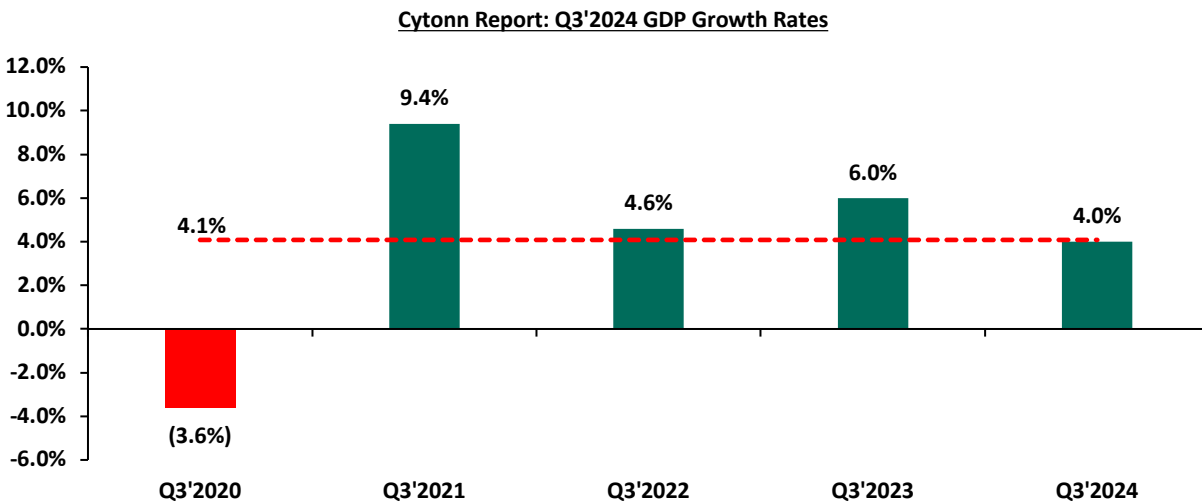


Kenya Q3'2024 GDP Note

The Kenya National Bureau of Statistics (KNBS) released the [Q3'2024 Quarterly Gross Domestic Product Report](#), highlighting that the Kenyan economy recorded a 4.0% growth in Q3'2024, slower than the 6.0% growth recorded in Q3'2023. The main contributor to Kenyan GDP remains to be the Agriculture, fishing and forestry sector which grew by 4.2% in Q3'2024, lower than the 5.1% expansion recorded in Q3'2023. All sectors in Q3'2024, except Mining and Quarrying and Construction recorded positive growths, with varying magnitudes across activities. Most sectors recorded declining growth rates compared to Q3'2023 with Accommodation and Food Services, Mining & Quarrying and Financial & Insurance Sectors recording the highest declines of 20.8%, 11.9% and 10.8% points, respectively. Other sectors that recorded a contraction in growth rate, from what was recorded in Q3'2023 were Construction, Electricity and Water Supply and Real Estate of 6.0%, 2.4% and 2.2% points respectively. The chart below shows the Third 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: Q3'2023 and Q3'2024 GDP Contribution and Growth rates				
Sector	Contribution Q3'2023	Contribution Q3'2024	Q3'2023 Growth	Q3'2024 Growth
Agriculture and Forestry	14.4%	14.5%	5.1%	4.2%
Real estate	10.6%	10.8%	7.7%	5.5%
Transport and Storage	10.3%	10.4%	5.1%	5.2%
Financial & Insurance	9.9%	9.9%	15.5%	4.7%
Wholesale and retail trade	7.9%	8.0%	3.1%	4.8%
Taxes on Products	8.5%	8.4%	1.9%	3.4%
Manufacturing	8.3%	8.1%	2.8%	2.3%
Public administration	6.1%	6.2%	4.6%	5.4%
Construction	6.1%	5.7%	4.0%	(2.0%)
Education	4.9%	4.9%	3.5%	3.8%
Information and Communication	3.4%	3.5%	8.8%	6.1%
Professional admin	2.9%	3.0%	9.7%	7.8%

Electricity and Water Supply	2.6%	2.5%	3.3%	0.9%
Health	2.2%	2.2%	5.0%	4.4%
Other services	2.4%	2.3%	6.4%	2.8%
Accommodation & Food Services	1.3%	1.4%	34.5%	13.7%
Mining and quarrying	1.1%	0.9%	0.8%	(11.1%)
Financial Services Indirectly Measured	(2.9%)	(2.9%)	2.9%	5.1%
GDP at Market Prices	100.0%	100.0%	6.0%	4.0%

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 Real Estate sector, increasing by 0.2% points to 10.8% in Q3'2024 from 10.6% in Q3'2023, while the Construction was the biggest loser, declining by 0.4% points to 5.7% in Q3'2024, from 6.1% in Q3'2023. Real Estate was the second largest contributor to GDP at 10.8% in Q3'2024, up from 10.6% recorded in Q3'2023, indicating sustained growth. The Accommodation and Food Services sector recorded the highest growth rate in Q3'2024 growing by 13.7%, albeit slower than the 34.5% growth recorded in Q3'2023.
- **Slowed growth in the Agricultural Sector:** Agriculture and Forestry recorded a growth of 4.2% in Q3'2024. The performance was a decrease of 0.9% points, from the expansion of 5.1% recorded in Q3'2023. Additionally, the sector remains the major contributor to GDP, with the sectoral contribution to GDP marginally increasing by 0.03% to 14.5% in Q3'2024, from 14.4% recorded in Q3'2023. The decline in growth was mainly on the back of;

 - i. The quantity of tea exports decreased by 12.2% to 121,868.3 metric tonnes during the quarter under review from 138,771.6 metric tonnes in the third quarter of 2023

The sector's growth was however supported by;

 - ii. Sugarcane production increased significantly by 188.7% to stand at 2,523.5 thousand metric tonnes in the period under review, from the 874.0 thousand metric tonnes registered in a similar period last year
 - iii. The volume of milk deliveries to processors increased by 6.5% to 224.1 million litres in the period under review, from 210.4 million litres in the third quarter of 2023
- **Decelerated growth in the electricity and water supply sector** - The Electricity and Water Supply sector recorded a slowed growth of 0.9% in Q3'2024 compared to a 3.3% growth in a similar period of review in 2023, with the sectoral contribution to GDP marginally decreasing to 2.5% points in Q3'2024, from 2.6% recorded in Q3'2023. Notably, total electricity generated decreased by 1.4% to 3,240.6 million-kilowatt hour (KWh) in Q3'2024, from 3,287.6 million KWh in Q3'2023. The sector's performance was curtailed by a decline in production from geothermal, wind and solar sources; growth was supported by an increase in hydroelectric power;

 - i. Electricity generated from geothermal sources decreased by 7.8% in the third quarter of 2024 to 1,410.4 million KWh compared to 1,529.6 KWh in Q3'2023
 - ii. Similarly, electricity generated from wind and solar declined by 8.2% and 13.4% to stand at 483.4 KWh and 102.2 KWh, respectively, in the quarter under review

However, the sector's growth was supported by increase in hydroelectric power;

- i. Hydroelectric generation increased by 21.0% to 950.1 million kWh in Q3'2024 from 785.4 million kWh recorded in Q2'2023,

- **Significant growth in the Accommodation and Food Service sector:** Accommodation and Food Services sector is the only sector that recorded double digit growth in Q3'2024, having expanded by 13.7%, albeit slower than the 34.5% recorded in Q3'2023. Additionally, the contribution to GDP increased by 0.1% points, to 1.4% in Q3'2024, from 1.3% recorded in Q3'2023. 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 0.8% in the third quarter of 2024 to stand at 489,831 visitors compared to 486,102 visitors in the corresponding quarter of 2023
- **Reduced growth in the Financial and Insurance Services Sector:** The Financial and Insurance sector growth rate slowed down by 10.8% points to 4.7% in Q3'2024 compared to the 15.5% in Q3'2023, attributable to the rise in cost of credit during the period. Additionally, the contribution to GDP increased by 0.07% points to remain relatively unchanged from the 9.9% recorded in Q3'2023. Some of the notable improvements include:
 - i. Broad money supply (M3) grew by 2.6% to Kshs 6.0 trillion as at end of September 2024, from Kshs 5.8 trillion recorded as at the end of September 2023.
 - ii. The NSE 20 Share Index rose by 17.8% to 1,776.0 points in September 2024 from 1,508.0 points in September 2023, signaling improved performance in the equity market.

However, growth in this sector was weighed down by;

- i. The number of shares traded in the Nairobi Securities Exchange decreased by 21.2% to 334.0 mn in September 2024 from 424.0 million in September 2023. Similarly, the total value of traded shares decreased by 3.8% in September 2024 to 5.0 billion from 5.2 billion in September 2023
- **Contraction in the construction sector:** The construction sector recorded a contraction rate of 2.0% in Q3'2024 compared to 4.0% growth in the same period last year, while the contribution to GDP decreased by 0.4% points, to 5.7% in Q3'2024, from 6.1% recorded in Q3'2023.
 - i. Credit extended to enterprises in the construction sector declined by 13.6% to stand at Kshs 129.2 billion as at September 2024, from Kshs 149.6 billion in Q3'2023,
 - ii. Cement consumption declined by 10.0% to stand at 2,196.7 thousand tonnes from 2,439.7 thousand tonnes in the corresponding period of 2023,
 - iii. The quantity of imported bitumen decreased by 40.9% to 18,353.0 tonnes in the period under review from 31,053.5 tonnes recorded in the third quarter of 2023,
 - **Accelerated growth in the Transport and Storage Sector:** The Transport and Storage sector registered an accelerated growth rate of 0.1% points to 5.2% in Q3'2024 compared to the 5.1% in Q3'2023. Additionally, the contribution to GDP increased by 0.1% points, to 10.4% in Q3'2024, from 10.3% recorded in Q3'2023. Growth in the sector was supported by:
 - i. A rise in Mombasa Port throughput by 14.1% to 10,204.4 thousand metric tonnes in the period under review from 8,924.9 thousand metric tonnes in the third quarter of 2023
 - ii. The consumption of light diesel increased by 2.7% to 572.8 thousand tonnes in the third quarter of 2024 from 556.6 thousand tonnes in the same period last year. This underlines the growth in the sector. Additionally, the prices of diesel declined by 8.1% to Kshs 172.3 per litre in the period under review from Kshs 187.5 per litre in the third quarter of 2023.

However, growth in this sector was weighed down by;

- i. The number of passengers transported via Standard Gauge Railway (SGR) declined by 7.2% to 650.3 thousand in the third quarter of 2024 from 701.1 thousand in the third quarter of 2023
- ii. Similarly, the freight haulage via SGR decreased by 0.8% to 1,720.3 thousand metric tonnes in the period under review from 1,735.0 thousand metric tonnes in the third quarter of 2023

In 2025, we expect the economy to grow at a faster pace in the range of 5.2%-5.5% due to the improved business activity on the back of stronger and stable Shilling, reduced borrowing costs and eased inflation rate. We however expect the growth to be subdued by the challenging business environment, driven by increasing taxes and elevated costs of living. However, recent economic developments, including the Central Bank of Kenya's (CBK) decision to lower the Central Bank Rate (CBR) in its December 2024 meeting by 75.0 bps to 11.25% and the anticipated further reduction in the subsequent meetings, have provided a more accommodative monetary policy stance. This shift, combined with the significant easing of inflation, currently at 3.0% as of December 2024, is expected to alleviate some pressure on the cost of credit, thereby improving access to affordable borrowing. The lower CBR is likely to support investment spending by both individuals and businesses, contributing positively to economic activity. Inflation remains well within the CBK's target range of 2.5%-7.5%, and while risks of rising fuel prices persist due to global geopolitical tensions, the overall inflation outlook is more favorable. Despite this, consumer purchasing power remains somewhat constrained due to increased taxation and high cost of living, which may limit demand for goods and services, moderating economic growth. On a positive note, the agricultural sector, Kenya's largest contributor to GDP, is expected to continue supporting growth due to favorable rainfall, while easing inflationary pressures and a strengthening Shilling provide further optimism for the economic outlook.

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 5.2%-5.5% economic growth rate in 2025.