

# KENYA ECONOMIC UPDATE

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## From Recovery to Better Jobs



## **From Recovery to Better Jobs**

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## ABBREVIATIONS

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ASAL	Arid and Semi-Arid Lands
CBK	Central Bank of Kenya
DSSI	Debt Service Suspension Initiative
EFF	Extended Fund Facility
ECF	Extended Credit Facility
EMDEs	Emerging market and developing economies
FAO	Food and Agriculture Organization
FCDC	Frontier Counties Development Council
FY	Financial year
FSI	Financial soundness indicators
FDI	Foreign direct investment
GDP	Gross Domestic Product
GEP	Global Economic Prospects
H1	First half
H2	Second half
ICT	Information and communications technology
IMF	International Monetary Fund
IDA	International Development Association
JET	Jobs and Economic Transformation
KEU	Kenya Economic Update
KES	Kenyan shilling
KNBS	Kenya National Bureau of Statistics
LMIC	Lower-middle income country
MICs	Middle income countries
MSMEs	Micro, small and medium enterprises
NPLs	Non-performing loans
PAYE	Pay-as-you-earn
PMI	Purchasing Managers' Index
Q2	Second quarter
Q3	Third quarter
ROE	Return on equity
ROA	Return on assets
SACCOs	Savings and Credit Cooperatives
SSA	Sub-Saharan Africa
US	United States
US\$	United States dollar
VAT	Value-added tax
y/y	Year-on-year



## ACKNOWLEDGEMENTS

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The Kenya Economic Update (KEU) is a World Bank report series produced twice a year that assesses recent economic and social developments and prospects in Kenya, and places these in a longer-term and global context. Through special topics, the KEU also examines selected policy issues and medium-term development challenges in Kenya. It is intended for a wide audience, including policymakers, business leaders, financial market participants, and the community of analysts and professionals engaged in Kenya's changing economy.

The production of the KEU is led by the Macroeconomics, Trade and Investment (MTI) Global Practice team for Kenya. Part 1 (Recent Economic Developments and Outlook) was produced by Tasneem Alam Ghauri, Celina Mutie, Alex Sienaert and Angélique Umutesi (all MTI). Part 2 (Special Topic on labor demand) was produced by Ramya Sundaram (HAES2), Alastair Haynes (EAEPV), and Koen Maaskant (HAES1) with inputs from Marcio Cruz (ETIFE) and Zenaida Hernandez Uriz (EAEF2). The special topic includes analysis and materials from the forthcoming report "MSMEs and entrepreneurship ecosystems in Kenya: Strengthening Business in the Aftermath of the Pandemic." It also uses the framework outlined in the report "At Your Service? The promise of Services-Led Development." Anne Khatimba provided logistical support, Keziah Muthembwa and Vera Rosauer managed communication and dissemination, and Robert Waiharo designed the report. The report benefited from peer reviews by Victoria Strokova (Senior Economist, HHCDR) and Pui Shen Yoong (Economist, ELCMU).

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## EXECUTIVE SUMMARY

**The Kenyan economy has shown resilience to the COVID-19 shock, with output in 2021 rising above pre-pandemic levels.** After contracting by 0.3 percent in 2020, real gross domestic product (GDP) increased by 5.3 percent year-on-year (y/y) in the first half (H1) of 2021, supported by rebounds in industry and, especially, services. Agricultural output, however, has fallen (by 0.5 percent y/y in H1 2021) following a particularly strong performance in 2020, due partly to below-average rains. On the demand side, the recovery has been supported by a revival in private consumption, against a backdrop of improving employment conditions and household incomes. High frequency data point to industrial and services activity continuing to expand in the second half (H2) of 2021, although at a somewhat more moderate pace than earlier in the recovery. Real GDP is expected to have grown by 5.0 percent in 2021 as a whole.

**The Central Bank of Kenya (CBK) has maintained an accommodative monetary policy stance to support the economic recovery.** While core inflation has remained moderate, headline inflation has risen in 2021, mainly reflecting a combination of higher international oil prices, domestic tax measures with once-off price effects, and temporary supply disruptions affecting some food items, including due to dry weather conditions. Consistent with the still moderate rate of core inflation and muted demand pressures, the CBK has held the policy rate at 7.0 percent and maintained the lower cash reserve ratio (since 2020).

**Public revenues have rebounded and the challenging task of rebuilding fiscal buffers, whilst continuing to navigate the pandemic under high uncertainty, has begun.** For the first quarter of the current fiscal year (FY2021/22), revenue collection increased to 3.8 percent of annual GDP, an improvement of 0.5 percentage points compared to the same period a year earlier, with value added tax (VAT) and personal income tax growing the most, supported by the economic recovery. The government has projected a fiscal deficit of 8.2 percent of GDP for the current fiscal year, to support economic recovery and management of the pandemic. The continued implementation of the budgeted medium-term fiscal consolidation, calibrated to economic developments, is

critical to support the recovery, reduce debt distress risks, and rebuild space for social and development spending.

**Moving into 2022 and beyond, Kenya's economic performance is expected to be robust.** Real GDP growth of 4.9 percent per year on average is projected over 2022–23, similar to the pre-pandemic pace (5.0 percent average annual growth, 2010–19). This outlook takes into account that some sub-sectors have bounced back strongly (e.g., education), but others only partially and face a much more protracted recovery (e.g., international tourism). The anticipated further recovery of hotels and restaurants, trade, transport, and other services, depends on substantial vaccination progress to help minimise new wave of infections and reduce the need for associated containment measures. The baseline projections also assume normal rains, yielding sufficiently good agricultural harvests to drive food processing (manufacturing), sustain the growth of exports, help reduce inflationary pressures, and to support households' consumption.

**The future course of the pandemic continues to pose the main downside risk to the economic outlook.** Surges in hospitalization and deaths from COVID-19, including due to new and more transmissible variants such as the recently identified Omicron variant of global concern, and a slower than anticipated pace of vaccination, could set back the economic recovery. Increased fiscal pressures due to a renewed intensification of the pandemic could weigh on investment and exacerbate debt vulnerabilities. A second key domestic risk factor stems from the drought conditions which are affecting parts of the country and already causing severe hardship. Should the drought intensify or spread, this would weigh on the near-term economic outlook. Weaker global growth, higher than anticipated energy prices, and tighter external financing conditions are the primary external risks.

**As Kenya pursues an inclusive and resilient economic recovery, accelerating job creation will be critical.** The special topic of the previous Kenya Economic Update (KEU23) showed how critical the country's jobs and economic transformation (JET) agenda is, including to achieve a resilient recovery from the COVID-19 crisis, and as the largest ever cohorts of young job seekers enter the



labor market. Continued investment in human capital and social protection is at the center of enabling Kenya's fast-growing workforce to participate in and drive JET. This special topic complements the previous labor market analysis, turning the spotlight on firm dynamics and job creation.

**Most of Kenya's firms are informal, small, based in Nairobi, and in the services sector, where job creation has been concentrated.** There are over 138,000 formal establishments in Kenya, and 7.4 million micro, small and medium enterprises (MSMEs). Among formal firms, only three percent have 50 or more employees, and only one percent of firms have 150 or more employees. The majority of MSMEs (94 percent) are unlicensed micro firms, with fewer than five employees. Nairobi hosts 36 percent of formal firms, and 14 percent of MSMEs. The services sector dominates the firm landscape: some 84 percent of formal firms and 83 percent of MSMEs are in the services sector. Job creation was concentrated in the services sector prior to the onset of the pandemic. With services driving job creation, Kenya exhibits a new pattern of economic transformation that is emerging in Africa and which may differ significantly from the manufacturing-led transformation of East Asia and many high-income economies.

**Skill-intensive services sub-sectors have experienced rapid job growth, though low-skilled services still dominate employment.** The share of service sector

employment has grown between 2015/16 and 2019 in subsectors which are reliant on higher-skilled workers, notably finance and insurance, education, and health. In contrast, the low-skilled tradable sector's share of service employment remained constant, and the low-skilled domestic share declined. These declines are from very high levels, with the low-skilled domestic services still accounting for over half of all service sector employment, and the low-skilled tradable sub-sectors for one-quarter, in 2019. However, the overall trend of increasing demand for skills is clear.

**The COVID-19 pandemic created enormous challenges for the private sector, including in the most-high growth areas.** Employment was hit hard, in particular in the very sectors that showed the fastest growth prior to the pandemic. For example, the skill-intensive services sector shed almost half of all jobs between 2019 and 2020, with even larger losses in the education sector due to the closure of schools. The signs of recovery are positive, with most firms having reopened by April 2021, but sales and jobs have not fully returned to pre-pandemic levels. While Kenya's private sector has been resilient, the scale of the shock has been enormous. The large losses in human capital will also have long-term effects on the labor market. This, coupled with the mounting structural challenge of creating opportunities especially for the growing youth population, elevates the need to gear policies around accelerating high quality job creation.



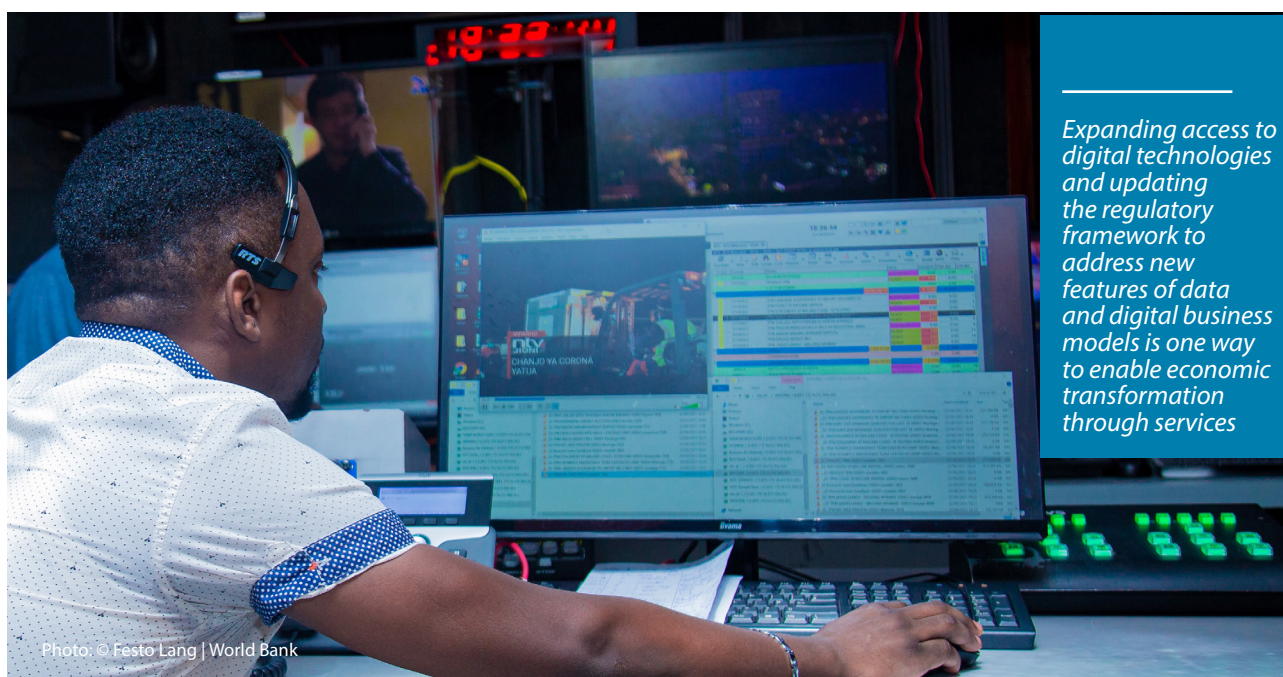
*Activity in the services sector has rebounded, supported by an exceptionally large increase in education output*

Photo: © Sarah Farhat | World Bank

**Despite high levels of firm creation, firms in Kenya appear less able to scale up.** Entrepreneurship outcomes in Kenya have been weak due to shortcomings in the entrepreneurial ecosystem – which consists of supply factors such as physical capital and infrastructure; demand factors such as the size of the internal market; and accumulation and allocation barriers, such as access to finance. On supply factors, Kenya has fewer people accessing the internet compared to peers and a smaller share of graduates in science and engineering. There is also a striking gap between Kenya and the leading peers on knowledge capital, i.e., the supply of researchers and the quality of top universities. On demand factors, Kenyan entrepreneurs face an internal market that is smaller than other MICs. Kenya does have good management quality, although it lags in technological capabilities. In terms of accumulation and allocation barriers, businesses in Kenya face challenges in access

to finance and the regulatory framework compared to other economies.

**The JET policy agenda should address key challenges inhibiting the growth of firms and jobs and focus on improving the entrepreneurial ecosystem.** Creating conditions to support the growth of firms and jobs in the services sector (among other sectors) and exploiting its linkages with the rest of the economy involves the 3Ts: (i) trade: lowering barriers to trade – particularly in services; (ii) technology: expanding access to digital technologies, and updating the regulatory framework to address new features of data and digital business models; and (iii) training: improving training and skills development among the current and future workforce to enable better adoption of technology, as well as better socioemotional and interpersonal skills that are especially important in some services.

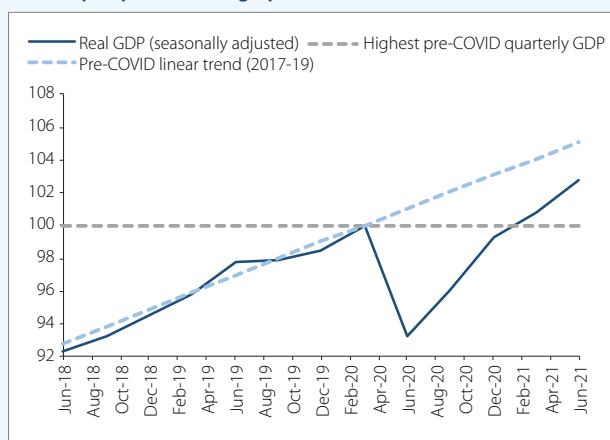


*Expanding access to digital technologies and updating the regulatory framework to address new features of data and digital business models is one way to enable economic transformation through services*



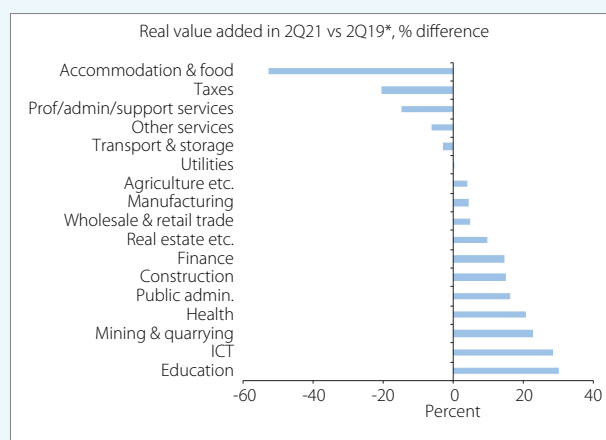
# SNAPSHOT: WHERE IS KENYA IN THE COVID-19 ECONOMIC RECOVERY?

**As of mid-2021, total output had recovered to above the pre-pandemic high point (indexed: 1Q20=100)...**



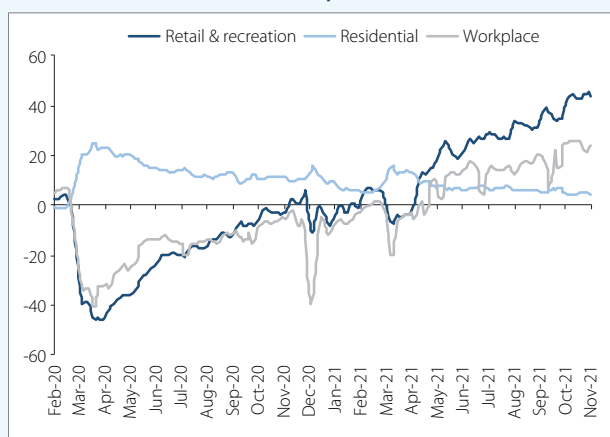
Source: World Bank calculations based on KNBS data

**...but with large dispersion across sectors**



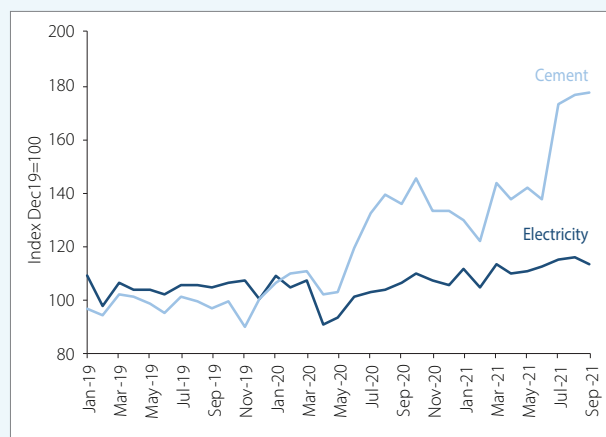
Source: World Bank calculations based on KNBS data  
Notes: \*Last fully comparable quarter before the pandemic

**Mobility levels are above the pre-pandemic baseline in retail & recreation, and workplace, locations...**



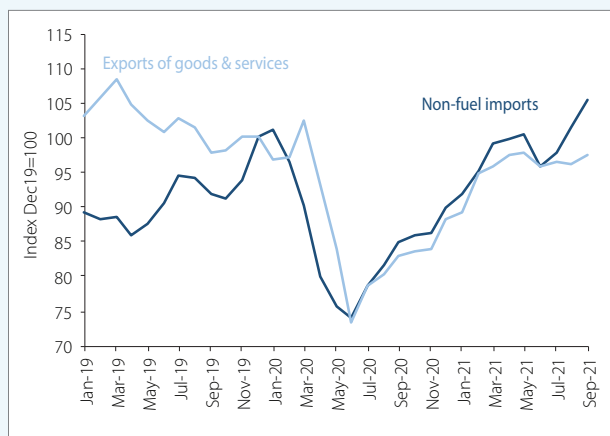
Source: Google Mobility data via OurWorldInData.org  
Notes: Baseline is median value for the 5 weeks from January 3 to February 6, 2020; units are visitors except for residential (duration)

**...and high frequency economic activity indicators such as cement and electricity unit consumption are also up**



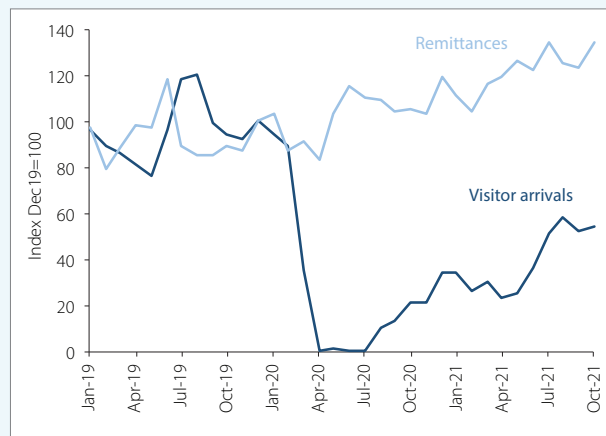
Source: World Bank calculations based on KNBS data

**Non-fuel imports, and exports, have recovered to match or exceed pre-pandemic levels**



Source: World Bank calculations based on CBK data  
Notes: Based on 3-month moving averages of USD values

**Remittances continue to grow; visitor arrivals are increasing but still at only ½ their pre-pandemic level**



Source: World Bank calculations based on KNBS data



# The State of Kenya's Economy



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# 1. Recent Economic Developments

## 1.1. Unequal vaccine access is leading to a divergent global economic recovery, with a weak and fragile recovery underway in the region due to slow progress in vaccination<sup>1</sup>

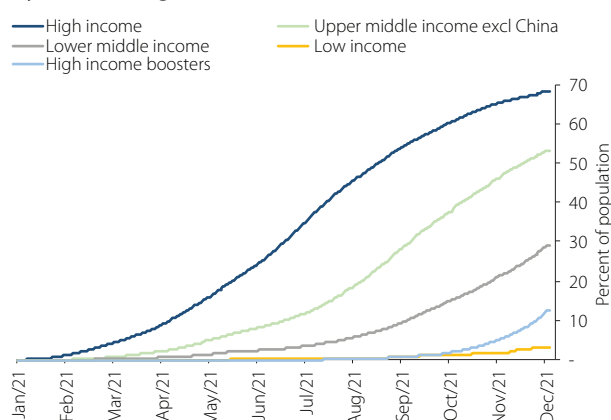
The global economy is recovering, but with divergence across countries. Global growth is projected at a strong 5.6 percent in 2021 and 4.3 percent in 2022.<sup>2</sup> This recovery, however, masks substantial differences across regions and countries, resulting from large disparities in vaccine access and capacity to provide monetary and fiscal policy support. Almost 70 percent of the population in high-income countries are fully vaccinated as of December 6, 2021, compared with about only three percent of the population in low-income countries. A larger share of the population in high income countries have received booster shots than have been vaccinated in low-income countries (Figure 1). Moreover, emerging market and developing economies (EMDEs), many faced with tighter financing conditions and a greater risk of inflation expectations drifting upward, are withdrawing policy support more quickly, despite larger shortfalls in output relative to the pre-pandemic trend. These inequalities in vaccine access and policy support have dampened the pace of recovery in many EMDEs, notably in sub-Saharan Africa (SSA, Figure 2), and will likely inflict long-lasting, and even permanent, output losses. While output for the advanced economy group is expected to cross its pre-pandemic trend path in 2022 and exceed it thereafter, EMDE output (excluding China) will

in the medium-term still remain well below the level that was projected prior to the pandemic, resulting in a larger setback to improvements in incomes and living standards.

Global trade has rebounded strongly, despite supply bottlenecks, whilst tourism is recovering only slowly. The recovery in global activity has been accompanied by a sustained increase in global trade, with the volume of global goods trade well above its pre-pandemic levels, despite supply bottlenecks and strains in global value chains, resulting in supplier delivery times falling to a record low. Growth in goods trade volumes moderated in Q2–Q3 2021, as uneven reopening across regions, coupled with congestion at ports and a shortage of trucking, worsened supply bottlenecks. Meanwhile, global tourism has been recovering only slowly and is expected to be muted for some time owing to lingering mobility restrictions and widespread reluctance to travel until virus transmission declines durably.

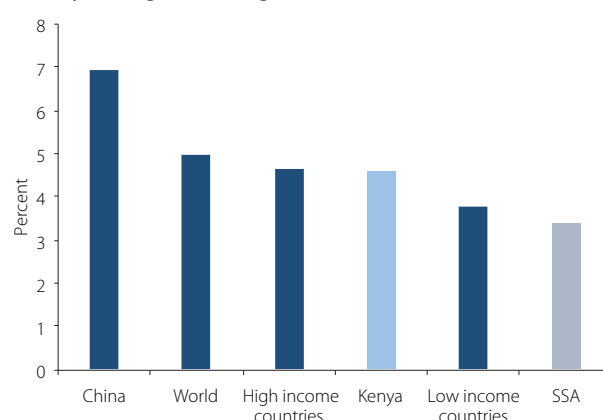
Inflation has accelerated sharply across many countries, leading several central banks to begin tightening monetary policy. Consumer price inflation has increased rapidly in many countries due to a combination of supply disruptions alongside the release of pent-up demand and the rebound in commodity prices. Global financing conditions have tightened somewhat for EMDEs owing to the US dollar strengthening and many EMDEs starting to withdraw monetary policy accommodation.

**Figure 1: There is a stark global vaccination divide...(population fully vaccinated against COVID-19)**



Source: Our World in Data, data as of December 6, 2021

**Figure 2: ...contributing to Sub-Saharan Africa facing a slower recovery (average real GDP growth, 2021–22)**



Source: World Bank: GEP (June 2021), Africa's Pulse (October 2021)

<sup>1</sup> This section draws from the World Bank's "Global Economic Prospects", June 2021, "Africa's Pulse", October 2021, and the IMF's "World Economic Outlook", October 2021.

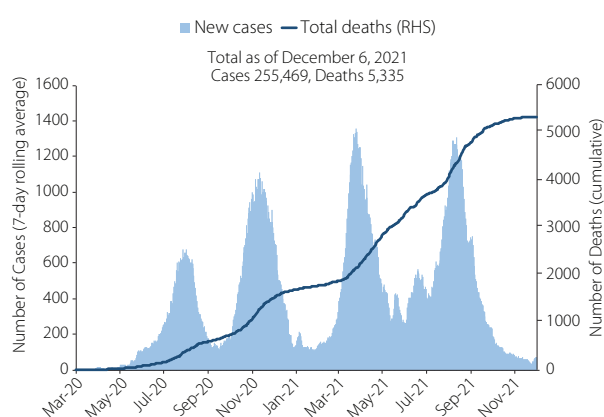
<sup>2</sup> World Bank, "Global Economic Prospects", June 2021.

The economic recovery in sub-Saharan Africa (SSA) remains generally weak as low rates of vaccination continue to weigh on activity and confidence. The region's output is expected to expand by 3.3 percent in 2021, up one percentage point relative to the previous (April) forecast, reflecting relaxation of stringent social distancing measures, elevated commodity prices benefiting net commodity exporters, and strengthening global trade. Nevertheless, the ongoing recovery in the region is still weak and hampered by low vaccination rates and the limited policy space to continue to support households and firms. The rollout of the vaccine in Africa lags the rest of the world considerably; with only about 8 percent of the population fully inoculated as of December 6, the region will miss the WHO/UN target of vaccinating 40 percent of the population of all countries by end-2021 and will remain vulnerable to COVID-19, weighing on activity, confidence and the economic recovery. Achieving vaccination targets is made more challenging by the wide heterogeneity in vaccine hesitancy in the region.<sup>3</sup>

## 1.2. Kenya's economy has continued to recover

Economic activity in Kenya has continued to adapt to the pandemic and associated restrictions. Kenya faced its fourth wave of recorded infections during July–September 2021 (Figure 3). Through the end of the third quarter of 2021, the government maintained containment measures, including a nightly curfew and a range of health protocols,

**Figure 3: Kenya has experienced four distinct COVID-19 waves since the onset of the pandemic**



Source: Our World in Data

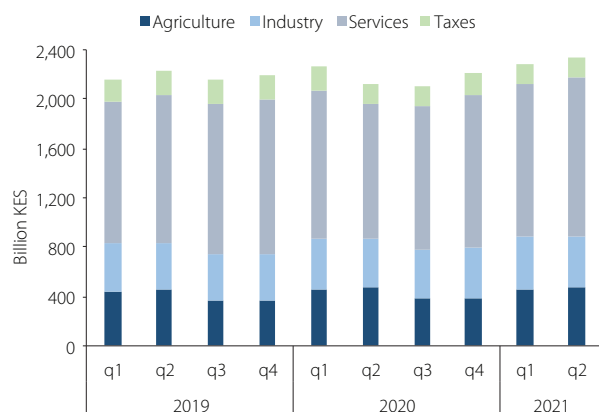
whilst avoiding the more economically disruptive measures that it was forced to take in 2020, such as travel restrictions, the shutdown of institutions, and lockdowns. Consequently, the impact on economic activities appears to have been relatively modest, supporting continued economic recovery and growth through Q3 2021. With confirmed cases subsequently falling to the lowest levels since the start of the pandemic, the government ended the nightly curfew on October 20, 2021. The vaccine rollout, which had a slow start due to supply constraints, has picked up as new shipments of vaccines have arrived, particularly since September. As of December 5, 2021, Kenya had received a total of 16,201,670 vaccines, with 7,583,134 administered. Vaccine acceptance is reportedly high.<sup>4</sup> However, there is still a long way to go towards the government's target of fully inoculating the adult population of about 30 million by the end of 2022; as of December 6, 2021, about 10 percent of adults (2.9 million people) had been fully vaccinated while another 16 percent (4.9 million people) had received their first dose.

Kenya's economy has shown resilience and output has grown to above pre-COVID levels, powered by a strong rebound in services sectors (Figure 5). Following a pandemic-induced contraction of 0.3 percent in 2020, real output has recovered and surpassed pre-COVID levels, as GDP accelerated to 5.3 percent year-on-year (y/y) in H1 2021, using the newly rebased and revised national accounts (see Box 1). However, it still remains below levels expected for the year under pre-COVID trend projections (see Snapshot on page vi). Partly reflecting a base effect, this growth was supported by a particularly large rebound in the services sector, as well as the expansion of industrial output (Figure 4). Agriculture growth, however, has subsided following a particularly strong performance in 2020, as below-average rains in 2021 resulted in significant reduction in cereals and tea production. On the demand side, the recovery has been led by a revival in private consumption, reflected by improved employment conditions, and also helped by resilient international remittances. Investment is also expected to recover in 2021 on the back of improved business confidence.<sup>5</sup>

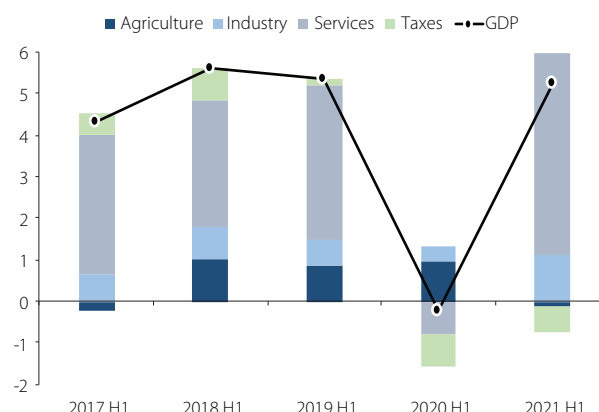
<sup>3</sup> According to the Afrobarometer survey conducted between late 2020 and mid 2021 in 13 SSA countries, more than half of the respondents were willing to get a vaccine in Mauritius, Zambia, Benin and Sudan; vaccine hesitancy was alarmingly high in Senegal and the Gambia; and only 43 percent of the respondents in South Africa reported they were likely to get the vaccine.

<sup>4</sup> World Bank COVID-19 Rapid Response Phone Survey results conducted during April–June 2021 indicate that about 82 percent of Kenyans are willing to take a free vaccine (source: World Bank, "Socioeconomic impacts of COVID-19 in Kenya", June 2021).

<sup>5</sup> The CBK's latest 'Market Perception Survey' and 'CEOs Survey' conducted in November 2021 show continued increase in businesses' optimism in Kenya's economic prospects.

**Figure 4: Output recovered fully in 2021**  
(Real output, quarterly, billion 2016 KES)

Source: KNBS

**Figure 5: Services led the recovery in 2021**  
(Contribution to real GDP growth, percent y/y)

Source: KNBS and World Bank Computation

### Activity in the services sector has rebounded, supported by an exceptionally large increase in education output.

Services sector value-added rose by 9.2 percent y/y in H1 2021 compared to a contraction of 1.5 percent in H1 2021. All services subsectors, except accommodation and food services, reverted to making a positive contribution to economic growth in H1 2021, signaling growing normalization of economic activities in the sector (Table 1). Education subsector value-added surged to well above pre-pandemic levels, recording an exceptionally large increase of 34.6 percent y/y in H1 2021, contributing over a quarter to GDP growth. This oversized contribution by education value-added to GDP growth partly reflects a large base effect, as all educational institutions were shut

down in March 2020.<sup>6</sup> While activity in accommodation and food services remains below pre-pandemic levels, the subsector has shown signs of a continued, albeit slower, revival. A Central Bank of Kenya (CBK) survey of hotels conducted in mid-November 2021 shows that all the sampled hotels are now open, with employment in the sector increasing to about 78 percent from the low of 37 percent in May 2020, and average bed occupancy rising to over 50 percent from its low of 10 percent in May 2020 (although it still remains below pre-COVID-19 levels). Tourist arrivals to Kenya increased to over 78,000 in August 2021, the highest level since the start of the pandemic, though still only about half the level in August 2019.

**Table 1: Services sectors' contributions to real GDP growth (percentage points)**

	Share of GDP (percent)	2019	2020	2020H1	2021H1
Services	53.0	3.5	-1.2	-0.8	4.9
Wholesale and retail trade	8.3	0.4	0.0	0.0	0.7
Accommodation and food services	0.9	0.2	-0.6	-0.4	-0.2
Transport and storage	10.2	0.6	-0.8	-0.8	0.3
Information and communication	2.7	0.2	0.1	0.1	0.6
Finance and insurance	7.8	0.5	0.4	0.4	0.7
Public administration	5.4	0.5	0.3	0.2	0.7
Professional, admin and support services	3.0	0.2	-0.5	-0.4	0.0
Real estate	9.3	0.6	0.4	0.5	0.5
Education	4.5	0.2	-0.5	-0.5	1.4
Health	2.1	0.1	0.1	0.2	0.2
Other services	2.4	0.1	-0.3	-0.3	0.0
FISIM	-3.4	-0.3	0.1	0.0	0.1

Source: KNBS

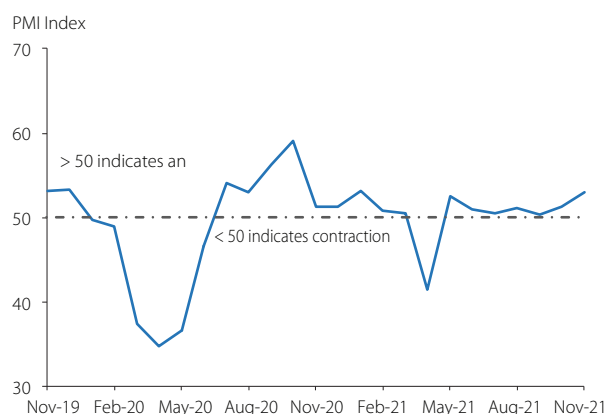
<sup>6</sup> Additionally, for most countries, frequent changes to in-person attendance and a partial shift to virtual learning during COVID-19 waves has made the measurement of education value added challenging and prone to revisions. Tebrake, et al., (2020) provides a brief account of the challenges posed by COVID-19 to estimating public education value-added.



The industrial sector has recorded a broad-based recovery. Value-added in the manufacturing and utilities (electricity, gas and water supply) sub-sectors reversed contractions in H1 2020 to expand by 5.4 percent y/y and 3.5 percent y/y in H1 2021. Activity in the construction subsector remained buoyant, increasing by 7.2 percent y/y in H1 2021, supported by the ongoing infrastructure projects (such as Nairobi Expressway and the Lamu transport corridor) and the implementation of the

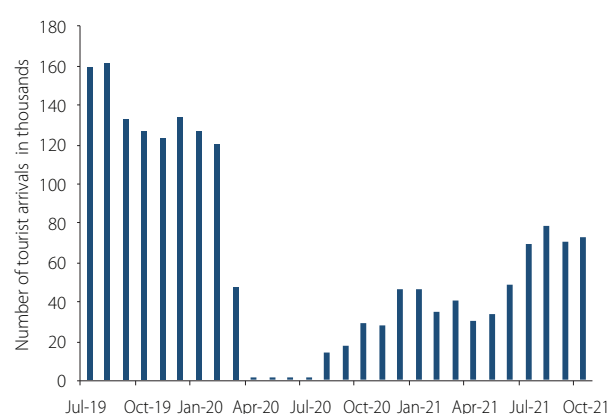
affordable housing program. High frequency data reveal industrial activity sustaining the momentum in H2 2021. The Purchasing Managers' Index (PMI) shows generally steady expansion in business activity, despite the fourth COVID-19 wave during Q3 2021 (Figure 6). Production in construction-related industry (cement and galvanized steel sheets) has also been strong through H2 2021, pointing to continued robust construction activity.

**Figure 6: Business activity has showed sequential, albeit modest, expansion since May 2021 (PMI)**



Source: CFC Stanbic Bank

**Figure 7: Tourist arrivals to Kenya are recovering but remain well below pre-COVID levels**



Source: KNBS

### Box 1: Kenya's revised and rebased national accounts statistics

*Kenya's economic pie is a bit larger, but has not been growing as fast, and diversification away from agriculture and towards services has progressed more than previously estimated.*

In September 2021, the Kenya National Bureau of Statistics (KNBS) published rebased and revised national accounts estimates, updating the base year for its estimates to 2016 (from 2009). GDP rebasing involves updating the national accounts statistics by replacing old base-year volume and price measures with a more recent base year or process structure. It yields a more accurate snapshot of the economy by incorporating structural changes in production and relative prices, as well as shifts in consumption patterns, utilization, and the acquisition of capital goods. It also incorporates product changes or new economic activities caused by technological developments and innovations. Periodically rebasing GDP is international best-practice and supports informed and evidence-based decision-making.

The GDP rebasing revealed that Kenya's economy is bigger than previously estimated. Nominal GDP in 2019 is now estimated at US\$100.5 billion, up from US\$95.5 billion before rebasing, with revised GDP per capita standing at US\$2,113 (up from US\$2,008) in 2019. Unlike the previous rebasing in 2014, which produced a large, 25 percent increase in the size of the economy and moved Kenya to the lower-middle income category, the recent exercise has resulted in a modest 5.3 percent increase in the overall size of the economy compared with previous estimates. This maintains Kenya's classification as a lower-middle income country, with no change in the size ranking of Kenya vis-à-vis regional economies.

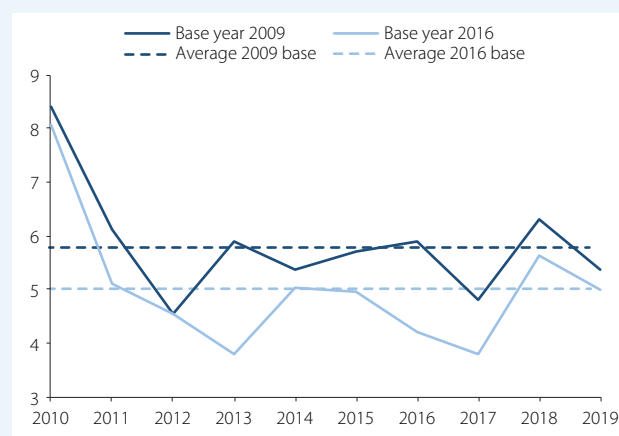
The rebasing reveals that historical GDP growth rates are lower than previously estimated (Figure 8). The rebased GDP series shows that over the last decade real GDP expanded by an annual average of 5.0 percent, 0.8 percentage points lower than the previous estimate. This is significant new information, since it affects calculations around the economy's potential growth rate in the future. From the policy perspective, it implies that more concerted efforts will be required to lift growth to well above the rate of population growth (about 2.3 percent) and achieve sustained development gains (e.g., 5 percent annual average output growth or higher).

## Box 1: Kenya's revised and rebased national accounts statistics (contd)

**Table 2: Changes in macroeconomic indicators when scaled by rebased GDP (2019[1], percent of GDP)**

Macroeconomic indicator	Base year 2009	Base year 2016
Government revenue	17.4	16.7
Tax revenue	15.1	14.4
Government expenditure	25.7	24.5
Fiscal deficit	7.6	7.3
Gross public debt	62.4	59.6
Net public debt	57.0	54.4
Current account deficit	5.8	5.5
Imports	18.5	17.6
Exports	6.1	5.8
Private sector credit	24.9	23.6

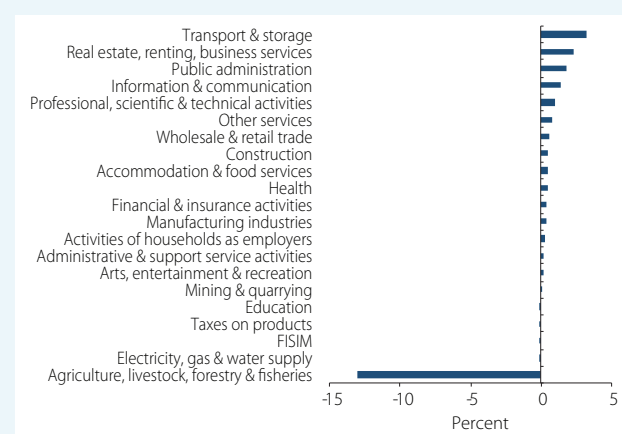
Source: WB calculations based on KNBS data  
 [1] Fiscal year 2018/19 for budget and debt indicators

**Figure 8: Annual change in real GDP (%)**

Source: KNBS

The rebasing of Kenya's GDP affects a number of macroeconomic indicators (Table 2). For example, rebasing reduced the estimate of gross public debt as a share of GDP in 2018/19 to 59.6 percent from 62.4 percent. However, this does not reduce Kenya's debt burden or provide more scope for debt accumulation, as it is accompanied by a downward adjustment in revenue generation as a share of GDP (to 16.7 percent of GDP from 17.4 percent). There is also a modest reduction in trade flows and private sector credit penetration relative to GDP expenditures. These ratio changes are relatively small, but do reinforce the importance of policies to mobilize more revenues, harness international trade for growth, and address impediments to productive credit growth.

The rebasing exercise significantly altered historical sectoral output estimates, with agriculture accounting for a significantly smaller share, and services a larger share, of output (Figure 9). On the supply side, the biggest change comes from a correction in agricultural price indices, resulting in estimated agricultural sector output being significantly lower than before. As a result, the share of agricultural output falls to 21.2 percent of nominal GDP in 2019, compared with 34.1 percent previously. Agriculture clearly remains the cornerstone of the economy (including being the basis for the majority of livelihoods and generating critical foreign currency earnings), but its relative contribution is less outsized than it appeared before and more in line with the average for lower middle-income economies globally (15 percent in 2019). Conversely, the relative importance of other sectors is now estimated to be larger, notably transport and storage, real estate, public administration, and ICT. On the expenditure side, private consumption has accounted for a smaller share of total expenditures (76.4 percent of GDP in 2019 vs. 81.6 percent previously), whilst the share of total investment has been 1.7 percentage points higher (at 19.1 percent) than earlier estimates.

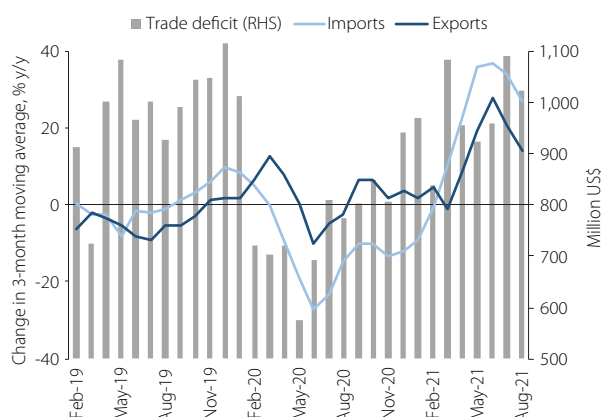
**Figure 9: Change in share of nominal GDP (2019) in the revised estimates**

Source: World Bank calculations based on KNBS data

### 1.3. Strong external demand also supported Kenya's recovery in 2021

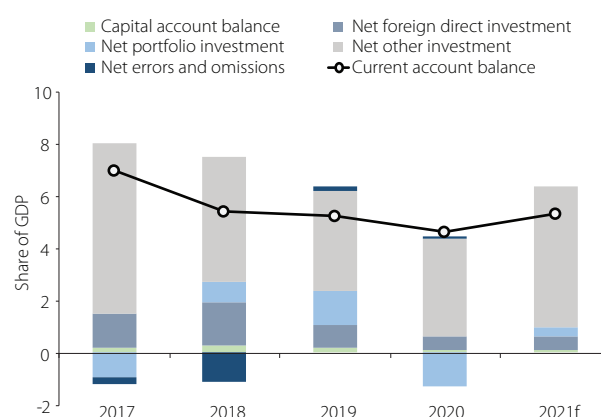
Kenya's exports have rebounded in 2021, supported by the global recovery, but tourism is recovering more slowly. Reflecting a strong recovery in demand from Kenya's trading partners, merchandise exports rose by 8.2 percent

y/y in the first nine months of 2021, led by large increases in horticultural goods and manufactures (Figure 10). Despite some improvement, however, tourism and transport services exports remain weak, as mobility restrictions and ongoing pandemic-related travel uncertainties continue to weigh on cross-border tourist activity (Figure 7).

**Figure 10: Merchandise exports and imports have rebounded (y/y growth in 3-month moving average)**

Source: Central Bank of Kenya

The current account deficit has widened in 2021, as the acceleration of imports has outpaced exports. Merchandise imports increased by 12.9 percent y/y in the 12-months to September 2021 compared to a contraction of 6.9 percent y/y over the same horizon last year, exceeding export growth, due to rising global commodity (especially energy) prices, and greater demand for intermediate goods on the back of the domestic economic recovery. As a result,

**Figure 11: The current account deficit was financed largely through borrowing**

Source: World Bank calculations based on CBK data

the deficit in the trade of goods and services stood at 9.8 percent of GDP in the first nine months of 2021 (larger than 8.7 percent in 2020), elevating the current account deficit to 5.6 percent of GDP in the year to September 2021, from 4.9 percent in 2020. Remittances to Kenya remained robust, however, providing a large source of inflows in the current account (Table 3). North America has been the largest source of increased remittances.

**Table 3: Balance of Payments (Percent of GDP)**

	2019				2020				2021		
	q1	q2	q3	q4	q1	q2	q3	q4	q1	q2	q3
<b>Current account</b>	<b>-5.0</b>	<b>-4.9</b>	<b>-5.2</b>	<b>-5.5</b>	<b>-5.4</b>	<b>-5.1</b>	<b>-5.0</b>	<b>-4.8</b>	<b>-4.9</b>	<b>-5.3</b>	<b>-5.7</b>
Trade balance	-8.7	-8.6	-8.7	-8.8	-9.1	-8.6	-8.6	-8.3	-8.7	-9.0	-9.8
Exports	12.4	12.1	12.0	11.3	11.1	10.6	10.3	10.1	9.7	9.8	10.1
o/w horticulture	1.1	1.1	1.0	1.0	0.9	0.9	0.9	1.0	1.0	1.1	1.1
o/w tea	1.4	1.3	1.2	1.1	1.1	1.2	1.3	1.3	1.2	1.1	1.1
o/w travel services	1.0	1.0	1.0	1.1	0.8	0.1	0.6	0.6	0.6	0.5	0.7
Imports	17.1	16.8	16.8	16.3	16.3	15.5	15.4	14.9	14.9	15.3	16.1
o/w industrial machinery	3.5	3.6	3.6	3.5	4.7	4.5	4.5	4.1	4.0	4.0	4.1
o/w petroleum products	3.5	3.6	3.5	3.3	3.3	2.7	2.5	2.2	2.1	2.5	2.8
Income balance	3.7	3.7	3.5	3.3	3.6	3.5	3.5	3.6	3.7	3.8	4.2
o/w diaspora remittances	2.9	2.9	2.9	2.8	2.8	2.8	3.1	3.2	3.3	3.3	3.4
<b>Capital account</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.2</b>	<b>0.4</b>	<b>0.4</b>
<b>Financial account</b>	<b>-4.1</b>	<b>-6.9</b>	<b>-7.0</b>	<b>-6.1</b>	<b>-5.4</b>	<b>-4.6</b>	<b>-3.9</b>	<b>-3.0</b>	<b>-3.6</b>	<b>-5.2</b>	<b>-6.0</b>
Direct investment (net)	-1.5	-1.5	-1.2	-1.1	-0.8	-0.7	-0.6	-0.5	-0.5	0.0	0.1
Portfolio investment (net)	1.4	-1.0	-1.2	-1.3	-1.1	1.2	1.3	1.3	1.0	-0.2	-0.2
Other investment (net)	-4.0	-4.4	-4.6	-3.7	-3.5	-5.1	-4.6	-3.8	-4.1	-5.0	-5.8
Net errors and omissions	-0.2	-1.7	-0.9	0.2	0.1	0.9	0.4	0.9	-0.1	-0.3	0.7
<b>Overall balance</b>	<b>0.8</b>	<b>-0.6</b>	<b>-1.1</b>	<b>-1.0</b>	<b>-0.3</b>	<b>-0.5</b>	<b>0.6</b>	<b>0.8</b>	<b>1.2</b>	<b>-0.1</b>	<b>-1.4</b>
Change in reserve assets	-0.8	0.6	1.1	1.0	0.3	0.5	-0.6	-0.8	-0.9	0.2	1.5

Source: Central Bank of Kenya

Kenya's external financing needs have been met by a mix of official and private borrowing. Increased official borrowing and the temporary bilateral debt service suspension under the G20 Debt Service Suspension Initiative (DSSI) have helped to compensate for weak inflows from other external financing sources. The increased borrowing has included inflows from the IMF ECF/EFF arrangement which began in April 2021, and World Bank development policy financing (June 2021). In addition, Kenya received SDR 520.2 million in the IMF's August 2021 general SDR allocation. Foreign exchange reserves stood at USD 8,737 million (5.3 months of import cover) as at December 2, 2021. Consistent with the global weakness in foreign direct investment (FDI) during the pandemic, FDI to Kenya fell sharply in the year through September 2021. Net portfolio investment, however, registered modest net inflows, equivalent to 0.2 percent of GDP in 2021.

#### 1.4. Poverty has declined as people have returned to work, but children's education was severely set back, and households remain vulnerable

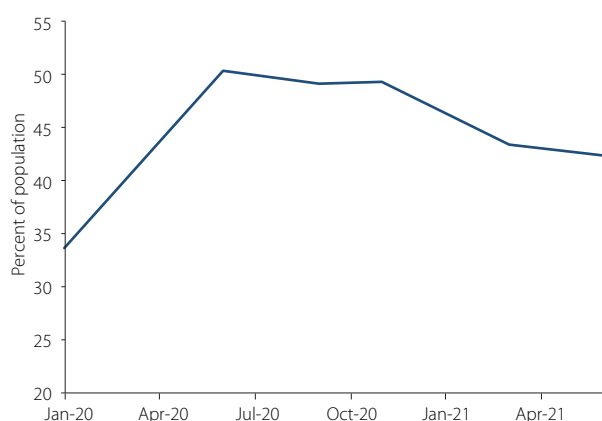
While the labor market has staged a recovery from the severe hit to jobs and earnings in 2020, job quality and insecurity remain concerns. During the first half of 2021, unemployment and inactivity continued to decline, and employment surpassed its pre-pandemic level. Around three-quarters of the growth in wage employment between mid-2020 and mid-2021 came from six sectors (utilities and construction, agriculture, transport and storage, wholesale and retail trade, manufacturing, and accommodation and food services). However, the employment recovery showed signs of vulnerability. A growing share of

individuals were working multiple types of jobs (wage, household enterprise, or agriculture); job stability, as measured by having a permanent contract, declined; hours and wages for wage employees decreased; and the growth in wage employment for women was reliant on sectors that are particularly vulnerable to future containment measures.

**Poverty has declined through 2021, but remained above pre-pandemic levels, with rural areas experiencing a slower decline.** The poverty rate surged in Q2 2020 as the pandemic plunged the economy into a recession.<sup>7</sup> With a strong economic recovery ongoing, poverty subsequently decreased by roughly one-fifth in the first half of 2021, though it remained above pre-pandemic levels (Figure 12). While poverty dropped in both rural and urban areas, the progress has been slower in rural areas. This likely reflects the adverse impact of severe dry weather conditions in 2021 on rural livelihoods. More people experienced food insecurity in the first half of 2021 amid renewed containment measures, but food insecurity remained below levels earlier in the pandemic.

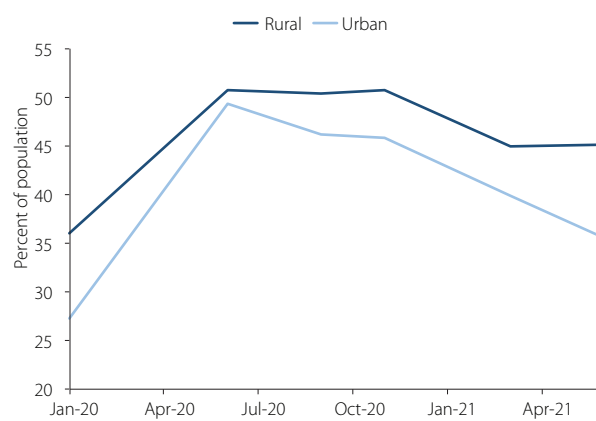
Although most schools reopened in 2021, the pandemic likely caused a long-term setback to human capital accumulation. The setbacks to education activities throughout 2020 may lead to learning losses in both the short and long run, impairing future human capital accumulation. Underprivileged children are expected to have experienced particularly large learning losses during school closures, as they were significantly less likely to have access to remote education. Moreover, the rise in teen pregnancies (which by one estimate rose by 40 percent

Figure 12: COVID-19 impact on national poverty



Source: Rapid Response Phone Surveys

Figure 13: COVID-19 impact on rural/urban poverty



Source: Rapid Response Phone Surveys

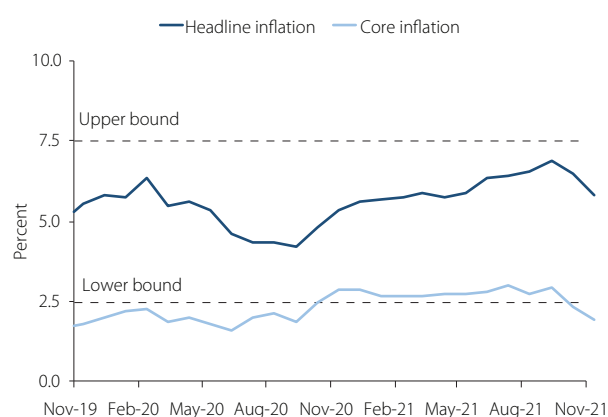
<sup>7</sup> The World Bank conducted a series of rapid response phone surveys (RRPS) over the period March 2020 and June 2021 to assess the socioeconomic impact of COVID-19 in Kenya. Poverty rates used in this section refer to short-duration estimates over each of these survey periods. The measurement involved adjusting household consumption based on changes through four channels— wage income; household enterprise income; agricultural income; and remittances— computed from RRPS responses. The poverty rate is then estimated for the months covered for each wave of the RRPS.

during the lockdown)<sup>8</sup> and school closures will have had further detrimental effects on the health and education of young girls (98 percent of pregnant girls are not in school). Education activities resumed at the start of 2021, which resulted in most students having renewed access to their teachers and engaging in learning activities. However, among younger children (3–6 years old), 15 percent did not re-enroll in early January 2021, with cited reasons including fear of COVID-19, and a lack of money. One-fifth of young children who were out of school experienced some sign of behavioral change compared to five percent of young children in school.

### 1.5. Monetary policy remains accommodative to support the ongoing recovery amid a recent supply-driven rise in inflation

While headline inflation has risen in 2021, core inflation has remained largely steady. Headline inflation increased to a four-year high of 6.9 percent y/y in September 2021, before easing to 5.8 percent y/y in November 2021 (Figure 14). The increase mainly reflects a combination of rising international commodity (especially energy) prices due to the strong global recovery coupled with supply bottlenecks, and domestic tax measures enacted in Finance Act 2021 with once-off price effects. Inflationary pressures strengthened in Q3 2021 due to higher global energy prices following disruptions in coal and natural gas production, and a consequent increase in agricultural input costs. Domestically, dry weather conditions have contributed to temporary supply disruptions in a few food items, like tomatoes and onions, adding to food inflation. Core inflation, which removes volatile food and energy prices to provide a measure of underlying inflation pressure, has remained moderate, decelerating to 2.0 percent y/y in November 2021 (Figure 15).

**Figure 14: Headline inflation has risen during the course of 2021 but remains within the CBK band...**

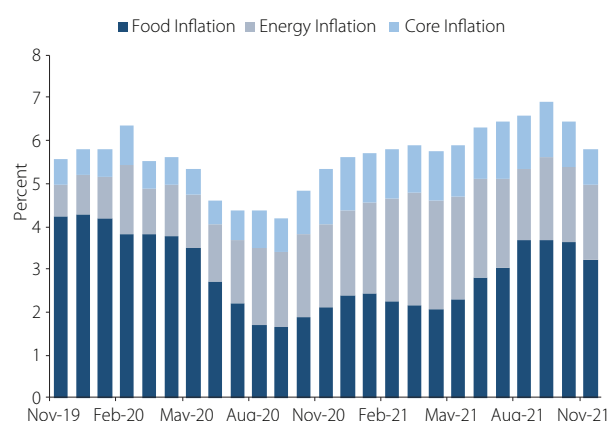


Source: Kenya National Bureau of Statistics

The CBK has maintained an accommodative monetary policy stance by keeping the key policy rate unchanged to support the economic recovery. The CBK kept the policy rate unchanged at 7.0 percent at the most recent Monetary Policy Committee meeting on November 29, 2021. The committee noted that inflation expectations remain well anchored within the target range and assessed the current monetary policy stance as appropriate. In addition, the CBK has maintained the lower cash reserve ratio (since 2020) to support domestic liquidity. Along with the National Treasury's Credit Guarantee Scheme, these measures will continue to support private sector lending and the ongoing economic recovery in the context of core inflation remaining moderate and inflationary expectations appearing well-anchored.

Credit to the private sector trended higher in the year to September 2021 as demand recovered amid accommodative monetary conditions. Total credit to the private sector was up by 7.8 percent y/y in October 2021 (Figure 16), supported by accommodative monetary conditions, and reflecting increases to a wide range of borrowers. However, private sector credit growth remains very low in real terms, and well short of the sizable annual increases in credit stock prior to the statutory interest rate cap that was in place from 2016–19. Private sector credit growth has been constrained by asset quality pressures, which have been exacerbated by the pandemic, and likely by the elevated level of uncertainty regarding the economic recovery in Kenya and globally. The government's high financing requirement has also provided a large supply of interest-earning securities, which has further dampened banks' incentives to take private credit risk.

**Figure 15: ...and core inflation has remained moderate**



Source: Kenya National Bureau of Statistics

<sup>8</sup> Beutel, Allie. "Rise of Teen Pregnancies During Kenya's Lockdown," n.d. <https://borgenproject.org/rise-of-teen-pregnancy-during-kenyas-lockdown/>

**Figure 16: Private sector credit growth remains modest**

Source: Central Bank of Kenya

**The banking sector remains stable and resilient, with strong liquidity and capital adequacy ratios.** The capital adequacy and the liquidity ratios of the banking sector stood at 18.9 and 56.8 percent, respectively, in June 2021, well above the statutory requirements (Table 4). Bank profitability improved in the year to June 2021, with the return on asset and return on equity increasing to 3.4 percent and 23.3 percent. Gross non-performing loans (NPLs) have gradually declined to 13.9 percent in August 2021 after peaking at 14.6 percent in March 2021, consistent with improving economic conditions. Kenya's advanced state of digitalization prior to the pandemic placed the financial sector on relatively solid ground to adjust easily when the lockdown made in-person banking transactions more difficult. As a result, a notable development during

the pandemic period has been a surge in cell-phone based banking: the number of bank transactions on mobile phones has increased from 56 percent of all transactions before the pandemic to 85 percent currently.

### 1.6. Government continues to support the economic recovery and management of the pandemic

**Government revenues have been steadily recovering.**

The economic slowdown and tax relief measures that were implemented in the first half of FY2020/21<sup>9</sup> led to a large decline in revenue. However, reflecting recovery in business activities, the government unwound most of this temporary tax relief in January 2021 (except relief for taxpayers in the lowest personal income tax bracket). As a result, revenue is recovering. For the first quarter of the current fiscal year (FY2021/22), revenue collection increased to 3.8 percent of annual GDP, an improvement of 0.5 percentage points compared to the same period a year earlier, with value added tax (VAT) and pay-as-you-earn (PAYE) growing the most (Figure 17). The renewed buoyancy of revenues has benefited from the tax measures in the Finance Act 2021, which increased the tax base. These include excise duty on additional products, the expansion of the digital services tax to social media platforms, increased withholding tax in the mining sector, increased excise duty rates on telephone and internet data services, and the reintroduction of excise duty on betting.

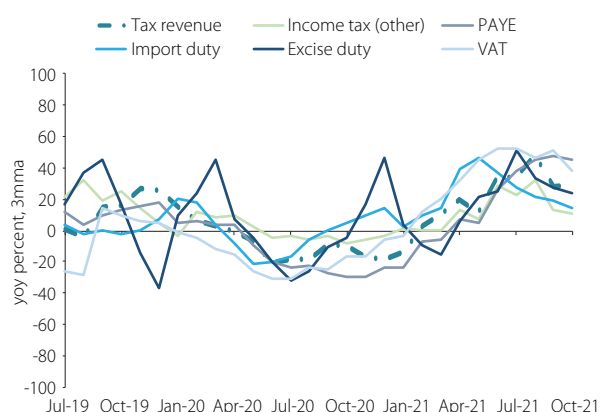
**Table 4: The banking system is sound, with credit quality being the main constraint (Percent of annual GDP)**

	Statutory Requirement	Jun-19	Sept-19	Dec-19	Mar-20	Jun-20	Sept-20	Dec-20	Mar-21	Jun-21
<i>Capital Adequacy</i>										
Total capital/RWA (CAR)	≥ 15	18.8	18.5	18.5	18.2	19.2	18.8	18.9	18.8	18.9
<i>Asset Quality</i>										
Gross NPLs to Gross Loans	≤ 5	12.0	12.5	13.1	13.6	14.1	14.6	14.0	14.6	14.0
NPLs Net of Specific Provisions to Total Capital	≤ 25	16.1	16.7	16.9	15.9	15.3	15.8	15.1	15.8	15.1
<i>Profitability</i>										
ROA (after-tax)	≥ 2	2.5	2.3	2.2	1.8	1.6	3.3	3.4	3.3	3.4
ROE (after-tax)	≥ 20	21.2	20.4	15.6	15.1	13.8	22.2	23.3	22.2	23.3
<i>Liquidity</i>										
Liquid assets/total assets	≥ 30	39.3	39.8	41.9	41.5	42.5	43.0	41.0	43.0	41.0
Liabilities	≥ 50	49.7	51.4	52.8	53.2	54.6	56.3	56.8	56.3	56.8

Source: Central Bank of Kenya

<sup>9</sup> The Government of Kenya's fiscal year runs from July to June.

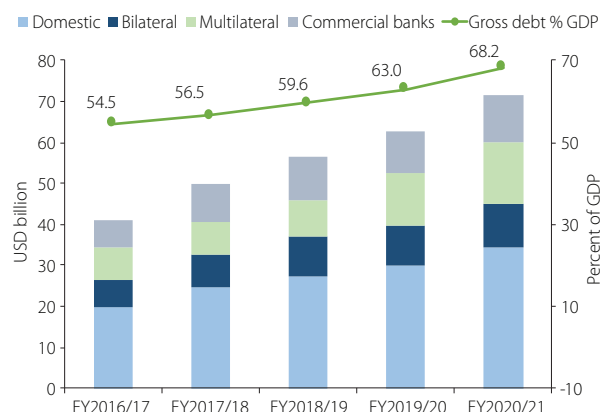


**Figure 17: Revenue collection increased in the first quarter of FY2021/22**

Source: The National Treasury

**Ongoing efforts to reduce tax expenditures are supporting domestic revenue mobilization.** The government has continued to implement measures to reduce tax exemptions and the number of zero-rated goods, which were put in place before the pandemic in order to begin the needed fiscal consolidation. With these measures, tax expenditures have declined from an estimated 5.2 percent of GDP in 2017 to 3.0 percent of GDP in 2020, with VAT contributing to over 90 percent of the decline.<sup>10</sup> Sustained harmonization of exemptions would bridge the tax gaps in VAT and income tax, which account for more than three quarters of Kenya's tax revenues.

**Expenditure remains broadly steady in FY2021/22 in support of the economic recovery and management of the pandemic.** During FY2020/21, both recurrent and development expenditure decreased relative to nominal output, reflecting expenditure prioritization and cost-cutting measures, including reduced transfers to parastatals, that were initiated before the pandemic to implement fiscal consolidation. However, the government increased spending on health, social protection, and economic stimulus measures to help manage the pandemic. First quarter data for FY2021/22 show that expenditure

**Figure 18: Kenya's debt burden has increased**

Source: The National Treasury

remained broadly unchanged as a share of GDP, consistent with the government's economic stimulus program and economic recovery strategy which has been allocated KES 46.2 billion or 0.4 percent of GDP in the FY2021/22 budget.

**Despite the revenue recovery, the pandemic has exacerbated fiscal and debt vulnerabilities.** The fiscal deficit widened from 7.5 percent in FY 2019/20 to 8.2 percent of GDP in FY2020/21 and the debt to GDP ratio rose from 63.0 percent in FY 2019/20 to 68.2 percent in FY2020/21 (Table 5, Figure 18). In terms of composition, just over half of Kenya's total public debt stock was external (52.1 percent in FY2020/21). Domestic debt servicing is more than double that of external debt due to higher domestic interest rates, although the latter, while cheaper, is subject to exchange rate risk.<sup>11</sup> Government's domestic debt refinancing risk has declined, as measured by the average time to maturity increasing from 6.3 years in FY 2018/19 to 8.6 years in FY 2020/21. The government's recent emphasis on lengthening the domestic debt term structure and maximizing the use of concessional external financing (as opposed to more costly commercial debt) has helped to reduce the risks and costs inherent in the public debt portfolio.

<sup>10</sup> National Treasury. 2021. "Tax Expenditure Report".<sup>11</sup> National Treasury. 2021. "Annual Public Debt Report" FY2020/21.

**Table 5: Fiscal operations 2019/20–2021/22 (Percent of annual GDP)**

	2019/20	2020/21	2021/22	Q1 2020/21	Q1 2021/22
	Actual	Preliminary	Estimate	Preliminary	Preliminary
Total revenue and grants	16.5	16.1	16.8	3.4	3.9
Revenue	16.4	15.8	16.3	3.3	3.8
Tax revenue	13.0	12.6	13.3	2.7	3.2
Income tax	6.7	6.1	6.5	1.3	1.6
VAT	3.6	3.6	3.8	0.7	1.0
Import duty	0.9	1.0	0.9	0.2	0.2
Excise duty	1.8	1.9	2.1	0.4	0.5
Other revenues	1.8	1.2	3.1	0.6	0.8
Grants	0.2	0.3	0.5	0.0	0.1
Expenditure and net lending	24.2	24.3	25.0	4.5	5.0
Recurrent	15.5	15.9	16.4	3.2	3.6
Interest payments	4.2	4.4	4.8	1.0	1.0
Domestic	4.1	4.4	3.8	0.7	0.8
Foreign interest due	3.0	3.4	1.0	0.3	0.2
Wages	1.1	0.9	4.2	1.0	1.0
Pensions	0.8	1.0	1.1	0.2	0.2
Other	5.9	5.8	6.3	0.9	1.3
Development	5.6	4.9	5.3	1.1	0.9
Transfer to counties	3.1	3.5	3.2	0.3	0.5
Deficit including grants	-7.5	-8.2	-8.2	-1.1	-0.8
Primary balance	-3.3	-3.9	-3.4	-0.1	0.2
Financing (net)	7.4	8.4	8.2	1.1	0.9
Foreign financing	3.2	2.9	3.3	-0.2	-0.2
Domestic financing	4.2	5.5	4.9	1.3	1.1
GDP in billion	10,620.8	11,304.1	12,628.1		

Source: National Treasury; World Bank

## 2. Outlook and Risks

### 2.1. Kenya's economic recovery is expected to continue

Achieving adequate vaccine coverage is critical to contain the spread of COVID-19 and allow for the full reopening of the economy. The government plans to inoculate all 30 million people aged 18 and above against COVID-19 by end-2022. Despite low COVID-19 vaccine hesitancy, the vaccination program in Kenya has lagged, due initially to considerable challenges in procuring and deploying vaccines. With improved availability of vaccines,

especially since September, the Kenyan government has recently extended vaccine eligibility to include those aged 15–18. Still, Kenya, like most countries in the region, will miss the target of vaccinating 40 percent of the population by end-2021.

The economy is expected to continue its recovery trajectory in the near term (Table 6). GDP is projected to grow by 4.9 percent per year on average in 2022–23, supported by the ongoing vaccination drive, private



**Table 6: Baseline economic outlook**

	2018	2019	2020	2021e	2022f	2023f
	<i>Annual percentage change</i>					
Real GDP growth, at constant market prices	5.6	5.0	-0.3	5.0	4.7	5.1
Private Consumption	4.7	4.9	-2.7	5.2	5.0	5.8
Government Consumption	7.0	7.0	4.3	3.5	3.0	2.5
Gross Fixed Capital Investment	-0.4	3.8	3.4	4.0	3.6	5.3
Exports, Goods and Services	6.8	-3.2	-8.2	8.0	5.0	6.5
Imports, Goods and Services	1.4	1.8	-8.5	5.0	4.0	7.0
Real GDP growth, at constant factor prices	5.5	5.2	0.3	5.0	4.7	5.1
Agriculture	5.7	2.6	4.8	-0.1	4.0	3.0
Industry	3.8	3.4	4.0	5.2	3.6	4.3
Services	6.0	6.7	-2.2	6.7	5.2	6.0
Inflation (consumer price index)	4.7	5.2	5.3	6.0	5.0	5.0
	<i>Percent of GDP</i>					
Current account balance	-5.4	-5.3	-4.6	-5.3	-5.4	-5.5
Foreign direct investment, net	1.6	0.9	0.5	0.5	0.7	1.4
Fiscal balance/ <sup>1</sup>	-7.0	-7.3	-7.5	-8.2	-7.4	-5.7
Public debt/ <sup>1</sup>	56.5	59.6	63.0	68.2	69.8	68.6
Primary balance/ <sup>1</sup>	-3.4	-3.4	-3.4	-3.8	-2.9	-0.9

Source: National Treasury; World Bank

Notes: e=estimate, f=forecast, /1 2018 = FY2017/18

consumption aided by household income and job growth, and fiscal consolidation that will free resources for private sector credit and growth. Strengthening external demand is expected to support agriculture, and the recovery in industry and services is expected to continue, though services are expected to recover more gradually, with some sub-sectors having bounced back (e.g., education) but others only partially and facing a more protracted recovery (e.g., tourism). The baseline growth projection is 0.4 percentage points lower than that in the last KEU, due mainly to the revised and rebased historical GDP estimates which indicate a bigger economy with a moderately lower trend growth rate than previously estimated (see Box 1).

**Growth is expected to be broad-based, predicated on the continued adaptation of economic activities to the pandemic, vaccine rollout, and sufficient rains.** The anticipated recovery of hotels and restaurants, trade, transport, and other services is dependent on substantial vaccination progress to prevent the need for stringent containment measures to contain any new waves of infections. While the dry weather conditions in 2021 are

expected to weigh on food security and rural livelihoods, the baseline projections assume normal rains in the medium-term (2022–24), yielding sufficiently robust agricultural harvests to drive food processing (manufacturing), sustain the growth of exports, help reduce inflationary pressures, and to support households' consumption. Furthermore, the outlook assumes rainfall sufficient to sustain growth in the supply of both water and electricity (as hydropower accounts for over ¼ of power generation).

**From an expenditure perspective, private consumption is expected to support aggregate demand.** Private consumption growth is projected to return to its pre-COVID-19 trend, supported by the ongoing labor market recovery, improved consumer confidence, and resilient remittances. In contrast, the growth of government consumption and investment is expected to remain subdued, as a result of the needed fiscal consolidation efforts. General elections are scheduled to be held in August 2022, likely creating temporary headwinds for investment, based on the historical precedent suggesting that some private investment activity is usually paused ahead of elections.



**Strong external demand for Kenya's exports and diaspora remittances also support the positive medium-term outlook.** The recovery of global activity is projected to drive the demand for Kenya's exports (tea and horticulture) and to sustain inflows of diaspora remittances. The removal of stringent lockdown measures will support gradual growth in international transport. However, the growth of tourism is expected to remain only moderate, as some international travel restrictions and hesitancy could remain. The rise in oil prices is expected to contribute to a pick-up in the import bill, contributing to the current account deficit in the forecast horizon.

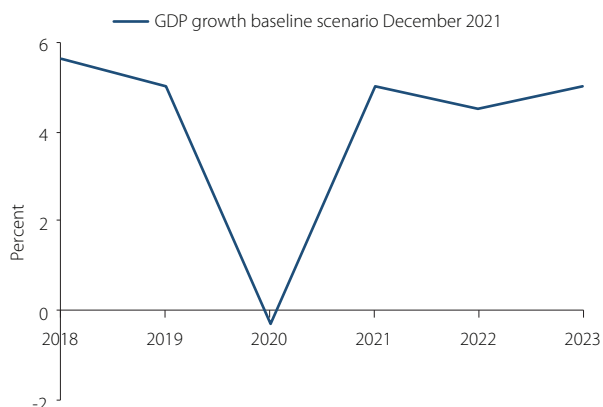
**Fiscal consolidation and measures to reduce debt vulnerabilities should support investor confidence and private sector credit growth.** The government's medium-term fiscal framework targets that the fiscal deficit narrows to 4.4 percent of GDP by FY2023/24 (Figure 20), as non-priority expenditures are contained, and revenues increase on the back of the economic recovery, and both policy and administrative measures. On the revenue side,

the return to pre-pandemic VAT and corporate income tax rates, rationalization of exemptions and zero-rated goods, introduction of a digital tax, and strengthened tax administration aimed at expanding the tax base and improving compliance, are expected to enhance revenue from 15.3 percent of GDP in FY2022/23 to 16.1 percent of GDP in FY2023/24. On the expenditure side, measures including tight recurrent spending control, and public investment management improvements including the systematic implementation of project monitoring and evaluation, will progressively lower expenditure as a share of GDP to 22.7 percent by FY2023/24.<sup>12</sup> Public debt is projected to decline to 66.7 percent of GDP in FY2023/24. The government's commitment to reduce external debt vulnerabilities in the medium term is supported by measures including prioritizing borrowing on concessional terms, improving debt management (including debt transparency and reporting), and deepening the domestic debt capital market. Less public domestic borrowing will also increase the room for lending to the private sector.

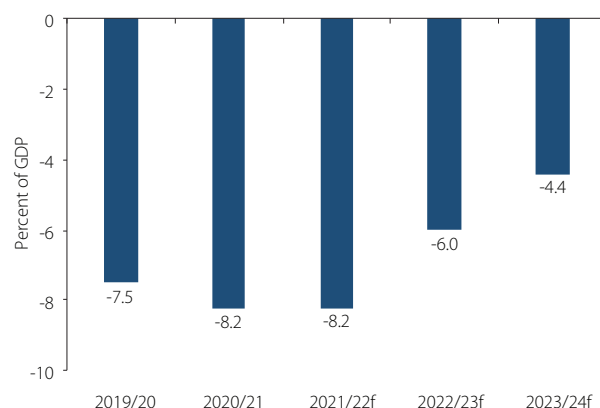


Photo: © Erick Kaglan | World Bank

<sup>12</sup> The National Treasury. 2021. "Draft 2022 Budget Policy Statement."

**Figure 19: Kenya's growth rate is projected to recover, but uncertainties remain elevated**

Source: National Treasury; World Bank

**Figure 20: The baseline assumes medium term fiscal consolidation**

Source: National Treasury; World Bank

### Monetary policy is expected to remain oriented towards supporting the recovery.

As is appropriate given the improvement in economic conditions, the CBK has already long-since unwound some emergency financial regulatory measures, including the six-month suspension on the requirement to list negative credit information with the Credit Reference Bureau (which expired on September 30, 2020), emergency measures on the extension and

restructuring of loans (which ended on March 2, 2021), and free mobile money transfers for amounts less than KES 1,000 to encourage the use of mobile money (which expired on December 31, 2020). However, the low policy rate in real terms (made feasible by moderate and well-anchored inflation expectations), reduced cash reserve ratio, and the government's credit guarantee scheme, will continue to support businesses and the economic recovery.



*Achieving adequate vaccine coverage is critical to contain the spread of COVID-19 and allow for the full reopening of the economy*



## 2.2. Downside risks to the anticipated recovery remain elevated

The future course of the pandemic continues to constitute the main downside risk to the economic outlook. Surges in COVID-19 related hospitalizations and deaths, including due to new and more transmissible variants such as the recently identified Omicron variant of global concern, and a slower than anticipated pace of vaccination, could force the reinstatement of strict containment measures, setting back the economic recovery. Increased fiscal pressures due to a renewed intensification of the pandemic in Kenya could crowd out private investment and exacerbate debt vulnerabilities.

**Intensifying drought conditions are severely affecting parts of the country and should this continue poses a major downside risk to the economic outlook.** The Arid and Semi-Arid Lands (ASAL) part of Kenya is experiencing a severe drought, prompting the government to declare a national disaster in September, and scaling up its emergency response, including budgeting an additional KES 20 billion in drought-related spending. The United Nations launched a flash appeal in October for emergency humanitarian aid to help the 1.3 million worst-affected

people. The Food and Agriculture Organization (FAO) estimates the number of severely food insecure people in Kenya at 2.4 million currently, a number which will increase should the dry conditions persist.<sup>13</sup> If the outcome of the October – December “short rains” is also disappointing (as appears likely) the human, social and economic costs of the drought will continue to mount.

**A slackening in global growth, higher than anticipated energy prices, and tighter external financing conditions are the primary external risks.** A setback to the global economic recovery (notably due to a re-intensification of the pandemic) could adversely impact Kenya's exports, tourism, FDI inflows, and diaspora remittances. Should global food and energy prices continue to trend up, there is a risk that this could filter into general inflation expectations and narrow policy space. Kenya is integrated with global capital markets, and tighter global financial conditions associated with the policy normalization process in high income economies (especially the US) could also prompt a quicker withdrawal of domestic monetary policy accommodation, creating more headwinds for the recovery.

<sup>13</sup> Food and Agriculture Organization, 'Focus on East Africa,' November 2021.





# SPECIAL FOCUS





### 3. Creating more and better jobs through service sector-led economic transformation

#### 3.1. Kenya faces a key challenge to accelerate job creation

Kenya's economy is not on track currently to produce a sufficient number of jobs to benefit from its demographic dividend. As described in the previous edition of the KEU<sup>14</sup>, Kenya's population is young and growing, and the working age population (18-64) will increase by 1 million individuals annually between 2020 and 2029. It will be important to ensure that there is opportunity for this large number of young people to access better jobs. While Kenya experienced a period of major economic transformation between 2006 and 2016, with a large share of employment transitioning out of agriculture into industry and services, this has since slowed down, even prior to the onset of the pandemic. Movement of employment from agriculture to other sectors stalled between 2016 and 2019, labor force participation (LFP) decreased, unemployment increased, and employment shifted from wage employment into self-employment. These changes affected the most vulnerable groups – those living in NEDI counties; females; those with lower levels of education – by more than other segments of the population. Workers entering the labor force were absorbed by low-productivity agriculture or service sector jobs.

**The COVID-19 pandemic had a very large impact on the labor market; some of the scarring will have longer term implications.** Workers lost jobs and moved into agriculture to survive. The services sectors, and urban areas were worst affected. The share of employment in services declined by 7 percentage points, reversing almost all the gains since 2005. Agriculture absorbed 1.6 million additional workers, increasing its share of employment from 47 percent to 54 percent in one year. Unemployment increased in urban areas, while employment increased in rural areas. The share of workers in wage-employment decreased even further to 34 percent, only 2 percentage points above the share in 2005/06. In addition to contemporary effects, human capital losses during the pandemic can have significant inter-generational consequences, including through the productivity of future generations.

To recover fully from the pandemic and to create more jobs over the longer-term, there is a need to orient policies consistently towards supporting a thriving private sector. This special focus section of this edition of the KEU provides an update on the demand for labor in Kenya. Over the medium-to-long-term encouraging competition and lowering barriers to firm creation and growth, especially in sectors that have high job-creation potential, is key. Cross-cutting reforms such as enabling a stable business environment and improving access to both physical and digital infrastructure can benefit all firms, across all sectors. Likewise, ensuring macroeconomic stability, reducing the fiscal imbalance, and further strengthening debt management can free up more credit for the private sector and support private investment, which in turn can increase productive job creation.<sup>15</sup>

**Improving conditions to support firms' entry, ability to scale up, and innovate is important to support the creation of better jobs at a large scale.** Many studies (Grover, Medvedev, Olafsen, 2019; Haltiwanger et. al., 2013, 2017) suggest that a small share of young firms which are able to grow quickly create the majority of jobs over time. When such firms reach a critical mass, and are able to access larger markets, use technology, innovate, and expand exports, this results in increased productivity and the creation of better-quality-jobs. In addition, if these firms operate in sectors with significant spillovers to other sectors, this leads to even greater job creation momentum, particularly across the skill spectrum, and supports all segments of the population in attaining a higher standard of living. A reasonable number of formal firms enter the Kenya economy annually, but these businesses exhibit low dynamism in terms of both scaling up and technological upgrading.<sup>16</sup>

**Economic transformation in Kenya is increasingly service-sector-led.** In today's industrialized countries, and in many East Asian economies, labor intensive manufacturing was the pathway to the creation of a large number of better-quality and more-productive jobs. The manufacturing-led development model was able to quickly move lower-skilled

<sup>14</sup> World Bank, 2021. "Kenya Economic Update: Rising Above the Waves".

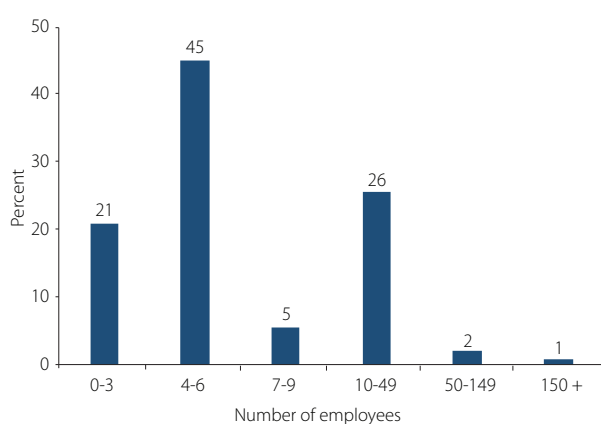
<sup>15</sup> International Development Association, 2019. "Special Theme: Jobs and Economic Transformation".

<sup>16</sup> World Bank, 2021. "MSMEs and entrepreneurship ecosystems in Kenya: Strengthening Businesses in the Aftermath of the Pandemic".

labor from farms into factories, at scale, thereby leading to rapid reduction in poverty and a growing middle-class. However, new patterns of economic transformation are emerging in most developing countries today. Structural transformation has taken the form of a shift from agriculture straight to services. Economic transformation in Kenya seems to also be following this pattern. There is also growing complementarity between manufacturing and services. For example, a cell phone is a good, but it is tied to the use of telecommunications services, which allow the user to install apps with purchased content that can give rise to additional transactions such as audiovisual services (streaming movies or music), publishing (e-books), or computer services (video games).<sup>17</sup> Policies that support growth in services can potentially help increase output and productivity both in services and in manufacturing.

**This special focus section presents:** (a) the characteristics of formal establishments and MSMEs in Kenya – MSMEs make up 99 percent of all firms; (b) which types of firms and which sectors have seen increases in employment prior to COVID-19; (c) the impact of COVID-19 on firms and jobs; (d) some measures to support MSMEs to grow and create more jobs; and (e) provides high-level recommendations for creating better jobs for Kenya.

**Figure 21: Small firms dominate the formal sector... (firms categorized by number of employees, percent of total)**



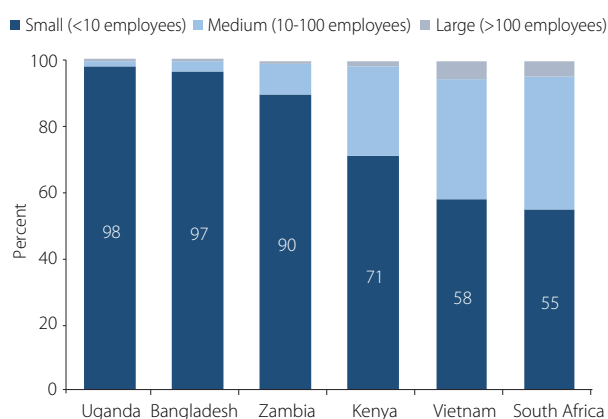
Source: Census of Establishments, 2017

### 3.2. A majority of firms in Kenya are small, are based in Nairobi, and are in the services sector

*A snapshot of Kenya's private sector shows that most firms are informal, small, mostly based in Nairobi, and in the services sector. There are over 138,000 formal establishments in Kenya, and 7.4 million MSMEs. Among formal firms, only 3 percent have 50+ employees, and only 1 percent of firms have 150+ employees. The majority of MSMEs (94 percent) are unlicensed micro firms, with fewer than 5 employees. Nairobi hosts 36 percent of formal firms, and 14 percent of MSMEs. The services sector dominates the firm landscape: some 84 percent of formal firms and 83 percent of MSMEs are in the services sector.*

**The majority of firms in Kenya are small, whilst larger firms account for a majority of jobs.** Of the 138,190 formal establishments identified in Kenya, just under two-thirds have six or fewer employees (Figure 21).<sup>18</sup> Only three percent of firms have 50 or more employees, and firms with 150 or more employees represent only one percent of firms. This is similar to most other low and low middle-income countries (Figure 22).<sup>19</sup> Globally, average firm size increases with per capita income, with poorer countries having a lower average firm size and richer countries skewed toward larger firms (Bento and Restuccia 2016). This remains the case for Kenya, including among MSMEs.<sup>20</sup>

**Figure 22: ...with 71 percent of formal firms in Kenya having less than 10 employees**



Source: Census of Establishments, 2017 and Merotto et al (2018)

<sup>17</sup> World Bank, 2021. "At Your Service? The Promise of Services-Led Development."

<sup>18</sup> Employees are the sum of all the different types of employees in the enterprise, including working-owners.

<sup>19</sup> Micro firms comprise 50 to 95 percent of all firms in the 16 countries analyzed in Merotto, Weber, and Aterido, 2018. "Pathways to Better Jobs in IDA Countries". The 16 countries discussed in the labor demand section of this report are Afghanistan, Bangladesh, Burkina Faso, Cabo Verde, Côte d'Ivoire, Kosovo, Moldova, Mozambique, Paraguay, Peru, Sierra Leone, South Africa, Tajikistan, Uganda, Vietnam, and Zambia.

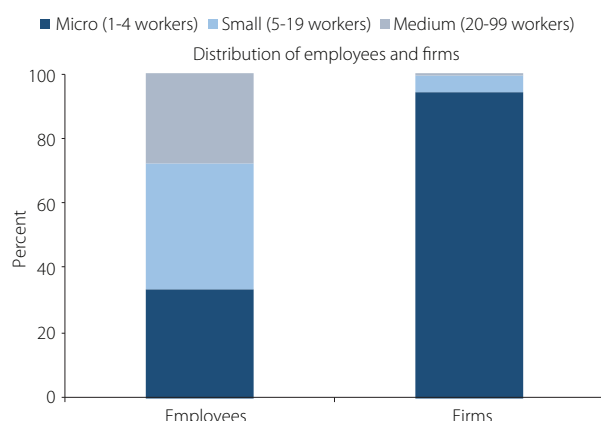
<sup>20</sup> Box 2 clarifies the various data sources used in this report, and the differences between formal establishments and MSMEs (which includes both formal and informal firms).

Micro-sized firms account for over 94 percent of all MSMEs (Figure 23). Further, a small number of firms account for a large number of jobs. Among MSMEs, firms with 5 to 99 employees represent only five percent of all firms, but account for 67 percent of employment among MSMEs (Figure 24).<sup>21</sup> The primary sector (agriculture/mining), and some tertiary sector activities (the “other services” sector) are exceptions, having a share of employment in micro-sized firms above 50 percent (Figure 24).

**Both formal establishments and MSMEs are spatially concentrated, with few firms in NEDI counties.** The majority of formal establishments are located within Nairobi, and this is particularly true of larger firms. About 40 percent of firms with over 150 employees and 32 percent of firms with between 50 and 149 employees are in Nairobi. Moreover, Nairobi also accounts for just under two-thirds of all formal firms with between 4 and 6 employees.<sup>22</sup> Some 14 percent of MSMEs are in Nairobi. There are agglomerations of firms in areas outside Nairobi – for instance in counties such as Kakamega, Kajiado, Kiambu, Kisii, Machakos, Meru, and Nakuru. At the same time, counties with high rates of poverty, such as Wajir, Samburu, Marsabit, Garissa, have a very small number of MSMEs.

**There is significant heterogeneity in terms of average firm characteristics across sectors.** Establishments are predominantly in the services sector, comprising of 84 percent of formal firms and 83 percent of MSMEs. Wholesale and retail trade are the most popular activities of MSMEs representing more than fifty percent of the

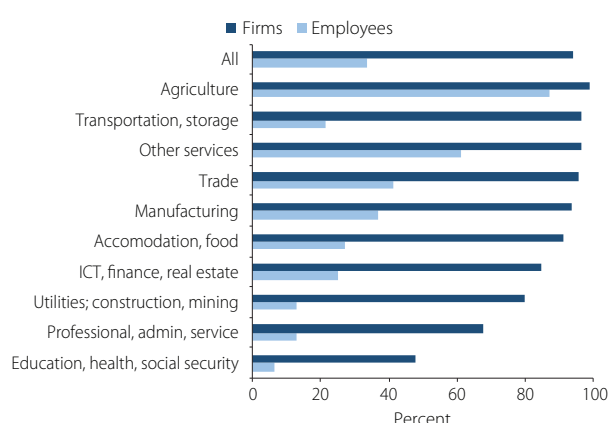
**Figure 23: Micro firms dominate MSMEs, but employ only a third of workers...**



Source: MSME survey, 2016

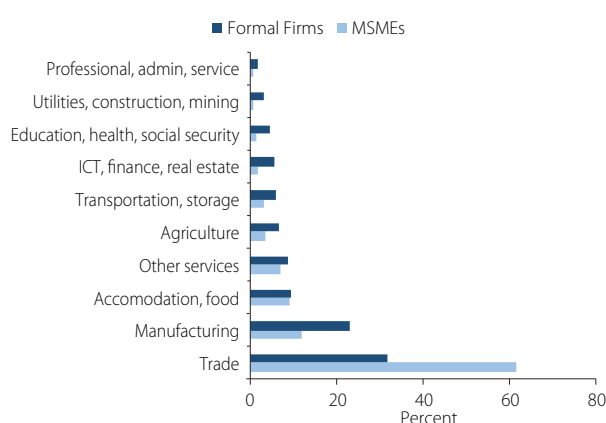
sample (Figure 25). The finance sector has the highest percentage of formal firms (57 percent registered with registrar of companies), the highest percentage of firms keeping records (82 percent), and the highest percentage of firms with college educated owners (51 percent). In contrast and perhaps unsurprisingly, agribusiness has the lowest presence of registered firms (17 percent), lowest level of ICT usage (50 percent), lowest number of firms keeping records (35 percent) and after light manufacturing sector, has the lowest number of college educated business owners (16 percent).<sup>23</sup> Most manufacturing firms do not seem to reach scale and become large formal enterprises in Kenya. Among medium sized firms, the education, health and social security subsector is the largest after trade, accounting for 22 percent of medium-sized enterprises (Table 7). Most of these are pre-primary or primary education enterprises.

**Figure 24: ...except in the agriculture and “other services” sectors**



Source: MSME survey, 2016

**Figure 25: Most firms are in the services sectors**



Source: MSME Survey, 2016 and Census of Establishments, 2017  
Note: Formal firms refer to the CoE data, while the MSMEs refer to the MSME survey data. Further details regarding these two surveys is included in Box 2

<sup>21</sup> The total number of employees in an MSME is calculated by summing all the different employee types, including working owners. Some 67 percent of MSMEs have a single person working. Such single worker-owner enterprises are significantly different when compared to larger firms; and policy implications in terms of supporting such MSMEs in growing and thriving are also different. The forthcoming Job Diagnostic Lite report will include separate analysis of single owner/worker establishments and corresponding implications for policy.

<sup>22</sup> KNBS, 2017. “Report on the 2017 Kenya Census of Establishments”.

<sup>23</sup> World Bank, 2021. “MSMEs and entrepreneurship ecosystems in Kenya: Strengthening Businesses in the Aftermath of the Pandemic”.



## Box 2: Firm level data in Kenya

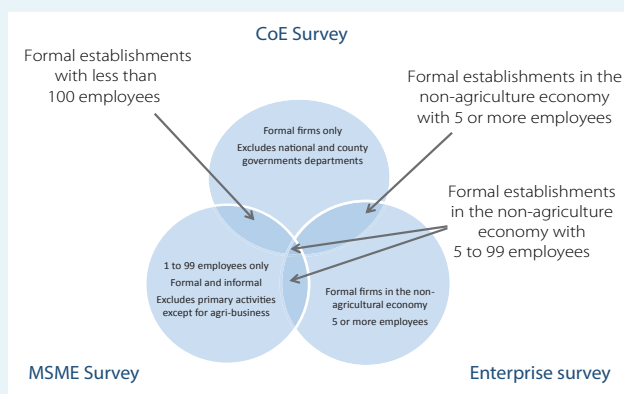
**There is no single dataset that covers formal and informal firms of all sizes in Kenya**

There is overlap of firms sampled across the various surveys used in this report, but the MSME survey sample includes a much larger universe of firms compared to the other surveys

	CoE Survey	MSME Survey	Enterprise Survey
<b>Formality</b>	Formal	Formal & Informal	Formal
<b>Size</b>	All	1-99 employees	5+ employees
<b>Sectors</b>	All	Excludes primary activities with the exception of agri-business	All manufacturing sectors (Group D), the construction sector (Group F), the wholesale and retail trade sector (Group G), the hotel and restaurants sector (Group H), and transport, storage, and communications sectors (Group I)
<b>Public/Private</b>	All - but National and County Government departments excluded	All	Private only

**The report relies on different firm-level data sources to analyse labor demand in Kenya.** The three Surveys used in the analysis in this special focus topic are: The MSME survey, the Census of Establishments, and Enterprise Surveys.

**The MSME Survey:** This survey was implemented by KNBS in 2015/16 and covers both registered and unregistered firms with between 1 and 99 employees. The survey design used business registers – from the database of the Single Business Permits (SBP) maintained by the 47 county governments. This was supplemented by a household survey to capture mobile businesses and those operated from within households. The survey covers non-primary product activities with the exception of agri-business which is included. The total number of MSMEs was estimated to be 7.4 million, 5.85 million of which are unlicensed and 1.56 million licensed enterprises.



**CoE survey:** The 2017 Census of Establishments (CoE) survey was also implemented by the KNBS and covered all formal business establishments in Kenya. An establishment is defined as an economic unit that produces and/or sells goods or services and operates from a single physical location. If a business/enterprise/firm has several locations, each is termed as a separate establishment. Such establishments need to be identified as formal at the federal level, which restricts the universe of firms, with only a total of 138,190 formal establishments identified and interviewed. Note that this universe is much smaller when compared to the MSME survey, even if only the licensed MSMEs (1.56 million) are taken into account.

**Enterprise Surveys:** The World Bank Enterprise Surveys from 2013 and 2018 cover formal firms with five or more employees in the non-agricultural private economy. This consists of the following groups from the group classification of ISIC Revision 3.1: all manufacturing sectors (Group D), the construction sector (Group F), the wholesale and retail trade sector (Group G), the hotel and restaurants sector (Group H), and transport, storage, and communications sectors (Group I). The definition excludes financial intermediation (Group J), real estate and renting activities (Group K), except sub-sector 72 (i.e., Computer and related activities), which was added, and all public or utilities sectors. The 2013 sample is stratified across five regions: Central, Nyanza, Mombasa, Nairobi, and Nakuru, while the 2018 sample is stratified across Mombasa, Kilifi, Machakos, Kirinyaga, Kiambu, Trans Nzoia, Uasin Gishu, Nakuru, Kisumu, and Nairobi.

**Table 7: Trade firms are dominant among micro and small firms, with medium-sized firms being more diverse across sub sectors**

	All	Micro (1-4 employees)	Small (5-19 employees)	Medium (20-99 employees)
Trade	62	63	49	26
Manufacturing	12	12	13	10
Accommodation, food	9	9	13	16
Other services	7	7	5	3
Agriculture	3	3	1	1
Transportation, storage	3	3	2	5
ICT, finance, real estate	2	2	4	8
Education, health, social security	1	1	9	22
Utilities, construction, mining	1	1	2	5
Professional, admin, service	1	0	3	5

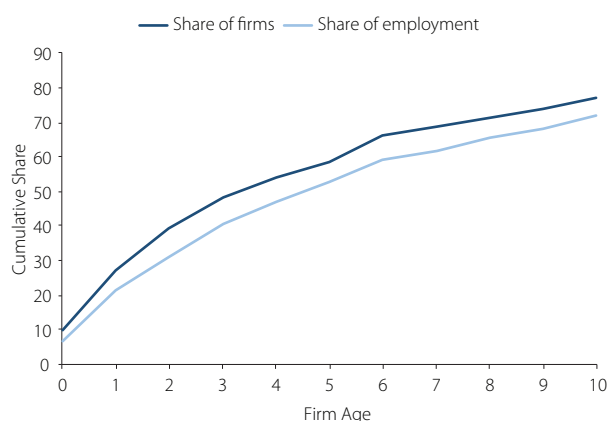
Source: MSME Survey, 2016

### 3.3. Job creation has been strongest in the services sector

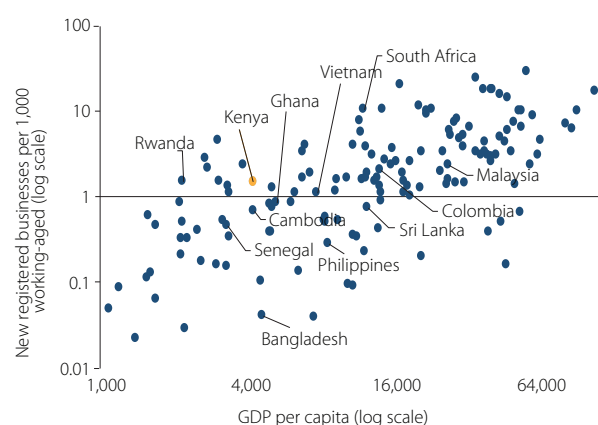
Kenya has a relatively high entry rate of new firms compared to other countries with similar levels of per capita income. However, there seems to be significant constraints in terms of scaling up. Further, job creation has been much stronger in the services sector compared to the industrial sector in the years prior to the onset of the COVID-19 pandemic.

Young and small firms are the primary source of job growth, and Kenya compares relatively well in terms of new business formation. Globally, there is evidence that firms' age, rather than size, matters for job growth, in the US, India and Mexico.<sup>24</sup> In Kenya, among MSMEs, the share of employment in firms that are five years

or younger is 53 percent (Figure 26), and Kenya displays high firm creation relative to its level of development. The registration of new businesses is equal to 1.5 per 1,000 working-aged individuals, a level similar to the average rate in the region. However, compared to global peers, Kenya's firm creation is significantly higher and approximates peers with higher levels of GDP per capita (Figure 27). There is also a high rate of exit of firms. For instance, the number of new businesses registered in 2017 and 2018 is equivalent to around 30 percent of the total stock of businesses reported in the CoE in 2017. Similarly, 30 percent of all micro-sized MSMEs are only 1-2 years old. High entry and exit of firms can suggest a dynamic economy if the firms that survive are more productive and grow.

**Figure 26: Over half of MSMEs have been operating for 5 years or less**

Source: MSME survey, 2016

**Figure 27: Firm creation is high in Kenya for its income level**

Source: World Bank Group Entrepreneurship Survey and World Development Indicators. Note: The countries used in the analysis as global peers for comparison include: Sri Lanka; Malaysia; Philippines; Bangladesh; Vietnam; Cambodia; Senegal; Colombia; and Rwanda.<sup>25</sup>

<sup>24</sup> See, for example, Haltiwanger et al (2013), Hsieh and Klenow (2014), and Merotto et al (2018) (who find that employment growth slows with firms' age in based on panel data for Moldova, Côte d'Ivoire, Vietnam, South Africa, and Kosovo).

<sup>25</sup> The selection of countries considered several factors, including the economic diversity of the economies, both in terms of size of the country and per capita income, as well as qualitative information in consultation with local experts.

In the formal private sector, job creation has been greatest in the services sectors. Between 2013 and 2018, the number of firms and the number of private sector jobs in retail and “other services” grew rapidly (Figure 28 and Figure 29).<sup>26</sup> For instance, the number of formal firms in the retail sector increased five-fold – from around 700 in 2013 to 3,500 in 2018. This outpaced the growth of firms in the manufacturing sector, the number of which roughly doubled over this period, from 336 to 714. The only sub-sector where the number of firms did not increase over this period was the food and beverages sub-sector; however, the existing firms in this sector grew in size, resulting in an increase in the number of jobs. The “other services” sector saw the largest increase in jobs as well, increasing by over 250 percent between 2013 and 2018.

### 3.4. Kenya has seen growth in employment and in exports in the global innovator services sub-sectors

With services driving job creation, Kenya exemplifies a new pattern of economic transformation which may differ significantly from the manufacturing-led transformation of many existing high income economies. The growth in digital technology could enable some service sub-sectors in sharing features with the manufacturing sector that enable scale, innovation, and spillovers that are important for long-term development and job creation. The services sector can be divided into four groups of sub-sectors based on their ability to enable scale, innovation, and spillovers – the global innovator services (ICT, finance, and professional activities), the low-skilled-intensive social services (education and health); the low-skilled tradable services (transportation and storage;

accommodation and food services; and wholesale trade); and the low-skilled domestic services (arts, entertainment, and recreation; retail trade; and personal services).

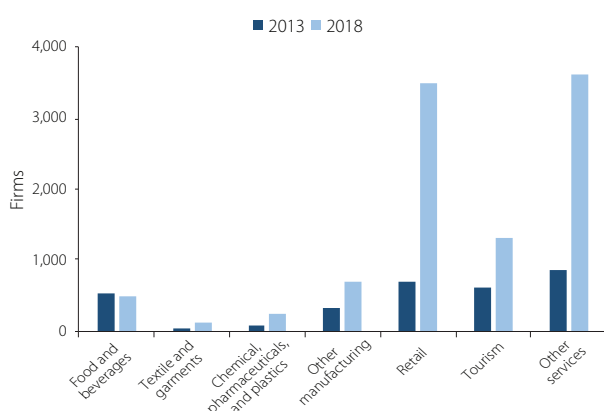
*The good news for Kenya: prior to the pandemic, Kenya saw strong growth in employment and especially exports within the global innovator services sub-sectors albeit from a small base. Employment also grew strongly, in skill-intensive social sub-sectors of education and health.*

### Could Kenya also benefit from economic transformation through the services sector-led transformation?

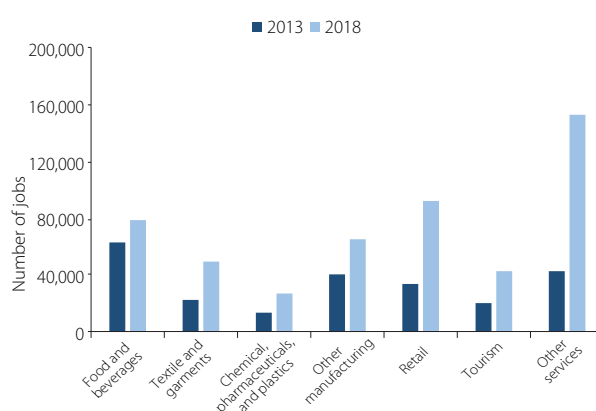
Historically, manufacturing has played a key role in the early stages of structural transformation, absorbing workers from agriculture into more productive jobs.<sup>27</sup> However, the landscape for manufacturing led growth has changed, including due to China’s scale of production and the greater levels of industrial automation in high-income countries.<sup>28</sup> African countries across all levels of income are less industrialized than their Asian counterparts. In Kenya, workers leaving agriculture have been absorbed largely by services.

**Skill-intensive and tradable services may be able to play a larger role in economic transformation than previously expected.** The long-term development and job creation potential of any sub-sector depends on its capacity to achieve scale, foster innovation, and generate positive spillovers for the wider economy. These features are commonly associated with export-led manufacturing. However, the growth in digital technology could enable some service sub-sectors to also develop these features.

**Figure 28: The number of formal firms has grown predominately in the services sectors...**



**Figure 29: ...as have jobs**



Source: Kenya Enterprise Surveys 2013 and 2018

Notes: The sectors refer to the following ISIC Rev 3.1 codes: Food and Beverages (ISIC code 15); Textile and Garments (ISIC codes 17 and 18); Chemical, Pharmaceutical, and Plastics (ISIC codes 24 and 25); Other manufacturing (ISIC codes 16, 19–23, 26–37); Retail (ISIC code 52); Tourism (ISIC code 55); and Other services (ISIC codes 45, 50, 51, 60–64, 72).

<sup>26</sup> The enterprise survey sample only covers firms with 5 or more employees in the non-agricultural sector.

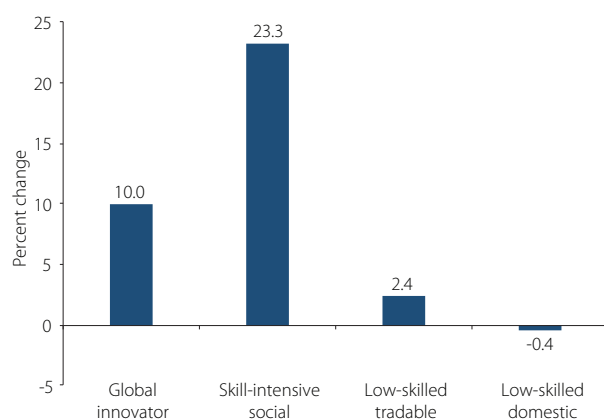
<sup>27</sup> Kriticos, S. and Henderson, V. 2019. “The prospects for manufacturing-led growth in Africa’s cities.” IGC Growth Brief Series 020. London: International Growth Centre.

<sup>28</sup> World Bank, 2021. “At Your Service? The Promise of Services-Led Development”.

For instance, information and communications technology (ICT) has made services more storable, codifiable, and transferable, and therefore more scalable. ICT services have also increased linkages to other sectors. The services sector can be divided into four groups of sub-sectors, with different features (Figure 30).<sup>29</sup> *Global innovator services* (finance; ICT, and professional, scientific and technical activities) display the maximum scope for scale, innovation, and spillovers, but are also skill-intensive. *Low-skilled tradable services* (transportation and storage; accommodation and food; and wholesale trade) are internationally traded and also create jobs for unskilled labor. *Skill-intensive social services* (education and health) are less traded internationally and tend to employ relatively few low-skilled workers. Finally, the *low-skilled domestic services* (retail trade; administrative and support; arts, entertainment, and recreation; and other social, community and personal services) provide little by way of productivity-enhancing potential through scale, innovation, and linkage, but employ relatively high shares of low-skilled workers.

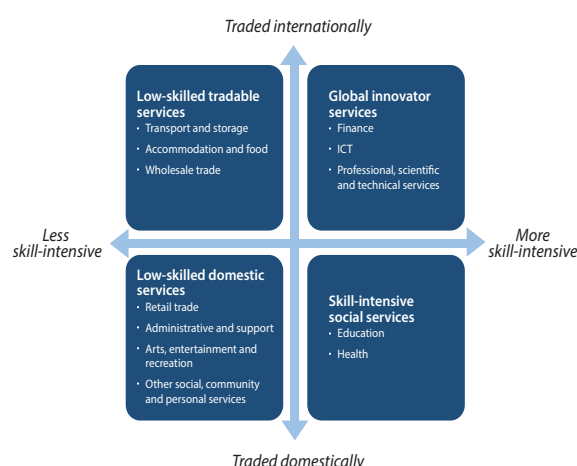
**Low skilled services currently dominate employment in Kenya, but there has been rapid job growth in the skill-intensive services sub-sectors.** The share of service sector employment has grown between 2015/16 and 2019 in both the global innovator and skill-intensive social sub-sectors, both of which are reliant on higher-skilled workers (Figure 31). Global innovator growth was driven entirely by the finance and insurance sub-sectors. Skill-intensive social subsector growth was driven by the education and health sub-sectors, which accounted for a larger share of services employment in 2019 (Table B2 in annex tables).

**Figure 31: Employment has grown in the high-skilled services sub-sectors between 2016 and 2019...**



Source: World Bank calculation based on KIHBS 2015/16 and KCHS 2019

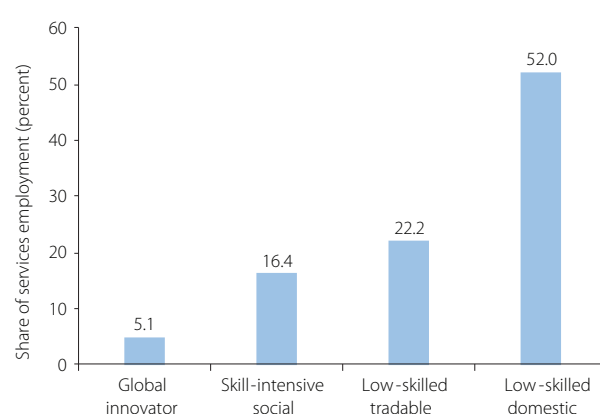
**Figure 30: The service sector consists of different sub-sectors with different skill requirements and potential for international trade**



In contrast, the low-skilled tradable sector's share of service employment remained constant, and the low-skilled domestic share declined. These declines are still from very high levels, with the low-skilled domestic services still accounting for over half of all service sector employment, and the low-skilled tradable sub-sectors for one-quarter, in 2019 (Figure 32). In comparison to its regional peers, Kenya has the lowest share of service employment in the low-skilled domestic sub-sectors (Figure 33).

**Kenya's fintech success story highlights how global innovator services can be a source of job creation, reduce poverty and benefit the broader economy.** The introduction of M-PESA is estimated to have lifted an approximate 2 percent of Kenyans out of poverty, primarily by inducing women to enter into business or retail trade.<sup>30</sup> As such, M-PESA highlights how growth in this sector

**Figure 32: ...although low-skilled services sub-sectors still dominate employment in 2019**

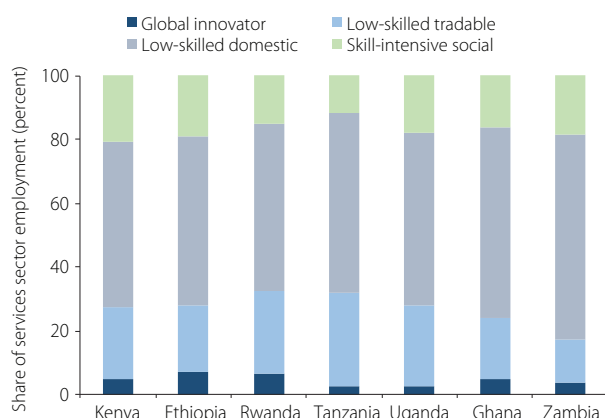


Source: World Bank calculation based on KIHBS 2015/16 and KCHS 2019

<sup>29</sup> This classification is taken from the recent World Bank publication, World Bank, 2021. "At Your Service? The Promise of Services-Led Development."

<sup>30</sup> Suri, T. and Jack, W., 2016. "The Long-run Poverty and Gender Impacts of Mobile Money."

**Figure 33: Service sector employment is still dominated by the low-skilled domestic sub-sector...**



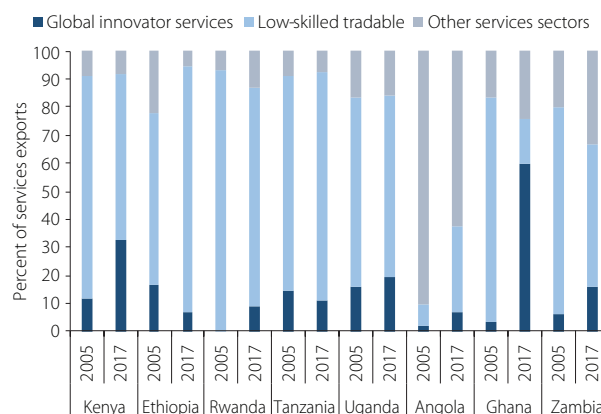
Source: World Bank, 2021. "At Your Service? The Promise of Services-Led Development."

can help create jobs across the whole skills spectrum. By reaching different areas through its agent model, financial inclusion has significantly increased with at least 83 percent of the population having access to basic financial services at a minimum.<sup>31</sup>

Kenya's marked progress on skill-intensive job creation is promising for growth prospects; it would be important to ensure that growth is also inclusive. The growth in skill-intensive sub-sectors is promising for longer-term job and income growth in Kenya. However, these jobs still account for only a small fraction of total jobs, and employment in these sub-sectors is concentrated among the highly skilled. It would be important to ensure that jobs are created for all skill levels, including lower down the skills spectrum, to ensure that growth is inclusive. For example, tourism brings significant benefits for employment and wages in Mexico (Faber and Gaubert 2019). With appropriate investment in physical infrastructure, better roads, and so on, the tourism sector has great potential to further benefit the Kenyan economy, and continue creating jobs for low-skilled labor. Supporting the expansion of other sectors with similar potential can help ensure that growth is inclusive and jobs are created across the skills spectrum.

**Kenya has seen strong growth in the share of services exports in the global innovator sub-sectors.** In addition to growth in employment, Kenya has also seen strong growth in exports in the global innovator sub-sectors. The share of global innovator sub-sectors exports increased from 12 percent of services exports in 2005 to 32 percent in 2017 (Figure 34). This was largely driven by growth in finance and insurance exports, which accounted for 18 percent of

**Figure 34: ...although in Kenya global innovator services have an increasing share of service exports**



Source: World Bank, 2021. "At Your Service? The Promise of Services-Led Development."

services exports and was only surpassed by transportation and storage exports (38 percent). In comparison to its peers, only Ghana outperforms Kenya in terms of the share of services exports from the global innovator sub-sectors in 2019.<sup>32</sup>

### 3.5. COVID-19 impacts: a huge hit to firms and jobs, including in services

*Employment was hit hard, in particular in the very sectors that grew prior to the pandemic – the number of individuals employed in the global innovator services declined by one-quarter and the skill-intensive services lost almost half of all jobs between 2019 and 2020, with larger losses in the education sector due to the closure of schools. The signs of recovery are positive, with most firms having reopened by April 2021 but sales and jobs have not fully returned to pre-pandemic levels.*

**The COVID-19 pandemic created enormous challenges for the private sector.** Firms have faced lower demand for goods and services as a result of reduced consumption. Mobility restrictions have impacted both trade of goods and movement of people, both domestically and internationally. Furthermore, due to disruption to supply chains, firms' access to intermediate goods and labor has been limited. Access to cash and credit has also decreased and general uncertainty has limited investment and innovation projects.<sup>33</sup> As a result, a few months into the pandemic, a quarter of firms closed. There has been gradual improvement as economic activity resumed, with the probability of firms being open reaching over 90 percent in the most recent period for which we have data (March to May 2021, Figure 35).

<sup>31</sup> Chitavi, M., Cohen, L., and Hagist, S. C. N., 2021. "Kenya Is Becoming a Global Hub of FinTech Innovation."

<sup>32</sup> World Bank, 2021. "At Your Service? The Promise of Services-Led Development."

<sup>33</sup> World Bank, 2020. "Quantifying the initial impact of COVID-19 shock on businesses in Kenya."

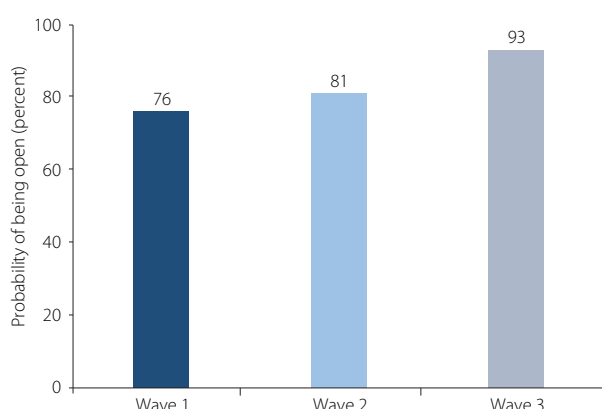
### Box 3: COVID-19 Firm Survey Methodology

The Kenya COVID-19 Business Pulse Survey (COVID-19 BPS) is based on a nationally representative sample. The sample consists of 2,070 formal firms randomly selected from the universe of firms available in the 2017 Census of Establishments from the KNBS. The sample was stratified by firm size groups and sector of activities. The analysis regrouped the size and sectors of activities for the sake of comparability across over 50 countries. The response rate was 37 percent, including all firms that the survey team attempted to reach. Wave 1 of the survey was conducted between June 10 and August 30, 2020; wave 2 between September and October 2020; and wave 3 between March and May 2021. The team used computer-assisted telephone interviewing through Survey CTO platform. To produce nationally representative results, the results presented in this report are calculated using sampling weights.

Firms' sales, initially hit hard, have gradually improved, although as of mid-2021 they still remain below pre-pandemic levels. Early in the pandemic, large firms and agricultural firms were less affected by a decline in sales, although both still experienced an average decline of just under 50 percent. By the second quarter of 2021, sales had partly recovered, although still some 20 percent below pre-pandemic levels (Figure 36 and Figure 37). Furthermore, firms have gradually become more optimistic about future sales across the pandemic, expecting positive sales growth over the next six months from the date of interview (Figure 38).

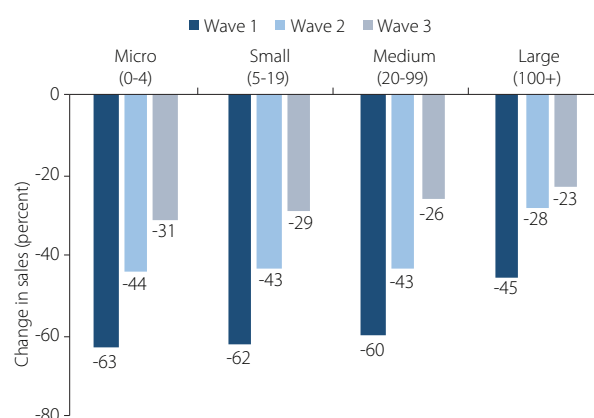
Services employment was hit particularly hard by the COVID-19 pandemic. With the restriction on movement of both people and goods, sectors that rely on exports were most affected. The number of individuals employed in the global innovator sub-sectors declined by one-quarter between 2019 and 2020 (Figure 39). The scale of losses is similar across the ICT, finance and insurance, and professional, scientific, and technical services sub-sectors. Closure of schools affected the skill-intensive sub-sectors, with larger losses in the education sector. The lower skilled sectors also experienced job losses of varying degree, except for the transportation sub-sector (Table B1 in annex

**Figure 35: The probability of a firm re-opening has increased in recent months...**



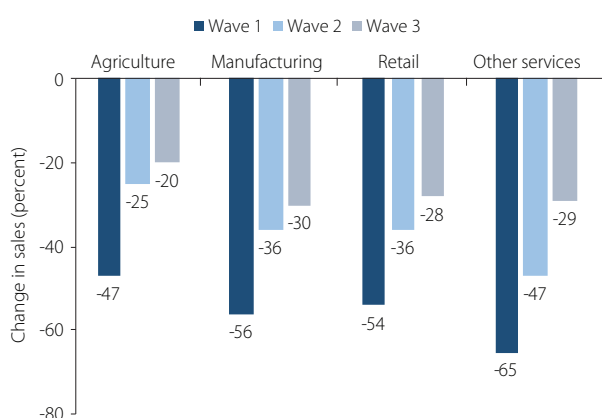
Source: Kenya COVID-19 BPS

**Figure 36: ...however, sales remain below pre-pandemic levels across all firm sizes...**



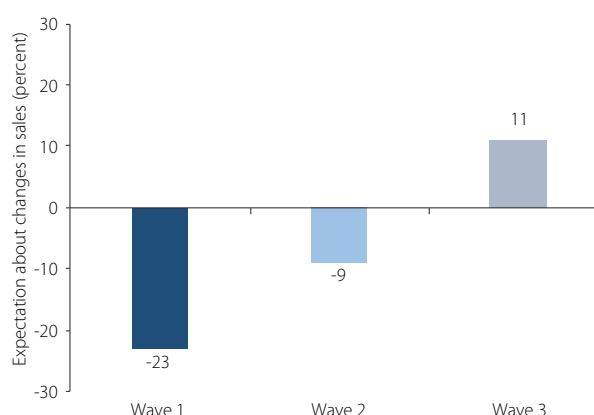
Source: Kenya COVID-19 BPS

**Figure 37: ...and across sectors**



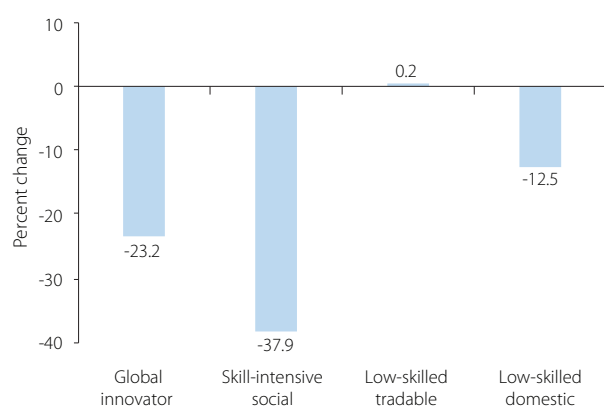
Source: Kenya COVID-19 BPS

**Figure 38: In 2021, firms have started to become more optimistic about future sales**



Source: Kenya COVID-19 BPS

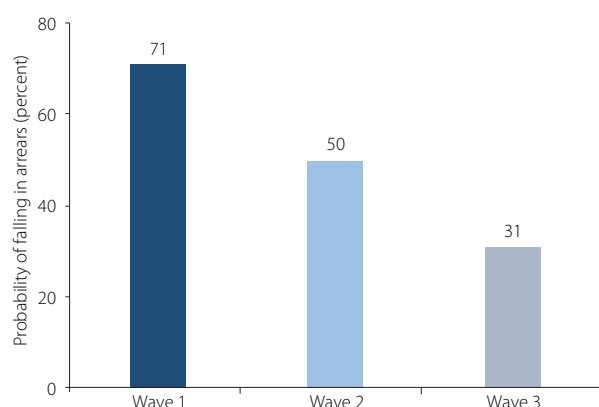


**Figure 39: Job losses occurred across all service sub-sectors, especially the more skilled...**

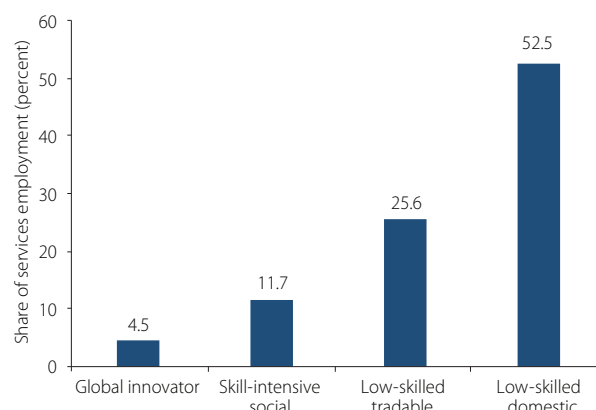
Source: World Bank calculation based on KCHS 2019 &amp; 2020

tables). As the economy recovers from the pandemic shock, it will be important to get back on track with the longer-term economic transformation, as many of the high skilled services sub-sector firms have been the worst affected by the pandemic, leaving employment levels lower in these sub-sectors in 2020 compared to 2015/16 (Table B2 in annex tables).

**The financial health of firms has gradually improved since the onset of the pandemic.** The probability of a firm falling into arrears has fallen from just under three-quarters in mid-2020 to just under one-third in the second quarter of 2021 (Figure 41). Furthermore, firms have greater availability of cash compared to early in the pandemic. In mid-2020, the average duration a firm could operate with available cash was just under 7 weeks.<sup>34</sup> However by early in 2021, the average duration had increased to 22 weeks (Figure 42).

**Figure 41: The likelihood of falling into arrears has decreased since the start of the pandemic...**

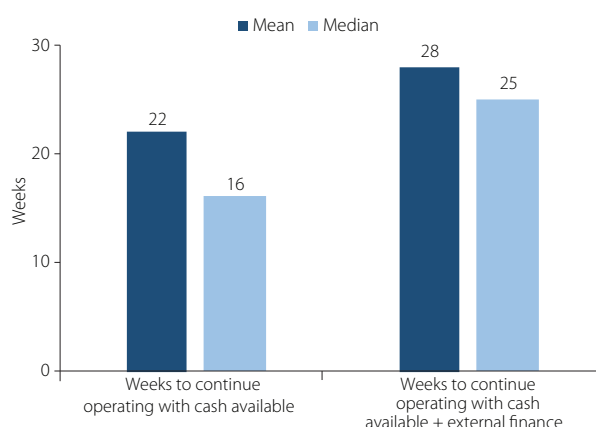
Source: Kenya COVID-19 BPS

**Figure 40: ...increasing the share of lower-skilled services sub-sectors**

Source: World Bank calculation based on KCHS 2019 &amp; 2020

### 3.6. To recover fully from the pandemic, bolster job creation and scale-up among firms, the entrepreneurial ecosystem needs to be strengthened

Most establishments in Kenya are MSMEs. Despite high levels of firm creation, the private sector underperforms in Kenya compared to its regional and global peers, in terms of the ability of firms to scale up. To improve entrepreneurship outcomes, Kenya will need to invest in improving the ecosystem – which consists of supply factors such as physical capital and infrastructure; demand factors such as the size of the internal market; and accumulation/allocation barriers, such as access to finance. On supply factors, Kenya has fewer people accessing the internet compared to peers and a smaller share of graduates in science and engineering. There is also a striking gap between Kenya and the leading peers on knowledge capital, i.e., the supply of researchers and the quality of top universities. On demand factors, Kenyan entrepreneurs face an internal market that is smaller than

**Figure 42: ...with an increasing availability of cash in 2021**

Source: Kenya COVID-19 BPS

<sup>34</sup> World Bank, 2021. "Socioeconomic Impacts of COVID-19 in Kenya On Firms."

other MICs. Kenya does have good management quality, although it lags behind in technological capabilities. In terms of accumulation/allocation barriers, businesses in Kenya face challenges in access to finance and the regulatory framework compared to other economies.

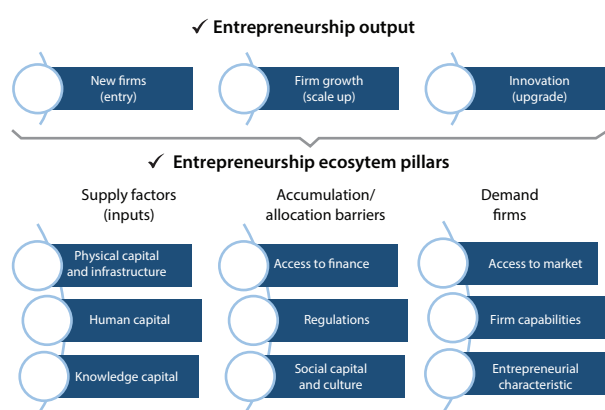
**The large number of MSMEs in Kenya need an entrepreneurial ecosystem that enable them to establish themselves, grow and innovate.** There are about 7.5 million MSMEs in Kenya, compared to about 140,000 formal establishments. Kenya's long-term development depends on today's MSMEs becoming more professional, more productive, and much bigger (i.e., their ability to scale up). An enabling entrepreneurial ecosystem helps entrepreneurs access physical capital, human capital, and knowledge in input markets; combine these resources in the production process; and sell the final good or service in output markets (Figure 43).<sup>35</sup> This production process takes place in an ecosystem—the county in the context of Kenya—characterized by the quality of entrepreneurship inputs, infrastructure, regulatory environment, and entrepreneurship outcomes.<sup>36</sup> The section below briefly examines each of the three pillars of the ecosystem and Kenya's relative performance.

**On supply factors, Kenya has fewer people accessing the internet compared to peers and a smaller share of graduates in science and engineering.** Kenya's low internet usage imposes an immense challenge on the digitalization process, which has become ever more urgent given the COVID-19 pandemic and expected post-pandemic digital reformation (Figure 44). It can also severely impede the

accumulation of human capital and adoption and diffusion of innovation (Jiménez, Matus, and Martínez, 2014). Improvement in internet coverage is fundamental for Kenya to develop a sound entrepreneurial ecosystem and compete globally. The quality of local human capital directly impacts on entrepreneurship through the availability of high-quality entrepreneurs – and their teams and support organizations— who can manage the many challenges of a growth focused business. Moreover, science and engineering graduates, if supported by complementary policies, are especially pivotal for empowering the manufacturing and technology sectors. However, there is still much room for Kenya to catch up with the top performers, such as the Philippines and Vietnam, whose shares of science and engineering graduates in tertiary graduates is almost double that of Kenya. On knowledge capital, there is also a striking gap between Kenya and the leading peers regarding the supply of researchers and top universities' quality (World Bank 2021).

**On demand factors, Kenyan entrepreneurs face an internal market that is smaller than other middle-income countries (MICs).** Kenya does have good management quality, although it lags behind in technological capabilities and few researchers are part of business enterprises. The internal Kenya market is larger than the SSA average, but it is much smaller than other MICs (Figure 46). Currently, Kenyan firms need to export in order to extend the market they serve to reach scale. The adoption of good managerial practices is positively associated with business performance.<sup>37</sup> The World Management Survey shows that despite better performance compared to peers, Kenya still has room to improve (Figure 47).<sup>38</sup> In terms of technological capabilities, Kenyan firms outperform the SSA average (Figure 48). Finally, with regards to entrepreneurial skills, Kenya has a relatively small number of researchers involved in business enterprises (Figure 49).

**Figure 43: Entrepreneurial Ecosystem Framework**



Source: World Bank (2020)

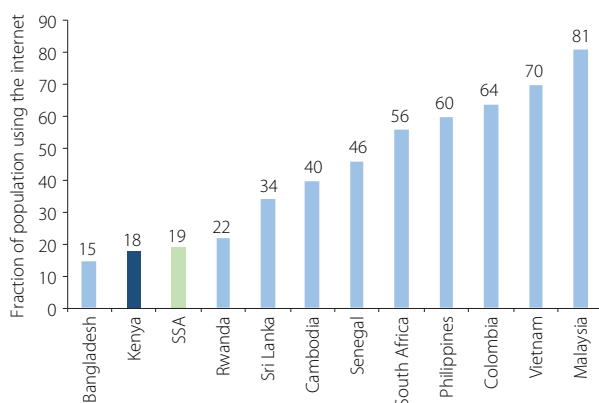
<sup>35</sup> An entrepreneurial ecosystem is a set of complementary factors, such as knowledge and resources, available through institutions and individuals within a specific geographical location to support the development of new and economically impactful businesses. Much of this section of the report is summarized from "MSMEs and entrepreneurship ecosystems in Kenya: Strengthening Businesses in the Aftermath of the Pandemic", World Bank 2020.

<sup>36</sup> Cruz, Torres, and Trang, 2020.

<sup>37</sup> Bloom and Van Reenen, 2002. "Patents, Real Options and Firm Performance".

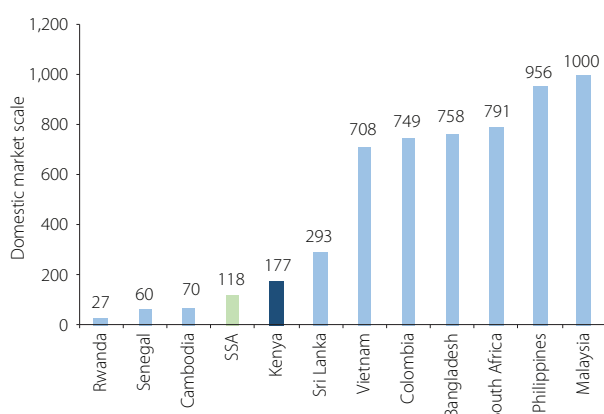
<sup>38</sup> The sample is restricted to businesses in manufacturing with 50+ employees.



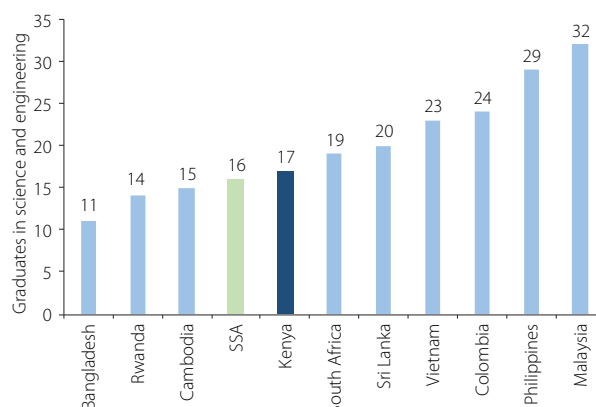
**Figure 44: A smaller fraction of people access the internet in Kenya compared to peers ...**

Source: MSMEs and entrepreneurship ecosystems in Kenya: Strengthening Businesses in the Aftermath of the Pandemic. World Bank, 2021.

challenge in 2018.<sup>39</sup> Commercial lending rates in Kenya are much higher, at around 13 percent, compared to most of its peers (Figure 50). Furthermore, business regulations play an important role in promoting MSME development at all stages of the business life cycle. The regulatory burden for Kenyan firms is also much higher with senior management of businesses in Kenya spending significantly more time in dealing with regulations than in other peer countries – highlighting the complexity and inefficiency of the business environment in Kenya (Figure 51). Finally, Kenya is doing well compared to its peers in barriers associated with social capital and culture, with the fraction of Kenyan firms with women managers above the regional average. In addition, Kenya has the highest social capital index score among its regional and global peers.<sup>40</sup>

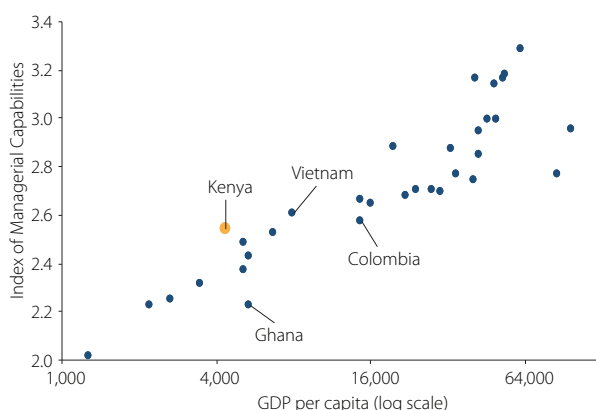
**Figure 46: The size of Kenya's domestic market is far smaller than other MICs...**

Source: MSMEs and entrepreneurship ecosystems in Kenya: Strengthening Businesses in the Aftermath of the Pandemic. World Bank, 2021.

**Figure 45: ...and the share of graduates in science and engineering could also improve**

Source: MSMEs and entrepreneurship ecosystems in Kenya: Strengthening Businesses in the Aftermath of the Pandemic. World Bank, 2021.

There are already significant resources available through public programs and intermediary organizations that support entrepreneurship and MSMEs, and more effort is needed in ensuring businesses can access information about such support. A mapping of 33 public programs reveals that access to finance, human capital development, management training, and support to infrastructure are the main services provided, while issues such as entrepreneurial mindset, knowledge and R&D, or regulatory environment are covered to a lesser extent by these public programs.<sup>41</sup> In addition, a large share of funds are allocated to programs in Nairobi (i.e., 36 percent of budget). In order to ensure that businesses most in need can also benefit from such programs, it will be important to improve transparency and access to information about such support programs.

**Figure 47: ...although Kenya displays good management quality for its income level<sup>42</sup>**

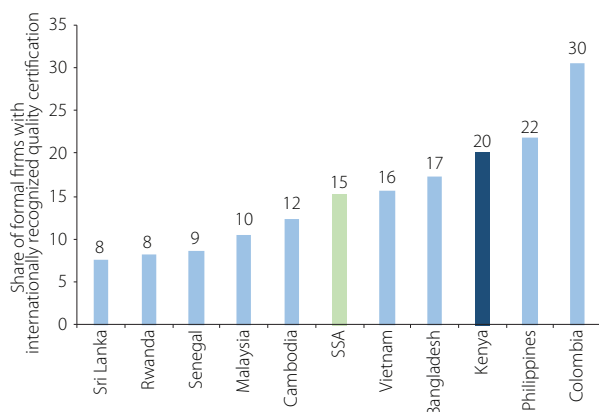
Source: MSMEs and entrepreneurship ecosystems in Kenya: Strengthening Businesses in the Aftermath of the Pandemic. World Bank, 2021.

<sup>39</sup> World Bank Enterprise Survey, 2018.

<sup>40</sup> Cultural attitudes towards entrepreneurship can help or hinder the preparedness of potential entrepreneurs to choose entrepreneurship (over other paths) and create and implement a new business idea. A positive attitude in the society towards entrepreneurship as a career choice and the existence of networks and role-models encourages entrepreneurial activities.

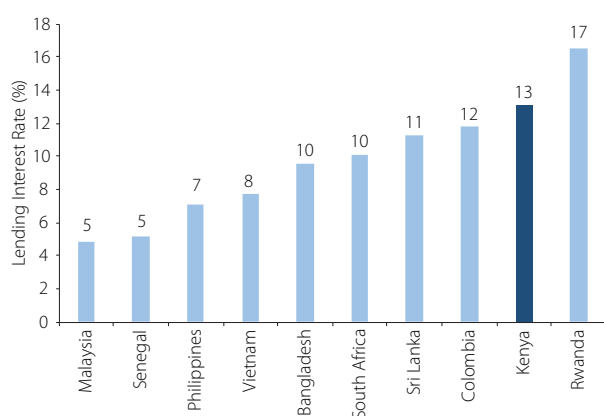
<sup>41</sup> "World Bank, 2020. "MSMEs and entrepreneurship ecosystems in Kenya: Strengthening Businesses in the Aftermath of the Pandemic."

<sup>42</sup> Sample is restricted to businesses in manufacturing with 50+ employees.

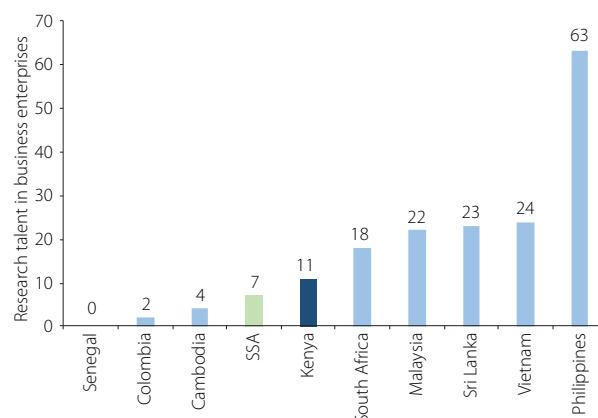
**Figure 48: Kenya's technological capabilities outperform the SSA average...**

Source: MSMEs and entrepreneurship ecosystems in Kenya: Strengthening Businesses in the Aftermath of the Pandemic. World Bank, 2021.

In addition to public programs, there are several intermediary organizations supporting MSMEs entrepreneurship ecosystem in Kenya. The services offered by these organizations in many cases are meant to complement those offered by public programs requiring large coordination efforts.<sup>43</sup> Most typical intermediary organizations in the sample are financial institutions, incubators, and accelerators. This is followed by international organizations, industry associations, and research institutions. The main type of services provided by these institutions are related to finance, managerial training, and collaboration and networking. While public programs in Kenya are more likely to target manufacturing firms, the Intermediary Organizations are more sector agnostic.

**Figure 50: Kenya has a high average lending interest rate...**

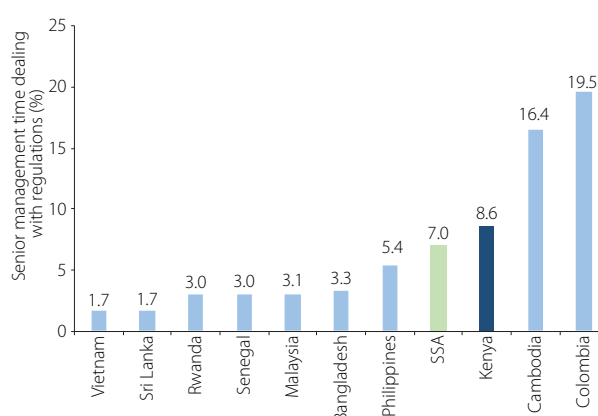
Source: MSMEs and entrepreneurship ecosystems in Kenya: Strengthening Businesses in the Aftermath of the Pandemic. World Bank, 2021.

**Figure 49: ...and few researchers are involved in business enterprises**

Source: MSMEs and entrepreneurship ecosystems in Kenya: Strengthening Businesses in the Aftermath of the Pandemic. World Bank, 2021.

### 3.7. Accelerating private sector job creation for a resilient recovery

The main challenges facing Kenya as it aims to recover from the pandemic and accelerate job creation are three-fold: (1) creating conditions that support firms in entering the market, in scaling up, and in innovating through the creation of strong entrepreneurial ecosystems; (2) reversing the losses in jobs during the pandemic in sectors such as global innovator services and skill-intensive social services to help increase the availability of better-quality jobs over the long-term; and (3) raising demand for jobs in labor intensive, lower skill sectors, including through linkages to the more skill-intensive sub-sectors.

**Figure 51: ...and firms face significant regulatory burdens**

Source: MSMEs and entrepreneurship ecosystems in Kenya: Strengthening Businesses in the Aftermath of the Pandemic. World Bank, 2021.

<sup>43</sup> World Bank, 2020. "MSMEs and entrepreneurship ecosystems in Kenya: Strengthening Businesses in the Aftermath of the Pandemic."

## Creating conditions that support firms in entering the market, in scaling up, and in innovating through the creation of strong entrepreneurial ecosystems

- (1) **Support access to finance:** It is important to prevent the insolvency of viable firms due to temporary illiquidity as a result of COVID-19. Addressing liquidity constraints caused by COVID-19 on lenders like SACCOS and microfinance institutions can help them, in turn, resume lending to MSMEs. In the slightly longer term, the further development and promotion of sustainable de-risking instruments (such as the Credit Guarantee Scheme by National Treasury) could be useful to encourage financial institutions to lend to MSMEs.
- (2) **Reduce barriers to technology adoption.** Most managers cite lack of demand, uncertainty, a lack of finance, and a lack of capabilities as the main relevant barriers to the adoption of technology. Improving access to finance among firms with the intention of technological upgrading could help to increase technological adoption. Furthermore, assistance should be provided to ensure firms have the knowledge on how to acquire new technology, and training can be provided on how to properly use it. Digital technology extension programs that facilitate the adoption of digital technologies, particularly those applied towards general business functions, such as business administration, production planning, ecommerce, digital payment, and quality control can provide such assistance.
- (3) **Support development of entrepreneurial systems in lagging regions.** Reducing the gap in terms of infrastructure across regions is an important step towards providing more opportunities to entrepreneurial ecosystems outside Nairobi. Access to digital infrastructure, in particular, varies widely across the country. Policies at the sub-national level should be tailored to the specific demands of local ecosystems. Existing support for firms tends to be focused on Nairobi, Kiambu, and Mombasa. For instance, less than five percent of businesses in the Frontier Counties Development Council (FCDC) have received non-financial support, compared to over 15 percent of businesses in Nairobi and Mombasa.<sup>44</sup> The demand for different types of policies varies across counties. Therefore, policies should be tailored to the specific

needs of businesses in the different local ecosystems, while collaboration within and across counties should be encouraged, such as in obtaining licenses.

- (4) **Improve firm capabilities and entrepreneurial skills.** This can help contribute to improved business performance and greater job creation. The adoption of good management practices can help with business performance and the variation in managerial quality can explain the majority of differences in productivity across firms.<sup>45</sup> Furthermore, while there appears to be a high appetite for entrepreneurial risk, many entrepreneurs are relatively low-skilled and are in self-employment due to necessity rather than choice.<sup>46</sup>
- (5) **Provide business development services such as general business training, specific technical training, and management advice.** Evidence on business training focusing on improving business practices for SMEs across countries suggests an average impact of 10 percent on profits.<sup>47</sup> Experiments with micro and small firms in Kenya suggest that interventions aiming to improve business practices through mentorship can lead to an increase in profits of 20 percent on average.<sup>48</sup> Ongoing interventions already aimed at supporting SMEs, such as the Kenya Industry and Entrepreneurship Project, can be accelerated and scaled up. Digital solutions can be leveraged, through online tools for delivering support for managerial capabilities at a lower cost. Many of these interventions can be facilitated by further coordination across several business supporting programs already in place in Kenya, including those supported by development partners and other intermediary organizations.

## Creating conditions that support the continued development of the services sector

The emerging trends in the growth of specific service sub-sectors merit undertaking in-depth sub-sector specific diagnostics to understand the main strengths and challenges faced by each sub-sector to design policies specific to the Kenya context. The 3Ts framework – trade, technology, and training – suggests the types of policies that can continue enabling economic transformation through services:<sup>49</sup>

<sup>44</sup> The FCDC consists of 7 counties: Garissa, Wajir, Mandera, Isiolo, Marsabit, Tana River and Lamu.

<sup>45</sup> Bloom and Van Reenen, 2002. "Patents, Real Options and Firm Performance".

<sup>46</sup> World Bank, 2021. "MSMEs and entrepreneurship ecosystems in Kenya: Strengthening Businesses in the Aftermath of the Pandemic".

<sup>47</sup> McKenzie, D. 2020. *Small Business Training to Improve Management Practices in Developing Countries*. Policy Research Working Paper, 9408. World Bank.

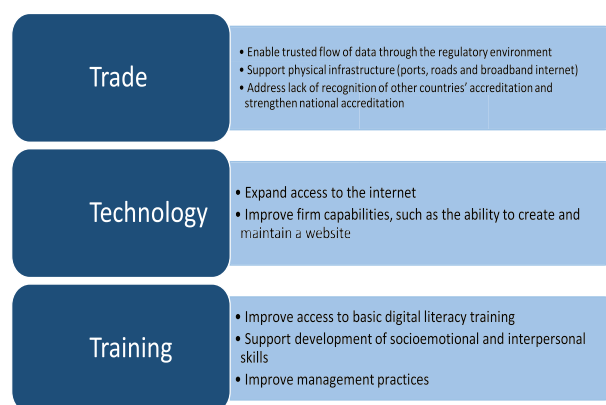
<sup>48</sup> Brooks, Wyatt, Kevin Donovan, and Terence R. Johnson. 2018. "Mentors or Teachers? Microenterprise Training in Kenya." *American Economic Journal: Applied Economics*; Beaman, Lori, Jeremy Magruder and Jonathan Robinson (2014) "Minding small change among small firms in Kenya", *Journal of Development Economics* 108: 69-86

<sup>49</sup> These recommendations are adapted from World Bank, 2021. "At Your Service? The Promise of Services-Led Development."

**Trade:** Reducing barriers to international trade in services involves supporting movement of people – for instance, a worker enters the consumer’s country to deliver the service. Enacting the right set of regulations on the flow of people matters. A regulatory environment that enables the trusted flow of data is also critical for digital delivery of services that do not depend on proximity between the provider and recipient. Physical infrastructure such as ports, roads and the broadband internet networks is important in enabling the movement of goods as well as enabling services trade. Trade in global innovator services remains lower than potential as professional, scientific, and technical services are among the most protected – reflecting in part national licensing requirements and lack of recognition of other countries’ accreditation. An example of how trade in professional services can expand is the Kenya Advocates Act which currently allows lawyers from Uganda and Tanzania to practice in Kenya. There are ongoing discussions on amendments to this act that will also allow lawyers from Rwanda and Burundi to practice in Kenya. Continuing the development of these types of agreements within the Eastern Africa Community can help expand the market for global innovator services. Regulations also affect trade in services domestically – communications and railway networks may be regulated as natural monopolies. Health and education sectors may see a sizeable public provision of services, and may thereby be heavily regulated, impeding expansion of private provision in these sectors.

**Technology:** Digital technologies are positively related to productivity gains, across the entire range of services sub-sectors. They also enable firms in reaching wider markets. Expanding access to the internet – and particularly to broadband internet – is crucial.<sup>50</sup> Access alone is not sufficient – firm capabilities need to be improved within the entrepreneurial ecosystem to support the adoption of technology. The share of firms that have a website or use email to communicate with suppliers or customers is below 20 percent in most low- and middle-income countries. An example of how digitization can improve government services in Kenya relates to the cadaster – digitization of Kenya’s cadaster can help improve transparency and speed of property transfer.<sup>51</sup> Another example is to improve the use of technology at the National Social Security Fund in order to improve the speed and accuracy with which pensioners are paid upon retirement. Improving government service

**Figure 52: The 3Ts can enable economic transformation through services**



provision through technological upgrading can further support entrepreneurs by reducing the time they spend in interactions with government.

**Training:** Digital technologies also place the improvement of workforce skills at the forefront. This does not mean that everyone needs to acquire high end technical skills. Basic ICT skills, such as how to use email and word processing software, can increase productivity. Acquiring such skills quickly relies in turn on foundational cognitive skills, such as literacy and numeracy. Even though access to education has increased in Kenya among the younger cohorts, workers often lack basic skills such as reading or writing, and computer skills. Employers identify the inability to handle computers for work related tasks as one of the most significant skills gaps among white-collar workers.<sup>52</sup> Beyond digital literacy, socioemotional and interpersonal skills play an especially important role in some service sub-sectors.

**Ensuring that sufficient, good quality, and comprehensive data are available at the firm-level to support evidence-based policy making.** The existing firm-level data used in this report is relatively dated, having been collected between 3 and 5 years ago. In order to provide timely policy recommendations covering firms and the business environment, it is important that frequent firm-level data collection is undertaken. Furthermore, the firm-level data collection needs to be sufficiently comprehensive, covering firms of different sizes, sectors and formality. Finally, the associated micro-data should be made publicly available in a timely manner.

<sup>50</sup> Hjort and Poulsen (2019) show that the arrival of internet cables in Africa predominantly benefitted services firms.

<sup>51</sup> World Bank, 2019. “Kenya Country Private Sector Diagnostic”

<sup>52</sup> World Bank, 2021. “Kenya Economic Update, 23<sup>rd</sup> edition: Rising Above the Waves”

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## ANNEX TABLES

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**Table A1: Selected economic indicators, 2018-2023**

	2018	2019	2020	2021	2022	2023
	Act.	Act.	Act.	Act.	Est.	Proj.
<b>Output and prices</b>	<b>(Annual percentage change, unless otherwise indicated)</b>					
Real GDP	5.6	5.0	-0.3	5.0	4.7	5.1
Agriculture	5.7	2.6	4.8	-0.1	4.0	3.0
Industry	3.8	3.4	4.0	5.2	3.6	4.3
Services	6.0	6.7	-2.2	6.7	5.2	6.0
Private consumption	4.7	4.9	-2.7	5.2	5.0	5.8
Government consumption	7.0	7.0	4.3	3.5	3.0	2.5
Gross fixed capital investment	-0.4	3.8	3.4	4.0	3.6	5.3
Exports, goods and services	6.8	-3.2	-8.2	8.0	5.0	6.5
Imports, good and services	1.4	1.8	-8.5	5.0	4.0	7.0
GDP deflator	4.2	4.6	5.2	4.6	2.8	5.2
CPI (period average)	4.7	5.2	5.3	6.0	5.0	5.0
<b>Money and credit</b>	<b>(Annual percentage change, unless otherwise indicated)</b>					
Broad money (M3)	9.8	5.6	13.2	..	..	..
Credit to non-government sector	4.8	7.1	8.3	..	..	..
Policy rate (CBR)	9.0	8.9	7.2	..	..	..
NPLs (percent of total loans)	10.0	12.0	14.1	..	..	..
<b>Central government (fiscal year i.e 2018 = 2018/19)</b>	<b>(Percent of GDP, unless otherwise indicated)</b>					
Total revenue & grants	17.7	16.5	16.1	16.7	17.5	18.4
Tax revenues	14.4	13.0	12.6	13.3	14.4	15.0
Non-tax revenues	2.1	1.5	2.0	2.1	1.9	1.9
Grants	0.2	0.2	0.3	0.4	0.3	0.3
Expenditure	25.0	24.2	24.3	25.0	23.6	22.7
Current	15.7	15.5	15.9	16.4	15.5	15.1
Capital	5.6	5.6	4.9	5.3	5.1	5.0
Primary balance	-3.4	-3.4	-3.8	-3.4	-1.1	0.2
Overall balance including grants	-7.3	-7.5	-8.2	-8.2	-6.0	-4.4
Financing	7.4	7.4	8.4	8.2	6.0	4.4
Net domestic borrowing	3.1	4.2	5.5	4.9	3.4	3.1
Foreign financing	4.3	3.2	2.9	3.3	2.6	1.2
<b>Public debt stock (fiscal year i.e 2016 = 2016/17)</b>	<b>(Percent of GDP, unless otherwise indicated)</b>					
Public gross nominal debt	59.6	63.0	68.2	68.1	67.5	64.9
External debt	31.0	33.1	35.4	33.9	33.2	31.0
Domestic debt	28.6	29.9	32.7	34.2	34.3	33.9
<b>Memo:</b>						
GDP at current market prices(KES billion)	9,746	10,621	11,304	12,628	14,002	15,605

Source: World Bank, based on data from Kenya National Bureau of Statistics, National Treasury and Central Bank of Kenya



**Table A2: GDP growth rates for Kenya and EAC (2015-2020)**

	2015	2016	2017	2018	2019	2020e
Kenya	5.0	4.2	3.8	5.6	5.0	-0.3
Uganda	5.2	4.8	3.8	6.2	6.8	2.9
Tanzania	6.2	6.9	6.8	5.4	5.8	2.0
Rwanda	8.9	6.0	4.0	8.6	9.5	-3.4
Burundi	-3.9	-0.6	0.5	1.6	1.8	0.3
EAC	4.3	4.2	3.8	5.5	5.8	0.3

Source: World Bank  
 Note: "e" denotes an estimate  
 EAC Average excludes South Sudan

**Table A3: Kenya annual GDP (2010-2020)**

Years	GDP, current prices	GDP, 2016 constant prices	GDP/capita, current prices	GDP growth
	KSh Millions	KSh Millions	US\$	Percent
2010	3,598,000	5,794,000	952	8.1
2011	4,163,000	6,090,000	972	5.1
2012	4,767,000	6,368,000	1,137	4.6
2013	5,311,000	6,610,000	1,210	3.8
2014	6,004,000	6,942,000	1,316	5.0
2015	6,884,318	7,287,024	1,337	5.0
2016	7,594,064	7,594,064	1,411	4.2
2017	8,483,396	7,883,816	1,572	3.8
2018	9,340,307	8,327,604	1,708	5.6
2019	10,255,654	8,742,413	1,817	5.0
2020	10,752,992	8,714,771	1,838	-0.3

Source: Kenya National Bureau of Statistics and World Development Indicators



Table A4: Contribution by Broad sub-sectors (percentage points)

Year	Quarterly	Agriculture contribution to GDP	Industry by sub sector contribution				Industries	Service by sub sector contribution						Financial and insurance	Other	Services
			Mining and quarrying	Manufacturing	Electricity and water supply	Construction		Accommodation and restaurant	Transport and storage	Real estate	Information and communication	Education				
2015	Q1	0.8	0.0	0.6	0.1	0.2	0.9	0.0	0.5	0.4	0.2	0.1	0.9	1.0	3.1	
	Q2	1.0	-0.2	0.6	0.1	0.4	0.9	0.0	0.5	0.4	0.2	0.1	0.9	0.7	2.8	
	Q3	0.8	-0.3	0.7	0.1	0.5	0.9	0.1	0.5	0.5	0.4	0.1	0.8	0.9	3.2	
	Q4	1.1	-0.5	0.3	0.0	0.5	0.4	0.1	0.8	0.6	0.3	0.0	0.9	0.7	3.5	
2016	Q1	0.3	-0.2	0.3	0.1	0.3	0.6	0.1	0.8	0.8	0.2	0.1	0.2	0.6	2.8	
	Q2	0.4	-0.1	0.3	0.1	0.2	0.4	0.0	0.7	0.9	0.2	0.1	0.1	0.9	2.8	
	Q3	0.2	-0.1	0.0	0.1	0.3	0.3	0.1	0.9	0.9	0.3	0.1	0.4	1.1	3.8	
	Q4	0.2	0.0	0.1	0.1	0.4	0.6	0.1	0.8	0.9	0.3	0.1	0.4	1.1	3.6	
2017	Q1	0.0	0.0	0.3	0.1	0.5	0.9	0.0	0.8	0.7	0.2	0.3	0.2	1.1	3.4	
	Q2	-0.5	0.1	0.0	0.1	0.2	0.4	0.1	0.5	0.6	0.2	0.3	0.4	1.1	3.3	
	Q3	-0.1	0.0	-0.1	0.1	0.3	0.3	0.1	-0.2	0.6	0.2	0.4	0.3	1.2	2.6	
	Q4	-0.4	0.0	0.1	0.1	0.3	0.4	0.2	0.3	0.6	0.2	0.4	0.3	1.0	3.0	
2018	Q1	0.9	0.0	0.5	0.1	0.3	1.0	0.2	0.4	0.6	0.2	0.4	0.2	0.9	2.8	
	Q2	1.1	0.0	0.3	0.1	0.4	0.7	0.1	0.7	0.6	0.2	0.3	0.1	1.2	3.2	
	Q3	1.1	-0.1	0.2	0.1	0.4	0.6	0.1	0.6	0.6	0.2	0.3	0.1	1.3	3.1	
	Q4	1.3	-0.1	0.3	0.1	0.2	0.5	0.2	0.8	0.7	0.3	0.3	0.5	1.4	4.1	
2019	Q1	1.0	0.0	0.2	0.1	0.2	0.5	0.2	0.7	0.7	0.3	0.2	0.4	1.0	3.4	
	Q2	0.7	0.1	0.4	0.0	0.3	0.7	0.1	0.9	0.7	0.2	0.2	0.6	1.4	4.0	
	Q3	0.1	0.0	0.2	0.0	0.3	0.6	0.1	0.5	0.7	0.2	0.3	0.7	1.2	3.7	
	Q4	0.2	0.1	0.1	0.0	0.3	0.5	0.2	0.5	0.6	0.2	0.3	0.4	0.9	3.1	
2020	Q1	0.9	0.1	0.2	0.0	0.5	0.8	-0.1	0.2	0.5	0.2	0.1	0.5	0.8	2.3	
	Q2	1.0	0.0	-0.4	-0.1	0.4	0.0	-0.6	-1.7	0.4	0.1	-1.0	0.3	-1.3	-3.8	
	Q3	0.7	0.1	-0.1	0.0	0.7	0.6	-0.7	-1.1	0.4	0.1	-0.8	0.2	-0.8	-2.7	
	Q4	1.0	0.1	0.3	0.1	0.9	1.4	-0.8	-0.6	0.3	0.2	-0.3	0.6	0.1	-0.5	
2021	Q1	0.0	0.2	0.1	0.0	0.4	0.8	-0.5	-0.9	0.4	0.5	0.5	0.7	0.5	1.2	
	Q2	-0.2	0.2	0.8	0.1	0.4	1.5	0.0	1.5	0.5	0.7	2.5	0.8	2.7	8.8	

Source: World Bank, based on data from Kenya National Bureau of Statistics

Note: Other = Wholesale and retail trade + Public administration + Professional, administration and support services + Education + Health + Other services + FISIM

Table A5: National Fiscal position

Actual (percent of GDP)	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21*	2021/22**
<b>Revenue and Grants</b>									
Total Revenue	17.7	17.6	17.8	18.2	17.4	17.7	16.5	16.1	16.7
Tax revenue	17.2	17.2	17.4	17.8	17.1	17.5	16.4	15.8	16.3
	16.2	16.0	14.8	15.1	14.1	14.4	13.0	12.6	13.3
Income tax	7.9	7.9	7.8	7.7	7.2	7.0	6.7	6.1	6.5
VAT	4.1	4.0	4.0	4.2	4.0	4.2	3.6	3.6	3.8
Import Duty	1.2	1.1	1.1	1.1	1.1	1.1	0.9	1.0	0.9
Excise Duty	1.8	1.8	1.9	2.0	1.9	2.0	1.8	1.9	2.1
Other Revenues	1.2	1.1	1.1	1.1	1.2	1.0	1.8	1.2	1.0
Railway Levy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriation in Aid	1.0	1.2	1.4	1.7	1.8	2.1	1.5	2.0	2.1
Grants	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.3	0.4
<b>Expenditure and Net Lending</b>									
Recurrent	23.0	25.4	25.0	26.1	24.1	25.0	24.2	24.3	25.0
Wages and salaries	13.9	13.9	14.3	14.4	15.1	15.7	15.5	15.9	16.4
Interest Payments	5.0	4.6	4.3	4.2	4.4	4.3	4.2	4.4	4.2
Other recurrent	2.4	2.7	3.0	3.4	3.6	3.9	4.1	4.4	4.8
Development and net lending	6.6	6.6	7.1	6.9	7.1	7.6	7.1	7.2	7.4
County allocation	5.6	7.9	6.7	7.9	5.3	5.6	5.6	4.9	5.3
Parliamentary Service	3.4	3.6	3.8	3.8	3.7	3.7	3.1	3.5	3.2
Judicial Service	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	
Equalization of Funds	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
	0.0	0.0	0.1	0.1	0.1	0.1	0.0		
<b>Fiscal balance</b>									
Deficit including grants (cash basis)	-5.4	-7.3	-6.6	-8.2	-7.0	-7.3	-7.5	-8.2	-8.2
<b>Financing</b>	<b>5.4</b>	<b>7.3</b>	<b>6.6</b>	<b>8.6</b>	<b>7.1</b>	<b>7.4</b>	<b>7.4</b>	<b>8.4</b>	<b>8.2</b>
Foreign Financing	1.9	3.4	3.7	4.8	4.0	4.3	3.2	2.9	3.3
Domestic Financing	3.6	3.9	2.8	3.9	3.1	3.1	4.2	5.5	4.9
Total Public Debt (gross)	42.8	44.1	50.0	54.5	56.5	59.6	63.0	68.2	68.1
External Debt	20.1	22.1	24.9	28.4	28.7	31.0	33.1	35.4	33.9
Domestic Debt	22.7	22.0	25.1	26.1	27.8	28.6	29.9	32.7	34.2
Memo:									
GDP (Fiscal year current market prices, Ksh bn)	5,074	5,832	7,225	8,081	8,922	9,746	10,621	11,304	12,628

Source: 2022 Draft Budget Policy Statement (BPS) and Quarterly Budgetary Economic Review (first quarter, Financial Year 2021/2021), National Treasury

Note: \*Indicate Preliminary results; \*\* projection

**Table A6: 12-months cumulative balance of payments**  
BPM6 Concept (US\$ million)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	Sept-2021
A. Current Account, n.i.e.	(4,391)	(5,427)	(6,442)	(4,303)	(3,387)	(5,685)	(5,048)	(5,541)	(4,619)	(5,993)
Merchandise A/C	(9,314)	(10,220)	(10,775)	(8,388)	(7,666)	(10,186)	(10,201)	(10,679)	(8,430)	(10,459)
Goods: exports f.o.b.	6,213	5,870	6,155	5,970	5,745	5,801	6,088	5,872	6,062	6,503
Goods: imports f.o.b.	15,527	16,089	16,929	14,358	13,411	15,987	16,289	16,551	14,492	16,962
Oil	4,081	3,838	4,026	2,500	2,087	2,728	3,386	3,310	2,185	2,971
Services	2,429	2,318	1,676	1,317	1,432	1,556	1,596	1,767	355	92
Services: credit	4,990	5,130	5,023	4,636	4,164	4,648	5,477	5,621	3,732	4,158
Services: debit	2,561	2,813	3,347	3,319	2,732	3,092	3,881	3,854	3,377	4,066
Income	2,494	2,475	2,657	2,769	2,847	2,945	3,557	3,371	3,456	4,375
B. Capital Account, n.i.e.	235	158	275	262	206	184	263	208	131	438
C. Financial Account, n.i.e.	(5,565)	(5,204)	(7,398)	(3,914)	(4,424)	(5,563)	(6,547)	(6,233)	(2,950)	(6,295)
Direct investment: net	(1,142)	(920)	(746)	(382)	(523)	(1,010)	(1,463)	(1,132)	(499)	55
Portfolio investment: net	(218)	(273)	(3,716)	156	350	789	(627)	(1,312)	1,279	(229)
Financial derivatives: net	-	-	-	-	5	4	11	(5)	-	-
Other investment: net	(4,205)	(4,011)	(2,936)	(3,688)	(4,255)	(5,342)	(4,457)	(3,789)	(3,730)	-6122
D. Net Errors and Omissions	(186)	434	221	(128)	(1,112)	(166)	(720)	154	38	697
E. Overall Balance	(1,223)	(369)	(1,453)	255	(131)	108	(1,030)	(1,059)	1,427	-1497
F. Reserves and Related Items	1,223	369	1,453	(255)	131	(108)	1,030	1,059	(1,426.8)	1,496.8
Reserve assets	1,455	859	1,333	(361)	40	(228)	885	905	(818.5)	1,607.6
Credit and loans from the IMF	193	177	(119)	(107)	(91)	(120)	(145)	(154)	608.3	587.9
Exceptional financing	38	312	-	-	-	-	-	-	-	-
Gross Reserves (USD Million)	7,160	8,483	9,738	9,794	9,588	9,646	11,516	12,851	12,992	13,762
Official	5,702	6,560	7,895	7,534	7,573	7,332	8,231	9,116	8,297	9,152
Commercial Banks	1,458	1,923	1,843	2,259	2,015	2,314	3,286	3,735	4,695	4,610
Imports cover (36 months import)	4.3	4.5	5.1	4.8	5.0	5	5	6	5	6
Memo:										
Annual GDP at Current prices (USD Million)	56,394	61,667	68,287	70,120	74,815	82,036	92,203	100,556	100,996	105,267

Source: Central Bank of Kenya

**Table A7: Inflation**

Year	Month	Overall Inflation	Food Inflation	Energy Inflation	Core Inflation
2018	January	4.8	4.7	6.1	4.0
	February	4.5	3.8	6.2	4.2
	March	4.2	2.2	8.2	4.1
	April	3.7	0.3	10.2	4.1
	May	4.0	0.3	11.4	3.9
	June	4.3	0.9	11.9	4.0
	July	4.4	0.5	12.4	4.1
	August	4.0	1.2	14.2	4.3
	September	5.7	0.5	17.4	4.5
	October	5.5	0.5	16.5	4.7
	November	5.6	1.7	14.3	4.4
	December	5.7	2.5	13.8	4.0
2019	January	4.7	1.6	12.1	3.4
	February	4.1	1.1	11.4	3.1
	March	4.4	2.8	8.8	3.1
	April	6.6	8.2	7.5	3.1
	May	5.5	6.3	6.7	3.0
	June	5.7	7.0	6.3	2.9
	July	6.3	8.5	6.2	2.7
	August	5.0	7.1	4.0	2.3
	September	3.8	6.3	1.3	2.1
	October	5.0	8.7	1.5	1.9
	November	5.6	9.6	2.3	1.9
	December	5.8	10.0	2.5	1.8
2020	January	5.8	14.9	4.7	2.2
	February	6.4	9.6	5.5	2.3
	March	5.5	11.9	4.5	1.9
	April	5.6	11.6	4.9	2.0
	May	5.3	10.6	5.0	1.8
	June	4.6	8.2	5.4	1.6
	July	4.4	6.6	6.1	2.0
	August	4.4	5.4	7.6	2.1
	September	4.2	5.2	7.6	1.9
	October	4.8	5.8	8.2	2.5
2021	December	5.6	7.2	8.1	2.9
	January	5.7	7.4	8.7	2.7
	February	5.8	6.9	10.1	2.7
	March	5.9	6.7	11.1	2.7
	April	5.8	6.4	10.5	2.7
	May	5.9	7.0	10.0	2.8
	June	6.3	8.5	9.5	2.8
	July	6.4	8.8	8.2	3.0
	August	6.6	10.7	6.5	2.7
	September	6.9	10.6	7.6	2.9
	October	6.5	10.6	7.0	2.4
	November	5.8	9.9	7.2	2.0

Source: World Bank, based on data from Kenya National Bureau of Statistics



Table A8: Credit to Private Sector Growth (%)

Year	Month	Total Private sector annual growth rates	Agriculture	Manufacturing	Trade	Building and construction	Transport and communication	Finance and insurance	Real estate	Mining and quarrying	Private House-holds	Consumer durables	Business services	Other activities
2018	January	1.9	-7.6	12.0	5.1	5.4	-10.9	-1.3	8.2	-6.7	-1.4	1.4	0.0	-10.6
	February	2.2	-12.9	13.1	6.8	4.8	-13.9	4.9	8.4	-6.7	-2.7	2.3	-0.3	-2.2
	March	2.1	-6.2	11.2	5.4	12.6	-18.4	11.6	4.5	-2.7	-0.7	4.7	-0.5	-6.3
	April	2.9	-4.4	10.1	5.0	14.3	-17.8	10.1	3.6	-4.4	2.6	5.0	2.8	-2.2
	May	3.9	-3.3	12.1	6.8	9.2	-14.9	2.6	3.7	-3.5	3.8	5.5	11.0	-7.5
	June	4.3	-4.7	12.2	8.5	13.3	-12.7	3.8	3.8	-9.1	2.9	7.8	6.7	-7.9
	July	4.3	-6.5	11.5	6.5	13.5	-10.7	8.5	4.3	0.2	2.9	9.1	3.3	-5.8
	August	4.3	-4.3	13.2	6.9	14.7	-11.0	3.5	0.9	-9.1	2.7	11.5	6.5	-4.6
	September	3.8	-6.0	11.9	3.2	11.1	-9.1	6.6	1.7	-15.5	5.1	7.8	4.3	2.7
	October	4.4	-5.6	14.8	4.0	7.1	-7.7	9.1	1.2	-11.6	5.1	7.6	12.1	-12.4
	November	3.0	-0.1	10.6	3.2	8.9	-10.7	5.3	-1.1	-10.6	5.4	8.9	9.5	-23.4
	December	2.4	-2.0	6.5	2.9	1.8	-9.4	17.5	-0.5	-10.7	6.8	11.0	8.0	-34.8
2019	January	3.0	-0.2	6.5	6.6	1.4	-6.5	15.4	-2.6	-14.5	5.6	15.4	0.0	-27.2
	February	3.4	-2.6	7.7	6.4	2.6	-0.7	13.1	-2.9	-13.4	6.6	16.1	0.3	-33.1
	March	4.3	0.2	7.2	8.7	-7.0	5.7	10.2	-0.1	-11.4	8.0	13.9	-0.4	-31.7
	April	4.9	2.5	7.9	8.4	-6.5	6.4	13.3	-0.7	-12.5	7.9	16.4	1.1	-29.6
	May	4.4	2.7	6.5	7.6	-4.1	6.2	6.7	-0.5	-7.9	7.8	18.0	-1.2	-32.0
	June	5.2	3.9	11.4	5.5	-6.3	5.8	4.7	1.0	-4.3	7.6	21.3	-3.2	-22.6
	July	6.1	7.6	10.3	8.0	-5.4	6.4	5.3	0.5	-13.5	7.1	23.6	1.6	-17.2
	August	6.3	6.6	7.5	8.4	-6.0	5.8	8.2	2.4	-10.8	8.6	23.0	-0.1	-14.4
	September	7.0	5.5	7.5	7.6	-5.3	5.0	14.5	2.2	-5.1	8.8	28.4	3.2	-13.6
	October	6.6	-5.2	6.4	10.2	-5.5	4.8	15.1	0.4	0.1	5.3	28.6	-0.4	12.7
	November	7.3	-6.1	7.5	8.8	-6.1	9.8	15.8	1.9	-3.2	6.1	25.9	-0.3	30.9
	December	7.1	-2.4	9.2	8.9	1.6	8.1	0.4	1.5	-5.8	5.6	26.0	2.4	16.0
2020	January	7.3	-4.8	12.7	6.0	4.0	9.9	-1.1	3.5	-9.4	5.6	21.4	1.5	24.4
	February	7.7	0.2	10.4	9.5	-0.5	7.4	1.9	3.4	-14.6	5.9	20.6	2.4	33.4
	March	8.9	1.4	15.3	9.4	9.5	7.1	6.6	2.2	3.9	3.4	24.1	3.3	36.8
	April	9.0	2.8	20.1	10.3	7.7	9.1	3.1	4.8	11.0	2.2	19.6	1.2	14.3
	May	8.2	2.6	18.2	8.0	5.7	5.7	8.4	4.4	5.8	3.2	16.7	2.7	16.9
	June	7.7	2.2	11.1	9.4	4.6	14.9	3.2	4.9	10.0	3.6	15.2	5.3	-3.7
	July	7.9	1.1	10.0	9.1	5.5	20.7	3.5	5.0	11.3	5.4	13.8	3.2	-6.7
	August	8.3	0.9	13.1	8.1	5.2	19.0	4.6	6.8	12.0	5.1	13.7	3.4	-7.6
	September	7.6	1.7	12.6	6.6	4.1	20.6	-3.3	6.6	8.2	3.5	15.6	4.1	-5.8
	October	7.7	17.0	7.8	2.5	8.2	21.1	-2.2	7.6	-14.2	7.3	15.7	5.9	-10.4
	November	8.3	19.3	10.0	4.0	7.4	17.5	0.2	9.1	-15.4	6.2	18.8	2.7	-14.5
	December	8.3	15.3	12.0	3.8	3.4	13.6	7.1	8.7	-12.9	4.3	18.1	4.0	14.0
2021	January	9.3	15.6	12.6	5.5	2.5	14.4	14.0	8.8	-6.1	4.7	18.7	6.5	5.8
	February	9.6	13.4	15.8	3.9	5.2	19.0	9.0	8.8	21.6	4.2	20.3	5.0	3.8
	March	7.7	12.3	10.7	2.1	2.9	17.4	7.5	7.7	-3.6	2.9	17.6	5.7	5.2
	April	6.7	10.0	4.0	0.9	3.4	13.3	7.6	5.8	-8.8	4.5	19.3	7.2	24.3
	May	7.1	4.3	1.5	3.8	4.5	16.3	6.7	5.7	-18.1	3.1	22.0	6.9	39.8
	June	7.7	3.7	8.1	1.9	2.0	11.8	11.5	4.0	-13.0	3.2	23.4	5.2	65.2
	July	6.1	2.8	9.4	1.3	0.4	0.2	8.9	3.2	-22.1	2.4	21.7	4.9	58.0
	August	7.0	1.4	9.3	2.7	1.7	11.8	7.7	2.8	-23.1	2.0	20.1	5.8	56.0
	September	7.7	3.3	9.8	4.7	0.5	10.9	11.7	2.9	-8.4	2.6	17.6	7.6	59.5

Source: Central Bank of Kenya

**Table A9: Mobile payments**

Year	Month	Number of Agents	Number of customers (Millions)	Number of transactions (Millions)	Value of transactions (Billions)
2018	January	188,029	37.8	136.7	323.0
	February	192,117	38.4	132.3	300.9
	March	196,002	39.3	147.5	337.1
	April	201,795	40.3	142.1	313.0
	May	202,387	41.7	141.0	329.0
	June	197,286	42.6	137.4	317.7
	July	200,227	42.6	143.1	332.4
	August	202,627	43.6	149.5	348.9
	September	203,359	44.3	146.0	327.7
	October	211,961	45.4	155.2	343.2
	November	206,312	46.2	153.2	343.9
	December	205,745	47.7	155.8	367.8
2019	January	201,336	40.3	154.2	368.0
	February	212,252	50.0	144.5	328.2
	March	226,957	50.4	161.4	368.4
	April	230,220	52.0	155.8	360.2
	May	224,825	52.2	153.3	364.3
	June	222,484	46.8	149.7	346.8
	July	222,087	53.9	153.0	366.4
	August	222,479	54.8	151.8	368.5
	September	224,959	55.7	151.2	365.9
	October	223,176	56.3	156.1	366.9
	November	222,211	58.0	153.1	359.3
	December	224,108	58.4	155.0	382.9
2020	January	231,292	59.2	150.2	371.9
	February	235,543	58.7	148.5	350.5
	March	240,261	58.7	150.7	364.5
	April	242,275	59.4	125.0	308.0
	May	243,118	60.2	135.9	357.4
	June	237,637	61.7	143.1	392.2
	July	234,747	62.1	157.8	451.0
	August	252,703	62.8	163.2	473.5
	September	263,200	64.0	163.3	483.2
	October	273,531	65.3	174.1	528.9
	November	275,960	65.8	170.0	526.8
	December	282,929	66.0	181.4	605.7
2021	January	287,410	66.6	173.9	590.4
	February	294,111	67.2	164.2	568.0
	March	293,403	65.9	182.3	537.8
	April	294,706	67.1	173.4	502.2
	May	298,883	67.8	180.8	536.7
	June	301,457	67.78	175.83	532.63
	July	303,718	68.54	184	587.98
	August	304,822	68.09	184.51	586.52
	September	305,831	67.7	180.85	585.38
	October	295,105	66.88	190.06	618.14

Source: Central Bank of Kenya

**Table A10: Exchange rate**

Year	Month	USD	UK Pound	Euro
2018	January	102.9	141.9	125.4
	February	101.4	141.7	125.3
	March	101.2	141.2	124.7
	April	100.6	141.9	123.7
	May	100.7	135.7	119.0
	June	101.0	134.2	118.0
	July	100.7	132.6	117.5
	August	100.6	129.7	116.2
	September	100.8	131.7	117.7
	October	101.1	131.6	116.2
	November	102.4	132.1	116.4
	December	102.3	129.7	116.4
2019	January	101.6	130.8	116.0
	February	100.2	130.3	113.8
	March	100.4	132.3	113.5
	April	101.1	131.8	113.6
	May	101.2	130.1	113.2
	June	101.7	128.8	114.7
	July	103.2	128.8	115.8
	August	103.3	125.6	115.0
	September	103.8	128.2	114.4
	October	103.7	133.7	114.4
	November	102.4	132.0	113.2
	December	101.0	132.9	112.7
2020	January	101.1	132.1	112.3
	February	100.8	130.8	109.9
	March	103.7	128.5	114.7
	April	106.4	131.9	115.6
	May	106.7	131.3	116.1
	June	106.4	133.4	119.8
	July	107.3	135.3	122.5
	August	108.1	141.9	127.8
	September	108.4	140.9	128.0
	October	108.6	140.9	127.9
	November	109.2	144.1	129.1
	December	110.6	148.4	134.3
2021	January	109.8	149.7	133.8
	February	109.7	151.8	132.6
	March	109.7	152.2	130.9
	April	107.9	149.3	129.1
	May	107.4	151.1	130.4
	June	107.8	151.4	130.1
	July	108.1	149.4	127.9
	August	109.2	150.9	128.6
	September	110.1	151.5	129.8
	October	110.9	151.6	128.6
	November	111.9	151.0	127.9

Source: Central Bank of Kenya

**Table A11: Nairobi Securities Exchange**  
(NSE 20 Share Index, Jan 1966=100, End - month)

Year	Month	NSE 20 Share Index
2018	January	3,737
	February	3,751
	March	3,845
	April	3,705
	May	3,353
	June	3,286
	July	3,297
	August	3,203
	September	2,876
	October	2,810
	November	2,797
	December	2,834
2019	January	2,958
	February	2,894
	March	2,846
	April	2,797
	May	2,677
	June	2,633
	July	2,628
	August	2,468
	September	2,432
	October	2,643
	November	2,619
	December	2,654
2020	January	2,600
	February	2,338
	March	1,966
	April	1,958
	May	1,938
	June	1,942
	July	1,804
	August	1,795
	September	1,852
	October	1,784
	November	1,760
	December	1,868
2021	January	1,882
	February	1,916
	March	1,846
	April	1,867
	May	1,872
	June	1,928
	July	1,974
	August	2,021
	September	2,031
	October	1,961

Source: Central Bank of Kenya

**Table A12: Central Bank Rate and Treasury Bills**

Year	Month	Central Bank Rate	91-Treasury Bill	182-Treasury Bill	364-Treasury Bill
2018	January	10.0	8.0	10.6	11.2
	February	10.0	8.0	10.4	11.2
	March	9.5	8.0	10.4	11.1
	April	9.5	8.0	10.3	11.1
	May	9.5	8.0	10.3	11.1
	June	9.5	7.8	9.9	10.8
	July	9.0	7.7	9.3	10.3
	August	9.0	7.6	9.0	10.0
	September	9.0	7.6	8.8	9.8
	October	9.0	7.6	8.5	9.6
	November	9.0	7.4	8.3	9.5
	December	9.0	7.3	8.4	9.7
2019	January	9.0	7.6	8.9	10.0
	February	9.0	7.0	8.6	9.6
	March	9.0	7.1	8.3	9.4
	April	9.0	7.4	8.1	9.4
	May	9.0	7.2	7.9	9.3
	June	9.0	6.9	7.6	9.2
	July	9.0	6.6	7.4	8.8
	August	9.0	6.4	7.1	9.2
	September	9.0	6.4	7.1	9.6
	October	9.0	6.4	7.2	9.8
	November	8.5	6.6	7.6	9.8
	December	8.5	7.2	8.2	9.8
2020	January	8.3	7.2	8.2	9.8
	February	8.3	7.3	8.2	9.9
	March	7.3	7.3	8.1	9.2
	April	7.0	7.2	8.1	9.1
	May	7.0	7.3	8.2	9.2
	June	7.0	7.1	7.9	8.9
	July	7.0	6.2	6.7	7.6
	August	7.0	6.2	6.6	7.5
	September	7.0	6.3	6.7	7.6
	October	7.0	6.5	6.9	7.8
	November	7.0	6.7	7.1	8.0
	December	7.0	6.9	7.4	8.3
2021	January	7.0	6.9	7.5	8.4
	February	7.0	6.9	7.6	8.8
	March	7.0	7.0	7.8	9.1
	April	7.0	7.1	7.9	9.4
	May	7.0	7.1	8.0	9.3
	June	7.0	7.0	7.6	8.4
	July	7.0	6.6	7.1	7.5
	August	7.0	6.6	7.1	7.4
	September	7.0	6.8	7.3	7.8
	October	7.0	7.0	7.4	8.1
	November	7.0	7.1	7.7	8.7

Source: Central Bank of Kenya



Table A13: Interest rates

Year	Month	Short-term			Long-term			
		Interbank	91-Treasury Bill	Central Bank Rate	Average deposit rate	Savings	Overall weighted lending rate	Interest Rate Spread
2018	January	6.2	8.0	10.0	8.3	7.0	13.7	5.4
	February	5.1	8.0	10.0	8.3	7.0	13.7	5.4
	March	4.9	8.0	9.5	8.2	6.8	13.5	5.3
	April	5.4	8.0	9.5	8.2	6.7	13.2	5.1
	May	4.9	8.0	9.5	8.1	6.6	13.2	5.2
	June	5.0	7.8	9.5	8.0	6.6	13.2	5.2
	July	4.8	7.7	9.0	8.0	6.5	13.1	5.1
	August	6.6	7.6	9.0	7.8	6.5	12.8	5.0
	September	4.5	7.6	9.0	7.8	6.3	12.7	4.9
	October	3.5	7.6	9.0	7.6	5.7	12.6	5.0
	November	4.1	7.4	9.0	7.4	5.4	12.6	5.1
	December	8.0	7.3	9.0	7.4	5.1	12.5	5.1
2019	January	3.3	7.6	9.0	7.3	5.1	12.5	5.2
	February	2.5	7.0	9.0	7.3	5.2	12.5	5.2
	March	3.7	7.1	9.0	7.2	5.1	12.5	5.3
	April	4.2	7.4	9.0	7.2	4.7	12.5	5.3
	May	5.6	7.2	9.0	7.2	4.7	12.5	5.3
	June	3.0	6.9	9.0	7.2	4.8	12.5	5.3
	July	2.3	6.6	9.0	7.0	4.8	12.4	5.4
	August	3.7	6.4	9.0	6.9	4.5	12.5	5.6
	September	6.9	6.4	9.0	7.0	4.6	12.5	5.5
	October	6.9	6.4	9.0	7.0	4.4	12.4	5.5
	November	4.2	6.6	8.5	6.6	4.5	12.4	5.8
	December	6.0	7.2	8.5	7.1	4.0	12.2	5.1
2020	January	4.4	7.2	8.3	7.1	4.3	12.3	5.2
	February	4.3	7.3	8.3	7.1	4.2	12.2	5.1
	March	4.4	7.3	7.3	7.1	4.2	12.1	5.0
	April	5.1	7.2	7.0	7.0	4.2	11.9	4.9
	May	3.9	7.3	7.0	7.0	4.2	11.9	5.0
	June	3.3	7.1	7.0	6.9	4.2	11.9	5.0
	July	2.1	6.2	7.0	6.8	4.1	11.9	5.2
	August	2.6	6.2	7.0	6.6	4.1	12.0	5.3
	September	2.9	6.3	7.0	6.4	3.8	11.8	5.3
	October	2.7	6.5	7.0	6.3	3.4	12.0	5.7
	November	3.3	6.7	7.0	6.3	3.4	12.0	5.7
	December	5.3	6.9	7.0	6.3	2.7	12.0	5.7
2021	January	5.1	6.9	7.0	6.3	2.7	12.0	5.7
	February	4.5	6.9	7.0	6.5	3.4	12.0	5.6
	March	5.2	7.0	7.0	6.5	3.5	12.0	5.6
	April	5.1	7.1	7.0	6.3	2.7	12.1	5.8
	May	4.6	7.1	7.0	6.3	2.5	12.1	5.8
	June	4.6	7.0	7.0	6.4	2.5	12.0	5.6
	July	4.2	6.6	7.0	6.3	2.5	12.1	5.8
	August	3.1	6.6	7.0	6.3	2.6	12.1	5.8
	September	4.7	6.8	7.0	6.3	2.6	12.1	5.8
	October	5.3	7.0	7.0				
	November	5.0	7.1	7.0				

Source: Central Bank of Kenya

**Table A14: Money aggregate** (Growth rate y-o-y)

Year	Growth rates (yoy)	Money supply, M1	Money supply, M2	Money supply, M3
2018	January	7.2	8.9	8.8
	February	7.6	9.0	7.9
	March	3.5	6.2	5.9
	April	3.2	6.0	5.5
	May	3.1	6.5	7.5
	June	2.5	8.1	10.4
	July	3.9	8.4	10.1
	August	3.0	7.2	9.1
	September	0.6	6.2	8.5
	October	3.8	7.6	9.1
	November	2.4	6.5	8.4
	December	6.6	8.0	10.1
2019	January	7.4	8.4	10.5
	February	5.6	7.3	10.3
	March	11.7	10.8	12.5
	April	6.8	8.7	10.7
	May	6.7	8.3	8.7
	June	10.5	9.8	9.2
	July	5.3	6.9	7.0
	August	6.0	6.1	6.3
	September	5.8	6.7	6.5
	October	3.0	6.3	7.5
	November	3.6	5.6	5.9
	December	3.2	5.4	5.6
2020	January	4.1	5.7	5.5
	February	7.3	8.1	7.9
	March	4.9	6.4	7.2
	April	6.2	7.5	8.6
	May	7.2	8.5	9.9
	June	5.8	9.6	9.1
	July	11.4	11.9	11.3
	August	12.1	11.1	10.8
	September	14.1	11.0	10.7
	October	17.8	11.5	11.5
	November	20.5	13.6	14.2
	December	12.8	11.9	13.2
2021	January	12.6	11.0	13.2
	February	10.6	9.9	12.4
	March	7.6	7.7	10.1
	April	7.7	7.9	9.3
	May	7.8	6.9	7.6
	June	5.1	4.6	6.4
	July	6.3	5.6	6.9
	August	10.0	8.8	10.0
	September	6.3	7.2	8.7
	October	4.9	6.6	7.3

Source: Central Bank of Kenya and World Bank

**Table A15: Coffee production and exports**

Year	Month	Production MT	Price KSh/Kg	Exports MT	Exports value KSh Million
2018	January	5,112	527	2,509	1,286
	February	5,832	577	2,834	1,612
	March	4,913	478	3,936	2,237
	April	4,194	305	4,550	2,822
	May	4,620	217	5,573	3,209
	June	-	-	4,649	2,664
	July	1,221	357	4,683	2,457
	August	2,235	337	2,973	1,547
	September	2,299	289	2,520	1,141
	October	2,493	321	3,521	1,467
	November	2,334	368	4,619	1,730
	December	1,577	404	2,312	921
2019	January	4,167	453	3,469	1,499
	February	5,724	449	4,567	1,903
	March	4,057	298	4,351	2,256
	April	5,307	203	4,552	2,501
	May	4,084	201	5,490	2,700
	June	2,021	192	4,549	1,964
	July	672	197	5,115	1,713
	August	1,647	217	3,932	1,462
	September	1,522	233	3,145	1,113
	October	2,541	260	3,986	1,390
	November	1,117	332	3,664	1,176
	December	771	435	1,906	634
2020	January	3,049	439	2,639	985
	February	4,410	427	3,169	1,687
	March	4,845	422	4,604	2,410
	April	2,242	295	4,396	2,590
	May	1,125	276	4,313	2,279
	June	-	-	5,414	2,956
	July	1,310	358	3,546	1,799
	August	1,209	525	3,182	1,484
	September	1,913	484	3,391	1,607
	October	1,329	527	2,732	1,322
	November	1,318	568	3,594	1,837
	December	1,667	660	2,405	1,285
2021	January	3,824	697	2,129	1,342
	February	5,325	664	3,481	2,161
	March	4,318	544	6,065	4,557
	April	2,196	436	3,337	2,307
	May	-	-	4,430	3,010
	June	502	593	3,437	2,272
	July	1,278	674	2,696	1,764
	August	1,479	684	2,504	1,658
	September	1,889	664	2,480	1,735

Source: Kenya National Bureau of Statistics

**Table A16: Tea production and exports**

Year	Month	Production MT	Price KSh/Kg	Exports MT	Exports value KSh Million
2018	January	40,834	304	48,447	14,964
	February	27,939	302	47,357	14,657
	March	30,987	284	34,488	10,471
	April	44,580	268	33,565	9,830
	May	43,356	263	42,533	11,703
	June	43,299	257	45,182	12,463
	July	35,278	251	45,242	12,226
	August	37,433	241	38,023	9,919
	September	42,531	243	40,268	10,479
	October	49,284	244	43,894	11,327
	November	45,649	242	44,108	11,015
	December	51,830	236	38,681	9,781
2019	January	48,386	234	48,623	11,831
	February	31,445	216	41,027	9,638
	March	26,462	214	42,457	9,910
	April	26,131	228	36,884	8,631
	May	37,759	242	36,994	9,293
	June	42,425	219	29,355	7,154
	July	31,458	205	33,657	7,788
	August	37,200	218	41,276	9,458
	September	35,533	229	36,325	8,463
	October	46,305	242	45,374	11,065
	November	45,087	235	43,650	10,735
	December	50,660	225	39,312	9,484
2020	January	53,636	232	48,770	11,452
	February	49,201	214	47,570	11,022
	March	55,733	207	51,441	11,665
	April	49,656	225	57,722	13,193
	May	47,004	210	48,594	11,289
	June	46,378	198	46,399	10,293
	July	36,554	194	46,851	10,014
	August	38,525	217	47,035	10,269
	September	43,413	220	44,725	10,200
	October	48,275	215	43,656	9,937
	November	47,680	218	46,353	10,611
	December	54,412	215	46,167	10,301
2021	January	48,896	223	48,812	11,379
	February	43,399	230	50,390	11,726
	March	48,693	219	53,432	12,673
	April	44,299	207	51,899	11,576
	May	45,322	205	50,042	11,071
	June	43,469	196	43,993	9,548
	July	34,732	189	43,844	9,204
	August	33,635	230	44,421	9,874
	September			36,308	8,566

Source: Kenya National Bureau of Statistics

**Table A17: Local Electricity Generation by Source**

Year	Month	Hydro KWh Million	Geo-thermal KWh Million	Thermal KWh Million	Wind KWh Million	Total KWh Million
2018	January	223	430	242	3	900
	February	193	387	249	7	837
	March	248	448	202	4	903
	April	317	428	139	3	887
	May	386	447	83	2	918
	June	401	430	82	1	914
	July	420	438	87	2	947
	August	417	427	117	3	964
	September	392	440	85	7	925
	October	365	432	87	77	962
	November	340	398	80	133	957
	December	283	423	92	133	939
2019	January	279	417	114	148	966
	February	254	374	99	146	880
	March	283	445	99	144	979
	April	192	398	181	142	921
	May	243	427	110	164	952
	June	272	413	146	92	932
	July	269	440	133	125	975
	August	251	425	132	151	968
	September	234	454	105	153	953
	October	268	494	70	137	977
	November	299	482	62	114	965
	December	361	464	62	46	940
2020	January	358	477	55	90	986
	February	342	431	54	100	934
	March	359	460	56	86	969
	April	298	412	36	88	841
	May	319	392	56	106	881
	June	334	421	62	88	913
	July	358	433	61	110	969
	August	358	424	71	119	977
	September	356	381	89	140	973
	October	373	440	80	122	1023
	November	385	397	60	148	997
	December	400	393	77	135	1012
2021	January	330	465	75	138	1015
	February	281	422	106	110	926
	March	305	461	63	200	1037
	April	308	425	60	165	964
	May	369	385	116	130	1008
	June	318	409	84	185	1003
	July	286	463	123	153	1037
	August	274	453	109	190	1043
	September	262	440	107	187	1014

Source: Kenya National Bureau of Statistics



**Table A18: Soft drinks, Sugar, Galvanized sheets and Cement production**

Year	Month	Soft drinks litres (thousands)	Sugar MT	Galvanized sheets MT	Cement MT
2018	January	52,062	62,819	23,919	494,709
	February	49,685	53,833	21,890	490,020
	March	52,580	49,148	22,048	476,730
	April	45,690	36,682	21,434	474,740
	May	41,482	28,933	22,271	452,034
	June	44,827	28,320	21,434	454,322
	July	43,725	30,105	23,252	465,575
	August	48,795	35,646	22,630	473,861
	September	45,956	37,652	23,509	460,546
	October	46,546	45,324	23,906	470,524
	November	50,201	38,768	22,877	460,967
	December	54,021	38,268	21,266	461,922
2019	January	53,585	53,060	20,124	485,178
	February	55,218	46,139	22,749	470,146
	March	61,413	45,463	26,313	507,037
	April	58,230	35,312	23,214	501,921
	May	53,086	36,307	22,501	486,301
	June	46,074	28,545	24,667	477,432
	July	47,149	25,097	23,260	527,115
	August	49,248	32,835	21,918	512,470
	September	53,234	33,356	22,641	519,370
	October	47,586	35,259	22,619	504,615
	November	50,715	30,898	21,871	479,085
	December	55,398	38,325	22,547	496,517
2020	January	52,654	53,155	23,397	530,404
	February	49,406	51,083	21,989	548,818
	March	49,494	52,699	18,527	559,424
	April	46,015	45,468	12,469	509,197
	May	34,129	46,350	18,042	511,961
	June	44,829	49,681	23,730	594,421
	July	44,394	53,131	24,493	666,341
	August	39,290	53,532	23,226	712,701
	September	52,436	54,873	20,801	707,033
	October	47,215	54,830	22,868	731,253
	November	42,916	50,227	23,268	668,507
	December	64,707	38,834	20,854	666,855
2021	January	52,537	58,044	17,788	652,883
	February	44,421	61,508	19,716	612,980
	March	53,498	66,494	20,676	721,444
	April	51,749	58,404	21,056	695,953
	May	51,201	57,796	22,017	717,669
	June		58,968	21,505	698,424
	July				876,998
	August				896,825
	September				894,361

Source: Kenya National Bureau of Statistics

**Table A19: Tourism arrivals**

Year	Month	JKIA	MIA	TOTAL
2018	January	105,262	14,533	119,795
	February	98,532	12,792	111,324
	March	100,441	11,024	111,465
	April	94,236	5,205	99,441
	May	93,730	4,735	98,465
	June	114,097	5,157	119,254
	July	141,763	9,025	150,788
	August	145,231	9,589	154,820
	September	114,539	9,916	124,455
	October	115,597	9,343	124,940
	November	103,229	8,391	111,620
	December	115,856	18,403	134,259
2019	January	113,362	15,727	129,089
	February	107,058	12,864	119,922
	March	106,001	9,732	115,733
	April	104,418	5,096	109,514
	May	98,788	3,689	102,477
	June	126,822	2,454	129,276
	July	150,286	8,663	158,949
	August	150,723	11,000	161,723
	September	124,001	9,208	133,209
	October	115,828	10,940	126,768
	November	111,548	12,339	123,887
	December	121,912	12,391	134,303
2020	January	114,873	12,214	127,087
	February	108,578	11,092	119,670
	March	43,346	3,950	47,296
	April	12	-	12
	May	1,229	-	1,229
	June	534	2	536
	July	617	1	618
	August	13,371	548	13,919
	September	19,403	761	20,164
	October	28,451	1,184	29,635
	November	30,719	1,156	31,875
	December	44,279	3,127	47,406
2021	January	43,234	3,045	46,279
	February	32,047	3,005	35,052
	March	37,214	3,194	40,408
	April	27,850	3,037	30,887
	May	32,153	1,735	33,888
	June	46,494	2,038	48,532
	July	64,493	4,532	69,025
	August	72,291	6,257	78,548
	September	66,667	3,633	70,300
	October	67,608	5,201	72,809

Source: Kenya National Bureau of Statistics  
 Note: JKIA (Jomo Kenyatta International Airport, MIA (Moi International Airport)

**Table B1: Higher skilled services sectors have increased their share of service sector employment**

		2015/16		2019		2019
		000's	%	000's	%	%
Agriculture	All	7,999	46.5	8,429	47.4	5.4
Industry	Mining	156	0.9	100	0.6	-36.1
	Manufacturing	870	5.1	848	4.8	-2.5
	Utilities & construction	1,012	5.9	910	5.1	-10.1
	All	2,038	11.8	1,858	10.5	-8.8
Global Innovator	ICT	98	0.6	83	0.5	-15.6
	Finance & insurance	65	0.4	176	1.0	169.7
	Professional, scientific, and technical services	180	1.0	118	0.7	-34.2
	All	343	2.0	377	2.1	10
Low-Skilled Tradable	Wholesale trade	350	2.0	374	2.1	7.0
	Transportation	775	4.5	865	4.9	11.6
	Accommodation & food	495	2.9	419	2.4	-15.4
	All	1,620	9.4	1,658	9.3	2.4
Low-Skilled Domestic	Retail Trade	2,371	13.8	2,336	13.1	-1.5
	Administrative and support	439	2.5	428	2.4	-2.5
	Arts, entertainment, and recreation	50	0.3	43	0.2	-14.5
	Other services	1,044	6.1	1,080	6.1	3.5
	All	3,904	22.7	3,886	21.9	-0.4
Skill-Intensive Social	Education	784	4.6	953	5.4	21.5
	Health	210	1.2	273	1.5	30.4
	All	994	5.8	1,226	6.9	23.3
Other Services	Real estate	32	0.2	49	0.3	50.2
	Public administration & defence	191	1.1	272	1.5	42.6
	All	223	1.3	321	1.8	43.7
Not Stated	All	85	0.5	12	0.1	



**Table B2: Job losses occurred across all service sub-sectors, especially the more skilled**

		2015/16		2019		2020		Change (16 to '19)	Change (19 to '20)
		000's	%	000's	%	000's	%	%	%
<b>Agriculture</b>	All	7,999	46.5	8,429*	47.4	10,049*	53.8	5.4	19.2
<b>Industry</b>	Mining	156	0.9	100*	0.6	127	0.7	-36.1	27.5
	Manufacturing	870	5.1	848	4.8	922	4.9	-2.5	8.7
	Utilities and construction	1,012	5.9	910	5.1	1,039	5.6	-10.1	14.2
	All	2,038	11.8	1,858	10.5	2,088	11.2	-8.8	12.4
<b>Global Innovator</b>	ICT	98	0.6	83	0.5	60	0.3	-15.6	-27.2
	Finance & insurance	65	0.4	176*	1.0	133	0.7	169.7	-24.4
	Professional, scientific, and technical services	180	1.0	118	0.7	96	0.5	-34.2	-18.5
	All	343	2.0	377	2.1	290	1.6	10.0	-23.2
<b>Low-Skilled Tradable</b>	Wholesale trade	350	2.0	374	2.1	339	1.8	7.0	-9.6
	Transportation	775	4.5	865	4.9	926	5.0	11.6	7.0
	Accommodation and food	495	2.9	419	2.4	397	2.1	-15.4	-5.2
	All	1,620	9.4	1,658	9.3	1,661	8.9	2.4	0.2
<b>Low-Skilled Domestic</b>	Retail Trade	2,371	13.8	2,336	13.1	2,208	11.8	-1.5	-5.5
	Administrative and support	439	2.5	428	2.4	243*	1.3	-2.5	-43.2
	Arts, entertainment, and recreation	50	0.3	43	0.2	39	0.2	-14.5	-8.3
	Other services	1,044	6.1	1,080	6.1	910*	4.9	3.5	-15.7
	All	3,904	22.7	3,886	21.9	3,401	18.2	-0.4	-12.5
<b>Skill-Intensive Social</b>	Education	784	4.6	953*	5.4	577*	3.1	21.5	-39.4
	Health	210	1.2	273	1.5	183*	1.0	30.4	-32.9
	All	994	5.8	1,226	6.9	761	4.1	23.3	-37.9
<b>Other Services</b>	Real estate	32	0.2	49	0.3	64	0.3	50.2	30.8
	Public administration and defence	191	1.1	272*	1.5	306	1.6	42.6	12.6
	All	223	1.3	321	1.8	370	2.0	43.7	15.4
<b>Not Stated</b>	All	85	0.5	12	0.1	70	0.4		

Source: Authors' calculation based on the KIHBS 2015/16, KCHS 2019 and 2020.

Note: \* indicates a significant change from the previous survey estimate, determined by non-overlapping 95% confidence intervals

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