers during the review period
- Volumes of milk delivered to processors decreased from 549 million litres in 2011 to 495.2 million litres in 2012. This was attributed to delayed rains in the early months of the year coupled with high cost of manufactured feeds.



## Manufacturing

- The manufacturing Sector decelerated from an expansion 3.4 per cent in 2011 to a growth rate of 3.1 per cent in 2012.
- The slower growth was due to:-
  - High cost of production.
  - Stiff competition from imported goods.
  - High cost of credit.
  - Political uncertainty due to the 2013 General Elections



## Manufacturing ...Cont'd

- Employment in the sector increased from 271.5 thousand to 277.9 thousand people.
- Sales from the EPZ enterprises rose by 12.0 per cent in 2012 to stand at KSh 47.5 billion from 42.4 billion in 2011.
- Total employment under EPZ rose from 32,043 in 2011 to 32,516 in 2012.
- Credit from industrial development institutions rose from KSh 270.8 billion in 2011 to KSh 473.3 billion in 2012.



## Money, Banking and Finance

- The financial sector grew slower in 2012 to post a growth of 6.5 per cent in 2012 compared to a 7.8 per cent growth in 2011
- This growth was on account of:-
  - High interest incomes for commercial banks including other bank charges.
  - Increased branch network and agency banking



## Money, Banking and Finance...Cont'd

- However, growth in the sector was curtailed by a tight monetary policy in the first half of 2012 and a relatively slow pace of lowering the lending rates despite a significant drop in the Central Bank Rate (CBR) in the second half of the year.
- The overall domestic credit grew by 20 per cent to KSh 1.8 trillion in 2012 up from KSh 1.5 trillion in 2011.
- Credit to private sector grew at a slower rate of 11.7 per cent in 2012 compared to 30.8 per cent growth in 2011 mainly on account of prohibitive cost of borrowing.



## Stock Market

- Performance of the stock market improved during the year under review.
  - The NSE 20 Share Index rose by 29.0 per cent to 4,133 from 3,205 in December 2011.
  - Market capitalization increased by 46.5 per cent from KSh 868 billion in 2011 to KSh 1,272 billion in December 2012



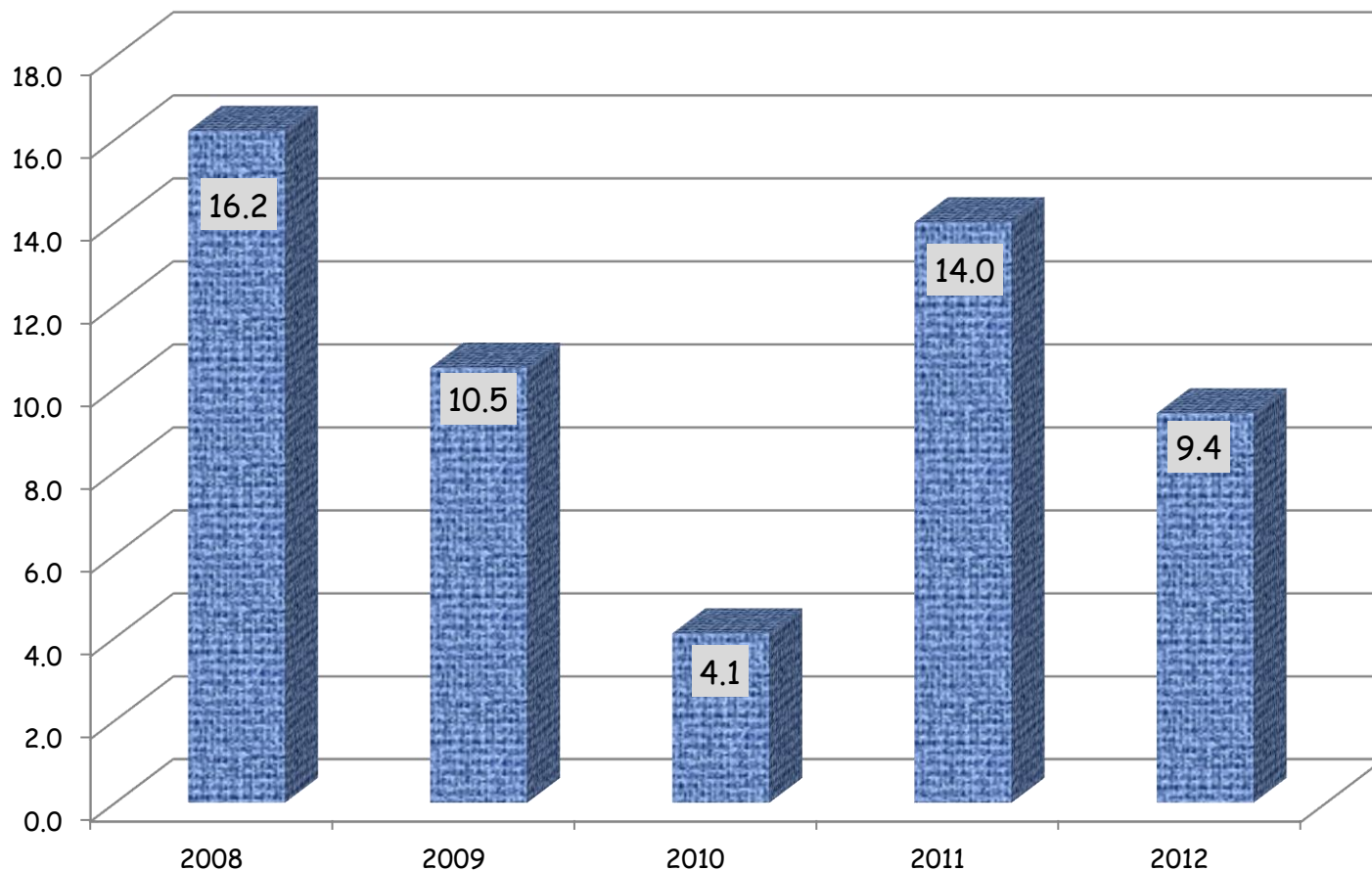


## Inflation

- Annual inflation decreased from 14.0 per cent in 2011 to 9.4 per cent in 2012.
- The decline in inflation was largely attributed to better food supply resulting from favourable weather conditions.



# Inflation Rate





## Tourism

- Tourism earnings, which are a key source of foreign exchange earnings, decreased by 1.9 per cent from KSh 97.9 billion in 2011 to KSh 96.0 billion in 2012.
- International visitor arrivals decreased by 6.1 per cent from 1.8 million in 2011 to 1.7 million in 2012.
- Performance of the sector was mainly affected by a slow down in the global economy especially in the Euro zone coupled with travel advisories following security concerns.



## Building and Construction

- The sector recorded a growth of 4.8 per cent in 2012 compared to growth of 4.3 per cent in 2011
- Loans and advances to the sector increased by 36.2 per cent from KSh 50.8 billion in 2011, to KSh 69.2 billion in 2012
- Overall expenditure for the Ministry of Roads in 2011/2012 financial year stood at KSh 91.5 billion and is expected to rise to KSh 117.6 billion in the 2012/13.



## Building and Construction... Cont'd

- Cement consumption rose by 1.7 per cent from 3,870.9 thousand tonnes in 2011 to 3,937.3 thousand tonnes in 2012
- Total value of new private and public buildings completed went up by 9.6 per cent from KSh 46.4 billion in 2011 to KSh 50.8 billion in 2012



## Public Finance

- During the fiscal year 2012/13, the overall fiscal framework was premised on the following;
  - Adequate provision of resources for transition to the devolved system of government.
  - Funding of both human capital and infrastructure development
  - Continued implementation of the various flag ship projects under the vision 2030



## Public Finance...Cont'd

- Management of the budget deficit through containment of non-priority and less productive expenditure
- Exercise prudence in borrowing to ensure debt remains sustainable
- In 2012/13, overall Government expenditure is expected to stand at KSh 1,539.5 billion compared to KSh 1,024.7 billion in 2011/12
- Total budgeted recurrent expenditure is projected to increase from KSh 732.8 billion in 2011/12 to KSh 1,079.5 billion in 2012/13



## Public Finance Cont'd

- Development expenditure is also expected to increase from KSh 291.9 billion in 2011/12 to KSh 460.0 billion in 2012/13
- The stock of Central Government outstanding public debt increased by 14.8 per cent from KSh 1.3 trillion as at June 2011 to 1.5 trillion as at June 2012.
- Domestic debt stood at KSh 768.0 billion and accounted for 50.6 per cent of the total stock of debt





## Public Finance Cont'd

- External debt stood at KSh 749.2 billion
- Ratio of total debt to GDP stood at 44.1 per cent in 2012 compared to 43.4 per cent in 2011



## Energy - Petroleum

- The annual average price of oil increased from US\$ 110.60 per barrel in 2011 to US\$ 112.97 per barrel in 2012
- Total domestic demand for petroleum products declined by 5.7 per cent from 3,857.9 thousand tonnes in 2011 to 3,638.0 thousand tonnes in 2012. This was due to decline in fuel oil consumption mainly used in thermal generation and reduced demand in irrigation activities

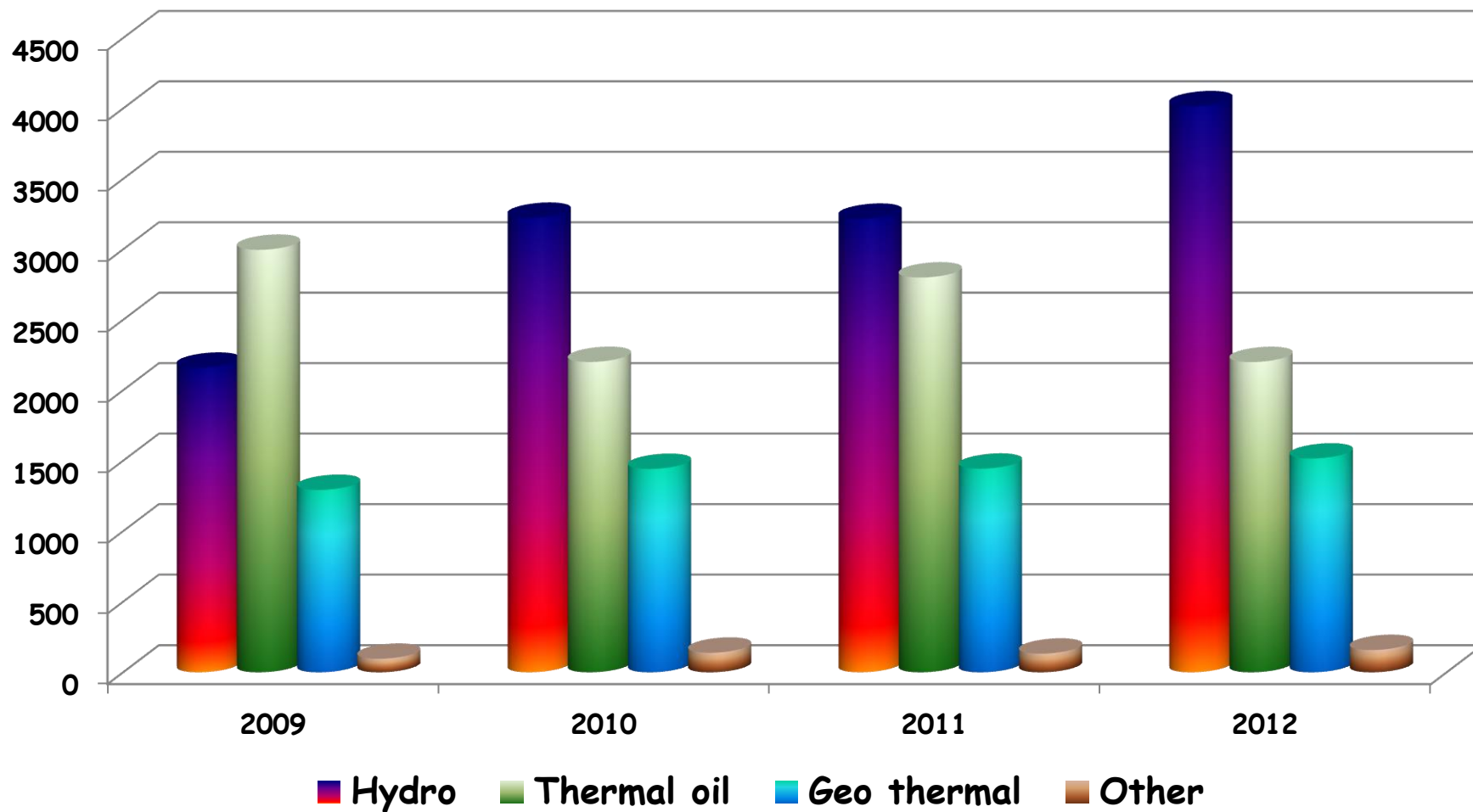


## Energy - Electricity

- Installed electricity capacity expanded by 4.7 per cent from 1,534.3 MW in 2011 to 1,606.1 MW in 2012
- Consequently total electricity generation increased by 3.9 per cent to 7,851.2 GWh in 2012 compared to 7,559.9 GWh in 2011.
- The growth was mainly driven by a 21.6 per cent increase in hydro generation which accounted for 50.7 per cent of total electricity generation.



# Generation of Electricity





## Energy – Electricity Cont'd

- Total Electricity consumption grew by 2.2 per cent from 6,273.6 million KWh in 2011 to 6,414.4 million KWh in 2012
- The number of connections under the Rural Electrification Programme rose by 23.7 per cent from 309,287 customers at June 2011 to 382,631 as at June 2012



## Transport and Communication

- Transport and Communication sector recorded a growth of 4.0 per cent in 2012 compared to 4.7 per cent in 2011
  - Transport sub-sector grew by 3.1 per cent in 2012, compared to 4.9 per cent in 2011.
  - Communication sub-sector, expanded by 5.3 per cent in 2012 compared to a 4.3 per cent growth in 2011.



## Transport and Communication Cont'd

- The railway sub-sector recorded an increase of 22.4 per cent in earnings from freight in the year under review
  - This is attributed to increased tariff levied on transported cargo and restructuring of the operations of the Rift Valley Railways (RVR)
- Total Port throughput rose by 9.9 per cent from 19,953 thousand tonnes recorded in 2011 to 21,920 thousand tonnes in 2012.



## Transport and Communication Cont'd

- Total pipeline throughput of white petroleum products rose by 14.2 percent to 4,855.6 thousand cubic metres in 2012
- The mobile subscriber base increased from 25.3 million in 2011 to 29.7 million in 2012.
- Mobile money transfer subscriptions increased from 17.4 million in 2011 to 19.5 million in 2012.
- The total internet subscriptions rose by 37.1 per cent to 8.5 million in 2012 from 6.2 million in 2011.





## International Trade

- Value of total exports grew from KSh 512.6 Billion to KSh 517.8 billion in 2012
- Value of imports grew by 5.7 per cent from KSh 1,300.7 billion in 2011 to 1,374.6 Billion in 2012
- Consequently, Kenya's trade balance worsened further by 8.7 per cent in 2012 compared to 46.7 per cent in 2011



## Balance of Payments

- The current account deteriorated to a deficit of KSh 359.5 billion in 2012 from a deficit of 340.2 billion in 2011.
  - This deterioration is mainly due to the widening of the visible trade deficit.
- The capital and financial account recorded a higher surplus of KSh 438.0 billion in 2012 compared to a surplus of KSh 332.6 billion recorded in 2011



## Balance of Payments

- The overall balance of payments improved from a surplus of KSh 21.8 billion in 2011 to a surplus of KSh 123.2 billion in 2012
  - This improvement was on account of increased international reserves attributed to the purchases of foreign exchange reserves from the domestic interbank market by CBK and the disbursement of IMF loans under the Extended Credit Facility (ECF)



# Social Sectors





## Social Scene

- Total Government expenditure in the social sector is expected to increase by 41.1 per cent from KSh 301.0 billion in 2011/12 to KSh 424.7 billion in 2012/13
  - Ministry of Education recurrent budget is expected to reach KSh 163.4 billion in 2012/13 while that of the health sub-sector is expected to reach KSh 59.1 billion in 2012/13



## Selected indicators on Education

Indicator	2011	2012	% change
No. of Primary schools	28,567	29,161	2.1%
No. of Secondary schools	7,297	8,197	12.3%
Total enrollment in Primary	9.86m	9.97m	1.1%
Total enrollment in Secondary	1.77m	1.91m	7.9%
Gross enrollment rate, Primary	115.0 %	115.8 %	
Gross enrollment rate, Secondary	48.8 %	49.3 %	
No. of Primary school teachers	174,267	176,243	1.13%
No. of Sec. school teachers	56,735	59,273	4.5%
Pupil/teacher ratio (Primary)	57:1	57:1	
Student/teacher ratio (Sec)	32:1	32:1	



## Selected indicators on Health

Indicator	2011	2012	% change
No. of health institutions	8,006	8,375	4.6%
No. of registered medical personnel	95,960	105,369	9.8%
No. of medical students (university)	6,546	8,131	24.2%
No. of medical students (MTC)	6,140	7,606	23.9%
No. of medical personnel per 100,000 of population	243	259	6.7%
Full Immunization Coverage (FIC) Rate	80.0%	85.0%	6.3%



## Environment and Natural Resources

- Total development expenditure on water supplies and related services is expected to increase by 29.8 per cent from KSh 26.5 billion in the financial year 2011/12 to KSh 34.4 billion in 2012/13
- The earnings from the fish landings increased from KSh 16,678 million in 2011 to KSh 19,773 million in 2012
- Total forest plantation stocking increased by 4.4 per cent from 121.7 thousand hectares in 2011 to 127.1 thousand hectares in 2012





## Employment

- In the year under review, the labour market recorded 659.4 thousand new jobs in 2012, representing an increase of 5.5 per cent.
- Annual average nominal wage earnings increased by 4.7 percent in 2012 while the real average earnings declined by 4.8 per cent due to inflation.
- In total, 68.0 thousand new jobs were created in the modern sector in 2012, compared to 74.2 thousand in 2011.



## Employment ...Cont'

- The bulk of the new jobs in the modern sector were created in Building and Construction, Information and Communication, Education and Health activities.
- The informal sector which constituted 89.7 per cent of total employment created an additional 591.4 thousand jobs



# Governance





- Major governance reforms were realized in 2012. These include:
  - Appointment of Inspector General of Police & 2 Deputies
  - Voter registration conducted in preparation for 2013 general elections
  - Transition Authority established to co-ordinate implementation of devolved system of govt
  - High court judges appointed while those in service were vetted for suitability



## Selected Indicators on Crime and Judiciary

Indicator	2011	2012	% change
Crimes reported to police	75,733	77,852	2.8
Cases handled by EACC	7,326	3,592	-51
Firearms surrenders & recoveries	368	247	-32.9
Total Convicted Prisoners	76,991	63,691	-17.3
Total prison population	247,166	196,911	-20.3
Cases pending in court	650,010	627,370	-3.5
Cases disposed off	357,693	337,870	-5.5



# Economic Growth 2012

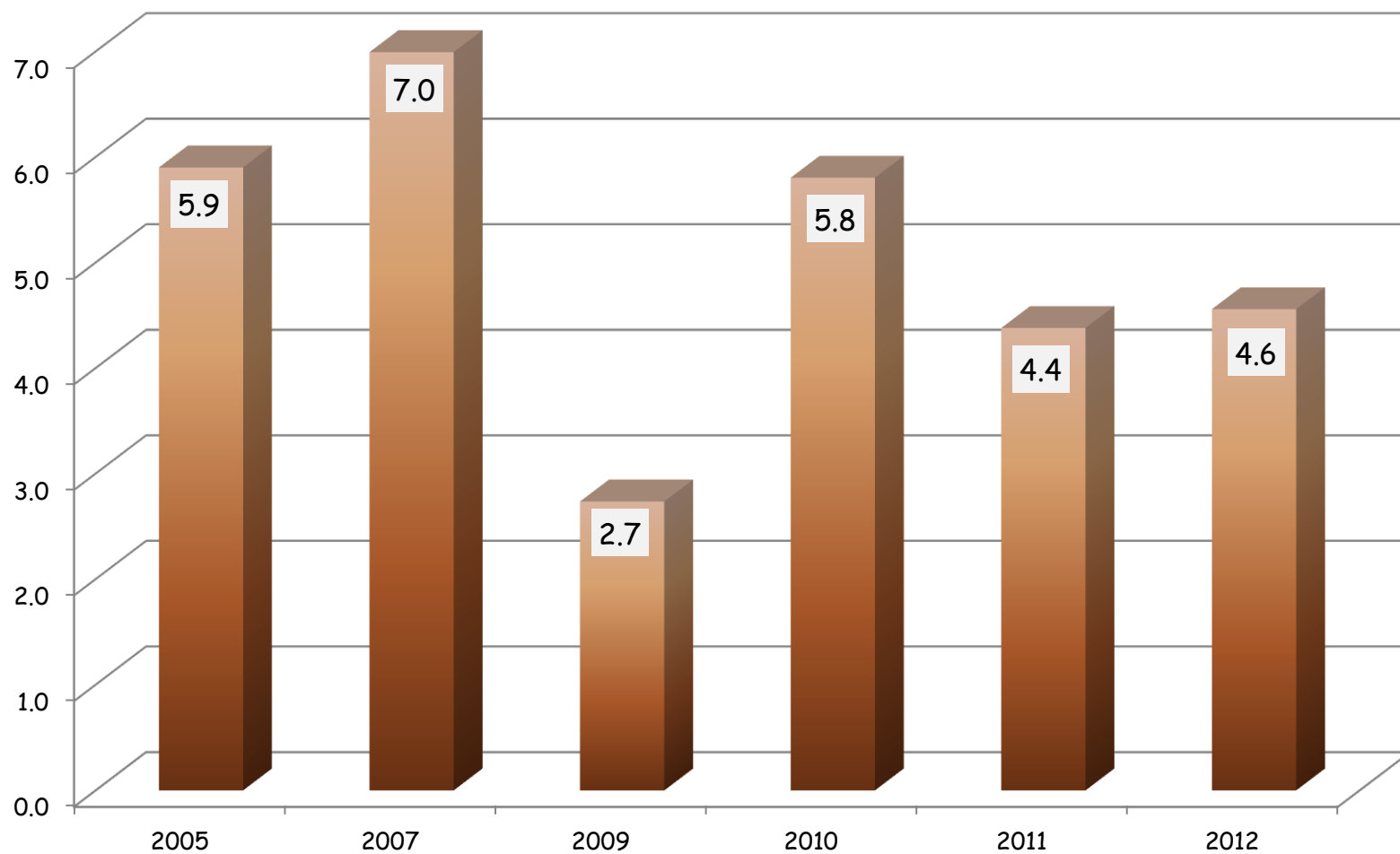


## Domestic Economy

- Real GDP expanded by 4.6 per cent in 2012 compared to a growth of 4.4 per cent in 2011



## GDP growth rate







# Economic Outlook 2013



## Global and Regional Economy:

- Global economic recovery from the after effects of the 2008 economic crises has been slowed down by Eurozone debt problems
- Of particular concern to Kenya, the Eurozone (a major trading partner) is projected to register a minus 0.1% growth in 2013 rising to 1% in 2014
- Global growth is expected to stand at 2.4 per cent in 2013 and gradually strengthen to 3.1 and 3.3 per cent in 2014 and 2015



## Global and Regional Economy...Cont'd

- Emerging economies (especially China & India) have recorded subdued growth rates compared to their historic trends.
- Sub-Saharan Africa growth will be sustained and is projected to rise to 5.8% (2013) compared to 4.8% (2012)



## Domestic Economy

- The Kenya economy's short to medium term forecast is for sustained and rising growth based on the following fundamentals:
  - ✓ Increased investor and business confidence due to peaceful March 2013 elections
  - ✓ Sufficient rainfall so far
  - ✓ Stable macroeconomic environment
  - ✓ A projected easing and stability of international oil prices
  - ✓ Stability of the Kenya shilling
  - ✓ Reforms in the security, governance and justice sectors



- MTPII under preparation will aim at the following:
  - Successful project implementation based on high levels of PPP and Direct Foreign Investment
  - Raise GDP growth to double digit (which is possible in a few years time) as promised by Jubilee Government
  - Continued implementation of Kenya Vision 2030 foundation and 3 pillars
  - Implementation of 9-point Jubilee Government Action Plan:



1. Modernizing Agriculture
2. An improved environment for doing business
3. More jobs for youth
4. Affordable credit for youth and women enterprises
5. Equitable resource distribution through Devolution
6. Heavy investment in ICT sector
7. Water for irrigation and human use
8. Strengthen Medium-Small Enterprises
9. Deepening economic and political relations with our neighbours (EAC, COMESA, etc)



# Thank You!

