



**Central Bank of Kenya**

# **MONETARY POLICY COMMITTEE MEETING BACKGROUND INFORMATION**

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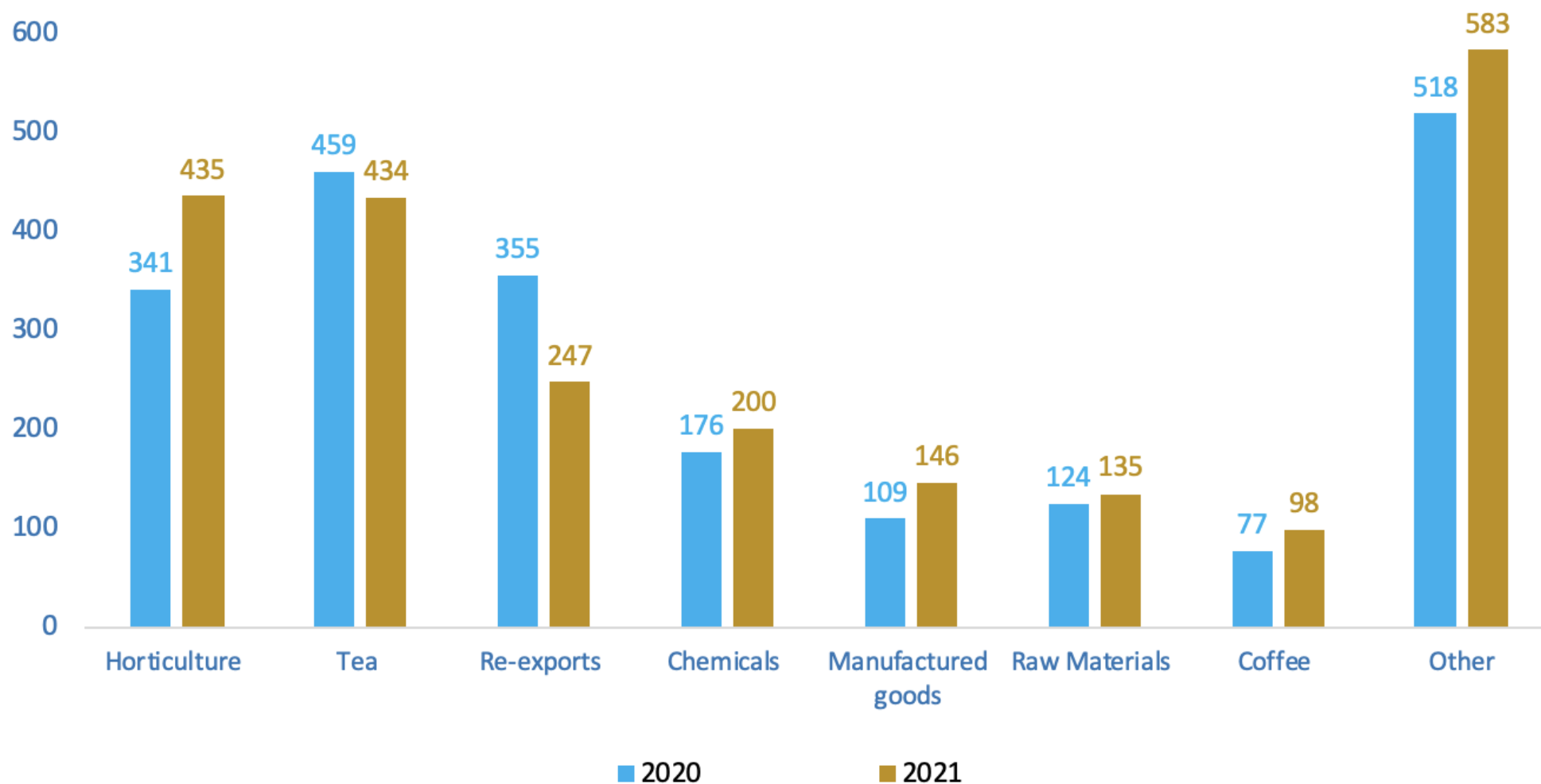
Thursday, May 27, 2021

Dr. Patrick Njoroge

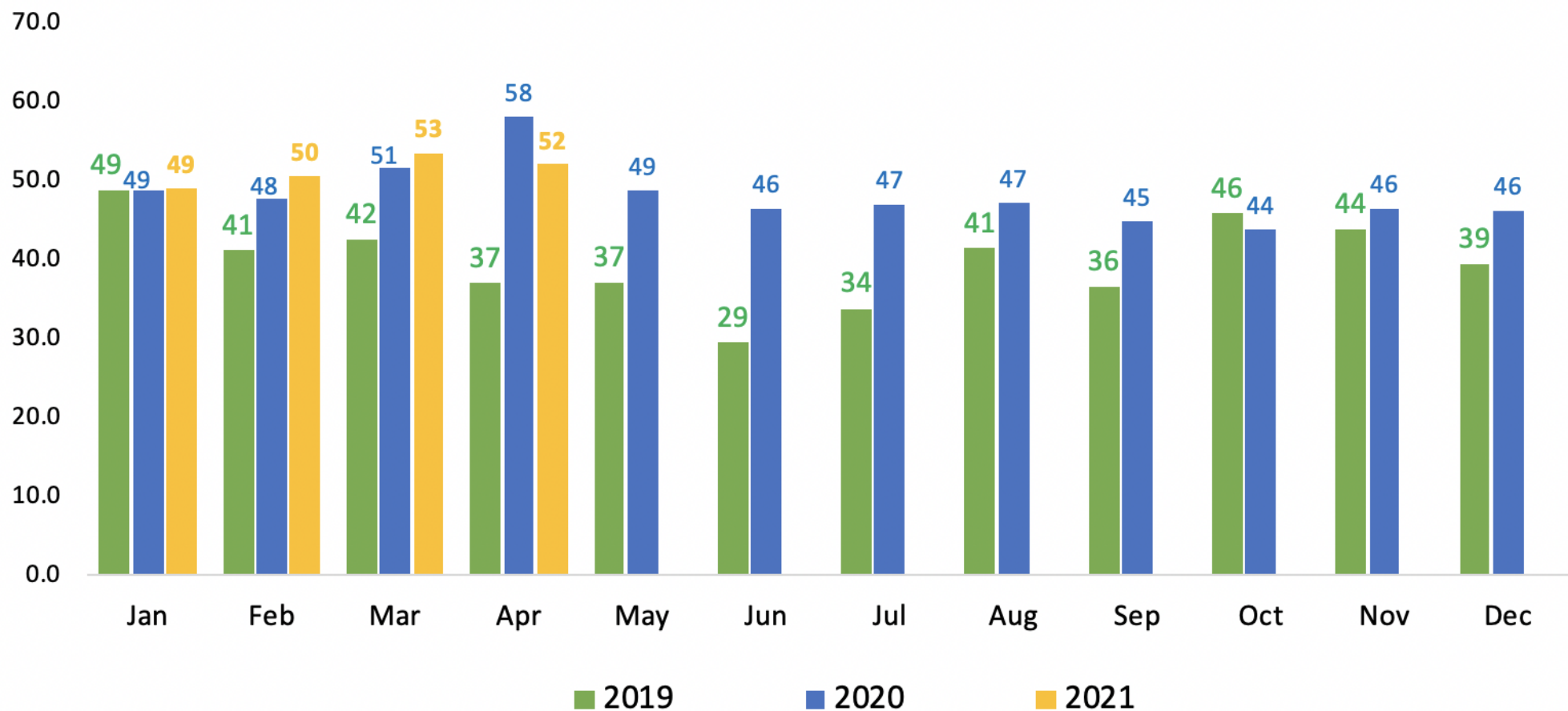
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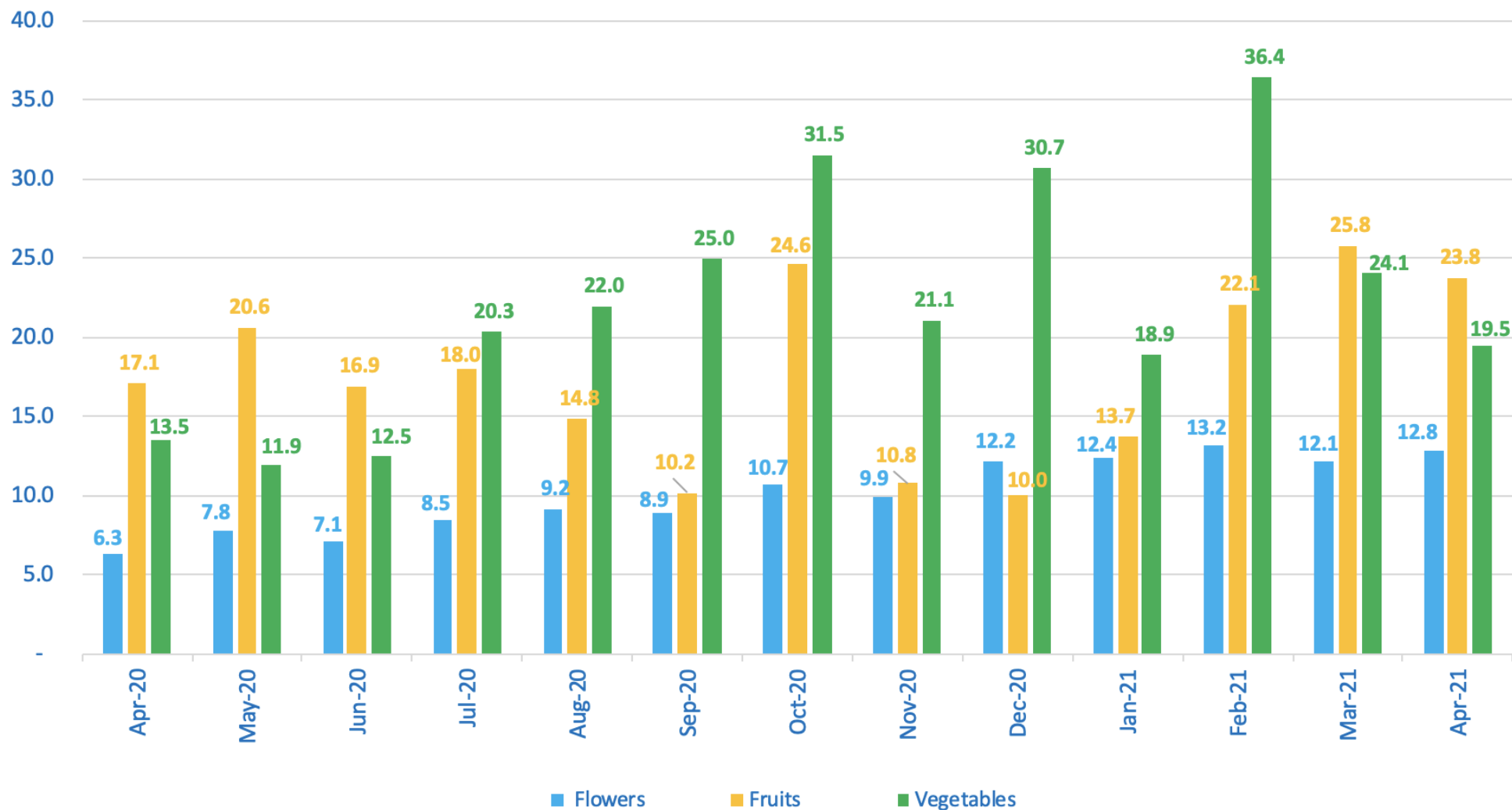
## Exports of goods, January to April (USD Million)



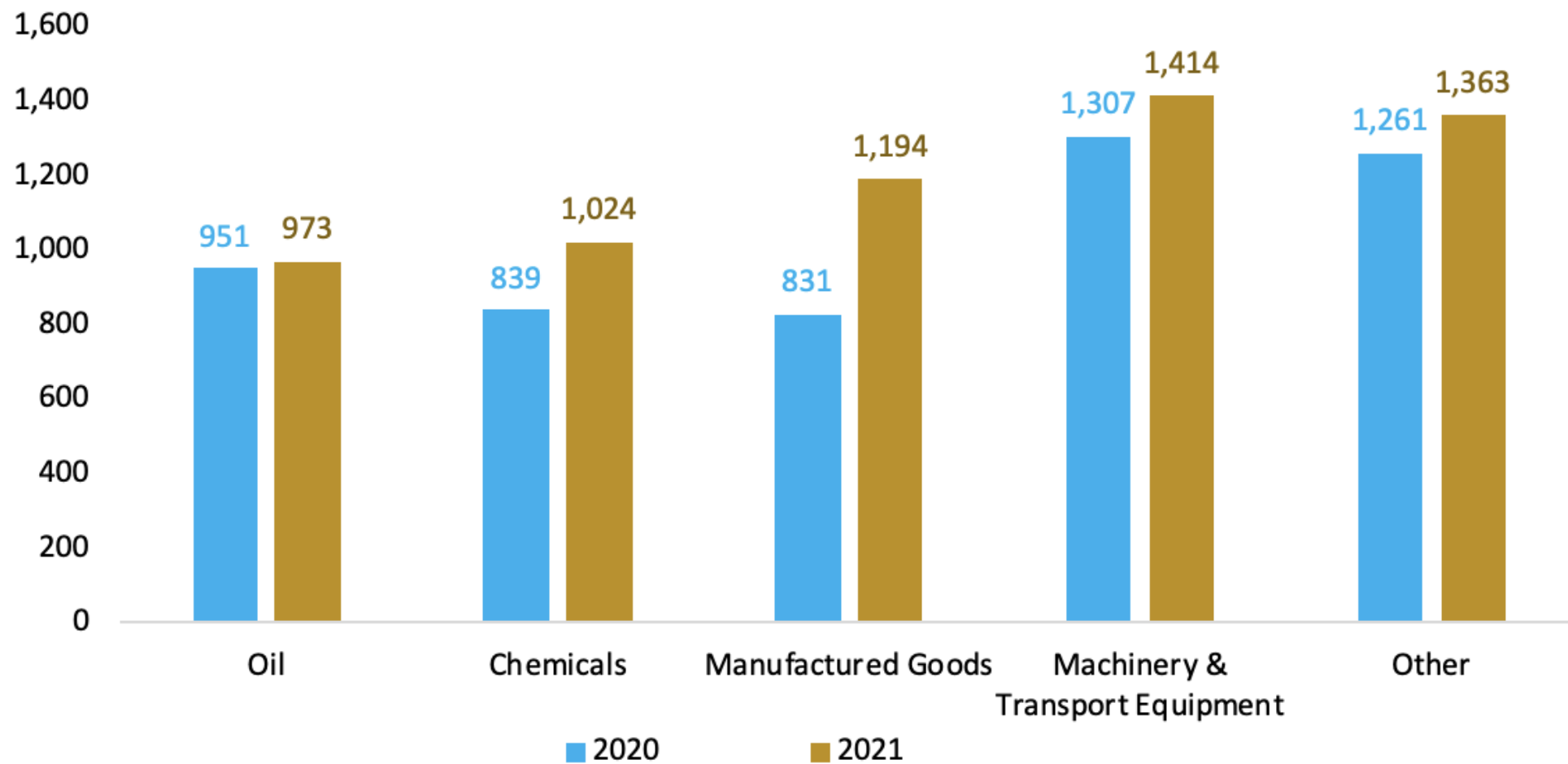
## Volume of tea exports (million kgs)



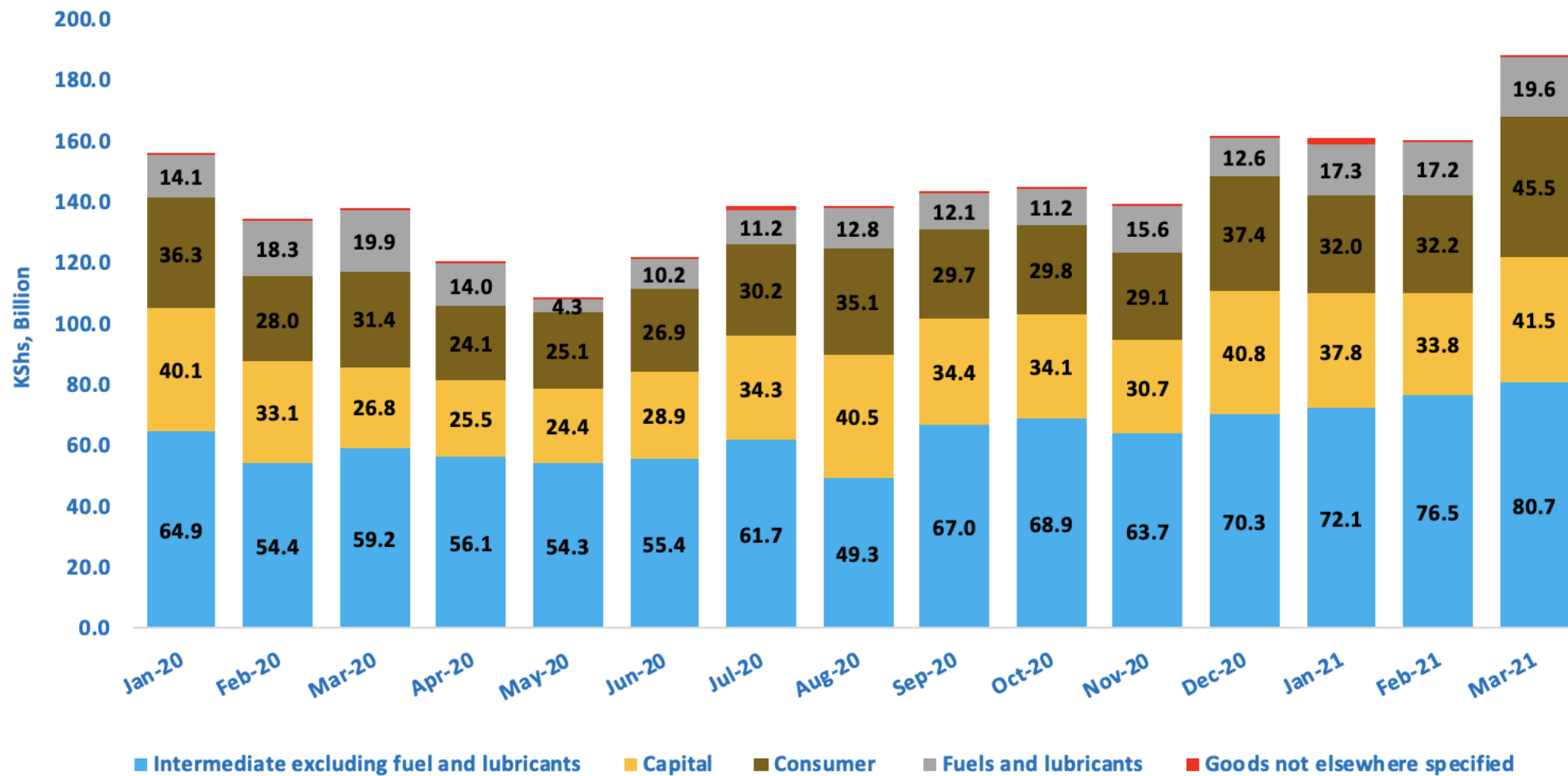
## Volumes of horticultural exports (Million Metric tonnes)



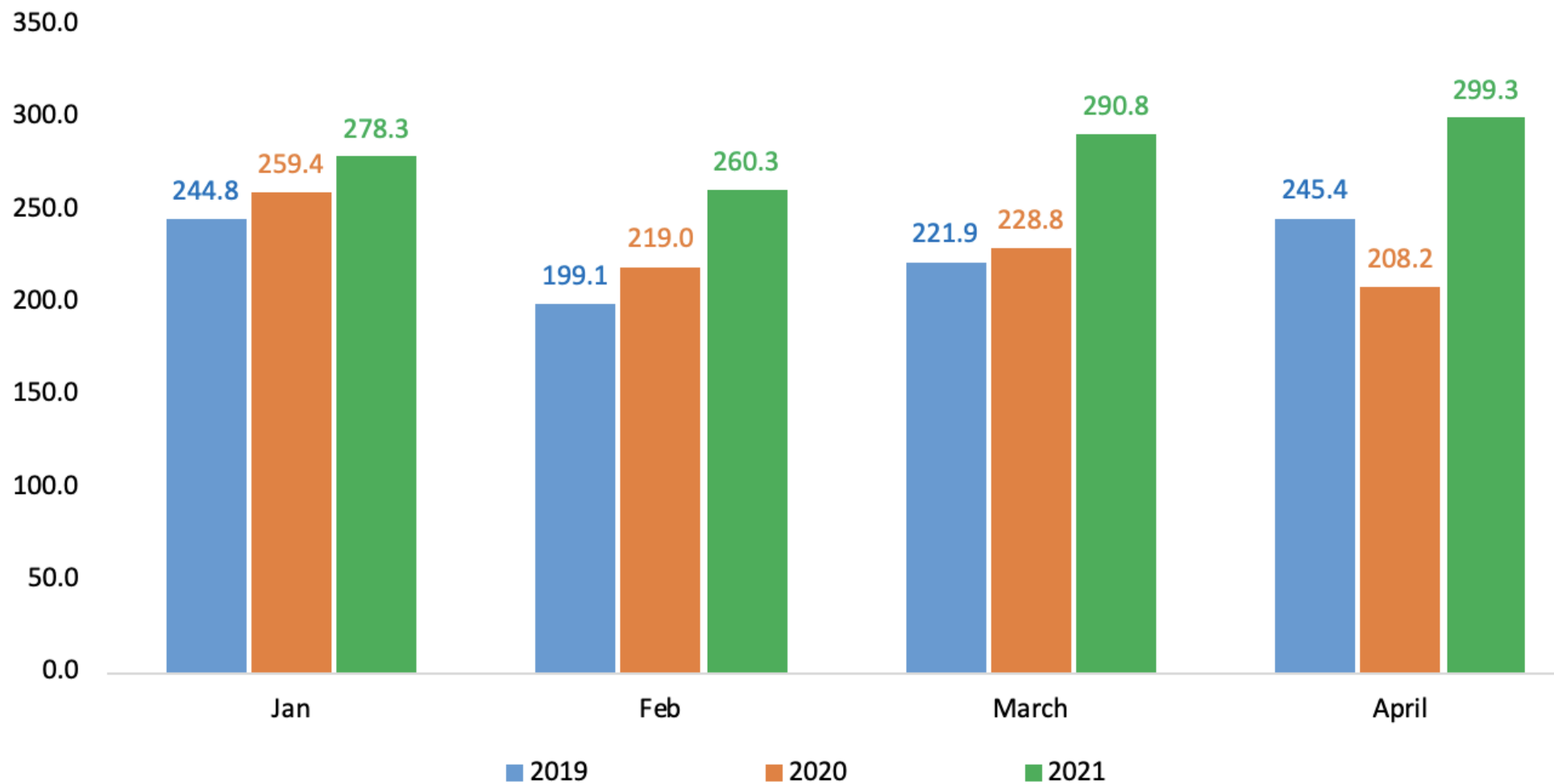
## Imports of goods, January to April (USD Million)



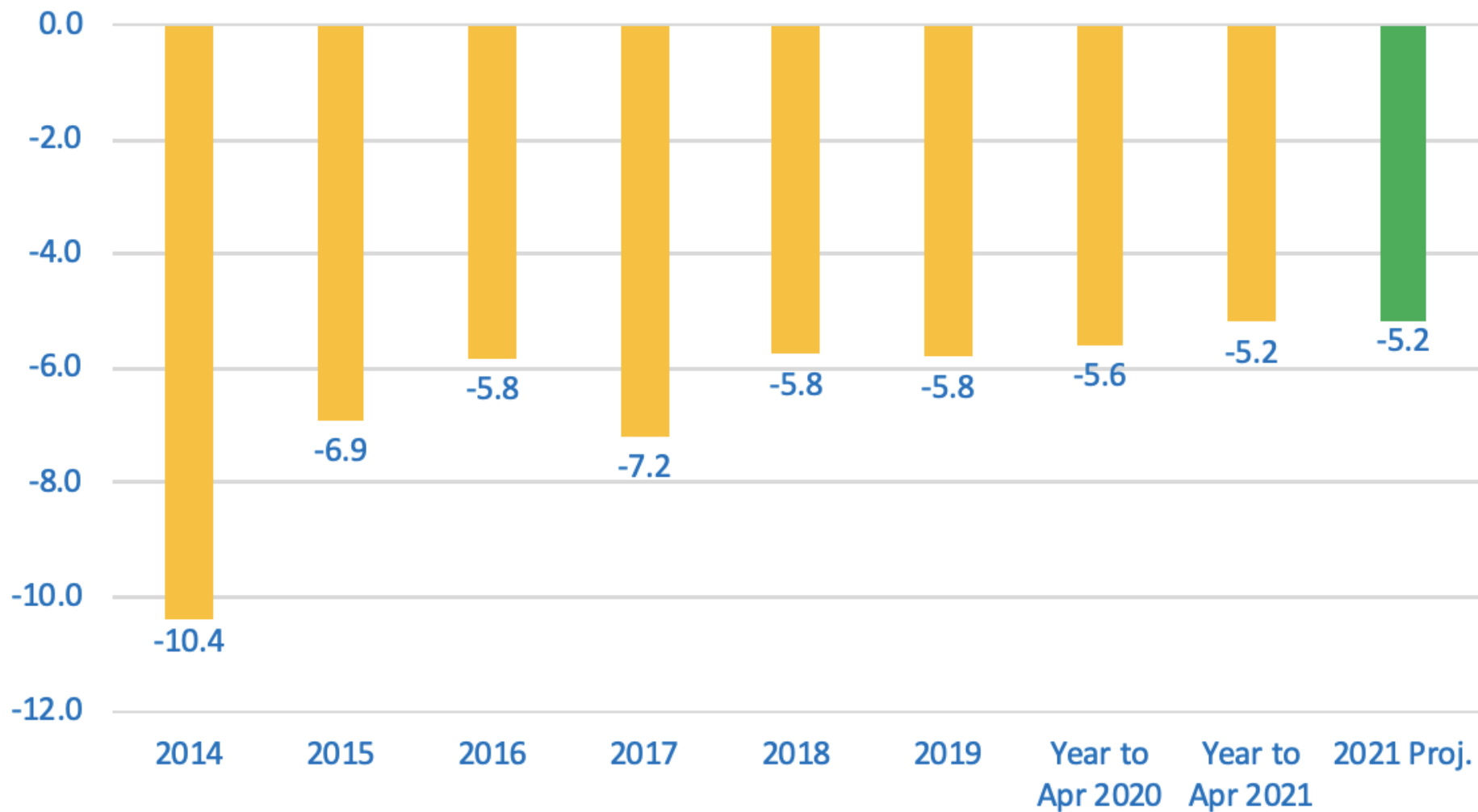
## Monthly imports (Ksh Billion)



## Monthly diaspora remittance flows (USD Million)

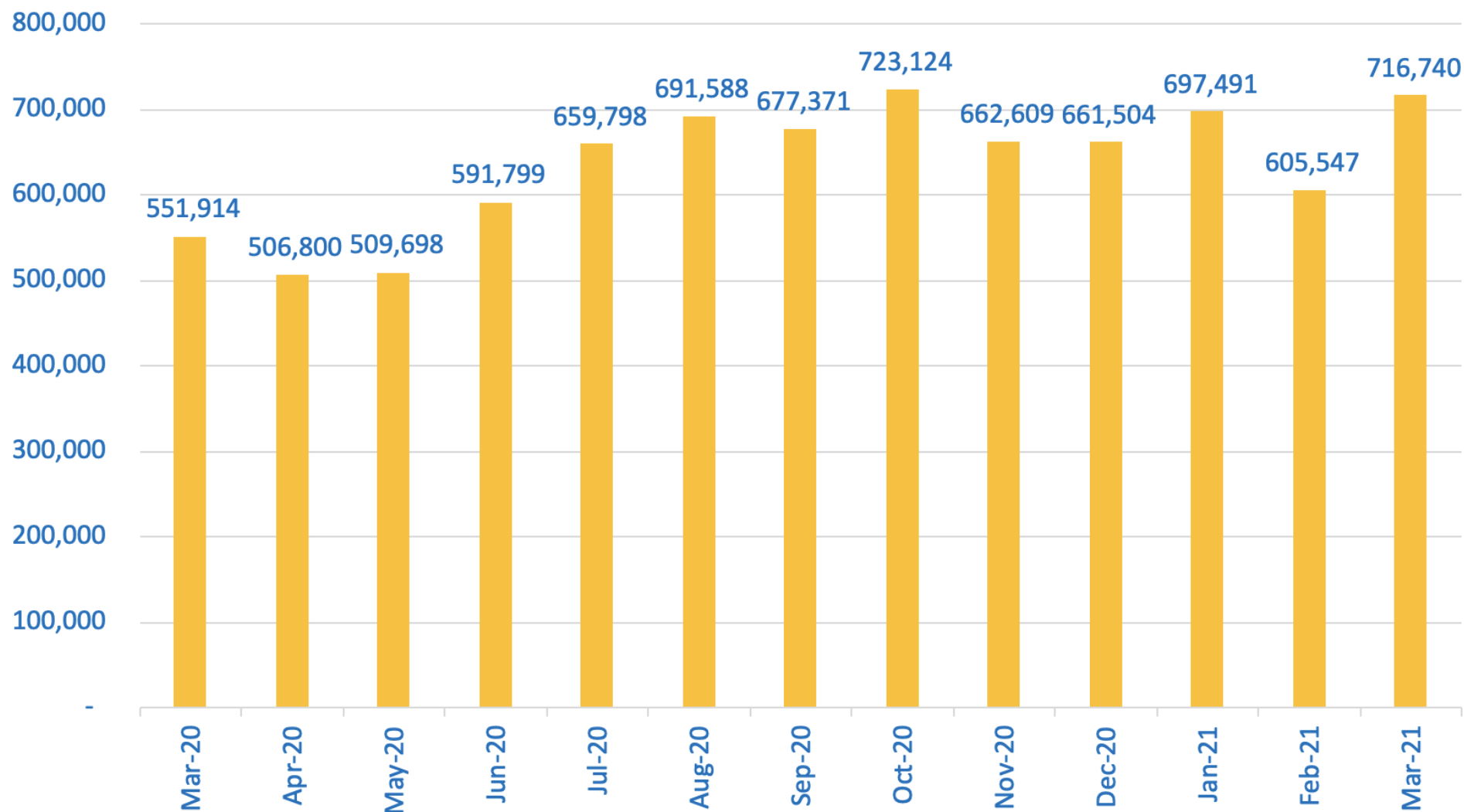


## Current account deficit (percent of GDP)

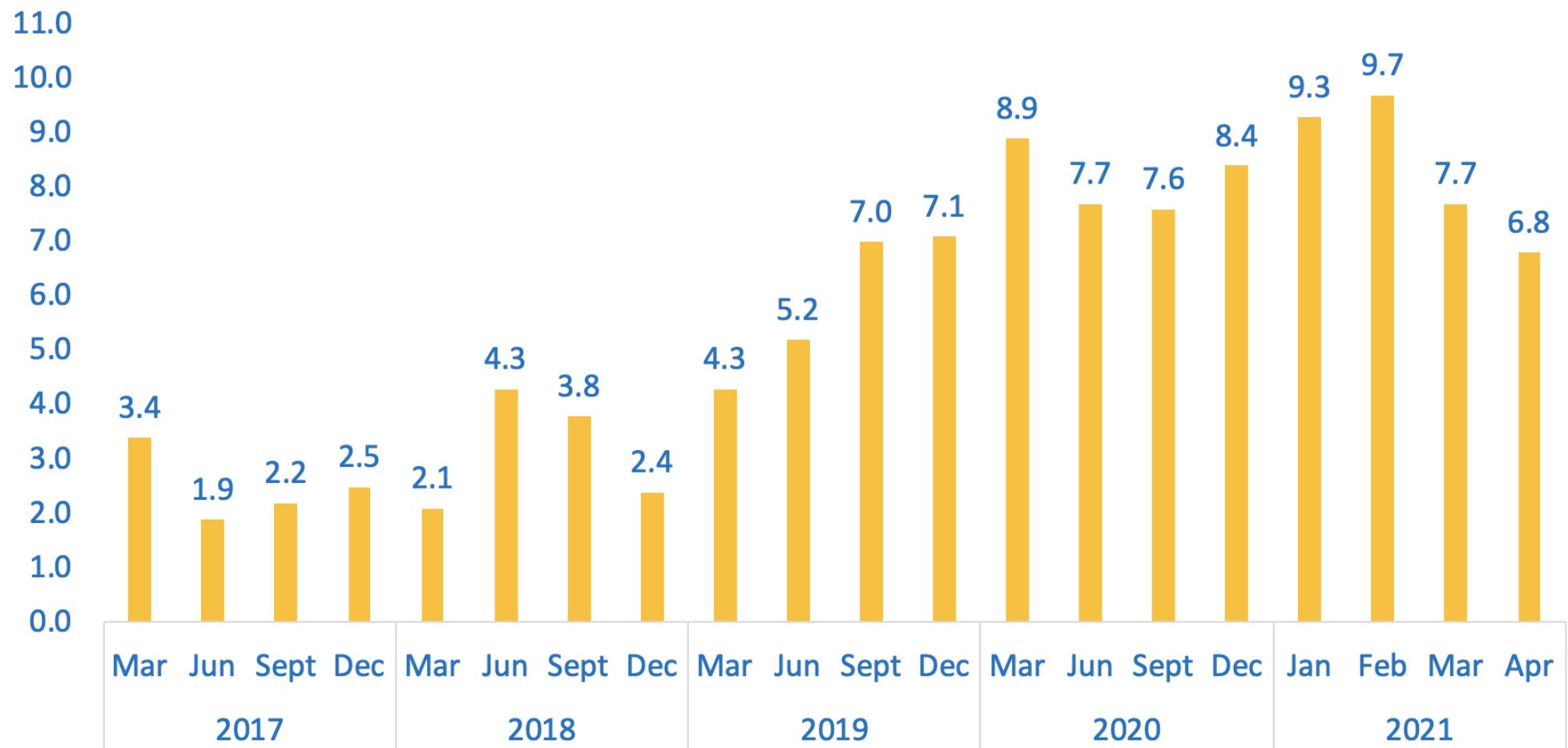




## Cement consumption (Metric tonnes)

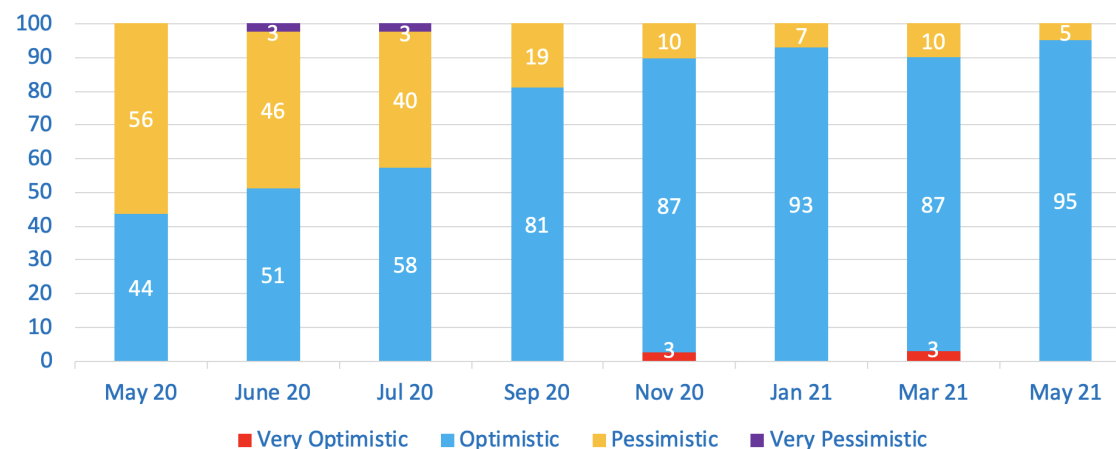


## 12 month growth in credit to the private sector (percent)

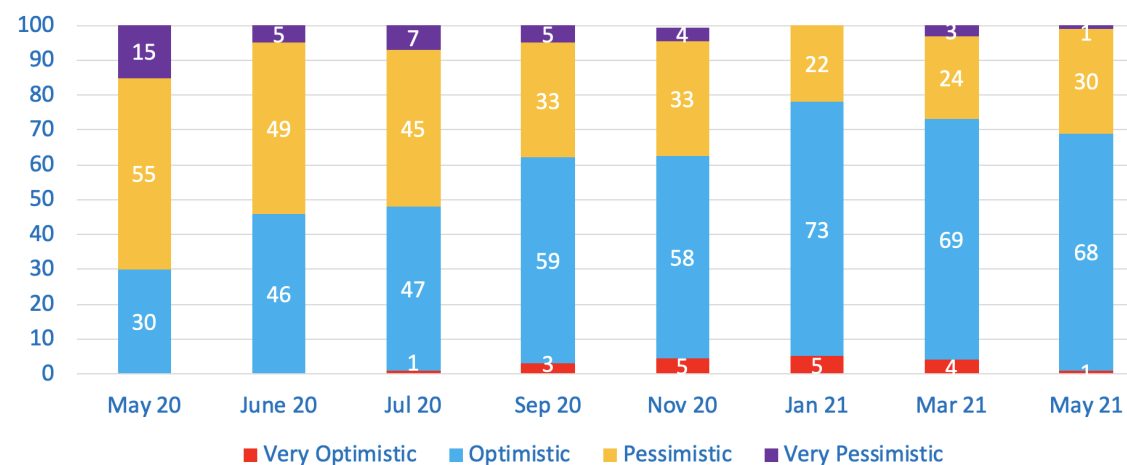


# MPC Market Perceptions Survey (May 2021)

## Optimism by banks (%)



## Optimism by non-bank private sector firms (%)



# Business Confidence/Optimism (Next 12 Months)

The May 2021 CEOs Survey shows that most businesses are optimistic about growth prospects of their companies, sectors and the global economy.

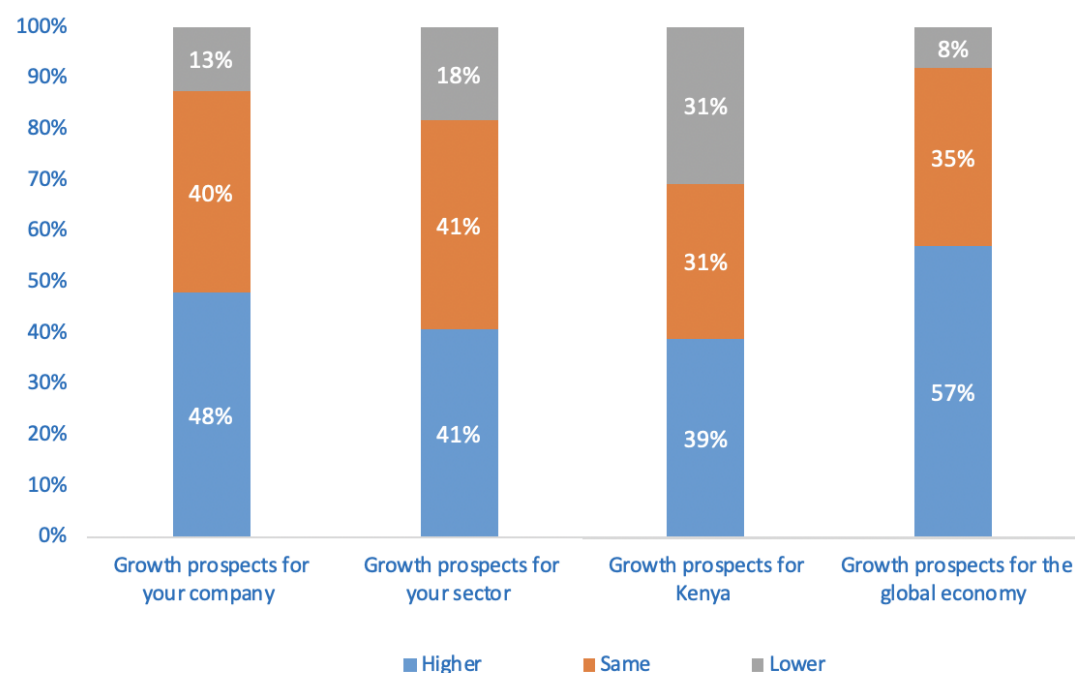
Growth prospects for Company, Sector and global economy hinged on several factors:

- CEOs expect a post COVID-19 bounce back with the reopening of economies.
- The shift to a digital world expected to propel businesses and economies.
- Expectations of better exports with improved EAC relations

However, responding CEOs were concerned about:

- COVID-19 situation still unfolding
- Reduced purchasing power, likely tax increases could further erode purchasing power.
- Effects of increasing commodity prices particularly fuel.

**Business confidence/optimism in growth prospects  
(percent of respondents)**



## Business Activity (Q2 2021 compared to Q1 2021)

Generally, most respondent CEOs indicated that:

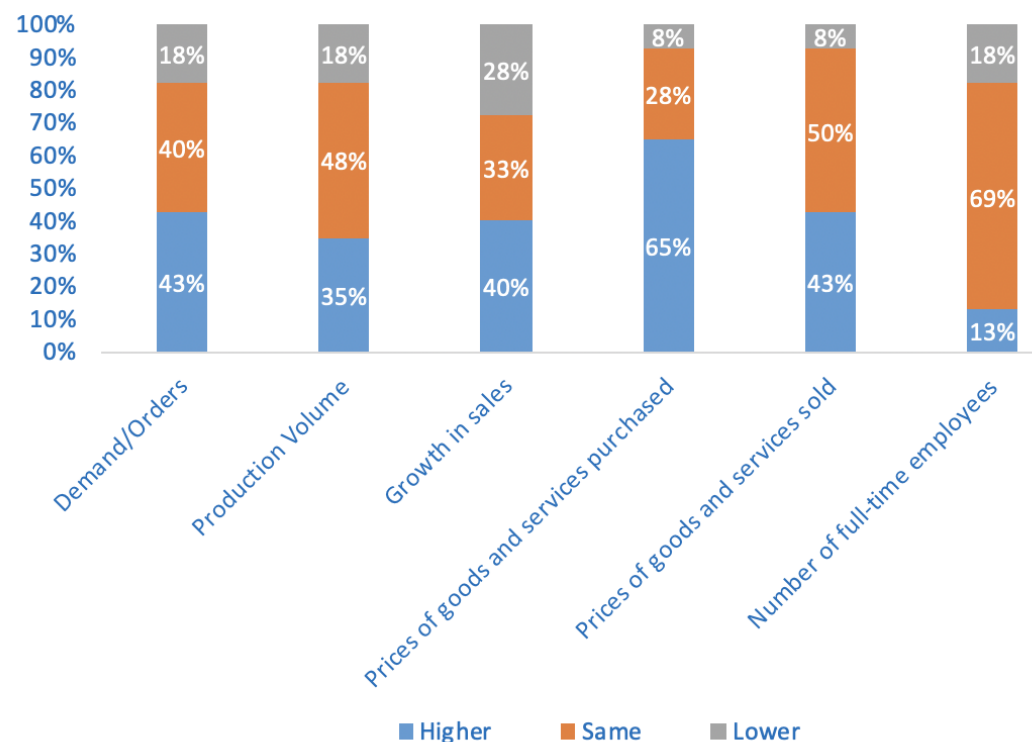
- Demand/orders and growth in sales are slowly edging up especially with easing of lockdowns.
- However, there were concerns over delayed payments

Majority of respondents witnessed higher prices of goods and services purchased

- Rising taxes and fuel prices in the coming months
- High freight costs making the cost of production the highest witnessed in years due to high material costs.
- General upward trend in prices of many imported goods.

Most CEOs reported that the number of employees has remained the same between Q1 and Q2 of 2021.

**Business activity in Q2 2021 compared to Q1 2021  
(percent of respondents)**



# Outlook on Business Activity (Q3 2021 compared to Q2 2021)

Overall, respondent CEOs expect stronger business activity in Q3 2021 compared to Q2 2021.

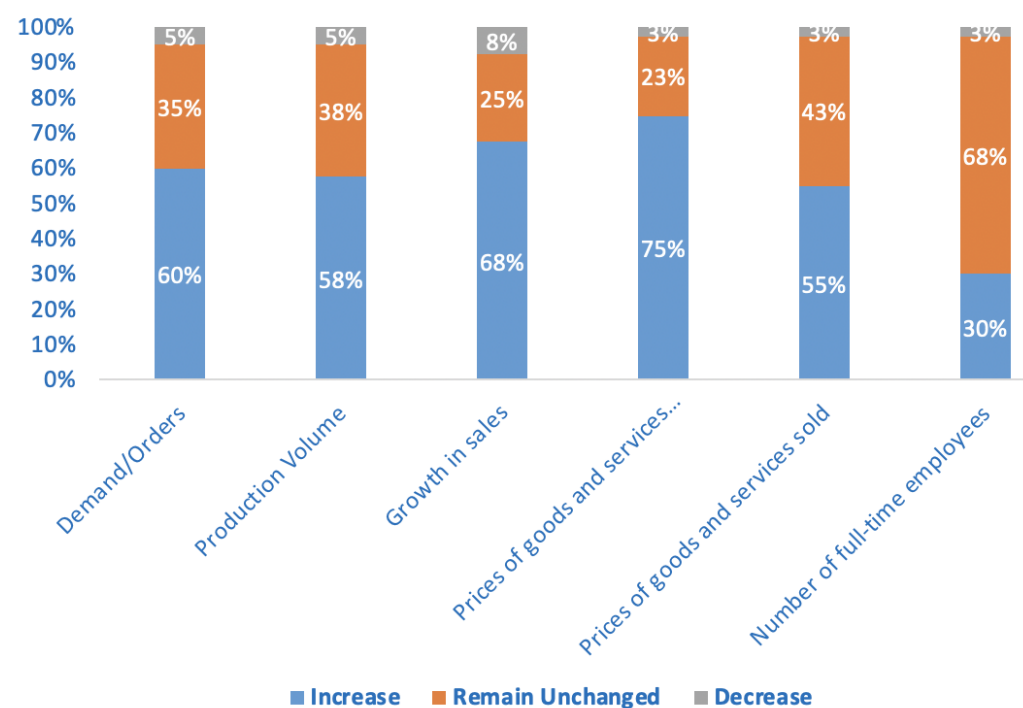
- Respondents expect an increase in all business activity indicators except the number of employees.
- General improvement in the overall business climate.

Number of full-time employees is expected to remain the same for 68% of respondents

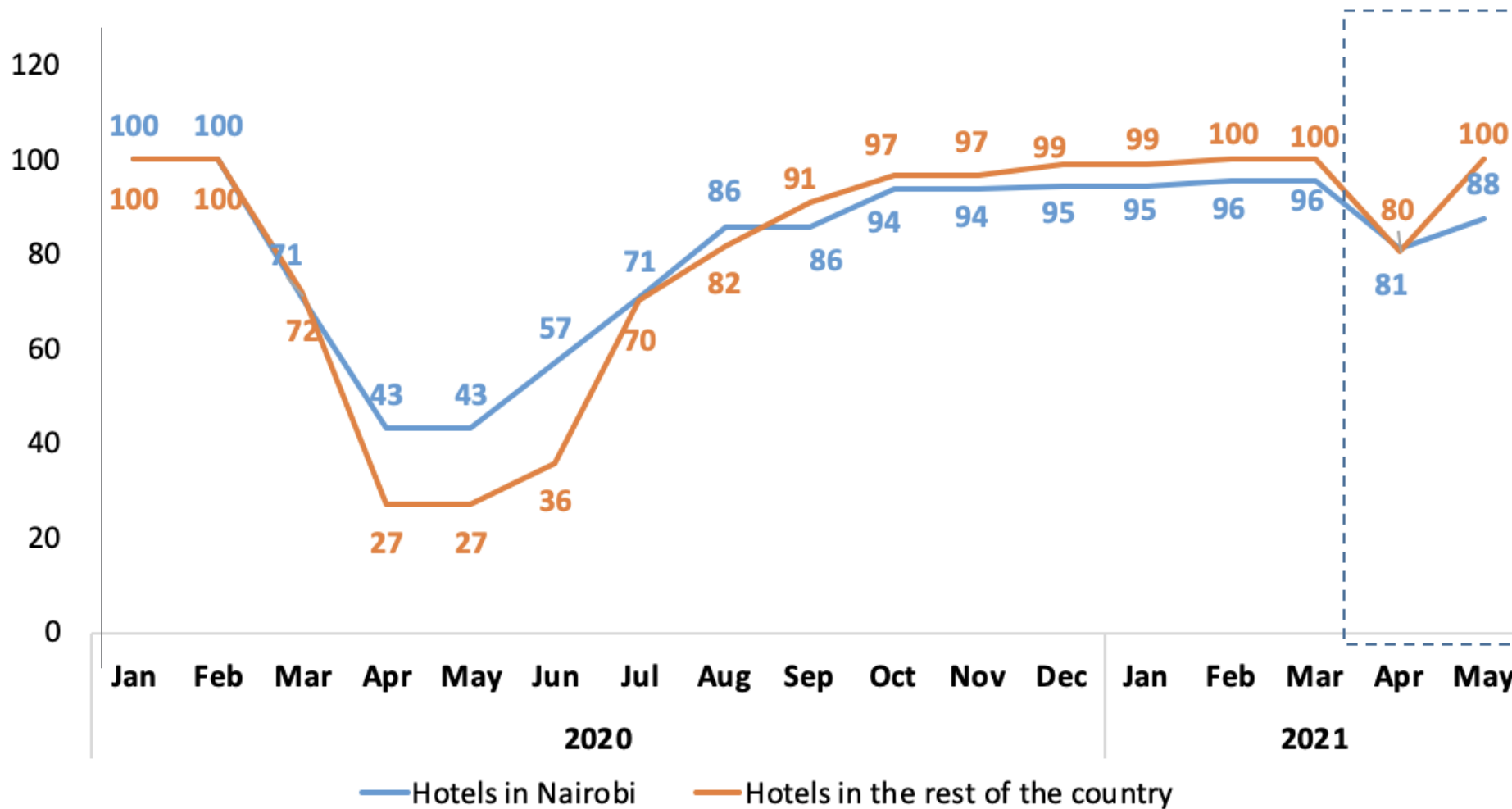
However, some respondents expected decreased growth in sales:

- Traditional slowdown in business in the year preceding an election.
- Delayed government payments

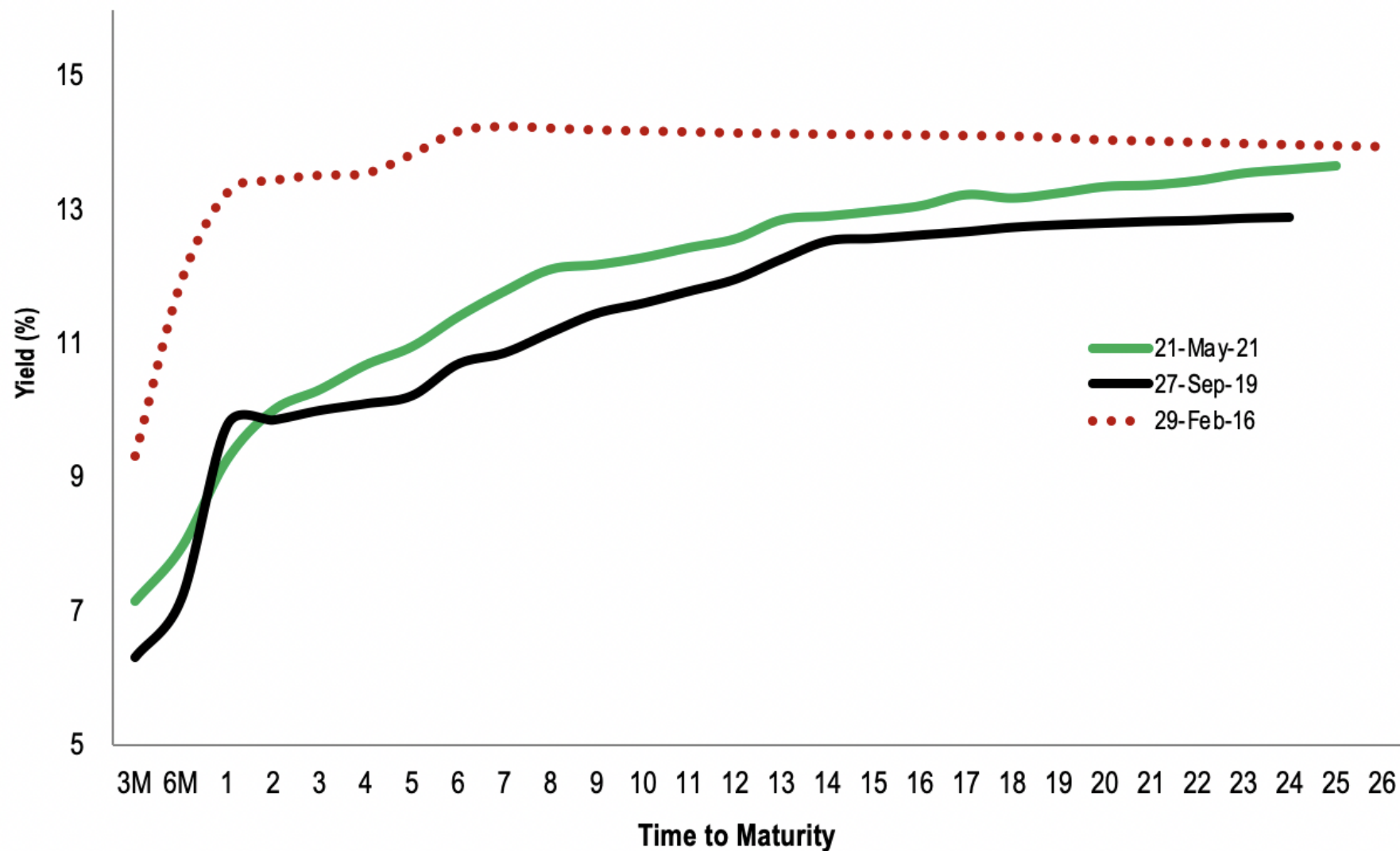
Business outlook for Q3 2021 compared to Q2 2021 (percent of respondents)



## Hotels in operation (percent of hotels that responded)



# Government securities yield curve



- Stable and well-priced yield curve



*Thank You!*

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