

**REMARKS BY HON, (AMB.) UKUR YATANI, EGH, CABINET SECRETARY FOR THE NATIONAL TREASURY AND PLANNING, DURING THE LAUNCH OF THE 2021 ECONOMIC SURVEY REPORT:**

**9<sup>TH</sup> SEPTEMBER, 2021, NAIROBI**

**Members of the Press,**

**Ladies and Gentlemen,**

**Good Morning.**

I welcome you all to this official launch of the 2021 Economic Survey Report.

At the outset, let me sincerely apologize for the delay in the release of this year's Economic Survey Report and the inconvenienced caused to the users of the various statistics and information contained in the publication.

**Ladies and gentlemen**

In the generation of statistical reports, the key stages include field data collection, data analysis, data validation and peer review. In 2021, there are two main factors that affected the timely production of the report, namely; the COVID 19 pandemic and the National Accounts Statistics revision and rebasing process.

Firstly, the unprecedented challenge of COVID-19 has impacted negatively on the availability of statistics while also occasioning late submission of some of the requisite information by the data producers for preparation of the report. The late submission of the data affected the subsequent stages in the compilation of the 2021 Economic Survey report. This challenge is not only unique to Kenya but has also affected other countries.

Secondly, revision and rebasing of the national accounts is a normal statistical procedure undertaken by national statistical office to ensure that key macroeconomic statistics - such as Gross Domestic Product (GDP) - present the most up-to-date reflection of the economy. Revisions which are indeed routine part of dissemination of quality statistics, are undertaken to incorporate better source data; adoption of new methodological or conceptual framework; updating base periods; and correction of errors among other improvements. To minimize disruptions to users and frequent revisions, for instance through structural breaks in time series, alignment with change of base period exercise (rebasing) is preferred.

The Kenya National Bureau of Statistics initiated the process of revising and rebasing the national accounts in 2017. The revision process entailed; taking stock of the available data and assessing their suitability; formulation of a data collection strategy to fill the gaps; conducting various surveys and censuses; analyzing and validating the data; compilation of revised and rebased estimates and; a consultative review of the revised estimates. Among the key surveys and censuses that informed the revision and

rebasings include: 2017 Census of Industrial Production; 2017 Integrated Survey of Services; 2015/16 Kenya Integrated Household Survey; 2019 Kenya Population and Housing Census; 2016 Micro, Small and Medium Enterprises Survey; as well as a number of improved data from administrative records.

The revision and rebasing exercise significantly benefited from the macro working groups, technical support of Statistics of Sweden and the IMF East AFRITAC before finalization in readiness for dissemination.

The revision and rebasing process has resulted to: improved compliance with the 2008 System of National Accounts which contains the latest compilation guidelines; improved coverage of economic activities due to improved data sources; better estimates of the size of the economy and growth rate and; overall improvement in accuracy, consistency and reliability of the national accounts estimates. A detailed report on the revision and rebasing process is now available on the KNBS website and we regret the delay which was primarily caused by the need for a tradeoff between timeliness and accuracy of the official statistics.

### **Ladies and gentlemen**

Today, as we launch the Economic Survey Report, which provides information on sectoral performance of the economy in the last five years, we need to be alive to the fact that our economy like others still faces the negative impacts of the COVID-19. This report provides;

- highlights of Rebasings of the Construction Input Index
- and Analysis of Nutritional Anthropometric Trends in Kenya.

## **INTERNATIONAL SCENE**

- The global economy was estimated to have contracted by 4.2 per cent in 2020 compared to a growth of 2.7per cent in 2019.
- The contraction was attributed to; Emergence of Covid-19 which significantly constrained economic activity as well as decline in oil prices due to dwindling demand.
- Economies in the OECD contracted by 5.5 per cent in 2020 compared to a growth of 1.6 per cent in 2019.
- Sub-Saharan African Real GDP contracted by 1.9 per cent in 2020 compared to 3.2 per cent growth in 2019 mainly owing to; restrictions associated with COVID -19 pandemic negatively affected tourism and international while also exacerbating debt burden.

## **DOMESTIC ECONOMY**

In 2020, Kenya's economy was adversely affected by the COVID-19 pandemic resulting in significant slowed down economic activities. During the review period, the government's priority was to safeguard citizens lives while at the same time cushioning the economy from the effects of COVID-19. The restriction in movements and social distancing led to disruption in labour supply, leading to reduced demand for goods and services. Accordingly, many businesses especially service industries like tourism significantly slowed down during the second quarter of 2020. However, pick up of economic activities resumed in the third quarter of 2020 with notable

improvement in the fourth quarter of 2020. By and large the containment measures constrained the economy from realizing its full potential.

## **Agriculture sector**

- The agriculture sector grew by **4.6 per cent** in 2020 compared to a revised growth of 2.3 per cent in 2019. This was on account of favorable weather conditions in 2020 which improved production of food crops such as beans, rice, sorghum and millet and, livestock and related products such as milk and meat.
- Tea production increased by **24.1 per cent** from 458.8 thousand tonnes in 2019 to 569.5 thousand tonnes in 2020.
- The volume of cane in tonnes deliveries increased from 4.4 million in 2019 to 6.0 million in 2020.
- Earnings from horticultural produce increased by 3.9 per cent to stand at KSh 150.2 billion in 2020, mainly attributed to better international export prices for the review period.
- Milk production increased from 668M litres in 2019 to 682M in 2020.

## **Environment and Natural Resources**

- The fisheries sub-sector registered a slight improvement in performance in the review period with the total value of fish landed increasing from KSh 23.6 Billion in 2019 to KSh 26.2 Billion.

- Total value of mineral production declined by 5.8% from 24.1B in 2019 to 22.7B in 2020, attributed to declines in Gold, Refined soda & Gemstones.
- Total forest area increased marginally from about 4.22M Ha in 2019 to 4.23M Ha in 2020. During the review period, area under government forest plantation stock increased from 147.6 thousand Ha in 2019 to 149.6 Ha.

## **Manufacturing sector**

- The manufacturing sector declined by **0.1%**, compared to an increase of 2.5% in 2019. The value of output increased by 2.8 per cent from 2.3 trillion in 2019 to 2.4 trillion in 2020.
- The sector's performance was supported by Sugar & cement production.
- Total credit advanced to the sector by commercial banks & industrial financial institutions rose from KSh 366.9B in 2019 to KSh 410.3B in 2020.
- Total sales by EPZ enterprises increased by 4.3% to KSh 80.5 B in 2020 while imports contracted by 7.5% to KSh 36.8B in 2020.
- Formal employment in the sector decreased by 10.3% to 316.9 thousand persons in 2020.

## **Building and Construction**

- The Construction sector registered a growth of **11.8%** in 2020 compared to growth of 5.6 per cent in 2019.
- Cement consumption rose significantly from 6.1M tonnes in 2019 to 7.4M tonnes in 2020 representing an increase of **21.3%**.
- Loans and advances from commercial banks to the construction sector grew by 3.4% from KSh115.8B in 2019 to KSh119.7B in 2020.
- The number of completed public residential buildings built by the State Department for Housing and National Housing Corporation (NHC) were 2,332 and 338, respectively in the year under review.
- The total length of roads under bitumen rose by **1.8%** to 22.6 thousand kms as at June 2020, from 22.2 thousand kms in June 2019.
- The construction of the Nairobi Expressway, was at 16.6% completion as at 31st December 2020.
- Wage employment in the sector grew by **33.0%** from 173.3 thousand persons in 2019 to 230.5 thousand persons in 2020.

## **Financial and Insurance Activities**

- Financial sector recorded a growth of **5.6%** in 2020 compared to a growth of 6.9% in 2019
  - Financial activities sub sector grew by **4.2%** in 2020 compared to **6.2%** growth in 2019 arising from increase in domestic credit and credit advanced to national Government and private sector.
  - Total domestic credit grew by **18.6%** in Dec 2020
  - Credit to the National Government increased to KSh 1.358 T as at Dec 2020 compared to KSh 900.4 B in Dec 2019.

- Credit to the private sector expanded by **8.4%** to KSh 2.891 T in 2020.
- Insurance activities recorded a growth of **10.5%** in 2020 compared to **9.5%** growth in 2019 as evidenced by **2.7%** growth in net premium income
- The CBK introduced accommodative monetary policies in an effort to cushion the economy and financial sector from systemic issues from COVID-19.

### **International Trade and Balance of Payments**

- The balance of trade deficit narrowed from KSh 1,209.7 Billion in 2019 to KSh 999.9 Billion in 2020.
  - This improved performance resulted from a **7.9%** increase in total exports to KSh 643.7 billion coupled with a **9.0%** decline in the value of imports to KSh 1,643.6 billion in 2020. The increase in total exports was driven by an increase in domestic exports from KSh 520.8 billion in 2019 to KSh 567.4 billion in 2020.
- Overall, the Balance of Payments deteriorated from a surplus of KSh 111.4 billion in 2019 to a deficit of KSh 152.5 billion in 2020.
- The Kenyan Shilling depreciated against major currencies exchanging at KSh 106.5, KSh 121.7 and KSh 136.7 against the US dollar, the Euro and Pound Sterling, respectively.

### **Employment and Earnings**



- In 2020, total employment outside small-scale agriculture and pastoral activities stood at **17.4 million**, down from 18.1 million recorded in 2019.
- Wage employment in the private sector declined by **10.0%** from 2,063.2 thousand jobs in 2019 to stand at 1,856.5 thousand jobs.
- Within the public sector, wage employment increased from 865.2 thousand in 2019 to 884.6 thousand in 2020.
- Informal sector employment is estimated to have contracted to 14.5 million jobs compared to 15.1 million jobs in 2019
- The nominal wage bill for private and public sectors declined from KSh 2,279.0 billion in 2019 to KSh 2,197.6 billion in 2020 mainly due to a decrease of 6.6% wage bill in the private sector.
- Inflation rate as measured by the Consumer Price Index (CPI) increased from 5.3% in 2019 to 5.4 % in 2020.

### **Accommodation and Food Services**

- Overall, the tourism sector indicators registered declines with tourism earnings decreasing by **43.9%** to KSh 91.7Billion in 2020. The declines were attributed to the COVID-19 pandemic and resultant containment measures by governments across the world.
- International visitor arrivals decreased by **71.5%** to stand at 579.6 thousand in 2020.
- Hotel bed-nights occupancy rate contracted by **58%** to 3,803.0 thousand.
- The number of international and local conferences declined by **87%** and **75.2%**, respectively, in 2020.

- Visitors to national parks & game reserves declined by **65.1%** to 1,037.0 thousand in 2020.

## Energy Sector

- Electricity supply contracted by **0.5 per cent** in 2020 compared to 1.7 per cent growth in 2019.
- Electricity generated increased by **17.1 per cent** to 11.6 million Mega Watt hours in 2020.
- Key projects:
  - Completion of Olkaria V Geothermal power plant with an installed capacity of 172.3 MW
  - Ongoing development of the Gitaru Solar Power plant with an estimated capacity of 42.5 MW
  - The total value of petroleum products imported dropped by **33.9per cent** to KSh 209.1 billion in 2020 from KSh 316.6 billion in 2019.
- The number of customers connected under the rural electrification programme grew by **6.6 per cent** to 1,502,943 in 2019/20 from 1,409,256 in 2018/19.

## Transport and Storage

- In 2020, the sector performance was constrained by the COVID-19 pandemic containment measures including restriction of movement between countries and counties, social distance in public service vehicles and arrangements of working remotely.
- The sector contracted by **7.8 per cent** compared to a 6.3 per cent growth in 2019.

- The freight transport through the Standard Gauge Railway (SGR) increased from 4,159 thousand tonnes in 2019 to 4,418 thousand tonnes in 2020.
- Revenue generated from railway transport declined from KSh 15,860 million in 2019 to KSh 12,552 million in 2020.
- Total cargo throughput at the Port of Mombasa remained more or less at the same level as 2019 recording a minimal decline of 0.9 per cent to stand at 34,116 thousand metric tonnes in 2020
- The contraction in growth was reflected in decline in consumption of light diesel by 3.0 per cent to stand at 2,143.5 thousand metric tonnes in 2020.
- Commercial passenger traffic by air declined by 62.5 per cent from 12.0 million in 2019 to 4.5 million in 2020.
- The number of newly registered motor vehicles declined by **14.2 per cent** from 109,751 in 2019 to 94,128 to 2020.

## **Information and Communication Technology**

- Information and Communication sector registered a growth of 4.8% in 2020 compared to 7.5% in 2019. This growth was mainly supported by increased uptake of digital services as the COVID-19 measures advocated for learning activities to be undertaken remotely and cashless payments for financial transactions.
- The total number of mobile money and commerce transactions increased by **20.0%** and **35%** to stand at KSh 5.2 trillion and KSh 9.4 billion, respectively in 2020.

- Internet service providers increased from 302 in 2019 to 366 in 2020 while internet subscriptions increased by 11.7 per cent to 44.4 million over the same period.

## **Education and Training**

- Total number of schools increased from 89,337 in 2019 to 90,145 in 2020.
- The number of registered public pre-primary schools went up by 2.7 per cent from 28,383 in 2019 to 29,148 in 2020. During the review period, the number of private primary schools increased by 1.5 per cent to 9,191, while the number of public primary schools declined to 23,246 from 23,286 in 2019.
- The number of public teacher training colleges grew from 27 in 2019 to 30 in 2020, while the number of national polytechnics increased by one to 12 in 2020.
- Enrolment in Pre-Primary 1 and 2 increased by 3.4 per cent to 2.8 million in 2020 from 2.7 million in 2019.
- Total enrolment in primary schools stood at 10.2 million in 2020 from 10.1 million in 2019.
- Total enrolment in secondary schools recorded a growth of 8.0 per cent to 3,520.4 thousand in 2020 of which 1,768.9 thousand were girls.
- Enrolment in TVET institutions increased by 4.8 per cent from 430,598 in 2019 to 451,205 in 2020.
- Total enrolment in public and private universities increased by 7.3 per cent to 546.7 thousand in 2020/21 from 509.5 thousand reported in 2019/20 academic year.

- The number of HELB loan applicants recorded a growth of 30.4 per cent from 298.0 thousand in 2018/19 to 388.7 thousand in 2019/20 academic year. The number of loan beneficiaries increased by 19.1 per cent from 293.2 thousand in 2018/19 to 349.2 thousand in 2019/20.

## **Health and Vital Statistics**

- The National Government expenditure on health services rose by 34.5 per cent to KSh 103.1 billion in 2019/20 while that of County Governments' grew by 16.0 per cent to KSh 106.7 billion in the same period. The ratio of Government expenditure on health to total expenditure stood at 6.2 per cent in 2019/20.
- The National Hospital Insurance Fund (NHIF) membership increased by 6.0 per cent to 22.0 million in 2019/20. Consequently, NHIF members' receipts grew by 5.7 per cent to KSh 59.5 billion in 2019/20. The amount of benefits payout increased by 1.8 per cent to KSh 54.4 billion during the review period.
- Total cases of diseases reported in health facilities were about 60.0 million in 2020. Diseases of the respiratory system and malaria accounted for 27.6 per cent and 19.1 per cent of the total disease caseload, respectively, in the same period.
- The number of health facilities increased from 13,700 in 2019 to 14,600 in 2020.
- Hospital beds increased by 9.6 per cent to 82,091 while hospital cots increased by 7.7 per cent to 8,946 in the review period.

## **Overall Performance of the domestic Economy**

### **Ladies and Gentlemen,**

- The revised nominal GDP was estimated at 10.753 trillion in 2020 from 10.256 trillion in 2019.
- The economic performance as measured by Real Gross Domestic Product (GDP) is estimated to have contracted by 0.3 per cent in 2020 compared to a growth of 5.0 per cent in 2019.
- The contraction in Economic performance was attributed to;
  - Disruption in labour supply brought about by restriction of movement and social distancing meant to contain the spread of Covid-19
  - Reduced demands for goods and services.
- The large contraction in tourism and related activities was partly offset by growth in the Construction and Health sectors both driven by continued investment in public infrastructure and Health.

The Government is currently focusing on the implementation of the Economic Recovery Strategy (ERS) that aims at restoring the economy to a strong growth path, creating jobs and economic opportunities across all regions of the country with a view to tackling social and income inequalities. It is expected that the successful implementation of the Economic Recovery Strategy which is also aligned to the “Big Four” Agenda will promote inclusive growth and transform the lives of Kenyans.

## **Economic Outlook**

### **Ladies and Gentlemen,**

#### **Global**

- Globally, most of the developing economies are projected to experience a more challenging recovery from the COVID-19 pandemic compared to their developed economies counterpart.
- This is largely so because of the uneven access to COVID-19 vaccine which is therefore likely to impact negatively on the full resumption of economic activities in the developing economies.
- The global economic growth is expected to rebound to 5.6 per cent in 2021.
- Consequently, the volume of world merchandise trade is projected to expand by 8.0 per cent in 2021 after a contraction of 5.3 per cent in 2020.
- The growth in the world trade is expected to boost external demand for Kenya's products and thereby likely to augment the country's economic growth.

#### **Domestic**

- Domestically, oil prices have been rising significantly in response to the global price rise.

- On average, the international oil prices are likely to be higher. Effectively then, oil prices in Kenya will probably remain high and therefore counterproductive to economic growth.
- On average, inflation was lower in the first quarter of 2021 compared to a similar quarter of 2020. However, there was a rise in the inflation rate during the second quarter and this trend is likely to continue in the second half of 2021 due to higher energy and transportation prices.
- The country has so far experienced below normal rainfall in the first half of 2021.
  - However, the weather forecast points to the possibility of the short rains being better in most parts of the country later in the year.
  - Output of the agriculture sector, which is largely rain fed, is therefore likely to be lower than the 2020 level.
- Full resumption of activities in the education sector and the hotel industry that were almost halted for the better part of 2020, is likely to significantly boost the growth.
- Other key sectors like manufacturing and transportation are likely to rebound and support the country's economic growth.
- The key macroeconomic indicators will most probably remain stable and supportive of growth in 2021, the economy is therefore expected to record a significant rebound in 2021.

## **Conclusion**



**Ladies and Gentlemen,**

The importance of quality statistics for effective planning, monitoring and evaluation of Government programs cannot be overemphasized. In this regard, My Ministry will continue to provide the much needed financial and other support to facilitate the Bureau in undertaking critical data production programs.

I would like to thank the businesses and households that provided data used for preparing the Economic Survey Publication. I also wish to thank the Ministries, Departments and Agencies for providing the administrative data used in the report. I wish to recognize the unwavering support of our development partners for facilitating statistical activities and for enabling various surveys and analyses to be undertaken. The Bureau will continue to uphold confidentiality in handling the information given and will only use it for statistical purposes.

In conclusion, I urge all stakeholders to make use of the invaluable information contained in the report for better targeting of programs and initiatives to yield more desirable and efficient economic outcomes.

**Hon. Amb. Ukur Yatani, EGH,  
CABINET SECRETARY,  
THE NATIONAL TREASURY AND PLANNING**