SPEECH BY (AMB.) UKUR YATANI, EGH, CABINET SECRETARY, THE NATIONAL TREASURY AND PLANNING, DURING THE LAUNCH OF THE 2020 ECONOMIC SURVEY REPORT:

28TH APRIL 2020, NAIROBI.

Members of the Press,
Ladies and Gentlemen,

Good Morning!

Let me take this opportunity to welcome you all to this official launch of the 2020 Economic Survey Report. The report which is produced annually, highlights the performance of various sectors of the economy over a five-year period.

We are aware that there are great expectations from all Kenyans, particularly now, as the nation is seeking better ways to foster growth and development. Overtime, government has formulated numerous policies and programmes targeted at bringing about rapid transformation of the economy which undoubtedly calls for close and regular monitoring to ascertain the impact. Specifically, development initiatives such as the Big 4 Agenda, the Vision 2030 and the Sustainable Development Goals (SDGs) require comprehensive data to monitor their progress.

Ladies and Gentlemen.

The Economic Survey report provides a candid appraisal of the achievements and challenges as well as pursuit for greater developments of our nation and better welfare of our people. This report will be crucial in formulating policies to tackle poverty and unemployment, amongst other challenges.

Ladies and Gentlemen,

The key 2020 Economic Survey findings includes among others;

The Global Economy recorded a decelerated growth of 2.9% in 2019 compared to 3.5% in 2018. This was the slowest growth post global financial crisis of 2007/2008. The slowed growth was as a result of Policy uncertainty, Declines in global trade and investment and Slowdown in labour productivity.

I am delighted to note that the economic activity in the **domestic economy** remained vibrant in 2019 though the performance was slower relative to 2018. The real Gross Domestic Product (GDP) grew by 5.4 per cent in 2019 compared to a growth of 6.3 per cent in 2018. The growth, albeit slower than 2018 was spread across all sectors of the economy but was more pronounced in service-oriented sectors.

The slower growth in 2019 was also reflected in other macroeconomic indicators. The annual inflation increased from 4.7 per cent in 2018 to 5.2 per cent in 2019. The increase in inflation was mainly due to less favorable weather conditions in first half of 2019, though registering gradual improvement over the remaining part of the year resulting to drop in food prices and overall inflation. It's important to note that Prudent macroeconomic policies and stable Kenya shilling against the major currencies especially the US dollar helped in containing the inflation.

The current account deficit increased by 10.9% to KSh 567.0 billion in 2019 from a deficit of KSh 511.3 billion in 2018. There was also a slowdown in activities at the Nairobi Securities Exchange (NSE) as the 20 - share index dropped to 2,654 points in December 2019 from 2,801 in 2018.

Ladies and Gentlemen,

Turning to the sectoral performance;

A: The Agriculture, Forestry and Fishing sector grew by 3.6% in 2019 compared to 6.0% in 2018. The decelerated growth was occasioned by the extreme weather phenomenon characterized by drought during the first half of 2019, followed by high rainfall in the second half of the year that culminated in reduced production of selected crops. The sector however benefitted from modest increase in production of potatoes, rice, and wheat, as well as significant improved production of drought resistant crops such as sorghum and millet in 2019.

Coffee production went up from 41.4 thousand tonnes in 2018 to 45.0 thousand tonnes in 2019. However, tea production decreased by 6.9% to 458.5 thousand tonnes in 2019 from 493.0 thousand tonnes in 2018. In the sugarcane sub-sector, total cane production decreased by 12.5 per cent from

5.3 million tonnes in 2018 to 4.6 million tonnes in 2019, further exacerbating the underperformance in the cash crops sub-sector. Production of maize decreased by 10.8% to 39.8 million bags in 2019. The volume of horticultural exports increased by 1.8 per cent from 322.6 thousand tonnes in 2018 to 328.3 thousand tonnes in 2019.

The volume of milk deliveries to processors increased by 5.3% from 634.3 million litres in 2018 to 668.2 million litres in 2019.

B: The environment and natural resources sector,

In the forestry sub-sector, the area stocked under government forest plantation increased from 141,600 hectares in 2018 to 147,6000 hectares in 2019.

Mining sub-sector recorded declines in the production of most of the major minerals during the review period. The value of mineral produced declined by 5.5% from KSh 30.8 billion in 2018 to KSh 29.1 billion in the review period.

Total fish output declined by 0.5% from 146.1 thousand tonnes in 2018 to 145.3 thousand tonnes in 2019. This resulted in a 7.8% decline in earnings to KSh 23.5 billion in 2019 from KSh 25.5 billion in 2018 following a drop in volume of fish landed.

C: manufacturing Sector

I hasten to add that **Manufacturing sector** slowed down to 3.2% in 2019 compared to a growth of 4.3% in 2018. The growth was attributed to an increase in production of motor vehicles, trailers, plastics, animal and vegetables fats and oils and pharmaceutical products. Subsectors such as production of wood and products of wood, sugar, electrical equipment and other non-metallic mineral products registered declines during the period under review. Cement production dropped marginally by 1% to 5,967.2 thousand tonnes in 2019.

Domestic sales by Export Processing Zone (EPZ) enterprises, which includes sales to duty free shops almost doubled during the review period. However, exports, which form the bulk sales by the EPZ enterprises, declined by 5.4 % from KSh 72.3 billion in 2018 to KSh 68.5 billion in 2019. This translated to a marginal reduction in the total sales by the EPZ enterprises from KSh 77.2 billion in 2018 to KSh 77.1 billion in 2019.

Credit advanced to enterprises involved in manufacturing activities rose by 9.3 per cent to stand at KSh 366.9 billion in 2019, a further indication of increased activity in the sector during the period under review.

D: Building and Construction Sector

In the **Building and Construction sector, t**he gross value added was estimated to have risen by 6.4% in 2019 compared to 6.9% in 2018. The decelerated growth was attributable to the gradual cessation of activities related to the construction of the Standard Gauge Railway (SGR) that was completed in the year under review.

The slowdown in the sector's performance was reflected in consumption of cement, which declined marginally from 5,948.7 thousand tonnes in 2018 to 5,933.3 thousand tonnes in 2019. During the period under review, the total length of roads paved increased by 14.2 per cent to 21,295.1 kilometres in 2019.

Uptake of credit in the construction sector grew by 1.6% from KSh 114.0 billion in 2018 to KSh. 115.8 billion in 2019, slower than the 1.8 % growth in 2018.

Ladies and Gentlemen,

E: The **Financial and Insurance sector** remained on a growth trajectory to expand by 6.6% in 2019 compared to 5.3% growth realised in 2018. Financial services sub-sector grew by 5.7% in 2019 relative to 4.8 % recorded in 2018.

Domestic credit grew by 7.5 % in 2019 compared to a growth of 6.4 % in 2018. Credit to National Government increased by 4.8% from KSh.859.1 billion as at December 2018 to KSh 900.4 billion as at December 2019 while credit to the private sector rose by 7.1 % from KSh 2,490.1 billion in 2018 to KSh 2,667.9 billion in 2019.

In the insurance sub-sector, net premium from life insurance increased from KSh 80.4 billion in 2018 to KSh 90.5 billion while general insurance business recorded a decelerated growth of 1.1 per cent in 2019.

On **Public Finance** the National Government expenditure in 2019/20, is expected to grow by 10.6% to KSh 3,256.1 billion from KSh 2,944.8 billion spent in 2018/19. Recurrent and development outlays are estimated to grow by 3.0 per cent and 42.0 %, to KSh 2,447.2 billion and KSh 808.9 billion, respectively, during the review period. Total revenue is expected to grow by 21.4 % to KSh 2,131.1 billion. Total ordinary revenue is expected to grow by 10.3 % to KSh 1,893.9 billion, of which tax revenue is estimated at KSh 1,771.4 billion.

F: regarding the total stock of **public debt,** the external debt accounted for 57% of the total debt stock.

- The County Governments' expenditure is expected to increase by 19.2 per cent to KSh 483.4 billion from actual expenditure of KSh 405.5 billion in 2018/19.
- Current transfers from National Government to the County Governments, inclusive of conditional grants, is increased marginally to KSh 373.6 billion in 2019/20 from KSh 372.5 in 2018/19.

G: On **International Trade and Balance of Payments,**

- the value of total trade rose from KSh 2,378.8 billion in 2018 to KSh 2,403.0 billion in 2019
- while total value of exports declined by 2.9% to KSh 596.7 billion,
- and import bill increasing by 2.4 % to KSh 1,806.3 billion in 2019.

- Re-exports rose by 6.2% from KSh 71.4 billion in 2018 to KSh 75.9 billion in 2019.
- The rise in the total import bill against the decline in total export earnings led to deterioration of export-import ratio from 34.8% in 2018 to 33.0% in 2019.

The Balance of Payments position improved from a surplus of KSh 103.4 billion in 2018 to a surplus of KSh 106.4 billion in 2019, supported by a build-up in reserve assets.

H: On the workforce

The total persons engaged in the modern and informal sectors went up from 17.3 million in 2018 to 18.1 million in 2019. Total new jobs generated in the economy were 846.3 thousand in 2019. Employment in the modern sector recorded a growth of 2.4% in 2019 compared to 2.8 per cent in 2018. In the year under review, a total of 67.8 thousand jobs were created in the modern sector. The informal sector is estimated to have been created 767.9 thousand new jobs in 2019 compared to 744.1 thousand new jobs in 2018.

The nominal wage bill rose from KSh 2,058.9 billion in 2018 to KSh 2,311.3 billion in 2019, an increase of 12.3%. The private sector wage bill went up by 10.6% to stand at KSh 1,609.3 billion in 2019, while the public sector wage bill rose by 16.2%. Average earnings increased by 2.7% in 2019 compared to 3.2% recorded in the previous year.

J: Accommodation and Food Service activities were vibrant in spite of pockets of insecurity concerns experienced during the year under review. The sector gross value added rose by 10.3% compared to 16.6 % growth in 2018. The growth of the sector in the period under review was supported by heightened security, relaxation of travel advisories by governments of key tourism markets and political stability that prevailed in the country.

The number of international visitor arrivals increased by 0.4 per cent to 2,035.4 thousand in 2019, which was a slower growth compared to a 14.0 per cent rise in 2018. Tourism earnings grew by 3.9 per cent from KSh 157.4 billion in 2018 to KSh 163.6 billion in 2019.

K: In the **Energy Sector, t**he total volume of petroleum products imported stood at 6.4 million tonnes in 2019. During the same period, exports of domestic petroleum products declined by 16.3% to register 23.2 thousand tonnes. The total import bill of petroleum products decreased to KSh 316.6 billion. However, the total value of petroleum products exported, including re-exports, increased by 12.1% to KSh 43.6 billion in 2019.

Total installed capacity increased to 2,818.9 MW in 2019 from 2,711.7 MW in 2018. Geo thermal capacity increased significantly by 25.0% to 828.4 MW in 2019. This was mainly as a result of Kenya Electricity Generating Company (KENGEN) adding the first unit of its new Olkaria V geothermal power plant at Olkaria to the grid in the review period. Wind generation significantly increased from 375.6 GWh in 2018 to 1,562.7 GWh in 2019 while solar generation rose from 13.7 GWh in 2018 to 92.3 GWh in 2019 as a result of full operationalization of Turkana Wind Power Plant and Garissa Solar Power Plant, respectively. Consequently, wind was the third largest source of electricity generation in 2019. In contrast, thermal capacity declined by 7.2 per cent to 749.3 MW in 2019

Total electricity demand increased by 3.9 per cent to 11,620.7 GWh in 2019 compared to 11,182.0 GWh in 2018. Domestic demand for electricity increased from 8,702.3 GWh in 2018 to 8,854.0 GWh in 2019.
Total effective capacity increased by 98.6 MW to 2,736.4 MW in 2019. This was mainly attributed to an increase in geothermal capacity.

Ladies and Gentlemen,

L: The **Transportation and Storage sector** expanded by 7.8% in 2019 compared to 8.5% growth in 2018. The sector's performance benefitted from low international oil prices and the continued expansion of transportation infrastructure such as roads, railways and ports of entry.

Total cargo throughput and the number of ships docking at the port of Mombasa increased by 11.3% and 4.4% respectively, in 2019. Total passenger traffic by air increased from 11.7 million in 2018 to 12.1 million in 2019.

In 2019, the volume of pipeline throughput increased by 11.1% to 7,025.9 thousand cubic metres in 2019. This was mainly attributed to completion of the new Nairobi-Mombasa 20-inch multi-product pipeline.

In railway transportation, the volume of freight transported through the SGR increased by 43.5% from 2,899 tonnes in 2018 to 4,159 tonnes in 2019.

M: The **Information and Communication Technology (ICT) sector** has continued to thrive and fuel economic activity through enhanced efficiency in production processes. However, the sector's growth slowed down to 8.8% in 2019 from 11.3% in 2018. The growth was anchored on the rapid expansion of the telecommunication sub-sector through introduction of new products as well as leveraging on economies of scale associated with high levels of mobile cellular penetration.

The total number of mobile subscriptions increased by 10.2 per cent to stand at 54.6 million subscribers in the period under review. Mobile money transfer increased by 9.1% to KSh 4,346.0 billion in 2019 from KSh 3,984.0 billion in 2018. The number of domestic call minutes increased from 55.9 billion minutes in 2018 to 58.7 billion minutes in 2019.

The sector's performance was also enhanced by increased access to internet services in 2019. The number of internet service providers increased from 256 in 2018 to 302 in 2019. Total utilized bandwidth increased profoundly during the year under review to stand at 2.7 million megabits per second.

Ladies and Gentlemen,

N: On **Education and Training,** the number of primary and secondary schools declined by 14.7% and 8.2% respectively in 2019 while that of preprimary schools increased by 10.0 per cent to 46,530 in the same period. The total number of Technical and Vocational Education and Training (TVET) institutions increased by 10.3% to 2,191 in 2019.

Total enrolment in primary schools went down by 4.5% to 10.1 million in 2019 from 10.5 million in 2018. However, total enrolment in public and private secondary schools increased by 10.8 per cent to 3.3 million in 2019 from 2.9 million in 2018. Total enrolment in TVET institutions increased by 18.3% to 430,598 in 2019 from 363,884 in 2018. Enrolment of students in national polytechnics rose by 28.6% to 102,078 in 2019 while that of public technical and vocational colleges increased by 32.8% to 112,110 in 2019. University enrolment is expected to decline by 1.9% to 509,473 in 2019/20 from 519,462 in 2018/19.

The total number of loan beneficiaries awarded by the Higher Education Loans Board (HELB) rose from 275,823 in 2017/18 to 293,249 in 2018/19, representing an increase of 6.3%. The amount of loan awarded increased from KSh 11.1 billion in 2017/18 to KSh 11.7 billion in 2018/19.

P: On **Health and Vital Statistics,** the overall expenditure on health services by the National Government is expected to rise by 50.9% to KSh 115.8 billion in 2019/20 while that of County Governments' is expected to grow by 24.6% to KSh 114.7 billion in 2019/20. Total membership of the National Hospital Insurance Fund grew by 10.6% to 8.5 million, while payouts increased by 36.8% to KSh 53.4 billion in 2018/19.

Total NHIF membership increased by 10.5% to 8.5 million in 2018/19. Receipts grew by 22.0 % to KSh 58.0 billion in 2018/19 while the amount of payouts increased by 36.8 % to KSh 53.4 billion.

The number of health facilities in the country increased by 5.2% to 13,790 in 2019 with level 2 facilities accounting for 77.4 % of the total. Levels 4, 5, and 6 hospitals accounted for 5.8% of the total facilities.

In 2019, the leading cause of morbidity was diseases of the respiratory system at 25.0%. The confirmed malaria cases increased by 18.6 % to 4.7 million in 2019, with the lake stable endemic zone accounting for largest number of cases at 74.4%.

Ladies and Gentlemen,

Turning now to the Economic **Outlook for 2020,** the performance of Kenya's economy like most economies all over the world, will largely be determined by how long lives and economic activities are going to be disrupted by the coronavirus disease (Covid-19). Most of the economic activities have so far been slowed down by restrictions resulting from containment and cessation of sections of the population, the nationwide curfew and stoppage of international passenger travel.

The global economy was projected to remain suppressed due to slowdown in industrial output, weak business confidence and increased trade tensions, even before the rapid spread of the Covid – 19 pandemic. Weak global economy is likely to negatively impact on Kenya's exports, more so horticultural products as well as the tourism sector.

The onset of long rains was timely during the first quarter of 2020 and the rains were well spread across the country. The weather forecast points to a possibility of near normal long rains in most parts of the country while most key agricultural zones are expected to receive slightly above normal rainfall in 2020. Earlier in 2020, the country experienced invasion of the desert locusts mostly in the arid and semi-arid areas but the government has managed to mitigate their negative impact on agriculture.

In the short term, the government's fiscal policies in national budget are likely to focus on re-orientation of expenditure to initiatives aimed at control and eventual elimination of the Covid-19 in the country. Overall, factors against accelerated growth are likely to outweigh pro-growth aspects by far in 2020.

Ladies and Gentlemen,

My Ministry is planning to undertake studies in the various sectors of the economy to assess the Impact of the COVID - 19, and this will be communicated to the public soonest.

I would like to extend my special gratitude to the management and entire staff of KNBS for their commitment to the culture of evidence-based decision making through the provision of reliable, comprehensive and timely statistics. My Ministry will continue to offer both financial and other support required by KNBS in undertaking its activities.

I also recognize the participation of business operators and the public at large for their invaluable time in providing KNBS with the requisite information. The Bureau will continue to safeguard confidentiality of all survey information provided for statistical purposes.

In conclusion, I urge all policy makers to take advantage of the rich analysis and the report for as an excellent source of statistical information and a reference material for economic planning, monitoring, and policy formulation processes. The report will provide key information for researchers as well as the private sector.