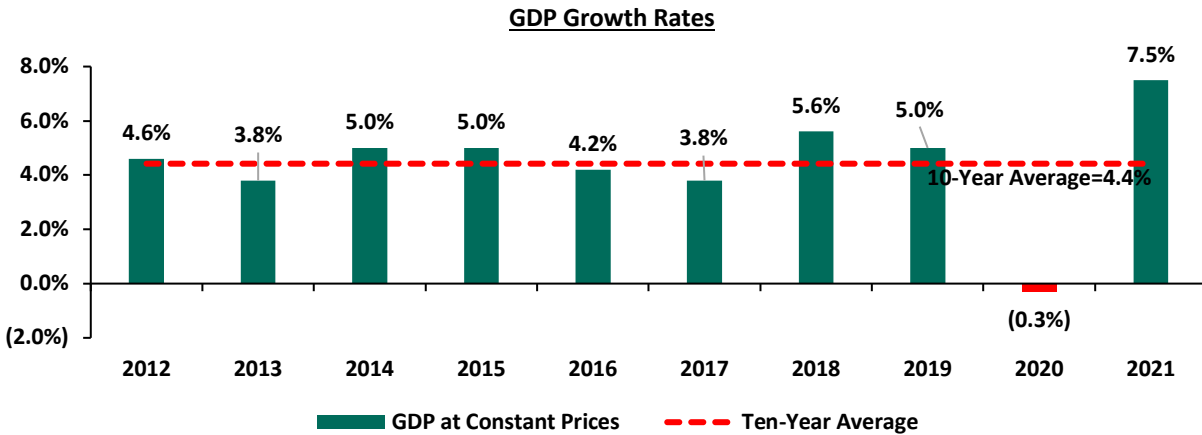


Kenya FY'2021 GDP Growth

According to Kenya National Bureau of Statistics (KNBS) [Economic Survey 2022](#) the Kenyan economy recorded a 7.5% expansion in FY'2021, up from the 0.3% contraction recorded in FY'2020. The growth was mainly driven by the resumption of most economic activities following the lifting of COVID-19 containment measures put in place in 2020 to curb the spread of the virus, which led to the recovery of most sectors of the economy. The average GDP growth rate for the last ten years is a growth of 4.4%. The chart below shows the overall Gross Domestic Product (GDP) performance over the last 10 years:



The table below shows the growth of the various sectors and their overall contribution to GDP:

Sector	Contribution FY'2020	Contribution FY'2021*	FY'2020 Growth	FY'2021 Growth	Weighted Growth Rate FY'2020	Weighted Growth Rate FY'2021
Agriculture and Forestry	22.6%	22.6%	4.6%	(0.2%)	1.0%	(0.0%)
Transport and Storage	10.7%	11.4%	(7.8%)	7.2%	(0.8%)	0.8%
Real estate	9.3%	8.9%	4.1%	6.7%	0.4%	0.6%
Taxes on Products	8.1%	8.2%	(8.1%)	11.9%	(0.7%)	1.0%
Wholesale and retail trade	8.1%	7.9%	(0.5%)	7.9%	(0.0%)	0.6%
Manufacturing	7.6%	7.2%	(0.4%)	6.9%	(0.0%)	0.5%
Financial & Insurance	6.8%	7.1%	5.9%	12.5%	0.4%	0.9%
Construction	7.0%	7.0%	10.1%	6.6%	0.7%	0.5%
Public administration	5.5%	5.2%	7.0%	5.6%	0.4%	0.3%
Education	3.9%	4.3%	(9.3%)	21.4%	(0.4%)	0.9%
Information and Communication	2.6%	2.4%	6.3%	8.8%	0.2%	0.2%
Professional administration	2.4%	2.3%	(11.5%)	5.7%	(0.3%)	0.1%
Health	2.0%	1.9%	5.7%	6.0%	0.1%	0.1%
Electricity and Water Supply	1.5%	1.5%	(0.4%)	4.4%	(0.0%)	0.1%
Accommodation & Food Services	0.7%	1.0%	(47.7%)	52.5%	(0.3%)	0.5%
Mining and quarrying	0.7%	0.8%	5.5%	18.1%	0.0%	0.1%
Financial Services Indirectly Measured	(2.0%)	(2.0%)	(1.8%)	5.5%	0.0%	(0.1%)

Other services	2.7%	2.5%	(19.5%)	18.9%	(0.5%)	0.5%
GDP at Market Prices	100.0%	100.0%	(0.3%)	7.5%	(0.3%)	7.5%
<i>*Provisional figures</i>						

The key take-outs from the report are:

- **Sectoral Contribution to Growth** - The biggest gainers in terms of sectoral contribution to GDP was transport and storage increasing by 0.7% points to 11.4%, from 10.7% FY'2020, respectively. On the other hand, real estate and manufacturing were the largest decliners, both declining by 0.4% points to 8.9% and 7.2%, from 9.3% and 7.6%, respectively in FY'2020. The accommodation and food services sector recorded the highest growth rate in FY'2021 growing by 52.5% compared to the 47.7% contraction recorded in FY'2020. The growth was mainly attributable to the reopening of Kenya's trading partners, relaxation of most restrictions such as public gathering and travel restrictions on the back of the positive vaccine rollout,
- **Subdued Growth In the Agricultural Sector** – Agriculture, Forestry and Fishing activities recorded a decline of 0.2% in FY'2021 compared to a 4.2% growth in FY'2020 attributable to the erratic and poorly distributed long rains, as well as insufficient short rains that led to reduced production. Notably, there was a decline in production of the key food crops while production of cash crops recorded mixed performance. However, the sector's performance was supported by an increase in the volume of sugar cane deliveries, horticultural exports and marketed milk:
 - i. The volume of horticultural exports increased by 29.3% to 405.5 thousand tonnes, from 313.6 thousand tonnes in 2020. Similarly, earnings from horticulture exports increased by 5.0% to Kshs 157.7 bn in 2021, from Kshs 150.2 bn, in FY'2020. Export earnings from cut flowers increased by 3.1% to Kshs 110.8 bn in 2021, from Kshs 107.5 bn accounting for 70.3% of total fresh horticulture export earnings. The increase in export earnings from cut flowers was attributed to better prices offered in the export market in the review period,
 - ii. The volume of marketed milk increased by 17.5% to Kshs 801.9 mn litres, from Kshs 682.3 mn litres in FY'2020,
 - iii. Cane deliveries increased by 14.7% to 7.9 mn tonnes from 6.8 mn tonnes, in FY'2020 attributable to improved cane availability in most of the sugar zones, and,
 - iv. Tea production declined by 5.6% to 537.8 thousand tonnes, from 569.5 thousand tonnes in FY'2020 while coffee production increased by 15.6% to 28.8 thousand tonnes, from 24.4 thousand tonnes in FY'2020 attributable to the hike in prices.
- **Growth in the manufacturing sector** - The manufacturing sector reported a growth of 6.9% in FY'2021 compared to a 0.4% contraction in a similar period of review in 2020, primarily due to the relaxation of COVID-19 containment measures, which resulted in the reopening of the economy. The performance was mainly driven by:
 - i. Non-food products which expanded by 8.8%. Some of the sub sectors that recorded growth include manufacture of other non-metallic mineral products (23.2%), manufacture of leather and related products (15.6%) and manufacture of motor vehicle, trailers and semi-trailers (18.9%), and,
 - ii. A 5.5% increase in manufacture of food with activities like processing of sugar (16.0%), meat products (13.1%), dairy products (10.8%) and bakery products (9.3%) posting notable increases.
- **Growth in the Financial and Insurance sector** – The financial and insurance sector grew by 12.5% compared to 5.9% in FY'2020. Consequently, the Sectoral Contribution increased by 0.3% points to 7.1% as at FY'2021, from 6.8% recorded in FY'2020. Some of the notable improvements include:
 - iii. Broad money supply (M3) – which is a collection of all the currency flowing in the economy, grew by 6.1% to Kshs 4,235.2 bn in FY'2021, from Kshs 3,990.9 bn in FY'2020, and,

- iv. Net foreign assets declined by 20.9% to Kshs 592.3 bn as at December 2021, from Kshs 749.2 bn as at December 2020.

The Central Bank of Kenya (CBK) in efforts to support the economy, maintained the Central Bank Rate (CBR) at 7.00% throughout the year.

- **Significant rebound in the Accommodation and food services sector-** The sector recorded 52.5% growth in FY'2021 compared to a 47.7% contraction recorded in FY'2020 attributable to the lifting of most of the COVID-19 mitigation measures both overseas and domestically in 2021. The sectoral contribution increased by 0.3% point to 1.0% from 0.7% recorded in FY'2020. This sector was the worst hit by the COVID -19 pandemic in 2020 as businesses in accommodation and food services sector either operated under minimum capacity or completely closed down. Cessation of international flight as well as restrictions of movement within the country, adversely affected the sector's performance as these led to a significant decline in the number of foreign arrivals and limited domestic tourism. In 2021, the number of international visitor arrivals increased significantly by 50.3% to 871,300.0 thousand visitors in FY'2021 from 579,600.0 thousand visitors in FY'2020 mainly attributable to the relaxation of most of the restrictions on the back of a positive vaccine rollout.
- **Growth in the Real Estate and Construction sectors** – The Real Estate sector recorded a growth of 6.7% in FY'2021 compared to a 4.1% growth in FY'2020. The performance is attributed to the increased development activities as a result of a general improvement in Real Estate transactions and an improved business environment. On the other hand, the construction sector recorded a growth of 6.6%, a slower rate compared to the 10.1% growth recorded in FY'2020. The growth, albeit not as strong as in 2020 was mainly supported by continuous public investment in road infrastructure. Cement consumption increased by 23.4% to 9,098.4 thousand tonnes in 2021, from 7,375.6 thousand tonnes in 2020. Key to note the sectoral contribution in 2021 stood at 8.9% and 7.0%, for the Real Estate and Construction Sector, respectively, with the real estate sector's contribution declining by 0.4% points from 9.3% while the construction sector's contribution remained unchanged as was recorded in 2020. Credit advanced to the construction sector increased by 1.9% to Kshs 121.9 bn, from Kshs 119.6 bn in 2020.
- **Growth in the Transport and Storage Sector** – Transportation and storage sector grew by 7.2% in 2021 compared to the 7.8% contraction recorded in 2020 following the lifting of international and domestic travel restrictions. The sector's contribution to GDP was the most improved increasing by 0.7% points to 11.4%, from 10.7% recorded in 2020. The improvement was boosted by passenger transportation through the Standard Gauge Railway (SGR) which increased to 1,933 thousand passengers from 806 thousand passengers in 2020. Some of the key observations are;
 - i. The volume of port throughput increased by 1.2% to 34.2 thousand metric tonnes in 2021 from 33.8 thousand metric tonnes in 2020. However, Freight movement through Standard Gauge Railway (SGR) increased by 22.6% to stand at 5,407.0 thousand metric tonnes, from 4,411.0 thousand metric tonnes, and,
 - ii. The transportation and storage growth was also reflected in the increase in consumption of light diesel, a major input to transportation activities, which rose by 6.7% to 2,288.0 thousand metric tonnes, from 2,143.5 thousand metric tonnes in 2020.

The Kenyan economy has had robust recovery from the adverse effects of COVID-19 and is expected to grow at a slower rate of 5.9% in 2022 driven by the global recovery and the easing of COVID-19 containment measures following an increase in vaccination rates and reduced infections. We expect to see continued growth in key sectors such as the manufacturing, tourism and accommodation sectors in tandem with the global recovery. The agricultural sector is also expected to grow in 2022 supported by the better weather conditions and the fertilizer subsidy extended by the government. However, the key challenges remain the rising fuel

prices, increase in costs of production inputs, external risks such as weaker global growth, erratic weather conditions and the uncertainty surrounding the upcoming August 2022 elections.

In our view, the economy has already felt the full effects of the pandemic and with most sectors having shown recovery in 2021, we expect continued recovery in the 2022 given the reopening of the economy and the procurement and distribution of the COVID-19 vaccine. However, given the uncertainty of existence and emergence of new variants of COVID-19, the upcoming August 2022 elections and the erratic weather conditions, we maintain our expectations of a 4.5% economic growth rate for 2022.