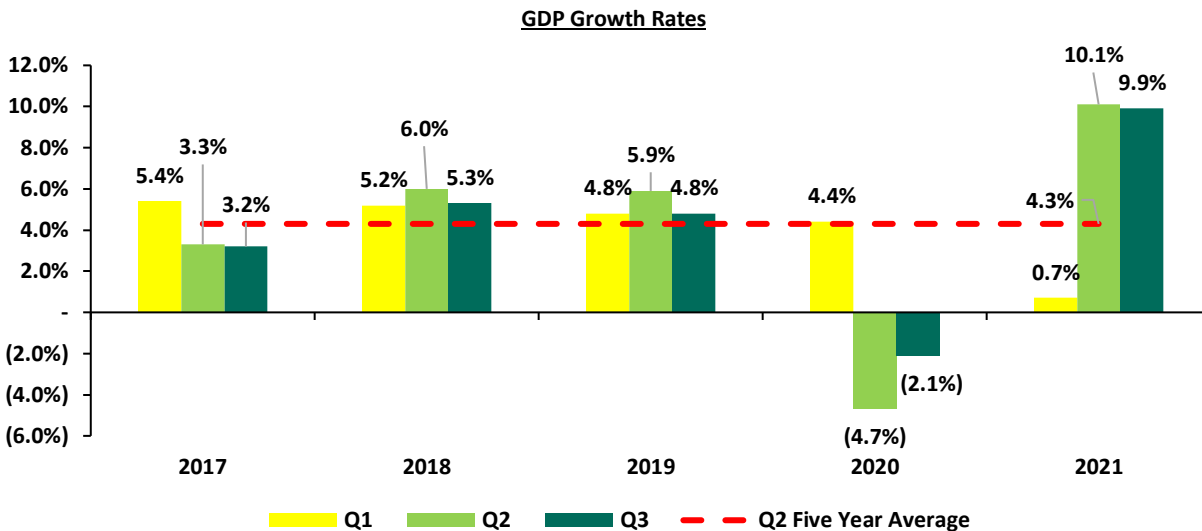


Kenya Q3'2021 GDP Growth

According to Kenya National Bureau of Statistics (KNBS) [Quarterly Gross Domestic Product Report](#), the Kenyan economy recorded a 9.9% growth in Q3'2021, up from the 2.1% contraction recorded in a similar period in 2020 pointing towards continued economic recovery. Consequently, the average GDP growth rate for the 3 quarters in 2021 is a growth of 6.9%, an increase from the 0.8% contraction recorded during a similar period of review in 2020. The chart below shows the quarter three GDP growth progression over the last 5 years;



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

Sector	Contribution Q3'2020	Contribution Q3'2021	Q3'2020 Growth	Q3'2021 Growth	Weighted Growth Rate Q3'2020	Weighted Growth Rate Q3'2021
Agriculture and Forestry	21.8%	20.5%	4.2%	(1.8%)	0.9%	(0.4%)
Real estate	9.6%	9.0%	3.7%	5.2%	0.4%	0.5%
Transport and Storage	11.5%	11.5%	(10.1%)	13.0%	(1.2%)	1.5%
Manufacturing	7.30%	7.38%	(1.7%)	9.5%	(0.1%)	0.7%
Financial & Insurance	6.6%	6.4%	3.0%	6.7%	0.2%	0.4%
Wholesale and retail trade	7.9%	7.4%	(5.0%)	6.9%	(0.4%)	0.5%
Public administration	6.0%	5.4%	6.3%	6.9%	0.4%	0.4%
Taxes on Products	7.9%	9.7%	(8.5%)	18.0%	(0.7%)	1.7%
Construction	7.4%	6.9%	12.5%	6.4%	0.9%	0.4%
Education	3.6%	5.5%	(17.4%)	64.7%	(0.6%)	3.5%
Information and Communication	2.7%	2.5%	3.2%	5.8%	0.1%	0.1%
Professional admin	2.2%	2.4%	(19.7%)	13.5%	(0.4%)	0.3%
Electricity and Water Supply	2.1%	1.9%	0.2%	4.5%	0.0%	0.1%
Health	2.1%	1.9%	5.2%	8.4%	0.1%	0.2%
Other services	2.7%	3.1%	(12.9%)	13.3%	(0.3%)	0.4%
Mining and quarrying	0.8%	0.9%	7.0%	25.1%	0.1%	0.2%
Accommodation & Food Services	0.3%	0.4%	(63.4%)	24.8%	(0.2%)	0.1%

Financial Services Indirectly Measured	(2.6%)	(2.6%)	(2.3%)	(2.0%)	0.1%	0.1%
GDP at Market Prices	100.0%	100.0%	(2.1%)	9.9%	(2.1%)	9.9%

The key take-outs from the report are:

- Sectoral Contribution to Growth** - The biggest gainers in terms of sectoral contribution to GDP were Education and Taxes on Products, increasing by 1.8% points each to 5.5% and 9.7%, from 3.6% and 7.9% in Q3' 2020, respectively. Agriculture was the biggest loser, declining by 1.3% points to 20.5% in Q3'2021, from 21.8% in Q3'2020, following the erratic weather conditions in Q3'2021. The Education sector recorded the highest growth rate in Q3'2021 growing by 64.7% compared to the 17.4% contraction recorded in Q3'2020. The performance is mainly attributable to the re-opening of schools following closure for the most of 2020 due to the pandemic,
- Subdued Growth In the Agricultural Sector** – Agriculture, Forestry and Fishing activities recorded a decline of 1.8% in Q3'2021 compared to a 4.2% growth in Q3'2020. The sector's performance was supported by a notable increase in cut flower and vegetable exports as well as increase in milk intake by processors. During the quarter, production of key food crops recorded mixed performances:
 - Cut flower and vegetable exports rose by 44.8% and 29.0%, to 51.1 thousand metric tonnes and 18.7 thousand metric tonnes from 35.3 thousand metric tonnes and 14.5 thousand metric tonnes, respectively,
 - The volume of milk intake by processors increased by 21.9% to Kshs 209.3 mn litres, from Kshs 171.7 mn litres in Q3'2020,
 - Fruit exports and cane deliveries declined by 19.9% and 5.6%, respectively, in Q3'2021, compared to Q3'2020, and,
 - Tea and coffee production declined by 5.9% and 24.1% respectively.
- Growth in the manufacturing sector** - The manufacturing sector reported a growth of 9.5% in Q3'2021 compared to a 1.7% contraction in a similar period of review in 2020. The sectoral contribution also increased marginally by 0.1% points to 7.4%, from 7.3% in Q3'2020. The performance was mainly driven by:
 - Non-food products which recorded mixed performance. Manufacture of transport equipment, textile, leather and paper products recorded positive growth while the manufacture of basic metals, machinery and equipment recorded contractions during the period of review, and,
 - An 8.6% increase in manufacture of food which includes beverages, dairy products, bakery products and grain mill products among others.
- Growth in the Financial and Insurance sector** – The financial and insurance sector grew by 6.7% compared to 3.0% in Q3'2020. The Sectoral Contribution declined marginally by 0.2% points to 6.4% as at Q3'2021, from 6.4% recorded in Q3'2020. Some of the notable improvements include:
 - Broad money supply (M3) – which is a collection of all the currency flowing in the economy, rose to Kshs 4,177.7 bn as at September 2021, from Kshs 3,843.5 bn as at September 2020, and,
 - Net foreign assets declined by 11.6% to Kshs 664.1 bn as at September 2021, from Kshs 751.2 bn as at September 2020.

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

- Gradual rebound in the Accommodation and food services sector**- The sector recorded 24.8% growth in Q3'2021 compared to a 63.4% contraction recorded in Q3'2020. The sectoral contribution marginally increased by 0.1% point to 0.4% from 0.3% recorded in Q3'2020. 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. Notably, arrivals increased significantly to 217,873 visitors in Q3'2021 from 34,701 visitors in Q3'2020 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 5.2% in Q3'2021 compared to a 3.7% growth in Q3'2020. Similarly, the construction sector recorded growth of 5.2%, a slower rate compared to the 12.5% growth recorded in Q3'2020. 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. Key to note the sectoral contribution in Q3'2021 stood at 9.0% and 6.9%, for the Real Estate and Construction Sector, respectively, compared to 9.6% and 7.4% in a similar period of review in 2020. Consequently, credit advanced to the construction sector increased by 0.9% to Kshs 358.4 bn, from Kshs 355.2 bn in Q3'2020. Cement consumption rose by 27.5% to 2.6 mn metric tonnes in Q3'2021, from 2.0 mn metric tonnes recorded during the same period in 2020 mainly attributable to the increase in infrastructural and housing developments in the country.
- **Moderate Growth in the Transport and Storage Sector** – Transportation and storage sector grew by 13.0% in Q3'2021 compared to the 10.1% contraction recorded in Q3'2020 following the lifting of international and domestic travel restrictions. The sector's contribution to GDP remained unchanged at 11.5% as was recorded in Q3'2020. The improvement was further boosted by passenger transportation through the Standard Gauge Railway (SGR) which increased significantly to 600,070 passengers from 95,378 passengers in Q3'2020. Some of the key observations are;
 - i. The volume of port throughput declined by 6.9% to 8,059.4 thousand metric tonnes in Q3' 2021 from 8,004.2 thousand metric tonnes in Q3'2020. However, Freight movement through Standard Gauge Railway (SGR) increased marginally by 0.1% to stand at 1,207.2 thousand metric tonnes, from 1206.0 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 25.3% compared to a 2.2% growth in Q3'2020.

Going forward, we expect Kenya's GDP to continue growing in tandem with the global economy and as most sectors of the economy continue to recover. The lifting of the dawn to dusk curfew that was put in place since March 2020 is expected to boost economic recovery in sectors such as accommodation and food services as well as the manufacturing sector. We however note that agriculture, being the main driver of economic growth, is expected to decline further in the remaining quarter of 2021 and remain subdued in 2022 due to the erratic weather conditions. Additionally, concerns remain elevated on the existence and emergence of new COVID-19 variants such as the Omicron variant.

In our view, the economy has already felt the full effects of the pandemic and with most sectors showing recovery in the first three quarters of 2021, we expect continued recovery in the fourth quarter 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 and the erratic weather conditions, we maintain our expectations of a 5.7% economic growth rate for 2021.