



**Central Bank of Kenya**

# **MONETARY POLICY COMMITTEE MEETING BACKGROUND INFORMATION**

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Thursday, July 28, 2022

Dr. Patrick Njoroge

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[WWW.CENTRALBANK.GO.KE](http://WWW.CENTRALBANK.GO.KE)

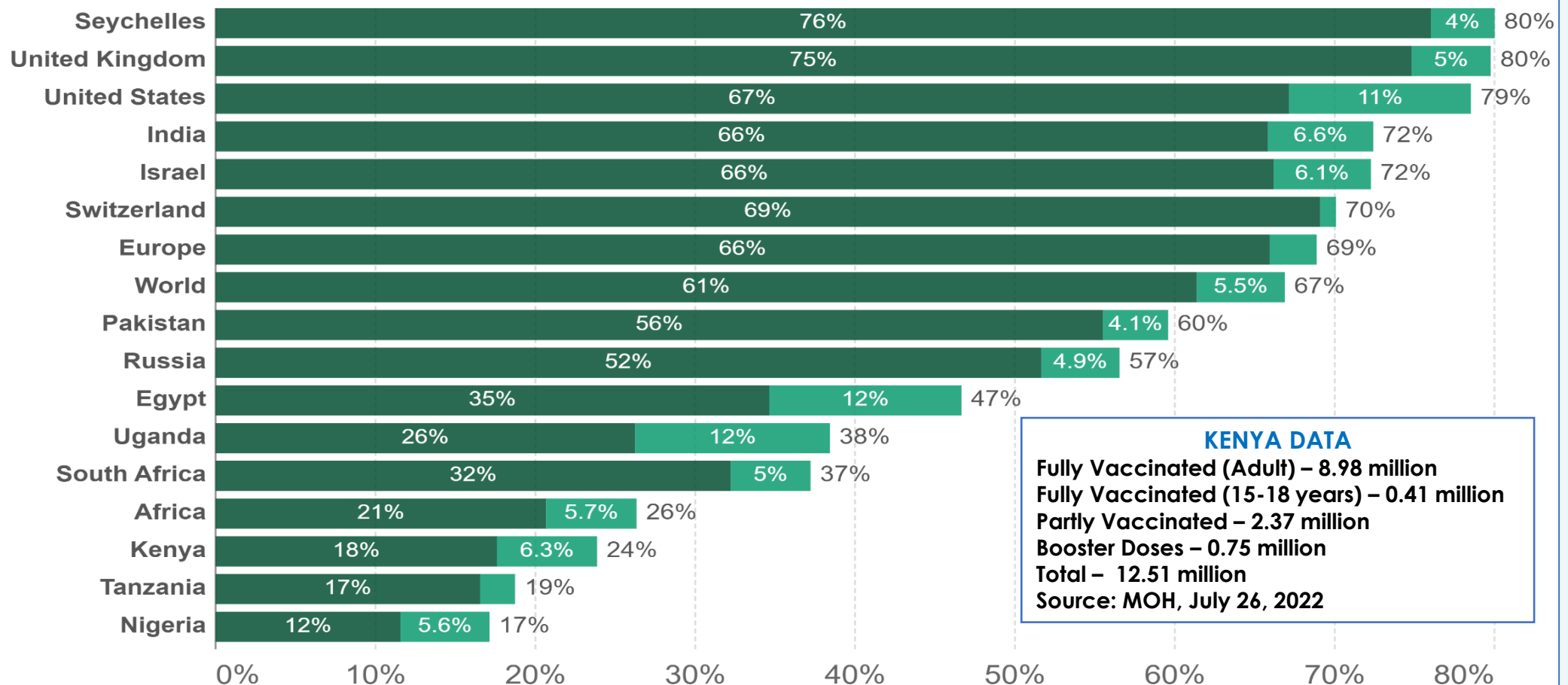
# COVID-19 pandemic:

Vaccination efforts have increased across countries

## Share of people vaccinated against COVID-19, Jul 19, 2022

Our World  
in Data

■ Share of people with a complete initial protocol ■ Share of people only partly vaccinated



### KENYA DATA

Fully Vaccinated (Adult) – 8.98 million  
 Fully Vaccinated (15-18 years) – 0.41 million  
 Partly Vaccinated – 2.37 million  
 Booster Doses – 0.75 million  
 Total – 12.51 million  
 Source: MOH, July 26, 2022

Source: Official data collated by Our World in Data

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# Global growth outlook:

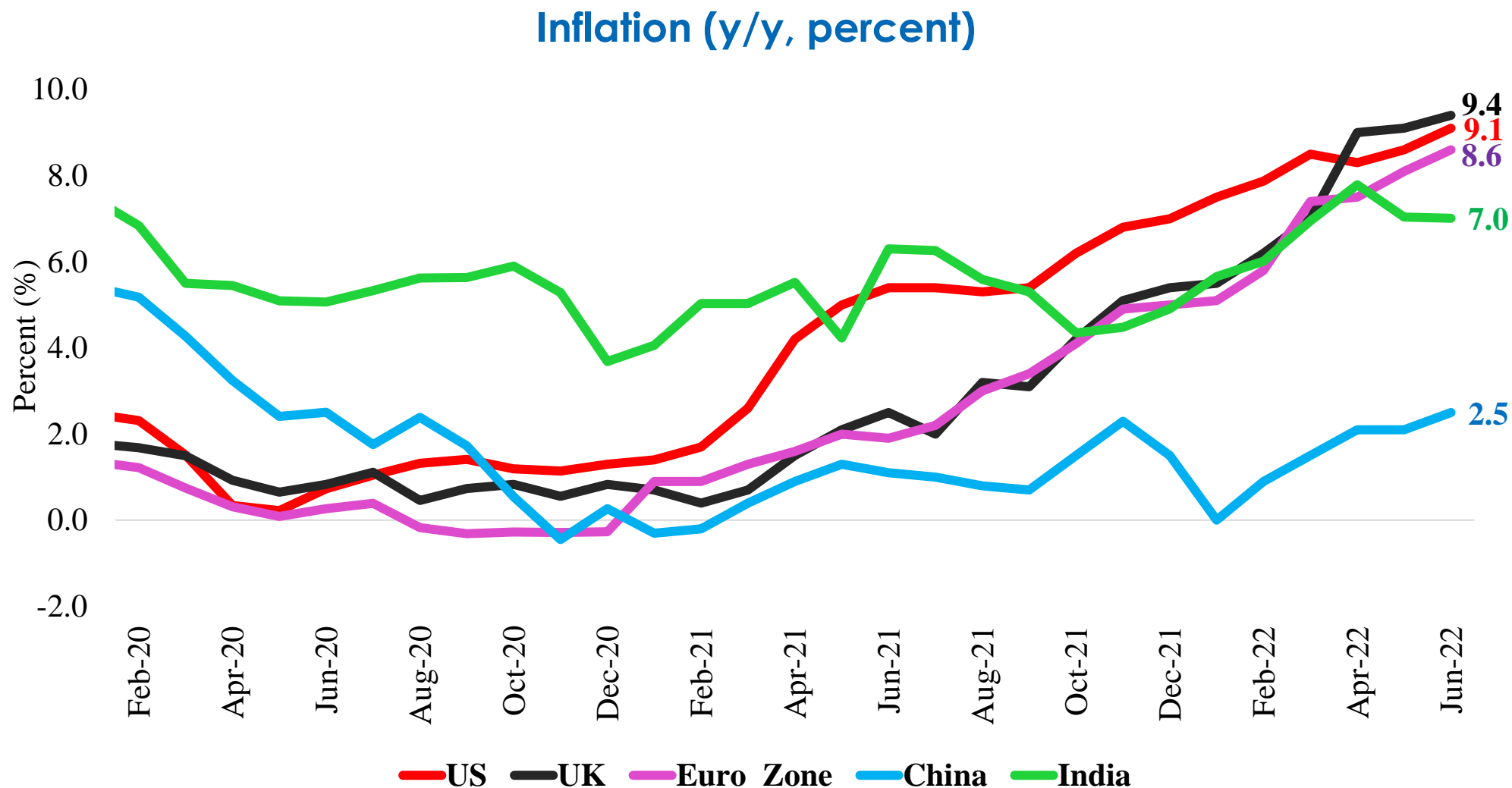
## A weaker global growth expected in 2022

### Real GDP Growth (y/y, percent)

	2021 Act.	2022 Proj.		
		July 2022 WEO	Difference from Apr. 2022 WEO	Difference from Jan. 2022 WEO
<b>World</b>	<b>6.1</b>	<b>3.2</b>	<b>-0.4</b>	<b>-1.2</b>
<b>Advanced Economies</b>	<b>5.2</b>	<b>2.5</b>	<b>-0.8</b>	<b>-1.4</b>
United States	5.7	2.3	-1.4	-1.7
United Kingdom	7.4	3.2	-0.5	-1.5
Japan	1.7	1.7	-0.7	-1.6
Euro area	5.4	2.6	-0.2	0.1
<b>Emerging Market and Developing Economies</b>	<b>6.8</b>	<b>3.6</b>	<b>-0.2</b>	<b>-1.2</b>
China	8.1	3.3	-1.1	-1.5
India	8.7	7.4	-0.8	-1.6
Russia	4.7	-6.0	2.5	-8.8
<b>Sub-Saharan Africa</b>	<b>4.6</b>	<b>3.8</b>	<b>0.0</b>	<b>0.1</b>
South Africa	4.9	2.3	0.4	0.4
Nigeria	3.6	3.4	0.0	0.7
Kenya	7.5	5.7	0.0	0.0

Source: IMF World Economic Outlook

## Global inflation: Inflationary pressures remain elevated

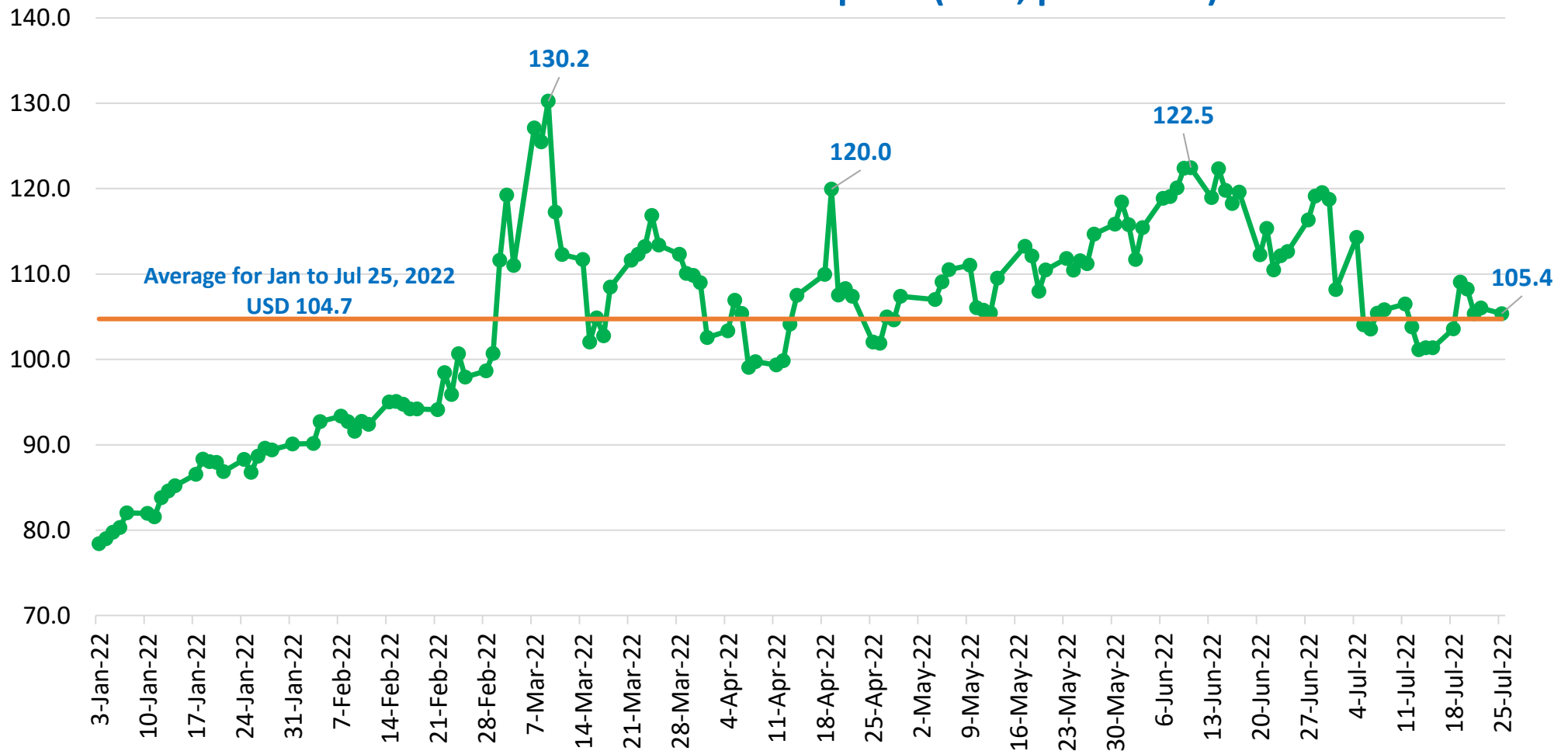


Source: Websites of respective countries

# International crude oil prices:

## The prices of oil have moderated

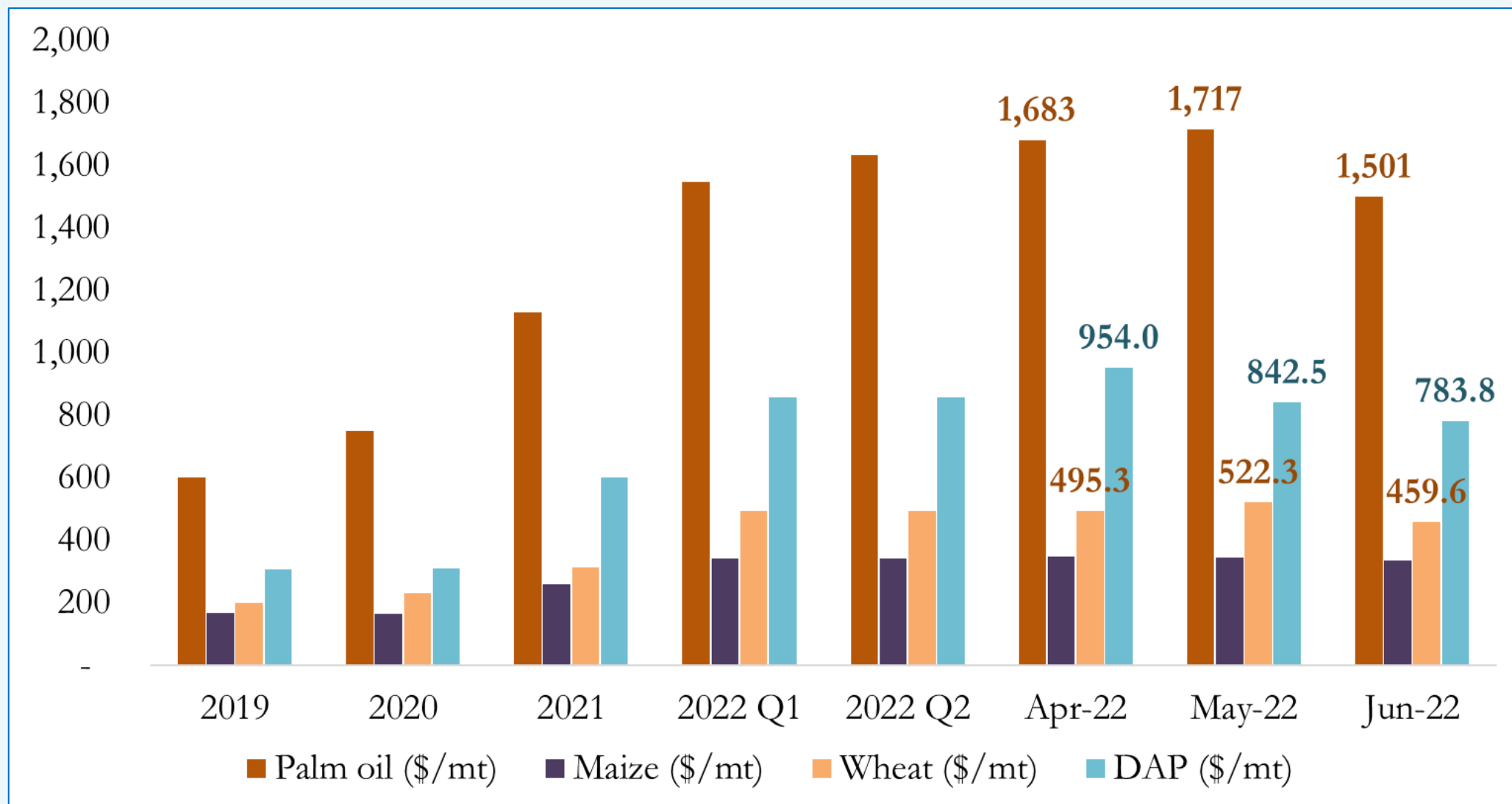
Murban oil price (USD, per barrel)



Source: Oilprice.com

## Global commodity prices:

Prices of palm oil, fertilizer (DAP), and wheat have moderated



Source: World Bank Commodity Prices



## The balancing act for every Central Bank...

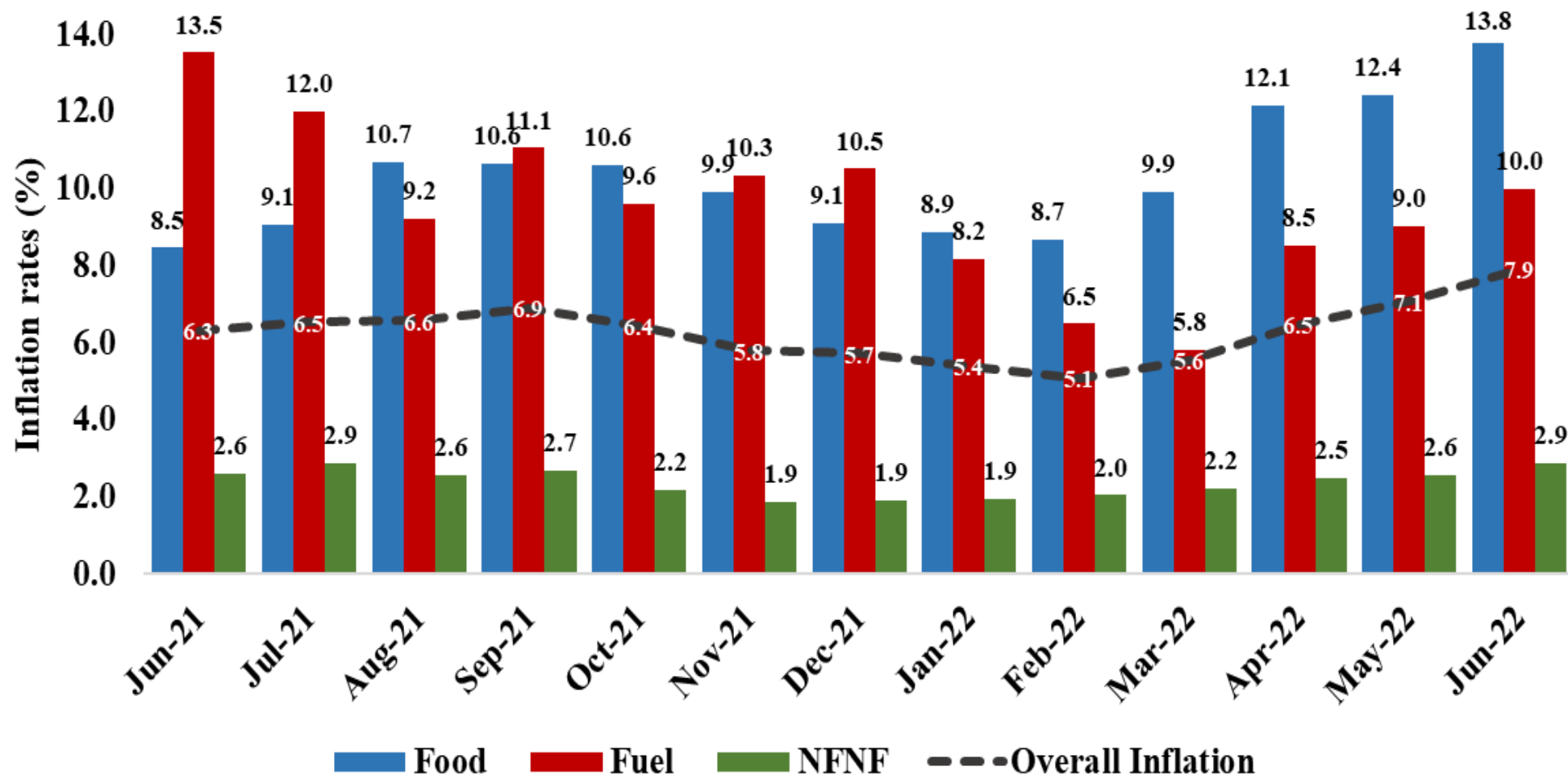
The path ahead is narrow and the balancing act centres on the financial-real economy nexus



# Domestic inflation:

## Inflation increased in June 2022

Inflation by broad category (y/y, percent)



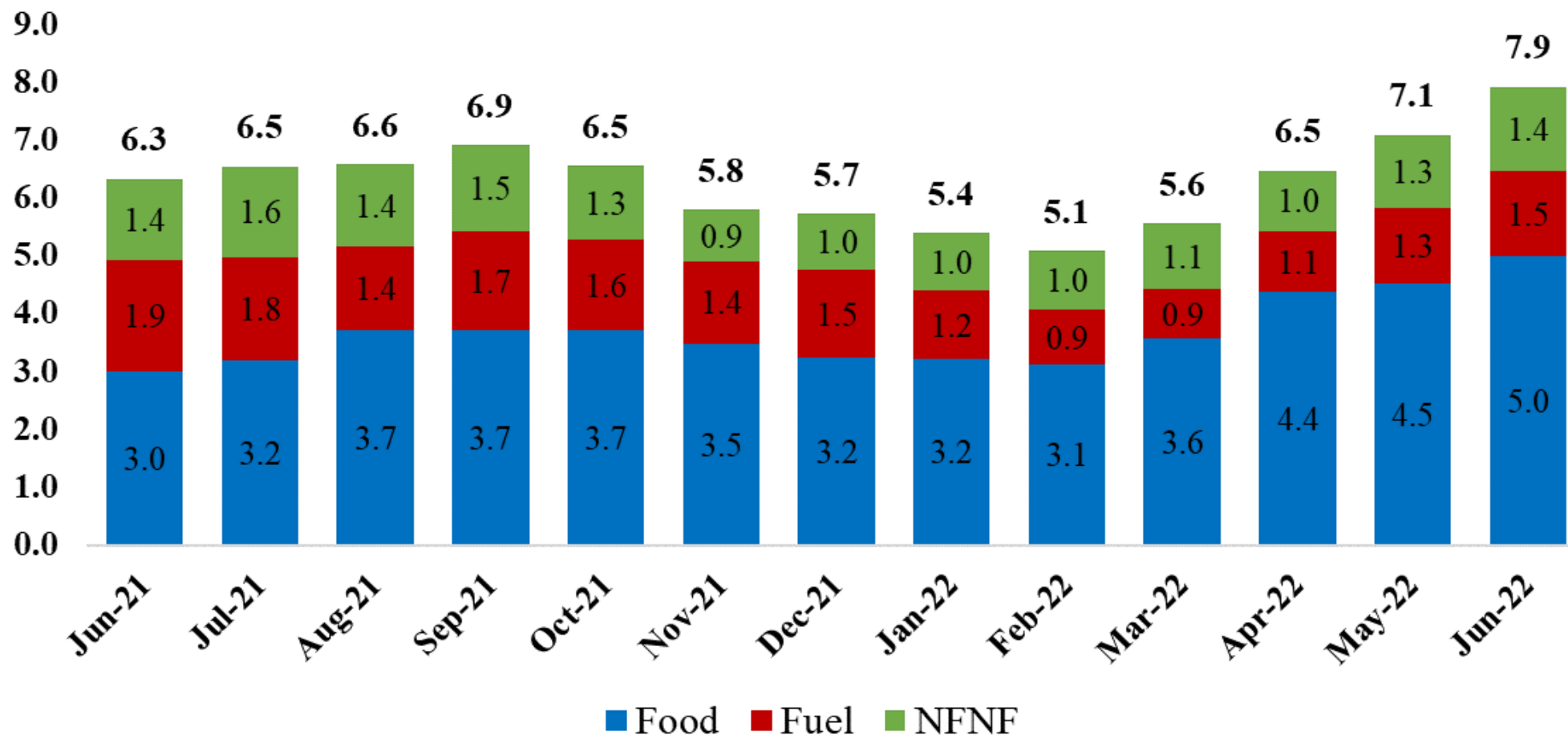
Source: KNBS and CBK



## Domestic inflation:

Food and fuel prices are the main drivers of inflation

### Contributions to Overall Inflation (percentage points)

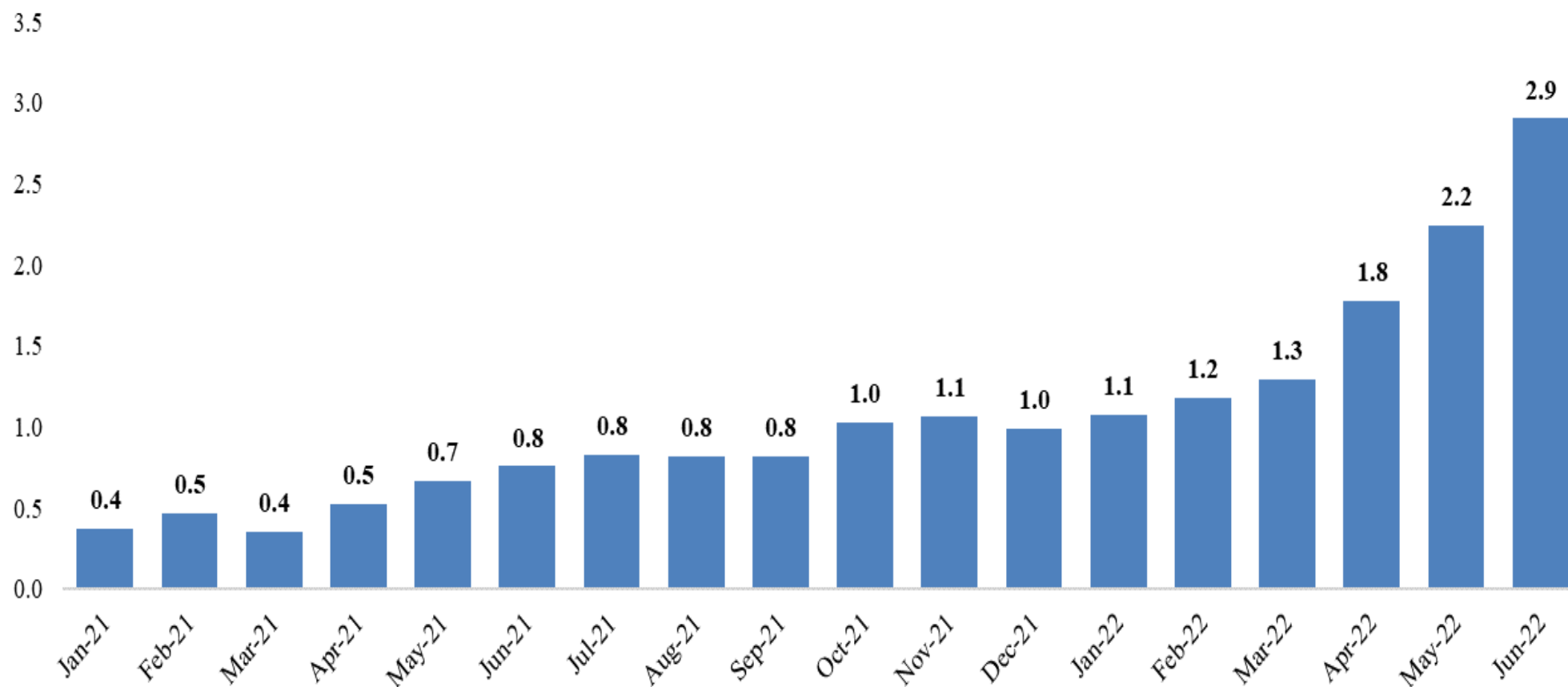


Source: KNBS and CBK

## Food inflation:

Wheat, maize, milk and edible oils are the key drivers of food inflation

### Contribution of wheat, maize, milk and edible oils to Overall Inflation (percentage points)



Source: KNBS and CBK

1. Subsidizing pump prices through the Petroleum Development Levy Fund.
2. Reduction in electricity tariff by 15 percent to lower cost of power.
3. Granting waiver of import duty on 540,000 metric tonnes of white maize imported into the country before 22<sup>nd</sup> August 2022. This date has since (July 21, 2022) been extended to 30<sup>th</sup> September 2022.
4. Implemented Fertiliser Subsidy - to farmers during the April planting season (Ksh 3.0 billion) and a further Ksh 2.7 billion for the next planting season in October 2022.
5. 14<sup>th</sup> July 2022: Further waived for a period of 3 months, the Railway Development Levy and the Import Declaration Fee on the importation of the gazetted white maize.
6. 18<sup>th</sup> July 2022: Subsidised retail prices of sifted maize flour through the Maize Flour Subsidy Programme, 2022, by paying Ksh 105 for every 2 kg packet of Maize Flour Packet so that the packet retails at Ksh 100.
7. Reduced the VAT rate on LPG from 16% to 8% in the Finance Act, 2022

# Domestic economy:

Economic growth is expected to remain strong in 2022

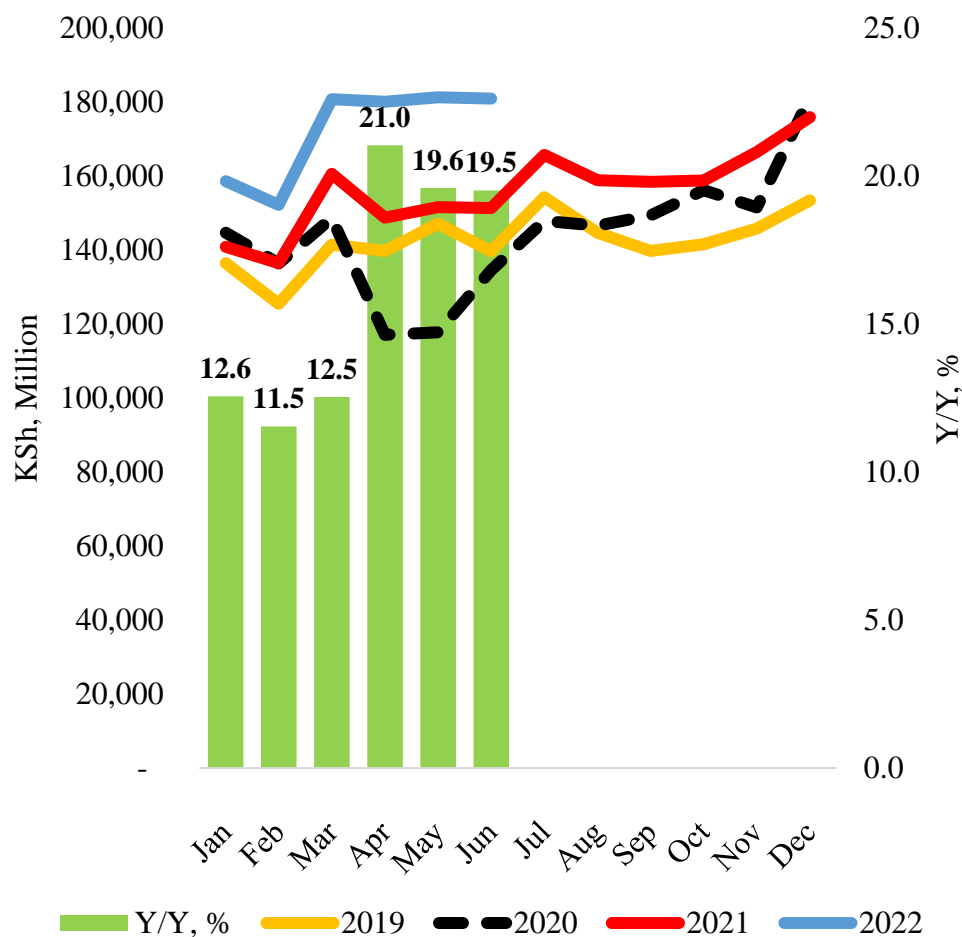
Real GDP growth (y/y, percent)							
	2018	2019	2020	2021	2022		
					Q1	Q2 Est.	Annual Proj.
<b>1. Agriculture</b>	<b>5.7</b>	<b>2.7</b>	<b>4.8</b>	<b>-0.2</b>	<b>-0.7</b>	<b>1.3</b>	<b>1.0</b>
<b>2. Non-Agriculture (o/w)</b>	<b>5.6</b>	<b>5.7</b>	<b>-0.7</b>	<b>9.4</b>	<b>8.7</b>	<b>5.6</b>	<b>6.4</b>
<b>2.1 Industry</b>	<b>3.8</b>	<b>4.0</b>	<b>4.0</b>	<b>7.2</b>	<b>5.5</b>	<b>4.6</b>	<b>4.8</b>
Mining & Quarrying	-4.8	4.3	6.7	18.0	22.1	12.1	11.8
Manufacturing	3.6	2.6	-0.1	6.9	3.7	3.2	3.5
Electricity & water supply	3.6	1.7	0.1	5.0	1.9	5.7	4.8
Construction	6.1	7.2	11.8	6.6	6.4	4.9	5.2
<b>2.2 Services</b>	<b>6.1</b>	<b>6.5</b>	<b>-2.2</b>	<b>9.8</b>	<b>9.2</b>	<b>5.4</b>	<b>6.5</b>
Wholesale & retail Trade	5.9	5.3	-0.4	7.9	8.7	6.1	6.8
Accommodation & food services	15.6	14.3	-47.7	52.5	56.2	18.2	25.4
Transport & Storage	6.0	6.3	-7.8	7.2	8.1	5.2	6.0
Information & Communication	7.9	7.0	4.8	8.8	6.1	7.6	7.5
Financial & Insurance	2.7	8.1	5.6	12.5	14.4	4.7	7.1
Public administration	7.9	8.4	5.3	5.6	6.4	5.2	5.6
Professional, Admin & Support Services	6.9	6.8	-15.0	5.7	14.9	3.8	6.4
Real Estate	6.5	6.7	4.1	6.7	6.1	4.8	5.4
Education	6.4	5.7	-10.8	21.4	6.2	4.6	5.1
Health	5.4	5.5	6.7	6.0	5.0	5.0	5.0
Other Services	3.3	4.3	-14.2	12.6	11.1	2.3	4.2
FISIM	3.7	9.5	-2.0	5.5	6.4	3.1	3.8
<b>2.3 Taxes on products</b>	<b>5.9</b>	<b>3.9</b>	<b>-7.9</b>	<b>11.9</b>	<b>12.3</b>	<b>9.6</b>	<b>9.0</b>
<b>Real GDP Growth</b>	<b>5.6</b>	<b>5.1</b>	<b>-0.3</b>	<b>7.5</b>	<b>6.8</b>	<b>4.7</b>	<b>5.4</b>

Source: Kenya National Bureau of Statistics and Central Bank of Kenya

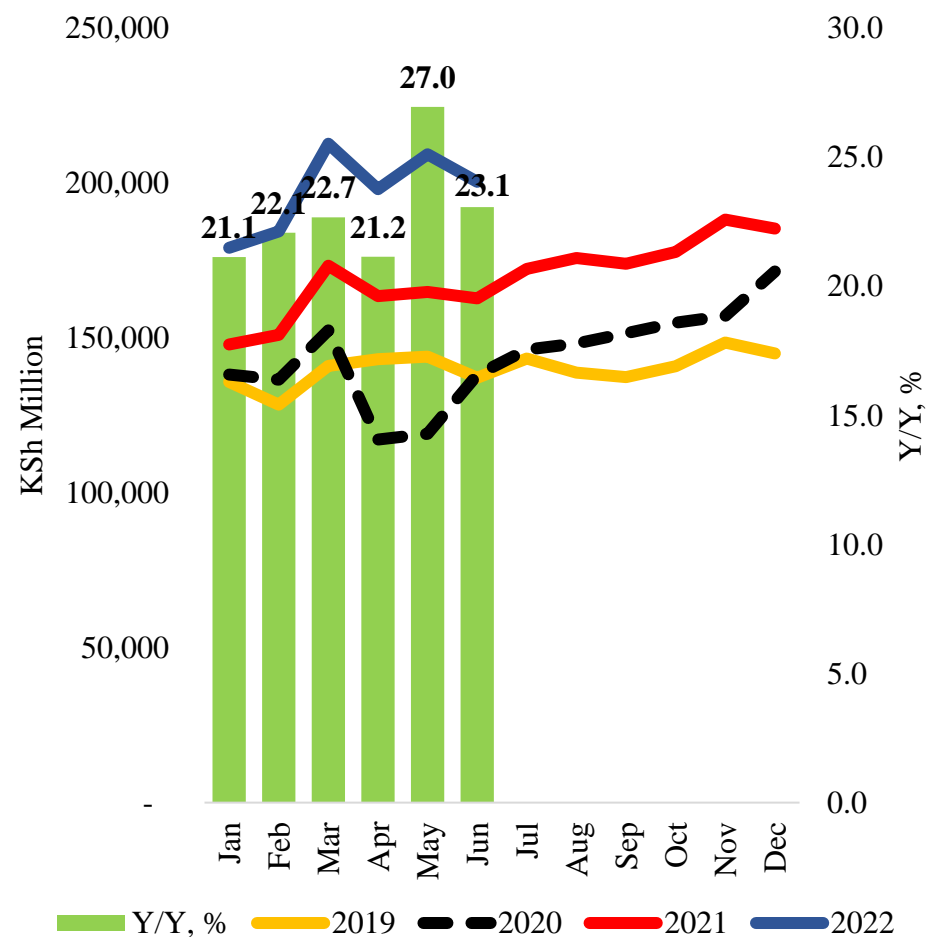
# Sales turnover:

Strong activity in wholesale and retail trade, and manufacturing sectors

## Wholesale and Retail Trade



## Manufacturing Sector

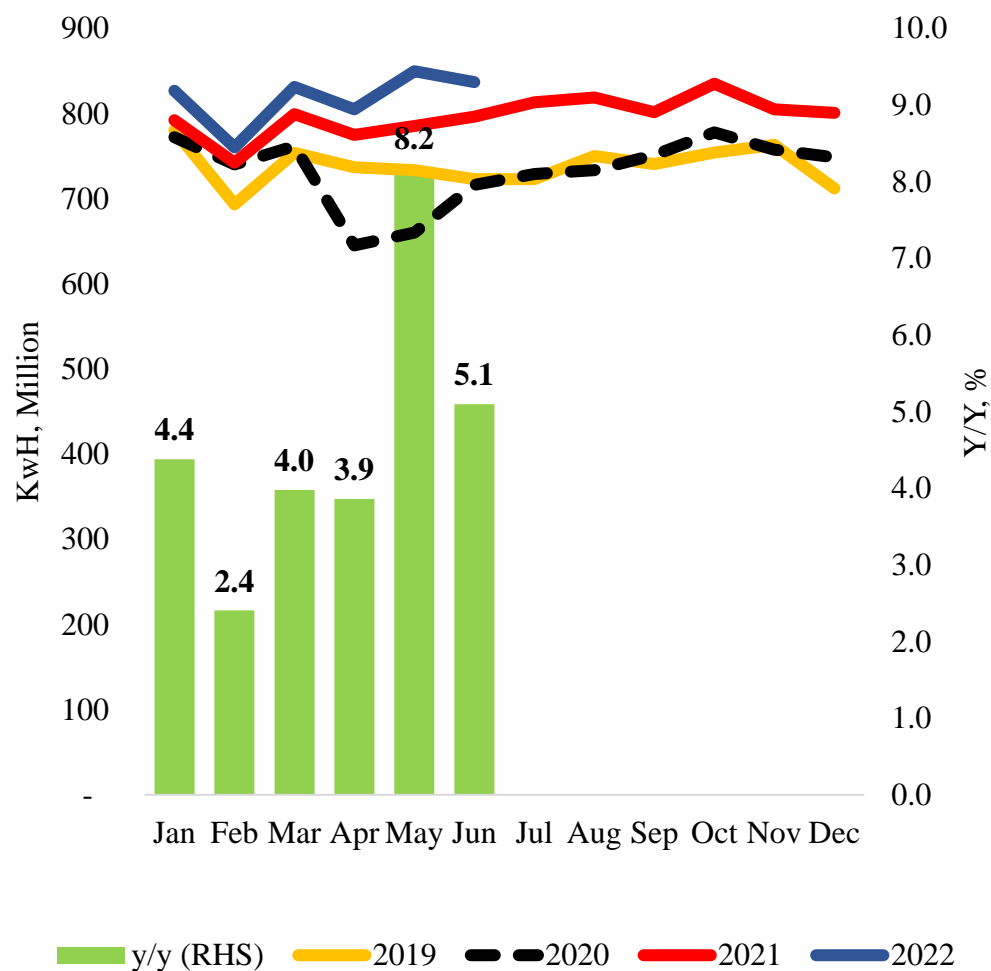


Source: CBK

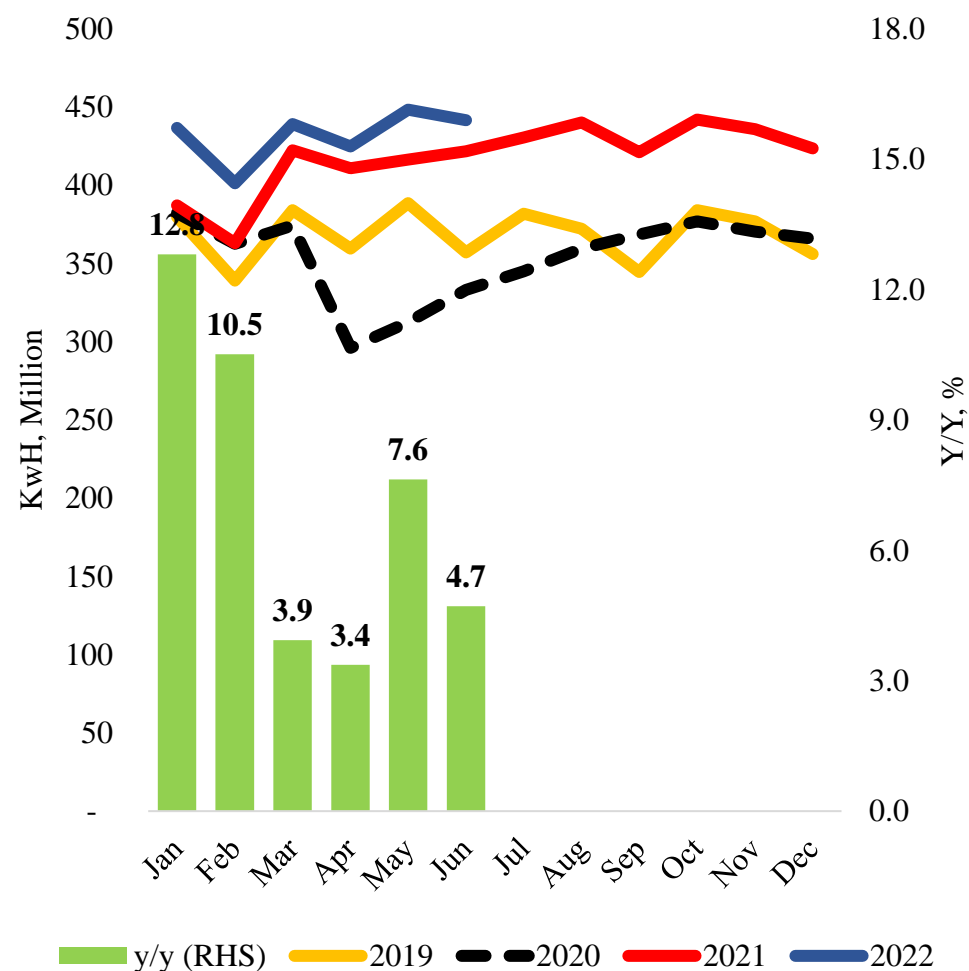


# Manufacturing activity: Power consumption has remained strong

## Total Power Consumption



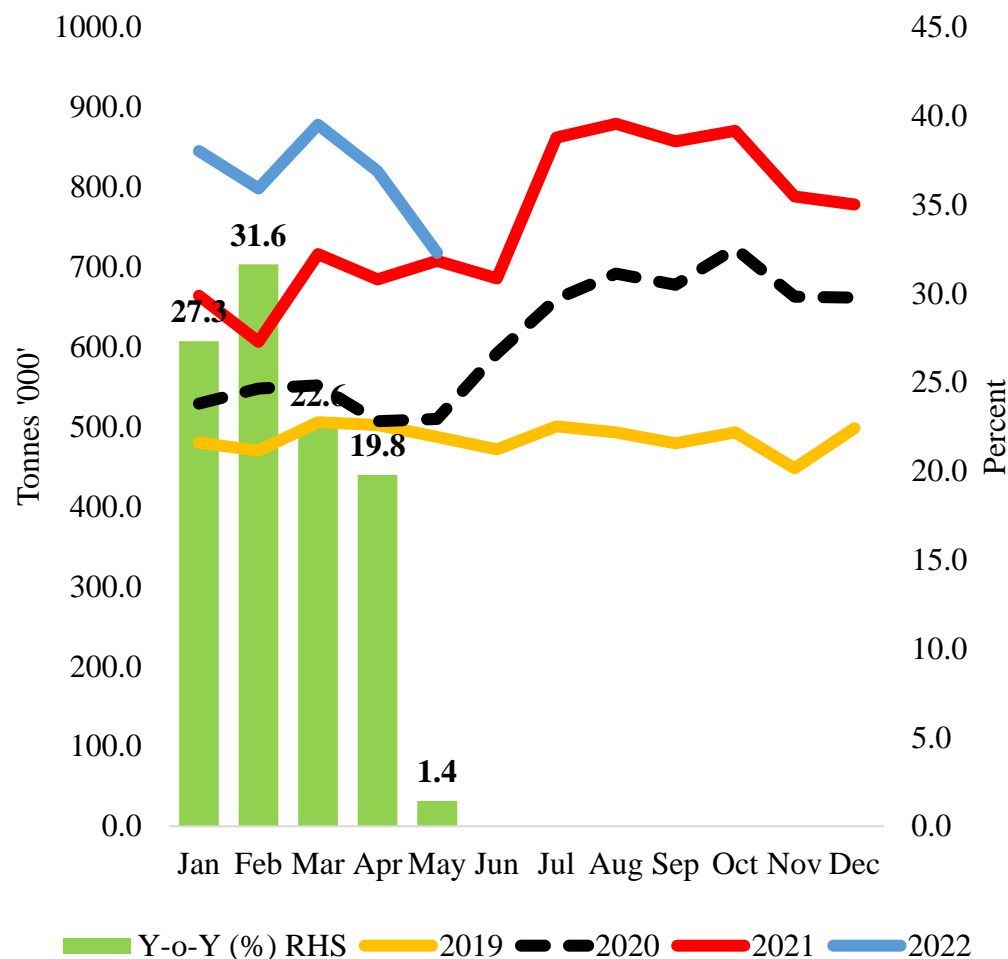
## Trends of Large Power Consumption



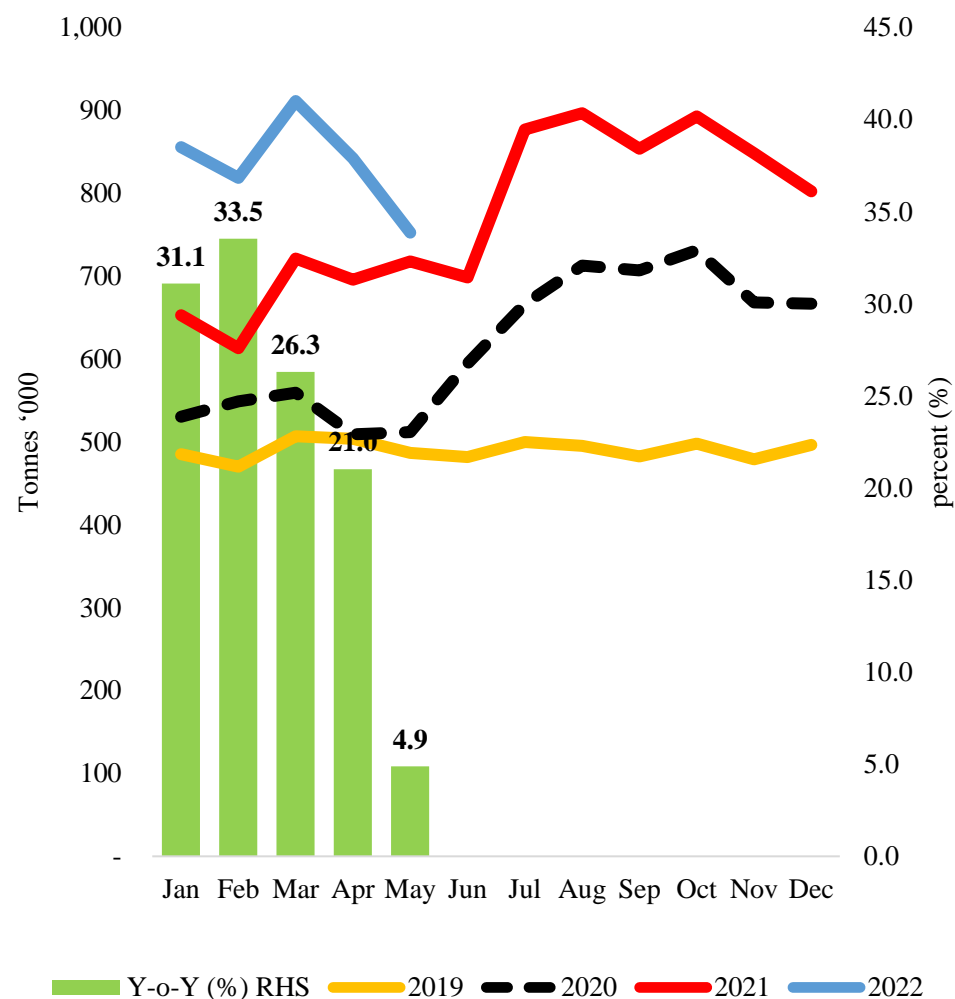
Source: Kenya National Bureau of Statistics

# Construction activity: Strong cement consumption and production

## Cement Consumption



## Cement Production

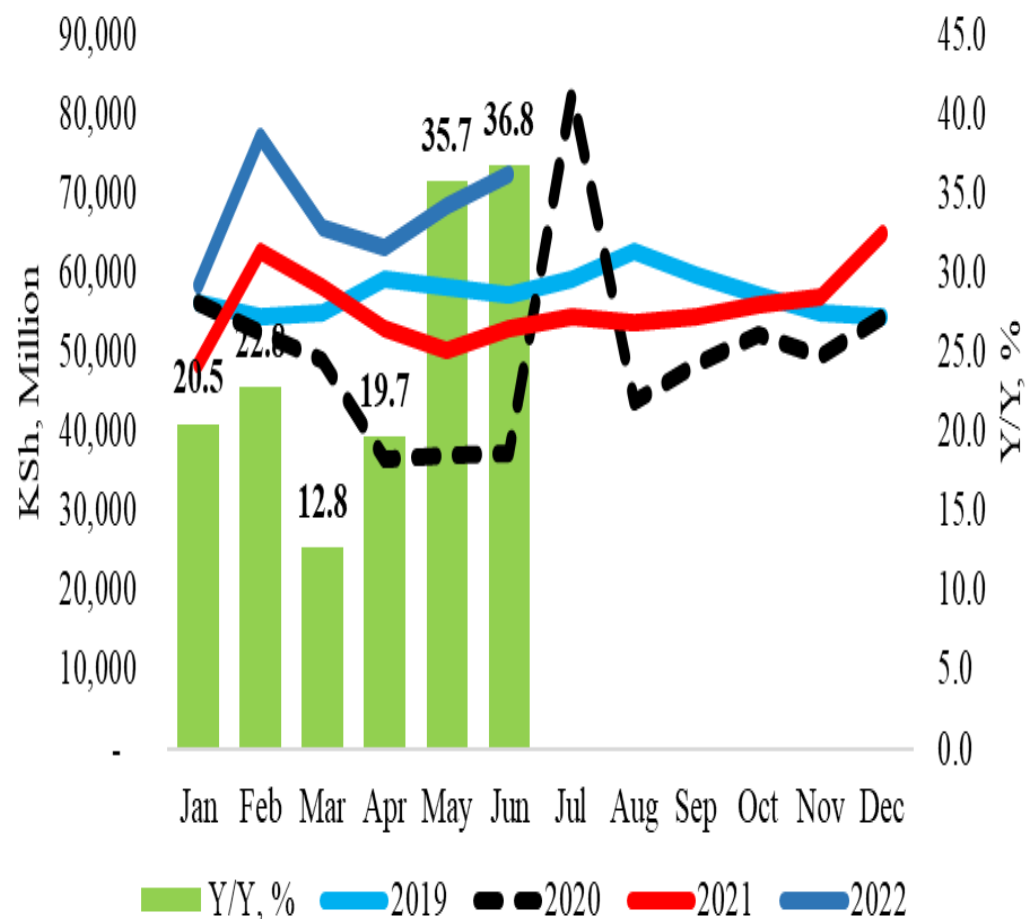


Source: Kenya National Bureau of Statistics

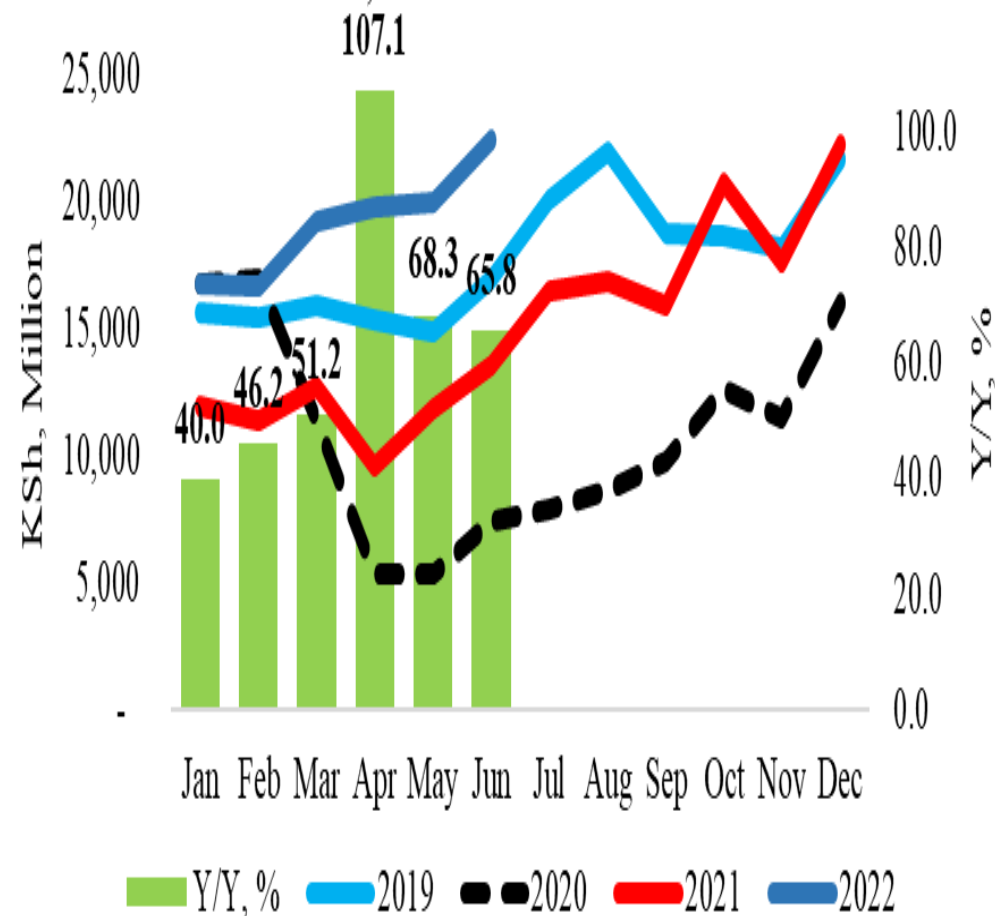
## Sales Turnover:

Strong activity in transport and storage and accommodation and food services sectors

### Sales Turnover, Transport and storage



### Sales Turnover, Accommodation and food services



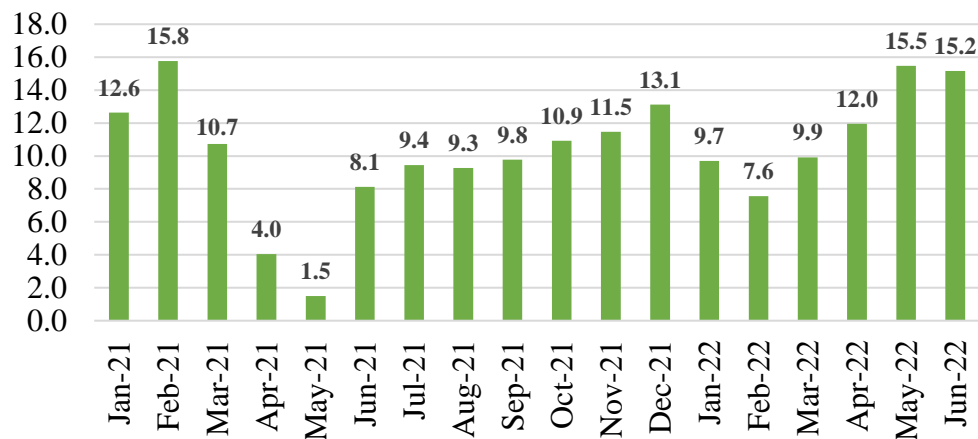
Source: CBK

# Private sector credit:

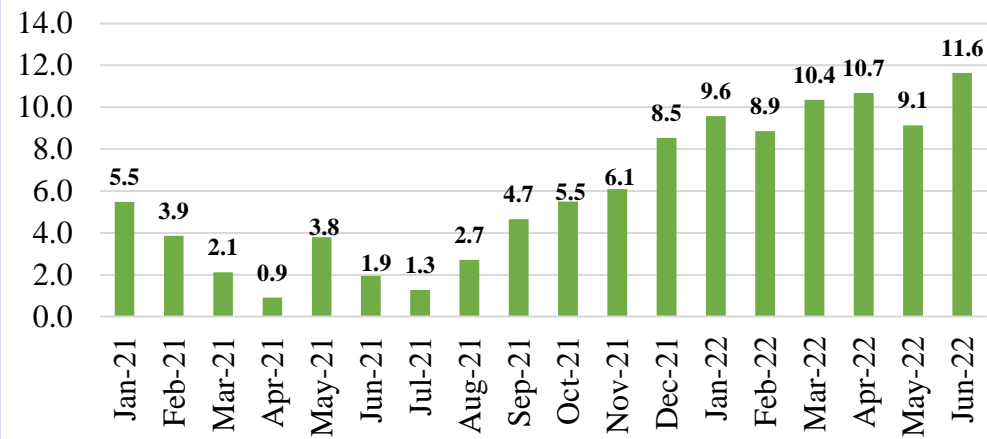
Strong growth in credit to key sectors of the economy

## 12 Month growth (y/y, percent)

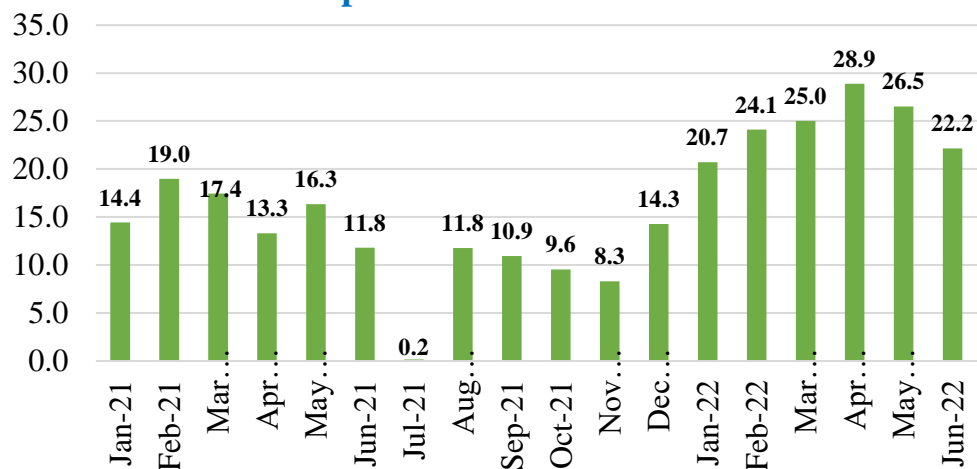
### Manufacturing



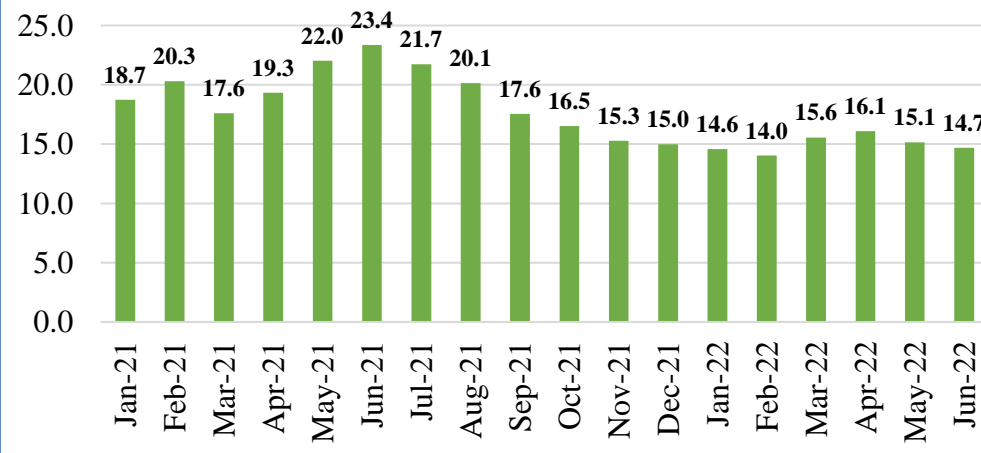
### Trade



### Transport and communication



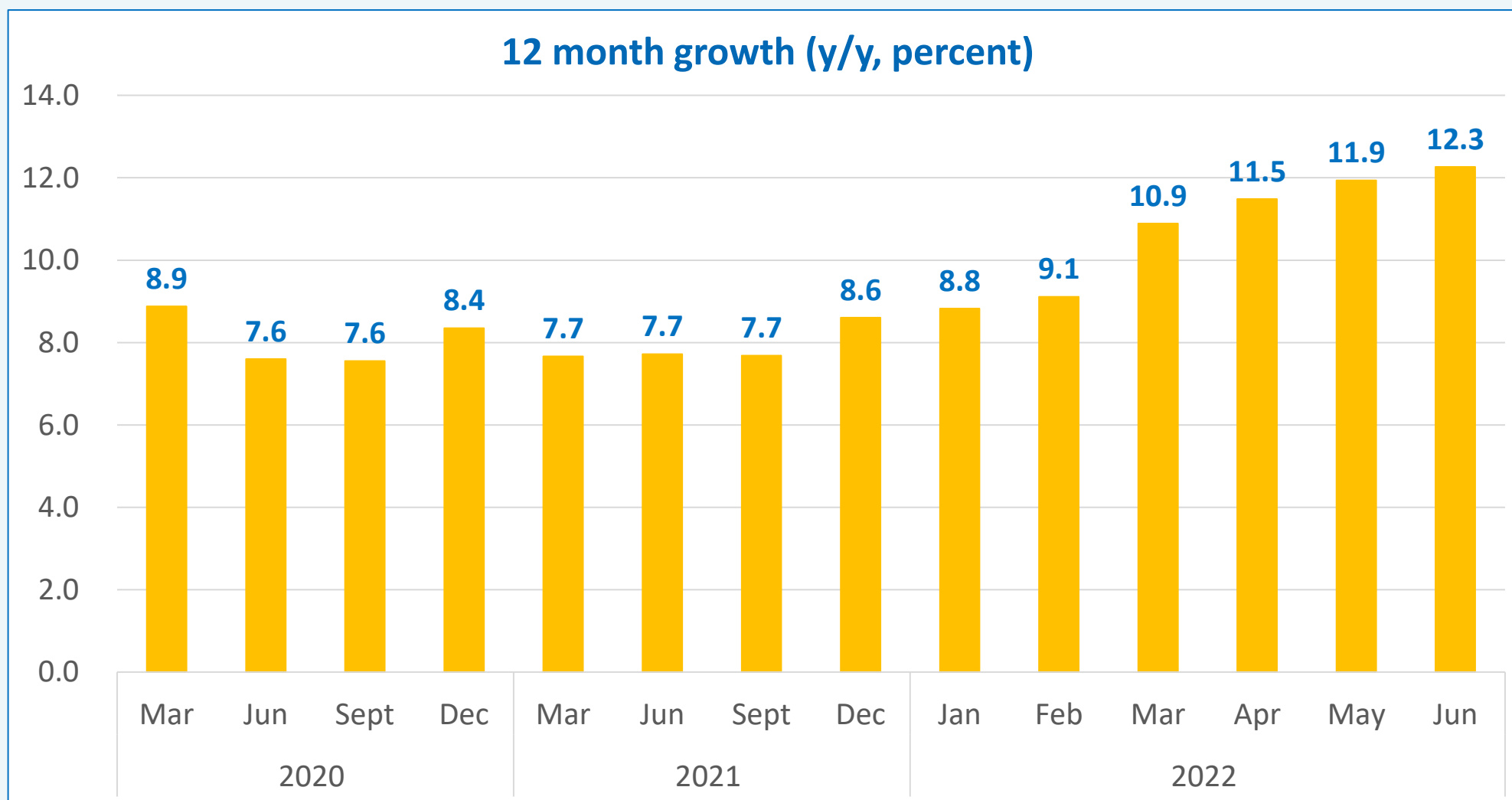
### Consumer durables



Source: CBK

## Private sector credit:

Strong growth in overall credit to the private sector



Source: CBK



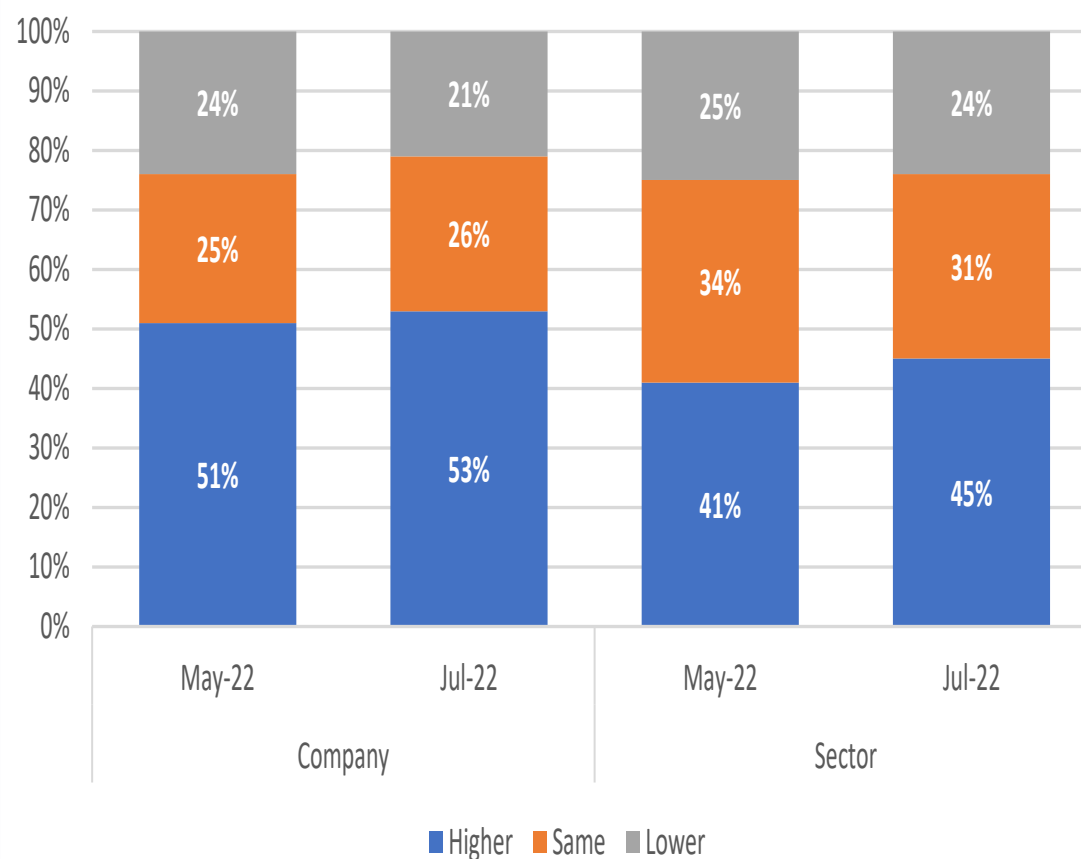
### The July 2022 CEOs Survey revealed improved optimism largely due to:

- Continued post-pandemic recovery
- Return to normal operations upon conclusion of the elections
- Increased government expenditure on infrastructure
- Sector-specific growth opportunities (tourism, professional services, ICT)

### Nevertheless, firms raised some concerns:

- High inflation
- Cost of doing business
- Declining consumer demand
- Impact of the war in Ukraine on commodity prices.

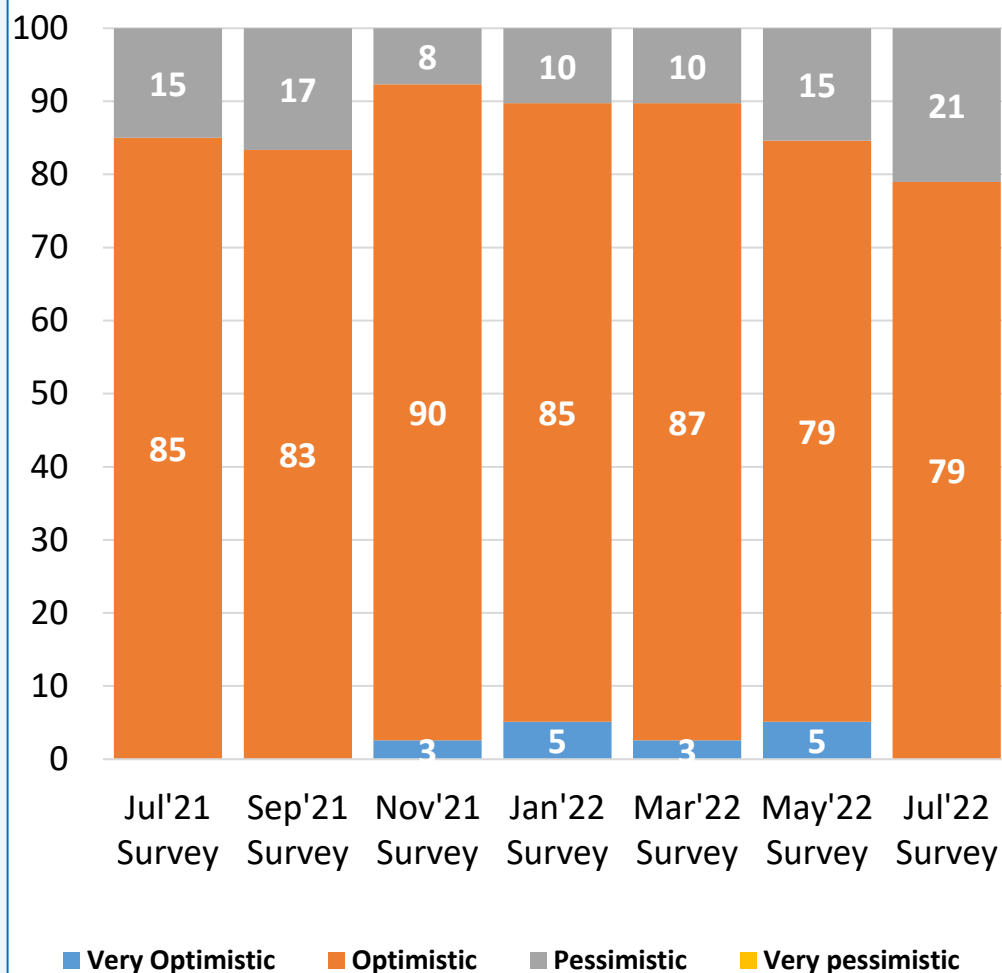
Business Confidence in the next 12 months  
(percent of respondents)



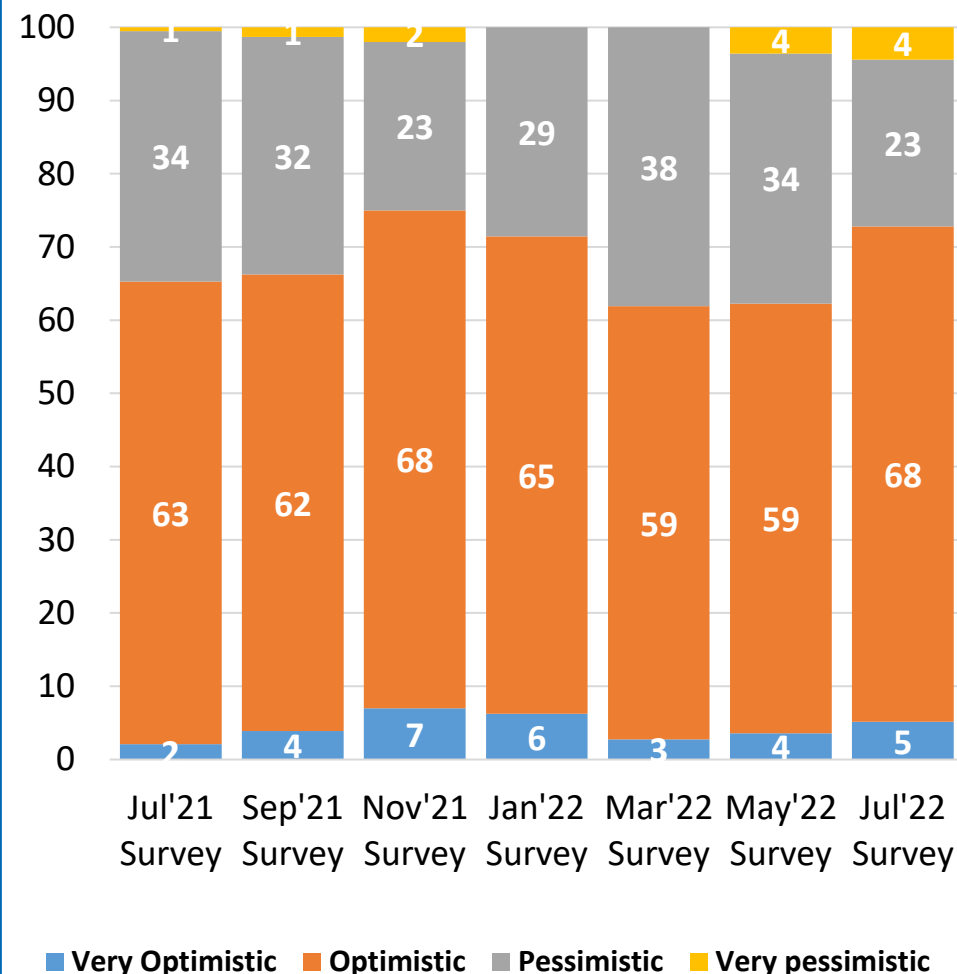
## July 2022 MPC Market Perceptions Survey:

Optimism in Kenya's economic prospects in the next 12 months remains strong

### Banks (percent of respondents)

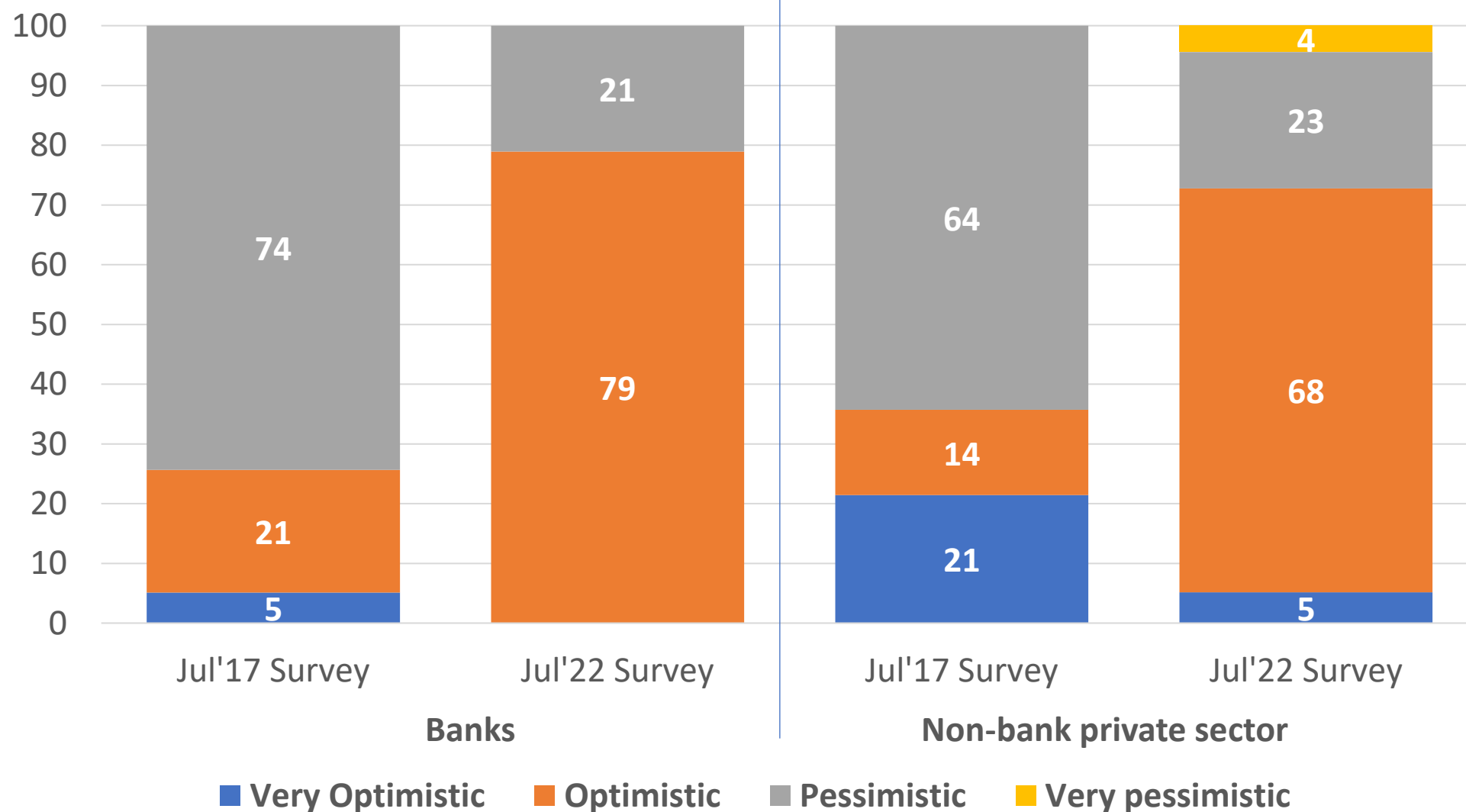


### Non-Bank private firms (percent of respondents)



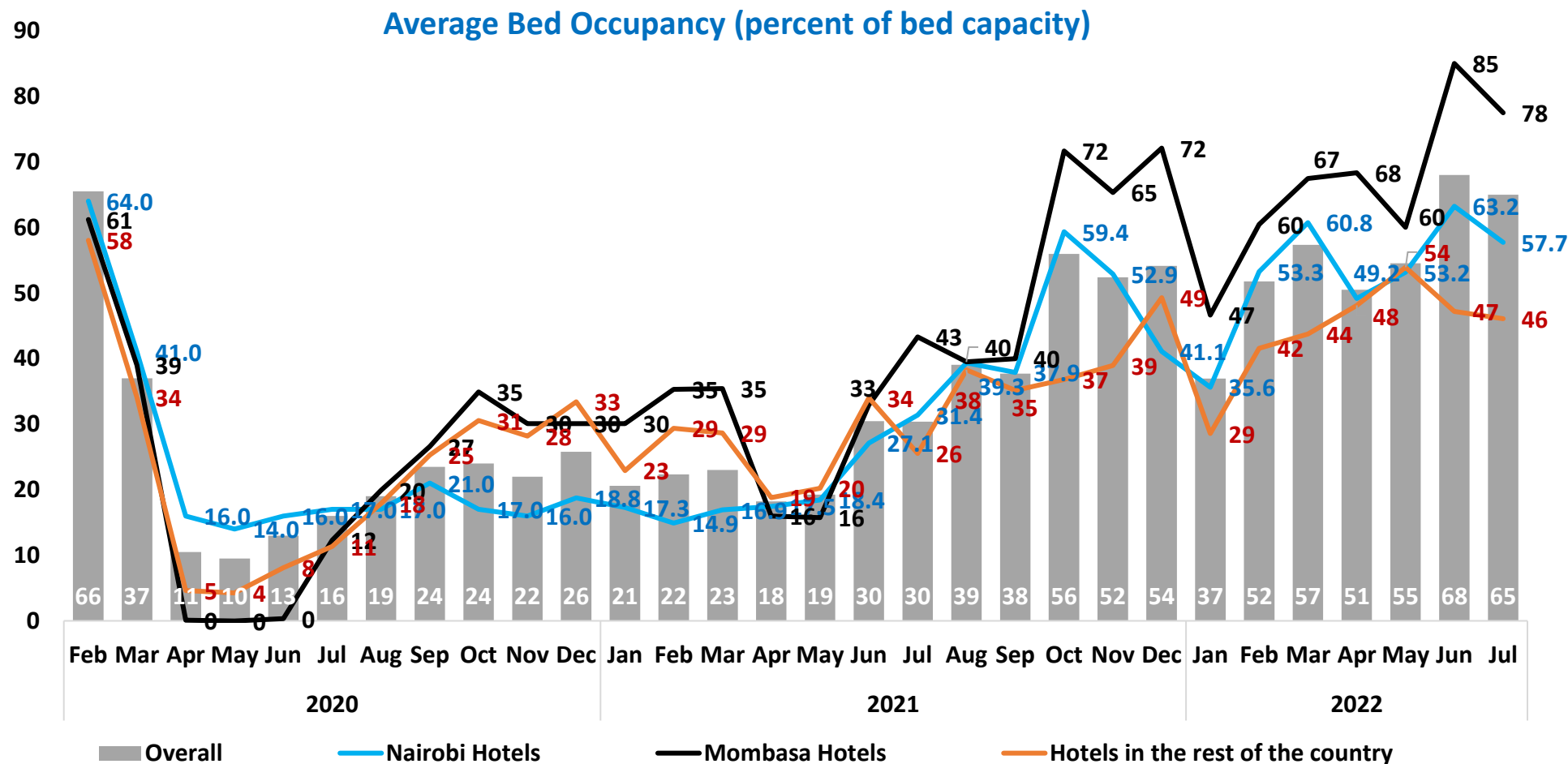
## July 2022 MPC Market Perceptions Survey:

Stronger optimism in Kenya's economic prospects in 2022 compared to 2017



## July 2022 Hotels Survey:

Average bed occupancy levels are above pre-COVID-19 levels

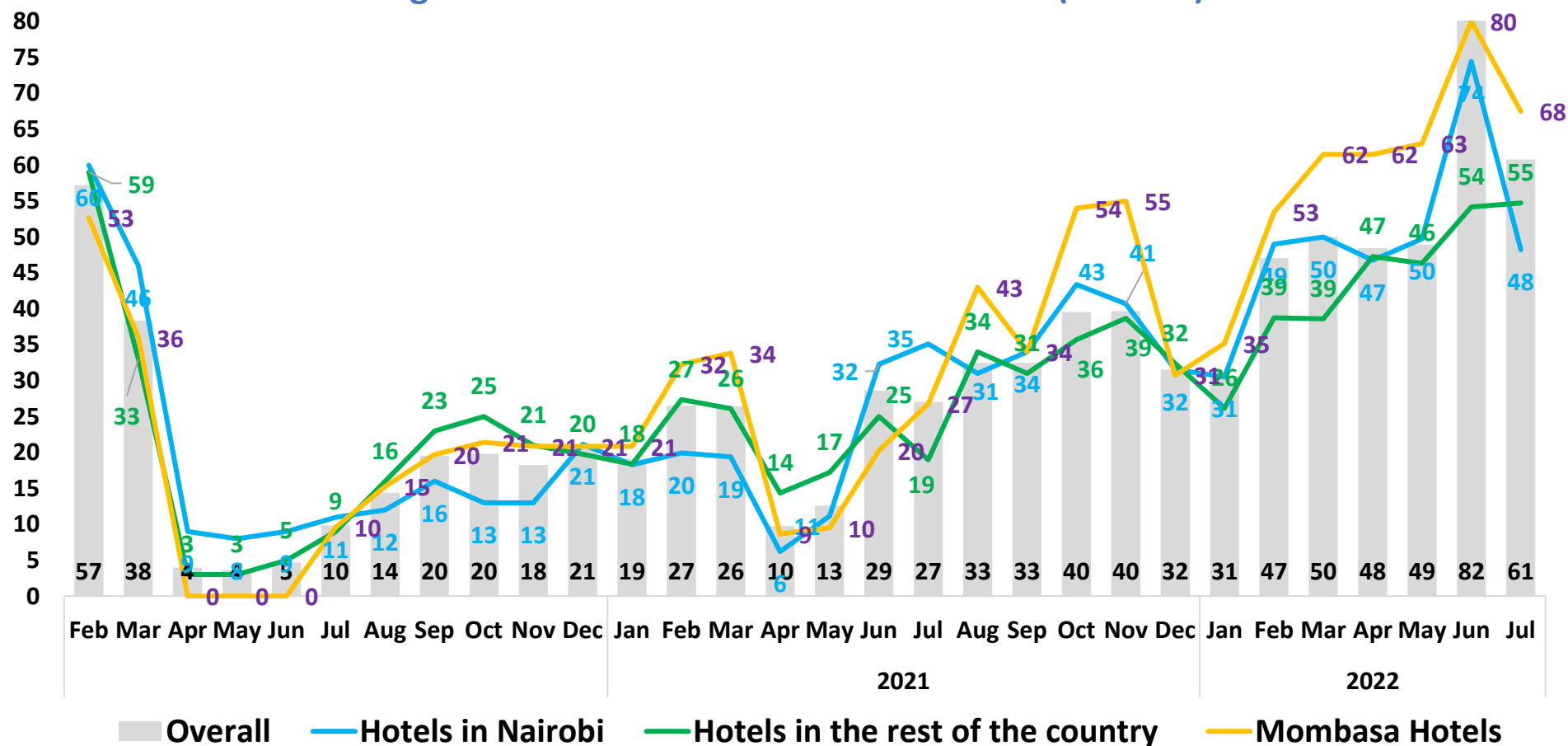


The improved activity in Mombasa and Nairobi in June was supported by the improved tourist arrivals and economic environment

## July 2022 Hotels Survey:

Average levels of conference services are above pre-COVID levels

Average Conference Services Utilization Rate (Percent)



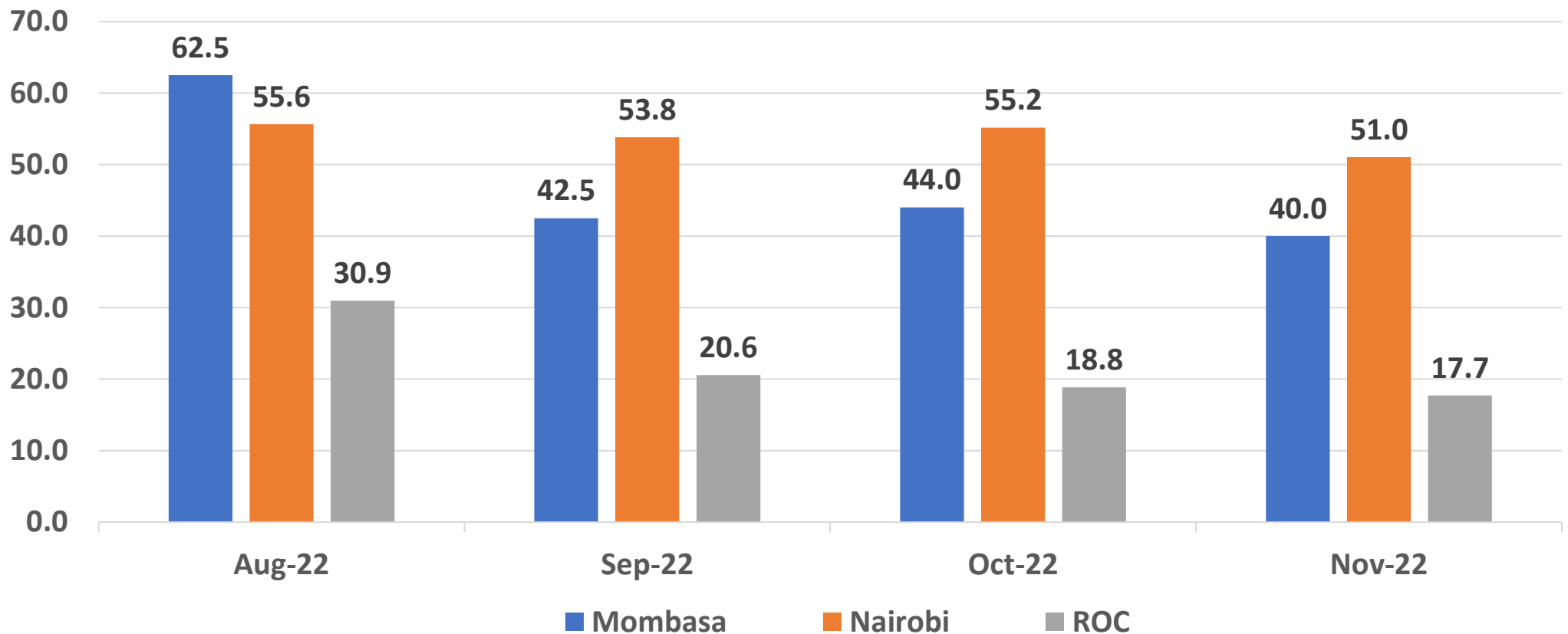
Conferences services already above pre-COVID-19 levels across the country. Significant increase in June 2022 reflects increased Government related conferences.



## July 2022 Hotels Survey:

Forward bookings have increased significantly with reduced uncertainty

Average Forward Bookings (Percent of Bed Capacity)

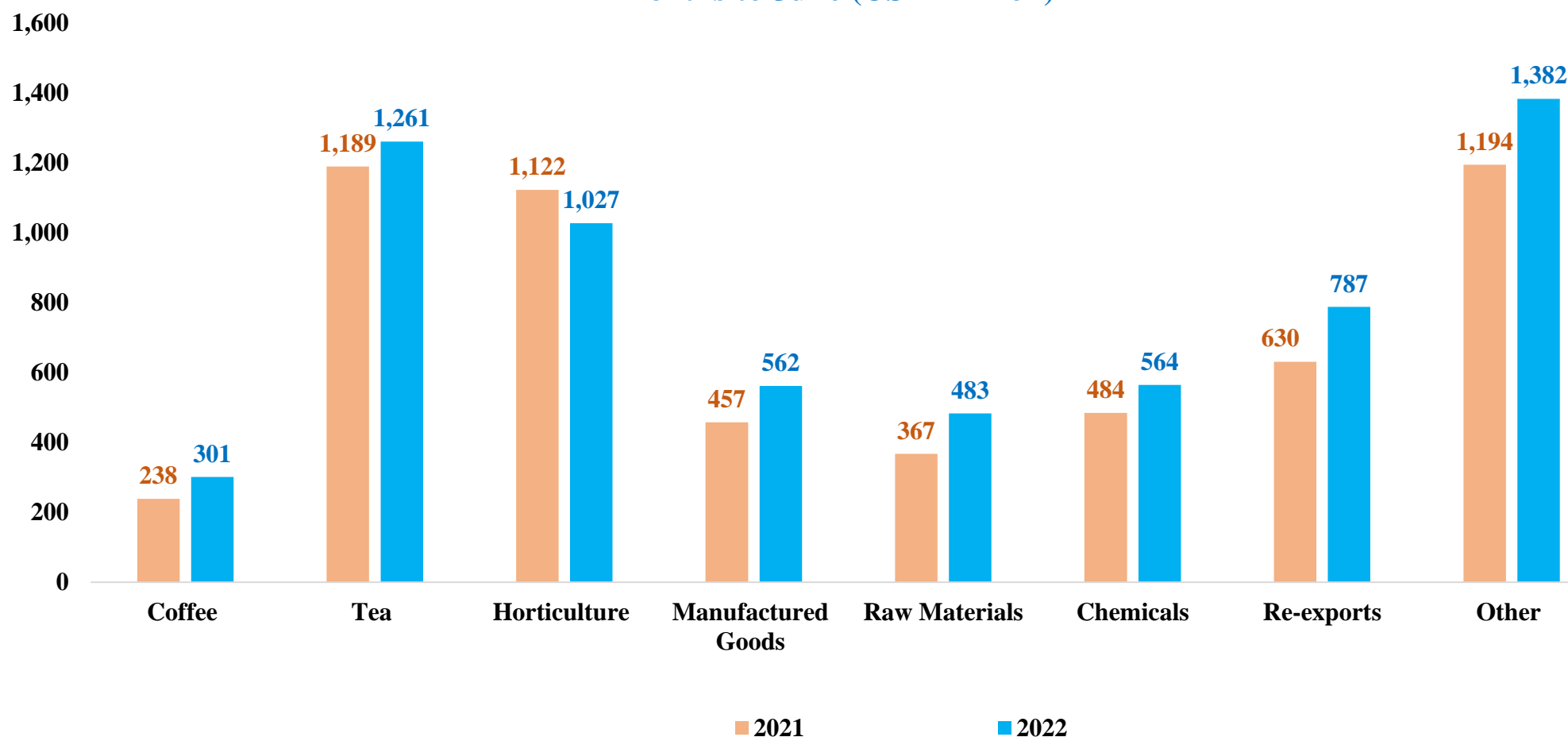


Average forward bookings have improved significantly across the country with increased tourist arrivals

## Balance of payments:

Exports of goods by products remain strong

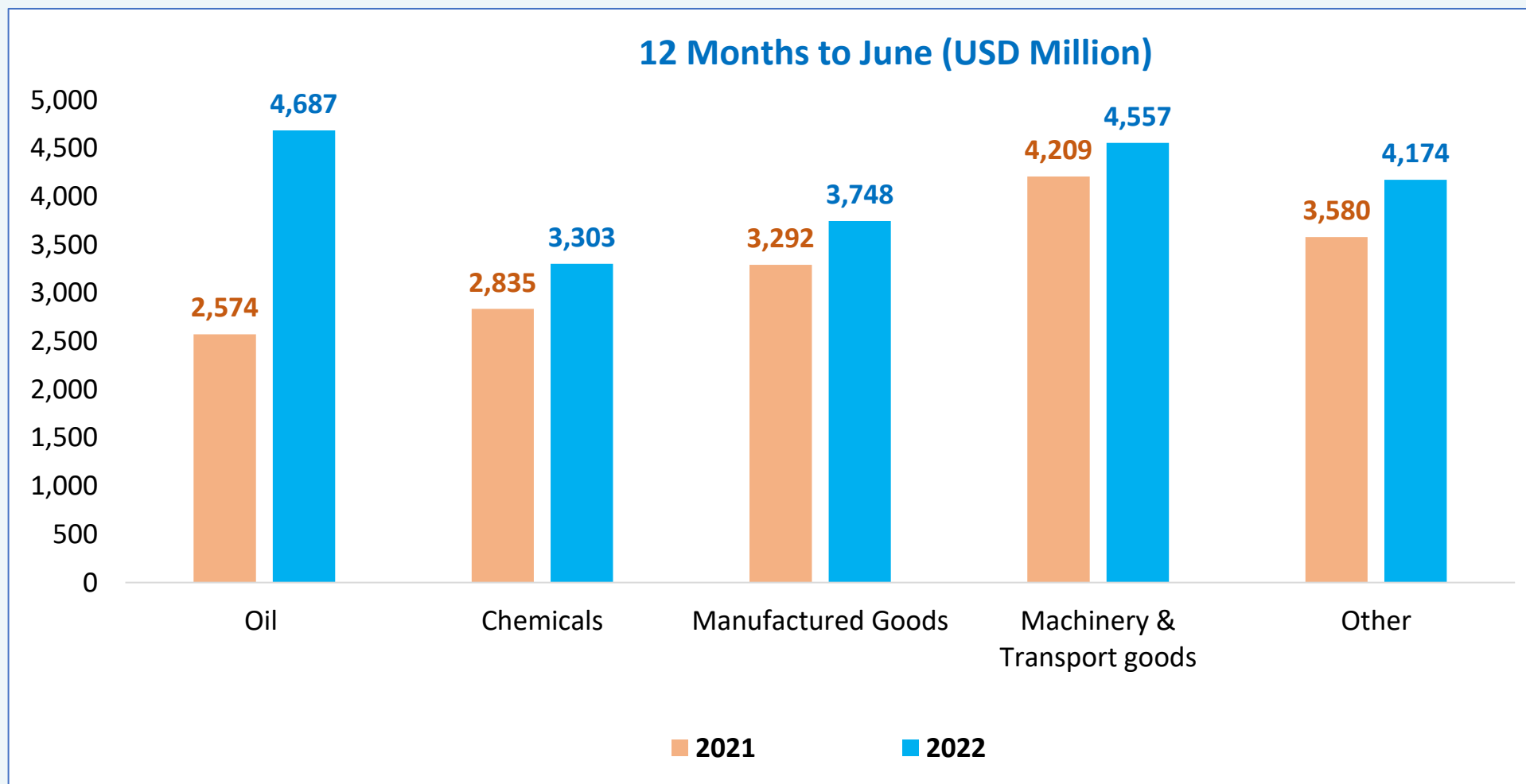
12 months to June (USD Million)



Source: CBK, KRA

## Balance of payments:

Imports of goods by products have increased largely due to oil imports

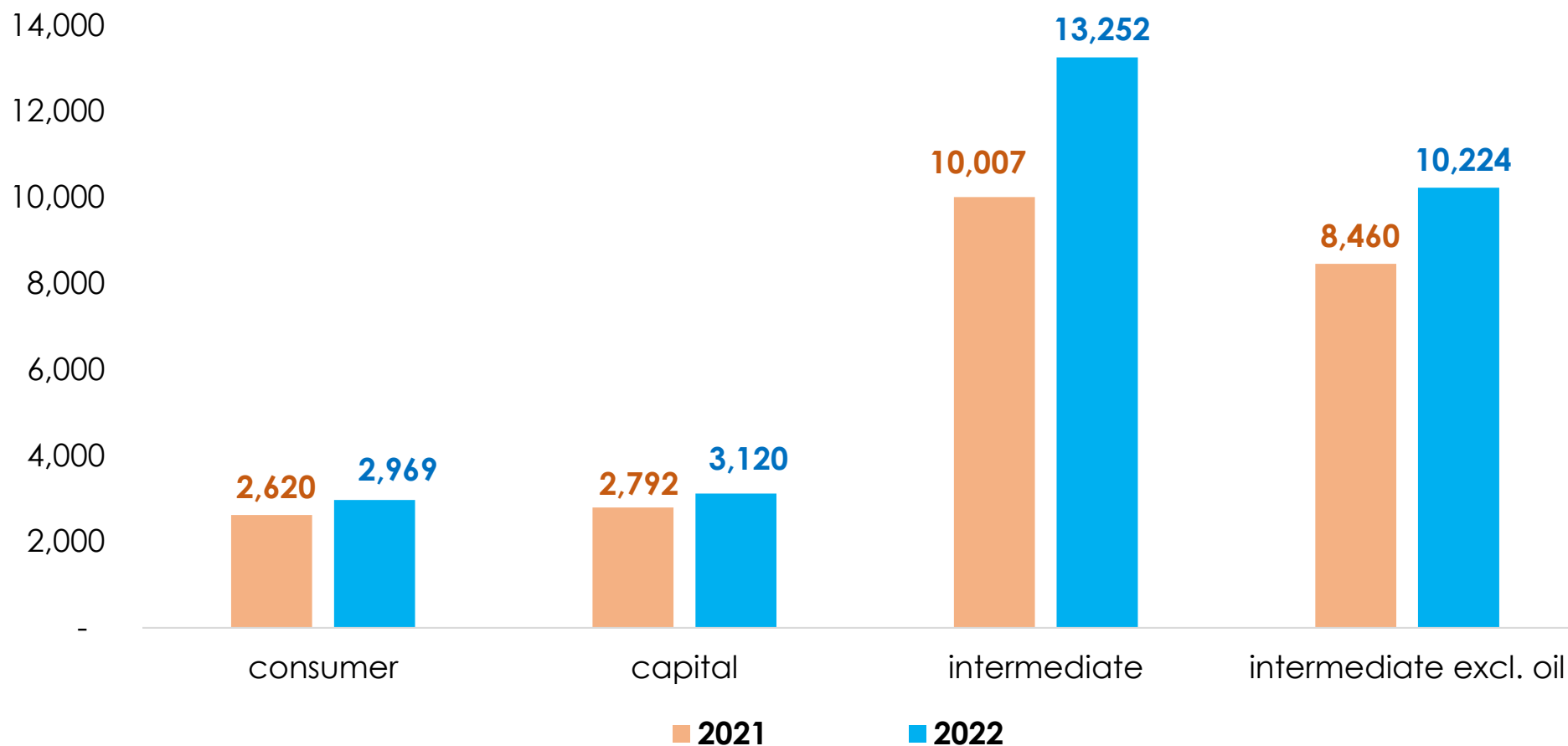


Source: CBK, KRA

## Balance of payments:

Imports of goods have increased due to oil and intermediate goods

### 12 Months to June (USD Million)

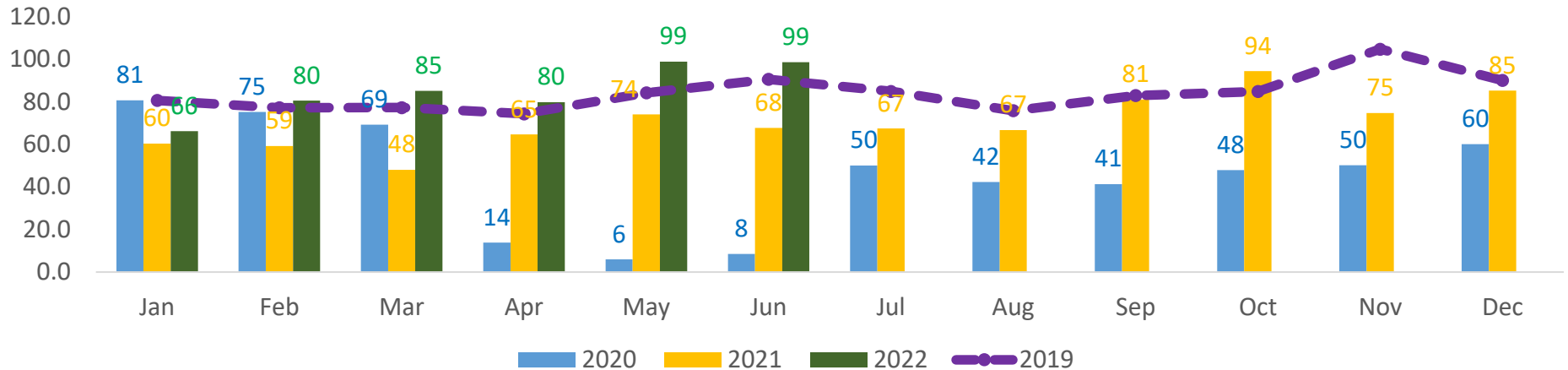


Source: CBK, KRA

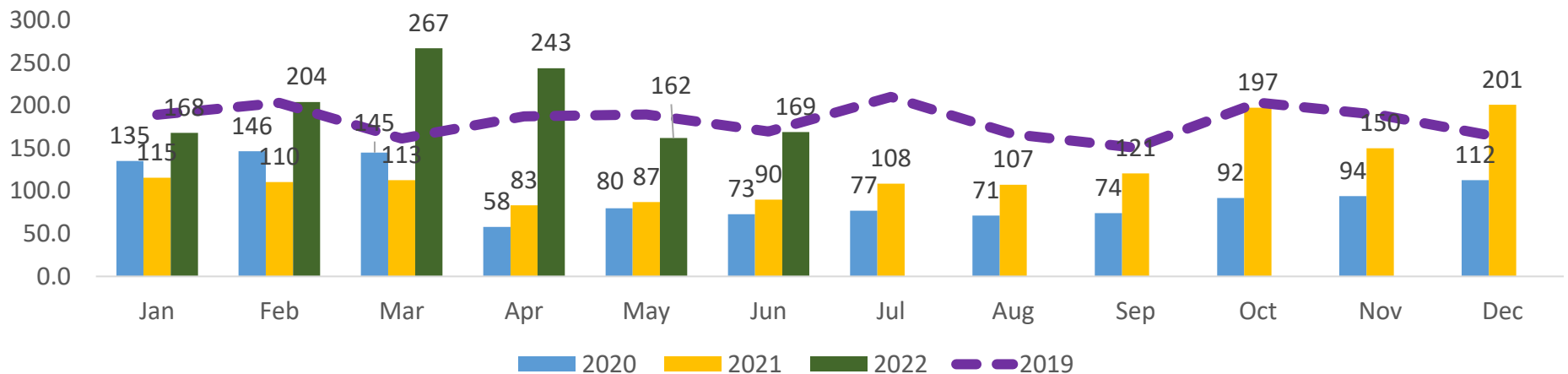
## Services exports:

Receipts from travel and transport services have remained strong

### Travel receipts (USD Million)



### Transport receipts (USD Million)

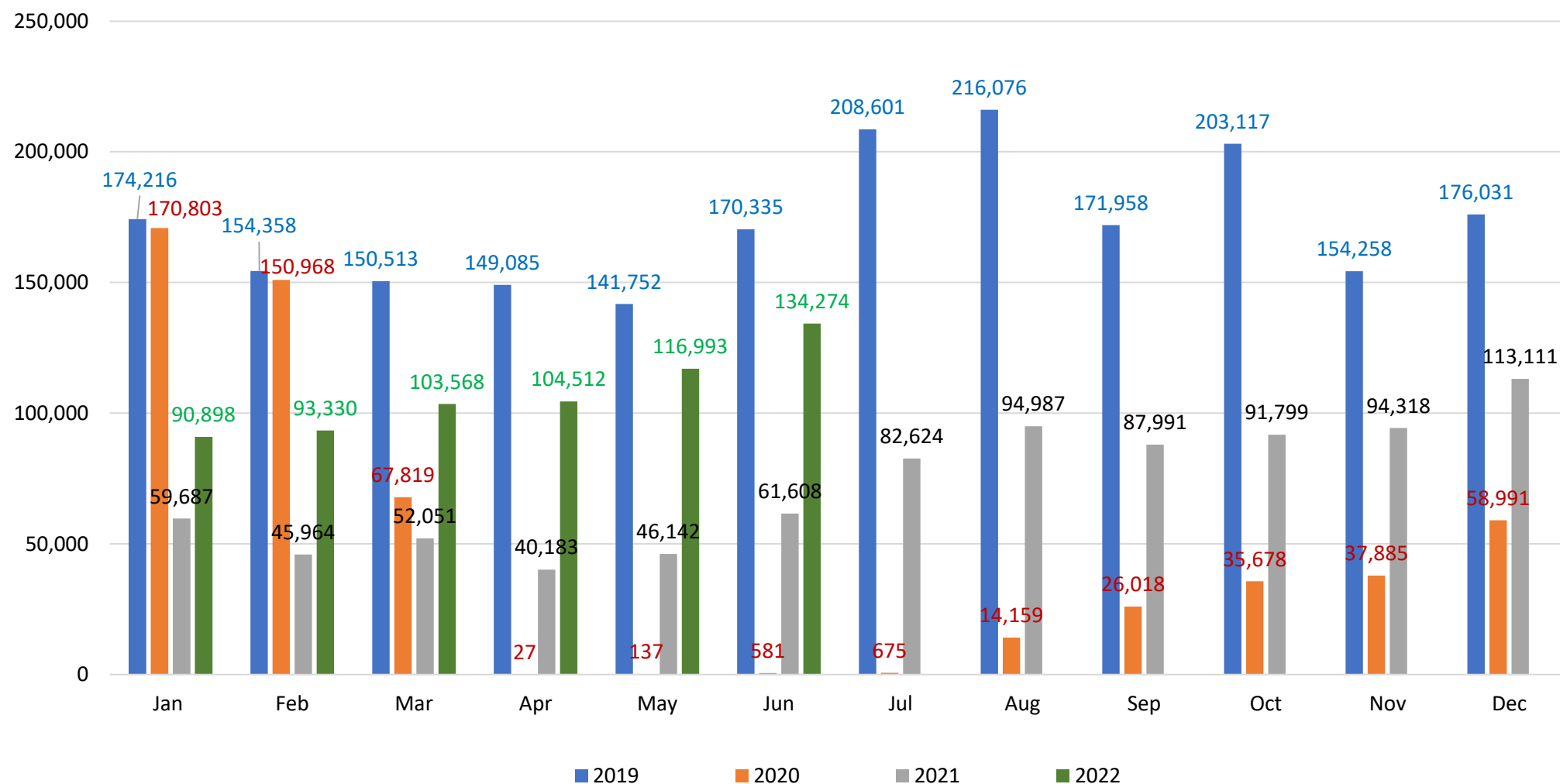


Source: CBK



## Tourist arrivals:

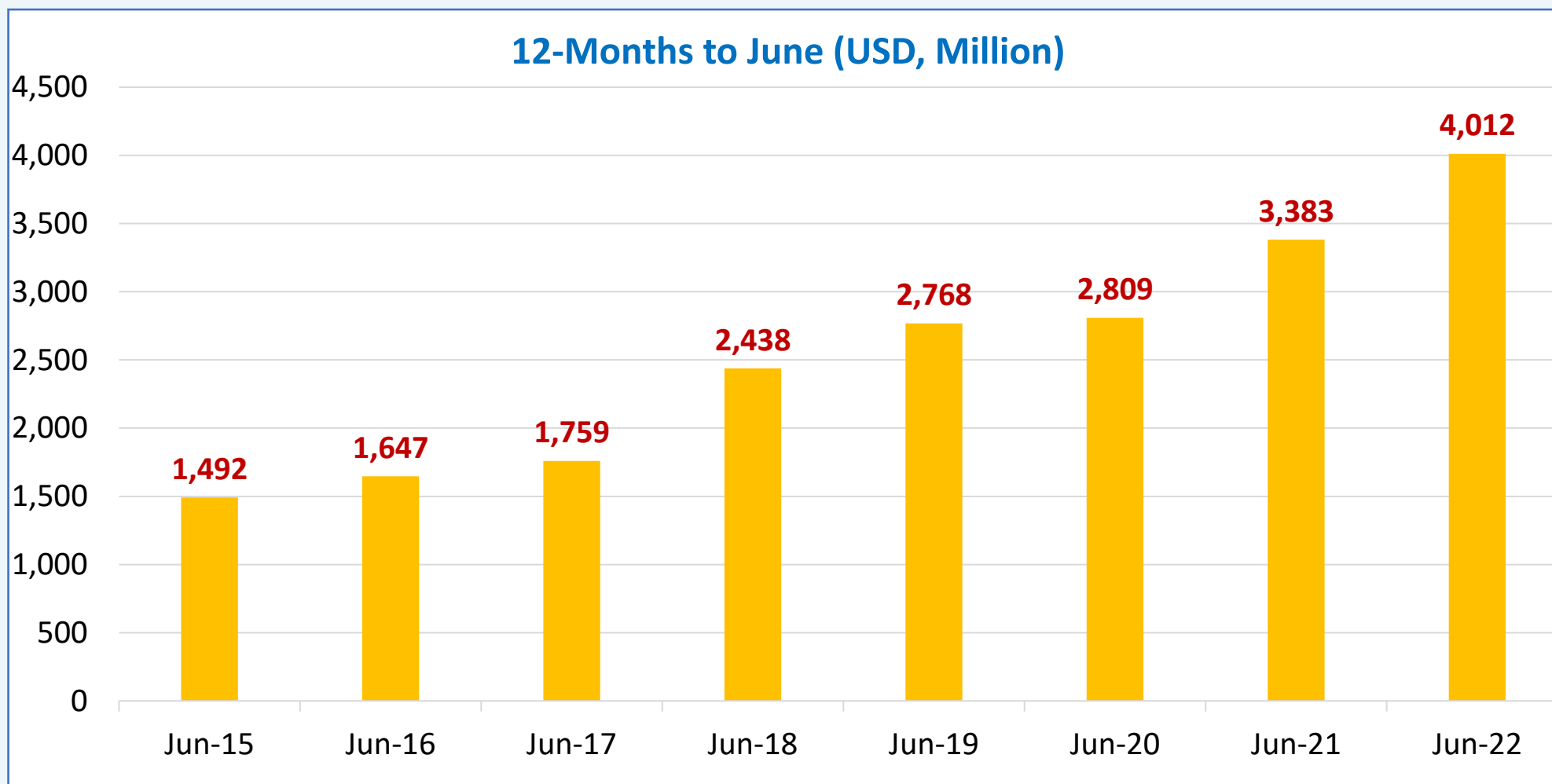
Number of tourist arrivals has continued to improve



Source: Kenya Tourism Board

## Diaspora Remittances:

Remittances have remained strong

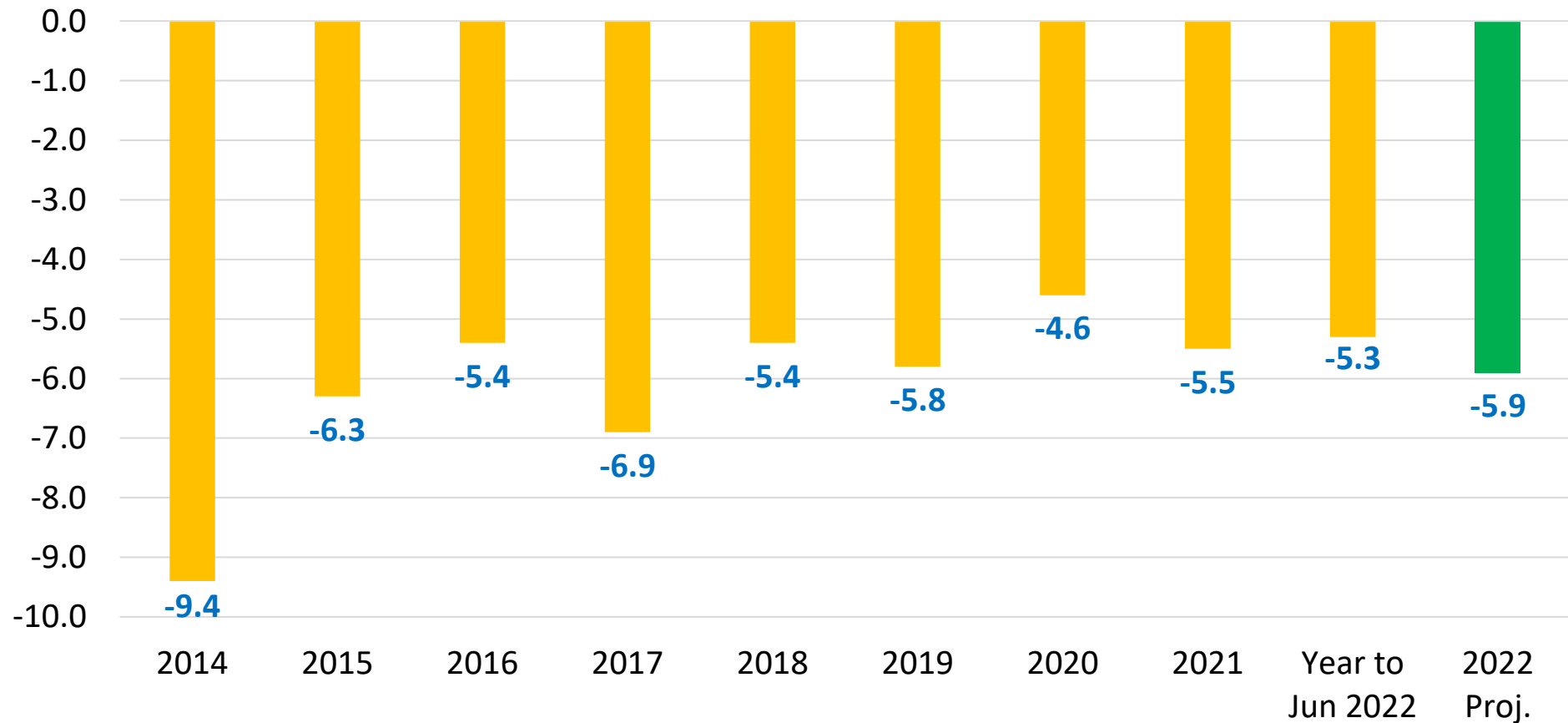


Source: CBK

## Current account balance:

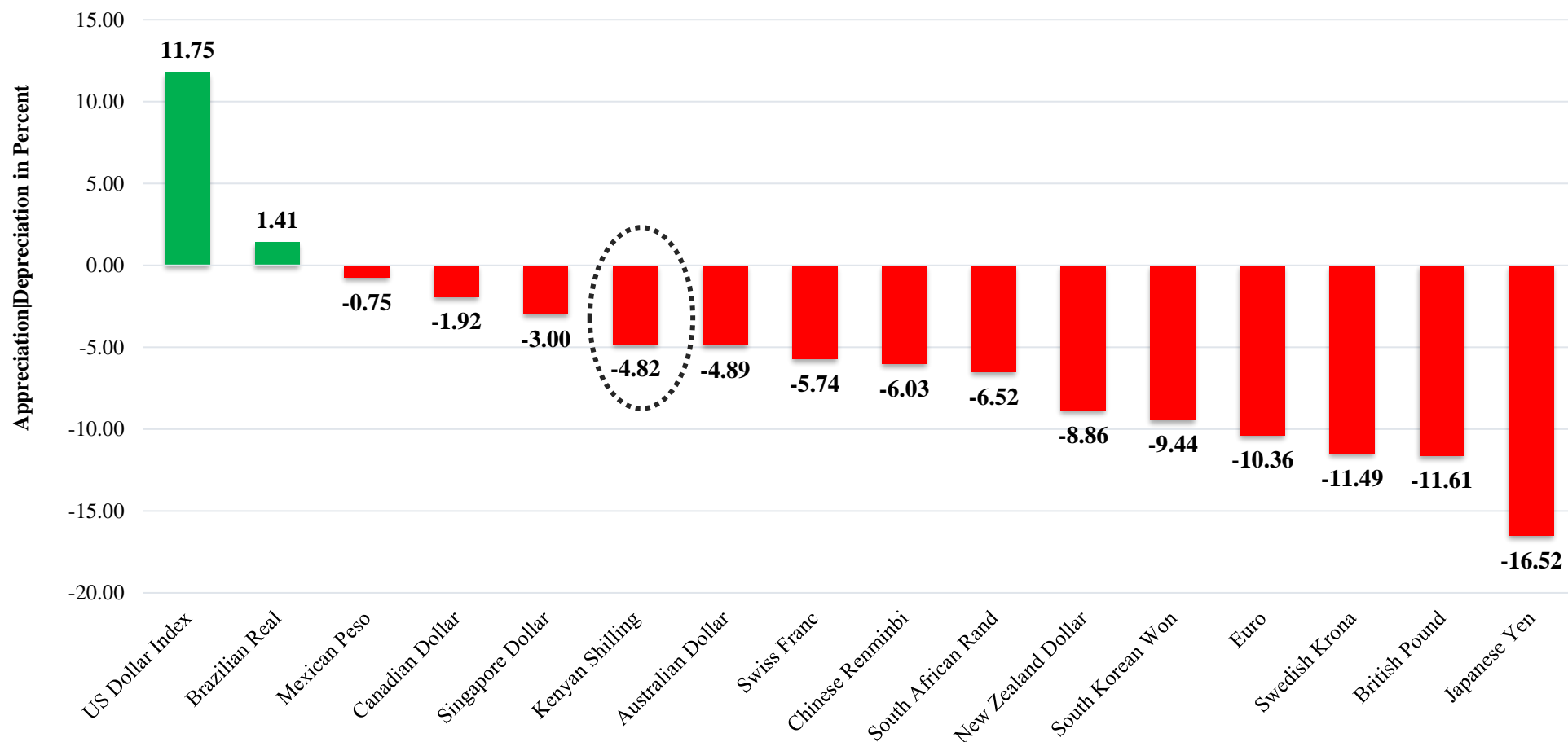
A wider current account deficit expected in 2022 due to higher oil prices

Current account balance (Percent of GDP)

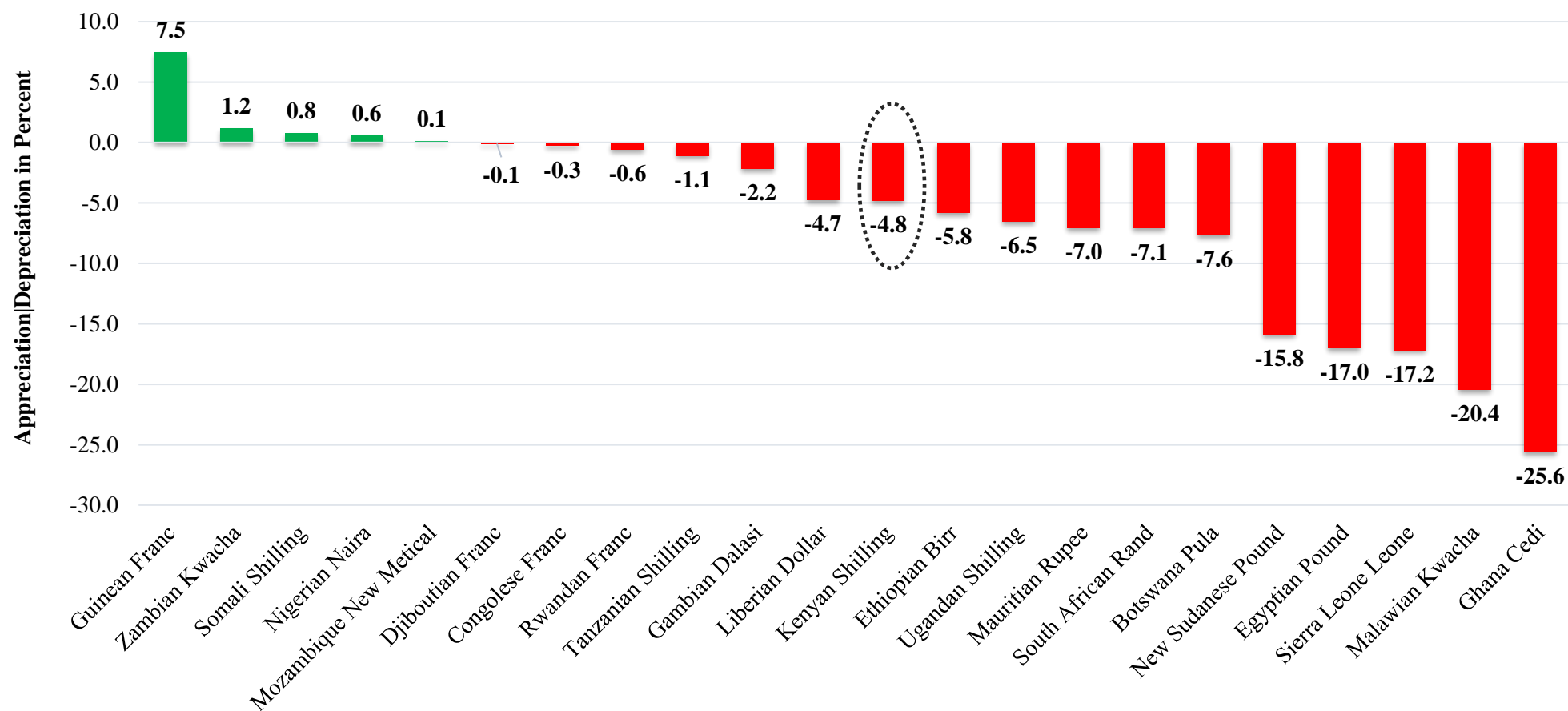


Source: CBK

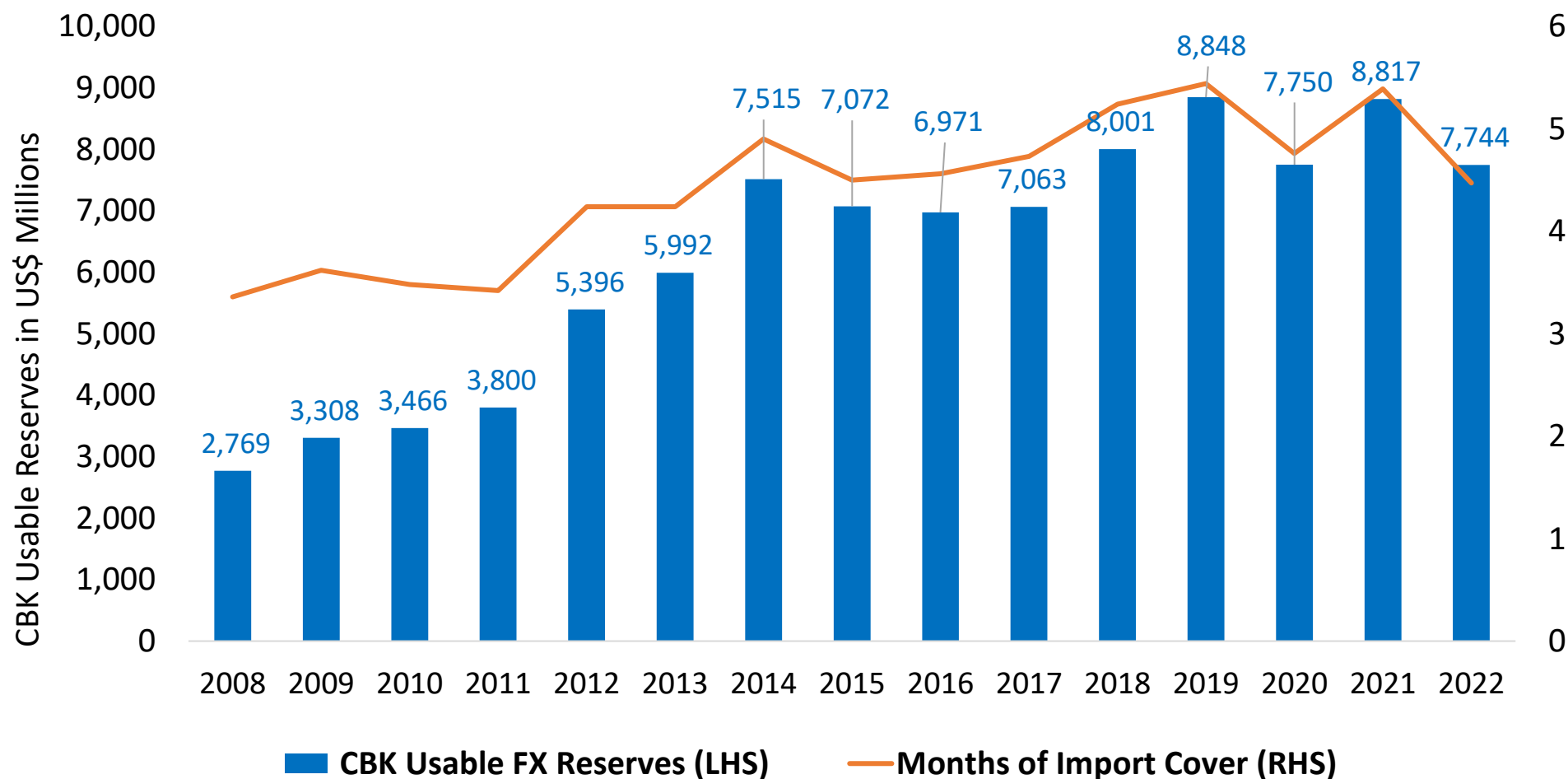
# Major Currencies vs. U.S. Dollar: January to July 2022



Source: Bloomberg, as of 22 July 2022



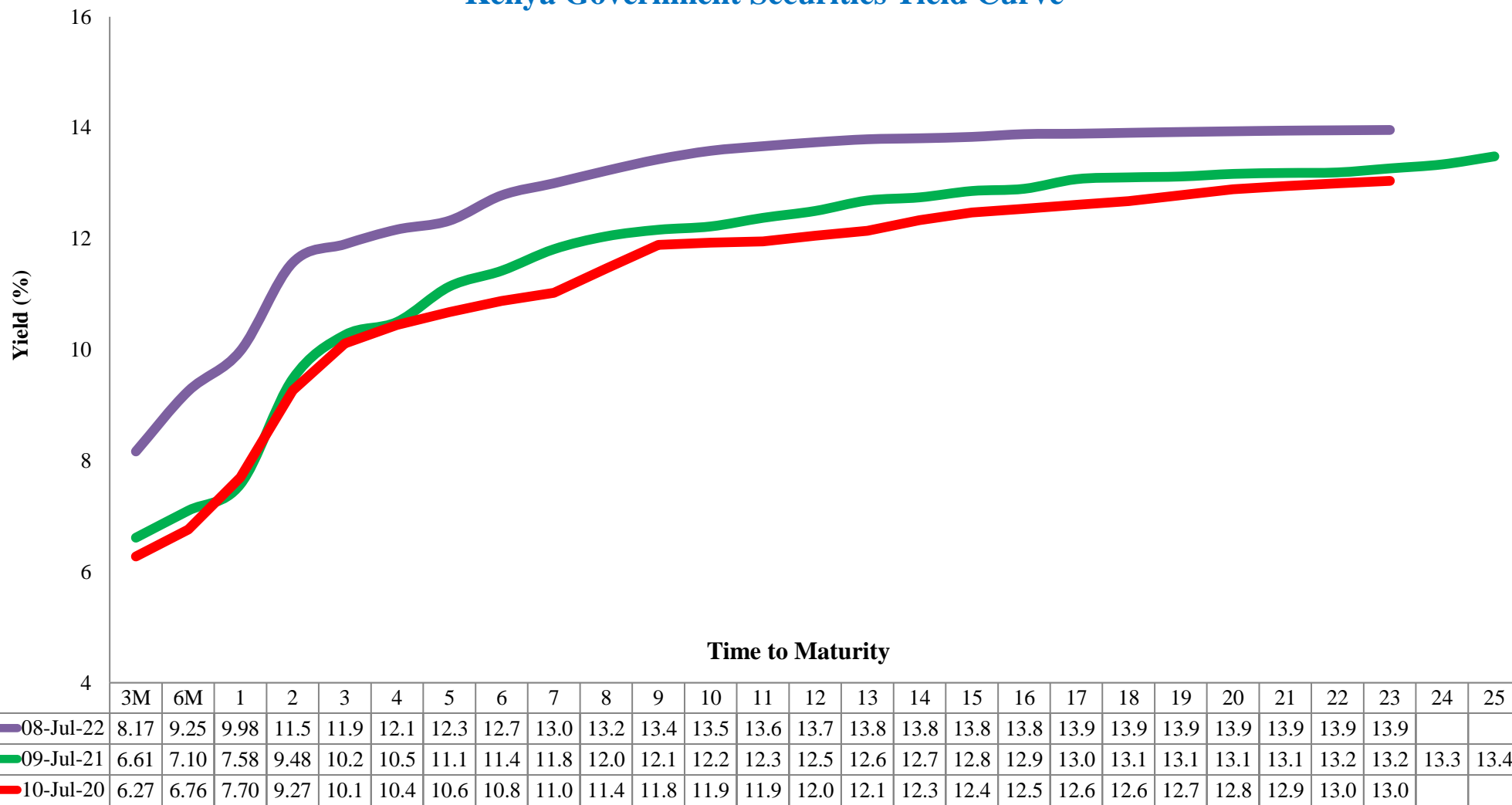
Source: Bloomberg, Refinitiv, as of 21 July 2022



Source: CBK as of July 26, 2022



Kenya Government Securities Yield Curve



*Thank You!*

