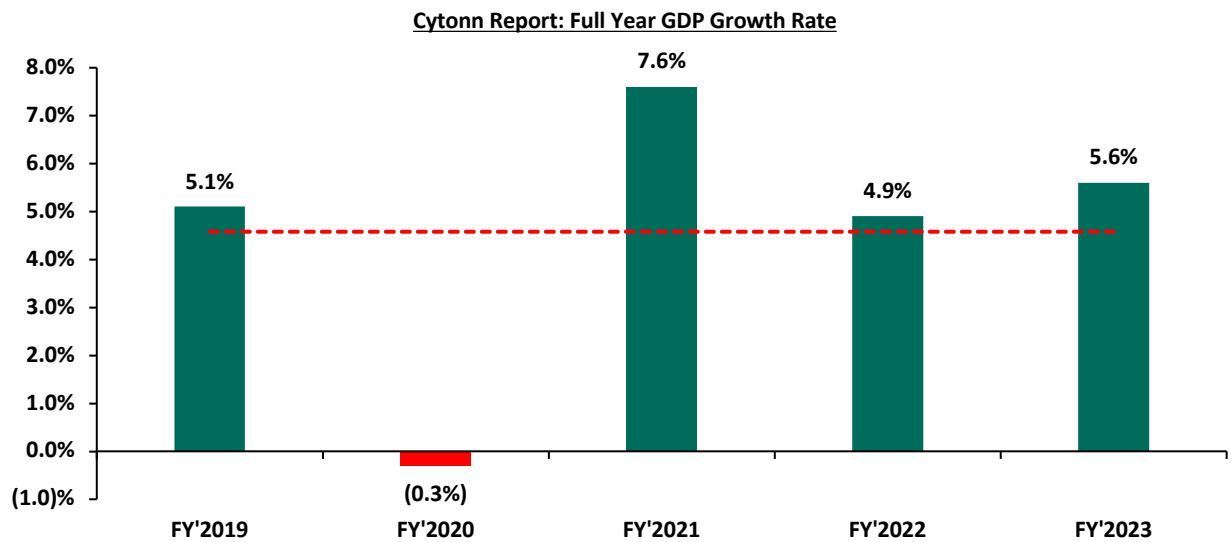


Kenya FY'2023 GDP Note

The Kenya National Bureau of Statistics (KNBS) released the [2024 Economic Survey](#), highlighting that the Kenyan economy recorded a 5.6% growth in FY'2023, faster than the 4.9% growth recorded in FY'2022. The main contributor to Kenyan GDP remains to be the Agriculture, fishing and forestry sector which grew by 6.5% in FY'2023 compared to a contraction of 1.5% in FY'2022. All sectors in FY'2023, except Mining and Quarrying, recorded positive growths, with varying magnitudes across activities. Most sectors recorded improved growth compared to FY'2022, with Agriculture, Forestry and Fishing, Accommodation and Food Services and Real Estate Sectors recording the highest growth improvements of 7.9% points, 6.8% points, and 2.8% points, respectively. Other sectors that recorded expansion in growth rate, from what was recorded in FY'2022 were Financial Services Indirectly Measured, Transport and Storage and Health sectors, of 2.5%, 0.3% and 1.5% points respectively. The chart below shows the full-year Kenyan GDP growth rates;



Source: KNBS

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

Cytonn Report: FY'2022 and FY'2023 GDP Contribution and Growth rates				
Sector	Contribution FY'2022	Contribution FY'2023	FY'2022 Growth	FY'2023 Growth
Agriculture and Forestry	17.0%	17.1%	(1.5%)	6.5%
Real estate	10.1%	10.3%	4.5%	7.3%
Transport and Storage	9.6%	9.6%	5.8%	6.2%
Financial & Insurance	9.1%	9.5%	12.0%	10.1%
Taxes on Products	8.6%	8.4%	6.7%	2.2%
Manufacturing	8.4%	8.2%	2.6%	2.0%
Wholesale and retail trade	8.3%	8.0%	3.5%	2.7%
Public administration	6.0%	6.0%	5.1%	4.6%
Construction	5.8%	5.7%	4.1%	3.0%
Education	4.9%	4.8%	5.2%	3.1%
Information and Communication	3.2%	3.3%	9.0%	9.3%

Professional admin	2.7%	2.8%	9.5%	9.5%
Electricity and Water Supply	2.5%	2.4%	5.5%	2.8%
Health	2.2%	2.2%	3.4%	4.9%
Other services	2.1%	2.1%	6.5%	4.1%
Accommodation & Food Services	1.0%	1.3%	26.8%	33.6%
Mining and quarrying	1.2%	1.0%	9.3%	(6.5%)
Financial Services Indirectly Measured	(2.9%)	(2.9%)	0.2%	2.7%
GDP at Market Prices	100.0%	100.0%	4.9%	5.6%

Source: KNBS

The key take-outs from the report are:

- Sectoral contribution to growth:** The biggest gainer in terms of sectoral contribution to GDP was the Financial and Insurance sector, increasing by 0.4% points to 9.5% in FY'2023 from 9.1% in FY'2022, while the Manufacturing sector was the biggest loser, declining by 0.3% points to 8.2% in FY'2023, from 8.4% in FY'2022. Real Estate was the second largest contributor to GDP at 10.3% in FY'2023, up from 10.1% recorded in FY'2022, indicating sustained growth. The Accommodation and Food Services sector recorded the highest growth rate in FY'2023 growing by 33.6%, faster than the 26.8% growth recorded in FY'2022.

- Rebound in the Agricultural Sector:** Agriculture and Forestry recorded a growth of 6.5% in FY'2023. The performance was an increase of 8.0% points, from the contraction of 1.5% recorded in FY'2022. The positive growth recorded during the quarter was mainly attributable to favorable weather conditions that boosted crop and livestock production. Production of key food crops such as maize, beans, and potatoes increased significantly during the year. Fruits exports increased by 44.1 per cent to 188.1 thousand tonnes from 130.5 thousand tonnes recorded in FY'2022,
- The quantity of marketed milk rose by 6.9% to 806.6 million litres in 2023 from 754.3 million litres in 2022,
- The total quantity of tea produced increased by 6.6% to 570.3 thousand tonnes in 2023 from 535.0 thousand tonnes in 2022

However, the sector's performance was curtailed by decline in production of sugarcane and coffee;

- Sugarcane production declined by 36.9% to 5.6 million metric tonnes in 2023 from 8.8 million metric tonnes in 2022.
- The volume of coffee produced contracted by 6.2% to stand at 48.7 thousand metric tonnes in 2023 from 51.9 recorded in 2022

- Decelerated growth in the electricity supply sector** - The Electricity and Water Supply sector recorded a slowed growth of 2.9% in FY'2023 compared to a 5.7% growth in a similar period of review in 2022, with, the sectoral contribution to GDP marginally decreasing to 2.4% in FY'2023, from 2.5% recorded in FY'2022.

- Geothermal power production increased by 9.3% to 6,030.1 GWh in 2023 from 5,517.0 GWh in 2022,
 - Electricity sales increased by 3.4% to 13,423.6 GWh in 2023 from 12,985.4 GWh in 2022,
- However, the sector's performance was curtailed by decline in production of thermal and hydro power production;
- Thermal power production decreased by 17.6% to 1,305.7 GWh in FY'2023 from 1,584.6 GWh in FY'2022,
 - Hydro power production decreased by 12.4% to 2,662.7 GWh in FY'2023 from 3,039.6 GWh in FY'2022

- **Significant growth in the Accommodation and Food Service sector:** Accommodation and Food Services sector recorded the highest growth rate among all the sectors in FY'2023, having expanded by 33.6%, higher than the 26.8% recorded in FY'2022. Additionally, the contribution to GDP increased by 0.3% points, to 1.3% in FY'2023, compared to 1.0% recorded in FY'2022. The growth was attributed to heightened tourism activities in 2023 such as the Africa Climate Summit and EU-Kenya Business Forum that increased demand for hospitality services. Some of the notable improvements include:

 - i. Arrivals through Jomo Kenyatta International Airport (JKIA) and Moi International Airport (MIA) grew by 25.6% to 1,635.3 thousand in FY'2023 from 1,198.7 thousand recorded in FY'2022
 - ii. The number of occupied hotel bed nights increased by 23.2% to 8,632.8 thousand in 2023 from 7,009.0 thousand recorded in 2022.

- **Slowed growth in the Financial and Insurance Services Sector:** The Financial and Insurance sector registered a slower growth of 10.1% in FY'2023 compared to the 12.0% in FY'2022. However, the contribution to GDP increased to 9.5%, from 9.1% in FY'2022. Some of the notable improvements include:

 - i. Total deposits from deposit-taking financial corporations increased by 19.9% to stand at KSh 6,044.3 bn from the Ksh 5,041.1 bn recorded in FY'2022
 - ii. Total domestic credit increased by 12.7% to KSh 7,041.1 billion in 2023 from KSh 6,246.3 billion in 2022.

- **Slowed growth in the construction sector:** The construction sector recorded a marginally slower growth rate of 3.0% in FY'2023 compared to 4.1% growth in the same period last year;

 - i. Government expenditure on roads increased marginally by 0.7% to KSh 179.5 billion in 2023 from Ksh 167.8 bn in 2022

However, the sector's performance was weighed down by;

 - I. Cement consumption declined by 3.1% to 9,201.8 thousand tonnes in 2023 from 9,494.2 thousand tonnes recorded in FY'2022,
 - II. The quantity of iron and steel, cement clinkers and non-ferrous metals imported declined by 14.2, 77.5 and 0.2 per cent, respectively, compared to 2022,

- **Sustained growth in the Transport and Storage Sector:** The Transport and Storage sector registered a growth of 0.4% points to 6.2% in FY'2023 compared to the 5.8% in FY'2022. Some of the notable improvements include:

 - i. Passenger and freight movements via Standard Gauge Railway (SGR) grew by 14.1% and 7.3% to 2,729 thousand passengers and 6,533.0 thousand tonnes, respectively, in 2023 from 2,392 thousand passengers and 6,088.5 thousand tonnes respectively in 2022
 - ii. The total passenger air traffic expanded by 19.2 per cent to 12,205.8 thousand passengers from 10,239.7 thousand passengers recorded in 2022
 - iii. The volume of cargo traffic handled at the Port of Mombasa grew by 6.2% to 35,978 thousand metric tonnes in 2023 from 33,880 thousand metric tonnes in 2022

- **Sustained growth in the Information and communication sector:** The Information and communication sector grew by 9.3% in FY' 2023, compared to a 9.0% growth in the same period last year. Growth of the sector was supported by mobile money transfers and the growing demand for data-intensive services. Some key observations include;

 - I. Total domestic call traffic increased by 13.4% to 88.8 billion minutes in FY'2023 from 78.3 billion minutes recorded in FY'2022, and,
 - II. Total utilized bandwidth increased significantly by 69.2% to 11.0 million Megabits per second (Mbps) in FY'2023 from 6.5 million Mbps recorded in FY'2022, and,

- III. The number of money transfers increased marginally by 0.6% to Ksh 8.0 bn in FY'2023 from Ksh 7.9 bn recorded in FY'2022.

In the near-term, we expect the economy to grow at a slower pace given the restrained business as a result of the difficult economic environment caused by increasing taxes, and an overall rise in the cost of living. Additionally, the Central Bank of Kenya's Monetary Policy Committee's (MPC) decision on 3rd April 2024 to maintain the Central Bank Rate (CBR) at 13.0% in a bid to curb inflation and maintain price stability is expected to curtail economic growth. The higher CBR is set to maintain the cost of credit issued by lenders high, hence discouraging borrowing, which will in turn lead to reduced investment spending in the economy by both individuals and businesses. Additionally, the inflation in the country remains within the Central Bank's range of 2.5%-7.5%, and risks going high mainly on the back of a possible increase in fuel prices due to an increase in international fuel prices resulting from geo political tensions. Thus, the consumer purchasing power remains low, resulting in reduced demand for goods and services and consequentially slowed economic growth. However, we expect the agricultural sector to continue backing economic growth in the country, as the country continues to experience sufficient rain during the year. The sector remains Kenya's largest contributor to GDP, as well as food prices being a major contributor to headline inflation. Additionally, we expect we expect the economy to benefit from the strengthening Shilling and the ease in inflationary pressures.

In our view, the economy's growth is largely pegged to how quickly inflationary pressures in the country stabilizes, and the sustainability of the strengthening of the Kenyan Shilling. We expect the reduced fuel prices to continue reducing production costs, leading to lower food prices in the country. However, growth is likely to be weighed down by increased taxation by the government thereby decreasing the purchasing power of consumers. As a result, we forecast a 5.4% economic growth rate in 2024.