



Central Bank of Kenya

MONETARY POLICY COMMITTEE MEETING BACKGROUND INFORMATION

Friday, September 30, 2022

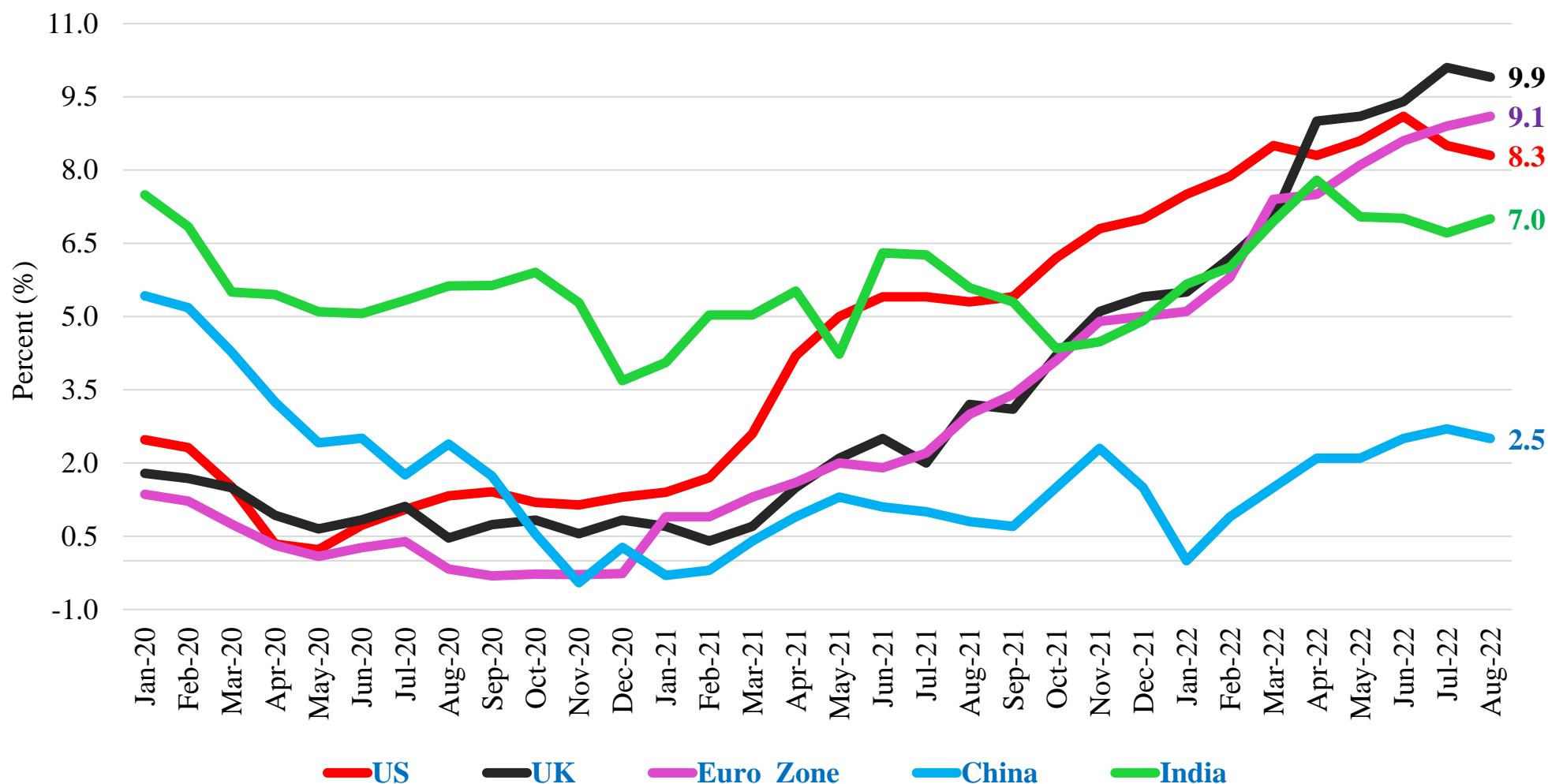
Dr. Patrick Njoroge

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Global inflation:

Inflation remains elevated in the major economies

Overall inflation (y/y, percent)

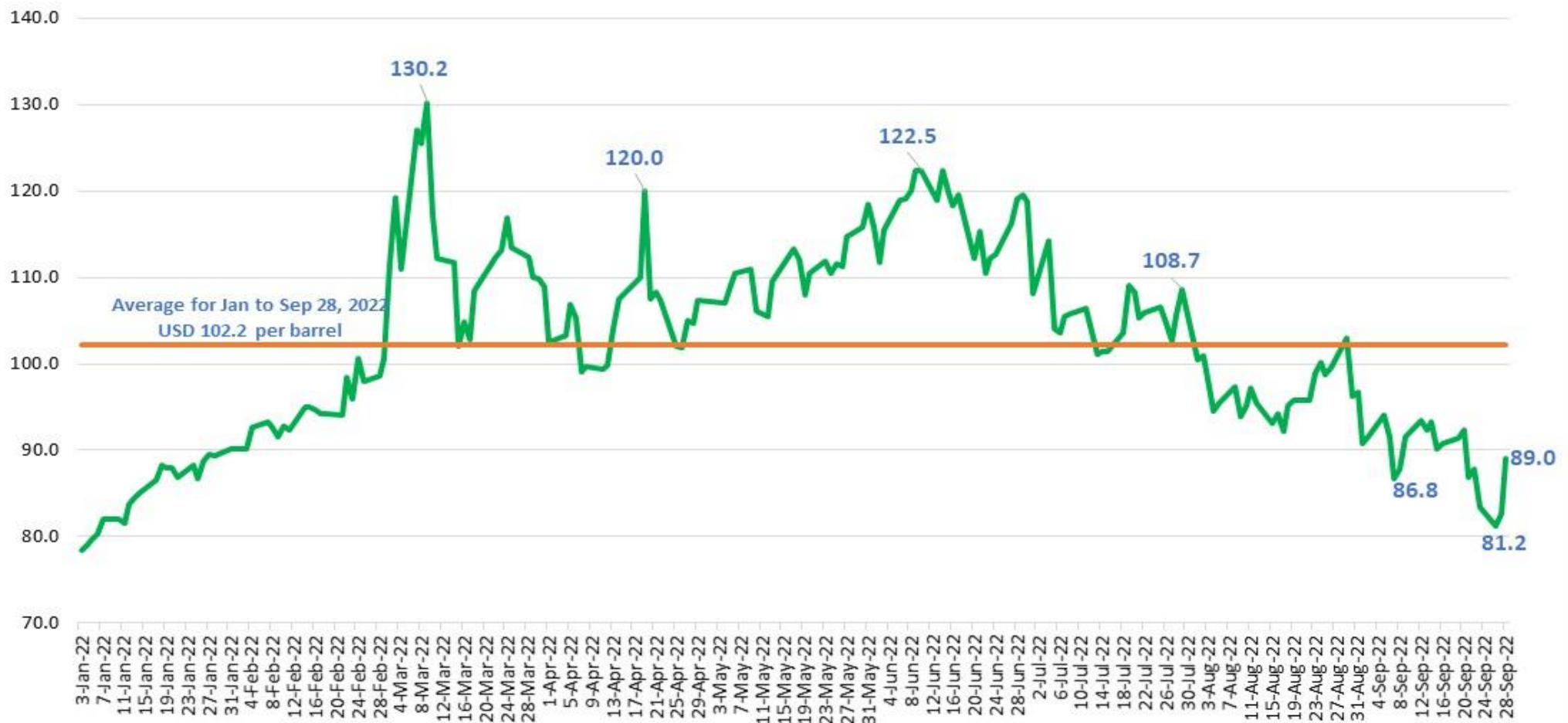


Source: Websites of respective countries

International crude oil prices:

The price of oil has moderated but remains volatile

Murban oil price (USD, per barrel)

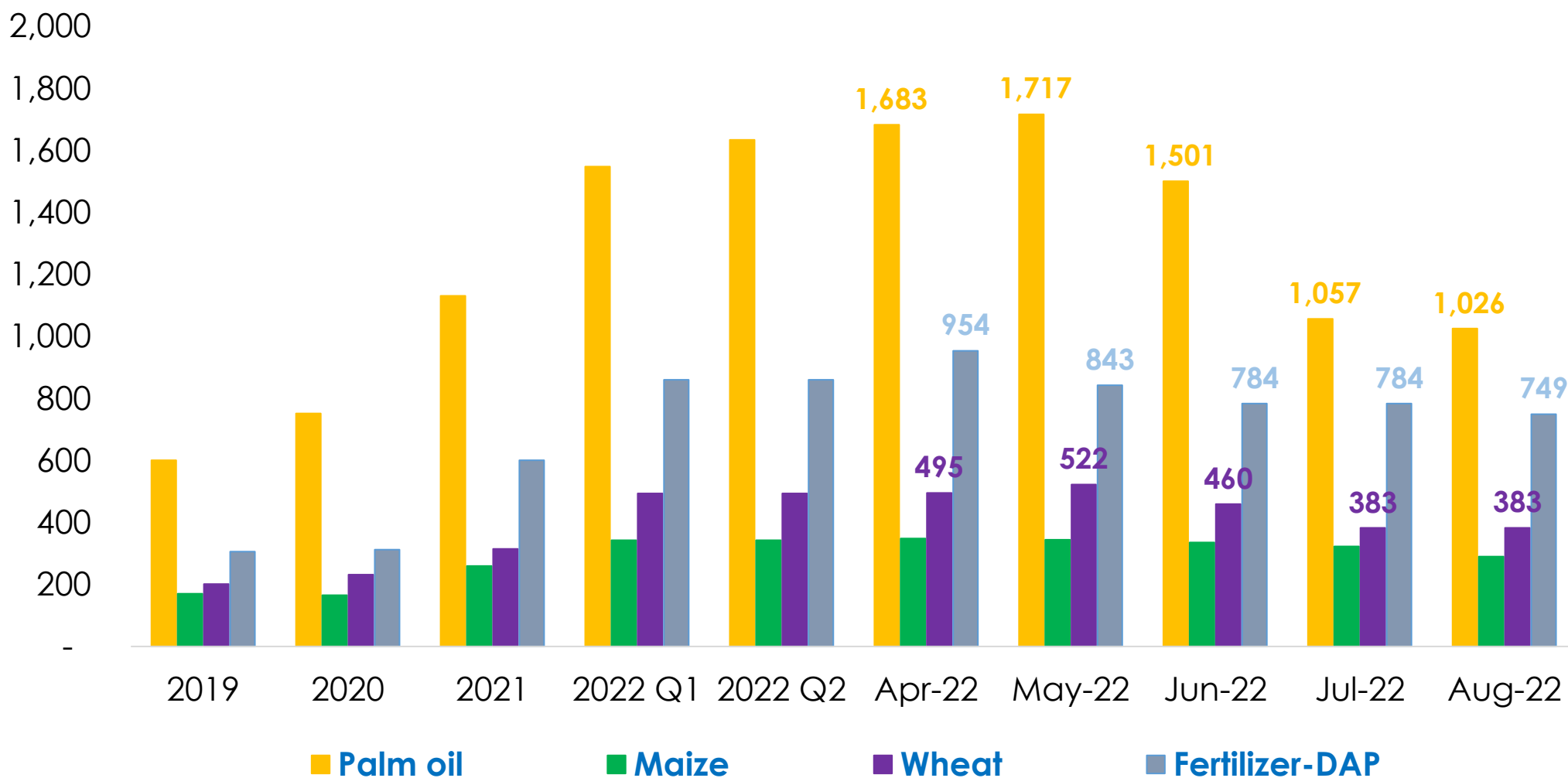


Source: Oilprice.com

Global commodity prices:

Prices of palm oil, fertilizer-DAP, and wheat have moderated

Global prices of selected commodities (USD, per metric tonne)

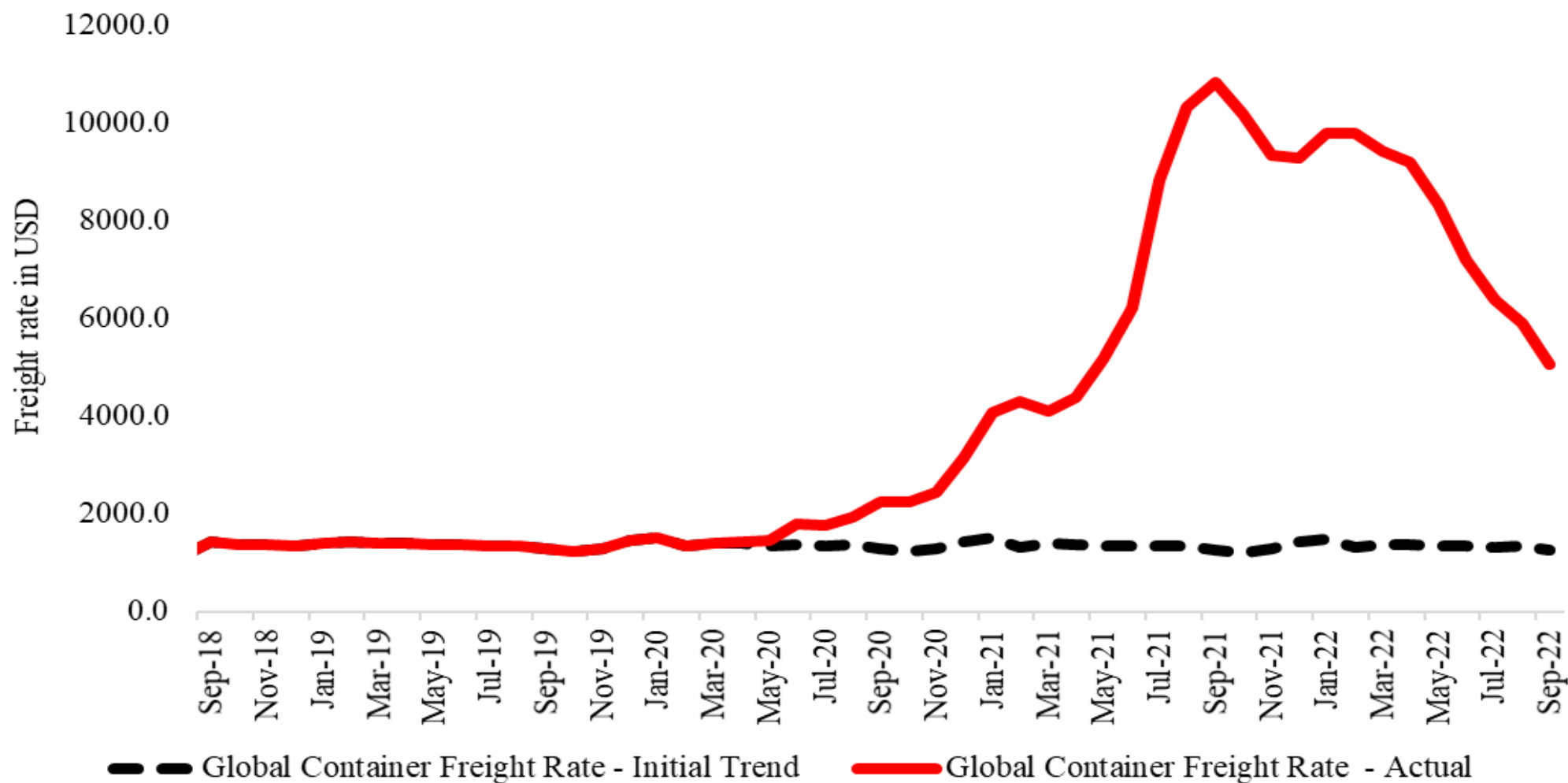


Source: World Bank Commodity Prices

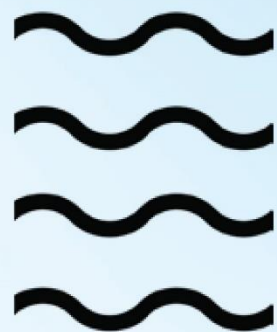
Supply chain challenges:

Global freight transportation costs are declining

Global container freight rate index of a 40 feet container (in US Dollars)



Source: Statista.com

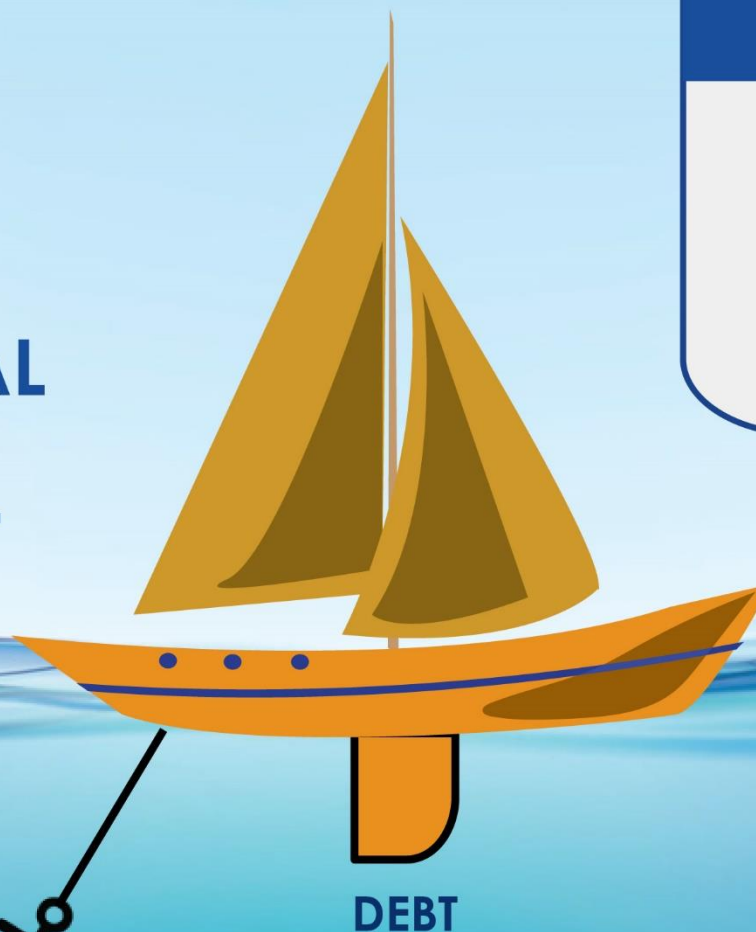


FISCAL

FINANCIAL

EXTERNAL

- CORRUPTION
- PENDING BILLS
- HIGH INFLATION
- WEAK INSTITUTIONS
- POOR ENVIRONMENT



DASHBOARD

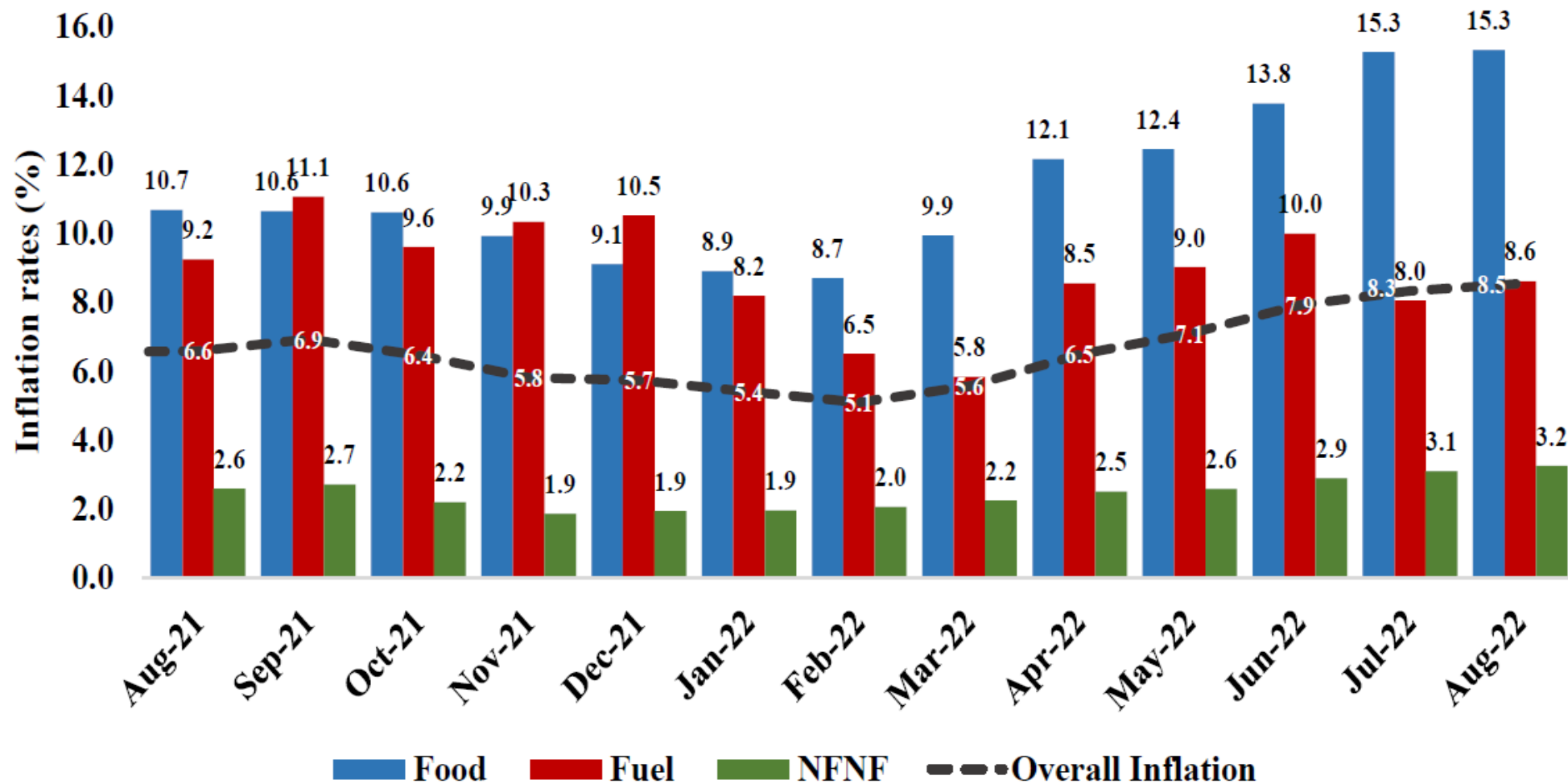
ECONOMIC GROWTH
COST OF LIVING
HEALTH, EDUCATION
INFRASTRUCTURE



Domestic inflation:

Inflation increased in recent months due to food and fuel prices

Inflation by broad category (y/y, percent)

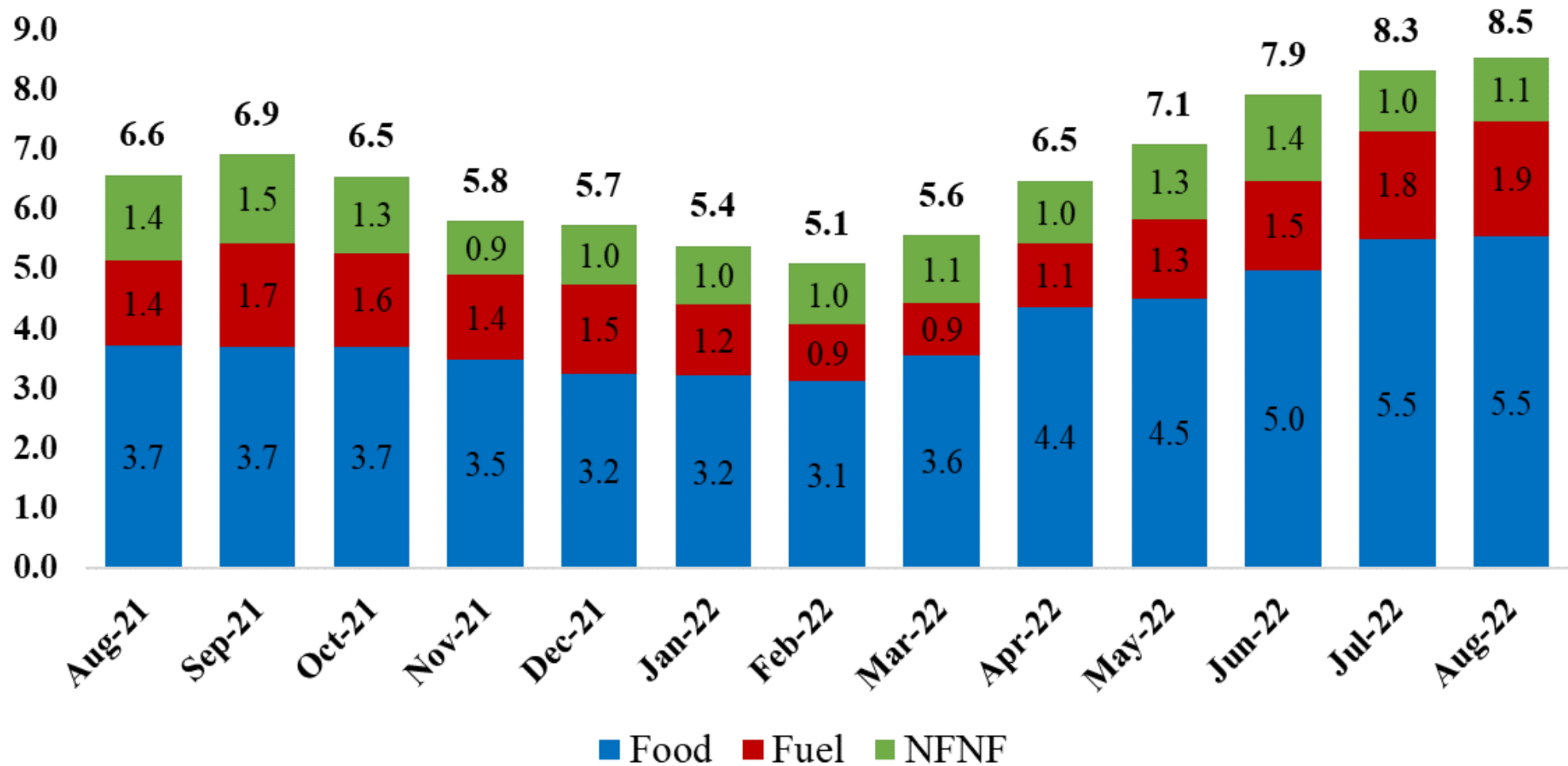


Source: Kenya National Bureau of Statistics and Central Bank of Kenya

Domestic inflation:

Food and fuel prices are the main drivers of inflation

Contributions to Overall Inflation (percentage points)

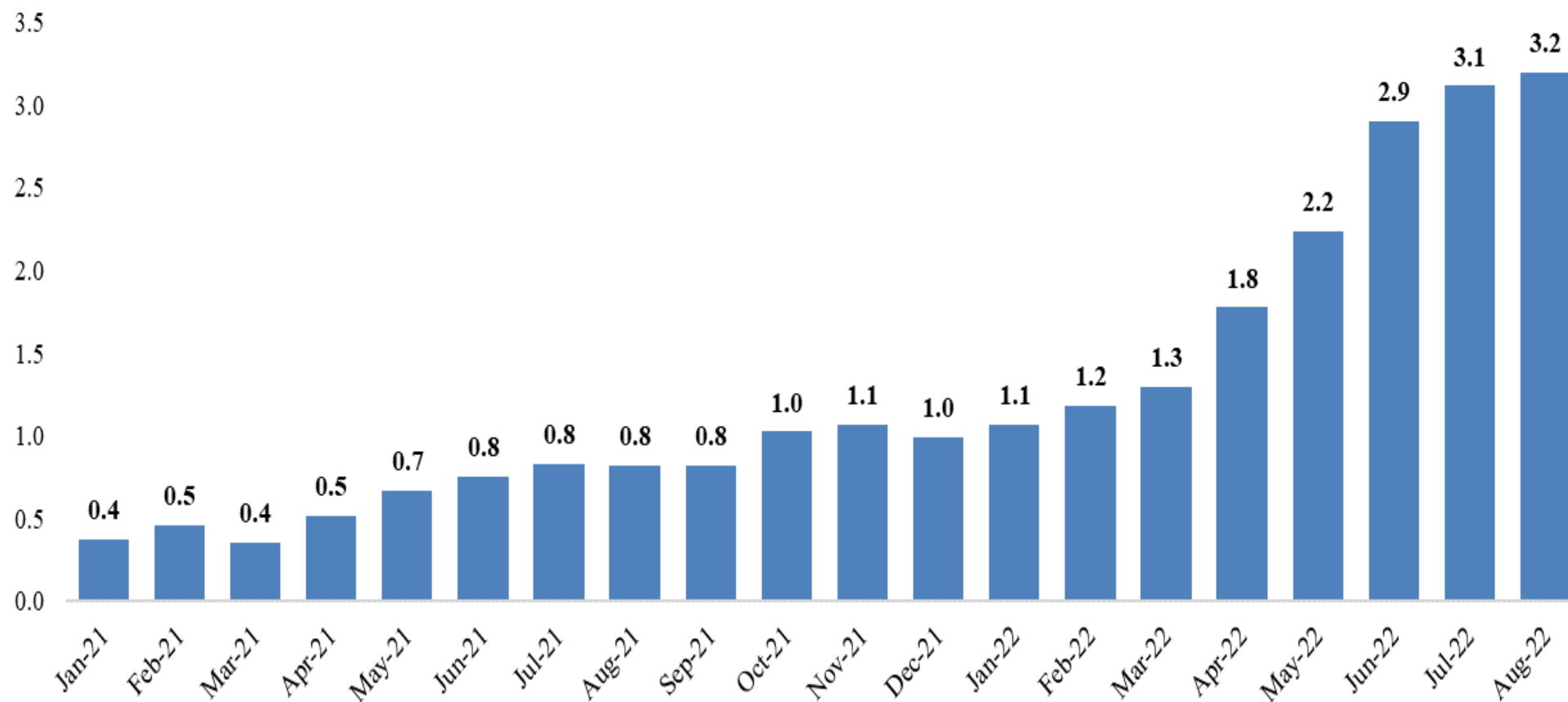


Source: KNBS and CBK

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

Domestic economy:

Economic growth is expected to remain strong in 2022

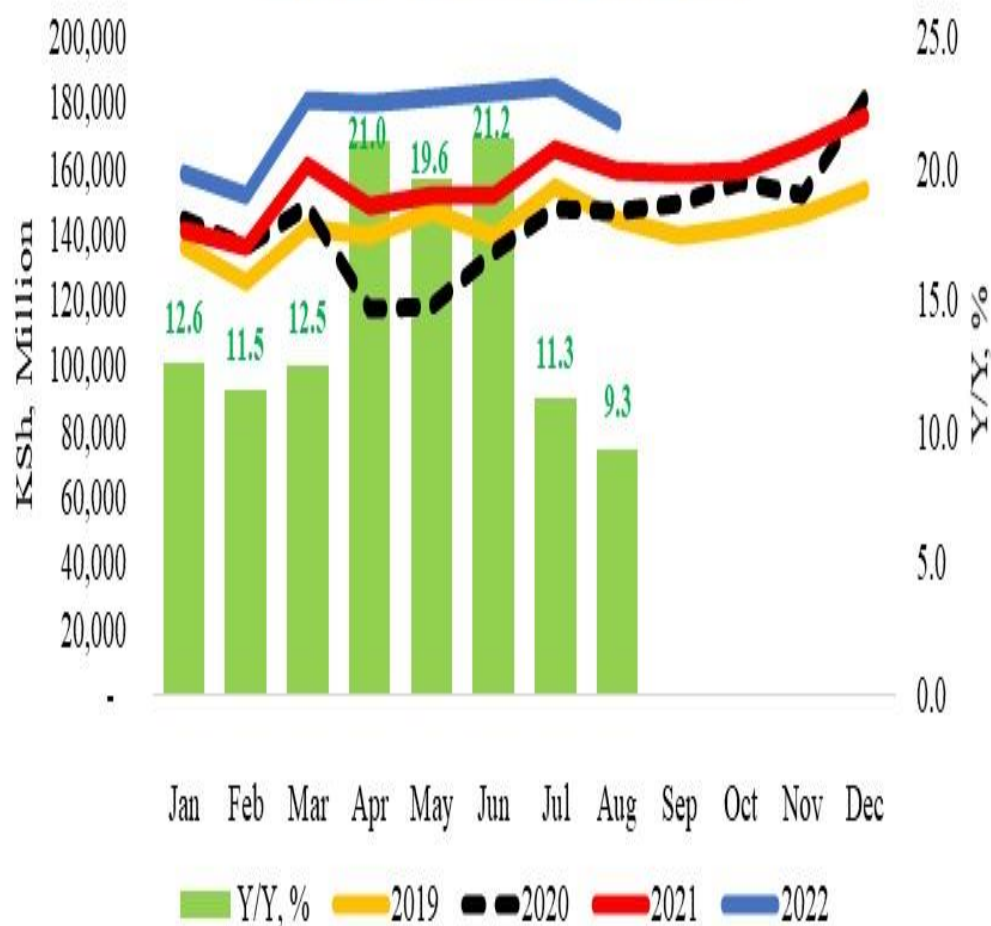
Real GDP growth (y/y, percent)							
	2018	2019	2020	2021	2022		
					Q1	Q2 Est.	Annual Proj.
1. Agriculture	5.7	2.7	4.8	-0.2	-0.7	1.3	1.0
2. Non-Agriculture (o/w)	5.6	5.7	-0.7	9.4	8.7	5.6	6.4
2.1 Industry	3.8	4.0	4.0	7.2	5.5	4.6	4.8
Mining & Quarrying	-4.8	4.3	6.7	18.0	22.1	12.1	11.8
Manufacturing	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
2.2 Services	6.1	6.5	-2.2	9.8	9.2	5.4	6.5
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
2.3 Taxes on products	5.9	3.9	-7.9	11.9	12.3	9.6	9.0
Real GDP Growth	5.6	5.1	-0.3	7.5	6.8	4.7	5.4

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

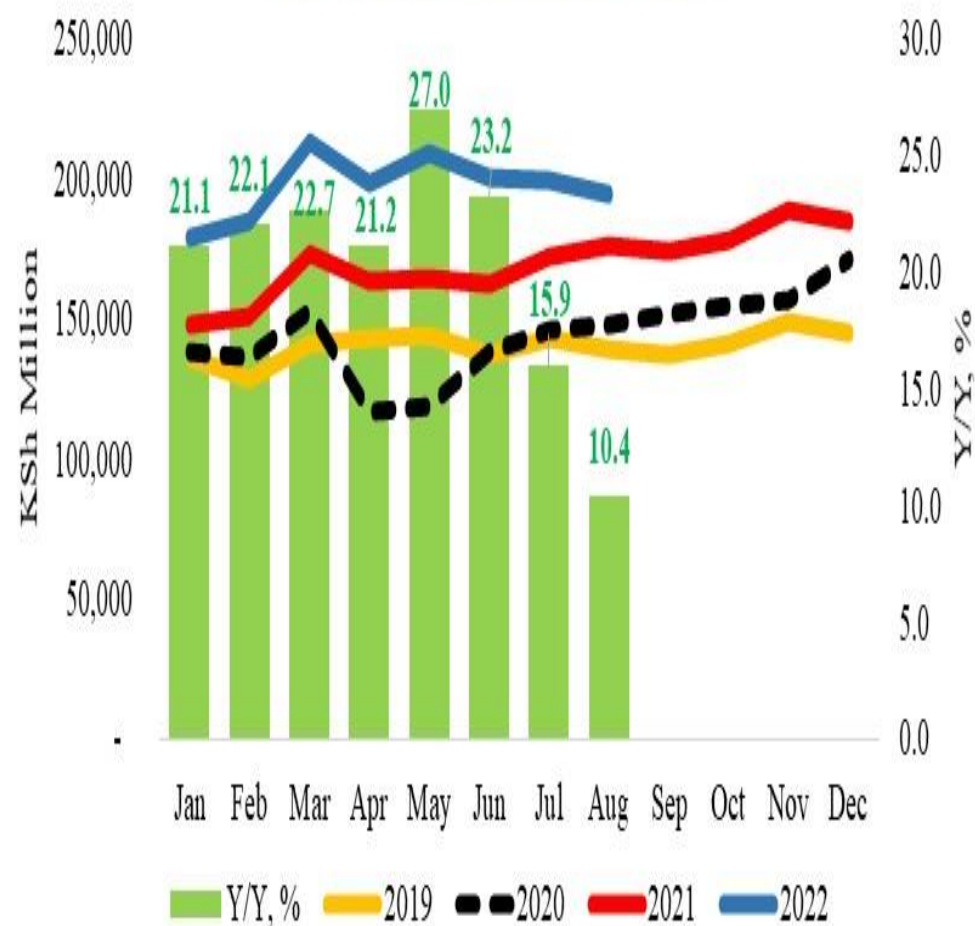
Sales turnover:

Strong activity in wholesale and retail trade, and manufacturing sectors

Sales Turnover, Wholesale and retail trade



Sales Turnover, Manufacturing Sector

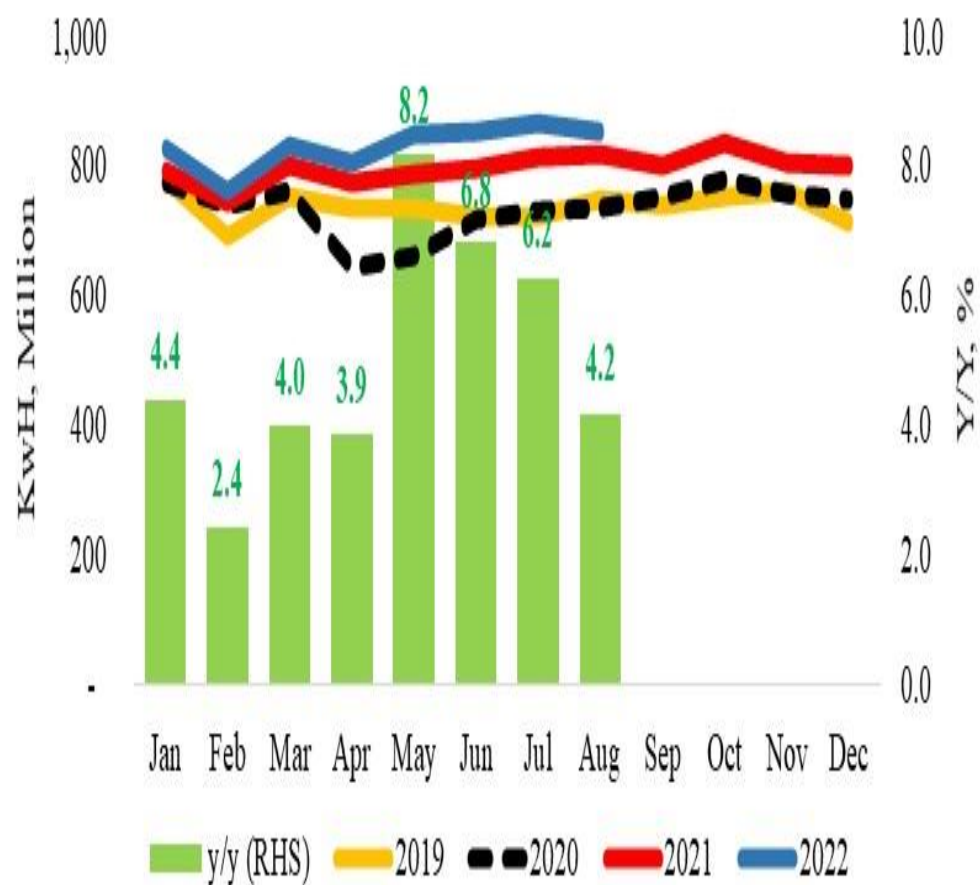


Source: CBK

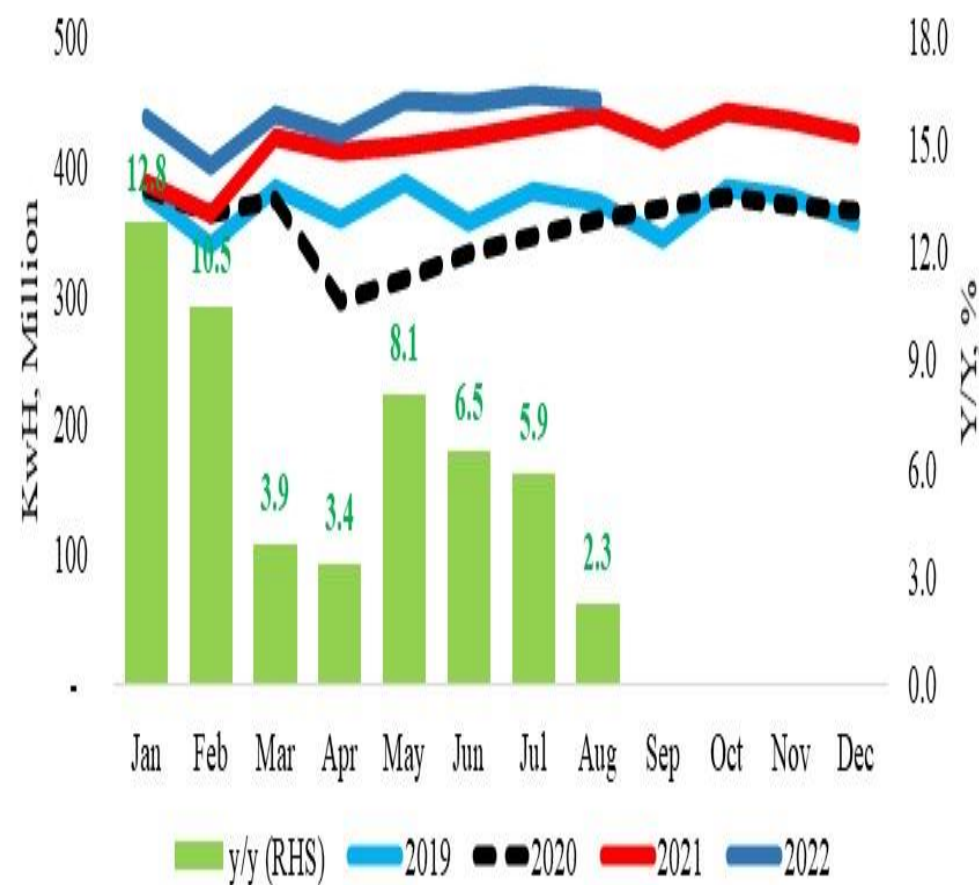
Manufacturing activity:

Power consumption has remained strong

Total Power Consumption

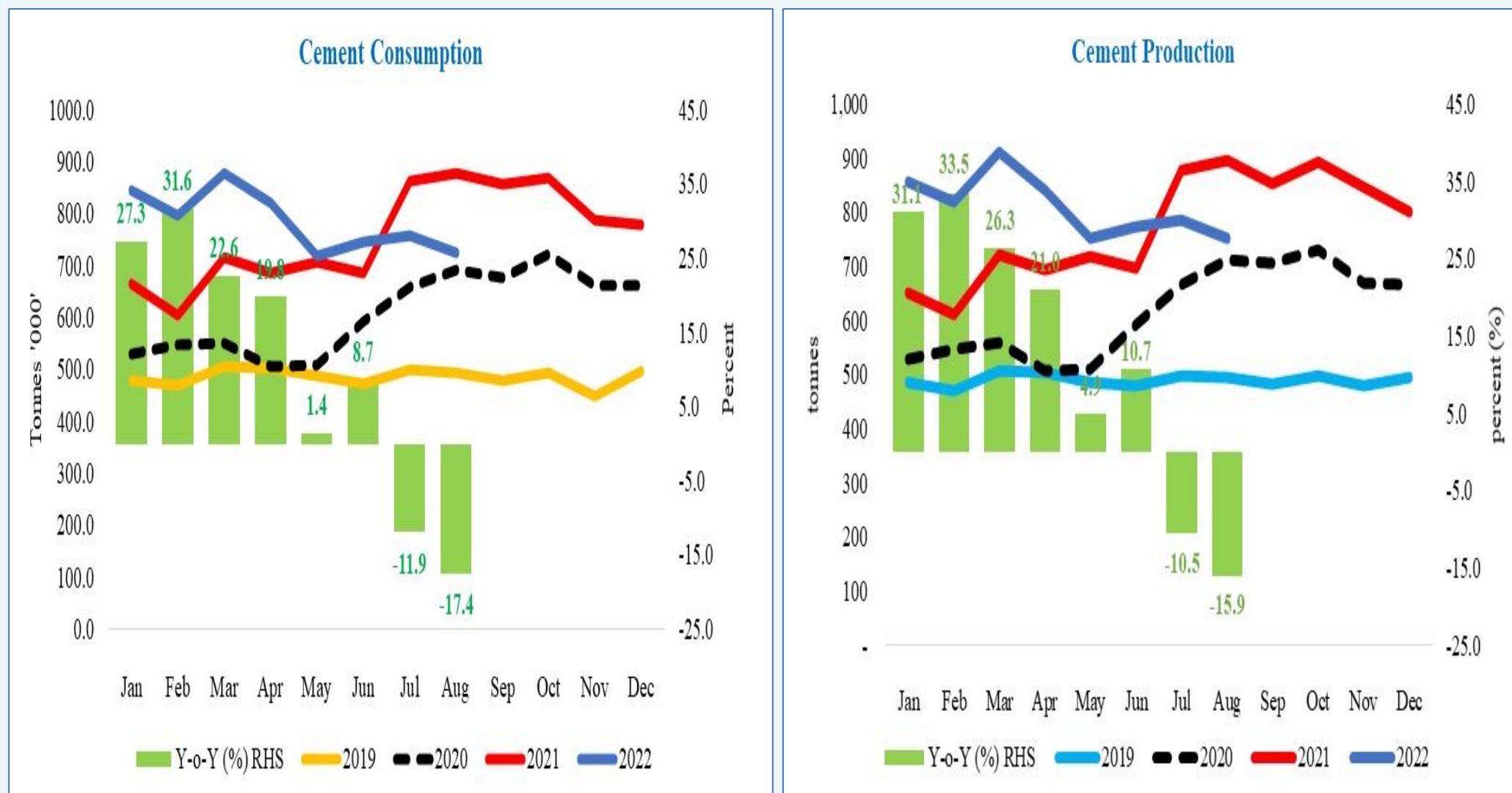


Trends of Large Power Consumption



Source: Kenya National Bureau of Statistics

Construction activity: Resilient cement consumption and production

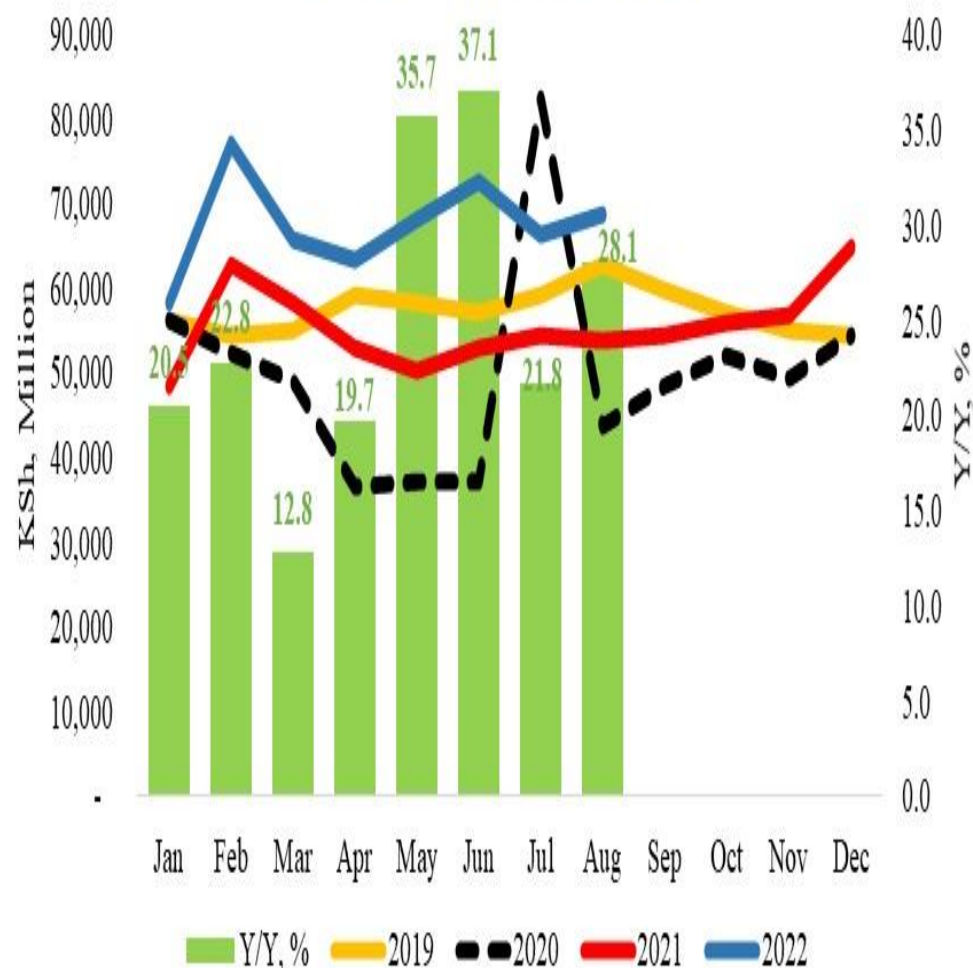


Source: Kenya National Bureau of Statistics

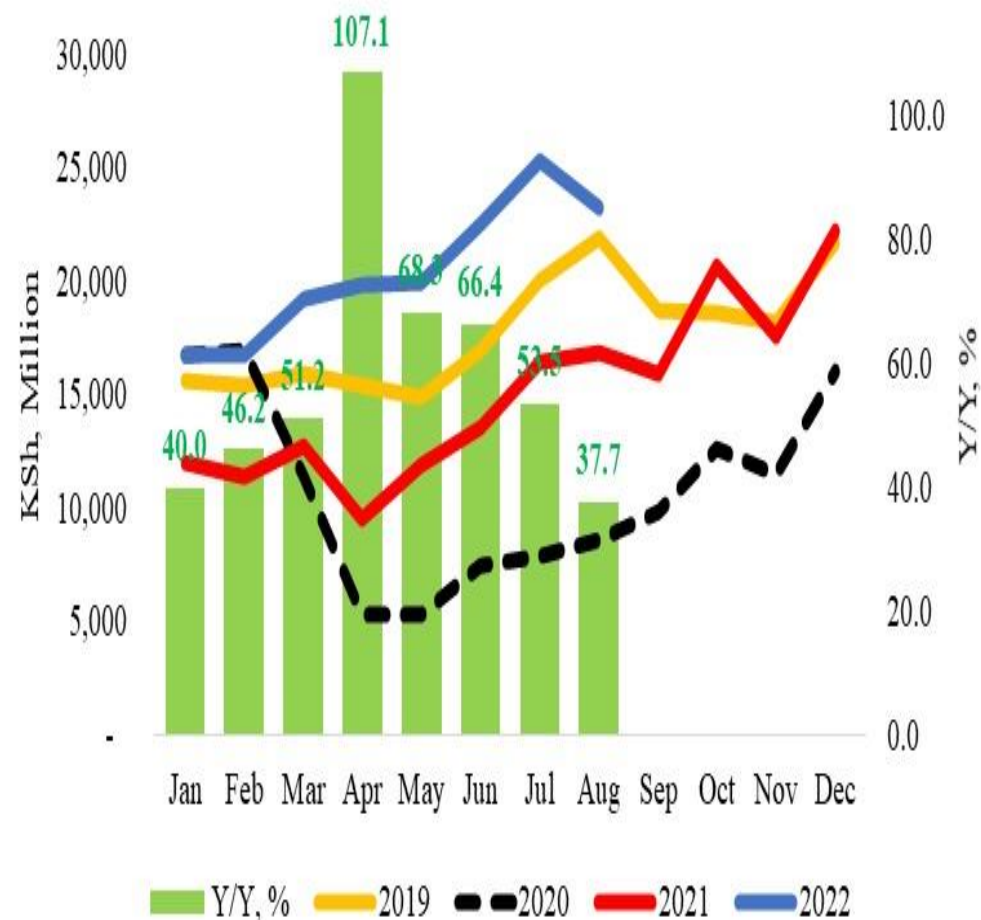
Sales Turnover:

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

Sales Turnover, Transport and storage



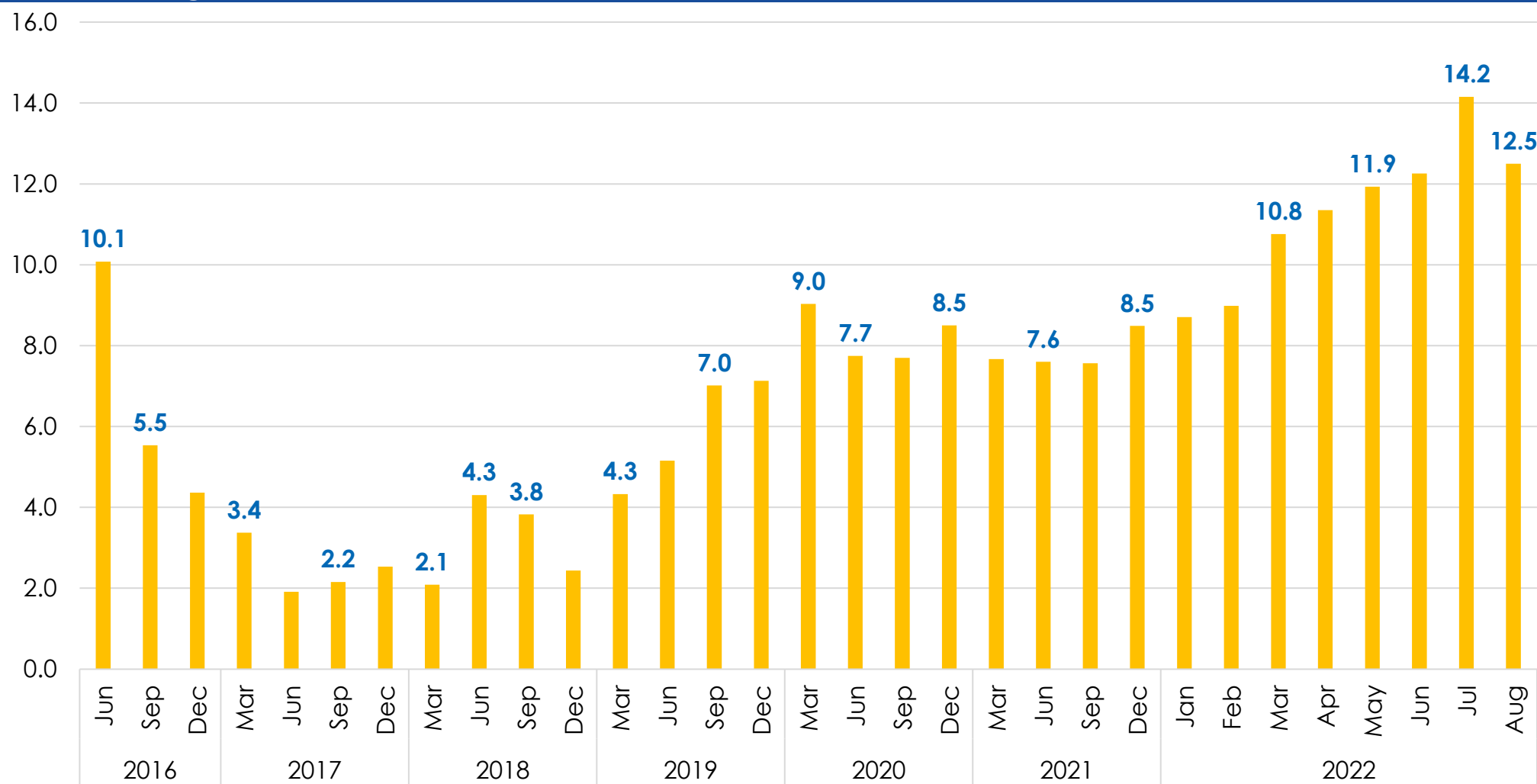
Sales Turnover, Accommodation and food services



Source: CBK

Private sector credit: Strong growth in credit to the private sector

12 Months growth in credit to private sector (percent)

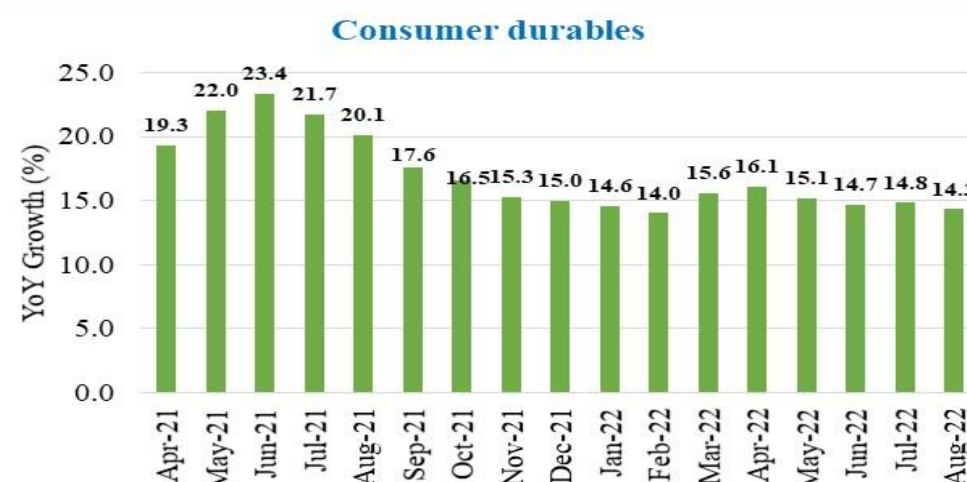
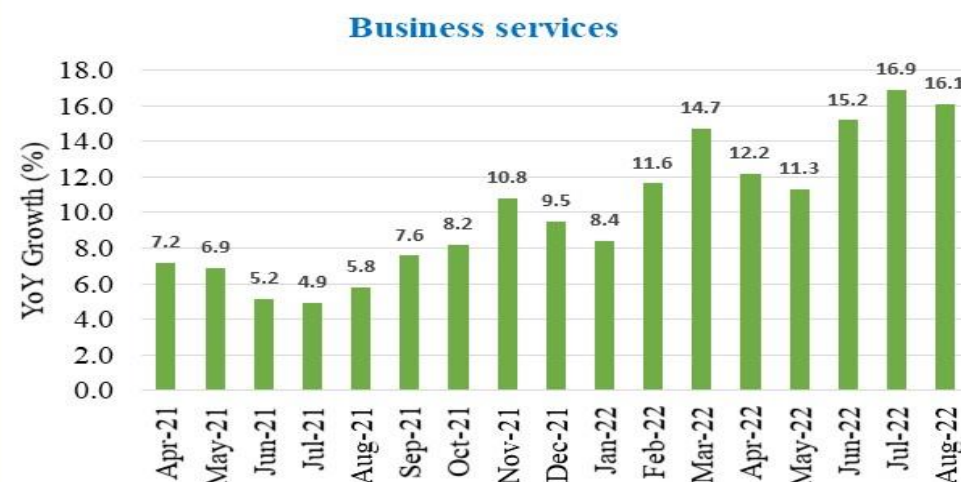


Source: CBK

Private sector credit:

Strong growth in credit to key sectors of the economy

12 Months growth in credit to private sector (percent)



Source: CBK

September 2022 CEOs Survey:

Stronger business confidence/optimism in growth prospects

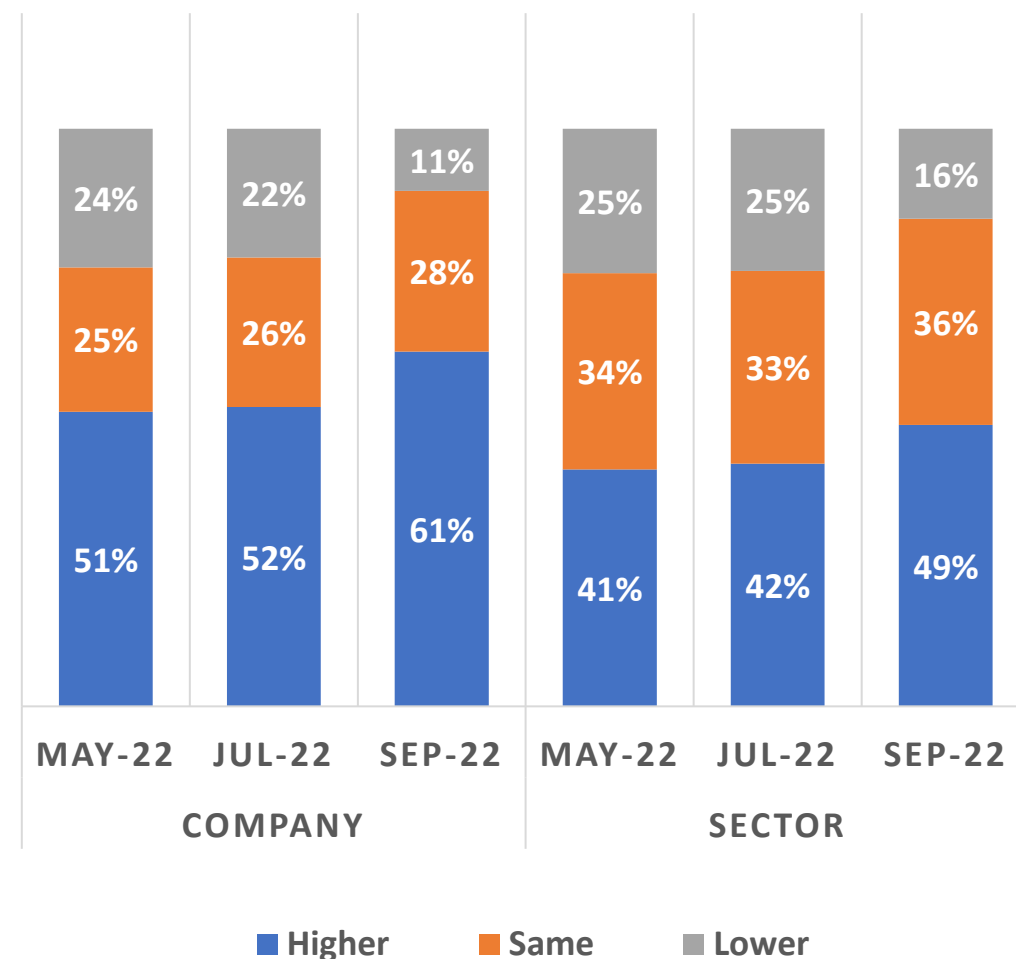
The September 2022 CEOs Survey revealed stronger optimism largely due to:

- Business prospects in green economy; agriculture; manufacturing; MSMEs; automotive industries
- Renewed investor confidence post-election and anticipated new government policies.
- Headroom for growth in construction, fintech, real estate.

Nevertheless, firms raised some concerns:

- High domestic and global inflation; rise in energy costs; unpredictable weather conditions; decline in consumer demand; the war in Ukraine.

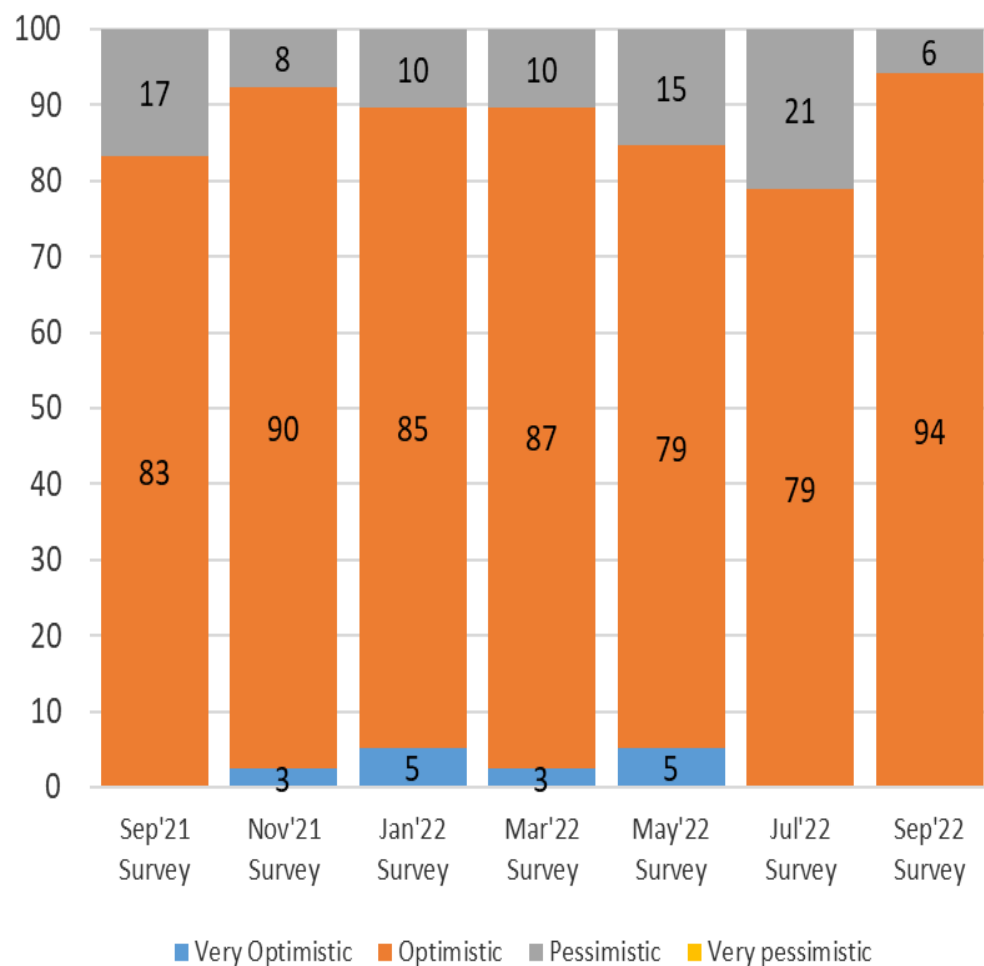
BUSINESS CONFIDENCE IN NEXT 12 MONTHS (PERCENT OF RESPONDENTS)



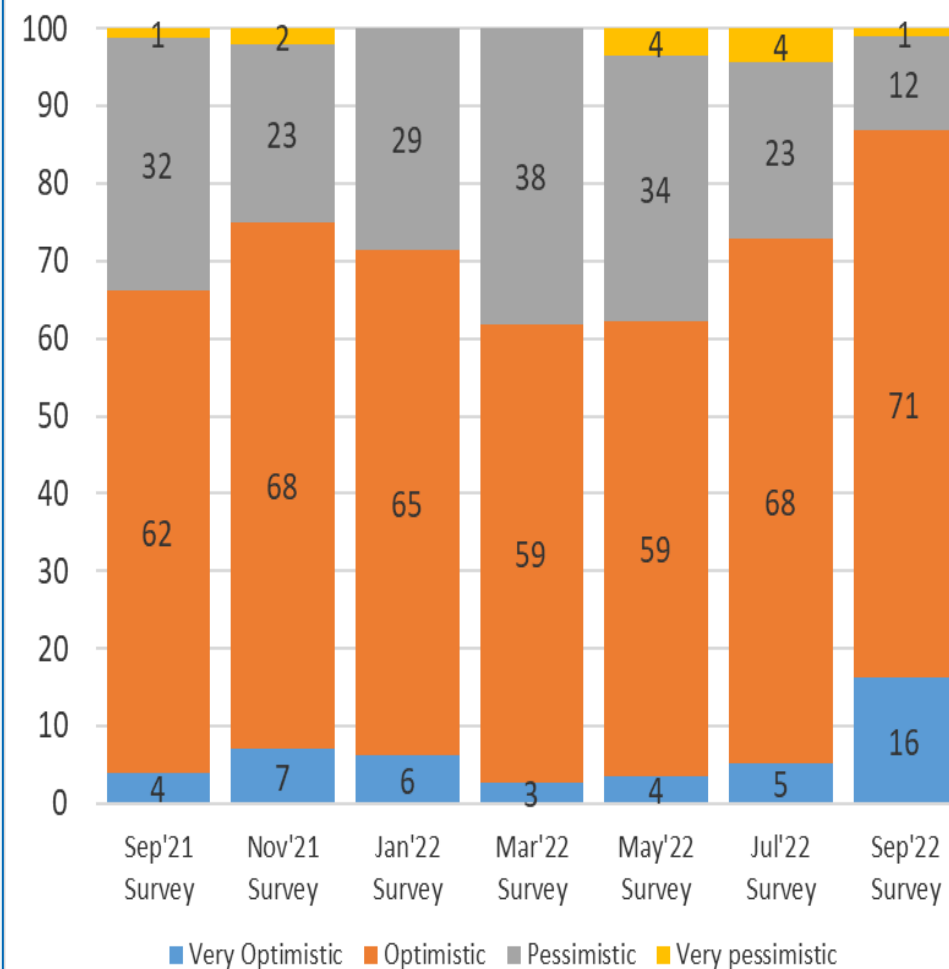
September 2022 MPC Market Perceptions Survey:

Stronger optimism in Kenya's economic prospects in the next 12 months

Banks (percent of respondents)



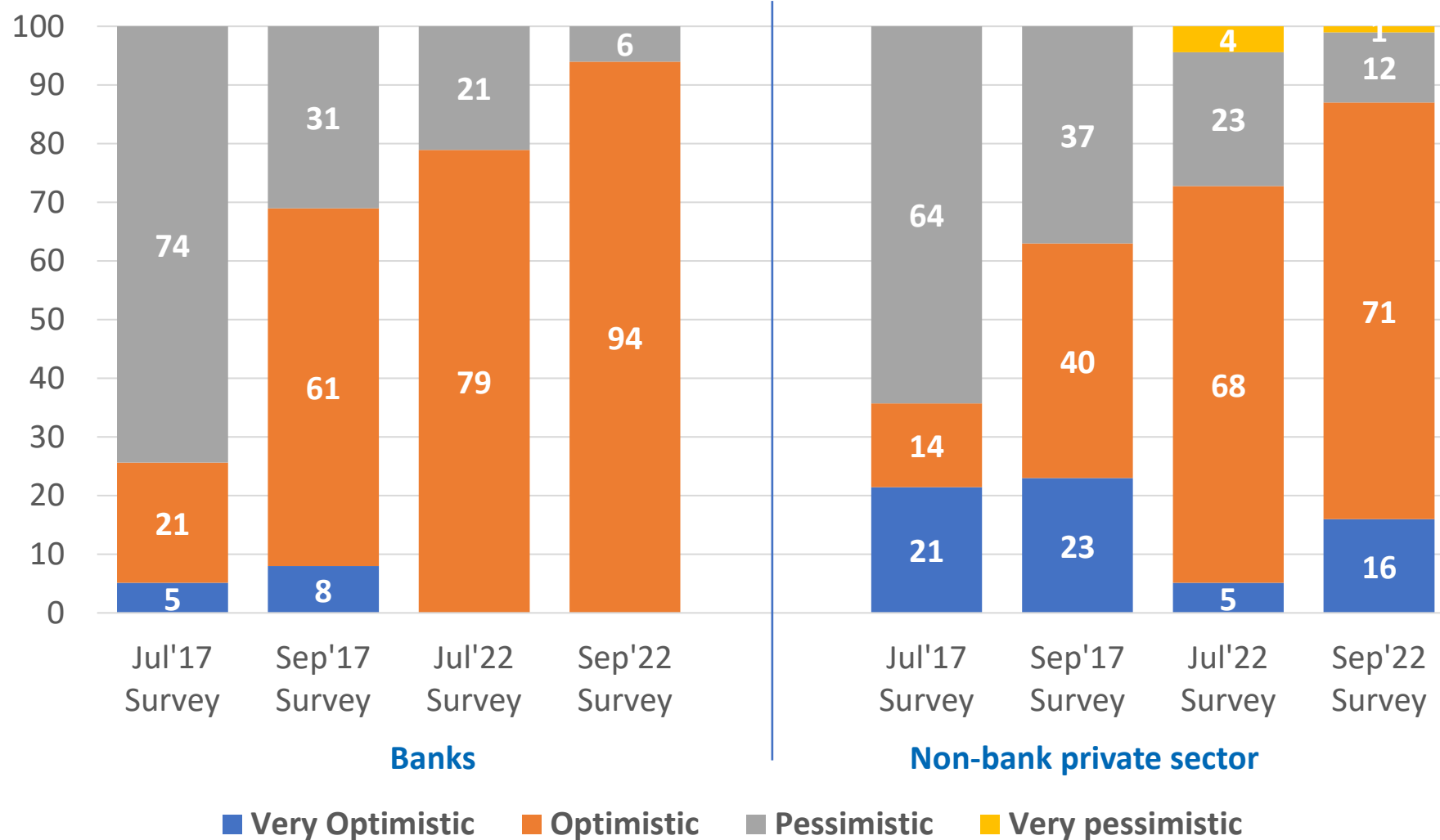
Non-Bank private firms (percent of respondents)



MPC Market Perceptions Surveys:

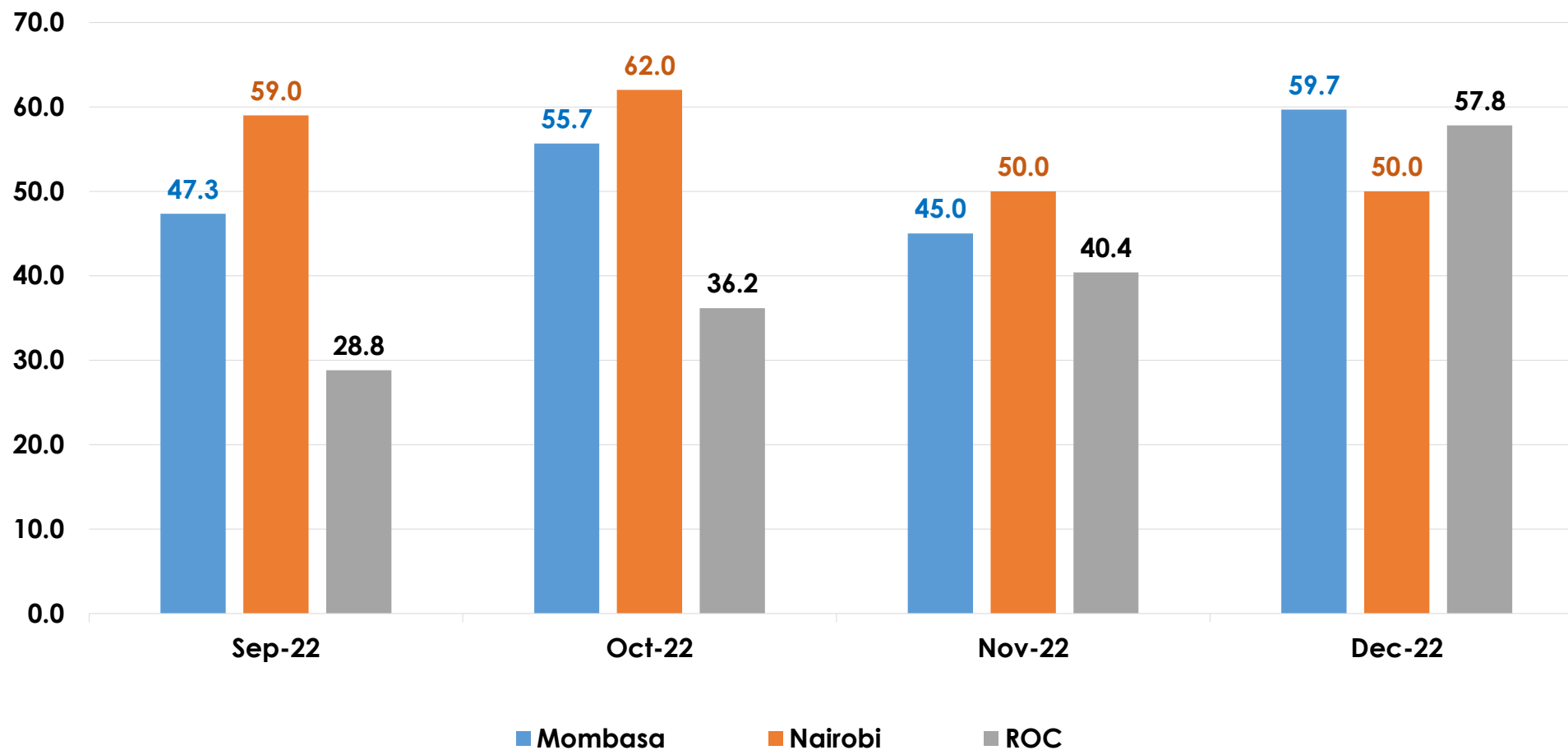
Stronger optimism on Kenya's post-election economic prospects in 2022 compared to 2017

Optimism in economic prospects in the next 12 months (percent of respondents)



September 2022 MPC Market Perceptions Survey: Forward hotel bookings have increased significantly

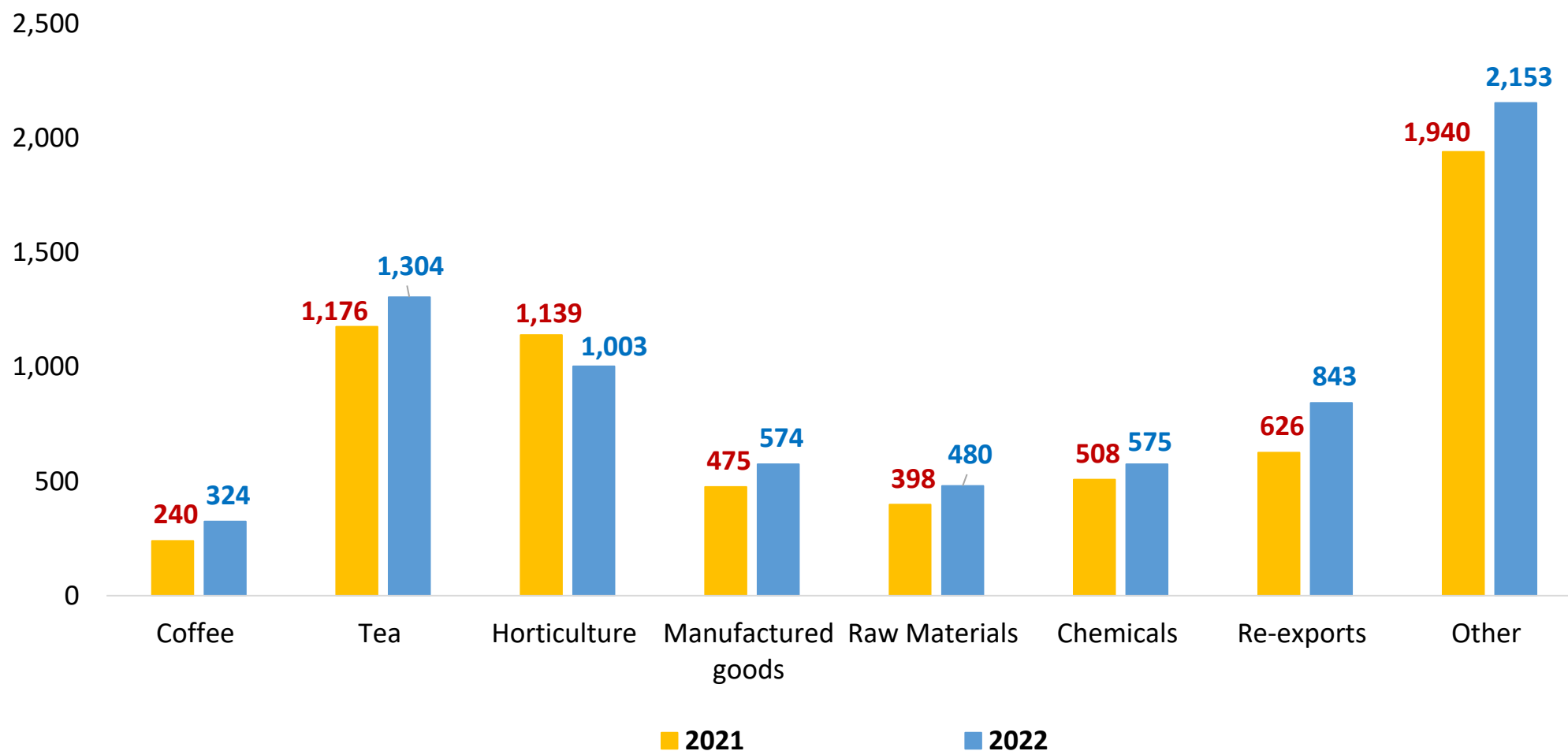
Average Forward Bookings (Percent of bed capacity)



Balance of payments:

Exports of goods by products remain strong

12 Months to August (USD, Million)

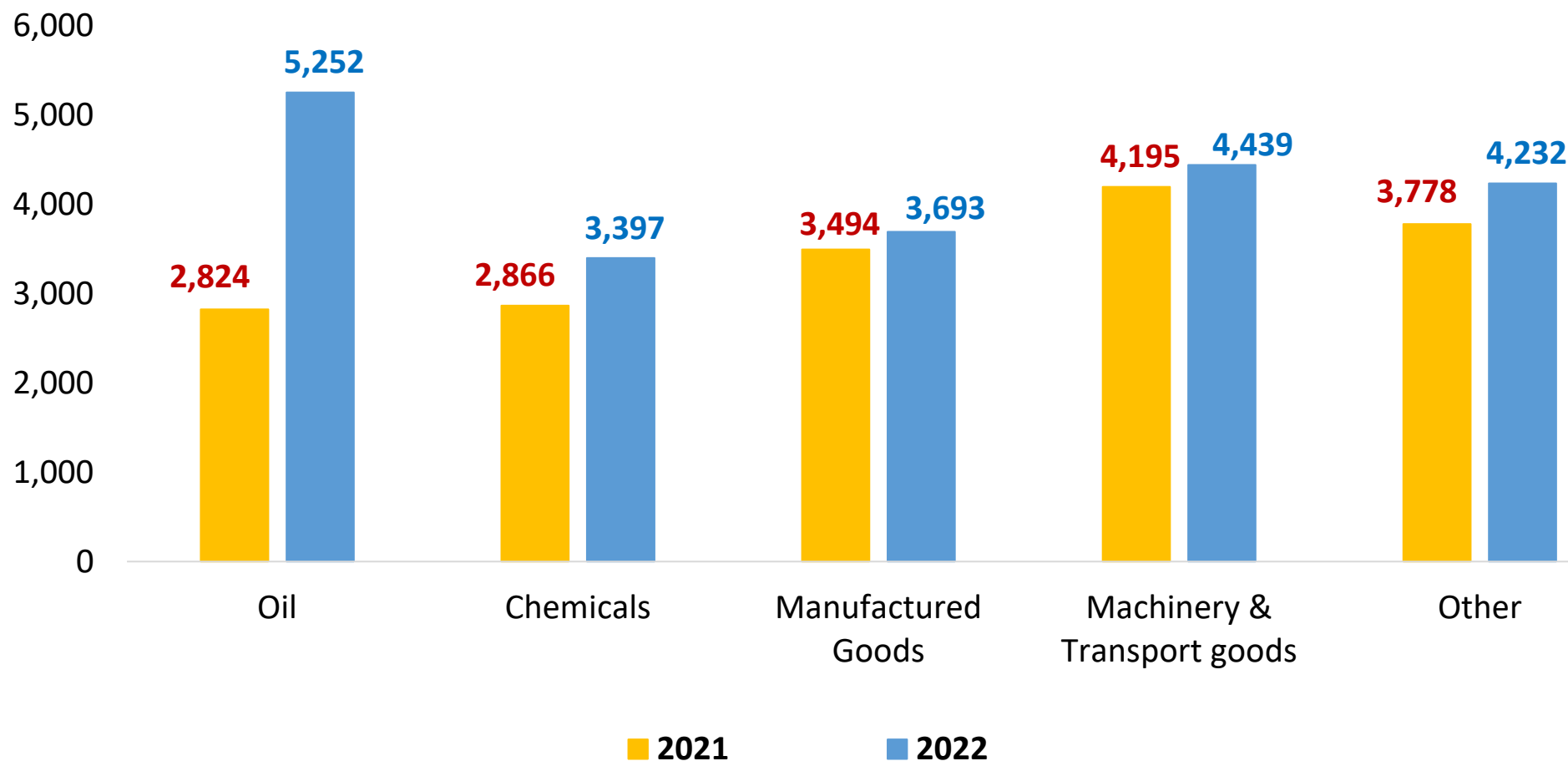


Source: CBK, KRA

Balance of payments:

Imports of goods by products increased largely due to oil imports

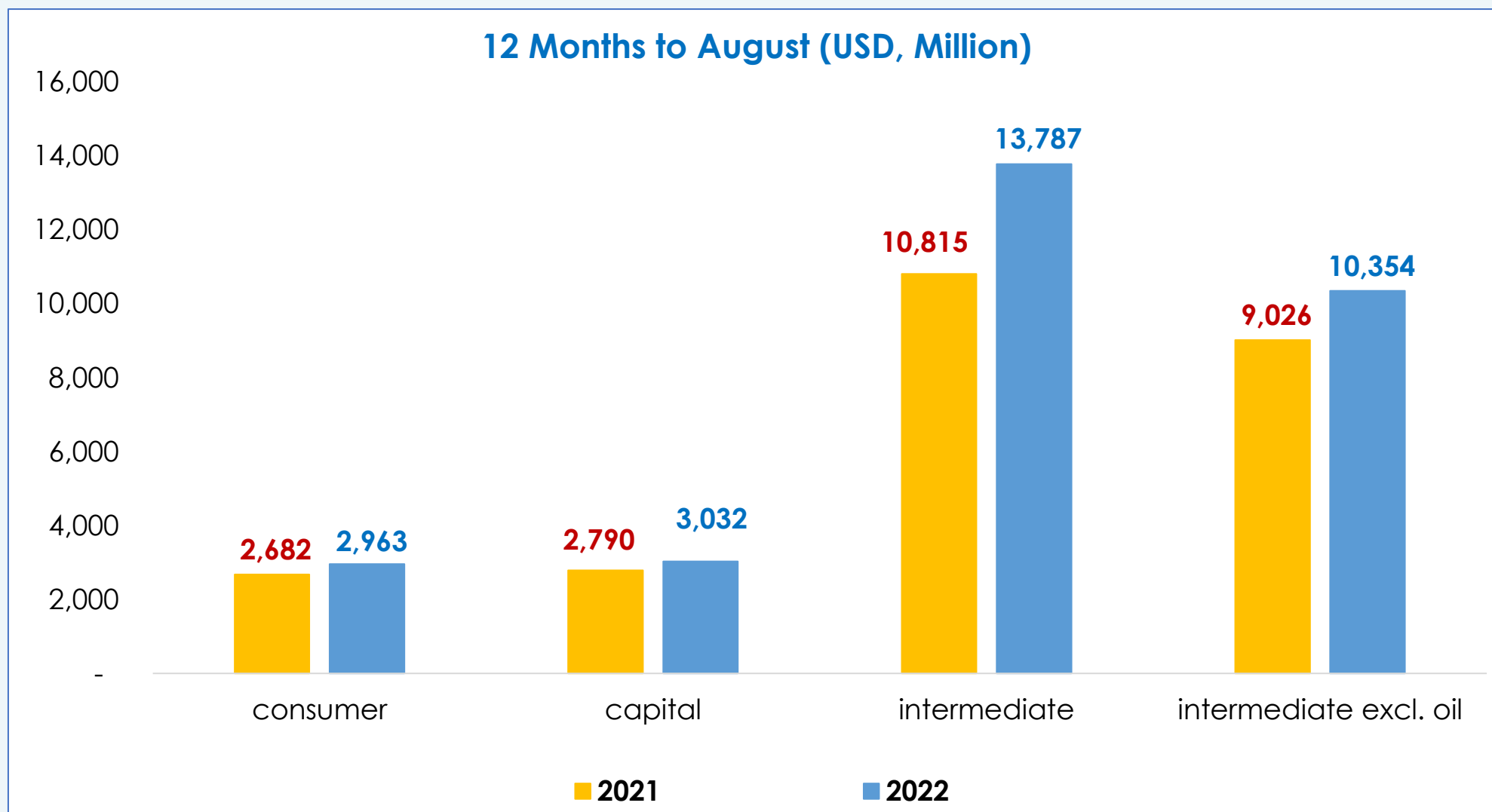
12 Months to August (USD, Million)



Source: CBK, KRA

Balance of payments:

Imports of goods increased due to oil and other intermediate goods

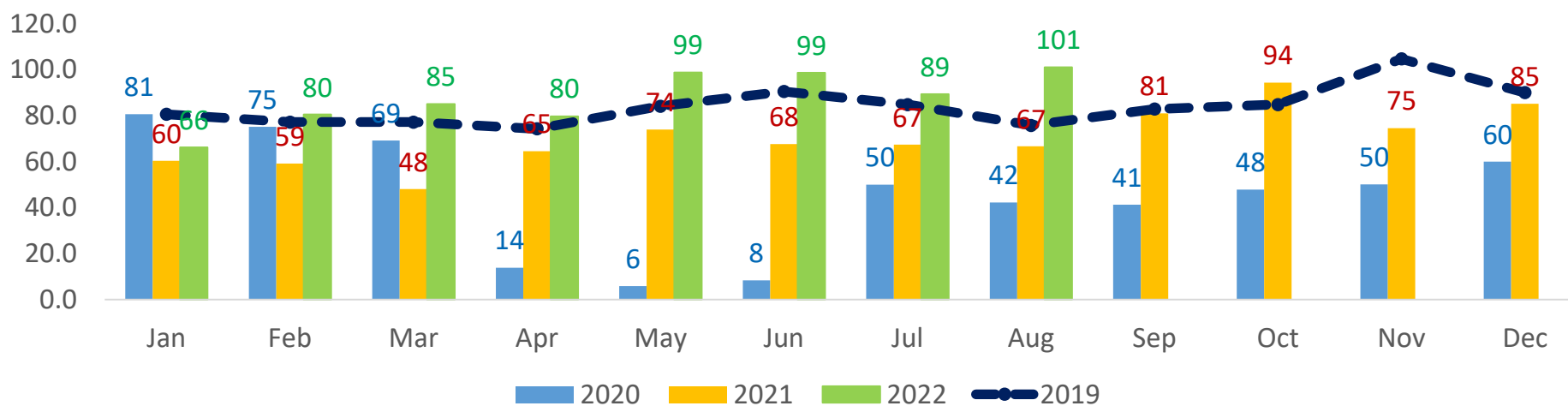


Source: CBK, KRA

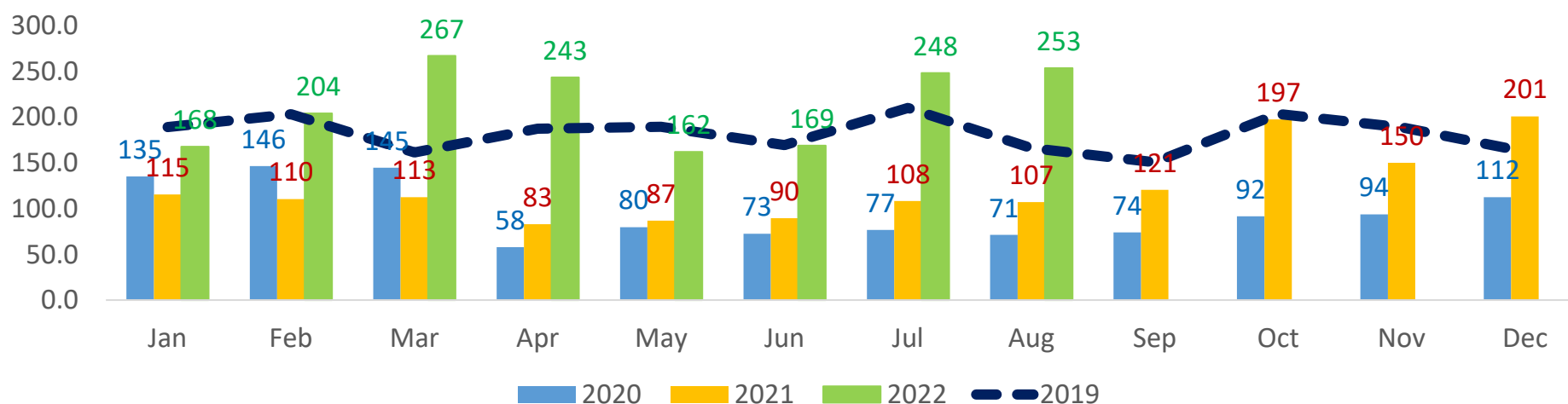
Services exports:

Receipts from travel and transport services have remained strong

Travel receipts (USD Million)



Transport receipts (USD Million)

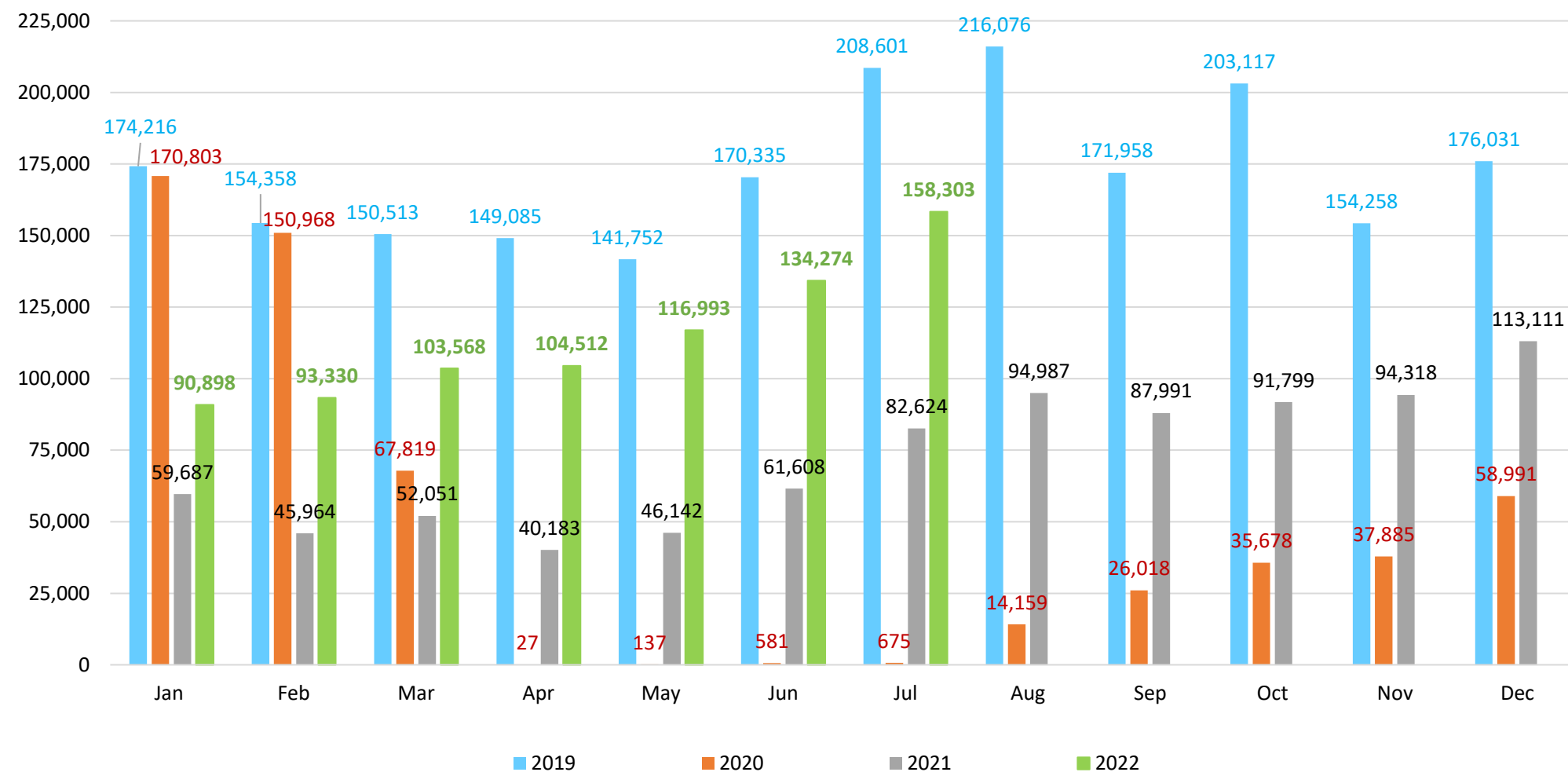


Source: CBK

Tourism sector:

Tourist arrivals have recovered strongly

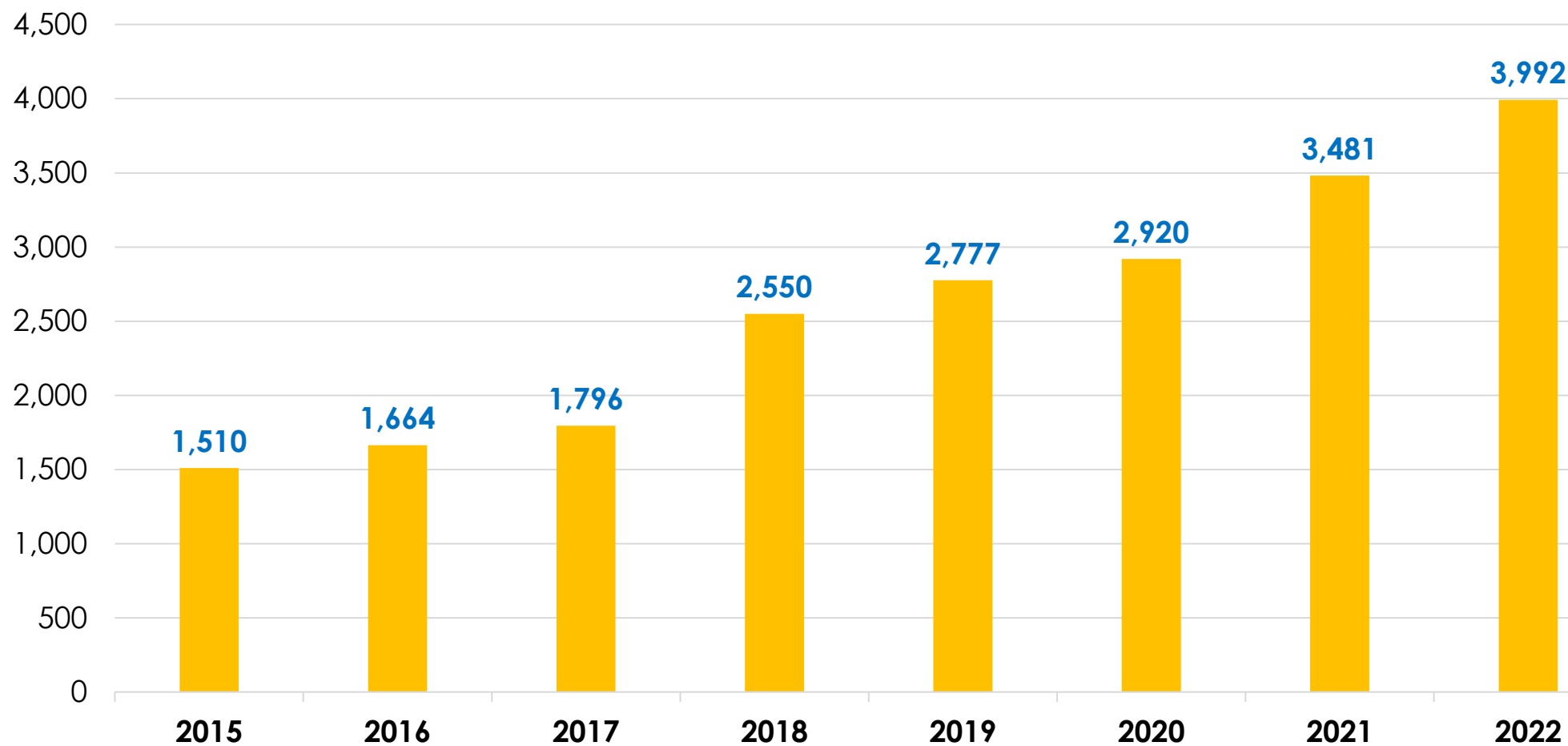
Total number of tourist arrivals



Source: Kenya Tourism Board

Diaspora remittances: Remittances inflows have remained strong

12 months cumulative remittances to August (USD, Million)

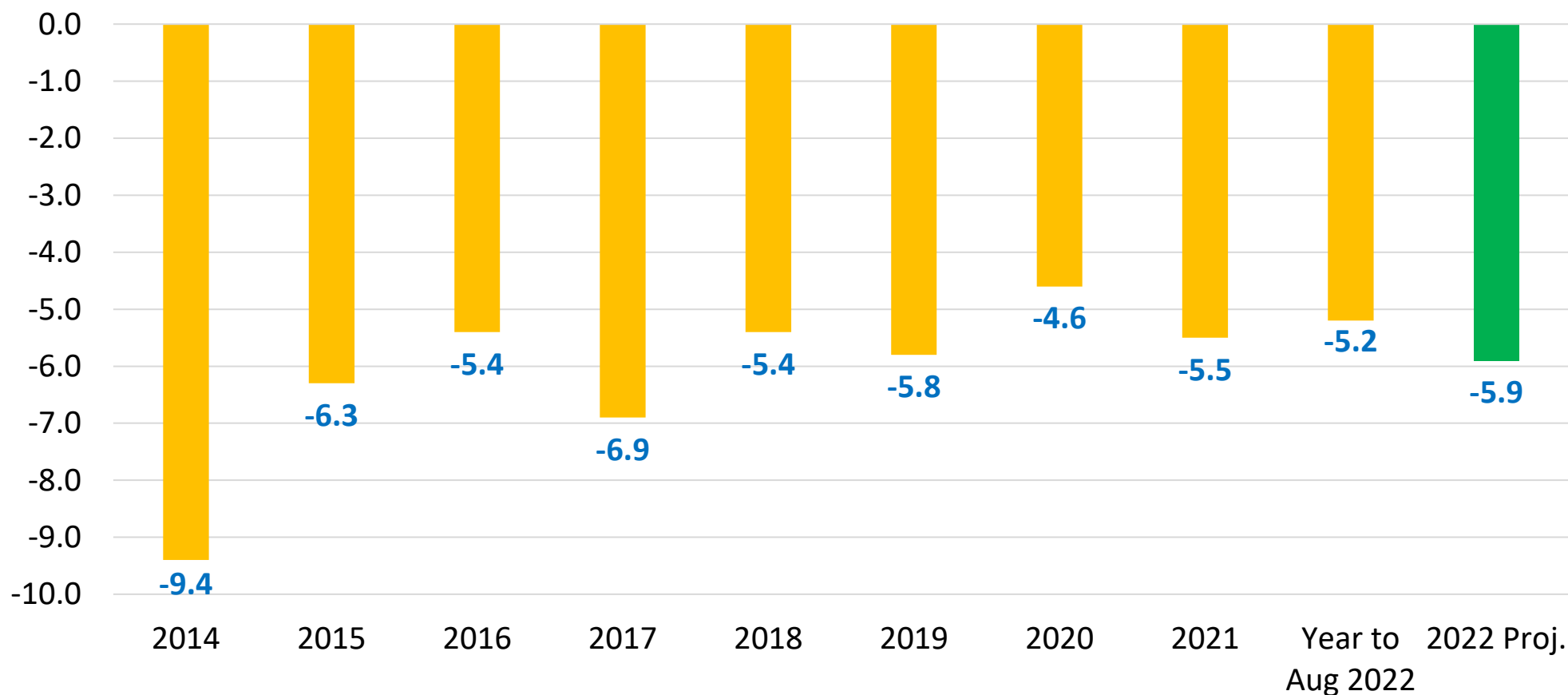


Source: CBK

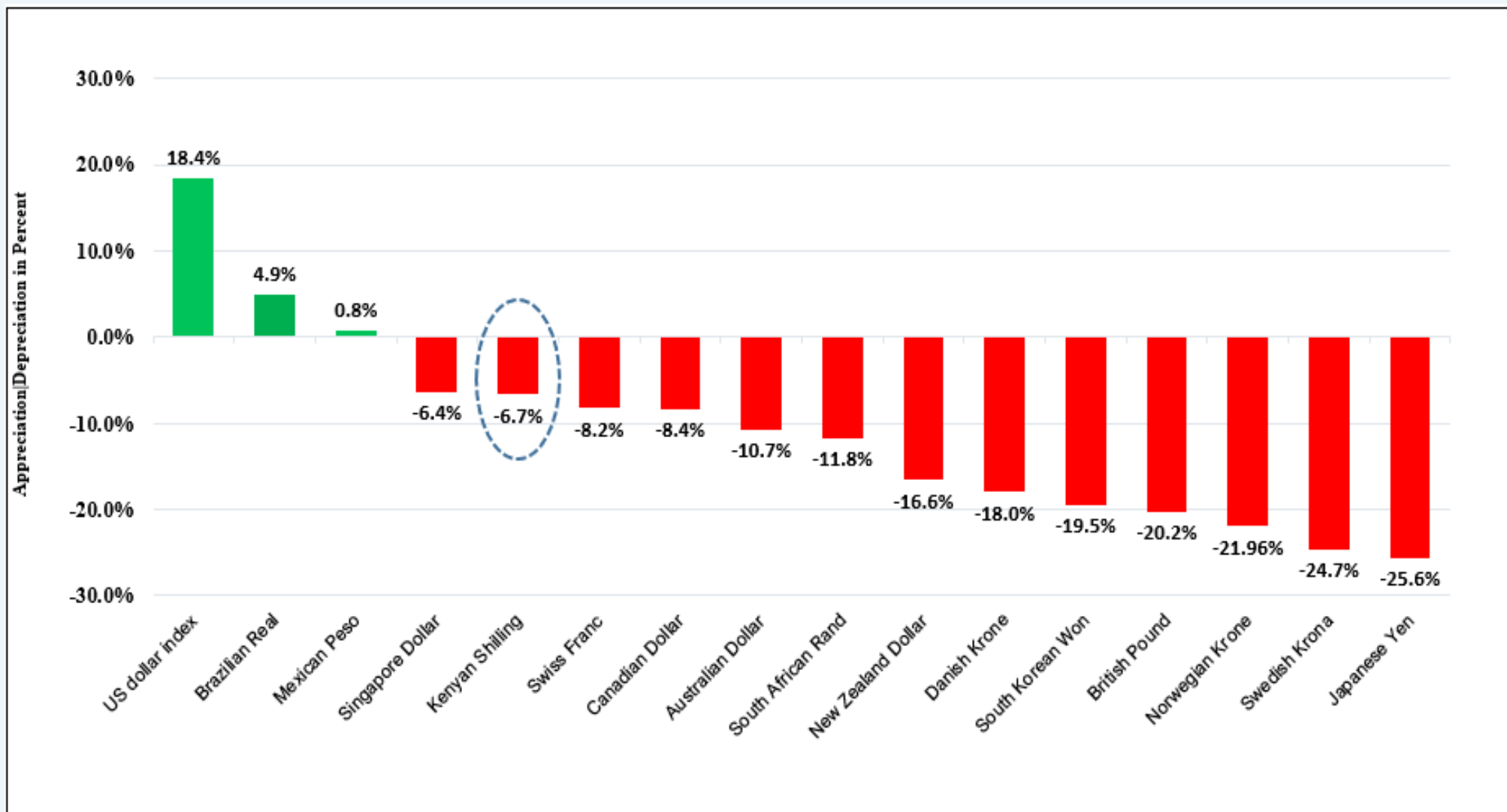
Current account balance:

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

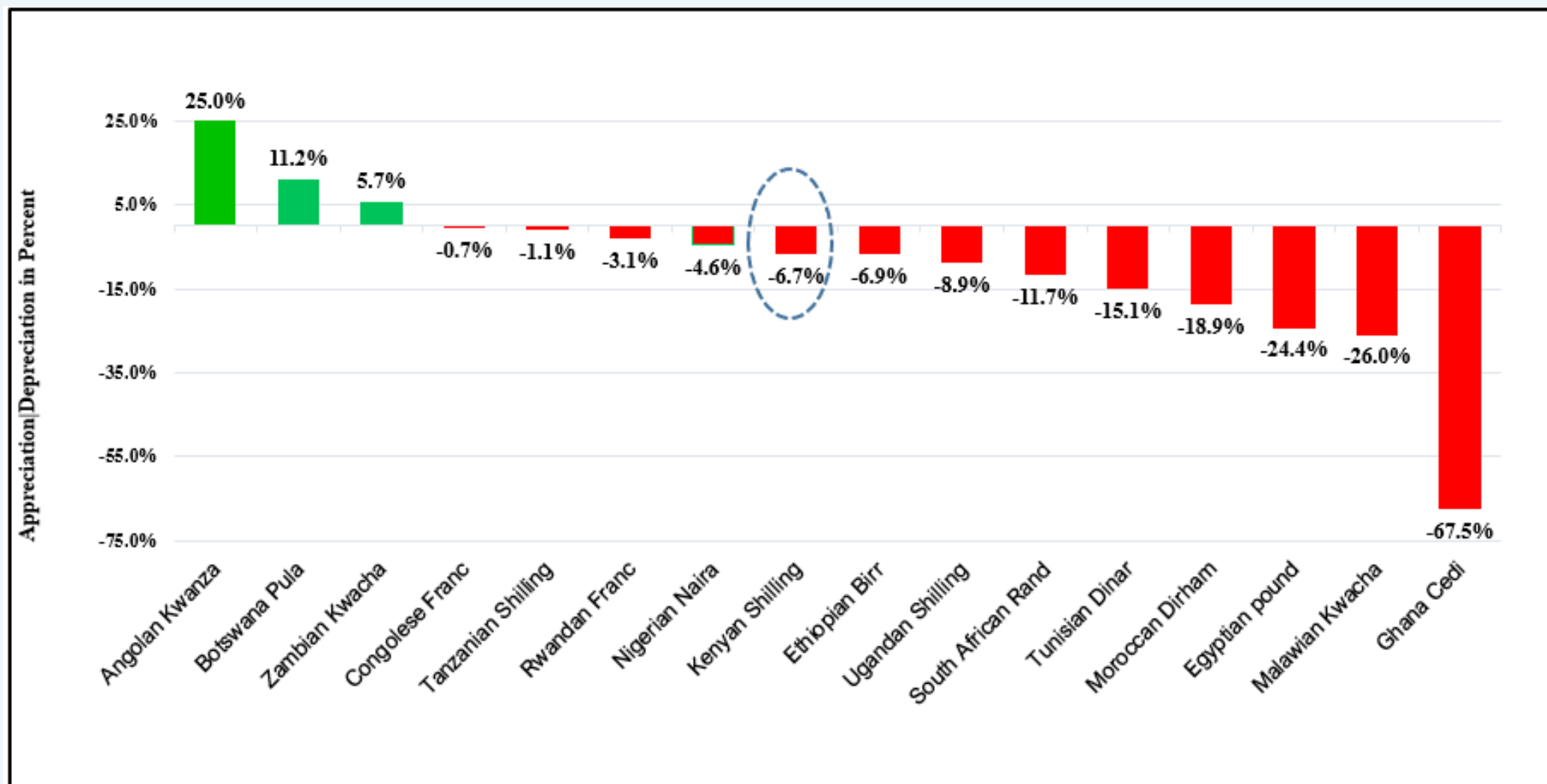
Current account balance (percent of GDP)



Source: CBK



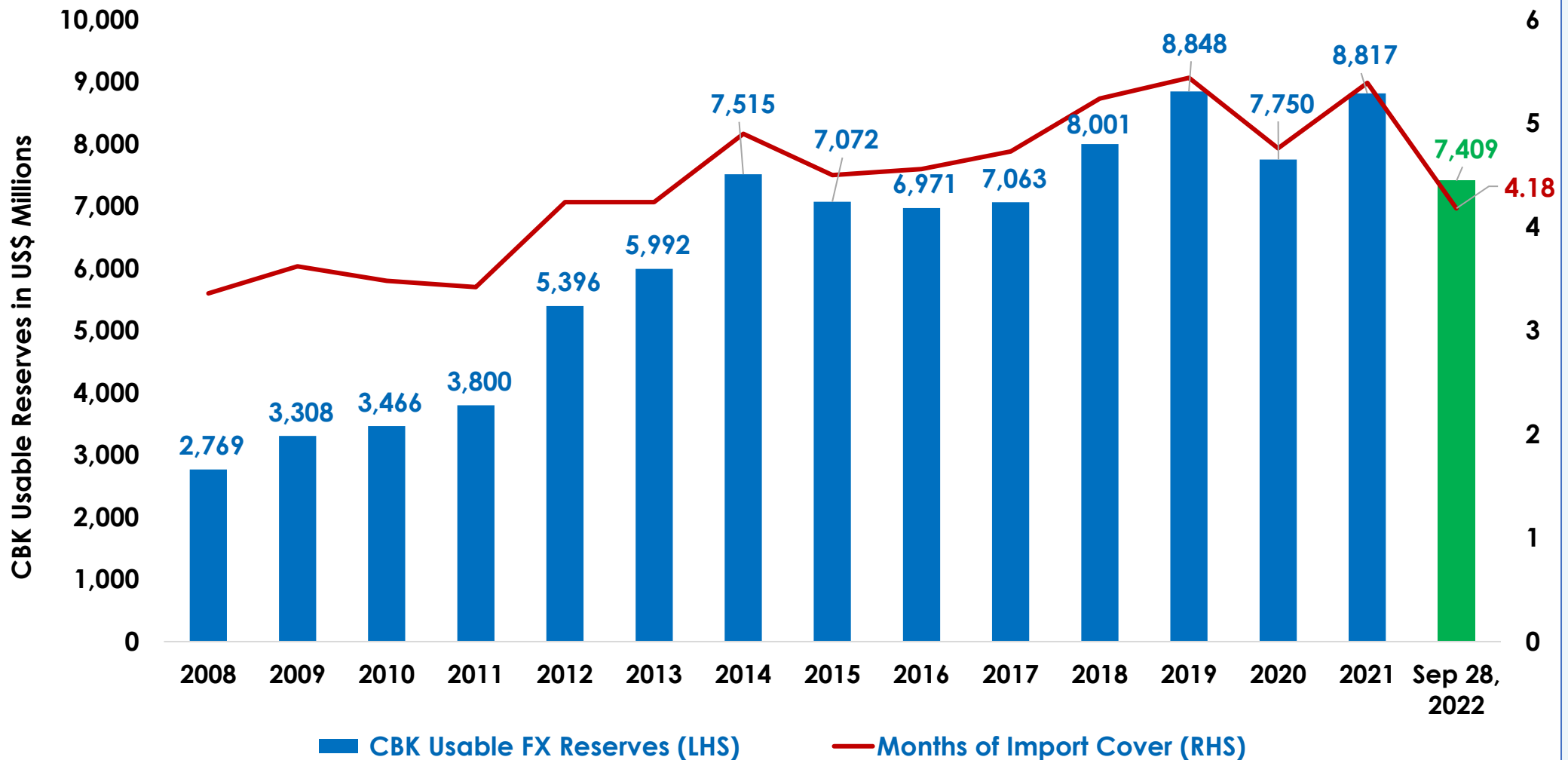
Source: Refinitiv, as at 27 September 2022



Source: Refinitiv, as at 27 September 2022

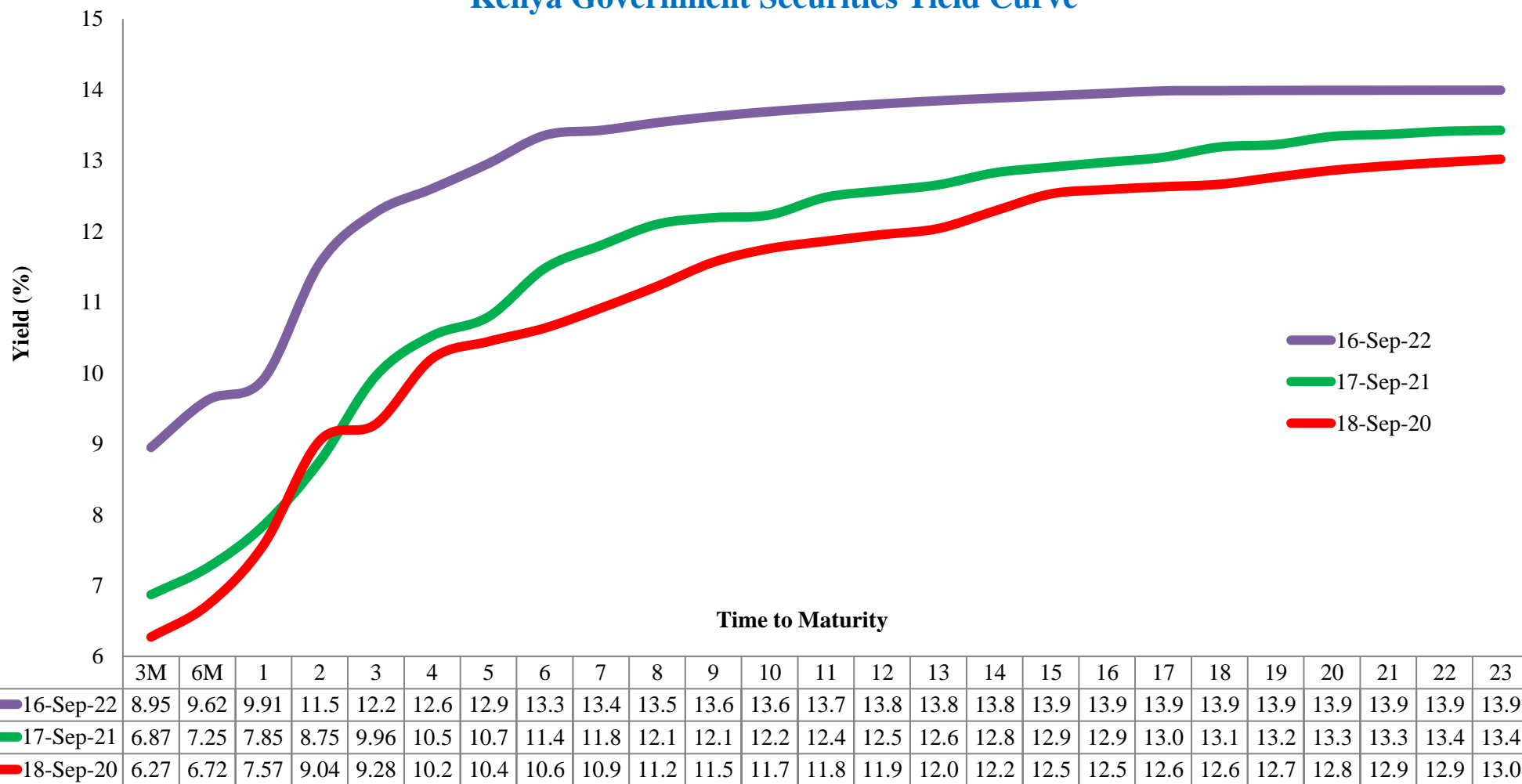
CBK usable foreign exchange reserves: Foreign exchange reserves remain adequate

CBK usable foreign exchange reserves (end period)



Source: CBK as of September 28, 2022

Kenya Government Securities Yield Curve



Source: CBK

Thank You!



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