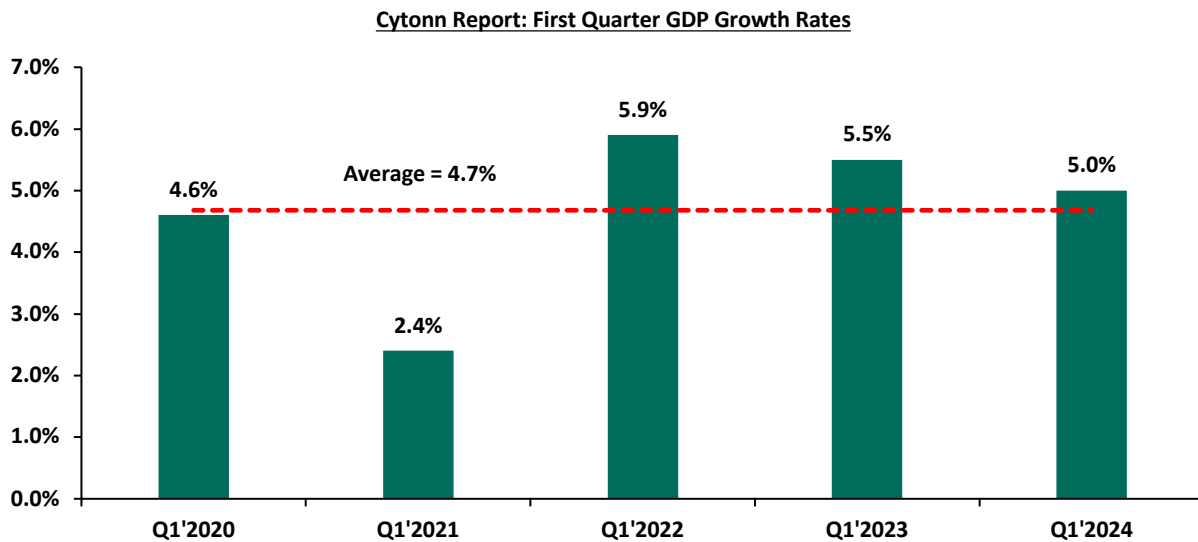


## Kenya's Q1'2024 Gross Domestic Product (GDP) Note

The Kenya National Bureau of Statistics (KNBS) released the [Q1'2024 Quarterly Gross Domestic Product Report](#), highlighting that the Kenyan economy recorded a 5.0% growth in Q1'2024, slower than the 5.5% growth recorded in Q1'2023. The main contributor to Kenyan GDP remains to be the Agriculture, Fishing and Forestry sector which grew by 6.1% in Q1'2024, lower than the 6.4% expansion recorded in Q1'2023. All sectors in Q1'2024, except Mining and Quarrying, recorded positive growths, with varying magnitudes across activities. Most sectors recorded declining growth rates compared to Q1'2023 with Accommodation and Food Services, Mining & Quarrying and Construction Sectors recording the highest declines of 19.1%, 3.8%, and 2.9% points, respectively. Other sectors that recorded a contraction in growth rate, from what was recorded in Q1'2023 were Transport and Storage, Other Services and Public Administration sectors of 2.8%, 2.1% and 1.8% points respectively. The chart below shows the First Quarter Kenyan GDP growth rates;



Source: KNBS

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

Cytonn Report: Q1'2023 and Q1'2024 GDP Contribution and Growth rates				
Sector	Contribution Q1'2023	Contribution Q1'2024	Q1'2023 Growth	Q1'2024 Growth
Agriculture and Forestry	18.8%	19.0%	6.4%	6.1%
Real estate	10.1%	10.2%	7.3%	6.6%
Transport and Storage	9.1%	9.0%	6.6%	3.8%
Financial & Insurance	8.7%	8.9%	5.9%	7.0%
Wholesale and retail trade	8.5%	8.5%	2.9%	4.9%
Taxes on Products	8.4%	8.4%	3.0%	4.7%
Manufacturing	8.1%	7.8%	1.7%	1.3%
Public administration	5.7%	5.8%	7.6%	5.8%
Construction	5.7%	5.4%	3.0%	0.1%
Education	5.0%	4.9%	2.0%	4.0%
Information and Communication	3.2%	3.3%	9.5%	7.8%
Professional admin	2.6%	2.8%	8.6%	9.9%

Electricity and Water Supply	2.4%	2.3%	3.7%	2.4%
Health	2.1%	2.1%	5.1%	5.5%
Other services	2.0%	2.0%	4.6%	2.5%
Accommodation & Food Services	1.2%	1.5%	47.1%	28.0%
Mining and quarrying	1.0%	0.8%	(11.0%)	(14.8%)
Financial Services Indirectly Measured	(2.6%)	(2.7%)	0.6%	5.8%
<b>GDP at Market Prices</b>	<b>100.0%</b>	<b>100.0%</b>	<b>5.5%</b>	<b>5.0%</b>

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 Accommodation and Food Services sector, increasing by 0.3% points to 1.5% in Q1'2024 from 1.2% in Q1'2023, while the Manufacturing sector was the biggest loser, declining by 0.3% points to 7.8% in Q1'2024, from 8.1% in Q1'2023. Real Estate was the second largest contributor to GDP at 10.2% in Q1'2024, up from 10.1% recorded in Q1'2023, indicating sustained growth. The Accommodation and Food Services sector recorded the highest growth rate in Q1'2024 growing by 28.0%, slower than the 47.1% growth recorded in Q1'2023.
- Slowed growth in the Agricultural Sector:** Agriculture and Forestry recorded a growth of 6.1% in Q1'2024. The performance was a decrease of 0.3% points, from the expansion of 6.4% recorded in Q1'2023.

- Tea production increased by 42.9% to stand at 168.8 thousand metric tonnes in the period under review, from the 118.1 thousand metric tonnes registered in a similar period last year
- The volume of milk deliveries to processors increased by 30.2% to 216.7 mn litres in the period under review, from 166.5 mn litres in the first quarter of 2023
- The volume of sugarcane production increased by 6.1% to 2,304.4 thousand metric tonnes during the quarter under review from 2,171.0 thousand metric tonnes in the first quarter of 2023

However, the sector's performance was curtailed by decline in exports of coffee, fruit and cut flower;

- Coffee exports declined by 13.8% to stand at 9,722.3 metric tonnes in Q1'2024 from the 11,284.9 metric tonnes recorded in Q1'2023.
- Decelerated growth in the electricity supply sector** - The Electricity and Water Supply sector recorded a slowed growth of 2.4% in Q1'2024 compared to a 3.7% growth in a similar period of review in 2023, with the sectoral contribution to GDP marginally decreasing to 2.3% in Q1'2024, from 2.4% recorded in Q1'2023. The sector's growth was supported by an increase in hydroelectric power;
- Hydroelectric generation increased significantly by 90.4% to 807.3 mn kWh in Q1'2024 from 424.1 mn kWh recorded in Q1'2023 due to ample rainfall in the first quarter of 2024,
  - Total electricity generated increased by 1.1% to 3,057.4 million KWh in the first quarter of 2024, from 3,023.4 mn KWh in the same quarter of 2023

However, the sector's performance was curtailed by decline in production from all the other electricity sources including thermal and geothermal sources;

- Thermal generation decreased by 41.3% in the first quarter of 2024 compared to the same quarter in 2023,
- Electricity generated from geothermal decreased by 7.3%, slowing the sector's growth
- Similarly, electricity generated from wind and solar declined by 10.1% and 9.1% to stand at 491.0 KWh and 118.3 KWh, respectively, in the quarter under review

- **Significant growth in the Accommodation and Food Service sector:** Accommodation and Food Services sector is the only sector that recorded double digit growth in Q1'2024, having expanded by 28.0%, albeit slower than the 47.1% recorded in Q1'2023. Additionally, the contribution to GDP increased by 0.3% points, to 1.5% in Q1'2024, compared to 1.2% recorded in Q1'2023. Some of the notable improvements include:
  - i. Arrivals through the two major airports, the Jomo Kenyatta International Airport (JKIA) and Mombasa International Airport (MIA) rose by 10.4% in the first quarter of 2024 to stand at 409,164 visitors compared to 370,570 visitors in the corresponding quarter of 2023
  
- **Increased growth in the Financial and Insurance Services Sector:** The Financial and Insurance sector registered a growth increase of 1.1% points to 7.0% in Q1'2024 compared to 5.9% in Q1'2023. Similarly, the contribution to GDP increased to 8.9%, from 8.7% in Q1'2023. Some of the notable improvements include:
  - i. The number of shares traded in the Nairobi Securities Exchange increased by 14.7% to Kshs 670.0 mn in March 2024 from 584.0 mn in March 2023
  - ii. The NSE 20 Share Index rose by 8.3% to 1,756 points in March 2024 from 1,622 points in March 2023, signaling improved performance in the equity market.
  - iii. Broad money supply (M3) grew by 13.5% to Kshs 5.9 tn as at end of March 2024, from Kshs 5.2 tn recorded as at the end of March 2023. Money and Quasi money (M2) increased by 12.2% to Kshs 4.6 tn as at end of March 2024 from Kshs 4.1 tn as at end of March 2023
  
- **Slowed growth in the construction sector:** The construction sector recorded a marginally slower growth rate of 0.1% in Q1'2024 compared to 3.0% growth in the same period last year;
  - i. Credit extended to enterprises in the construction sector grew by 0.6% to stand at Kshs 140.9 bn as at March 2024, from Kshs 140.1 bn in Q1'2023, compared to a 4.8% increase in the same period in 2023
  - ii. Cement consumption declined by 12.7% to stand at 1,949.9 thousand metric tonnes from 2,234.2 thousand metric tonnes in the corresponding period of 2023,
  - iii. The quantity of imported bitumen decreased by 32.4% to 17,237.8 metric tonnes in the period under review from 25,482.6 metric tonnes recorded in the first quarter of 2023,
  
- **Decelerated growth in the Transport and Storage Sector:** The Transport and Storage sector registered a decelerated growth of 2.8% points to 3.8% in Q1'2024 compared to 6.6% in Q1'2023. Growth in the sector was supported by:
  - i. A rise in Mombasa Port throughput by 7.3% to 9,430 thousand metric tonnes in the period under review from 8,792 thousand metric tonnes in the first quarter of 2023
  - ii. The number of international passenger arrivals and departures handled rose by 14.7% to 1,736.1 thousand in the first quarter of 2024 from 1,513.8 thousand passengers in the first quarter of 2023.
  - iii. The volume of petroleum products transported via pipeline rose by 8.7% to 944,472 cubic metres in the first quarter of 2024 from 869,164 cubic metres in the first quarter of 2023

However, growth in this sector was weighed down by;

- i. Import of light diesel decreased by 4.9% in the first quarter of 2024 to stand at 494.5 mn litres compared to the 520.0 mn litres recorded in the corresponding quarter of 2023
- ii. The number of passengers transported via Standard Gauge Railway (SGR) declined by 11.0% to 531.7 thousand in the first quarter of 2024 from 597.5 thousand in the first quarter of 2023
- iii. Similarly, the freight haulage via SGR declined by 17.4% to 1,303.3 thousand metric tonnes in the period under review from 1,577.9 thousand metric tonnes in the first quarter of 2023

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 5th June 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, as well as the proposed road maintenance levy which will push the fuel prices up, if approved. Thus, the consumer purchasing power remains restrained despite an ease in inflation, 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 5.3% economic growth rate in 2024.***