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ECONOMIC SURVEY

2018

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Table 3.17: Consumer Price Indices for Food and Non-Alcoholic Beverages, 2013 -2017

Food and non-alcoholic beverages	Percentage	2013	2014	2015	2016	2017	Percentage Change
	Share						
Bread and cereals	10.52	136.08	143.53	147.88	152.81	171.56	12.3
Meat	5.68	152.64	164.29	174.24	178.12	184.20	3.4
Fish and Sea foods	1.32	163.26	181.65	198.31	211.43	229.90	8.7
Milk, Cheese and Eggs	4.96	158.78	169.52	181.47	181.02	199.45	10.2
Oils and fats	1.69	163.69	163.27	161.90	163.80	173.90	6.2
Fruits	2.38	176.68	197.84	233.28	287.70	352.55	22.5
Vegetables	5.68	180.46	221.60	297.19	373.90	452.81	21.1
Sugar, jam, honey, chocolate and confectionery	2.33	165.24	153.37	152.29	164.57	189.82	15.3
Food products n.e.c.	0.11	127.48	135.99	144.70	147.55	146.76	-0.5
Coffee, tea and cocoa	0.38	121.20	122.03	125.10	130.20	132.99	2.1
Mineral waters, soft drinks, fruit and vegetable juices	1.00	136.26	141.04	143.97	153.92	157.41	2.3

3.28. Table 3.18 presents annual average retail prices of selected consumer goods. The price of one kilogram of sugar increased by 16.6 per cent from an average of KSh 118.2 in 2016 to an average of KSh 137.8 in 2017. During the year under review, there was shortage of maize grain which resulted to a price increase from KSh 42.8 per kilogram in 2016 to KSh 57.7 per kilogram in 2017. However, the price of a 13 kilogram cooking gas declined by 3.7 per cent from an average of KSh 2,154.8 in 2016 to KSh 2,075.3 in 2017.

Table 3.18: Average Retail Prices of Selected Consumer Goods in the Consumer Price Basket, 2013 - 2017

Item	Unit	KSh				
		2013	2014	2015	2016	2017
Beef- With Bones.....	1 Kg	342.5	369.1	392.5	399.6	410.3
Offals (Matumbo).....	1 Kg	203.3	217.8	236.6	244.1	254.1
Bread, White.....	400 Gms	47.5	49.2	48.9	49.2	49.5
Maize Grain- Loose.....	1 Kg	42.3	45.2	43.1	42.8	57.7
Milk - Packeted.....	1/2 Litre	48.8	50.8	52.7	53.5	59.6
Sugar.....	1 Kg	120.2	110.6	109.2	118.2	137.8
Wheat Flour.....	2 kg	137.9	136.4	129.1	124.3	131.3
English Potatoes.....	1 Kg	52.7	49.3	63.0	77.0	81.1
Kales (Sukuma-Wiki).....	1 Kg	41.8	38.8	38.4	40.1	52.8
Cabbages.....	1 Kg	49.0	41.4	42.9	59.1	66.5
Petrol - Super.....	1 Litre	113.1	112.8	94.7	90.3	99.3
Diesel.....	1 Litre	105.1	103.7	81.0	77.4	86.0
Kerosene.....	1 Litre	83.9	82.4	58.4	54.6	67.0
Electricity.....	200 KW/h	3,066.3	3,373.1	3,466.9	3,394.3	3,727.7
Electricity.....	50 KW/h	575.8	586.5	531.1	533.2	597.3
Gas.....	13 Kg	2,688.7	3,062.4	2,506.7	2,154.8	2,075.3



International Trade and Balance of Payments

Chapter 06

Overview

During the review period, the Government launched a National Trade Policy, aimed at spurring economic growth. The policy targets to enhance export growth through value addition in export oriented manufactures and in the services sector, as well as pursuing diversification to fully exploit the export opportunities in the emerging markets. Consequently, a Trade Remedies Bill was developed and approved by Parliament, and assented into law, by the President. The implementation of the law will address unfair trade practices from imports which adversely affects the Country's domestic industries, and widens the trade deficit.

6.2. In 2017, merchandise trade deficit continued to widen from KSh 853.7 billion in 2016 to KSh 1,131.5 billion. This was mainly driven by high import bill which grew by 20.5 per cent from KSh 1,431.8 billion to KSh 1,725.6 billion, over the same period. The main drivers of the import bill were industrial machinery; petroleum products; road motor vehicles; iron and steel; animal and vegetable fats and oils; and sugar. Total exports increased by 2.8 per cent from KSh 578.1 billion in 2016 to KSh 594.1 billion in 2017. The major foreign exchange earners in the review period were tea; horticulture; articles of apparel and clothing accessories; coffee; and titanium ores and concentrates, collectively accounting for 64.8 per cent of total domestic export earnings, during the review period. The volume of trade expanded by 15.4 per cent to KSh 2,319.8 billion in 2017 compared to a 6.9 per cent decline in 2016. The ratio of export to import deteriorated from 40.4 per cent in 2016 to 34.4 per cent in 2017.

6.3. The current account balance widened by 38.3 per cent to a deficit of KSh 518.9 billion in 2017 from a deficit of KSh 375.3 billion in 2016. Net international services increased by 11.4 per cent from a surplus of KSh 144.4 billion in 2016 to a surplus of KSh 160.9 billion in 2017. Receipts from international services increased by 14.0 per cent while payments for international services rendered grew by 15.3 per cent in 2017. Receipts from international travel partly contributed to the increase in services inflows. Net financial inflows increased by 13.4 per cent from a surplus of KSh 420.0 billion in 2016 to a surplus of KSh 476.1 billion in 2017. Other investment net inflows increased by 18.0 per cent to a surplus of KSh 513.4 billion in 2017 compared to an increase of 20.2 per cent in 2016. During the review period, the overall Balance of Payments worsened to a deficit of KSh 16.9 billion from a surplus of KSh 13.1 billion in 2016.

Balance of Trade

6.4. The balance of trade deficit widened from KSh 853.7 billion in 2016 to KSh 1,131.5 billion in 2017, as shown in Table 6.1. This was occasioned by a 20.5 per cent increase in imports from KSh 1,431.8 billion in 2016 to KSh 1,725.6 billion in 2017.

6.5. Total exports increased by 2.8 per cent from KSh 578.1 billion in 2016 to KSh 594.1 billion in 2017 on account of increase in domestic exports. Domestic exports increased from KSh 506.5 billion in 2016 to KSh 530.6 billion in 2017, representing an increase of 4.8 per cent. Re-exports registered a decline of 11.2 per cent to KSh 63.5 billion in 2017. The ratio of export to import deteriorated from 40.4 per cent in 2016 to 34.4 per cent in 2017, as a result of faster growth in imports relative to exports.

Table 6.4(a): Values of Principal Domestic Exports, 2013-2017

Commodity	KSh Million				
	2013	2014	2015	2016	2017*
Fish and fish preparations	3,362	4,266	3,287	1,899	2,125
Maize(unmilled,excluding sweet corn)	192	324	312	511	766
Meals and flours of wheat	145	87	138	65	72
Horticulture	89,339	97,105	100,963	110,338	113,349
Sugar confectionery	5,401	5,345	5,475	4,895	5,073
Coffee, unroasted	16,328	19,913	20,580	21,371	23,453
Tea	104,648	93,996	123,025	124,497	147,251
Margarine and shortening	2,245	2,349	2,307	2,126	2,368
Edible products and preparations, n.e.s.	2,573	2,637	4,048	4,329	5,985
Beer made from malt	3,636	3,416	3,630	2,316	2,521
Tobacco and tobacco manufactures	13,709	16,827	15,757	14,574	13,736
Hides and skins (undressed)	134	126	124	171	51
Sisal	1,020	1,325	1,517	1,762	1,220
Stone, sand and gravel	389	643	444	726	579
Fluorspar	1,714	1,883	1,428	843	159
Salt	2,978	3,881	4,694	4,337	4,040
Soda ash	8,997	7,832	6,247	5,432	7,091
Titanium ores and concentrates ¹		7,282	9,420	11,043	13,793
Metal scrap	2,498	3,403	2,598	2,490	3,328
Animal and Vegetable oils	8,156	6,036	4,650	6,040	4,356
Alcohols, phenols, phenol-alcohols, and their halogens	1,758	1,447	2,059	1,605	405
Pigments, paints, varnishes and related materials	1,628	1,894	2,271	1,818	2,172
Medicinal and pharmaceutical products	7,068	8,296	11,199	13,190	10,952
Essential oils	11,172	10,854	9,822	9,139	10,113
Plates, sheets, film, foil and strip, of plastics	2,415	2,641	2,419	1,995	1,637
Insecticides and fungicides	771	805	1,546	2,034	1,716
Leather	8,491	7,597	6,222	4,605	5,088
Wood manufactures n.e.s.	159	146	124	107	135
Paper and paperboard	5,342	4,406	4,773	4,994	4,855
Textile yarn	885	721	721	637	859
Made-up articles, wholly or chiefly of textile materials, n.e.s.	2,881	3,772	3,400	3,018	2,081
Glassware	1,855	840	910	607	924
Cement	8,292	7,541	7,721	4,360	3,505
Iron and steel	15,560	13,443	12,290	13,183	11,717
Metal containers	500	556	575	575	512
Wire products: nails screws, nuts, etc.	1,036	1,295	992	646	1,077
Household equipment of base metal, n.e.s.	3,392	3,508	2,659	2,709	1,907
Manufactures of base metal, n.e.s.	1,948	1,938	2,633	2,553	2,562
Automatic data processing machines and units thereof,	980	331	236	337	167
Electrical machinery and apparatus, n.e.s.	2,706	2,025	2,022	6,285	1,518
Trailers and semi-trailers; other vehicles	2,597	2,041	1,624	1,494	948
Furniture and parts thereof; bedding, mattresses	1,922	1,697	1,421	1,215	1,068
Footwear	3,992	3,569	3,694	3,473	3,229
Printed matter	3,442	4,271	6,363	5,205	5,683
Articles of plastics	10,263	10,995	11,174	9,907	8,801
Articles of apparel and clothing accessories	24,379	28,948	28,226	30,741	32,448
All other Commodities	62,789	56,319	61,964	60,351	63,222
GRAND TOTAL	455,689	460,572	499,708	506,548	530,617

Source: Kenya National Bureau of Statistics/ Kenya Revenue Authority

* Provisional

¹The first Batch of Titanium ores was exported in 2014

Values of Principal Imports

6.15. Import bill rose by 20.5 per cent from KSh 1,431.8 billion in 2016 to KSh 1,725.6 billion in 2017, as shown in Table 6.4(b). The increase in imports of petroleum products partly contributed to the increase in the total value of imports, with their import value rising by 27.8 per cent to KSh 234.9 billion in 2017. Expenditure on sugar more than doubled during the review period from KSh 22.0 billion in 2016 to KSh 61.5 billion in 2017. In the review period, the value of maize imported increased more than tenfold to KSh 40.3 billion from KSh 3.6 billion in 2016. Substantial increase in import value was also recorded in wheat (46.8%), rice (88.6%), iron and steel (10.7%), animal and vegetable fats and oils (28.7%), chemical fertilizers (26.4%), and organic and inorganic chemicals (14.9%) in 2017. Expenditure on automatic data processing machines and motorcycles also rose by 33.1 per cent and 38.6 per

6.27. Total expenditure on imports rose by 20.5 per cent in 2017 to KSh 1,725.6 billion as shown in Table 6.9. The value of imports from the Far East and Middle East Asia rose by 6.8 per cent and 50.7 per cent, respectively, in 2017. This resulted in a 15.8 per cent increase in the value of imports from Asia which amounted to KSh 1,107.6 billion during the review period. Consequently, the value of imports from Asia accounted for 64.2 per cent of total imports in 2017. Imports from China which have been growing steadily over time amounted to KSh 390.6 billion in 2017, representing an increase of 15.8 per cent. The value of imports from the United Arab Emirates (UAE) and Saudi Arabia also registered significant increase of 51.2 per cent and 65.5 per cent to KSh 138.4 billion and KSh 114.6 billion, respectively, in 2017. Other countries within Asia that registered increase in the value of imports included; Indonesia (25.3%), Pakistan (40.3%), Thailand (74.2%), Malaysia (45.0%) and South Korea (23.8%). On the contrary, value of imports from India which have been on a downward trend since 2014, declined to KSh 170.4 billion in 2017.

6.28. In 2017, the value imports from America nearly doubled in 2017, accounting for 7.5 per cent of total value of imports. Increase in import expenditure within the region were recorded for Brazil, Mexico and Argentina which jointly rose from KSh 7.5 billion in 2016 to KSh 58.5 billion in 2017. The increase in import expenditure from Brazil was on account of a substantial increase in sugar imports. Maize imports which accounted for 90.4 per cent of total imports from Mexico contributed to the surge in imports from the country in 2017.

6.29. The value of imports from the European Union (EU) continued to decline for the second consecutive year and amounted to KSh 206.5 billion in 2017. The value imports from the two leading source countries; Germany and the United Kingdom, jointly declined by 5.0 per cent to KSh 73.0 billion in 2017. A notable decline was also recorded in value of imports from Italy (5.7%), Spain (3.0%), Denmark (11.5%) and Ireland (53.1%). However, the situation was different for France, Netherlands and Belgium which recorded an increase in the value of imports during the review period, from a combined expenditure of KSh 51.5 billion in 2016 to KSh 61.7 billion in 2017.



Agriculture Sector Review

Chapter
07

Overview

Real Gross Value Added in the agricultural sector grew at a decelerated rate of 1.6 per cent from KSh 879.6 billion in 2016 to KSh 893.3 billion in 2017. This was occasioned by drought, pests and disease incidence which resulted in reduced crop and livestock production. Maize production declined from 37.8 million bags in 2016 to 35.4 million bags in 2017. Tea and coffee production decreased by 7.0 per cent and 11.5 per cent to 439.8 thousand tonnes and 40.8 thousand tonnes, respectively in 2017. A reduction in cane production resulted in sugarcane deliveries to factories reducing drastically from 7.2 million tonnes in 2016 to 4.8 million tonnes in 2017. The volume of horticultural exports increased by 16.4 per cent from 261.2 thousand tonnes in 2016 to 304.1 thousand tonnes in 2017. The volume of marketed milk decreased by 17.4 per cent from 648.2 million litres in 2016 to 535.7 million litres in 2017.

*Because of
importation
of milk
of market*

7.2 The dry weather conditions led to a decline in production of most agricultural commodities during the year. Overall, marketed agricultural production registered a decelerated growth of 8.1 per cent in 2017, from the 10.8 per cent growth reported in 2016. Earnings from horticulture exports rose by 13.6 per cent during the review period to KSh 115.3 billion in 2017. The value of marketed tea increased by 15.7 per cent from KSh 116.5 billion in 2016 to KSh 134.8 billion in 2017. The increase is attributed to the effect of favourable market prices for the crop. Earnings from marketed maize increased by 7.6 per cent from KSh 7.9 billion in 2016 to KSh 8.5 billion in 2017. Earnings from marketed wheat reduced by 33.8 per cent from KSh 8.0 billion in 2016 to KSh 5.3 billion in 2017. The value of marketed coffee decreased marginally from KSh 16.2 billion in 2016 to KSh 16.0 billion in 2017. The value of marketed milk declined by 8.7 per cent from KSh 22.9 billion in 2016 to KSh 20.9 billion in 2017.

Agricultural
Output and
Input

Table 7.1 and Figure 7.1 show agriculture output, intermediate consumption and value added at current and constant prices from 2013 to 2017. Output and intermediate consumption at current prices increased by 6.5 per cent and 13.1 per cent, to KSh 2,695.2 billion and KSh 389.0 billion, respectively in 2017. Value added at current prices increased by 5.5 per cent from KSh 2,185.7 billion in 2016 to KSh 2,306.2 billion in 2017. Output and intermediate consumption at constant prices increased by 2.2 per cent and 4.8 per cent to KSh 1,123.2 billion and KSh 230.0 billion, respectively in 2017. Value added at constant prices increased by 1.6 per cent from KSh 879.6 billion in 2015 to KSh 893.3 billion in 2017.



Table 7.1: Agricultural Output and Input¹, 2013 - 2017

	KSh Million				
	2013*	2014*	2015*	2016*	2017*
PRODUCTION AT CURRENT PRICES					
Output at basic prices	1,389,005	1,639,767	2,083,490	2,529,583	2,695,208
Intermediate consumption	235,791	267,570	306,140	343,837	388,995
Value added at basic prices, gross	1,153,215	1,372,197	1,777,350	2,185,746	2,306,213
PRODUCTION CONSTANT PRICES					
Output	936,891	983,330	1,045,269	1,098,986	1,123,247
Intermediate consumption	181,027	193,542	208,362	219,428	229,985
Gross Value Added	755,864	789,788	836,907	879,558	893,262

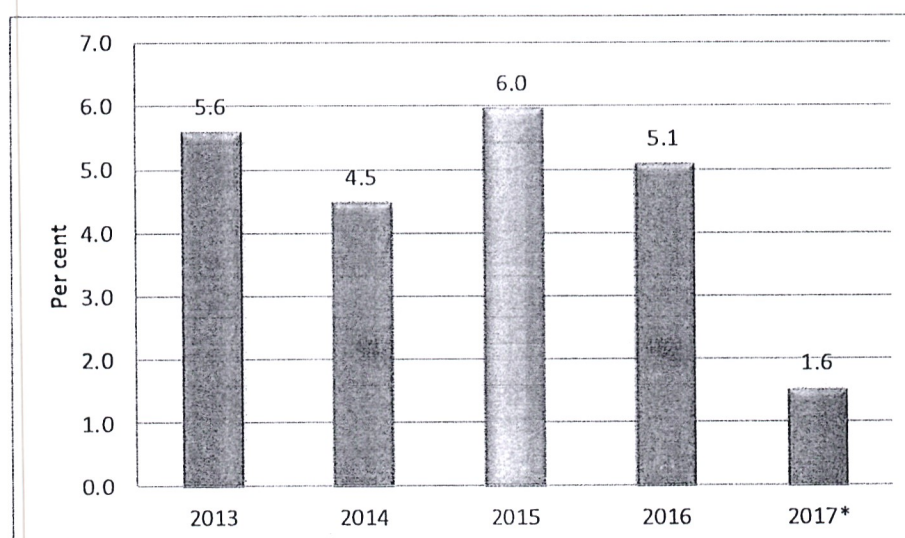
Source: Kenya National Bureau of Statistics

* Provisional

* Revised

¹Excludes Forestry and Fishing

Figure 7.1: Growth Rate in Real Agricultural Gross Value Added, 2013 - 2017



Marketed Production

7.4 Overall marketed production increased by 8.2 per cent from KSh 413.2 billion in 2016 to KSh 446.9 billion in 2017 with marketed crops accounting for 69.7 per cent of the overall marketed agricultural production as shown in Table 7.2. Although there was low volume and uneven distribution of rainfall during the year 2017, aggregate earnings from agricultural production increased.

7.5 The value of horticulture exports increased by 13.6 per cent from KSh 101.5 billion in 2016 to KSh 115.3 billion in 2017. Cut flowers accounted for 71.3 per cent of the value of horticulture exports. Earnings from marketed maize increased from KSh 7.9 billion in 2016 to KSh 8.5 billion in 2017. Similarly, the value of marketed tea increased by 15.7 per cent from KSh 116.5 billion in 2016 to KSh 134.8 billion in 2017. Despite the decreased volumes of marketed maize and tea, the higher prices offered more than offset the effect of lower volumes marketed. A drastic reduction in sugarcane production resulted in a 16.9 per cent decline in the value of marketed sugarcane from KSh 24.2 billion in 2016 to KSh 20.1 billion in 2017. In addition, the value of marketed coffee decreased marginally from KSh 16.2 billion in 2016 to KSh 16.0 billion in 2017. Improved prices offered for sugarcane and coffee could not offset the dampening effect of the reduced marketed volumes for the crops during the review period. The value of marketed wheat declined from KSh 8.0 billion in 2016 to KSh 5.3 billion in 2017.

Table 7.14: Production, Area and Average Yield of Tea by Type of Grower, 2013-2017

	2013	2014	2015	2016	2017*
AREA ('000 Ha)					
Smallholders	127.3	128.6	134.2	138.3	141.1
Estates	71.3	74.4	75.2	80.2	91.6
TOTAL	198.6	203.0	209.4	218.5	232.7
PRODUCTION ('000 Tonnes)					
Smallholders	249.8	262.4	237.6	265.6	246.1
Estates	182.6	182.7	161.6	207.4	193.7
TOTAL	432.4	445.1	399.2	473.0	439.8
AVERAGE YIELD (Kg/Ha)¹					
Smallholders	2,172.0	2,126.8	1,900.8	2,086.4	1,913.7
Estates	3,209.8	2,833.7	2,459.7	2,908.8	2,603.5

Source: Agriculture and Food Authority, Tea Directorate

* Provisional

¹ Obtained by dividing current production by the area four years ago

7.20. **Sugarcane:** Area, production and average yield of sugarcane for the years 2013 to 2017 is shown in Table 7.15. During the year under review, the area under cane reduced to 191.2 thousand hectares compared to 220.8 thousand hectares in 2016. Reduction in cane area was attributable to conversion of some area under cane to other crops. Further, the quantity of cane delivered to factories reduced by 33.3 per cent from 7.2 million tonnes in 2016 to 4.8 million tonnes in 2017. This was on account of prolonged dry weather conditions which were unfavourable for the growth of cane leading to harvesting of immature cane. As a result, the average sugarcane yield reduced to 55.3 tonnes per hectare in 2017 compared to 62.2 tonnes per hectare in 2016, representing a decrease of 10.9 per cent.

Table 7.15: Planted Area, Area Harvested, Production and Average Yield of Sugarcane, 2013-2017

	2013	2014	2015	2016	2017*
Area under cane (Ha).....	213,920	211,342	223,605	220,826	191,215
Area harvested (Ha) ¹	85,857	72,180	77,830	85,761	67,708
Total Production (Tonnes).....	6,673,725	6,409,929	7,164,790	7,151,670	4,751,609
Production by non-contracted farmers (Tonnes)....	1,979,802	1,977,068	1,995,777	1,816,726	1,004,304
Average yield (Tonnes/Ha) ²	54.7	61.4	66.4	62.2	55.3

Source: Agriculture and Food Authority, Sugar Directorate

* Provisional

¹ Excludes area harvested by non-contracted farmers² Yield = (Total production - production by non-contracted farmers)/area harvested

7.21. Domestic sugar production, imports and exports for 2013 to 2017 is shown in Table 7.16 and Figure 7.3. The total domestic sugar production declined by 41.2 per cent from 639.7 thousand tonnes in 2016 to 376.1 thousand tonnes in 2017. A total of 989.6 thousand tonnes of sugar was imported in 2017 to bridge the deficit occasioned by the low production during the year. Most of the sugar imports were meant for final consumption at 83.1 per cent of total sugar imports.

MANUFACTURING SECTOR

Key Manufactured Products

Commodity	2016	2017	% change
Sugar ('000 Tonnes)	639.7	376.1	-41.0
Processed Milk (million Litres)	448.5	383.2	-14.6
Cement (Million Tonnes)	6.7	6.2	-7.5
Galvanized sheets ('000 Tonnes)	268.7	262.8	-2.2
Assembled vehicles (Numbers)	6,541	4,877	-25.4
Soft drinks (Sodas) (Million Litres)	505.1	557.8	10.4
Maize flour (by formal millers) ('000 Tonnes)	609.7	669.4	9.8

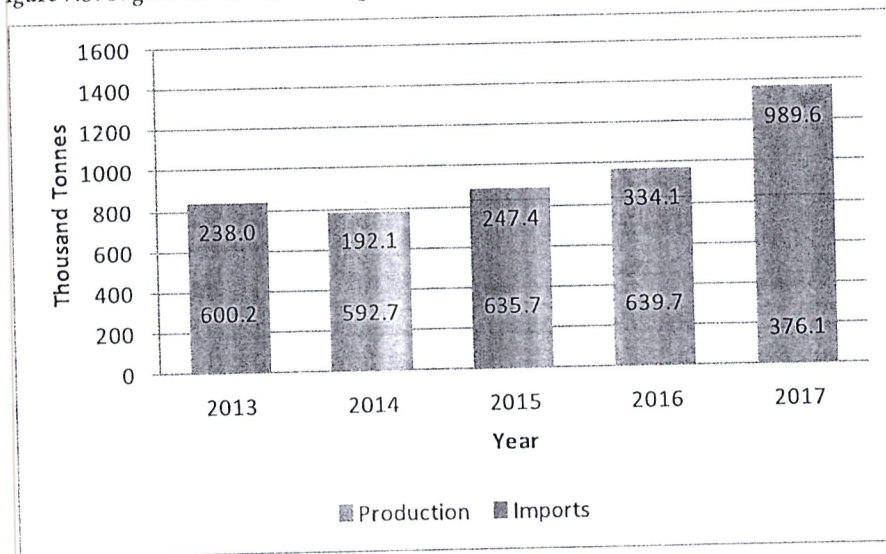
Table 7.16: Production, Imports and Exports of Sugar, 2013-2017

Year	'000 Tonnes		
	Production	Imports	Exports
2013	600.2	238.0	0.1
2014	592.7	192.1	0.4
2015	635.7	247.4	0.1
2016	639.7	334.1	0.1
2017*	376.1	989.6	0.4

Source: Agriculture and Food Authority, Sugar Directorate

*Provisional

Figure 7.3: Sugar Production and Imports, 2013-2017



7.22. **Horticulture:** Earnings from exports of fresh horticultural produce have exhibited an upward trend since 2014 as shown in Table 7.17. Export earnings from cut flowers grew by 16.1 per cent to KSh 82.2 billion in 2017 and accounted for 71.3 per cent of total earnings from horticulture in 2017, mainly occasioned by a 19.7 per cent increase in export volumes. Exports values of fruits and vegetables increased by 23.3 per cent and 3.0 per cent, respectively in 2017.