

Kenya: Brief Profile

March 2009

Domestic Economy

- Kenya's real GDP growth is estimated to have moderated to 3.2% in 2008 as compared to 7.0% growth registered in 2007, mainly due to the deepening of global credit crisis.
- In absolute terms, GDP was estimated at US\$ 34.5 bn in 2008, with a per capita GDP of US\$ 894.
- Consumer price inflation, which averaged 9.7% in 2007, increased sharply to an estimated 26.0% in 2008 as a result of higher prices for food and electricity.
- Services sector dominated the economy accounting for 23.0% of the nation's GDP in 2007, followed by agriculture (23.0%) and industry (15.8%).

Trade and External Sector

- With a growth in exports of horticulture, tea and coffee, Kenya's exports in 2008 increased by 14.8% to an estimated US\$ 4.7 bn from US\$ 4.1 bn in 2007.
- Imports increased by 13.2% in 2008 to stand at an estimated US\$ 9.5 bn compared to that of US\$ 8.4 bn in 2007. Import spending was driven up by higher imports of industrial supplies and consumer goods.
- Consequently, trade deficit widened to reach an estimated US\$ 4.8 bn in 2008 compared to US\$ 4.3 bn recorded in 2007.
- Current account deficit widened sharply to US\$ 1,910 mn in 2008 from US\$ 1,102 mn in 2007 on account of a larger trade deficit.

- Horticulture products were the major sources of Kenya's foreign exchange earnings and its contribution to total export earnings was 18.8% in 2007.
- Tea (15.5%), coffee (3.5%), and fish & fish preparations (1.4%) were the other principal components of Kenya's merchandise exports in 2007.
- Uganda was the major destination for Kenya's exports in 2007, accounting for 16.6% of total exports. UK (9.8%), the Netherlands (8.3%) and Tanzania (8.0%) were other major destinations of Kenya's exports in the same year.
- Industrial supplies (32.3%) were the major imports of Kenya in 2007. Other major imports were consumer goods (7.3%) and food & beverages (6.7%).
- UAE was the major source of imports for Kenya in 2007, accounting for 11.0% of total imports. China (10.1%), India (8.6%) and Saudi Arabia (7.7%) were the other major origins of imports in 2007.

Exchange Rate, Foreign Reserves and External Debt

- The local currency is Kenya Shilling (KSh). The average exchange rate in 2008 depreciated by 3.0% to stand at an estimated KSh 69.36: US\$ 1 from that of KSh 67.32: US\$1 in 2007, mainly owing to high domestic inflation, the sharp downturn in tourism receipts and heightened risk aversion to emerging markets because of global financial turmoil.
- Kenya's total foreign exchange reserves decreased by 9.1% in 2008 to reach an estimated US\$ 3,051 mn from US\$ 3,355 mn in 2007, representing 3.9 months of import cover.
- Total external debt of Kenya increased from US\$ 6.7 bn in 2007 to an estimated US\$ 6.8 bn in 2008.

Country Risk Ratings

- *Euromoney*, in its September 2008 risk ratings of 186 countries, placed Kenya at 124th position, a fall of seven places compared to 117th rank in March 2008. India's ranking is 56.
- According to the *Institutional Investors* ranking in September 2008 of 177 countries, Kenya was placed at 108th position, which is same as its previous ranking in March 2008. India's ranking is 54.
- *Export Credit Guarantee Corporation of India Ltd. (ECGC)* ranks countries in seven groups (A1, A2, B1, B2, C1, C2 and D), according to increasing order of risk. It placed Kenya in Group B1 of countries in December 2008.

Bilateral Trade Relations with India

- India's exports to Kenya rose by 9.1% in 2007-08 to stand at US\$ 1,434.7 mn from US\$ 1,314.6 mn in 2006-07. This was mainly on account of a rise in exports of machinery & instruments and pharmaceutical products to Kenya.
- India's imports from Kenya increased by 53.3% in 2007-08 to US\$ 86.6 mn from US\$ 56.4 mn in 2006-07, primarily due to increase in import of inorganic chemicals, crude minerals and pulses.
- Thus, India's trade surplus with Kenya increased by 7.6% in 2007-08 to stand at US\$ 1,348.1, mn as compared to US\$ 1,258.2 mn in the previous year.
- Petroleum products were the most important item exported to Kenya in 2007-08 (US\$ 772.3 mn). Other major items exported to Kenya in the same year were machinery & instruments (US\$ 94.6 mn), pharmaceutical products (US\$ 85.1 mn), primary & semifinished iron & steel (US\$ 67.5 mn), plastic & linoleum products (US\$ 40.3 mn), and manufactures of metals (US\$ 39.5 mn).

- Inorganic chemicals (US\$ 22.0 mn), other crude minerals (US\$ 17.1 mn), pulses (US\$ 12.7 mn), tea (US\$ 6.1 mn), metaliferrous ores & metal scraps (US\$ 5.4 mn), and leather (US\$ 4.9 million) were the principal commodities imported from Kenya in 2007-08.

Macroeconomic outlook

- Real GDP growth of Kenya is expected to weaken in 2009 to 2%, as the global recession bites. It is, however, expected to recover to 3.5% in 2010 as the global economy improves.
- Inflation is expected to subside from 26% in 2008 to 7.6% in 2009 and further to 6.5% in 2010, assuming no new oil- or food-price shocks and the maintenance of political normality.
- Keniya Shilling (KSh) is expected to depreciate to KSh 77.5: US\$ 1 in 2009 and KSh 80.5: US\$ 1 in 2010, mainly owing to sharp downturn in tourism receipts and heightened pressure on currency due to fall in foreign exchange reserves.
- The current-account deficit is expected to widen from 5.5% of GDP in 2008 to 5.7% of GDP in 2009, owing to weaker export growth and a sharp fall in tourism receipts, before easing to 3.7% of GDP in 2010.

Kenya : Economic Structure

Economic Indicators	2004	2005	2006	2007	2008b
GDP at market prices (US\$ bn)	16.2	19.1	22.8	27.6	34.5
GDP at market prices (KSh bn)	1,286.4	1,445.4	1,642.4	1,856.9	2,393.9
Real GDP growth (%)	4.3	5.8	6.4	7.0	3.2
Consumer price inflation (av.; %)	11.7	10.3	14.5	9.7	26.0
Population (mn)	34.7	35.6	36.6	37.5	38.6
Exports fob (US\$ mn)	2,726	3,462	3,516	4,123	4,732
Imports fob (US\$ mn)	4,351	5,602	6,770	8,381	9,485
Current-account balance (US\$ bn)	-132	-252	-479	-1,102	-1,910
Total international reserves (US\$ mn)	1,520	1,799	2,416	3,355	3,051
Total external debt (US\$ bn)	6.9	6.4	6.4	6.7	6.8
Exchange rate (av.; KSh:\$)					
The local currency is Kenya Shilling (KSh)	79.17	75.55	72.10	67.32	69.36

^b – Estimates

Source: EIU Country Reports.