


SECTION

B

Domestic Economy



CHAPTER 02

Economic Performance

Introduction

In 2022, the economy sustained the growth momentum that started in 2021, after the recovery from the effects of the COVID-19 pandemic that had significantly slowed down economic activity. However, the magnitude of growth was somewhat subdued by suppressed agricultural production, owing to adverse weather conditions during the year. The real Gross Domestic Product (GDP) decelerated from a revised growth of 7.6 per cent in 2021 to 4.8 per cent in 2022. On the other hand, the nominal GDP increased from KSh 12,027.7 billion in 2021 to KSh 13,368.3 billion in 2022. Most of the sectors of the economy posted decelerated growths mainly due to the significantly high growths attained in 2021 that signified recovery from the economic downturn in 2020. During the period under review, all economic activities registered positive growths except Agriculture, Forestry and Fishing, which contracted by 1.6 per cent. Some of the key sectors that supported the growth in 2022 were Transportation and Storage (5.6%), Financial and Insurance

(12.8%), Information and Communication (9.9%) and Accommodation and Food service activities (26.2%).

2.2. The period under review was characterized by a build-up of inflationary pressures as prices of various commodities increased. During the review period, inflation rose from 6.1 per cent in 2021 to 7.4 per cent in 2022, mainly driven by a surge in food and energy prices. The OPEC reference basket crude oil prices per barrel rose by 43.3 per cent from USD 69.7 in 2021 to USD 99.9 in 2022, largely due to supply chain disruptions caused by the Russia-Ukraine war. The Central Bank Rate (CBR) was reviewed upwards from 7.00 per cent in December 2021 to 7.50 per cent in June, 8.25 per cent in October and 8.75 per cent in December 2022. As a result, average loans and advances interest rate rose to 12.67 per cent in December 2022 from 12.16 per cent in December 2021. Broad money supply (M3) grew by 7.5 per cent to 5,042.4 billion as at the end of December 2022. The volume of Nairobi Securities Exchange (NSE) 20 shares declined from 4,052 million in 2021 to 3,082 million in 2022. Current account deficit widened from KSh 629.8 billion in 2021 to a deficit of KSh 679.6 billion in 2022, mainly on account of the depreciation of the US dollar against the local currency.

Sectoral Analysis

Agriculture, Forestry and Fishing

2.3. There was a slowdown in the performance of Agriculture, Forestry and Fishing activities in 2022 compared to 2021. The sector's poor performance was mainly in crop and livestock production, which was severely affected by the widespread drought experienced in 2022. The sector's real Gross Value Added (GVA) contracted by 1.6 per cent in 2022 compared to a contraction of 0.4 per cent in 2021. Low production of key food crops such as maize, potatoes, and vegetables was evident from the significantly high prices observed in 2022.

2.4. Production of cash crops and export of horticultural produce varied during the review period. The volume of coffee produced increased by 50.4 per cent to stand at 51.9 thousand metric tonnes in 2021/22. Similarly, the volume of cane deliveries increased by 11.5 per cent from 7.7 million metric tonnes in 2021 to 8.7 million metric tonnes in 2022.

In contrast, the volume of tea produced declined from 537.8 thousand metric tonnes in 2021 to 535.0 thousand metric tonnes in 2022. The volume of fruit exports increased by 11.2 per cent to stand at 130.5 thousand tonnes in 2022. However, the volume of exported vegetables and cut flowers declined by 19.6 and 5.4 per cent, respectively, in 2022. The volume of marketed milk declined by 5.9 per cent in 2022 to stand at 754.4 million litres in 2022 compared to 801.9 million litres in 2021.

Manufacturing

2.5. The manufacturing sector remained on a growth path in 2022, though the performance was relatively subdued compared to that of 2021. The sector's growth slowed down to 2.7 per cent in 2022 compared to 7.3 per cent in 2021. The decelerated growth was partly attributed to low agricultural production especially food crops that are the main inputs to agro-processing. Gross value added attributed to food manufacturing rose by 0.6 per cent in 2022 mainly driven by manufacture of beverages (2.6%), manufacture of sugar (13.8%) and bakery products (6.3%). The GVA for non-food manufacturing activities grew by 5.3 per cent during the review period. This was mainly buoyed by notable growths in manufacture of motor vehicles, trailers, and semi-trailers (25.8%), basic metals (14.6%) and structural metal products (11.6%). Majority of the activities in the non-food sub-sector registered positive growths in 2022.

Construction

2.7. Activities of the construction sector expanded by 4.1 per cent in 2022 compared to a 6.7 per cent growth in 2021. This growth was largely underpinned by civil works such as construction and maintenance of roads during the review period. Cement consumption, a key input in construction industry, increased from 9.1 million tonnes in 2021 to 9.5 million tonnes in 2022. The deceleration in the sector's performance in 2022 was evident in the decline in the volume of imported construction materials. The quantity of cement clinkers, iron and steel, non-ferrous

metals, and structural metals imported during the period under review reduced by 38.4, 17.8, 14.0, and 47.4 per cent, respectively, compared to 2021. Nevertheless, other indicators of the sector's performance pointed to increased activity in building and construction during the review period. For instance, value of building plans approved by the Nairobi City Council (NCC) rose by 58.0 per cent to stand at KSh 162.5 billion during the same period.

Electricity Supply

2.8. The sector's real Gross Value Added (GVA) grew by 4.9 per cent in 2022 compared to a growth of 5.3 per cent in 2021. This growth was mostly attributed to increase in total electricity generated from 12,126.7 Gigawatt Hour (GWh) in 2021 to 12,669.4 GWh in 2022. The growth was mainly supported by generation of electricity from geothermal and wind sources, that rose by 9.5 per cent and 8.0 per cent to stand at 5,517.5 GWh and 2,143.0 GWh, respectively, in the review period. However, thermal generation increased by 25.6 per cent from 1,262.0 GWh in 2021 to 1,584.9 GWh in 2022 to the detriment of the activity's growth of GVA due to the input intensiveness associated with generating electricity using diesel powered generators. The sector's performance was further constrained by a 17.3 per cent decline in hydro electricity generation from 3,675.0 GWh in 2021 to 3,039.9 GWh in 2022 due to insufficient rains during the period under review. Electricity imports and exports rose by 9.7 per cent and 17.1 per cent, respectively, in 2022.

Transportation and Storage

2.9. Transportation and Storage sector activities decelerated to a growth of 5.6 per cent in 2022 compared to a growth of 7.4 per cent in 2021. The volume of freight transported by Standard Gauge Railway (SGR) rose by 12.6 per cent from 5,407.4 thousand tonnes in 2021 to 6,090.0 thousand tonnes in 2022, while the number of passengers using SGR increased by 20.5 per cent from 1,985.8 thousand in 2021 to 2,392.3 thousand in 2022. Similarly, passenger traffic by air increased by 52.2 per cent to 10.2 million in 2022. The slowdown in the sector's growth was partly on account of a decline in total cargo throughput at the port of Mombasa by 1.9 per cent to stand at 33,740.7 thousand metric tonnes in

2022. Further, consumption of light diesel, decreased by 0.8 per cent in 2022, from 2,288.0 thousand metric tonnes in 2021 to 2,270.0 thousand metric tonnes in 2022.

Information and Communication

2.11. Information and Communication sector recorded a growth of 9.9 per cent in the period under review compared to a growth of 6.1 per cent in 2021. The growth was mainly supported by increase in mobile money transfers. The value of mobile money transfers increased by 15.1 per cent to stand at KSh 7.9 trillion in 2022. Bandwidth capacity grew by 9.9 per cent to 12.0 million (Megabits per second) Mbps, mainly driven by increased demand for high-speed internet. Domestic telephone traffic declined by 2.2 per cent to stand at 78,285.3 million minutes in 2022. International telephone traffic increased from 1,037.2 million minutes in 2021 to 1,113.1 million minutes in 2022. The value of ICT equipment exports and imports increased by 4.0 per cent and 14.1 per cent to stand at KSh 2,179.5 million and KSh 55.2 billion in 2022, respectively.

Financial and Insurance Activities

2.12. Financial and Insurance sector remained on a growth trajectory to expand by 12.8 per cent in 2022 compared to 11.5 per cent growth in 2021. The financial service activities grew by 11.7 per cent in 2022 compared to 7.0 per cent growth in 2021. Broad money supply increased by 7.5 per cent from KSh 4,689.4 billion as at December 2021 to KSh 5,042.4 billion as at December 2022. Total domestic credit grew from KSh 5,566.5 billion in 2021 to KSh 6,246.3 billion in 2022. Credit to national government grew by 13.9 per cent to KSh 2,011.8 billion, while credit to the private sector grew by 13.9 per cent to KSh 4,206.4 billion as at December 2022.

2.13. Insurance sub-sector grew by 15.8 per cent in 2022 compared to 26.9 per cent growth in 2021. Net premiums increased from KSh 115.1 billion in 2021 to KSh 128.8 billion in 2022.

Accommodation and Food Service Activities

2.14. Accommodation and Food service activities sector's real GVA grew by 26.2 per cent in 2022 compared to a growth of 52.6 per cent in 2021.

The number of international visitor arrivals through Jomo Kenyatta International Airport (JKIA) and Moi International Airport (MIA) increased from 692.9 thousand visitors in 2021 to 1,198.7 thousand visitors in 2022. The number of hotel bed nights occupied increased from 5.5 million in 2021 to 7.0 million in 2022. Overall bed occupancy rates increased from 20.0 per cent in 2021 to 26.0 per cent in 2022, while the number of conferences held increased by 25.6 per cent to stand at 10,558 in 2022.

current prices for the period 2018-2022, while Table 2.2 provides the contribution of the various sectors to nominal GDP for the same period. Nominal GDP increased from KSh 12,027.7 billion in 2021 to KSh 13,368.3 billion in 2022. The agriculture sector's contribution to GDP declined to 21.2 per cent in 2022 compared to 21.5 per cent in 2021. Other sectors that contributed significantly to the GDP of the economy in 2022 were Transportation and Storage (12.4%); Real Estate (8.6%); Wholesale and Retail (7.8%); Manufacturing (7.8%); Financial and Insurance Activities (7.6%); and Construction (7.1%).

2.15. Table 2.1 presents the GDP by activity at

Table 2.1: Gross Domestic Product by Activity, 2018 - 2022

Industry	Current Prices, KSh Million				
	2018	2019	2020+	2021+	2022*
Agriculture, forestry and fishing	1,897,475	2,135,709	2,432,613	2,583,190	2,829,505
Growing of crops	1,356,544	1,542,584	1,786,518	1,844,730	2,036,197
Animal production	341,275	354,712	384,578	431,700	463,869
Support activities to agriculture	22,643	24,236	25,385	27,022	27,023
Forestry & logging	125,979	156,606	172,958	199,012	218,098
Fishing & aquaculture	51,034	57,572	63,175	80,726	84,318
Mining and quarrying	68,909	72,769	76,402	92,045	120,300
Manufacturing	785,369	809,253	814,328	885,633	1,046,289
Manufacture of food, beverages and tobacco	452,182	467,200	467,412	499,252	575,130
Other manufacturing and repair and installation	333,186	342,053	346,916	386,381	471,159
Electricity supply	157,521	161,716	163,320	172,640	175,417
Water supply; sewerage, waste management	59,648	58,912	60,250	63,342	64,565
Construction	545,654	630,653	750,153	849,377	953,773
Wholesale and retail trade; repairs	762,968	837,918	867,574	952,902	1,042,106
Transportation and storage	1,056,264	1,202,830	1,156,921	1,391,614	1,653,557
Land transport	858,653	981,744	989,306	1,192,764	1,427,163
Air transport including support services	85,203	97,215	47,978	75,494	108,164
All other transport including postal and courier activities	112,407	123,871	119,636	123,356	118,231

Table 2.1: Gross Domestic Product by Activity, 2018 - 2022

<i>Current Prices, KSh Million</i>					
Industry	2018	2019	2020+	2021*	2022*
Accommodation and food service activities	100,019	119,581	77,843	133,678	147,342
Information and communication	240,120	257,419	274,820	291,437	318,304
Telecommunications	157,667	171,633	191,898	200,683	225,195
Publishing, broadcasting, other IT and information activities	82,452	85,786	82,923	90,754	93,108
Financial and insurance activities	622,625	667,702	723,059	860,626	1,009,433
Financial activities	480,309	509,946	542,508	621,853	730,794
Insurance activities	142,315	157,755	180,550	238,773	278,639
Real estate	881,622	946,732	996,203	1,076,597	1,149,057
Professional, scientific and technical activities	163,959	175,882	159,505	179,258	188,008
Administrative and support service activities	97,502	108,875	92,732	105,657	130,523
Public administration and defence	493,180	541,367	592,623	634,986	671,869
Education	399,515	431,876	413,090	521,945	542,704
Pre-primary and Primary education	208,393	215,329	209,929	257,440	269,179
General secondary education	109,878	119,592	110,010	146,660	153,432
Higher and other education	81,245	96,955	93,151	117,846	120,093
Human health and social work activities	188,778	197,969	212,966	238,544	244,335
Arts, entertainment and recreation	24,541	27,056	19,941	23,511	28,078
Other service activities	135,539	144,894	124,379	143,824	155,623
Activities of households as employers;	65,710	68,917	72,064	75,242	79,420
Financial Intermediation Services Indirectly Measured (FISIM)	-215,414	-226,631	-218,639	-244,592	-264,781
All economic activities	8,531,502	9,371,398	9,862,147	11,031,456	12,285,427
Taxes on products	808,805	866,330	852,923	996,206	1,082,913
GDP at market prices	9,340,307	10,237,727	10,715,070	12,027,662	13,368,340

* Provisional

* Revised

Table 2.2: Gross Domestic Product by Activity

Industry	Percentage Contribution to nominal GDP				
	2018	2019	2020*	2021*	2022*
Agriculture, forestry and fishing	20.3	20.9	22.7	21.5	21.2
Growing of crops	14.5	15.1	16.7	15.3	15.2
Animal production	3.7	3.5	3.6	3.6	3.5
Support activities to agriculture	0.2	0.2	0.2	0.2	0.2
Forestry & logging	1.3	1.5	1.6	1.7	1.6
Fishing & aquaculture	0.5	0.6	0.6	0.7	0.6
Mining and quarrying	0.7	0.7	0.7	0.8	0.9
Manufacturing	8.4	7.9	7.6	7.4	7.8
Manufacture of food, beverages and tobacco	4.8	4.6	4.4	4.2	4.3
Other manufacturing and repair and installation	3.6	3.3	3.2	3.2	3.5
Electricity supply	1.7	1.6	1.5	1.4	1.3
Water supply; sewerage, waste management	0.6	0.6	0.6	0.5	0.5
Construction	5.8	6.2	7.0	7.1	7.1
Wholesale and retail trade; repairs	8.2	8.2	8.1	7.9	7.8
Transportation and storage	11.3	11.7	10.8	11.6	12.4
Land transport	9.2	9.6	9.2	9.9	10.7
Air transport including support services	0.9	0.9	0.4	0.6	0.8
All other transport including postal and courier activities	1.2	1.2	1.1	1.0	0.9
Accommodation and food service activities	1.1	1.2	0.7	1.1	1.1
Information and communication	2.6	2.5	2.6	2.4	2.4
Telecommunications	1.7	1.7	1.8	1.7	1.7
Publishing, broadcasting, other IT and information activities...	0.9	0.8	0.8	0.8	0.7
Financial and insurance activities	6.7	6.5	6.7	7.2	7.6
Financial activities	5.1	5.0	5.1	5.2	5.5
Insurance activities	1.5	1.5	1.7	2.0	2.1
Real estate	9.4	9.2	9.3	9.0	8.6
Professional, scientific and technical activities	1.8	1.7	1.5	1.5	1.4
Administrative and support service activities	1.0	1.1	0.9	0.9	1.0
Public administration and defence	5.3	5.3	5.5	5.3	5.0
Education	4.3	4.2	3.9	4.3	4.1
Primary education	2.2	2.1	2.0	2.1	2.0
General secondary education	1.2	1.2	1.0	1.2	1.1
Higher and other education	0.9	0.9	0.9	1.0	0.9

Table 2.2: Gross Domestic Product by Activity (Cont'd)*Percentage Contribution to nominal GDP*

Industry	2018	2019	2020*	2021*	2022*
Human health and social work activities	2.0	1.9	2.0	2.0	1.8
Arts, entertainment and recreation	0.3	0.3	0.2	0.2	0.2
Other service activities	1.5	1.4	1.2	1.2	1.2
Activities of households as employers;	0.7	0.7	0.7	0.6	0.6
Financial Intermediation Services Indirectly Measured (FISIM)	-2.3	-2.2	-2.0	-2.0	-2.0
All economic activities	91.3	91.5	92.0	91.7	91.9
Taxes on products	8.7	8.5	8.0	8.3	8.1
GDP at market prices	100.0	100.0	100.0	100.0	100.0

* Provisional

* Revised

2.16. Table 2.3 presents the GDP at constant prices, while growth rates for the respective sectors and sub-sectors are shown in Table 2.4. Real GDP in absolute terms increased from a revised total of KSh 9,395.9 billion in 2021 to KSh 9,851.3 billion in 2022. This translated to an overall growth of 4.8 per cent in 2022 compared to a revised growth of 7.6 per cent

in 2021. Accommodation and Food Services registered the highest growth of 26.2 per cent. Other key sectors that recorded high growths in 2022 include Financial and Insurance Activities (12.8%); Information and Communication (9.9%); and Transportation and Storage (5.6%).

Table 2.3: Gross Domestic Product by Activity*Constant 2016 Prices, KSh Million*

Industry	2018	2019	2020*	2021*	2022*
Agriculture, forestry and fishing	1,587,784	1,630,607	1,705,985	1,699,959	1,672,085
Growing of crops	1,129,072	1,163,210	1,229,311	1,211,695	1,187,856
Animal production	299,210	304,887	315,089	327,624	321,979
Support activities to agriculture	21,269	22,442	23,075	23,504	23,207
Forestry & logging	96,678	96,789	94,871	91,894	90,380
Fishing & aquaculture	41,554	43,280	43,638	45,242	48,663
Mining and quarrying	79,986	83,386	87,968	103,842	113,458
Manufacturing	738,305	757,794	755,608	810,827	833,052
Manufacture of food, beverages and tobacco	417,709	429,714	423,653	443,317	445,962
Other manufacturing and repair and installation	320,597	328,080	331,955	367,510	387,090
Electricity supply	156,679	159,673	158,927	167,339	175,525
Water supply; sewerage, waste management	57,743	58,473	60,591	64,420	67,626