

KENYA ECONOMIC UPDATE

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Sustained Growth
Fiscal Consolidation
Productivity
Agricultural Recovery
Trade Integration
Jobs Creation
Competitiveness
Productivity
GDP Growth
Global Slowdown

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Fostering Trade for Robust Growth and Dynamic Job Creation

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Fostering Trade for Robust Growth and Dynamic Job Creation

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ABBREVIATIONS

AfCFTA	Africa Continental Free Trade Agreement	KNBS	Kenya National Bureau of Statistics
AGOA	African Growth and Opportunity Act	KSh	Kenya Shilling
BETA	Bottom-Up Economic Transformation Agenda	MSME	Micro, Small and Medium Enterprises
CBK	Central Bank of Kenya	MTP	Medium-Term Plan
CEM	County Economic Memorandum	NDC	Nationally Determined Contribution
CET	Common External Tariff	NPLs	Non-Performing Loans
CEPA	Comprehensive Economic Partnership Agreement	NTM	Non-Tariff Measures
CHN	China	OSR	Own Source Revenue
COMESA	Common Market for Eastern and Southern Africa	PFM	Public Finance Management
COMTRADE	United Nations Commercial Trade	PMI	Purchasing Manager Index
DPO	Development Policy Operation	Q1,Q2,Q3,Q4	First quarter, second quarter, third quarter, Fourth quarter
EU	European Union	RCA	Revealed Competitive Advantage
EAC	East African Community	ROE	Return on Equity
ECI	Economic Complexity Index	SAGAs	Semi-autonomous Government Agencies
EMDEs	Emerging and Developing Economies	SLB	Sustainability-linked Bond
EPA	Economic Partnership Agreement	SME	Small and Medium-Sized Enterprises
ESA	East and Southern Africa	SOEs	State-owned Enterprises
ETH	Ethiopia	SPS	Sanitary and Phyto-Sanitary
EU-EPA	European Union Economic Partnership Agreement	STIP	Strategic Trade and Investment Partnership
FDI	Foreign Direct Investment	SSA	Sub-Saharan Africa
FTA	Free Trade Agreement	TFP	Total Factor Productivity
FX	Foreign Exchange	TSA	Treasury Single Account
FY	Financial Year	TZA	Tanzania
GBR	Great Britain	UAE	United Arab Emirates
GDP	Gross Domestic Product	UN	United Nations
H1	First half	UGA	Uganda
HoAI	Horn of Africa Initiative	UNCTAD	United Nations Conference on Trade Development
ICT	Information and Communication Technology	US\$	United States Dollar
IMF	International Monetary Fund	USA	United States of America
KEN	Kenya	VAT	Value Added Tax
KEPHIS	Kenya Plant Health Inspectorate Service	WDI	World Development Indicators
		WTO	World Trade Organization
		y/y	Year-on-Year

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The Kenya Economic Update (KEU) is a World Bank report series produced twice a year that assesses recent economic and social developments and prospects in Kenya, and places these in a longer-term and global context. Through special topics, the KEU also examines selected policy issues and medium-term development challenges in Kenya. It is intended for a wide audience, including policymakers, business leaders, financial market participants, and the community of analysts and professionals engaged in Kenya's changing economy.

The production of the KEU is led by the Macroeconomics, Trade and Investment (MTI) Global Practice team for Kenya. The first part – Recent Economic Developments, and Outlook and Risks – was produced by Naomi Mathenge, Jorge Tudela Pye, Angélique Umutesi and Stanley Mutinda (all MTI) and logistical support from Anne Khatimba. The second part – The Role of Trade Integration in Promoting Economic Growth and Job Creation – was produced by the Finance, Competitiveness and Innovation (FCI) Practice team comprising of Elizabeth Kibaki-Obiero, Soujanya Krishna Chodavarapu, Alejandro Espinosa-Wang, Ankur Huria, Fatima Anjum Quraishi, and Guillermo Carlos Arenas with contributions from Jorge Tudela Pye.

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EXECUTIVE SUMMARY

Tight monetary policies, restrictive financial conditions, and the slowdown of global trade continued to weaken global growth. Global economic growth declined in 2023 and is expected to decline further in 2024. Although the monetary tightening in advanced economies is expected to end and the global headline inflation has reduced, policy rates are expected to only decline gradually, as core inflation has been more persistent. Commodity prices declined in 2023 and are expected to decline further in 2024. At the regional level, growth in Sub-Saharan Africa is expected to rebound in 2024-25 driven by a boost in private consumption from the reduction in inflation and increasing real incomes. However, tight monetary policies and fiscal consolidation efforts will keep investment and public consumption subdued in 2024 even as inflation declines. Fiscal balances are expected to improve in 2024 but external borrowing costs remain high.

Kenya's economic growth in 2023 experienced a cyclical rebound and accelerated despite the challenging environment. Real GDP expanded in 2023 compared to 2022 from recovery in the agriculture sector following improved weather conditions. The services sector also grew while the industrial sector continued its deceleration as investment and business sentiment plummeted in 2023. The slowdown in industry reflects weak productivity and low investments. Limited availability of foreign currency and higher interest rates increased production costs for firms, more so for net importers of capital goods due to the sharp depreciation of the shilling. Reforms in the interbank foreign exchange market by the Central Bank of Kenya have however improved efficiency including enhancing price discovery.

The external sector experienced challenging domestic and external conditions. Imports of goods and services contracted reflecting lower domestic demand amidst high inflation, fiscal consolidation, and a weakened currency. Exports of goods and services declined primarily due to decreased global demand. Consequently, the current account deficit narrowed. Tourism continued to recover with tourist arrivals reaching their pre-pandemic level and the net secondary income remained resilient owing to an increase in remittances. Capital inflows declined with the decline in foreign direct investment due to low investor confidence, while portfolio and other financial inflows

narrowed due to Kenya's limited access to international financial markets owing to elevated borrowing costs. Despite the subdued private capital inflows, the government effectively mobilized alternative financing mostly from international financial institutions bolstering investor confidence. This culminated in Kenya's access to global credit markets in February 2024, marked by the issuance of a US\$1.5 billion Eurobond for an early partial buyback of a US\$2 billion Eurobond maturing in June 2024. This had a marked positive impact on investment sentiment which contributed to stabilizing the exchange rate.

A tighter monetary policy, agricultural recovery, and easing global inflation contributed to a decrease in inflation. Overall inflation has significantly moderated and is now at the mid-point of the Central Bank of Kenya target range (5 percent) primarily driven by lower food prices, lower imported inflation, and monetary tightening. Nevertheless, overall growth in private sector credit slowed as increased lending rates led to reduced loan demand. Furthermore, the ratio of non-performing loans (NPLs) to gross loans has increased with smaller banks facing considerable challenges compared to larger banks. There were notable NPLs increases in the real estate, trade, personal and household, energy and water and building and construction sectors.

The fiscal outturn in the first nine months of FY2023/24 shows the government's continued efforts to remain on a fiscal consolidation path. Steady revenue growth driven by implementation of tax administration and policy measures in the Finance Act 2023 and government's efforts to contain growth in primary expenditures resulted in an increased primary surplus. Despite increased primary surplus and reduced primary expenditure, achieving fiscal consolidation targets requires realistic revenue forecasting. Revenue mobilization has consistently been below targets, undermining the credibility of the budget process. This can lead to unjustifiably large expenditure allocations and without adequate revenues can lead to accumulation of pending bills. Indeed, accumulated pending bills remain elevated to date. Settling existing pending bills could unlock cash flow to government contractors and suppliers, reduce non-performing loans, stimulate growth of the small and medium enterprises, and reduce government arrears which constitute another form of domestic debt.



Debt service obligations have been growing, which constrain spending on productive and social sectors as well as job-creating investments. The government has been implementing mitigating factors to reduce the cost of borrowing, including prioritizing treasury bonds with longer term maturities for domestic financing and concessional borrowing for external financing.

Looking ahead, ongoing fiscal consolidation efforts, tight monetary policy, and fading tailwinds from the agricultural rebound are expected to slow down GDP growth to 5.0 percent in 2024. The stronger outlook compared to the December 2023 edition reflects improved macroeconomic conditions following the resolution of the immediate liquidity constraints with the issuance of the February Eurobond. Service sector resilience and the recovery of exports in 2024 is expected to boost growth. The growth outlook assumes adequate rainfall, authorities' staying on course on the planned fiscal consolidation strategy, and the continuous implementation of the government's structural reform agenda. Favorable agricultural harvests, moderate inflation, a recovery in employment, and modest growth of credit to the private sector will support growth in private consumption. Remittance inflows to Kenya are projected to remain resilient, providing further support to household incomes. The external position is expected to remain favorable and supportive of macroeconomic stability as global trade improves.

Kenya's efforts in trade integration could significantly contribute to substantial economic growth and job creation. However, the share of total trade has been consistently falling over the last decade. Compared with other countries of similar economic size, the gap in the export-to-GDP ratio is significant and increasing, with Kenya's ratio being about a third of the average ratio for a country of similar size. However, the potential for export expansion remains significant, including addressing areas where Kenya's Revealed Competitive Advantage indicates underperformance of existing key exports, e.g., coffee.

Trade patterns shows that agriculture is the largest contributor to Kenya's exports, followed by minerals and chemicals. Merchandise exports have not grown much, and Kenya has introduced few new products with

additional value to its export basket. Kenya's exports have significantly underperformed, both in nominal and in real terms. A proximate cause for this is that the country has diversified little during the last few years. As of 2021, Kenya ranked 46th out of 133 countries in terms of the diversity of its export basket, moving down its place in the ranking by 9 positions in the past 15 year. The country added 14 new products to its export basket, less than neighboring countries like Uganda (20), Tanzania (22), and Ethiopia (25). Moreover, the country has lost competitiveness in markets that it has been exporting to.

Kenya is proactively utilizing all channels on the global, continental, and regional level to enhance its role in the global economy and increase regional and international trade integration. It is one of the six African countries participating in the WTO Joint Statement Initiative on e-commerce digital trade rules that will facilitate electronic transactions and foster an open and trusted digital economy. It has also been a critical driver of the African Continental Free Trade Area (AfCFTA). As an early signatory, it was one of the first eight countries participating in the AfCFTA guided trade initiative. In addition, the significant strides that Kenya has made in bilateral relations signals its openness to trade as a driver of growth.

Kenya's trade integration aspirations extend beyond export growth: they aim to convert this growth into job opportunities. The Bottom-up Economic Transformation Agenda (BETA) reflects these aspirations, emphasizing job creation, particularly for underrepresented and low-income groups, to mitigate inequality and bolster economic resilience. Trade integration is also instrumental for enhancing productivity and innovation in the country. Targeted policy considerations are crucial to fully capitalize on economic growth and robust job creation from trade integration. These include revising trade and investment policies to foster export orientation, cementing policy coherence and predictability as well as strengthening institutions, enhancing strategic skills development and multifaceted support to export orientation and drawing in more Foreign Direct Investment (FDI) as a lever for optimizing the role of trade integration. The country needs to also mitigate trade and climate related vulnerabilities especially for agricultural exports.



The State of Kenya's Economy



1. Recent Economic Developments

1.1 The global and regional economy

Tight monetary policies, restrictive financial conditions, and the slowdown of global trade continued to weaken global growth. Global economic growth slowed down to 2.6 percent in 2023 and it is expected to continue this downward trend in 2024 (2.4 percent). Although the monetary tightening in advanced economies is expected to end and the global headline inflation has reduced, policy rates are expected to only decline gradually, as core inflation has been more persistent. In an environment of relatively high real interest rates, economic growth in the United States in 2024 would reach 1.6 percent from 2.5 percent in 2023, while slightly increase in the Euro Area to 0.7 percent from 0.4 percent in 2023 as energy prices ease. Financial conditions in the United States eased during 2023 and, as of 2024:Q1, economic growth is outperforming expectations, putting pressure on global interest rates.¹ Nonetheless and albeit these developments, high interest rates in advanced economies have challenged the financial conditions in Emerging and Developing Economies (EMDEs), as several EMDES still face liquidity challenges and elevated borrowing costs. Moderate consumer sentiment and challenges experienced by the property sector has been slowing down China's growth, which is expected to reach 4.5 percent in 2024 from 5.2 percent last year. Still, global trade is expected to pick up in 2024, driven partially by a recovery of demand for goods, after remaining flat in 2023. Going forward, global growth is projected to accelerate in 2025 (2.7 percent) as both advanced economies and EMDEs recover, interest rates decrease, and global financial conditions ease.²

Commodity prices are expected to continue their downward trend in 2024. Despite being above pre-pandemic levels, prices of most commodities fell in 2023 due to moderate demand. It is expected that oil prices will slightly increase by 1.2 percent in 2024 to US\$84/bbl, reflecting increasing geopolitical tensions and a tight supply-demand balance. In the same way, food prices fell by 9 percent in 2023 and will fall by 6 percent in 2024 due to abundant supply of major crops. The prices of coffee (arabica) and tea (average) followed a similar trend in 2023, with declines of 19.3 percent and 10.2 percent,

respectively. These events are contributing to a decline of global inflation, which will continue in 2024-25 but will remain above its pre-pandemic average beyond 2024.

Despite global headwinds and a challenging domestic context, economic growth in Sub-Saharan Africa (SSA) is expected to rebound in 2024-25. The reduction of inflation and increasing real incomes will boost private consumption in the region, contributing to a rebound in GDP growth of 3.4 percent in 2024 and 3.8 percent in 2025 from 2.6 percent in 2023. More diversified economies are projected to grow faster, but the overall recovery remains fragile. Around half of SSA countries are growing at rates below their 2000–19 levels. Tight monetary policies and fiscal consolidation efforts will keep investment and public consumption subdued in 2024. Inflation remains high, but it is expected to continue its decline as global supply chains normalize and commodity prices fall. More than half of African governments are facing external liquidity problems, face unsustainable debt burdens, or are actively seeking to restructure or reprofile their balance sheets. And even if fiscal balances are expected to improve in 2024, external borrowing costs remain high. The East African Community is projected to grow at a faster pace, by 5.3 percent in 2024 and by 5.8 percent in 2025-26.³

1.2 Recent developments in Kenya

Tight fiscal and monetary policies, inflation, and external liquidity challenges framed Kenya's macroeconomic performance in 2023. The policy framework was tightened to address Kenya's twin fiscal and current account deficits, inflation pressures, capital outflows, and foreign exchange (FX) shortages. The year was also overshadowed by concerns around its ability to repay a US\$ 2 billion Eurobond that was due in June 2024. High borrowing costs constrained the country's ability to access the global capital markets for at least two years, prompting increased domestic borrowing, reduced FX reserves and tight interbank markets, and a sharp depreciation of the shilling. During 2023 and beginning of 2024, the government accelerated its fiscal consolidation efforts by implementing reforms to expand the tax base and rationalizing non-priority spending, while the Central Bank

¹ National Financial Conditions Index (NFCI) as of April 17, 2024. Federal Reserve Bank of Chicago.

² World Bank. 2024. *Global Economic Prospects, January 2024*.

³ World Bank. 2024. *Africa Pulse #29, April 2024*.



of Kenya (CBK) tightened its monetary policy stance. This resulted in a stronger macroeconomic policy framework at the start of 2024 that helped to mitigate Kenya's fiscal and external imbalances.

1.3 Real economy

Kenya's economic growth in 2023 experienced a cyclical rebound and accelerated despite the challenging environment. Real GDP expanded by 5.6 percent in 2023, an acceleration from the 4.9 percent from 2022. Two consecutive years of drought had dampened agricultural production which, in addition to the tight global financial conditions, brought down overall growth. The 2023 figure brings headline growth above its pre-pandemic average (4.6 percent per year between 2011-2019) and well-above potential GDP growth. Had agricultural value-added grown at its average pre-drought rates since 2011, and not considering the sector's large multipliers across the economy, real growth would have been closer to 5 percent, not far from its historical trend.

However, the macroeconomic tightening and rationing of FX slowed down government consumption and plunged investment expenditure, although private consumption remained robust. Fiscal consolidation efforts slowed down real government consumption, which grew by 3.5 percent in 2023. It has grown consistently in the last 10 years, except in 2020 following the outbreak of the COVID-19 pandemic (growing by 3.1 percent in 2020), and since 2011, has grown the most (Figure 1). Investment expenditure fell by 5.5 percent alongside imports of

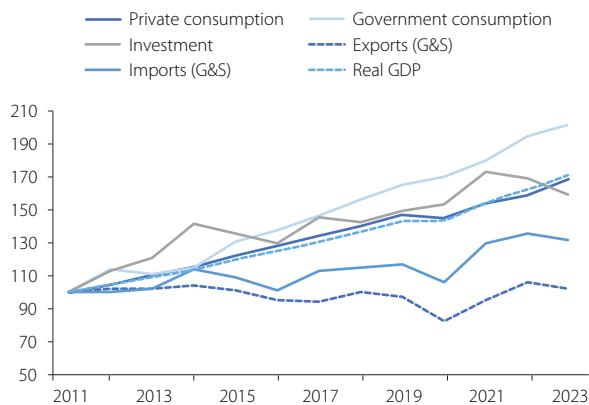
goods and services, which contracted by 3.1 percent in real terms. Real exports continued to underperform and fell by 4.5 percent in 2023. However, private consumption expenditure grew by 6.1 percent, explaining more than 80 percent of GDP growth.

From the supply side, the rebound of the agricultural sector and the continuous resilience in services drove Kenya's GDP in 2023. The agriculture sector grew by 6.5 percent in 2023, after contracting by 1.5 percent in 2022 and 0.4 percent in 2021; it contributed 1.1 percentage points to overall GDP growth. Improved weather conditions during 2023, mostly rains in the leading food basket regions of the country, drove the recovery in beans, wheat, and maize production, major components in agriculture's value added.⁴ The services sector grew by 6.8 percent during the year, almost at par with the growth rate in 2022, with tourism and financial services contributing the most to the growth. Despite lower travel receipts, 28.7 percent more tourists arrived in Kenya compared to 2022, which supported resilience to the accommodations and food services sector (at 33.6 percent). Although at a slower pace, the number of international travelers to the country reached its pre-pandemic levels. Furthermore, the financial services sector grew by 10.1 percent y/y, lower than in 2022 but well above its 2011-2019 average of 6.6 percent. Public sector borrowing supported the sector's overall performance, potentially crowding out private borrowing as private sector borrowing slowed down in real terms.

The industrial sector continued its deceleration as business sentiments plummeted. The sector contributed 0.3 percentage points to overall GDP growth, its lowest contribution in the last 10 years. All industrial subsectors recorded lower growth in 2023 compared to 2022. Manufacturing, which accounts for around half of industrial sector output, grew by 2.0 percent during 2023, slower than 2022, while the construction sector grew by 3.0 percent. The slowdown of both subsectors reflects the overall macroeconomic conditions that Kenya went through in 2023. Limited availability of foreign currency and higher interest rates increased production costs for firms, more so for net importers of capital goods due to the sharp depreciation of the shilling. Kenya's Purchasing Manager Index (PMI) averaged less than 50 points

Figure 1: Government expenditure has grown the most in the last four year

(Kenya's Real GDP by Expenditure Category Index (2011 = 100))



Source: Kenya National Bureau of Statistics.

⁴ Production in millions of bags of beans, wheat, and maize grew by 81.3, 62.6, and 29.9 percent, respectively. Projections based as of November 2023. Central Bank of Kenya. 2024. Monetary Policy Committee Meeting Background Information. February 7, 2024.



during 2023, signifying reduced business activity and contributing to the decline in industrial activity (Figure 2). Moreover, the decline of the real value of construction of non-residential buildings, in addition to muted growth in cement production and consumption, shows the effects of tighter financial conditions in the private sector and the development spending rationalization in the context of the government's fiscal consolidation strategy.⁵

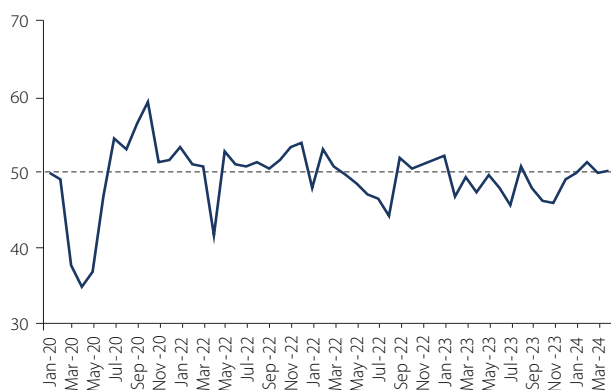
Employment deteriorated in 2023 as average earnings fell and informal employment outpaced growth in private wage employment. Real average earnings fell by 4.1 percent in 2023, continuing their declining trend since 2020. Although total wage employment in the country grew by 4.1 percent, private sector wage employment grew by 3.3 percent while informal employment grew by 4.5 percent in 2023. Private sector wage employment added around 68 thousand workers in 2023, and the informal sector added close to 721 thousand workers. Increasing cost of living and the macroeconomic conditions seem to have put a toll in the labor markets, both in terms of real earnings and formal job creation.

1.4 External sector

During most of 2023, the external sector experienced challenging domestic and external conditions. Although currency depreciation provided some impetus in demand for Kenya exports, this was offset by poor global economic performance leading to reduced global demand. The depreciation, however, contributed to reduced domestic demand as prices rose. The reduction in both global and domestic demand, coupled with global macroeconomic

Figure 2: Low PMI in 2023 reflected reduced business activity of the industry

(Kenya's Purchasing Manager Index (PMI) January 2020-March 2024)



Source: S&P

⁵ Government's development spending reduced from 4.3 percent of GDP in 2021/22 to 3.5 percent in 2022/23.

⁶ IMF, 2024.

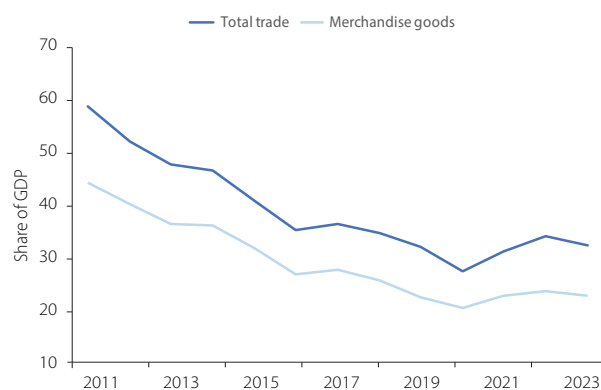
⁷ Total trade is defined as the sum of exports and imports as share of GDP.

tightening contributed to the narrowing of the current account deficit. Foreign direct investment (FDI) and other financial inflows decreased, accompanied by a reduction in FX reserves. Foreign exchange reserves, however, remained close to four months of import cover throughout the year. Despite these challenges, tourism continued to grow, albeit at a slower pace compared to pre-pandemic levels.

As a result, both imports and exports contracted. Imports of goods and services contracted by 10.3 percent in 2023 in US\$ terms, reflecting lower domestic demand amidst high inflation, fiscal consolidation, and a weakened currency. Oil import bill declined by 13.4 percent y/y in December 2023 as domestic fuel prices rose despite an overall decline in average international oil prices. During the same time, machinery and equipment imports declined by 13.5 percent, mainly due to the completion of large import-intensive infrastructure projects, the rationalization of public investments by the government, and budget under-execution.⁶ Meanwhile, exports of goods and services also fell, with receipts declining by 8.2 percent in 2023. Receipts from key exports like tea and horticulture exports declined by 2.8 percent and 1.6 percent, respectively, reflecting subdued demand from traditional agricultural export markets; exports to the USA fell by over 20 percent in 2023, one of Kenya's biggest trade partners. As a result, the current account deficit narrowed by 29.2 percent y/y in December 2023 and reached US\$4,086 million (4.0 percent of GDP from 5.1 percent of GDP in 2022). Overall, total trade has been on a continuous downward trend since the early 2010s, driven by a fall in merchandise trade (Figure 3).⁷ The former went from representing 58 percent

Figure 3: Trade has been on a continuous downward trend since the early 2010s, driven by a fall in merchandise trade

(Trade as a share of GDP, 2011-2023)



Source: WDI and KNBS

of GDP in 2011 to 32 percent in 2022. High trade costs and weak integration to global and regional value chains, compounded by the declining relative competitiveness of goods exports relative to services, are key reasons for these trends.⁸ Part 2 of this KEU looks at opportunities for Kenya to boost trade and become a driver of growth.

Nevertheless, Kenya's external sector has exhibited signs of recovery in 2024. Imports recorded a modest uptick in Q1 2024 as the Kenya shilling continued to gain against the US dollar. The oil import bill continued to decline further in February 2024 by 15.1 percent y/y. Tea and horticulture exports grew by 0.4 percent and 2.4 percent y/y in February 2024, respectively.

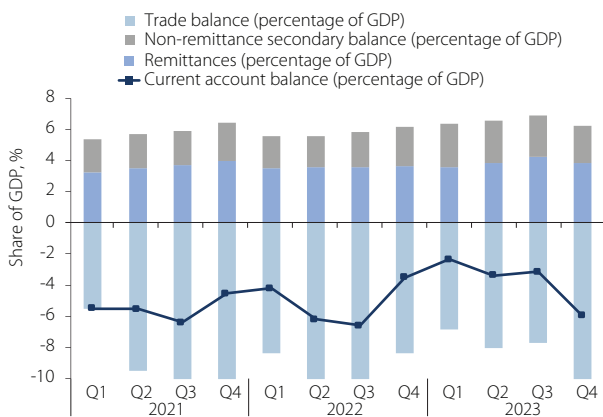
Tourism continued to recover, and though tourist arrivals grew at a slower pace compared to 2022, they reached their pre-pandemic level. Tourist arrivals increased by 30.7 percent in 2023, compared with the 71.3 percent recorded in 2022 (Figure 5). Still, despite the growth in tourist arrivals, travel receipts declined by 7.9 percent in nominal US\$. Net Secondary income remained resilient owing to an increase in remittances of 3.9 percent 2023 with a stronger y/y growth of 9.0 percent in the 12 months to March 2024 reaching US\$4,380 million.⁹

Private capital inflows declined in 2023 primarily due to global economic tightening and domestic macroeconomics uncertainty; however, the latter dissipated following the February 2024 Eurobond issuance. FDI inflow reached US\$412 million in 2023, a

slightly increase from 2022 due to low investor's confidence, FX shortages, and still relatively high global interest rates. Portfolio and other financial inflows have narrowed since 2022 as Kenya had limited access to international financial markets (Figure 6). Despite the subdued private capital inflows, the government effectively mobilized alternative financing owing to the tightening conditions in the global credit market. Since early 2024, Kenya secured significant funding from International Financial Institutions, bolstering investor confidence. This culminated in Kenya's re-access to global credit markets in February 2024, marked by the issuance of a US\$1.5 billion Eurobond for a partial buyback of the US\$2 billion Eurobond maturing in June 2024, and of an US\$1.58 billion infrastructure bond, of which foreign investors were about half of the participants thus increasing dollar supply. These issuances not only spurred a reversal of the rapid shilling depreciation but also contributed to the improvement of reserve buffers.

The shilling recorded an over 20.0 percent depreciation against the US Dollar in 2023, exacerbated by the limited availability of FX and increased demand for US dollars. To prevent a further depreciation, the government implemented measures to address the foreign FX market challenges of US dollar liquidity and exchange rate volatility such as reviving the inter-bank forex market and establishing a government-to-government petroleum supply arrangement.¹⁰ However, after the bond issuances in February 2024, the shilling appreciated by close to 20 percent, and was one of the best-performers in Emerging Markets (Figure 7).¹¹

Figure 4: Current account deficit narrowed



Source: CBK

Figure 5: Tourism sector remained resilient



Source: Ministry of Tourism and Wildlife, CBK & KNBS

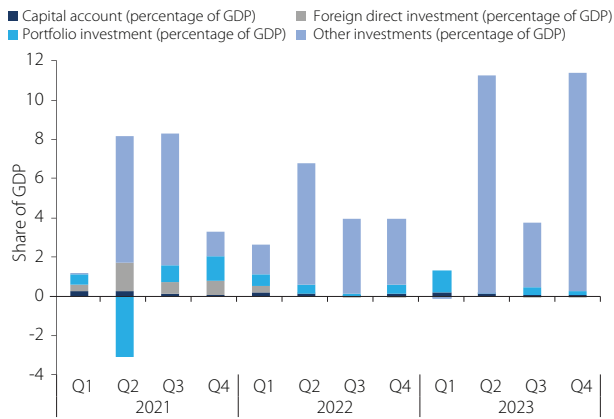
⁸ World Bank, 2023. Kenya Country Economic Memorandum.

⁹ Central Bank of Kenya, April 2024. Recent Monetary and Financial Developments. Weekly Bulletin, 12 April 2024.

¹⁰ National Treasury & Economic Planning, September 2023. Press Statement on The Government-To-Government Importation of Petroleum Products. Press Release, 26th September, 2023

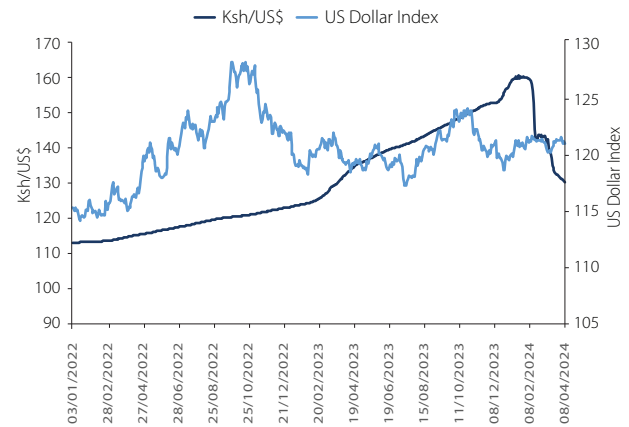
¹¹ Kenya has a floating exchange rate regime that is market determined and the Central Bank does not intervene directly in the exchange rate market. The Central Bank intervenes in the FX market through its policy rate.

Figure 6: Global economic tightening and domestic macroeconomics uncertainty constrained financial inflows in 2023



Source: CBK

Figure 7: The Kenyan shilling strengthened in Q1 2024



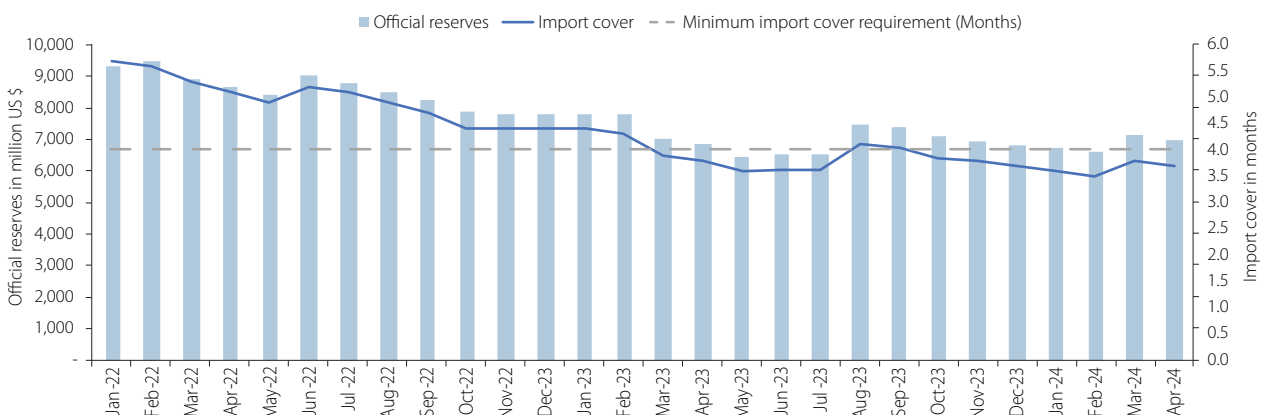
Source: CBK

Reserve buffers remain above the conventional adequacy level but are below the CBK's minimum statutory requirement.¹² Reserves dwindled due to limited access to international borrowing and shilling depreciation but rebounded in the first four months of 2024 with Kenya's enhanced access to the global credit market. Official reserves reached US\$7.2 billion (equivalent to 3.8 months of import cover) by end of April, up from US\$6.5 billion (3.6 months of import cover) recorded in the same period in 2023, and an improvement from the US\$6.7 billion (3.7 months of import cover) recorded in December 2023 (Figure 8). The current level of reserves is above the 3-month conventional import coverage but still below the CBK's 4 months statutory requirement. External financing is however expected to improve in 2024 putting less pressure on domestic financing.

1.5 Monetary policy and financial sector performance

A tighter monetary policy, agricultural recovery, and easing global inflation contributed to a decrease in inflation. Inflationary pressures moderated, with the headline inflation slowing to 5.0 percent y/y in April 2024, down from 7.9 percent recorded a year earlier. This reduction was primarily driven by lower food prices, supported by agricultural recovery, lower imported inflation as price growth cooled globally, and the tightening of monetary policy.¹³ This counteracted inflation associated with the shilling's depreciation. Demand side pressures, as reflected in the non-food non-fuel inflation remained muted for most of 2023 and in early 2024. Inflation remained within the CBK target range of 5 ± 2.5 percent, lingering on the upper end of the range since July 2023 and converging

Figure 8: Reserve buffers are adequate but remain below the CBK's statutory minimum



Source: CBK

¹² In general, a 3 months traditional (conventional) buffer is needed, which is a "rule of thumb" to revising reserve adequacy in EMs. However, as every rule of thumbs, it adapts to the context of each country. For countries where there is high rollover risk (from external debt) or even at high risk of debt distress (like Kenya), more needs to be done to assess if the reserve coverage is "adequate".

¹³ Central Bank of Kenya. April 2024. Monetary Policy Committee Meeting, Press Release, April 3, 2024.

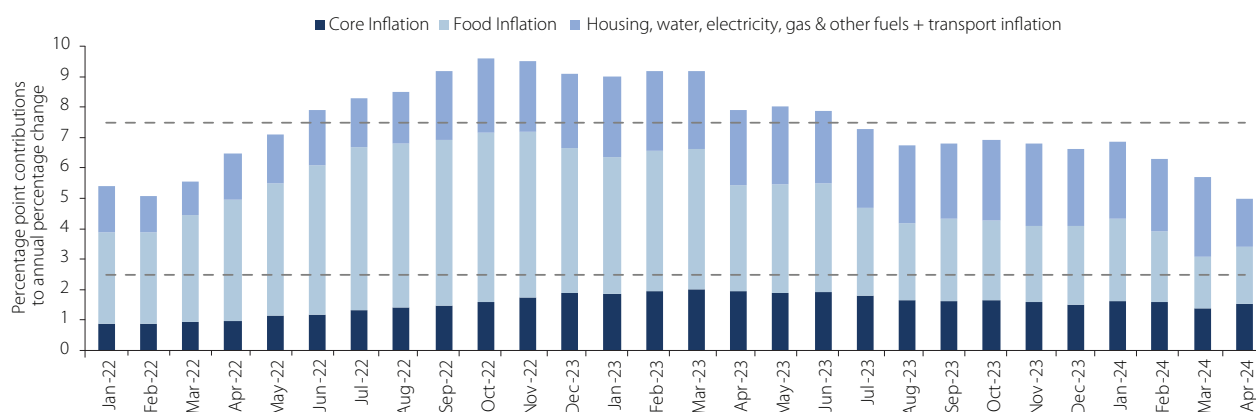
Table 1: Balance of payments, 2022–23 (US\$ millions)

(US\$ million)	2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
A. Current account balance	-1,225	-1,771	-1,774	-1,005	-674	-897	-809	-1,706
Trade balance	-2,450	-2,901	-2,804	-2,396	-1,958	-2,129	-1,969	-2,976
Exports (goods & services)	3,456	3,553	3,533	3,315	3,507	3,390	3,209	2,756
o/w Travel receipts	232	277	302	296	318	300	213	188
Imports (goods & services)	5,907	6,453	6,336	5,710	5,465	5,519	5,178	5,732
o/w Oil	1,137	1,568	1,634	1,210	1,171	1,207	1,114	1,310
Income	1,624	1,595	1,572	1,772	1,808	1,743	1,761	1,785
o/w Remittances	1,024	1,028	957	1,045	1,020	1,024	1,081	1,094
B. Capital account balance	65	42	5	30	55	36	23	13
C. Financial account balance	-727	-1,717	-1,594	-344	876	-2,332	346	-2,696
Direct investment, net	85	2	-19	-14	-5	2	-23	-21
Portfolio investment, net	184	125	28	145	325	4	96	71
Financial derivatives, net	1	7	5	-33	9	13	31	1
Other investment, net	434	1,764	1,032	948	-40	2,952	838	3,176
D. Net errors and omissions	-627	106	-772	396	478	-369	488	-1,156
E. Overall balance	1,060	-94	946	235	1,017	-1,102	644	152
F. Reserves and related items	-1,060	94	-946	-235	-1,017	1,102	-644	-152
Change in reserve assets	-1,060	55	-709	186	-1,017	1,082	-506	-162
IMF net inflows	0	39	-237	-421	0	19	-138	10
Memorandum items								
Gross reserves (held by both CBK & commercial banks)	12,590	12,581	11,337	11,343	10,901	13,166	13,852	14,176
Imports cover	4.9	4.9	4.4	4.3	3.9	4.4	4.0	4.2
Quarterly GDP at current prices	29,206	28,618	26,870	28,639	28,502	26,577	25,593	26,781

Source: CBK & KNBS

to the midpoint in April 2024 (Figure 9). Food inflation decreased to 5.6 percent y/y in April 2024, down from 10.1 percent recorded in April 2023 as agricultural harvests improved, following adequate rainfall in 2023. Core inflation, which excludes food and energy prices, slowed to 3.5 percent in April 2024, down from 4.4

percent recorded during the same period in 2023, while housing, water, electricity, gas and other fuels and transport inflation declined from 9.5 percent to 6.5 percent. The latter was mainly due to a drop in kerosene and electricity while transport index reduced as petrol and diesel pump prices continued to drop.

Figure 9: Inflation eased and stabilized within the CBK's target

Source: CBK & KNBS

The CBK tightened monetary policy to curb inflation.

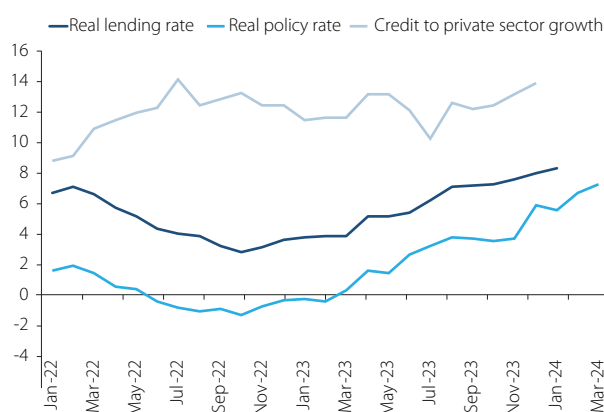
In 2023, the CBK raised its policy rate by 375 basis points, including a 200-basis-point increase in December, the largest hike in over 10 years. In February 2024, the CBK raised the policy rate by an additional 50 basis points, bringing it to 13.0 percent. Cumulatively, the policy rate has been raised by 600 basis points between May 2022 and February 2024.

The banking sector capital and liquidity buffers remain adequate, but there is concentrated exposure to the sovereign.

As of December 2023, banking sector capital adequacy ratio stood at 18.3 percent, down from 18.6 percent recorded in September 2023. During the same period, the liquidity ratio stood at 51.0 percent, up from 49.3 percent in September. Both the capital adequacy and liquidity ratios exceed the statutory thresholds. The Return on Equity (ROE) for the sector decreased from 25.0 percent in September 2023 to 23.0 percent in December 2023. This was due to a higher increase in shareholders' funds compared to profits.^{14,15} Banks continue to record profitability against the backdrop of tightened monetary policy and rising interest rates (Figure 10) supported by wide net interest margins. However, there are concerns about the deterioration of asset quality in the sector. The ratio of Non-Performing Loans (NPL) to gross loans stood at 15.5 percent in February 2024 compared with 14.8 percent in December 2023, with smaller banks facing considerable challenges compared to larger banks. There were notable NPLs increases in the real estate, trade, personal and household, energy and water and building and construction sectors. Nevertheless, banks have continued to make adequate provisions for the NPLs which has also affected their profitability, potentially reversing some gains from increasing interest income.¹⁶

Private sector credit growth slowed down as rates increased and the asset quality deteriorated. The growth in commercial banks' lending to the private sector slowed to 12.3 percent in 2023 compared to 20.5 percent recorded in 2022. This was primarily due to reduced loan demand due to higher interest rates which slowed loan portfolio growth. However, credit demand varied across sectors. Strong credit growth was recorded in agriculture,

Figure 10: Short-term interest rates continue to rise



Source: CBK

manufacturing, transport and communication, mining and quarrying, and finance and insurance sectors. This reflects sustained demand for credit, particularly by Micro, Small and Medium Enterprises (MSMEs) for working capital requirements as most businesses strove to stay afloat and cushion themselves against increase in prices of raw materials due to the impact of a weakening shilling.¹⁷ The number of loan applications and approvals remained resilient, reflecting sustained demand for credit.

1.6 Fiscal developments

The government has kept the pace of fiscal consolidation in FY2023/24. The combination of measures to enhance revenue collection and rationalization of non-priority expenditures resulted in a low fiscal deficit (5.6 percent of GDP), marginally lower than the budgeted (0.2 percent of GDP) and a primary surplus (0.8 percent of GDP) in FY2022/23 for the first time in over a decade. Fiscal outturn in the first nine months of FY2023/24 shows the government's continued efforts to remain on a fiscal consolidation path. Steady revenue growth driven by implementation of tax administration and policy measures in the Finance Act 2023 and government's efforts to contain growth in primary expenditures resulted in an increased primary surplus of 0.4 percent of GDP in the first nine months of FY2023/24 (Figure 11).

Revenue grew moderately in the first nine months of FY2023/24. During H1 FY2023/24, government implemented measures in the Finance Act 2023, including increased income tax for high income bracket, increased

¹⁴ Shareholders' funds refer to the total value of the assets of a company that are owned outright by its shareholders.

¹⁵ Central Bank of Kenya. (2023). Credit Survey Report for the period ended December 2023.

¹⁶ Central Bank of Kenya. April 2024. Monetary Policy Committee Meeting, Press Release, April 3, 2024.

¹⁷ CBK. 2023. Market Perceptions Survey.

value added tax (VAT) on petroleum products, and increased excise duty on different goods and services¹⁸. In nominal terms, total revenue and grants expanded by 13.4 percent in the first nine months of FY2023/24 higher than 10.6 percent during the first nine months of FY2022/23. Income tax and VAT remained the major source of government revenue, accounting for 61.7 percent of total revenue including grants during this period. As a share of GDP, non-tax revenue experienced the largest increase following timely reporting of appropriation in aid by semi-autonomous government agencies (SAGAs) which reached 2.1 percent of GDP against a target of 1.8 percent of GDP and previous year's level of 1.7 percent.

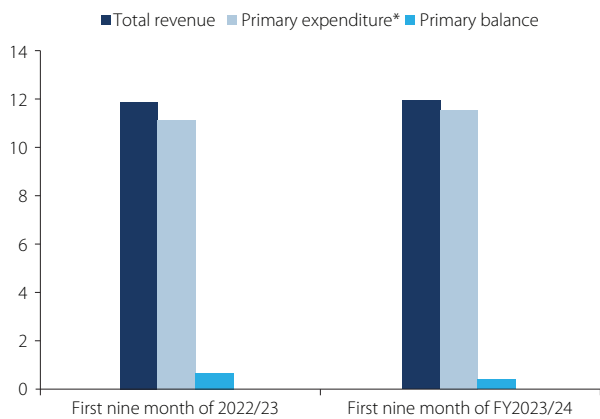
The government has continued with expenditure prioritization in FY2023/24. First, in line with commitment to contain expenditure growth in non-priority areas, the government has curtailed growth of primary expenditures. Expenditure on wages remained steady in the first nine months of FY2023/24 partly attributable to the ongoing process to contain the wage bill including restricting new hiring of civil servants except for critical services and reviewing of benefits and allowances.¹⁹ In addition, government recorded no expenses on subsidies to private or public corporations compared to KSh 43.4 billion (0.3 percent of GDP) during the first nine months of FY2022/23. Second, budget allocations for FY2023/24 were aligned with government priorities under the bottom-up economic transformation agenda (BETA). Finally, focusing on completion of ongoing infrastructural projects before

starting new ones has led to a slowdown in development spending. Development expenditure in the first nine months of FY2023/24 remained subdued.

Despite a positive primary surplus and low growth of primary expenditure, achieving consolidation targets requires effective revenue forecasting. Overall revenue mobilization has been substantially weaker than projected over the years (Figure 12). For instance, in the first nine months of FY2023/24, total revenue performance fell 9.6 percent short of the target (i.e., KSh 1,932 billion against a target of KSh 2,144 billion). Unrealistic revenue forecasts undermine the credibility in the budget process and can lead to unjustifiably large expenditure allocations that will eventually require either an in-year and potentially disruptive reduction in spending or an unplanned increase in borrowing to sustain spending relative to the target.²⁰

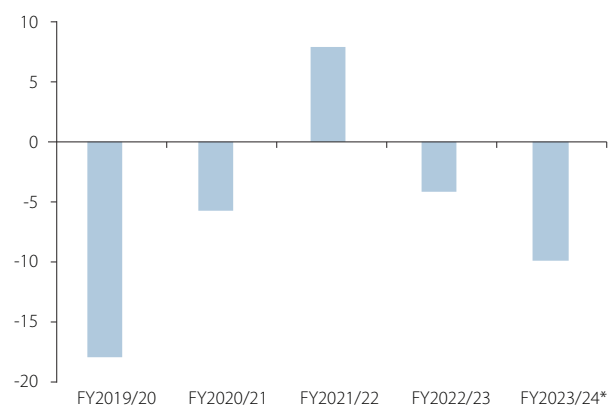
Improved planning and budgeting could enhance budget credibility and reduce the frequency and the amounts of reallocations in supplementary budgets. Supplementary budgets are provided for in Article 223 of the Constitution of Kenya and PFM Act Article 44, for unforeseen and unavoidable circumstances, and should be approved by parliament. While in-year budget adjustments are essential to address emerging challenges, misuse of supplementary budgets undermines the credibility of the budget process and achieving consolidation targets. Kenya's has been rated good on supplementary budget as part of the assessments of fiscal forecasting and budgeting

Figure 11: Primary balance remained positive in the first nine months of FY2023/24
(Percentage of GDP)



Source: World Bank Staff calculations based on National Treasury
Note: *include adjustment to cash basis and discrepancies

Figure 12: Achieving consolidation targets requires effective revenue forecasting
(Percentage deviation from target)



Source: World Bank Staff calculations based on National Treasury
Note: *Data for the first nine months of FY2023/24

¹⁸ World Bank. 2023. *A Balancing Act: Opportunities for Making Growth More Inclusive During Challenging Times*. Kenya Economic Update edition 28; Washington, DC.

¹⁹ <https://www.treasury.go.ke/wp-content/uploads/2021/03/Circular-No.16-2020-on-Guidelines-for-Preparation-of-the-2021.22-2023.24-Medium-Term-Budget.pdf>

²⁰ World Bank. 2019. *Kenya Public Expenditure Analysis 2019 Creating fiscal Space to deliver the Big 4 while undertaking a needed fiscal consolidation*. Washington DC, <https://documentsinternal.worldbank.org/search/31205704>

practices in 2014 and 2019. However, actual expenditure has been lower than supplementary and original printed budgets, undermining the budget as an effective guide to expenditure²¹. For instance, in FY2022/23, actual expenditure as a share of GDP was 0.6 percentage points lower than the second supplementary budget estimates, and 1.4 percentage points lower than the original budget.

Accumulated pending bills remain elevated. Pending bills by the national government reached KSh 489.9 billion (equivalent to 3.3 percent of GDP) in March 2024. Settling existing pending bills could unlock cash flow to government contractors and suppliers, reduce non-performing loans (Section 1.4), stimulate growth of the small and medium enterprises, and reduce government arrears which constitute another form of domestic debt²². The government established a pending bills verification committee in February 2024 for stocktaking and verifying pending bills that have accumulated from July 1, 2005 to June 30, 2022. Prevention of further accumulation of pending bills requires adherence to PFM measures and improved cash management to avoid late payments at the end of fiscal year. The planned transition to the Treasury Single Account (TSA) (approved by the Cabinet) and supported through the recently approved Development Policy Operation (DPO) will improve government's ability to manage cash.

County governments are faced with increasing wage bill amid weak own source revenue (OSR) collection. PFM regulations require that the wage bill for national and county governments does not exceed 35 percent of total revenues. Expenditure on wages by county governments in the last three years has averaged 42 percent of total revenue; partly attributable to low growth in OSR (averaging 2 percent) compared to growth in wages (averaging 4 percent) driven by faster increases in the head count of employees at the counties, and inability to properly integrate or write off from the payroll staff inherited from pre-devolution local governments²³. Growing wage bill amid weak OSR has forced county government to rely on equitable share, therefore limiting expansion of service delivery (Box 1).

Improved primary balance and spending reprioritization has helped the government reduce the stock of debt and meet liquidity challenges in 2024. Total government borrowing declined from 5.9 percent of GDP in FY2021/22 to 5.4 percent in FY2022/23 and is estimated at 5.5 percent of GDP in FY2023/24. The stock of domestic debt declined while external debt rose driven by increased debt stock from multilateral creditors (Figure 13). In addition, the composition of Kenya's debt has marginally shifted in favor of external debt with the share of external debt increasing from 49.9 percent in FY2021/22 to 52.1 percent in FY2023/24; while domestic debt share declined to 47.9 percent from 50.1 percent. Total public debt is estimated to marginally decline to 68 percent of GDP in FY2023/24 from 72 percent of GDP in FY2022/23 in the context of continued fiscal consolidation, strong economic growth, and currency appreciation (reducing the local value of FX debt).

Debt service costs are rising. Debt service obligations have been growing, which constrain spending on productive and social sectors as well as job-creating investments. First, the rising expenditure on interest payments (estimated at 5.7 percent of GDP and accounting for 37.9 percent of tax revenue in FY2023/24) leaves limited room for public spending on priority areas (Figure 14). Second, debt repayment of the principal rose in FY2023/24 driven by the bullet payment of the 2014 Eurobond. Rising debt servicing in FY2023/24 has been driven by tight monetary policy on



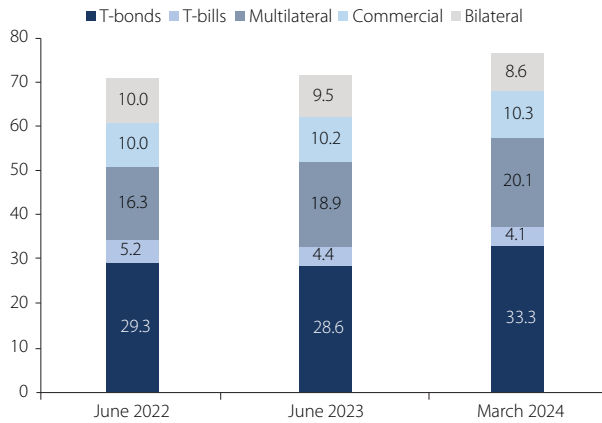
Photo: © Georgina Goodwin / World Bank

²¹ IMF. 2014 and 2019. *Kenya Fiscal Transparency Evaluation Update*.

²² World Bank. 2022. *KEU 27*.

²³ World Bank. 2019. *Kenya Public Expenditure Analysis: Creating fiscal Space to deliver the Big 4 while undertaking a needed fiscal consolidation; Economic Survey 2023, and World Bank.2020. Kenya PER: Options for fiscal consolidation after the COVID-19*.

Figure 13: There has been change in external debt in favor of multilateral creditors
(US\$ billion)

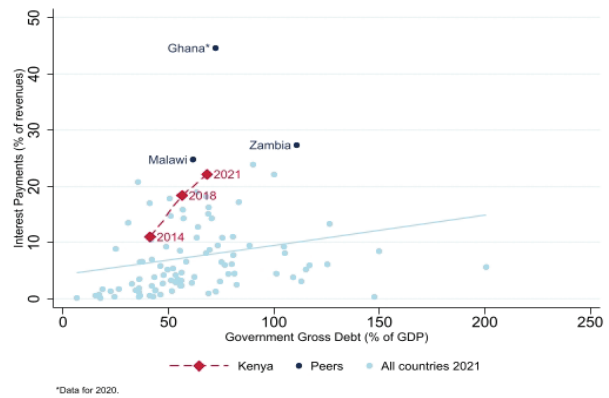


Source: World Bank calculations based on National Treasury

the domestic side while currency depreciation and high global interest rates affected new contracted external debt and amortization of the existing one. The government has been implementing mitigating factors to reduce the cost of borrowing, including prioritizing treasury bonds with longer term maturities for domestic financing and concessional borrowing for external financing.

Contingent liabilities of state-owned enterprises (SOEs) remain a risk to fiscal consolidation. Public guaranteed debt increased remained stable in FY2022/23 (at 1.2 percent of GDP), however, failure to meet debt service

Figure 14: Rising expenditure on interest payments leaves limited room for spending on priority areas
(Interest payments (% of revenues) and government gross debt (% of GDP), 2021)



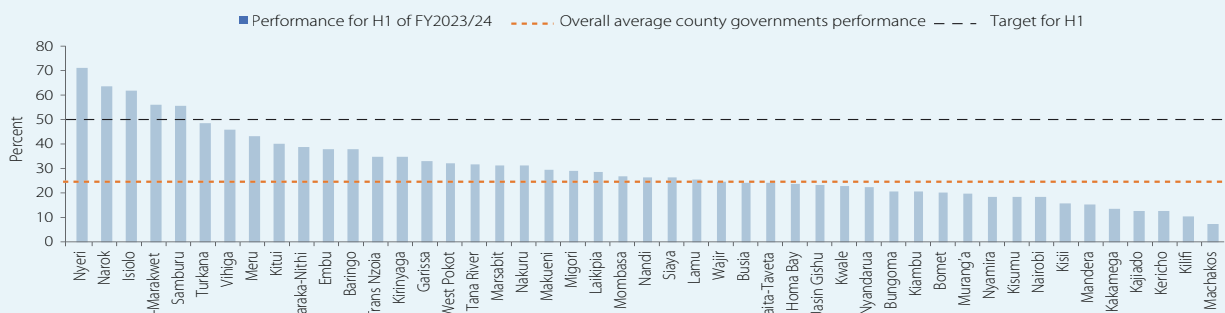
Source: World Development Indicators and World Economic Outlook. Note: Global sample of 96 countries with available data for 2021.

cost of SOEs external guaranteed debt adds pressure to the already rising national government debt service. The government serviced debt for Kenya Airways in FY2022/23 amounting to KSh 12.3 billion (0.1 percent of GDP). Mitigating measures in place to reduce vulnerability to contingent liabilities include increased oversight of SOEs –the annual public debt reports have expanded coverage of public debt to include guaranteed and non-guaranteed SOEs debt which stood at KSh 111.8 billion (1.0 percent of GDP) in FY2022/23—and privatization some of the financially ailing SOEs.²⁴

Box 1: Performance of own source revenue by county governments

County government continues to experience low own-source revenue collection. Since the onset of devolution, county governments have persistently collected lower revenue than targeted, which impedes their autonomy and expansion of service delivery (Figure 15). The highest OSR level was achieved in FY2018/19, with a 74.8 percent performance rate, while the average OSR collection rate is 63.7 percent during FY2013/14 – FY2022/23. However, studies²⁵ have shown that county governments have the potential to collect more. Enhanced own source revenue mobilization at the county level could reduce dependency on transfers from the national government and stimulate expansion of service delivery.

Figure 15: OSR collection continues to fall below target



Source: World Bank calculations based on Office of the Controller of Budget

²⁴ The government published the new Privatization Act in October 2023.

²⁵ Commission on Revenue Allocation.2022. Comprehensive Own Source Revenue (OSR) Potential and Tax Gap Study (<https://cra.go.ke/download/comprehensive-own-source-revenue-osr-potential-and-tax-gap-study/?wpdmdl=3057&refresh=660d30aee5b6b1712140462>) and Smith, Adam; Spyropoulos, Nick; Keay, Graeme Alexander; Granger, Hazel Mary; Boi, Desmond; Wolff, Johannes Norman; Nelson, Iain. Own-Source Revenue Potential and Tax Gap Study of Kenya's County Governments: Final Report (English). Washington, D.C. : World Bank Group. (<http://documents.worldbank.org/curated/en/280021585886703203/Own-Source-Revenue-Potential-and-Tax-Gap-Study-of-Kenya-s-County-Governments-Final-Report>)

Table 2: Kenya fiscal operations (FY2021/22 – FY2023/24)

	2022/23	2023/24	First nine months of 2022/23	First nine months of FY2023/24
% of GDP	Preliminary	Estimate	Actual	Preliminary
Total revenue and grants	16.7	19.2	11.9	12.0
Tax revenue	13.2	15.0	9.4	9.3
Income tax	6.6	7.4	4.5	4.4
VAT	3.9	4.4	2.8	3.0
Import duty	0.9	1.1	0.7	0.6
Excise duty	1.9	2.2	1.4	1.3
Non-tax revenue	3.3	3.8	2.4	2.7
Grants	0.2	0.3	0.1	0.1
Expenditure and net lending	22.6	24.7	15.5	16.4
Recurrent	16.2	17.3	0.0	12.1
Wages and salaries	3.8	3.7	2.9	2.6
Interest Payments	4.8	5.7	3.4	3.8
Domestic Interest	3.7	4.0	2.6	2.7
Foreign Interest	1.1	1.7	0.8	1.1
Pensions	0.8	1.0	0.6	0.7
Operations, maintenance, and others	6.8	6.6	4.6	4.9
Development	3.5	4.7	2.2	2.8
Transfer to counties	2.9	2.6	1.5	1.5
Overall balance commitment basis	-5.9	-5.5	-3.5	-4.4
Adjustment to cash basis	0.3	0.0	0.8	1.0
Overall balance including grants	-5.6	-5.5	-2.7	-3.4
Discrepancy	-0.2	0.0	0.1	-0.3
Primary balance	-0.8	0.7	0.7	0.4
Financing	5.4	5.5	2.6	3.1
Domestic financing	3.2	2.9	2.0	2.4
Foreign financing	2.2	2.6	0.6	0.7
Debt gross	72.0	68.0	66.4	64.6
External	38.2	35.5	34.0	32.0
Domestic	33.9	32.6	32.4	32.6

Source: The National Treasury

2. Outlook and Risks

The February 2024 partial buyback of the Eurobond, improved fundamentals, and a strong policy framework enabled Kenya to revert macroeconomic volatility. An improving global credit environment and a stronger macroeconomic framework enabled Kenya to access global credit markets in February 2024, issuing a US\$1.5 billion Eurobond for an early partial buy back of a US\$2 billion Eurobond that was set to mature in June 2024. The US\$1.5 billion bond issued at 10.375 percent yield eased

Kenya's immediate liquidity constraints for 2024, calming the markets. The issuance provided confidence to markets, reflected in a drop in the yield of the outstanding '24 Eurobond and slight improvement in other outstanding Eurobonds. It also triggered a reversal of the persistent depreciation of the Kenyan shilling—partly supported by foreign inflows into a large local-currency infrastructure bond issued in the same month.

2.1 Baseline forecast

GDP growth is projected at 5.2 percent on average during 2024-26. In the near term, ongoing fiscal consolidation efforts, tight monetary policy, and fading tailwinds from the agricultural rebound are expected to slow down GDP growth to 5.0 percent in 2024. The stronger outlook compared to the December 2023 edition reflects improved macroeconomic conditions following the resolution of the immediate liquidity constraints with the issuance of the February Eurobond. A stronger macroeconomic framework, the recent re-access to international financial markets, and the materialization of government's structural reforms - such as the removal of foreign ownership restrictions in ICT - are expected to spur investor confidence and private investment in the medium term, supporting capital inflows, including FDI, and freeing more credit to the private sector through reduced domestic government borrowing. Efficiency seeking FDI into Kenya is expected to materialize taking advantage of the African Continental Free Trade Area (AfCFTA) opportunities and recent bilateral negotiations. A more stable currency, moderating global and local inflation pressures, and eventually, a more accommodative monetary policy would increase credit growth to the private sector. The growth

outlook assumes adequate rainfall, authorities' staying on course on the planned fiscal consolidation strategy, and the continuous implementation of the government's structural reform agenda²⁶.

The private sector will play a stronger role in Kenya's medium-term recovery. Favorable agricultural harvests, moderate inflation, a recovery in employment, and modest growth of credit to private sector will support growth in private consumption.²⁷ Moreover, despite a slowdown in global economic growth, remittance inflows to Kenya are projected to remain resilient, providing further support to household incomes²⁸. Diaspora remittances already grew by 24% in Q1:2024 and showed greater diversification of sources. Private consumption is expected to complement moderate government consumption in the context of fiscal consolidation. With positive business sentiment, access to the international market and projected FDI inflows, the baseline scenario assumes a gradual pick-up in exports and private investment over the medium term. Fiscal consolidation is expected to continue, which would reduce government domestic borrowing and lower yields on government securities, thereby incentivizing commercial banks to lend to the private sector.

Table 3: Key economic indicators and forecasts, 2021 to 2026 (percent, unless otherwise stated)

	2021	2022	2023	2024 f	2025 f	2026 f
Real GDP growth, at constant market prices	7.6	4.9	5.6	5.0	5.3	5.3
Private consumption	6.2	3.1	6.1	4.9	5.3	5.4
Government consumption	6.0	8.1	3.5	1.6	0.8	1.1
Gross fixed capital investment	10.8	-0.8	1.9	5.3	7.8	7.8
Exports, goods, and services	15.3	11.9	-4.5	8.7	9.6	9.9
Imports, goods, and services	22.2	4.6	-3.1	3.0	5.5	6.4
Real GDP growth, at constant factor prices	7.2	4.7	5.9	5.0	5.3	5.3
Agriculture	-0.4	-1.5	6.5	4.1	4.4	4.5
Industry	7.5	3.9	1.9	4.0	4.1	4.3
Services	9.6	6.6	6.8	5.6	5.9	5.9
Inflation (consumer price index)	6.1	7.7	7.7	7.0	5.0	5.0
Current account balance (% of GDP)	-5.1	-5.1	-4.0	-3.9	-4.0	-4.1
Foreign direct investment inflow (% of GDP)	0.4	0.7	0.7	0.6	0.7	0.8
Fiscal balance (% of GDP) *	-8.2	-6.2	-5.6	-5.5	-3.9	-3.3
Revenues (% of GDP)	16.1	17.5	16.7	19.2	19.3	19.4
Debt (% of GDP)	67.7	67.8	72.0	68.0	64.8	61.7
Primary balance (% of GDP)	-3.8	-1.6	-0.8	0.2	1.7	1.8

Source: World Bank staff calculations based on KNBS; The National Treasury
Note*: Fiscal year runs from July 1 to June 30; 2021 = FY2020/21

²⁶ The flooding experienced in May 2024, which coincides with the long rain season, is not expected to have a significant impact on agriculture as the flooding was mainly concentrated in urban areas and not the major food basket regions.

²⁷ Preliminary PMI data shows a recovery in employment in January and February 2024.

²⁸ World Bank. 2024. Africa's Pulse, No.29, April 2024: Tackling Inequality to Revitalize Growth and Reduce Poverty in Africa. Washington, D.C.: World Bank Group.

On the supply side, projected GDP growth is underpinned by favorable weather conditions for the agricultural sector, a recovery of industry, and the resilience of services. In addition to ongoing reforms in the agricultural sector to raise productivity of key food value chains and increase access to affordable credit,²⁹ favorable rainfall will sustain agricultural growth in the medium term.³⁰ While the long rain season (March – May) has been characterized by heavy rains causing flooding in several parts of the country, the baseline assumes that agricultural output will be better than the drought years. Adequate harvests are expected to provide inputs for the industrial sector, particularly for food processing industries, while the projected public spending on affordable housing will support growth in the construction sector. The services sector is projected to remain resilient over the medium term while reforms in ICT such as enhancing connectivity in public institutions are expected to continue to catalyze growth in financial services, health, and public administration.³¹

Kenya's external position is expected to remain supportive of macroeconomic stability. Overall, the current account deficit is expected to reach 4.0 percent of GDP on average in the medium term, and to be adequately funded by continued access to international financial markets (both official and non-official debt), increasing FDI, and portfolio inflows. Exports are expected to recover, both from improvements in the global and regional trade outlook, and domestic conditions. A projected pickup in imports of raw materials and intermediate goods consistent with investment growth as well as increased fuel imports following strengthening of the shilling are expected to drive growth in imports. The implementation of trade agreements (EU-EPA and AfCFTA), adequate harvest of agricultural crops for exports (i.e., tea, fruits), and a recovery of demand from Kenya's trading partners, including East African Community (EAC), are expected to support this recovery. Increased remittance inflows and tourism receipts are expected to further provide foreign exchange. Imports are expected to grow as domestic demand recovers, particularly of raw materials, fuels, and intermediate goods, consistent with investment growth and the strengthening of the shilling. Kenya has immense

untapped trade potential that, with the adequate policy mix, could leverage to further boost exports, and increase its integration to global and regional value chains, as outlined in the special focus of this report.

A more accommodative monetary policy underpinned by easing inflationary pressures is projected to support growth in the medium term. The baseline assumes low inflationary pressures in the medium term following adequate harvest, projected decline in global commodity prices³² including fuel, and a more accommodative monetary policy favorable for private consumption and investment. In the near term, tight monetary policy, the impact of previous monetary policy tightening and ongoing government fiscal policy measures (reduced deficit and borrowing) are expected to stabilize volatility in the exchange rate market.

The government envisages continued fiscal consolidation through enhanced revenue mobilization and rationalization of expenditure in the medium term.³³ Fiscal consolidation is underpinned by revenue reforms in the Finance Act 2023 that has been in effect since FY2023/24.³⁴ The government plans to continue streamlining exemptions and zero-rated goods and services, reviewing the VAT rate and excise taxation of tobacco, alcoholic and non-alcoholic beverages, as well as introduce carbon tax to promote use of green energy in the medium term.³⁵ Expenditure measures in the medium term are expected to reduce spending by 1.4 percentage points, cumulatively. These include, among others, rolling out of e-Government procurement at national and county level to improve efficiency of spending and ensure value for money; privatization of some SOEs; continued commitment to meet the PFMA target on wage bill (35 percent of revenue), subsidies, and non-priority spending, and settling accumulated pending bills. These measures will translate into a sustained primary surplus (Figure 16) and reduction in debt stock. The National Treasury is expected to carry out liability management operations (including leveraging on sustainability-linked bonds) to reduce the average cost of debt and improve the maturity profile.

²⁹ National Treasury. (2024). *Medium Term Budget Policy Statement (February 2024)*.

³⁰ The Kenyan Meteorological department forecast rains above the long term mean for the period February-April 2024; Kenya Meteorological Department. (2024). *The forecast for February 2024 and review for January 2024*.

³¹ Government reforms include single account payment for all government services.

³² Confirm proper citation World Bank projections (source: Andrew Burns' email on revised DEC global assumptions).

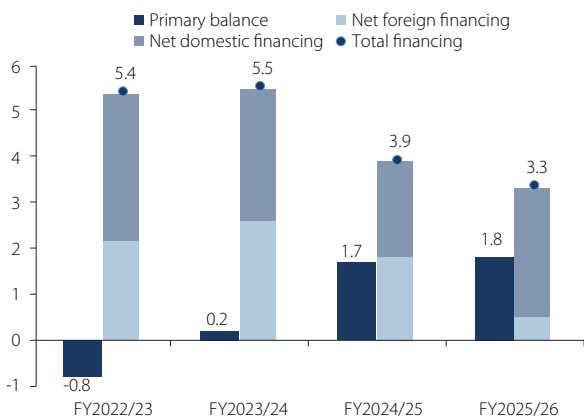
³³ National Treasury. (2024). *Medium Term Budget Policy Statement (February 2024)*.

³⁴ World Bank. 2023. *Kenya Economic Update: A Balancing Act - Opportunities for Making Growth More Inclusive During Challenging Times*. Washington, D.C.: World Bank Group.

The projected decline in government spending will be driven by recurrent expenditure, while the government projects a marginal pick up in development spending in the medium term. In contrast with the last three years marked by a slowdown in development spending following spending rationalization, the projected development expenditure is set above 30 percent PFMA threshold in the medium term (averaging 36.9 percent of ministerial expenditure budget during FY2024/25 – FY2025/26). Recurrent expenditure as a share of GDP is expected to decline driven by a slowdown in debt service costs consistent with a gradual reduction in debt stock, contained wage bill, as well as steady transfers to county governments and pensions. The composition of sectoral allocations is projected to remain somewhat unchanged; education, infrastructure, public administration, and governance are projected to continue accounting for the largest share (about 70 percent) of total ministerial budget.

The projected GDP growth is expected to support poverty reduction in the medium term. Real per capita incomes are expected to grow, and the poverty incidence is expected to resume its pre-pandemic downward trend. With the projected growth trajectory, GDP per capita is expected to expand by 3.1 percent on average over the medium term. This is also expected to result in a projected reduction of poverty by nearly a percentage point each year toward pre-pandemic levels. The US\$2.15 poverty rate is projected to fall from 35.1 percent in 2023 to 34.4 percent in 2024, contingent to continued support for pro-poor and inclusive growth policies over the medium term (Table 3).

Figure 16: Contained spending pressures will reduce government borrowing
(percent)



Source: The National Treasury

The baseline assumes the government’s planned climate actions to support growth and fiscal consolidation. Government actions towards climate change adaptation and mitigation in the near term are focused on emergency response to floods caused by the recent heavy rains. In the medium term, climate actions planned include constructions of dams for water catchment and irrigation, rehabilitation of wetlands, and reforestation. In addition, the government plans to introduce carbon pricing as part of revenue measures. Kenya is working toward issuing Africa’s first sovereign sustainability-linked bond (SLB) in late 2024/early 2025, consistent with its 2024 Medium-Term Debt Management Strategy. The SLB has pre-determined sustainability performance goals, including on climate.

2.2 Risks to the outlook

Extreme weather (drought or floods) could weaken agricultural output, lead to destruction of capital, and increase food insecurity. Kenya is becoming more prone to extreme weather conditions, which have increased in intensity and frequency. After two years of consecutive droughts (2021 and 2022), the current long rain season (March – April) has been characterized by heavy rainfall and flooding that has since led to loss of infrastructure, lives and livestock. As of April 2024, over 960 livestock had been killed and about 24,010 acres of croplands destroyed, while more than 234,000 people had been displaced in the country, including in northeastern counties. Intensification of such occurrences could negatively impact agricultural output, aggravate food security problems and lead to a surge in cases of water-borne diseases. Climate change mitigation and adaptation policies are increasingly being pursued and remain at the top of the policy agenda.

Moreover, Kenya remains vulnerable to fiscal slippages. The medium-term growth projects government achieving fiscal targets for both revenue and expenditure, which would reduce debt accumulation and debt vulnerabilities. Failure to achieve projected revenue target, reoccurrence of spending pressures on recurrent expenditures (including subsidies), vulnerability to weather shocks, inability to contain the wage bill, and realization of contingent liabilities, constitute a significant risk to macro stability and the projected growth. Additionally, slower implementation of structural and fiscal reforms could crowd out private investments and hamper the projected growth in employment.

³⁵ These measures are part of the medium-term revenue strategy (MTRS) which will be implemented within a three-year period beginning from FY 2024/25 to FY 2026/27.

Uncertainties in the global economic outlook including higher for longer interest rates, and subdued trade and investment remain key risks. Lower than anticipated global economic growth and particularly in major exports destination could reduce Kenya's exports, tourism receipts, and remittances growth; increase in global fuel prices could increase Kenya's imports bill, while tight global financial conditions arising from lower-than-expected return of global inflation to target levels could aggravate Kenya's vulnerabilities towards meeting external financing requirements³⁷. However, the government's commitment

to fiscal consolidation and prioritizing concessional borrowing is expected to mitigate this risk.

On the upside, several factors could add to the projected outlook. These include fast-tracked structural reforms in support of BETA, the government's Medium-Term Plan (MTP) IV which was launched in March 2024,³⁸ faster than expected normalization in global financing conditions and lower international fuel and food prices. If any of these were to occur, Kenya's growth in the medium term could be higher than projected.

³⁷ World Bank. 2024. *Africa's Pulse: Tackling inequality to revitalize growth and reduce poverty in Africa*. Volume 29. Washington, DC.

³⁸ The National Treasury and Economic Planning. 2024. *Fourth Medium Term Plan 2023 – 2027: "Bottom-Up Economic Transformation Agenda for Inclusive Growth"*. Nairobi, Kenya.



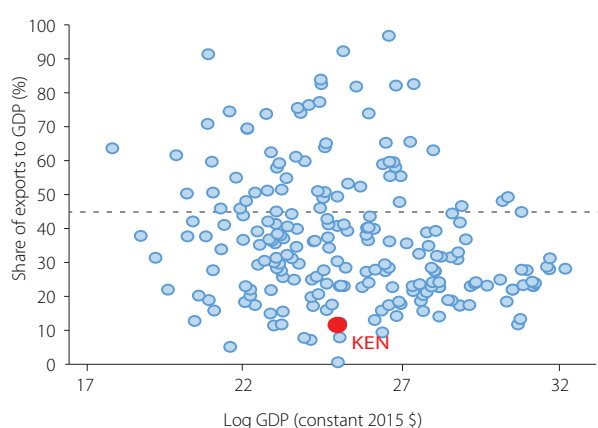
SPECIAL FOCUS



3. The Role of Trade Integration in Promoting Economic Growth and Job Creation

Kenya's efforts in trade integration could significantly contribute to substantial economic growth and job creation. However, as shown in the previous section, the share of total trade has been consistently falling over the last decade. This decline is despite a comparatively significant Revealed Competitive Advantage (RCA) index in key exports, i.e., tea, cut flowers, and titanium ore. Exports have seen a fast-declining trend, with exports of goods and services as a share of GDP falling from 21.5 percent in 2011 to a low of 9.6 percent in 2020. Compared with other countries of similar economic size, the gap in the export-to-GDP ratio is significant and increasing, with Kenya's ratio being about a third of the average ratio for a country of similar size (Figure 17). However, the potential for export expansion remains significant, including addressing areas where Kenya's RCA indicates underperformance of existing key exports, e.g., coffee. The country is engaged in several trade integration initiatives with significant opportunities for driving improved and inclusive growth through international trade. This chapter explores opportunities for Kenya to boost trade, mainly through leveraging trade integration as a growth driver, drawing insights from the Kenya Country Economic Memorandum (CEM), recent World Bank analytics, and advisory work on trade integration.

Figure 17: A declining share of exports by economic size
(percent)



Source: World Bank 2023.³⁹

3.1 Kenya's recent trade patterns and performance

Agriculture is the largest contributor to Kenya's exports (59 percent) followed by minerals (9.4 percent) and chemicals (9.3 percent). Tea, the top export commodity, accounted for 16.6 percent of total exports in 2021. Other major agricultural exports are cut flowers (10.8 percent) and coffee (3.6 percent). Exports of chemicals, textiles, vehicles, electronics, and machinery represented 22.8 percent in 2021. At the same time, exports minerals, metals, and stones 16.9 percent in 2021, as Kenya started exporting new ores.

Merchandise exports have grown little, and Kenya has introduced few new products with additional value to its export basket. Kenya's exports have significantly underperformed, both in nominal and in real terms.⁴⁰ A proximate cause for this is that the country has diversified little during the last few years. As of 2021, Kenya ranked 46th out of 133 countries in terms of the diversity of its export basket, moving down its place in the ranking by 9 positions in the past 15 year (Harvard Atlas of Economic Complexity, 2023). The country added 14 new products to its export basket,⁴¹ less than neighboring countries like Uganda (20), Tanzania (22), and Ethiopia (25). Moreover, the country has lost competitiveness in markets that it already exported to. For example, Kenya has steadily lost market share in the EU—its main market for agricultural exports (Figure 19A). Exports to the EU rely on the same products (flowers, coffee, tea, avocados, green beans) than two decades ago (18B). This marked decline contrasts sharply with other comparator countries—like Peru and Morocco—which have considerably increased their export product ranges in the EU during the same period. Peru, for instance, tripled the number of exports to the EU above US\$10 million from 11 to 37, while Morocco almost doubled them from 25 to 48 during the same period.

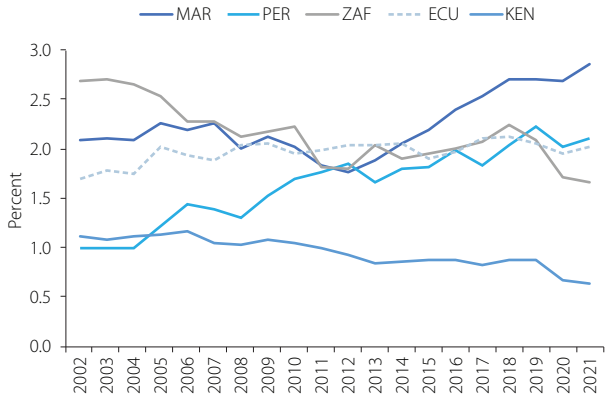
³⁹ World Bank, 2023. *Using trade integration to reduce trade costs and increase competitiveness of Kenyan exports. Kenya Trade Integration.*

⁴⁰ Section 1 illustrated the real exports expenditures underperformance since 2011, while IMF IFS Balance of Payments statistics show that the export value in 2019 was similar to the one in 2011 in current US\$ (US\$5,870 million in 2019 vs. US\$5,834 million in 2011).

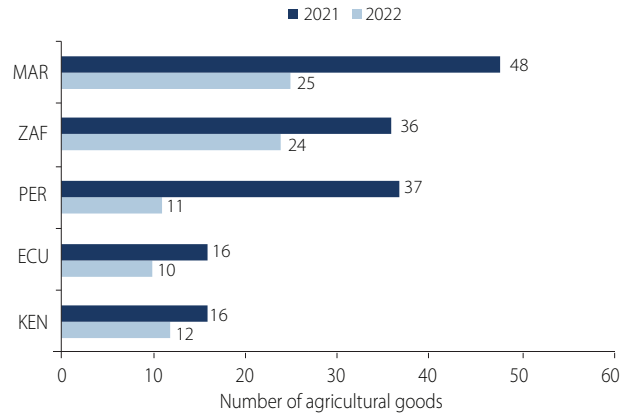
⁴¹ According to the Harvard Atlas of Economic Complexity, a product is considered 'new' if 15 years ago the product had a Revealed Comparative Advantage (RCA) less than 0.5 but its RCA has been greater than one for the last three years.

Figure 18: Lack of new agricultural export products and a declining market share in the E.U.

A. Share of EU agricultural imports



B. The number of agricultural products exported to the EU is over US\$ 10 million



Source: COMTRADE

Note: MAR: Morocco, ZAF: South Africa, PER: Peru, ECU: Ecuador, KEN: Kenya

Kenya’s manufacturing exports have made inroads in East Africa but still struggle to compete outside those markets. More than three quarters of manufacturing exports are destined to the East Africa Community (EAC) members or landlocked neighboring countries for which Kenya serves as a transit point. Manufacturing exports to the EAC consist mainly of final products – such as steel, pharmaceuticals, processed food – that attract the highest common external tariff (CET) rate of 25 percent, for which Kenya is exempt and that result in significant preference margin. However, as the African Continental Free Trade Area (AfCFTA) progressively reduces tariffs, Kenya will need to boost the sector’s trade integration and competitiveness to rely less on the CET.

Overall, the degree of sophistication of the country’s goods exports has changed little during the last 10 years. Kenya’s export basket is primarily composed of low complexity products, and given it has not expanded much its level of diversification and sophistication through the years, the country has fallen six positions during this period in the economic complexity index (ECI), currently ranking 80 out of 133 countries.⁴² Exports are not particularly unique,⁴³ and thus the fact that Kenya’s export products are produced by many other countries reduces firms’ profit margins, making it harder for them to compete.

Kenya’s export sector exhibits an unstable pattern at the firm level, with a high rate of firms entering and exiting the export market annually. Post-2012, the landscape has seen a significant reduction in long-term exporters, coupled with a rise in single-year exporters. Nearly half of

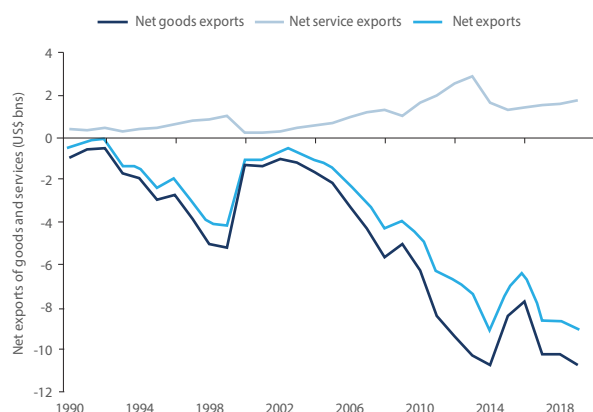
all exporters (44.7 percent) are new on an average year, not having exported in the previous year. These new exporters, although plentiful, have a minimal share in total exports, and their longevity is limited, with only 42 percent surviving beyond their first year. Moreover, their progression into medium or large-sized firms is rare. Established exporters, with average exports of US\$5.4 million, have driven over three-quarters of Kenya’s export growth since 2012, highlighting the minimal contribution of new exporters to the sector’s expansion.

Services export also offer considerable potential that is yet to be exploded. Kenya’s services sector has considerably contributed to economic growth and jobs and has potential to become a driver of export’s growth. Relative to merchandised goods, services exports have considerably grown over time (Figure 19). For example, the expanding ICT sector has transformed Kenya into a hub for technology services, including software development and customer support. Kenya imposes no restriction on computer-based services. Additionally, tourism remains an essential component of the service exports, with the country’s natural and cultural attractions appealing to international visitors. The nation has also capitalized on its innovative mobile banking and fintech sector, establishing itself as a regional leader in improving usability of digital services and financial inclusion. Overall, modern manufacturing competitiveness relies on access to state-of-the-art business support services such as logistics, warehousing, banking, and professional services, which the country needs to further develop to expand its merchandised goods’ capacity.

⁴² The economic complexity index is measure of the diversification and sophistication of a country’s export basket, approximating the degree of productive knowhow an economy has. The ECI is strongly associated with GDP per capita.

⁴³ This means that Kenya’s exports are relatively ubiquitous and are exported by many other countries, which is a component of the degree of sophistication (economic complexity) of exports.

Figure 19: Net services exports have increased significantly compared with goods



Source: Kenya Country Economic Memorandum, from WDI.

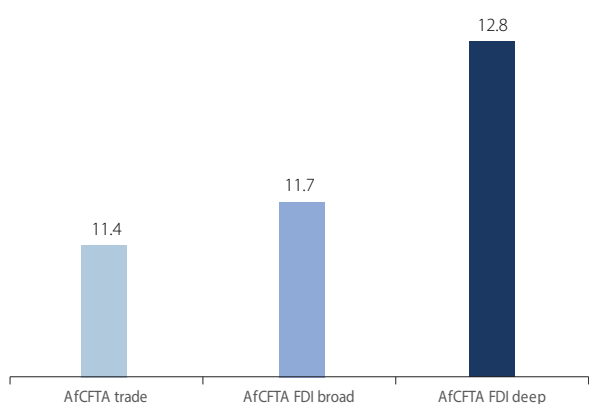
3.2 Kenya’s trade integration journey

Kenya is proactively utilizing all channels on the global, continental, and regional level to enhance its role in the global economy and increase regional and international trade integration. It is one of the six African countries participating in the WTO Joint Statement Initiative on e-commerce digital trade rules that will facilitate electronic transactions and foster an open and trusted digital economy. Regionally, Kenya has taken advantage of the opportunities participating in the EAC and the Horn of Africa Initiative (HoAI). The HoAI, established in 2019, promotes regional integration among Djibouti, Somalia, Kenya, Ethiopia, Eritrea, South Sudan, and Sudan. All member countries’ ministers of finance have endorsed the Trade Facilitation Roadmap⁴⁴ and the Private Sector Engagement Roadmap⁴⁵ to support this goal. These regional blocs and platforms have been instrumental in

expanding Kenya’s market reach, increasing trade volumes, and attracting foreign investment. More than 20 percent of Kenya’s exports are directed to other EAC partner States. Given its industrial base, Kenya could play an even bigger role in facilitating this integration at the sub regional level, by expanding exports and consolidating regional value chains, especially given the country’s commitment to “move the economy up the value chain”, as portrayed in its Vision 2030 agenda.

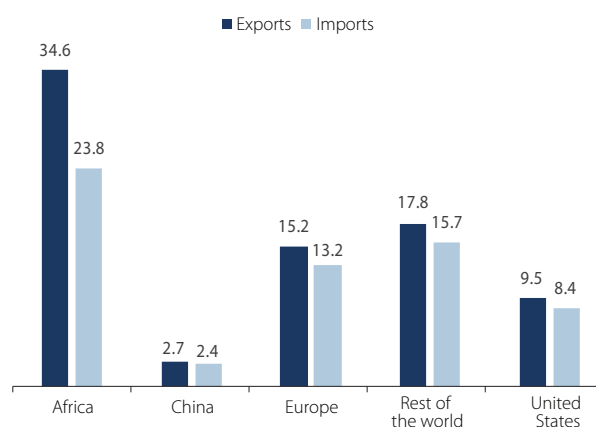
Notably, Kenya has been a critical driver of the AfCFTA. The country was an early signatory and one of the first eight countries participating in the AfCFTA-guided trade initiative. The AfCFTA is poised to become the world’s largest free trade areas by number of countries and population, with a potential market of 1.3 billion people and a combined GDP of US\$3 trillion as of 2022. Kenya is projected to be one of the top beneficiaries from the AfCFTA, with its real income estimated to increase by 12.8 percent by 2035 compared to the baseline without the AfCFTA. Wages are expected to grow significantly, reaching 24.6 percent for female workers and 24.7 percent for male workers. The agriculture sector is expected to be one of the top job creating sectors, accounting for 2.2 percent employment growth out of the total 2.6 percent sectoral employment reallocation anticipated in Kenya. Most of these gains are expected to come from increased intra-regional trade, and this expansion into new African markets is not only to increase trade volumes but also to diversify export destinations and reduce dependence on traditional markets (Figure 21).⁴⁶

Figure 20: Kenya’s percent change in income with respect to baseline 2035



Source: World Bank (2020) and Echandi, et. al. (2022)

Figure 21: Kenya’s change in trade by value US\$B with respect to baseline 2035



Source: World Bank (2020) and Echandi, et. al. (2022)

⁴⁴ <https://www.hoainitiative.org/wp-content/uploads/2022/06/HoAI-Trade-Facilitation-Roadmap-English.pdf>

⁴⁵ https://www.hoainitiative.org/wp-content/uploads/HoAI_PSE_Roadmap_FINAL.pdf

⁴⁶ Echandi, Roberto; Maliszewska, Maryla; Steenberg, Victor. 2022. Making the Most of the African Continental Free Trade Area: Leveraging Trade and Foreign Direct Investment to Boost Growth and Reduce Poverty. Washington, DC: World Bank.

Kenya's significant strides in its bilateral relations signal its openness to trade as a driver of growth. For example, it has concluded an Economic Partnership Agreement (EPA) with the EU, which enhances trade and investment while supporting economic growth and job creation through duty-free access for Kenyan goods to the EU market. Additionally, Kenya is actively negotiating with the United States a bilateral agreement known as a strategic trade and investment partnership (STIP), which, differently from a trade agreement, does not contain a traditional market access agenda (involving, for example, reciprocal tariff reductions or removal, rules of origin) being focused more on several other disciplines such as promotion of investment and inclusive growth, to benefit workers and businesses. This engagement with the U.S. builds on the benefits already received as the second-largest non-oil beneficiary of the African Growth and Opportunity Act (AGOA). Realizing the agreement's benefits is estimated to increase income and address poverty levels by 2035 due to export-related wage increases. Another example is the Kenya-UAE Comprehensive Economic Partnership Agreement (CEPA) of February 2024, which seeks to simplify trade procedures and advance digital trade, among other parameters. Kenya is also anchoring several bilateral joint committees e.g., with Tanzania, Somalia, Ethiopia and Egypt in efforts to deepen trade.

While trade integration offers a pathway to economic growth and job creation, Kenya's experience illustrates that realizing these benefits is not automatic. Despite active engagement in trade integration efforts, the country still needs to capitalize on the potential of these initiatives fully. The following subsection identifies key challenges that Kenya faces that hinder its degree of trade integration and affect its export potential.

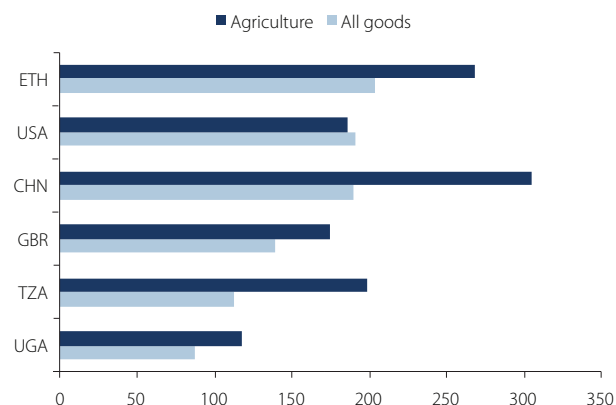
3.3 Challenges to trade integration

Trade costs in Kenya are high and double or triple the price of internationally traded goods over domestic ones. Trade costs with main partners are equivalent to a 100-200 percent tariff and, hence, they double or triple the costs of internationally traded goods over domestic goods. For example, trade with neighboring Ethiopia is more costly than with the U.S. despite the significant geographical distance (Figure 22A), and these have considerably increased over time, especially agricultural products (Figure 22B). High trade costs raise the price of exports and imports, hinder competitiveness, and erode consumer welfare by reducing the availability of goods for consumption.

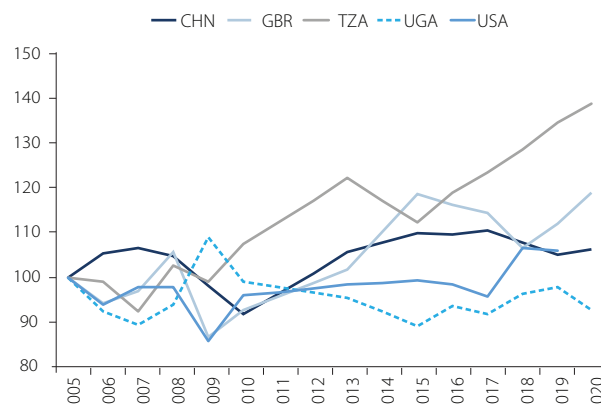
Kenya's increased tariffs by virtue of the CET bands under the EAC are a barrier to exports and reduce access to imported goods. The average tariff in Kenya—around 13.5 percent in 2022—is significantly higher than for the average upper-middle income country and the world, higher than countries that have successfully integrated to the world economy like Vietnam (5.6 percent) or Thailand (8 percent), and higher than regional benchmarks like South Africa (7.1 percent) (Figure 23). The difference between tariffs on inputs and outputs has increased, leading to a high degree of protection mostly to domestically produced consumer goods. High effective protection rates to sectors like fruits and vegetables (35.5 percent), beverages and tobacco (52.9 percent), fish and fish products (25 percent), sugar (10.2 percent), cereals (11.7 percent) and textiles (18.7 percent) provide incentives for import substitution over exports, creating anti-export bias.

Figure 22: High bilateral trade costs affect major trade partners

A. Trade costs with main partners (ad-valorem, percent)



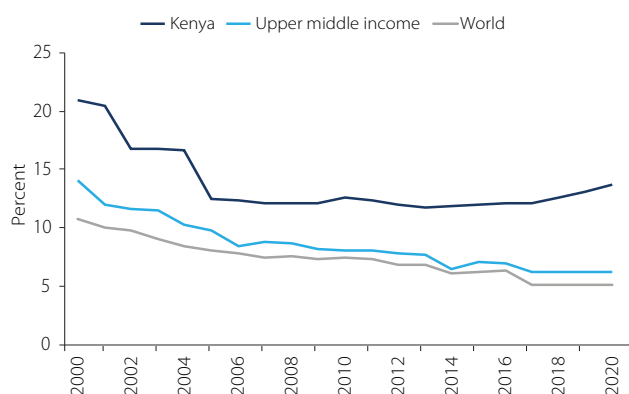
B. Agricultural trade costs with main partners (2005=100)



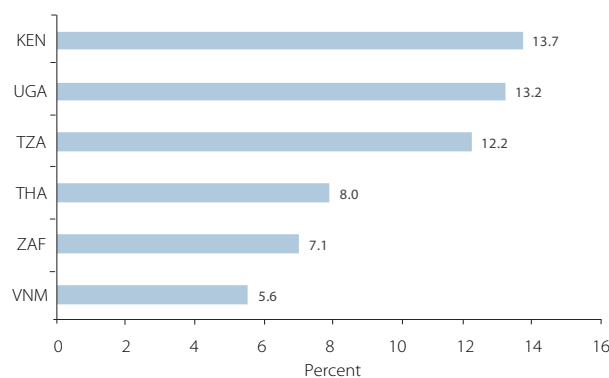
Source: World Bank-UNCTAD Trade Cost database.

Figure 23: High and increasing tariffs are in opposition to trends in the rest of the world

A. Applied tariffs: Kenya vs. world



B. Applied tariffs: Kenya vs. world



Source: World Bank 2023.

In the same way, pervasive non-tariff measures (NTMs) are costly for consumers and firms, and limit regional trade. NTMs adopt several forms and affect a significant share of regional trade, especially within the EAC; the ad-valorem equivalent of NTMs in Kenya is significantly high and close to 40 percent on average for those products affected by them and with higher incidence in processed food (46 percent), energy-intensive manufacturing (46 percent), chemical and plastics (46 percent), and textiles (39 percent) (Source: World Bank). NTM include barriers such as bans and quotas, import permits and levies, export taxes, rules of origin, among others.

Kenya has not been able to attract significant foreign direct investment, which would foster trade integration. FDI inflows have been underperforming in the country. FDI reached 0.3 percent of GDP in 2022, which is far below the country's potential; for example, neighboring Tanzania and Uganda have attracted FDI of around 1.7 and 6.5 percent of GDP respectively in 2022. Although some manufacturing sectors have received FDI, including beverages, chemicals, and electronic components, overall investment levels remain negligible relative to the market size and Kenya's strategic geographic location as hub and gateway to the wider region. The services sector has played a significant role in attracting FDI to Kenya, outperforming industrial sectors in greenfield FDI attraction between 2018 and 2022. The majority of FDI stock is concentrated in finance and insurance (one-third of the total), followed by information and communication (16.1 percent), wholesale and retail (15.4 percent), and manufacturing activities (14.8 percent).

In recent years, the ICT sector has attracted the most FDI, due to fiber optics. FDI in high-productivity sectors can stimulate productivity enhancements in the economy, as technologies and knowledge can spill over to domestic firms. An influx of FDI is seen as vital for enhancing trade and competitiveness,⁴⁷ acting as a conduit for technology transfer, and as a source of financing for the country's balance of payments.

The low predictability of tax rates, affecting the import and export sector, seems to be challenging FDI inflows.⁴⁸ Frequent and unanticipated tax policy shifts create a volatile business climate, erode investor trust and hinder strategic planning. Such unpredictability, exemplified by abrupt tax rate changes or the introduction of new taxes, directly impacts the cost structures of businesses, especially those in the import-export sector. This instability not only discourages investment but also complicates tax compliance, which could lead to decreased government revenue.

3.4 Trade integration as a means to boost jobs, productivity, and innovation

Trade integration for Jobs

Kenya's trade integration aspirations extend beyond export growth: they aim to convert this growth into job opportunities. The Bottom-up Economic Transformation Agenda (BETA) reflects these aspirations, emphasizing job creation, particularly for underrepresented and low-income groups, to mitigate inequality and bolster economic resilience.

⁴⁷ Government of Kenya (2023).

⁴⁸ Government of Kenya (2022).

While Kenya has exhibited resilience in its economic performance, characterized by robust GDP growth, wage employment growth has not been enough to absorb the majority of the working age population. According to the United Nations World Population Prospects, the labor force (i.e., prime working-age adults aged 20-64 years) will soon exceed for the first-time children and youth aged 0-19 years.⁴⁹ This shift in population demographics presents an urgent case for optimizing the benefits of trade integration for creating better jobs. Recent evidence suggests that a 10 percent increase in exports is associated with a 3.1 percent increase in employment and a 3.9 percent gain in labor incomes in low- and middle-income countries.⁵⁰ Additionally, AfCFTA projections indicate the creation of up to 17.9 million new jobs in Africa (up to 1.5 million in Kenya) and a 2.5 percent labor shift to expanding sectors across the continent.⁵¹

Trade integration for productivity

Trade integration is instrumental to enhance productivity within Kenyan industries. As firms gain access to larger markets, they face increased competition that typically drives firm's efficiency and innovation. The World Bank notes that exposure to international markets compels firms to adopt new technologies and improve their business processes to remain competitive.⁵² Additionally, trade agreements often require adherence to international standards and quality norms, incentivizing firms to upgrade their production processes and invest in technology and innovation. Consequently, productivity gains have been observed across various sectors, including agriculture, manufacturing, and services.

Kenya's recent economic growth has primarily relied on increased labor and capital accumulation, while total factor productivity (TFP) improved little (Figure 24A). In contrast, similar economies demonstrate how opening to international markets can significantly enhance TFP. For instance, in the case of Vietnam, which has experienced robust TFP growth supported by policies that have fostered competitive industries and attracted foreign direct investments. These investments have introduced new technologies and management practices, significantly boosting productivity across Vietnam's economic sectors.

On the other hand, countries like Bangladesh and India have seen substantial economic growth driven by notable gains in TFP (Figure 24B), highlighting the potential benefits of engaging more deeply with global markets.

Rising productivity due to trade integration in Kenya seems particularly evident in sectors where the country has comparative advantages, such as in agriculture and agro-processing. For example, Kenyan flower exporters have adopted world-class conservation and irrigation technologies to meet the stringent standards of the EU market, significantly enhancing their productivity. Similar advancements are observed in the tea processing industry, where automation has increased output and better quality, bolstering Kenya's position in global markets.

Trade integration for Innovation

Trade integration has proven to be a fertile ground for innovation within Kenya's economy. For instance, Kenyan farmers and agricultural businesses have had to continue to adopt improving technologies and practices in irrigation and crop management to meet international standards, especially in order to export to the E.U. market. Moreover, Kenya's participation in global value chains has allowed local firms to learn from and collaborate with international partners. This interaction encourages the adoption of innovative production techniques and processes, which further embeds innovation into the fabric of the local economy.

As the fastest-growing segment of international trade, digital trade offers a valuable tool for boosting exports and strengthening Kenya's competitiveness. Kenya, often referred to as "Silicon Savannah," has become a focal point for technology-driven economic development. This nickname underscores the country's burgeoning tech industry, which has thrived due to robust international partnerships that facilitate knowledge exchange and spur innovation. The tech industry in Nairobi has become a hub for startups, drawing substantial venture capital investments with technological advancements opening new avenues that transcend traditional trade barriers, enabling Kenyan businesses to reach a broader domestic and international market.

⁴⁹ U.N. (2022).

⁵⁰ World Bank. 2023. *Linking Trade to Jobs, Incomes, and Activities: New Stylized Facts for Low- and Middle-Income Countries*.

⁵¹ Enchandi et al (2022).

⁵² World Bank, (2022).

Government policies have been instrumental in improving the digital trade environment. The government has prioritized enhancing digital connectivity through its Kenya National E-Commerce Strategy, which is pivotal in aligning with global trends where digital trade is increasingly prevalent. Government initiatives like developing a National ICT Masterplan and constructing the Konza Technopolis have been critical drivers of this development. This strategic focus has led to a rapid expansion in internet use nationwide, fueling the growth of digital services and e-commerce. Further, the technology sector's expansion is closely linked to liberalized trade and investment flows, allowing for the rapid development of sectors like agriculture, finance and telecommunications. These sectors benefit directly from digital payment and mobile banking innovations, setting a precedent for integrating modern technology into everyday business and financial transactions. To fully capitalize on digital opportunities, it is crucial to further harmonize data governance and e-commerce regulations at the regional level. Such harmonization would strengthen Kenya's role as a leader in digital trade across Africa, creating an environment that supports technological innovation and economic growth.

3.5 Expanding horizons: trade integration and environmental considerations

Kenya, a major exporter of climate-sensitive products faces significant risks from climate shocks. Kenya is highly exposed to climate change, mostly because of its economic structure. Precipitation fluctuates significantly on an annual basis, and it seems that Kenya will get wetter over the next few years (World Bank, 2023), affecting primarily

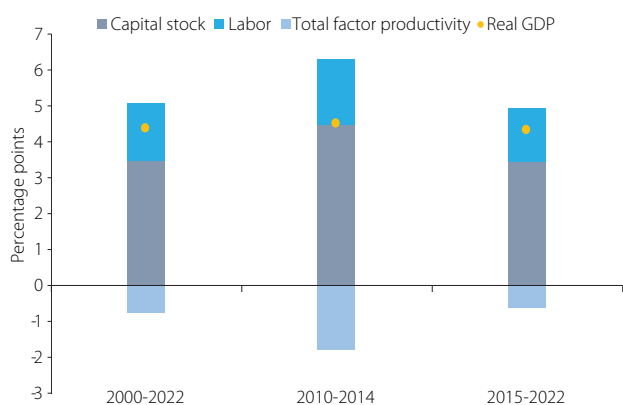
its agricultural sector. Tea, coffee, and tourism, Kenya's main export products are, therefore, highly sensitive to climate change. Integrating environmental sustainability into trade policies is crucial to address these challenges effectively.

Moreover, Kenya must reduce their carbon intensity to maintain and increase its market access. For example, the European Union, is implementing more stringent import restrictions on high-carbon products. These provisions aim to mitigate deforestation and preserve forest habitats, promoting decarbonization. Moreover, they aim to support national climate strategies by making environmentally friendly products more attainable. Such policy changes reflect a broader trend in developing countries, acknowledging the critical role of accessible environmental goods in sustainable development. The tourism sector is also evolving, as long-distance travelers opt for closer destinations to minimize their carbon footprints, impacting nature-based tourism. Although Kenya is committed to reduce its greenhouse gas emissions under its Nationally Determined Contribution (NDC), changing global trends require quick adaptation to maintain market positions and continue to boost the trade sector.

Environmental considerations offer new opportunities for Kenya. Trade integration, mainly through collaborations like the AfCFTA and bilateral agreements, provides further opportunities for sustainable growth. For example, Kenya is noted for having the largest e-mobility startup ecosystem in Africa, with the government actively developing EV standards, including charging infrastructure and battery management. The strategic development of this sector can significantly enhance Kenya's economic growth and create jobs.

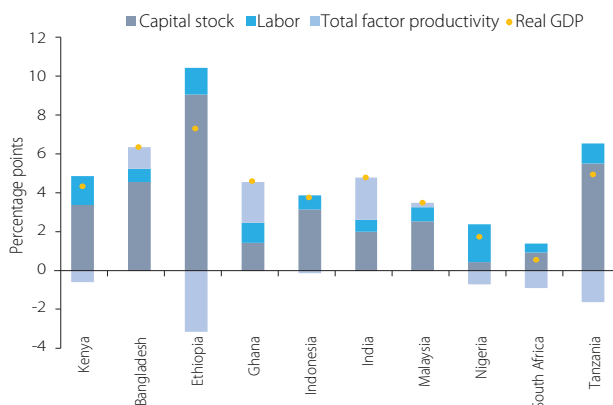
Figure 24: Productivity lever untapped in Kenya's growth performance trend

A. Productivity lever untapped in Kenya's growth performance trend



Source: World Bank 2023.

B. Looking at aspirational peers



3.6 Conclusions: key actions for economic growth and job creation

Kenya's pursuit of enhanced trade integration aims to drive significant economic growth and robust job creation, steering the country toward becoming an upper-middle-income nation. To fully capitalize on these initiatives and ensure sustained economic growth as well as job creation, several policy areas need to be addressed:

- a. **Revising trade and investment policies to foster export orientation.** Leveraging existing integration efforts to build further policy consensus on addressing potential anti-export bias imposed by tariff measures. Current and future trade agreements such as AfCFTA will reduce tariffs over the next decade, but efforts should be made to fast-track tariffs reductions for key imported inputs (chemicals, food additives, packing materials) used by domestic producers and exporters. In terms of non-tariff measures, it would be key to resolve them and curtail the development of new ones.
- b. **Cementing policy coherence and predictability as well as strengthening institutions.** While trade integration can significantly contribute to economic growth and job creation, its success largely depends on the coherence of trade policies with other economic policies and the strength of institutions that implement and regulate these policies. Thus, as Kenya strategically harnesses trade integration measures, auditing as well as maintaining policy coherence and linkages will be essential. Additionally, enhancing tax predictability should become a priority to provide a stable economic environment conducive to trade and investment. Finally, strengthening institutions responsible for trade regulations, such as those overseeing sanitary and phytosanitary measures, will be crucial for effective policy implementation.
- c. **Enhance strategic skills development and multi-faceted support to export orientation.** This involves investing in workforce skills development to stay competitive in the global market, expanding access to finance for businesses and entrepreneurs, and tailoring vocational training programs to meet the needs of high-growth industries like textiles and services. Additionally, supporting innovation through accelerators and incubators, as well as fostering innovation in vulnerable sectors like agriculture to enhance their resilience and competitiveness, will further empower workers and businesses. By adopting this comprehensive strategy, Kenya can prepare its workforce for current and future trade challenges.
- d. **Drawing in more FDI as a lever for optimizing the role of trade integration.** This will require a focus on improving the business enabling environment (including addressing trade facilitation issues) and strengthening Kenya's investment policy and promotion efforts. It will mean drawing on risk-based approaches to improve the policy, legal and regulatory frameworks. It will also require streamlining procedures to reduce bureaucratic red tape that acts as an impediment. To realize this, coordinated and linked-up action will be required at the national, sectoral, and county levels. For example, working at both levels of government and in the prioritized value chains, Kenya could incrementally review the regulatory frameworks to address business entry, establishment and operation complexities, redundancies, and unpredictability. Further, reviewing the investment promotion and facilitation regime to update existing statutes accompanied by institutional strengthening is vital. Building on gains already made, more targeted investor outreach, and enhancing ICT (enhanced interoperability) to ensure a seamless investor journey are key regarding the procedures and processes.
- e. **To mitigate trade and climate-related vulnerabilities.** In the agricultural sector, producers can adopt sustainable agricultural practices and diversify their production to include less climate-sensitive products. Government policies can support these efforts by providing technical assistance, climate-resilient seeds, and financial incentives for sustainable practices. These strategies not only help in adapting to the immediate impacts of climate variability but also contribute to the long-term sustainability and resilience of Kenya's economy.



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ANNEX TABLES

Table A1: Selected economic indicators, 2019-2023

	2019	2020	2021	2022	2023
	Act.	Act.	Act.	Act.	Act.
Output and prices	(Annual percentage change, unless otherwise indicated)				
Real GDP	5.1	-0.3	7.6	4.9	5.6
Agriculture	2.7	4.6	-0.4	-1.5	6.5
Industry	4.0	3.3	7.5	3.9	1.9
Services	6.7	-1.8	9.6	6.6	6.8
Private consumption	5.0	-1.5	6.2	3.1	6.1
Government consumption	5.6	3.1	6.0	8.1	3.5
Gross fixed capital investment	4.5	2.3	10.8	-0.8	1.9
Exports, goods and services	-3.2	-14.9	15.3	11.9	-4.5
Imports, good and services	1.8	-9.4	22.2	4.6	-3.1
GDP deflator	4.3	4.9	4.3	7.0	6.1
CPI (period average)	5.2	5.3	6.1	7.7	7.7
Money and credit	(Annual percentage change, unless otherwise indicated)				
Broad money (M3)	5.6	13.3	6.2	7.5	19.9
Credit to non-government sector	7.1	8.5	8.5	12.5	13.9
Policy rate (CBR)	8.5	7.0	7.0	8.8	12.5
NPLs (percent of total loans)	10.0	12.2	11.1	11.4	13.0
Central government (fiscal year i.e 2019 = 2019/20)	(Percent of GDP, unless otherwise indicated)				
Total revenue & grants	17.1	16.1	17.5	16.7	19.2
Tax revenues	13.0	12.6	13.9	13.3	15.1
Non-tax revenues	3.9	3.3	3.4	3.3	3.8
Grants	0.2	0.3	0.2	0.2	0.3
Expenditure	24.8	24.4	23.8	22.6	24.7
Current	15.5	15.8	16.8	16.2	17.3
Capital	5.7	4.9	4.2	3.5	4.7
Primary balance	-2.8	-3.8	-1.6	-0.8	-1.7
Overall balance including grants	-7.0	-8.2	-6.2	-5.6	-5.5
Financing	7.4	8.4	5.9	5.4	5.5
Net domestic borrowing	4.2	5.5	4.8	3.2	2.9
Foreign financing	3.2	2.8	1.1	2.2	2.6
Public debt stock (fiscal year i.e 2019 = 2019/20)	(Percent of GDP, unless otherwise indicated)				
Public gross nominal debt	63.0	67.7	67.8	72.0	68.0
External debt	33.1	35.2	33.8	38.2	35.5
Domestic debt	29.9	32.5	34.0	33.9	32.6
Memo:					
GDP at current market prices (KES billion)	10,238	10,715	12,028	13,490	15,109

Source: World Bank, National Treasury, Central Bank of Kenya, Kenya National Bureau of Statistics



Table A2: GDP growth rates for Kenya and EAC (2019-2023)

	2019	2020	2021	2022	2023
Kenya	5.1	-0.3	7.6	4.9	5.6
Uganda	6.4	-1.2	5.7	6.4	4.6
Tanzania	5.8	4.8	4.9	4.7	5.2
Rwanda	9.5	-3.4	10.9	8.2	6.2
Burundi	1.8	0.3	3.1	1.8	3.3
Congo (DR)	4.4	1.7	6.2	8.9	6.7
South Sudan	3.2	-6.5	5.3	0.5	3.5

Source: World Bank

Table A3: Kenya annual GDP (2010-2023)

Years	GDP, current prices	GDP, 2016 constant prices	GDP/capita, current prices	GDP growth
	KSh Millions	KSh Millions	US\$	Percent
2010	3,598,000	5,794,000	930	8.1
2011	4,163,000	6,090,000	1,010	5.1
2012	4,767,000	6,368,000	1,060	4.6
2013	5,311,000	6,610,000	1,130	3.8
2014	6,004,000	6,942,000	1,260	5.0
2015	6,884,318	7,287,024	1,330	5.0
2016	7,594,064	7,594,064	1,500	4.2
2017	8,483,396	7,883,816	1,550	3.8
2018	9,340,307	8,330,891	1,730	5.6
2019	10,237,727	8,756,946	1,890	5.1
2020	10,715,070	8,733,060	1,900	(0.3)
2021	12,027,662	9,395,942	2,080	7.6
2022	13,368,340	9,852,583	2,170	4.8
2023	15,108,806	10,399,980		5.6

Source: Kenya National Bureau of Statistics and World Development Indicators



Table A4: Contribution by sub-sectors (percentage points)

Year	Quarterly	Agriculture	Industry by sub sector contribution				Industries	Services by subsector contribution						Other	Services
			Mining and quarrying	Manufacturing	Electricity and water supply	Construction		Accommodation and restaurant	Transport and storage	Real estate	Information and communication	Education	Financial and insurance		
2019	Q1	0.98	-0.01	0.24	0.08	0.32	0.63	0.37	0.16	0.68	0.24	0.52	0.39	1.30	3.67
	Q2	0.69	0.07	0.38	0.04	0.38	0.86	0.49	0.12	0.87	0.18	0.67	0.51	1.34	4.18
	Q3	0.16	0.05	0.24	0.04	0.43	0.76	0.46	0.12	0.49	0.20	0.81	0.47	1.36	3.92
	Q4	0.22	0.06	0.08	0.02	0.39	0.55	0.44	0.21	0.53	0.18	0.44	0.47	1.33	3.61
2020	Q1	0.97	0.07	0.15	0.04	0.54	0.79	0.43	-0.13	0.19	0.24	0.47	0.25	0.79	2.24
	Q2	1.68	0.04	-0.43	-0.11	0.36	-0.14	-0.30	-0.64	-1.73	0.14	0.26	0.26	-1.76	-3.77
	Q3	-0.76	0.05	-0.17	0.02	0.57	0.47	-0.43	-0.70	-1.10	0.14	0.25	0.48	-1.23	-2.58
	Q4	1.51	0.06	0.36	0.12	0.70	1.23	0.16	-0.74	-0.66	0.18	0.84	0.60	-0.48	-0.10
2021	Q1	-0.13	0.11	0.17	0.09	0.35	0.72	0.73	-0.28	-0.79	0.15	0.75	0.39	0.78	1.72
	Q2	-0.43	0.11	0.92	0.18	0.41	1.63	0.80	0.31	1.63	0.34	1.04	0.52	3.19	7.83
	Q3	-0.11	0.16	0.91	0.19	0.43	1.69	0.56	0.59	1.43	0.05	0.91	0.34	2.99	6.88
	Q4	0.37	0.35	0.56	0.10	0.41	1.42	0.59	0.68	0.66	0.23	1.08	0.23	2.35	5.83
2022	Q1	-0.18	0.20	0.31	0.08	0.35	0.93	0.39	0.25	0.60	0.25	1.30	0.37	1.32	4.48
	Q2	-0.44	0.17	0.30	0.14	0.25	0.86	0.29	0.27	0.61	0.30	1.24	0.27	1.08	4.05
	Q3	-0.16	0.17	0.16	0.17	0.22	0.72	0.27	0.15	0.55	0.34	0.76	0.26	1.11	3.44
	Q4	-0.27	-0.12	0.13	0.15	0.14	0.30	0.23	0.25	0.45	0.24	0.83	0.34	1.16	3.49
2023	Q1	1.19	-0.13	0.17	0.09	0.17	0.30	0.26	0.42	0.59	0.30	0.52	0.43	1.24	3.75
	Q2	1.50	-0.10	0.13	0.07	0.15	0.25	0.16	0.39	0.44	0.23	1.17	0.20	1.28	3.87
	Q3	0.74	0.01	0.23	0.09	0.25	0.57	0.25	0.35	0.53	0.29	1.40	0.28	1.52	4.63
	Q4	0.95	-0.07	0.15	0.03	0.13	0.23	0.24	0.24	0.79	0.37	0.62	0.21	1.35	3.82

Source: World Bank, based on data from Kenya National Bureau of Statistics

Note: Other = Wholesale and retail trade + Public administration + Professional, administration and support services + Education + Health + Other services + FISIM

Table A5: National fiscal position

Actual (percent of GDP)	2019/20	2020/21	2021/22	2022/23	2023/24*
Revenue and grants	17.1	16.1	17.5	16.7	19.2
Total revenue	16.9	15.9	17.3	16.5	18.9
Tax revenue	13.0	12.6	13.9	13.2	15.1
Income tax	6.7	6.1	6.9	6.6	7.4
VAT	3.6	3.6	4.1	3.9	4.4
Import duty	0.9	1.0	0.9	0.9	1.1
Excise duty	1.8	1.9	2.0	1.9	2.2
Other revenues	1.8	1.2	1.2	1.1	0.9
Railway levy					
Appropriation in aid	2.1	2.1	2.2	2.2	2.9
Grants	0.2	0.3	0.2	0.2	0.3
Expenditure and net lending	24.8	24.4	23.8	22.6	24.7
Recurrent	16.0	15.9	16.8	16.2	17.3
Wages and salaries	4.2	4.3	4.1	3.8	3.7
Interest payments	4.1	4.4	4.5	4.8	5.7
Other recurrent	7.6	7.3	8.1	7.5	8.0
Development and net lending	5.7	4.9	4.2	3.5	4.7
County allocation	3.1	3.5	2.8	2.9	2.6
Parliamentary service	0.3	0.3	0.3	0.3	0.2
Judicial service	0.1	0.1	0.1	0.1	0.1
Equalization of funds	0.0	0.0	0.0	0.0	0.1
Fiscal balance					
Deficit including grants (cash basis)	-7.5	-8.2	-6.2	-5.6	-5.5
Financing	7.4	8.4	5.9	5.4	5.5
Foreign financing	3.2	2.8	1.1	2.2	2.6
Domestic financing	4.2	5.5	4.8	3.2	2.9
Total public debt (gross)	63.0	67.7	67.8	72.0	68.0
External debt	33.1	35.2	33.8	38.2	35.5
Domestic debt	29.9	32.5	34.0	33.9	32.6
Memo:					
GDP (Fiscal year current market prices, Ksh bn)	10,621	11,370	12,736	14,274	16,132

Source: National Treasury, Quarterly Budgetary Economic Review (Q3, 2023/24) and Budget Policy Statement 2024
Note: *indicate Preliminary results



Table A6: 12-months cumulative balance of payments

BPM6 Concept (US\$ million)

	2019	2020	2021	2022	2023
A. Current Account, n.i.e.	(5,258)	(3,730)	(5,596)	(5,889)	(4,317)
Merchandise A/C	(10,683)	(8,336)	(11,151)	(11,923)	(10,022)
Goods: exports f.o.b.	5,871	6,051	6,788	7,419	7,220
Goods: imports f.o.b.	16,554	14,387	17,939	19,342	17,242
Oil	3,310	2,185	3,480	5,548	4,802
Services	1,746	332	966	1,271	602
Services: credit	5,601	3,653	5,025	6,534	5,405
Services: debit	3,855	3,321	4,059	5,263	4,803
Income	5,284	4,951	6,118	6,522	6,990
B. Capital Account, n.i.e.	207	132	196	140	123
C. Financial Account, n.i.e.	(4,824)	(1,873)	(5,513)	(4,144)	(2,751)
Direct investment: net	(433)	387	384	(250)	(228)
Portfolio investment: net	(458)	1,313	199	707	645
Financial derivatives: net	(7)	(12)	23	(21)	86
Other investment: net	(3,925)	(3,561)	(6,118)	(4,579)	(3,254)
D. Net Errors and Omissions	1,320	293	710	(528)	479
E. Overall Balance	(1,092)	1,432	(822)	2,134	964
F. Reserves and Related Items	1,092	(1,432)	822	(2,134)	(964)
Reserve assets	938	(822)	1,161	(1,495)	575
Credit and loans from the IMF	154	(611)	(843)	(639)	389
Exceptional financing	-	-	504		
Gross Reserves (US\$ million)	12,782	13,194	14,493	12,085	13,246
Official	9,048	8,500	9,784	7,969	6,875
Commercial Banks	3,735	4,695	4,708	4,115	6,371
Imports cover (36 months import)	5.5	5.1	5.6	4.5	4.1
Memo:					
Annual GDP at Current prices (US\$ million)	100,380	100,639	109,691	114,445	108,036

Source: Kenya National Bureau of Statistics (Economic Survey 2024)



Table A7: Inflation

Year	Month	Overall Inflation	Food Inflation	Energy Inflation	Core Inflation
2021	January	5.7	7.4	8.7	2.7
	February	5.8	6.9	10.1	2.7
	March	5.9	6.7	11.1	2.7
	April	5.8	6.4	10.5	2.7
	May	5.9	7.0	10.0	2.8
	June	6.3	8.5	9.5	2.8
	July	6.4	8.8	8.2	3.0
	August	6.6	10.7	6.5	2.7
	September	6.9	10.6	7.6	2.9
	October	6.5	10.6	7.0	2.4
	November	5.8	9.9	7.2	2.0
	December	5.7	9.1	7.2	1.9
2022	January	5.4	8.9	6.0	1.9
	February	5.1	8.7	4.7	2.0
	March	5.6	9.9	4.3	2.2
	April	6.5	12.2	6.2	2.4
	May	7.1	12.4	6.2	2.6
	June	7.9	13.8	7.0	3.0
	July	8.3	15.3	6.3	3.1
	August	8.5	15.3	6.6	3.4
	September	9.2	15.5	8.8	3.6
	October	9.6	15.8	9.4	4.0
	November	9.5	15.4	8.9	4.3
	December	9.1	13.8	9.6	4.3
2023	January	9.0	12.8	10.2	4.7
	February	9.2	13.3	10.3	4.8
	March	9.2	13.4	10.1	4.7
	April	7.9	10.1	9.7	4.8
	May	8.0	10.2	9.9	4.3
	June	7.9	10.3	9.4	4.1
	July	7.3	8.6	10.4	3.8
	August	6.7	7.5	10.3	3.7
	September	6.8	7.9	9.7	3.7
	October	6.9	7.8	10.7	3.8
	November	6.8	7.6	11.1	3.7
	December	6.6	7.7	10.2	3.4
2024	January	6.9	7.9	10.0	3.6
	February	6.3	6.9	9.6	3.6
	March	5.7	5.8	12.1	3.6
	April	5.0	5.6	6.5	3.5

Source: World Bank, based on data from Kenya National Bureau of Statistics



Table A8: Credit to private sector growth (%)

Year	Month	Total Private sector annual growth rates	Agriculture	Manufacturing	Trade	Building and construction	Transport and communication	Finance and insurance	Real estate	Mining and quarrying	Private house-holds	Consumer durables	Business services	Other activities
2021	January	9.3	15.6	12.6	5.5	2.5	14.4	14.0	8.8	-6.1	4.7	18.7	6.5	5.8
	February	9.6	13.4	15.8	3.9	5.2	19.0	9.0	8.8	21.6	4.2	20.3	5.0	3.8
	March	7.7	12.3	10.7	2.1	2.9	17.4	7.5	7.7	-3.6	2.9	17.6	5.7	5.2
	April	6.7	10.0	4.0	0.9	3.4	13.3	7.6	5.8	-8.8	4.5	19.3	7.2	24.3
	May	7.1	4.3	1.5	3.8	4.5	16.3	6.7	5.7	-18.1	3.1	22.0	6.9	39.8
	June	7.7	3.7	8.1	1.9	2.0	11.8	11.5	4.0	-13.0	3.2	23.4	5.2	65.2
	July	6.1	2.8	9.4	1.3	0.4	0.2	8.9	3.2	-22.1	2.4	21.7	4.9	58.0
	August	7.0	1.4	9.3	2.7	1.7	11.8	7.7	2.8	-23.1	2.0	20.1	5.8	56.0
	September	7.7	3.3	9.8	4.7	0.5	10.9	11.7	2.9	-8.4	2.6	17.6	7.6	59.5
	October	7.8	2.7	10.9	5.5	-0.5	9.6	8.9	2.4	6.2	2.7	16.5	8.2	64.1
	November	7.7	1.3	11.5	6.1	2.8	8.3	7.1	1.1	8.3	3.3	15.3	10.8	55.2
	December	8.6	0.5	13.1	8.5	1.9	14.3	5.8	0.6	42.9	3.7	15.0	9.5	38.9
2022	January	8.8	1.3	9.7	9.6	2.9	20.7	3.5	0.5	24.9	4.3	14.6	8.4	46.8
	February	9.1	3.0	7.6	8.9	7.9	24.1	3.6	0.7	-10.7	5.0	14.0	11.6	49.7
	March	10.9	7.7	9.9	10.4	6.4	25.0	3.6	0.5	-4.9	7.5	15.6	14.7	60.5
	April	11.5	6.4	12.0	10.7	8.2	28.9	5.8	0.8	28.3	6.7	16.1	12.2	53.6
	May	11.9	11.6	15.5	9.1	9.0	26.5	5.3	0.8	47.9	7.5	15.1	11.3	57.5
	June	12.3	12.5	15.2	11.6	13.9	22.2	6.5	0.5	28.5	6.1	14.7	15.2	57.2
	July	14.2	10.8	16.1	15.2	14.1	27.0	2.8	1.7	78.6	7.6	14.8	16.9	69.8
	August	12.5	19.2	15.2	13.3	11.5	13.5	1.2	1.0	97.2	7.8	14.3	16.1	60.8
	September	12.9	17.0	14.2	16.4	12.5	21.6	0.2	0.1	57.4	7.8	14.4	12.5	53.8
	October	13.3	21.7	17.5	15.3	8.0	22.8	5.4	1.6	53.5	5.9	14.0	13.2	49.8
	November	12.5	20.3	14.9	14.3	6.0	21.8	4.4	2.8	58.3	6.0	12.6	14.5	44.8
	December	12.5	22.3	13.8	11.4	8.2	23.5	7.6	3.2	31.3	8.2	12.9	13.7	41.8
2023	January	11.5	20.7	13.8	11.1	5.8	16.6	6.7	3.3	54.2	7.8	12.5	13.7	33.3
	February	11.7	18.0	15.2	11.8	3.0	16.5	21.1	2.9	97.7	7.8	12.4	13.5	15.3
	March	11.6	14.9	15.8	11.9	5.8	17.4	28.4	2.3	83.2	7.2	12.7	9.3	11.9
	April	13.2	16.9	21.7	13.7	4.2	18.0	32.3	2.4	55.6	5.0	13.3	12.5	20.6
	May	13.2	18.3	19.3	15.4	5.1	22.0	32.7	1.9	41.3	7.0	11.9	13.5	6.8
	June	12.2	18.6	18.0	10.2	4.9	19.8	29.7	3.7	24.0	8.4	12.0	12.1	8.7
	July	10.3	19.0	14.7	7.4	1.9	16.4	35.4	3.0	16.7	7.0	12.9	10.7	0.5
	August	12.6	14.9	19.6	9.4	2.7	24.9	38.7	3.7	23.7	7.8	12.7	8.1	10.8
	September	12.2	15.3	22.0	7.1	7.9	18.5	40.8	7.6	20.7	7.0	10.5	11.7	-0.8
	October	12.5	18.5	18.4	9.9	13.0	16.2	41.6	6.5	5.9	8.3	10.8	8.3	7.1
	November	13.2	23.7	20.0	10.2	3.6	22.9	38.9	6.5	11.8	7.8	11.1	7.2	12.8
	December	13.9	23.4	20.9	13.1	8.6	20.8	60.2	7.1	15.1	2.5	9.9	7.7	16.4
2024	January	13.8	32.5	23.1	12.9	3.1	16.6	32.8	8.0	8.0	7.3	9.3	9.5	15.8
	February	10.3	28.2	13.6	10.7	4.1	7.5	16.9	6.1	4.3	8.9	7.4	3.3	29.6

Source: Central Bank of Kenya

Table A9: Mobile payments

Year	Month	Number of agents	Number of customers (Millions)	Number of transactions (Millions)	Value of transactions (Billions)
2021	January	287,410	66.6	173.9	590.4
	February	294,111	67.2	164.2	568.0
	March	293,403	65.9	182.3	537.8
	April	294,706	67.1	173.4	502.2
	May	298,883	67.8	180.8	536.7
	June	301,457	67.8	175.8	532.6
	July	303,718	68.5	184.0	588.0
	August	304,822	68.1	184.5	586.5
	September	305,831	67.7	180.9	585.4
	October	295,105	66.9	190.1	618.1
	November	299,053	67.2	186.0	601.0
	December	298,272	68.0	189.8	622.1
2022	January	299,860	68.3	181.9	585.8
	February	301,108	67.9	171.4	568.7
	March	302,837	68.6	195.8	664.3
	April	295,237	68.7	188.2	663.5
	May	305,830	70.0	193.0	692.6
	June	304,693	70.3	186.2	665.1
	July	309,856	71.6	194.8	722.5
	August	310,450	70.1	184.8	677.4
	September	308,799	71.7	189.7	674.5
	October	311,957	73.2	196.9	646.5
	November	315,240	73.2	190.5	639.8
	December	317,983	73.1	207.0	708.1
2023	January	319,079	74.4	198.3	589.3
	February	323,613	74.0	184.8	578.1
	March	321,149	73.7	204.8	645.8
	April	329,968	76.0	195.0	615.3
	May	334,726	77.3	205.9	670.4
	June	328,543	77.0	197.4	643.8
	July	330,912	77.2	202.9	684.6
	August	333,428	77.6	208.6	666.6
	September	336,033	77.1	201.6	660.8
	November	327,928	77.1	201.3	707.6
	December	322,404	77.3	213.3	788.4
	2024	January	321,340	76.8	211.6
February		320,182	77.3	213.3	790.8

Source: Central Bank of Kenya



Table A10: Exchange rate

Year	Month	USD	UK Pound	Euro
2021	January	109.8	149.7	133.8
	February	109.7	151.8	132.6
	March	109.7	152.2	130.9
	April	107.9	149.3	129.1
	May	107.4	151.1	130.4
	June	107.8	151.4	130.1
	July	108.1	149.4	127.9
	August	109.2	150.9	128.6
	September	110.2	151.5	129.8
	October	110.9	151.6	128.6
	November	111.9	151.0	127.9
	December	112.9	150.2	127.6
2022	January	113.4	153.6	128.4
	February	113.7	153.7	128.8
	March	114.3	151.0	126.2
	April	115.4	150.1	125.5
	May	116.3	145.1	123.0
	June	117.3	144.8	124.1
	July	118.3	141.8	120.7
	August	119.4	143.5	121.0
	September	120.4	136.7	119.3
	October	121.0	136.6	119.0
	November	121.9	143.0	124.2
	December	122.9	149.8	130.8
2023	January	123.9	151.3	133.4
	February	125.4	151.9	134.5
	March	129.7	157.4	138.8
	April	134.4	167.3	147.4
	May	137.3	171.3	149.2
	June	139.7	176.3	151.4
	July	141.4	182.1	156.3
	August	143.9	182.9	157.1
	September	146.8	182.3	156.9
	October	149.4	181.9	157.8
	November	152.0	188.6	164.2
	December	154.1	195.0	168.0
2024	January	159.7	202.9	174.3
	February	151.8	191.7	163.8
	March	137.4	174.6	149.3
	April	131.5	164.7	141.1

Source: Central Bank of Kenya



Table A11: Nairobi securities exchange

(NSE 20 Share Index, Jan 1966=100, End - month)

Year	Month	NSE 20 share index
2021	January	1,882
	February	1,916
	March	1,846
	April	1,867
	May	1,872
	June	1,928
	July	1,974
	August	2,021
	September	2,031
	October	1,961
	November	1,871
	December	1,903
2022	January	1,889
	February	1,887
	March	1,847
	April	1,801
	May	1,682
	June	1,613
	July	1,701
	August	1,751
	September	1,718
	October	1,678
	November	1,638
	December	1,676
2023	January	1,657
	February	1,647
	March	1,622
	April	1,579
	May	1,546
	June	1,575
	July	1,577
	August	1,540
	September	1,508
	October	1,461
	November	1,496
	December	1,501
2024	January	1,509
	February	1,536
	March	1,752
	April	1,667

Source: Central Bank of Kenya



Table A12: Central bank rate and Treasury bills

Year	Month	Central Bank Rate	91-Treasury Bill	182-Treasury Bill	364-Treasury Bill
2021	January	7.0	6.9	7.5	8.4
	February	7.0	6.9	7.6	8.8
	March	7.0	7.0	7.8	9.1
	April	7.0	7.1	7.9	9.4
	May	7.0	7.2	8.0	9.4
	June	7.0	7.0	7.6	8.4
	July	7.0	6.6	7.1	7.5
	August	7.0	6.6	7.1	7.4
	September	7.0	6.8	7.3	7.8
	October	7.0	7.0	7.4	8.1
	November	7.0	7.1	7.7	8.7
	December	7.0	7.3	7.9	9.1
2022	January	7.0	7.3	8.1	9.5
	February	7.0	7.3	8.1	9.7
	March	7.0	7.3	8.1	9.8
	April	7.0	7.4	8.3	9.7
	May	7.5	7.7	8.7	9.9
	June	7.5	7.9	9.1	10.0
	July	7.5	8.2	9.3	10.0
	August	7.5	8.6	9.4	9.9
	September	8.3	8.9	9.6	9.9
	October	8.3	9.1	9.7	9.9
	November	8.8	9.2	9.7	10.2
	December	8.8	9.4	9.8	10.3
2023	January	8.8	9.4	9.9	10.4
	February	8.8	9.6	10.1	10.6
	March	9.5	9.8	10.3	10.8
	April	9.5	10.0	10.5	10.9
	May	9.5	10.5	10.8	11.3
	June	10.5	11.5	11.5	11.7
	July	10.5	12.1	12.2	12.5
	August	10.5	13.9	13.2	13.6
	September	10.5	14.6	14.4	14.6
	October	10.5	15.0	15.0	15.3
	November	10.5	15.3	15.4	15.6
	December	12.5	15.7	15.6	15.8
2024	January	12.5	16.1	16.1	16.3
	February	13.0	16.5	16.7	16.8
	March	13.0	16.7	16.9	17.0

Source: Central Bank of Kenya



Table A13: Interest rates

Year	Month	Short-term			Long-term			
		Interbank	91-Treasury Bill	Central Bank Rate	Average deposit rate	Savings	Overall weighted lending rate	Interest Rate Spread
2021	January	5.1	6.9	7.0	6.3	2.7	12.0	5.7
	February	4.5	6.9	7.0	6.5	3.4	12.0	5.6
	March	5.2	7.0	7.0	6.5	3.5	12.0	5.6
	April	5.1	7.1	7.0	6.3	2.7	12.1	5.8
	May	4.6	7.1	7.0	6.3	2.5	12.1	5.8
	June	4.6	7.0	7.0	6.4	2.5	12.0	5.6
	July	4.2	6.6	7.0	6.3	2.5	12.1	5.8
	August	3.1	6.6	7.0	6.3	2.6	12.1	5.8
	September	4.7	6.8	7.0	6.3	2.6	12.1	5.8
	October	5.3	7.0	7.0	6.4	2.6	12.1	5.7
	November	5.0	7.1	7.0	6.4	2.6	12.1	5.7
	December	5.2	7.3	7.0	6.5	2.6	12.2	5.7
2022	January	4.3	7.3	7.0	6.5	2.5	12.1	5.6
	February	4.7	7.3	7.0	6.6	2.6	12.2	5.6
	March	4.8	7.3	7.0	6.5	2.5	12.2	5.7
	April	4.7	7.4	7.0	6.6	2.6	12.2	5.6
	May	4.6	7.7	7.5	6.6	2.5	12.2	5.6
	June	5.0	7.9	7.5	6.6	2.5	12.3	5.7
	July	5.5	8.2	7.5	6.7	2.9	12.3	5.6
	August	5.4	8.6	7.5	6.9	3.5	12.4	5.5
	September	4.4	8.9	8.3	6.8	3.4	12.4	5.6
	October	5.1	9.1	8.3	7.0	3.5	12.4	5.4
	November	4.5	9.2	8.8	7.1	3.5	12.6	5.5
	December	5.3	9.4	8.8	7.2	3.6	12.7	5.5
2023	January	5.9	9.4	8.8	7.5	3.6	12.8	5.3
	February	6.4	9.6	8.8	7.5	3.6	13.1	5.5
	March	7.1	9.8	9.5	7.6	3.5	13.1	5.5
	April	8.5	10.0	9.5	7.7	3.6	13.1	5.4
	May	9.4	10.5	9.5	7.7	3.5	13.2	5.5
	June	9.5	11.5	10.5	7.8	3.9	13.3	5.5
	July	10.0	12.1	10.5	8.1	4.0	13.5	5.4
	August	12.5	13.9	10.5	8.4	4.1	13.8	5.4
	September	12.3	14.6	10.5	8.6	4.0	14.0	5.3
	October	12.3	15.0	10.5	9.1	4.0	14.2	5.0
	November	11.3	15.3	10.5	9.5	4.0	14.4	4.9
	December	11.5	15.7	12.5	10.1	4.2	14.6	4.5
2024	January	13.6	16.1	12.5	10.2	3.7	15.2	5.0
	February	13.6	16.5	13.0	10.3	3.3	15.5	5.2
	March	13.5	16.7	13.0				

Source: Central Bank of Kenya



Table A14: Money aggregate (Growth rate y-o-y)

Year	Growth rates (yoy)	Money supply, M1	Money supply, M2	Money supply, M3
2021	January	12.6	11.0	13.2
	February	10.6	9.9	12.4
	March	7.6	7.7	10.1
	April	7.7	7.9	9.3
	May	7.8	6.9	7.6
	June	5.1	4.6	6.4
	July	6.3	5.6	6.9
	August	10.0	8.8	10.0
	September	6.3	7.2	8.7
	October	4.9	6.6	7.3
	November	3.5	6.1	7.1
	December	7.4	5.6	6.1
2022	January	4.5	4.6	4.7
	February	5.6	4.7	4.4
	March	4.6	4.9	4.7
	April	8.6	6.3	6.9
	May	7.8	5.8	6.8
	June	7.2	5.2	7.4
	July	12.4	5.0	7.6
	August	4.9	2.6	5.1
	September	8.2	4.3	6.1
	October	4.7	2.7	5.2
	November	4.4	3.0	5.3
	December	6.4	5.3	7.1
2023	January	8.6	6.9	9.2
	February	4.9	5.5	8.8
	March	5.0	5.9	10.6
	April	3.1	4.7	9.4
	May	2.4	5.3	10.4
	June	10.0	8.5	13.4
	July	5.8	8.4	14.3
	August	10.1	9.8	17.5
	September	5.3	9.7	19.5
	October	5.4	10.1	20.4
	November	5.8	10.4	21.1
	December	3.7	9.3	21.2
2024	January	5.1	9.1	21.6
	February		9.0	18.3

Source: Central Bank of Kenya and World Bank



Table A15: Coffee production and exports

Year	Month	Production MT	Price KSh/Kg	Exports MT	Exports value KSh Million
2021	January	3,824	697	2,129	1,342
	February	5,325	664	3,481	2,161
	March	4,318	544	6,065	4,557
	April	2,196	436	3,337	2,307
	May			4,430	3,010
	June	502	551	3,437	2,272
	July	1,278	674	2,696	1,764
	August	1,479	684	2,504	1,658
	September	1,889	664	2,480	1,735
	October	999	671	2,432	1,674
	November	3,539	775	2,170	1,740
	December	2,816	789	2,314	1,919
2022	January	5,990	762	3,239	2,634
	February	6,271	730	4,618	3,546
	March	6,646	571	4,067	3,416
	April	1,846	519	5,749	4,468
	May	491	424	5,903	4,877
	June	304	627	4,945	3,818
	July	2,111	664	5,179	3,824
	August	4,380	637	3,213	2,482
	September	3,409	589	3,172	2,365
	October	3,015	494	3,224	2,412
	November	1,775	433	3,654	2,388
	December	1,613	463	2,224	1,416
2023	January	4,440	603	1,921	1,217
	February	5,598	680	3,878	2,569
	March	5,073	622	5,486	3,851
	April	4,407	566	5,428	3,896
	May	1,374	604	6,359	4,745
	June	**	**	7,078	5,001
	July	**	**	6,175	4,192
	August	154	656	4,652	3,264
	September	340	685	2,967	2,024
	October	1,419	595	1,705	1,269
	November	1,677	560	1,695	1,358
	December	3,039	589	1,478	1,226
2024	January	4,553	684	2,686	2,112
	February	4,824	775	2,745	2,134
	March	5,070	665	4,291	3,350

Source: Kenya National Bureau of Statistics



Table A16: Tea production and exports

Year	Month	Production MT	Price KSh/Kg	Exports MT	Exports value KSh Million
2021	January	48,896	223	48,812	11,379
	February	43,399	230	50,390	11,726
	March	48,693	219	53,432	12,673
	April	44,299	207	51,899	11,576
	May	45,322	205	50,042	11,071
	June	43,469	196	43,993	9,548
	July	34,732	189	43,844	9,204
	August	33,635	230	44,421	9,874
	September	43,185	244	36,308	8,566
	October	48,957	268	40,078	10,316
	November	50,719	278	45,318	12,181
	December	52,526	296	47,922	12,725
2022	January	48,683	294	45,585	12,629
	February	40,826	311	44,093	13,303
	March	46,321	301	46,044	13,559
	April	41,171	304	43,446	12,769
	May	50,093	280	47,380	13,777
	June	43,268	286	46,795	13,693
	July	33,854	280	45,584	13,465
	August	35,895	286	42,940	12,604
	September	38,196	284	48,312	14,168
	October	50,466	298	41,077	12,253
	November	49,220	304	51,641	16,035
	December	55,323	294	47,848	14,892
2023	January	54,919	289	44,556	13,520
	February	32,730	291	44,329	13,511
	March	30,489	311	50,831	16,191
	April	49,491	321	37,025	12,180
	May	57,886	300	48,229	16,176
	June	48,128	292	45,318	15,446
	July	44,697	291	39,944	12,910
	August	45,578	324	58,591	20,193
	September	48,497	329	47,807	16,980
	October	52,793	323	45,360	16,112
	November	50,906	330	49,507	17,768
	December	54,336	337	46,525	17,284
2024	January	58,967	349	51,188	18,268
	February	55,447	339	59,044	20,430
	March			59,599	19,070

Source: Kenya National Bureau of Statistics



Table A17: Local electricity generation by source

Year	Month	Hydro	Geo-thermal	Thermal	Wind	Solar	Co-generation	Total
2021	January	330	465	75	138	7	0	1015
	February	281	422	106	110	7	0	926
	March	305	461	63	200	8	0	1037
	April	308	425	60	165	7	0	964
	May	369	385	116	130	8	0	1008
	June	318	409	84	185	7	0	1003
	July	286	463	123	153	13	0	1037
	August	274	453	109	190	17	0	1043
	September	262	440	107	187	18	0	1014
	October	309	388	118	201	23	0	1039
	November	293	378	135	196	23	0	1025
	December	339	349	167	131	28	0	1014
2022	January	320	311	206	156	32	0	1026
	February	244	305	224	123	30	0	926
	March	243	410	170	202	35	0	1061
	April	229	441	126	179	31	0	1006
	May	284	521	80	153	33	0	1071
	June	265	494	83	181	28	0	1051
	July	252	521	104	208	25	0	1111
	August	257	513	121	186	22	0	1099
	September	244	488	118	201	26	0	1077
	October	247	478	97	237	39	0	1098
	November	233	494	124	177	39	0	1067
	December	221	541	133	139	42	0	1076
2023	January	185	525	107	203	47	0	1067
	February	113	472	142	191	43	-	961
	March	126	509	167	152	41	-	995
	April	191	476	120	157	39	-	983
	May	238	511	95	182	44	-	1070
	June	258	505	68	168	37	-	1035
	July	279	495	108	198	38	0	1119
	August	259	523	90	187	41	0	1099
	September	247	512	130	141	39	0	1070
	October	205	510	141	183	43	0	1082
	November	288	495	68	160	36	-	1046
	December	274	498	70	86	44	-	971
2024	January	255	507	91	136	38	-	1026
	February	262	447	75	156	40	-	979
	March	291	443	79	199	40	-	1052

Source: Kenya National Bureau of Statistics



Table A18: Soft drinks, sugar, galvanized sheets and cement production

Year	Month	Soft drinks litres (thousands)	Sugar MT	Galvanized sheets MT	Cement MT
2021	January	50,153	58,368	18,631	669,530
	February	42,749	61,508	20,762	612,980
	March	53,157	66,326	21,781	721,444
	April	43,742	58,444	21,572	695,953
	May	38,327	57,651	21,165	717,669
	June	46,518	59,226	22,365	698,424
	July	33,864	57,276	20,432	876,998
	August	42,744	64,244	19,744	896,825
	September	53,923	45,348	17,581	866,344
	October	52,394	49,869	20,111	892,975
	November	55,226	59,467	25,926	807,553
	December	57,993	62,514	20,348	791,050
2022	January	46,537	64,839	21,546	855,883
	February	44,407	64,191	21,671	818,496
	March	61,898	79,438	19,616	911,250
	April	45,868	68,483	19,479	842,239
	May	44,289	63,209	23,383	752,698
	June	45,640	70,376	22,073	773,153
	July	35,855	70,278	20,895	804,401
	August	38,842	46,460	17,064	745,559
	September	50,841	61,477	21,833	829,930
	October	50,393	76,533	19,951	824,474
	November	52,363	67,990	20,589	821,765
	December	62,536	63,279	17,686	774,124
2023	January	52,601	81,648	17,350	785,773
	February	47,725	67,486	22,457	724,164
	March	56,068	49,761	22,373	820,772
	April	40,314	31,971	21,404	745,106
	May	36,206	31,495	23,555	786,702
	June	41,653	34,072	21,100	794,700
	July	32,393	33,246	24,337	844,237
	August	36,511	27,680	23,943	872,135
	September	56,434	16,760	23,443	834,651
	October	48,602	24,597	24,178	836,384
	November	53,069	25,179	23,847	813,372
	December	78,974	48,877	24,555	758,055
2024	January		60,680		
	February		63,075		
	March		69,520		

Source: Kenya National Bureau of Statistics



Table A19: Tourism arrivals

Year	Month	JKIA	MIA	TOTAL
2021	January	43,234	3,045	46,279
	February	32,047	3,005	35,052
	March	37,214	3,194	40,408
	April	27,850	3,037	30,887
	May	32,153	1,735	33,888
	June	46,494	2,038	48,532
	July	64,493	4,532	69,025
	August	72,291	6,257	78,548
	September	66,667	3,633	70,300
	October	67,608	5,201	72,809
	November	71,271	5,435	76,706
	December	82,867	7,637	90,504
2022	January	63,277	6,655	69,932
	February	67,560	6,390	73,950
	March	76,336	5,073	81,409
	April	77,379	3,949	81,328
	May	87,058	3,429	90,487
	June	103,332	4,834	108,166
	July	118,347	6,580	124,927
	August	103,163	7,892	111,055
	September	100,682	6,240	106,922
	October	105,318	8,663	113,981
	November	96,533	11,321	107,854
	December	113,630	15,086	128,716
2023	January	112,927	15,845	128,772
	February	107,998	15,062	123,060
	March	104,799	13,939	118,738
	April	92,492	7,571	100,063
	May	101,105	5,760	106,865
	June	133,509	8,081	141,590
	July	155,758	12,607	168,365
	August	155,359	16,701	172,060
	September	133,400	12,277	145,677
	October	128,399	13,843	142,242
	November	118,424	15,182	133,606
	December	134,226	20,057	154,283
2024	January	110,186	24,479	134,665

Source: Kenya National Bureau of Statistics
Note: JKIA (Jomo Kenyatta International Airport, MIA (Moi International Airport)



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