KENYA'S ECONOMIC AND TRADE OUTLOOK

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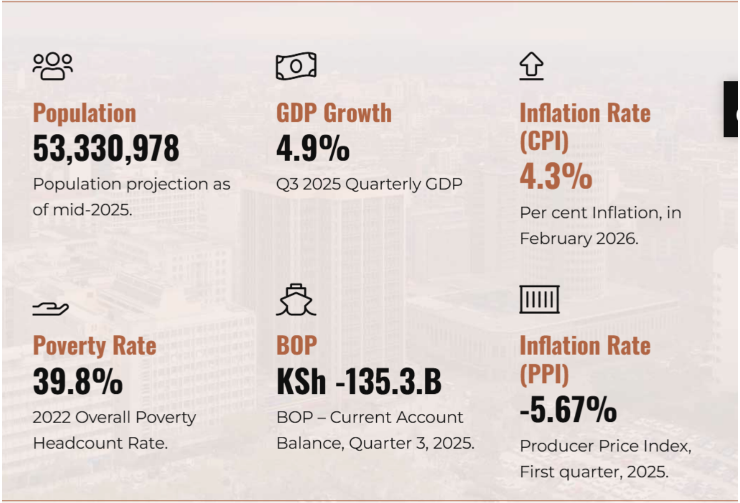
Presentation Outline

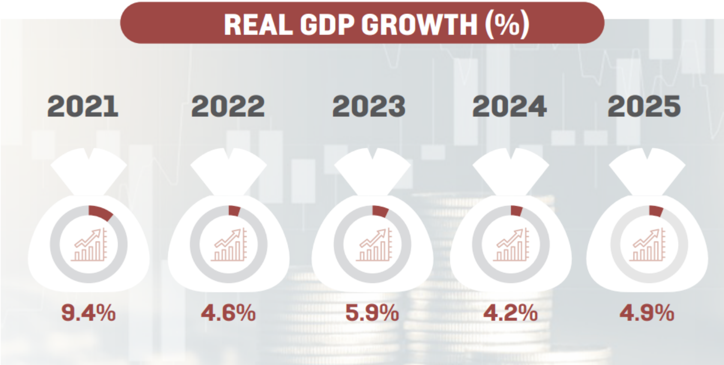
1. Baseline statistics
2. Macroeconomic environment
   - Growth
   - Inflation
   - Employment
3. International trade
4. Regional trade

Baseline statistics



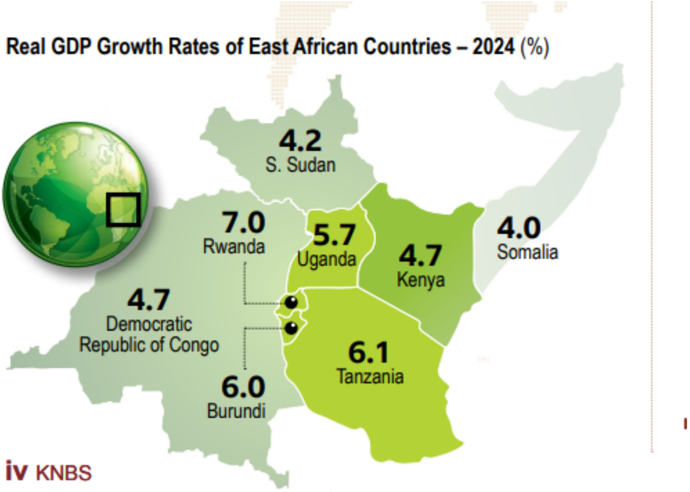
Source: KNBS

Third Quarter GDP Growth Rates (%), 2021-2025



Source: KNBS

Comparing EAC real economic growth



Source: KNBS

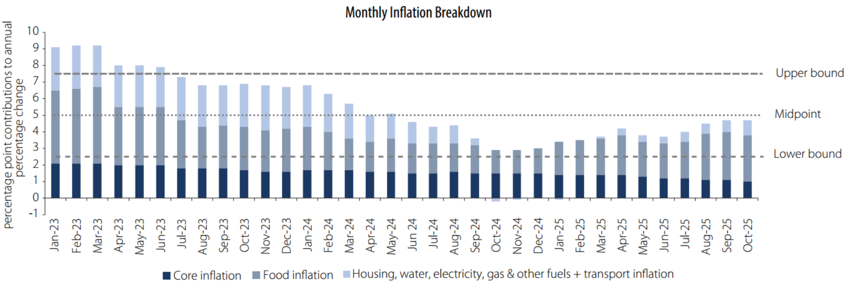
Inflation

Figure 1: Inflation from Dec 2024-Dec 2025

Source: KNBS

- Inflation within the CBK's target of +/-5%, reaching 4.5% in both November and September 2025 year on-year

Figure 2: Headline versus core inflation 2023-2025



Source: CBK

Headline versus core inflation

- Headline measures total inflation including food and fuel. Core excludes volatile items
- Inflation dropped from levels above 9% in early 2023
- Headline inflation was driven mainly by food
- Consequences of high inflation
  - Weakening Kenya shilling, making imports more expensive
  - Households spend more when 1000 shillings buys less

Sectoral contribution to GDP

Percentage Contribution to GDP

Industry	2020	2021	2022	2023*	2024*
Agriculture, forestry and fishing	22.7	21.5	21.0	21.5	22.5
Growing of crops	16.7	15.3	14.9	15.2	15.3
Animal production	3.6	3.6	3.5	3.7	4.2
Support activities to agriculture	0.2	0.2	0.2	0.2	0.2
Forestry & logging	1.6	1.7	1.8	1.8	2.1
Fishing & aquaculture	0.6	0.7	0.6	0.6	0.7
Mining and quarrying	0.7	0.8	0.9	0.7	0.7
Manufacturing	7.6	7.4	7.7	7.5	7.3
Manufacture of food, beverages and tobacco	4.4	4.2	4.3	4.2	4.1
Other manufacturing and repair and installation	3.2	3.2	3.5	3.3	3.2
Electricity supply	1.5	1.4	1.3	1.7	1.8
Water supply; sewerage, waste management	0.6	0.5	0.5	0.5	0.4
Construction	7.0	7.1	7.1	6.7	6.3
Wholesale and retail trade; repairs	8.1	7.9	7.7	7.7	7.5
Transportation and storage	10.8	11.6	13.2	13.2	12.7
Land transport	9.2	9.9	11.4	11.3	10.8
Air transport including support services	0.4	0.6	0.8	1.0	1.0
All other transport including postal and courier activities	1.1	1.0	0.9	0.8	0.8
Accommodation and food service activities	0.7	1.1	1.1	1.3	1.6
Information and communication	2.6	2.4	2.3	2.3	2.2
Telecommunications	1.8	1.7	1.6	1.6	1.6
Publishing, broadcasting, other IT and information activities	0.8	0.8	0.7	0.7	0.6
Financial and insurance activities	6.7	7.2	7.4	7.8	7.9
Financial activities	5.1	5.2	5.4	5.7	5.6
Insurance activities	1.7	2.0	2.0	2.1	2.3
Real estate	9.3	9.0	8.5	8.4	8.4
Professional, scientific and technical activities	1.5	1.5	1.4	1.4	1.4
Administrative and support service activities	0.9	0.9	1.0	1.0	1.1
Public administration and defence	5.5	5.3	5.0	4.9	5.0
Education	3.9	4.3	4.0	3.8	3.8
Pre-primary and Primary education	2.0	2.1	2.0	1.9	1.8
General secondary education	1.0	1.2	1.1	1.1	1.1
Higher and other education	0.9	1.0	0.9	0.9	0.9
Human health and social work activities	2.0	2.0	1.8	1.7	1.7
Arts, entertainment and recreation	0.2	0.2	0.2	0.2	0.2
Other service activities	1.2	1.2	1.2	1.1	1.1
Activities of households as employers	0.7	0.6	0.6	0.6	0.6
Financial Intermediation Services Indirectly Measured (FISIM)	-2.0	-2.0	-1.9	-2.2	-2.0
All Economic Activities	92.0	91.7	92.1	91.9	92.3
Taxes less subsidies on production	8.0	8.3	7.9	8.1	7.7
GDP at Market Prices	100.0	100.0	100.0	100.0	100.0

Sectors and employment

- Comparative advantage in services.
- Can we accept that this is the reality of developing countries?
- Is the manufacturing the way to good jobs?

Formal and informal employment

Table 3.1: Total Recorded Employment[1], 2020 - 2024

	2020	2021	2022	2023	2024*
Modern Establishments					
Wage Employees	2,742.6	2,906.1	3,015.4	3,138.3	3,213.8
Self-employed and unpaid family workers	156.1	163.7	168.1	172.4	175.5
Sub -Total	2,898.7	3,069.8	3,183.5	3,310.7	3,389.3
Informal Sector[2]	14,508.0	15,261.8	15,964.7	16,685.6	17,389.3
TOTAL	17,406.7	18,331.6	19,148.2	19,996.3	20,778.6

- Informal sector created 703.7 thousand new jobs, which was 90% of all new jobs created excluding small-scale agriculture.
- Informal sector employs more workers.

In which sector are these informal jobs?

Table 3.11: Persons Engaged in the Informal Sector by Activity[1] 2020 – 2024

Number '000

Activity	2020	2021	2022	2023	2024*
Manufacturing	2,874.2	3,067.1	3,181.0	3,371.8	3,487.9
Construction	406.6	416.0	419.7	457.3	459.3
Wholesale and Retail Trade, Hotels and Restaurants	8,879.3	9,114.5	9,320.9	9,634.9	10,315.1
Transport and Communications[2]	390.1	431.9	444.9	482.5	506.9
Community, Social and Personal Services	1,334.3	1,521.6	1,846.4	1,981.4	1,828.5
Others	623.3	710.8	751.8	757.7	791.6
TOTAL	**14,508.0**	**15,261.8**	**15,964.7**	**16,685.6**	**17,389.3**
Urban	5,143.8	6,224.0	6,560.1	6,964.0	6,785.3
Rural	9,364.1	9,037.8	9,404.6	9,721.6	10,604.0

- Services sectors yield most informal jobs
- How many employees can a factory employ ?
- How easy is it to start a factory compared to a shop?
- How should we restructure industrial policy with this reality i.e the comparative advantage in services?

International trade

Top 20 import Destinations 2010-2024

Country	Value	Rank	Prod.	Rank	Unit	Rank
CHINA	4377781	1	5190	1	186.68	6
INDIA	2848891	2	4912	2	108.26	11
UNITED ARAB EMIRATES	2312318	3	4181	7	59.40	17
UNITED STATES	1163358	4	4396	5	241.05	3
SAUDI ARABIA	1125292	5	1538	18	58.11	18
JAPAN	1093931	6	2888	11	191.78	5
SOUTH AFRICA	903553	7	4586	4	63.57	16
INDONESIA	629673	8	1762	15	83.03	12
MALAYSIA	602570	9	2031	14	123.93	9
GERMANY	571889	10	4187	6	310.50	2
UNITED KINGDOM	545582	11	4756	3	528.22	1
RUSSIA	524074	12	773	20	38.25	19
EGYPT	508182	13	2269	13	69.36	13
NETHERLANDS	398788	14	3571	9	127.08	8
TANZANIA	368308	15	1657	16	36.87	20
KOREA REPUBLIC	351503	16	2706	12	133.68	7
OTHER COUNTRIES	336005	17	963	19	65.34	15
UGANDA	334840	18	1563	17	68.86	14
FRANCE	323571	19	3459	10	119.64	10
ITALY	306985	20	3819	8	224.90	4

- **China:** Largest import partner, supplying high volumes of manufactured goods.
- **UK:** Smaller volumes but higher-value imports, indicating more specialized products.

International trade

Share of imports

Country	Total imports value in billions	% share
China	4377.78	18.07
India	2848.89	11.76
UAE	2312.32	9.54
USA	1163.36	4.80
Saudi Arabia	1125.29	4.64
Japan	1093.93	4.52
South Africa	903.55	3.73
Indonesia	629.67	2.60
Malaysia	602.57	2.49
Germany	571.89	2.36
United Kingdom	545.58	2.25
Russia	524.07	2.16
Egypt	508.18	2.10
Netherlands	398.79	1.65
Tanzania	368.31	1.52

- Heavy reliance on China
- Little imports from within Africa

International trade

Top Export Destinations

Country	Value	Rank	Prod.	Rank	Unit	Rank
UGANDA	10472.82	1	4367	1	0.42	17
NETHERLANDS	6714.63	2	1098	14	0.70	15
UNITED STATES	6586.80	3	1838	10	0.02	20
UNITED KINGDOM	6537.06	4	1833	11	0.73	13
PAKISTAN	6149.06	5	478	19	2.16	4
TANZANIA	5841.93	6	4096	3	1.07	9
UNITED ARAB EMIRATES	4967.78	7	1861	9	1.00	10
EGYPT	3190.98	8	664	17	2.51	2
RWANDA	2913.80	9	4207	2	0.75	12
DR CONGO	2872.13	10	3346	6	1.13	7
SOUTH SUDAN	2291.03	11	3866	4	0.71	14
SOMALIA	2176.52	12	3429	5	2.48	3
GERMANY	1741.43	13	1429	12	0.90	11
CHINA	1646.04	14	1088	15	0.15	18
SUDAN	1421.70	15	2906	7	1.75	5
INDIA	1388.43	16	1318	13	0.43	16
AFGHANISTAN	1321.40	17	230	20	3.31	1
ETHIOPIA	1175.16	18	2430	8	0.05	19
FRANCE	1127.19	19	935	16	1.44	6
SAUDI ARABIA	1089.81	20	629	18	1.08	8

Note: Kenya's exports to EAC countries account for large export values but involve relatively low unit values, reflecting trade in basic goods.

International trade and crisis

What does the Russian-Ukraine war imply?

Country	Value in billions	% share
Russia	2.970e+11	41.04
Argentina	1.011e+11	13.98
Ukraine	6.787e+10	9.38
Australia	5.881e+10	8.13
Canada	4.594e+10	6.35
USA	2.726e+10	3.77
Germany	2.723e+10	3.76
Lithuania	2.261e+10	3.13
Poland	1.929e+10	2.67
Latvia	1.243e+10	1.72

- High dependence for wheat
- Russia is our top exporter of wheat
- After the crisis the dependence rose to about 60%

International trade and crisis

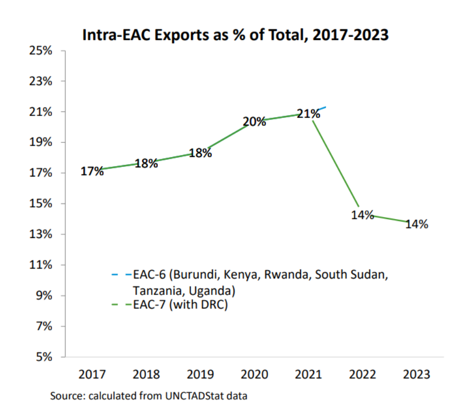
Potential mineral (oil, LPG, crude, petroleum derivatives) crisis

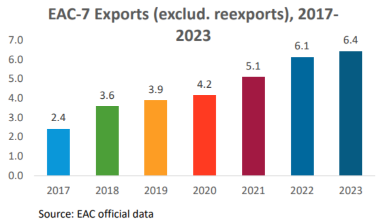
Rank	Country	Value (Million KES)	Share (%)
1	UAE	1,916,116.0	37.13
2	India	762,263.2	14.77
3	Saudi Arabia	667,974.8	12.94
4	Other Countries NES	298,105.2	5.78
5	Netherlands	173,970.5	3.37
6	Oman	164,427.5	3.19
7	USA	136,549.2	2.65
8	Kuwait	114,738.5	2.22
9	Bahrain	114,125.9	2.21
10	South Africa	108,768.2	2.11

- High dependence on Gulf countries for oil products
- How can Kenya build resilience?

Regional trade

EAC





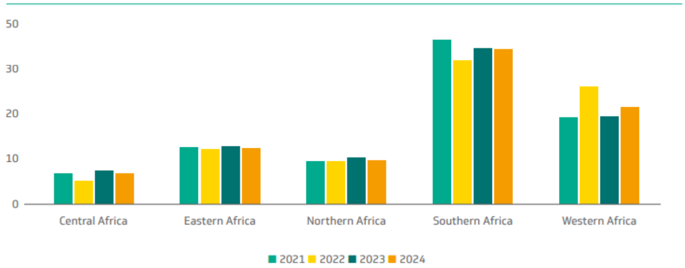

EAC's invisible walls: Why intra-trade remains stubbornly at 15pc

- Trade within EAC has stagnated

- National versus regional interests e.g second hand clothes example to protect AGOA,
- Non-tarrif barriers e.g Dangote requires 35 visas
- Limited hard and soft infrastructure (push for Mission 300 million)
- Need to promote spur business and activity so that people can travel. How many Africans fly for business?
- Limited independence of regional blocks because they still rely on aid.Honoring the commitment to contribution of the countries.
- EAC countries produce similar commodities
- A lot of intra-trade is unrecorded (high volumes of Informal Cross-Border Trade (ICBT).

Regional trade

All regional blocks



Source: African Export–Import Bank (Afreximbank), African Trade Report.

- South Africa leads intra-regional trade within SADC.
- Africa accounted for 11.8% of South Africa's total imports, while 24.6% of its total exports were destined for African markets.

Regional trade

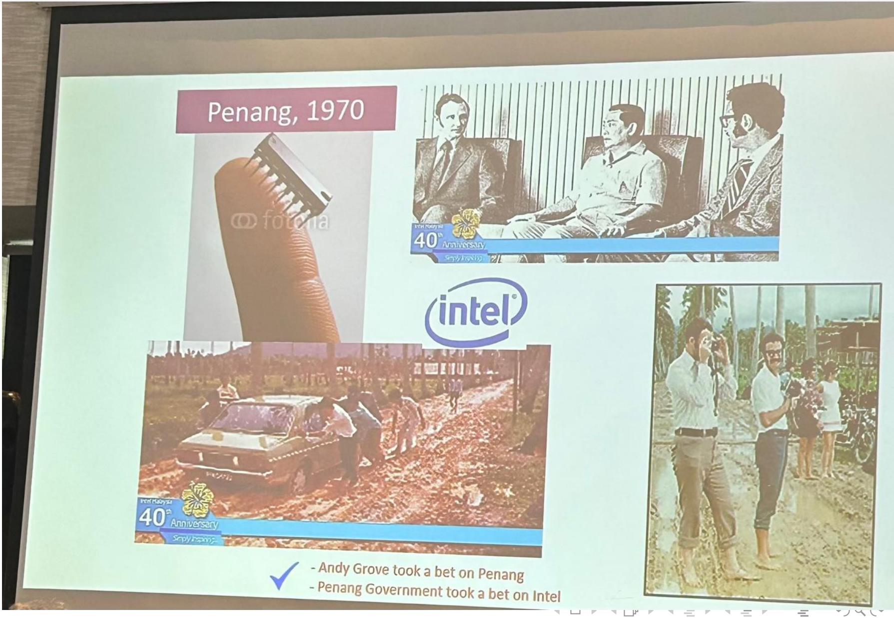
Individual country contribution

Table 6.1 Intra-African Trade, 2022-24 (in US$ billion unless otherwise indicated)

	Intra-African Exports			Growth rate (%)		Country Share of Total Intra-African Exports, %			Intra-African Imports		
Country	2022	2023	2024	2023	2024	2022	2023	2024	2022	2023	2024
Algeria	2.33	2.70	2.71	15.65	0.30	1.85	2.50	2.14	1.63	1.96	2.14
Angola	0.68	2.13	7.29	213.45	242.28	0.54	1.97	5.75	0.84	1.51	0.61
Benin	0.19	0.20	0.60	7.28	199.03	0.15	0.19	0.47	0.56	0.74	0.58
Botswana	1.07	0.79	0.74	-25.55	-6.98	0.84	0.73	0.58	5.66	4.96	5.57
Burkina Faso	0.63	0.67	0.61	5.61	-8.63	0.50	0.62	0.48	1.47	1.85	2.17
Burundi	0.08	0.08	0.07	4.10	-13.21	0.06	0.08	0.06	0.34	0.35	0.37
Cabo Verde	0.03	0.02	0.03	-41.61	90.06	0.02	0.02	0.02	0.08	0.02	0.39
Cameroon	0.35	0.28	0.44	-19.94	56.09	0.28	0.26	0.35	0.94	0.87	0.75
Central African Rep.	0.01	0.01	0.00	-35.28	-38.40	0.01	0.01	0.00	0.31	0.25	0.22
Chad	0.01	0.02	0.02	138.41	13.30	0.01	0.01	0.01	0.24	0.21	0.44
Comoros, Union of the	0.01	0.01	0.01	-2.92	-22.07	0.01	0.01	0.01	0.02	0.02	0.03
Congo, Dem. Rep. of the	3.63	5.72	7.19	57.48	25.59	2.88	5.30	5.67	2.98	5.04	4.18
Congo, Rep. of	1.62	0.40	0.31	-75.05	-23.85	1.28	0.37	0.24	0.96	2.57	1.66
Côte d'Ivoire	9.00	4.95	4.36	-45.04	-11.89	7.12	4.58	3.44	4.07	4.44	4.10
Djibouti	4.06	4.10	3.60	0.98	-12.27	3.21	3.79	2.84	0.30	0.36	0.42
Egypt, Arab Rep. of	5.57	6.66	7.58	19.57	13.72	4.41	6.17	5.98	1.87	1.62	1.43
Equatorial Guinea, Rep. of	0.16	0.16	0.21	4.13	27.14	0.12	0.15	0.16	0.09	0.14	0.16
Eritrea, The State of	0.02	0.05	0.01	196.74	-67.33	0.01	0.04	0.01	0.01	0.01	0.01
Eswatini, Kingdom of	1.86	1.90	2.51	1.83	32.27	1.48	1.76	1.98	1.63	1.56	1.64
Ethiopia, The Federal Dem. Rep. of	0.47	0.40	0.54	-15.61	33.99	0.37	0.37	0.42	2.01	1.64	1.12
Gabon	1.15	1.25	1.22	9.02	-2.32	0.91	1.16	0.96	0.27	0.23	0.27
Gambia, The	0.03	0.07	0.07	164.63	4.13	0.02	0.06	0.06	0.39	0.26	0.28
Ghana	3.54	3.50	4.82	-1.28	37.77	2.80	3.24	3.80	1.94	1.62	1.17
Guinea	1.43	1.42	1.40	-0.52	-1.23	1.13	1.31	1.11	0.36	0.38	0.41
Guinea-Bissau	0.01	0.01	0.00	-19.66	-90.17	0.01	0.01	0.00	0.09	0.14	0.09
Kenya	2.99	3.07	3.90	2.61	27.10	2.37	2.84	3.08	2.30	1.96	1.86
Lesotho, Kingdom of	0.47	0.39	0.54	-16.06	35.69	0.37	0.37	0.42	1.55	1.40	1.47
Liberia	0.02	0.03	0.03	21.51	16.68	0.02	0.03	0.03	0.55	0.78	0.75
Libya	0.15	0.06	0.02	-58.93	-70.18	0.12	0.06	0.01	0.08	0.01	0.03
Madagascar, Rep. of	0.22	0.19	0.20	-11.01	1.65	0.17	0.18	0.15	0.56	0.52	0.53
Malawi	0.38	0.37	0.26	-2.56	-28.03	0.30	0.34	0.21	0.42	1.06	1.22
Mali	2.64	2.60	2.67	-1.33	2.77	2.09	2.41	2.11	5.45	6.82	6.64
Mauritania, Islamic Rep. of	0.58	0.66	0.83	13.33	25.84	0.46	0.61	0.65	0.49	0.45	0.45
Mauritius	0.53	0.43	0.48	-19.02	12.79	0.42	0.40	0.38	0.81	0.79	0.73
Morocco	3.52	3.19	3.02	-9.26	-5.43	2.78	2.95	2.38	2.54	1.98	2.44
Mozambique, Rep. of	1.71	1.62	0.85	-5.40	-47.43	1.36	1.50	0.67	2.72	2.68	2.93
Namibia	2.62	3.15	3.25	20.14	3.15	2.07	2.91	2.56	3.32	3.12	3.93
Niger	0.23	0.15	0.18	-36.53	20.10	0.19	0.14	0.14	0.61	0.43	0.56
Nigeria	23.49	6.50	15.72	-72.34	141.98	18.59	6.01	12.41	1.89	1.62	2.71
Rwanda	0.80	0.96	1.41	20.91	46.38	0.63	0.89	1.11	1.15	1.04	1.17
São Tomé and Príncipe	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Policy implications

- Comparative advantage in services and informality.
- High dependence on imports, even for food products like wheat.
- Low-value exports.
- EAC intra-regional trade is stagnating.


Penang, 1970
intel
- Andy Grove took a bet on Penang
- Penang Government took a bet on Intel


PENANG - WELL CONNECTED TO SERV
SONY
AMD
PSDC
DELL
OSRAM
BRAUN
BenQ

Penang, 2023