



Central Bank of Kenya

MONETARY POLICY COMMITTEE MEETING BACKGROUND INFORMATION

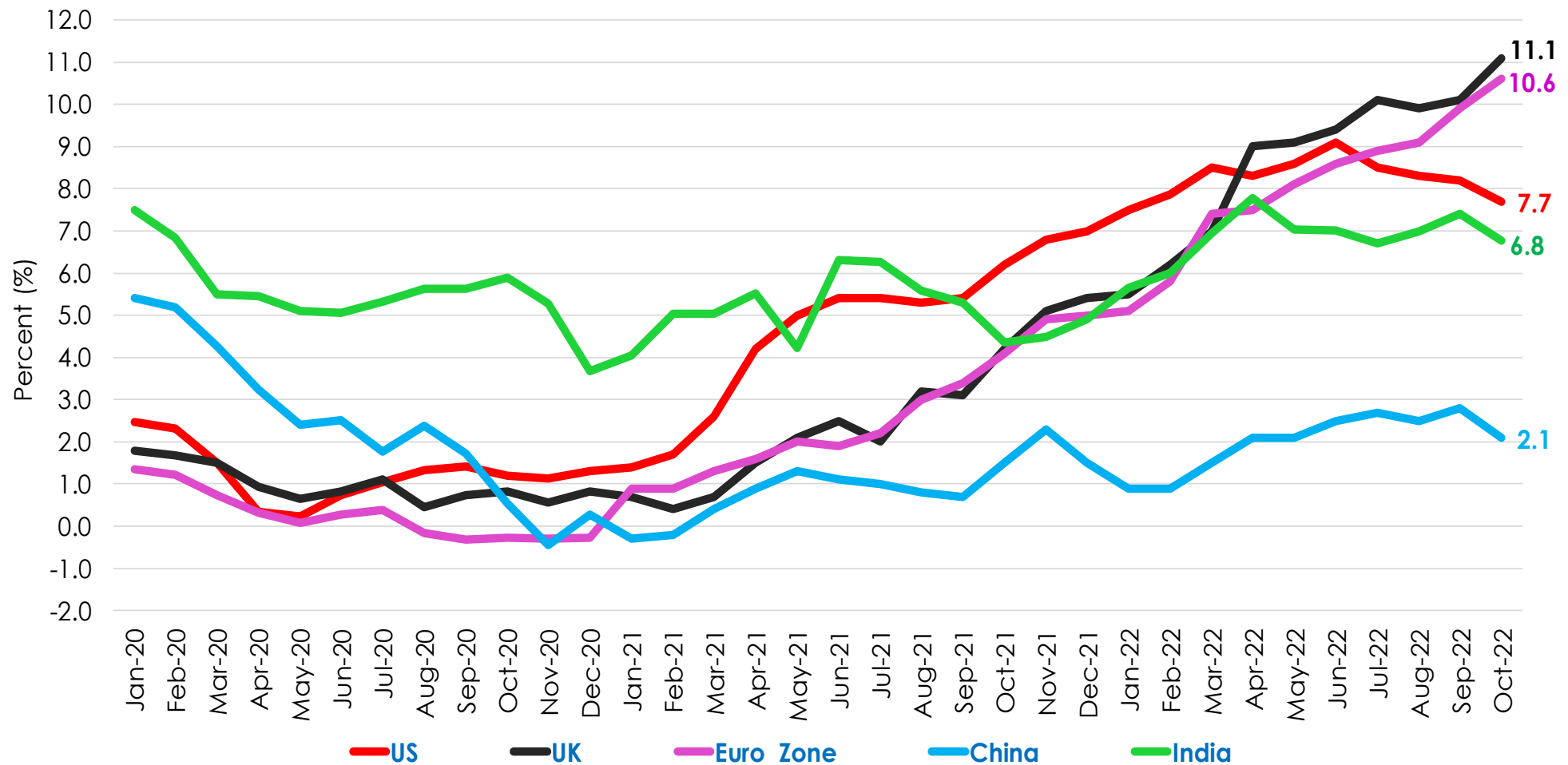
Thursday, November 24, 2022
Dr. Patrick Njoroge

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Global inflation:

Inflation remains elevated in the major economies

Overall inflation (y/y, percent)



Source: Websites of respective countries

Global economic outlook:

Significant downward revisions to growth in advanced economies

Global and selected countries' real GDP growth (y/y, percent)

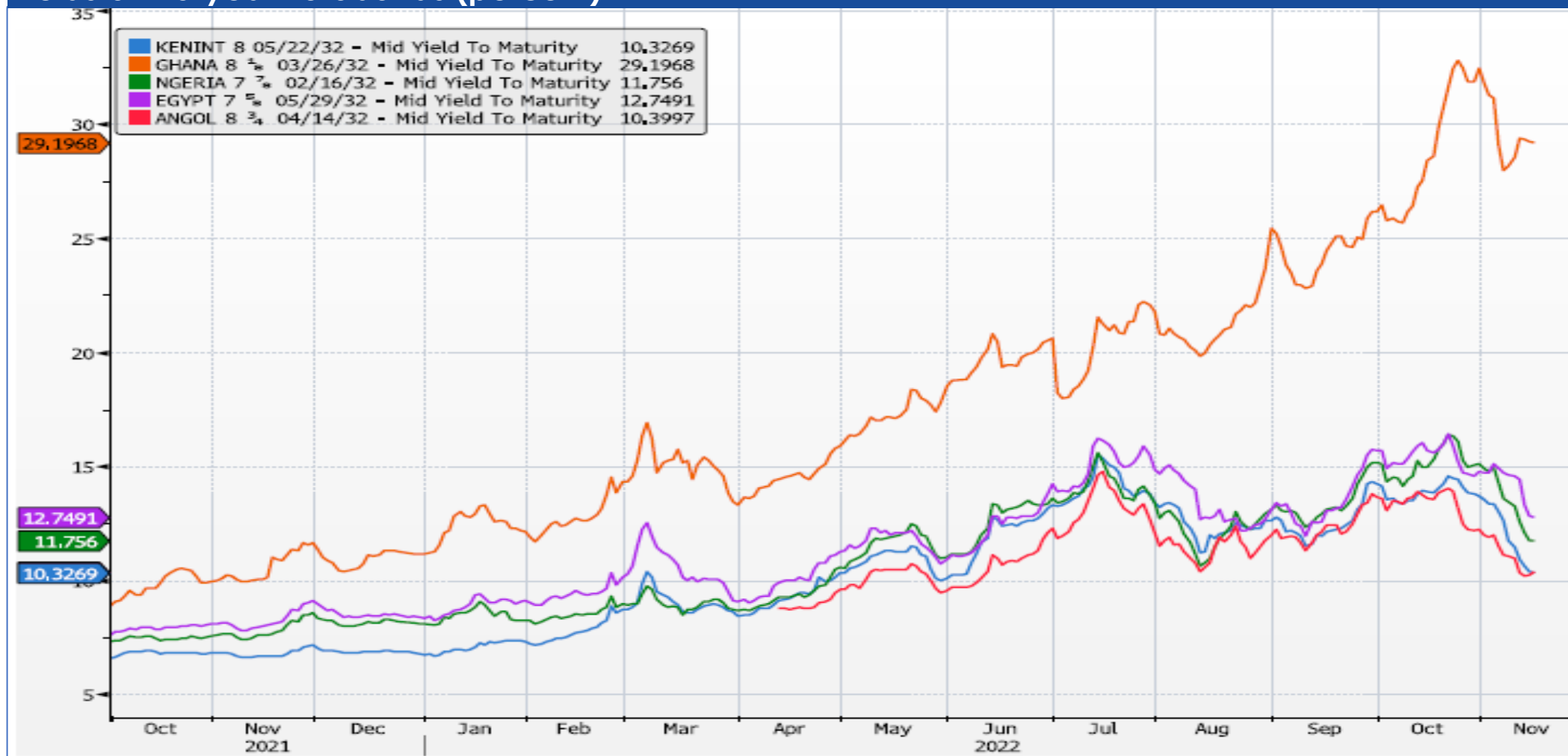
	2021 Act.	2022 Proj.		2023 Proj.	
		Oct. 2022 WEO	Difference from Jan. 2022 WEO	Oct. 2022 WEO	Difference from Jan. 2022 WEO
World	6.0	3.2	-1.2	2.7	-1.1
Advanced Economies	5.2	2.4	-1.5	1.1	-1.7
United States	5.7	1.6	-2.4	1.0	-1.6
United Kingdom	7.4	3.6	-1.1	0.3	-2.0
Japan	1.7	1.7	-1.6	1.6	-0.2
Euro area	5.2	3.1	-0.8	0.5	-2.0
Emerging Market and Developing Economies	6.6	3.7	-1.1	3.7	-1.0
China	8.1	3.2	-1.6	4.4	-0.8
India	8.7	6.8	-2.2	6.1	-1.0
Russia	4.7	-3.4	-6.2	-2.3	-4.4
Sub-Saharan Africa	4.7	3.6	-0.1	3.7	-0.3
South Africa	4.9	2.1	0.2	1.1	-0.3
Nigeria	3.6	3.2	0.5	3.0	0.3
Kenya	7.5	5.3	-0.4	5.1	-0.2

Source: IMF World Economic Outlook

Yields on African Eurobonds:

The yields on 10-year bonds have declined with easing inflation pressures in U.S.

Yields on 10-year Eurobonds (percent)



Source: Bloomberg as at November 15, 2022

International crude oil prices:

The price of oil has moderated but remains volatile

Murban oil price (USD, per barrel)

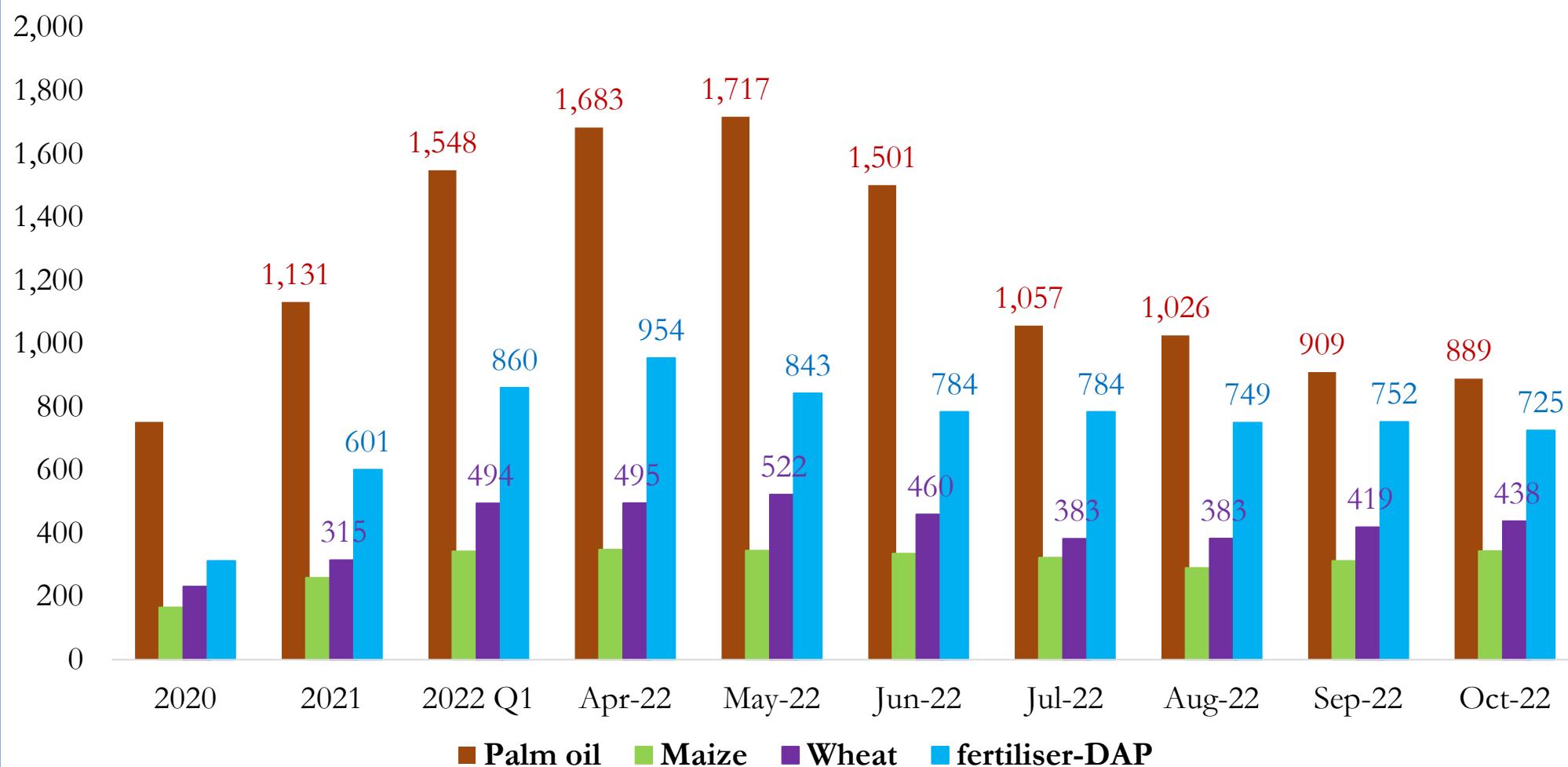


Source: Oilprice.com

Global commodity prices:

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

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

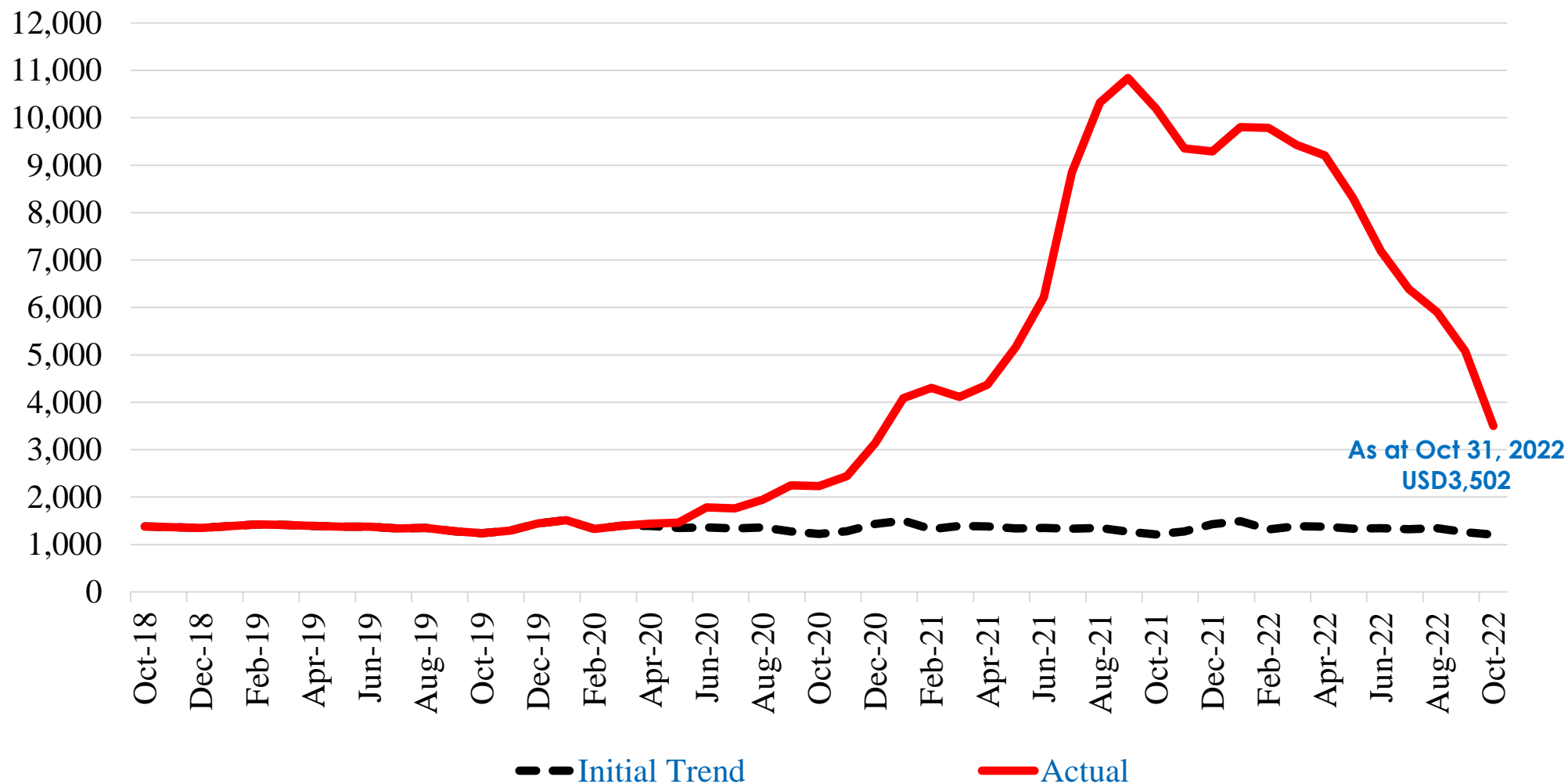


Source: World Bank Commodity Prices

Supply chain challenges:

Global freight transportation costs are declining

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

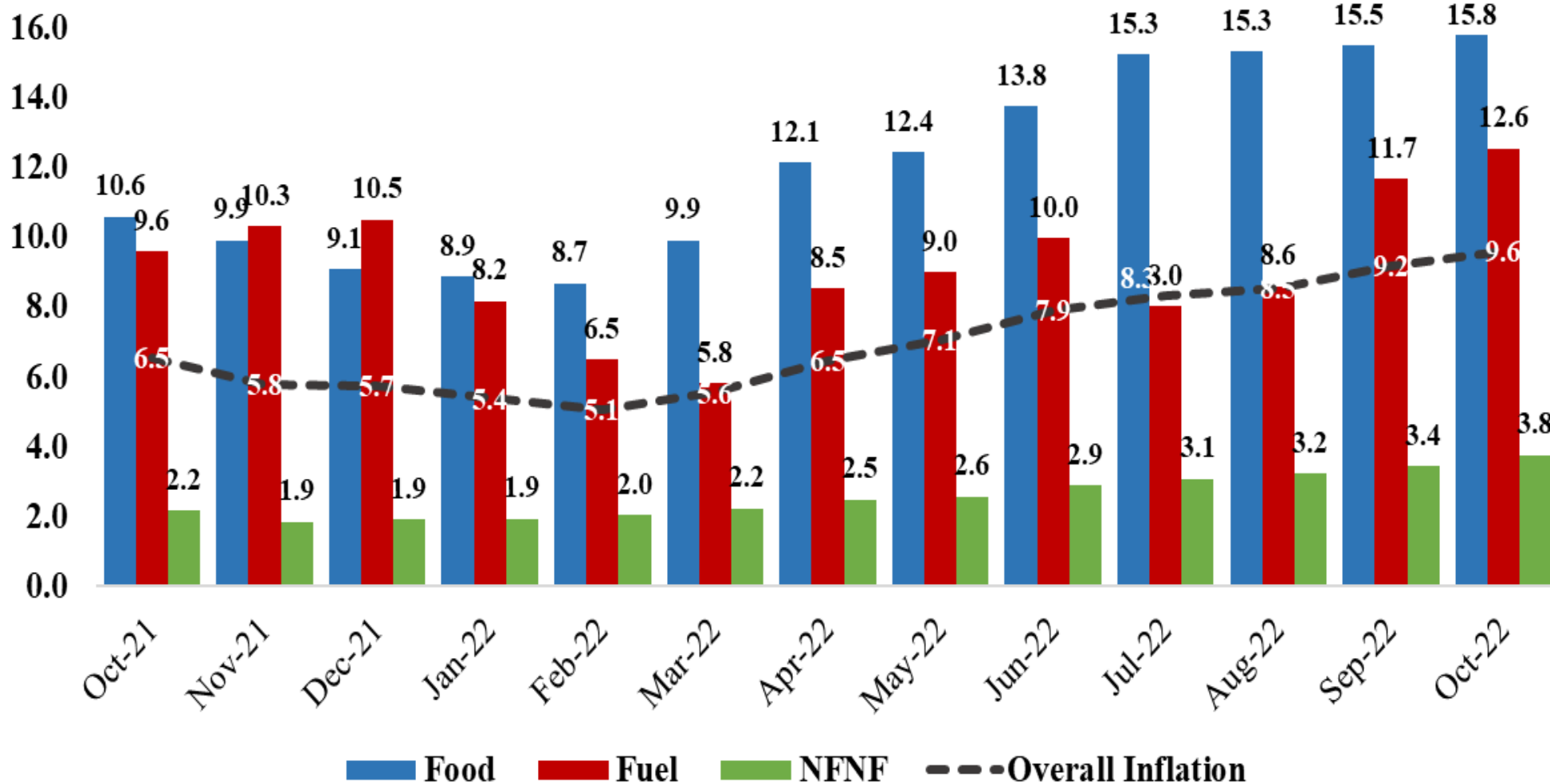


Source: Statista.com

Domestic inflation:

Inflation increased in recent months mainly due to food and fuel prices

Inflation by broad category (y/y, percent)

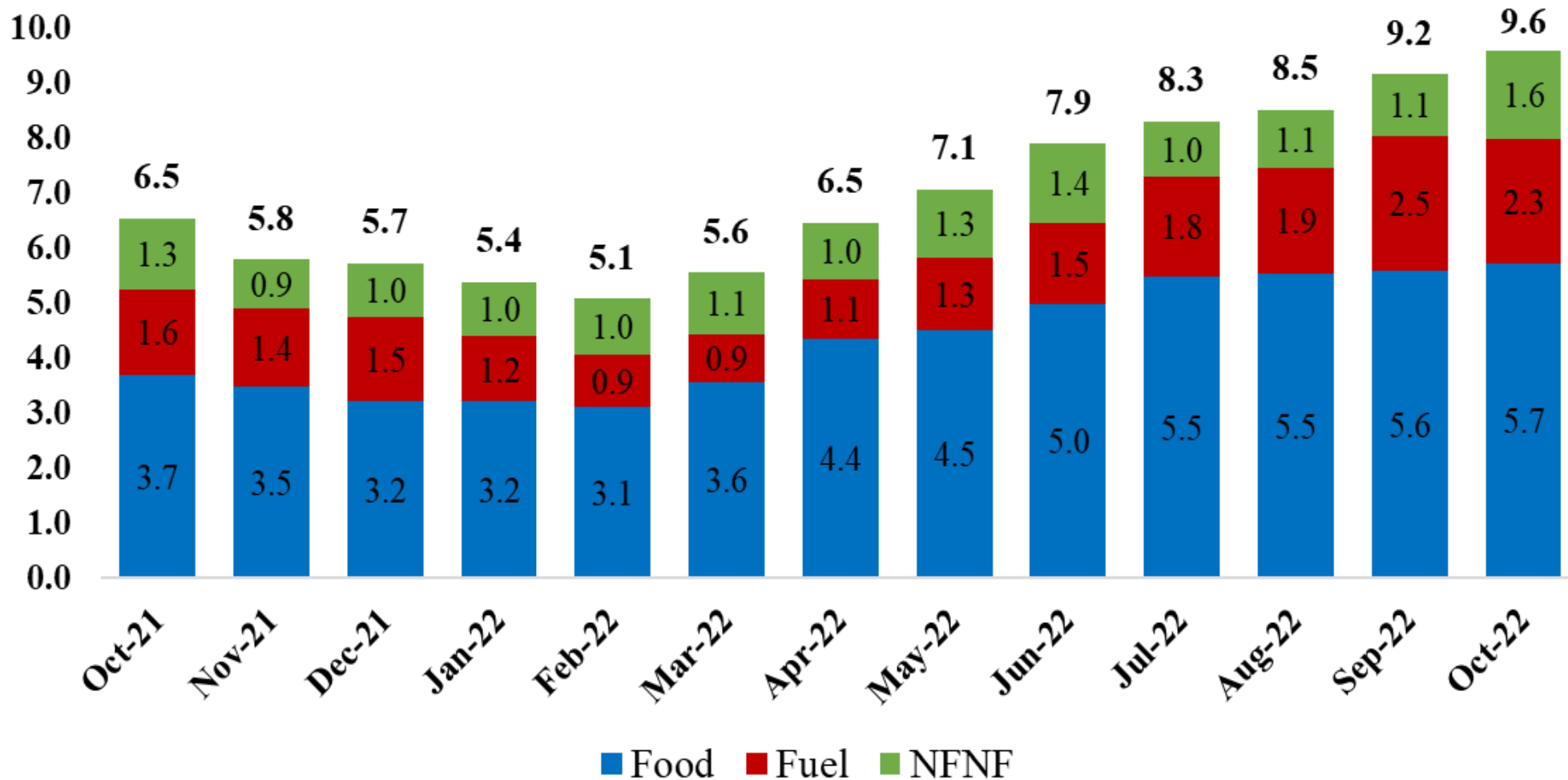


Source: Kenya National Bureau of Statistics and Central Bank of Kenya

Domestic inflation:

Food and fuel prices are the main drivers of inflation

Contributions to Overall Inflation (percentage points)

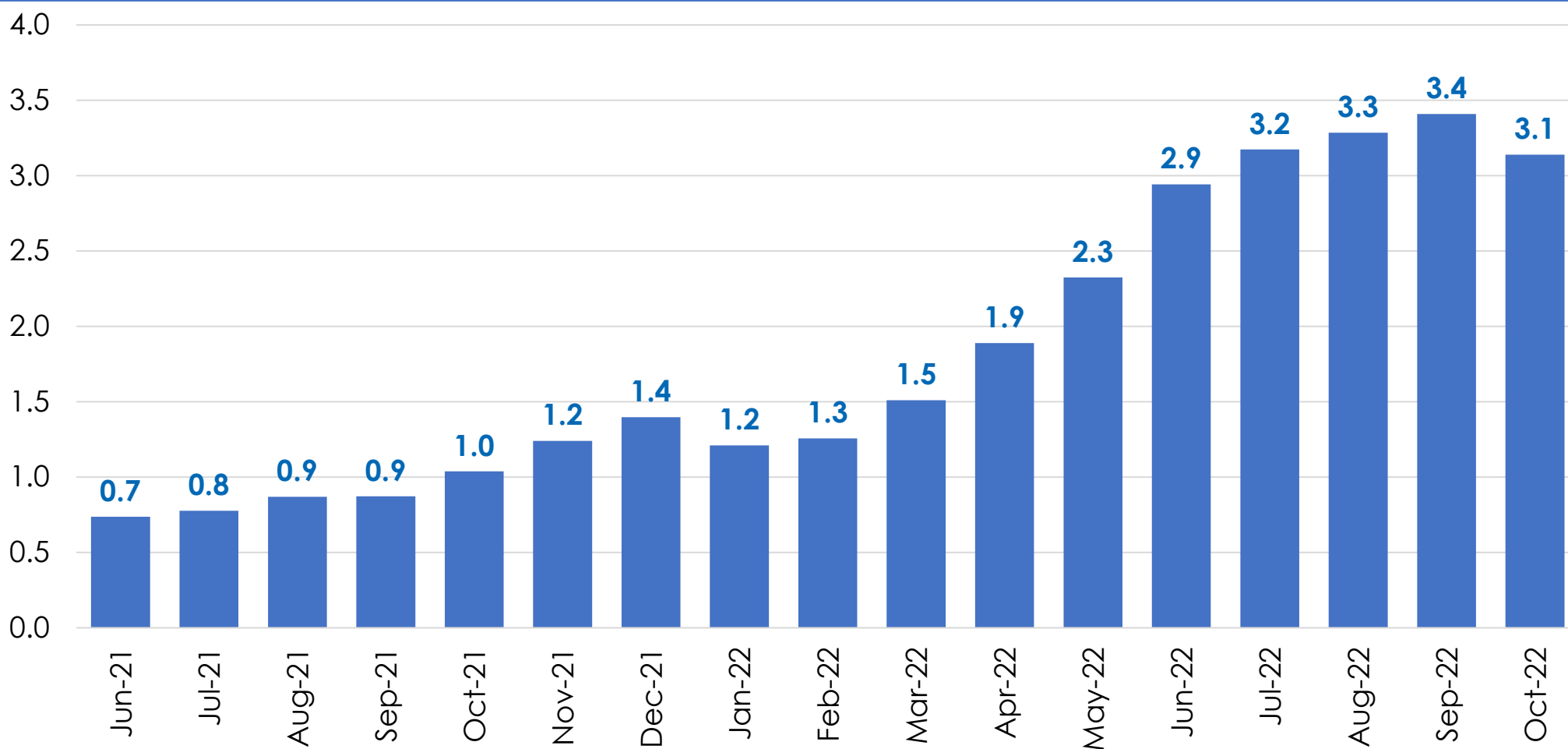


Source: KNBS and CBK

Food inflation:

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

Contributions 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

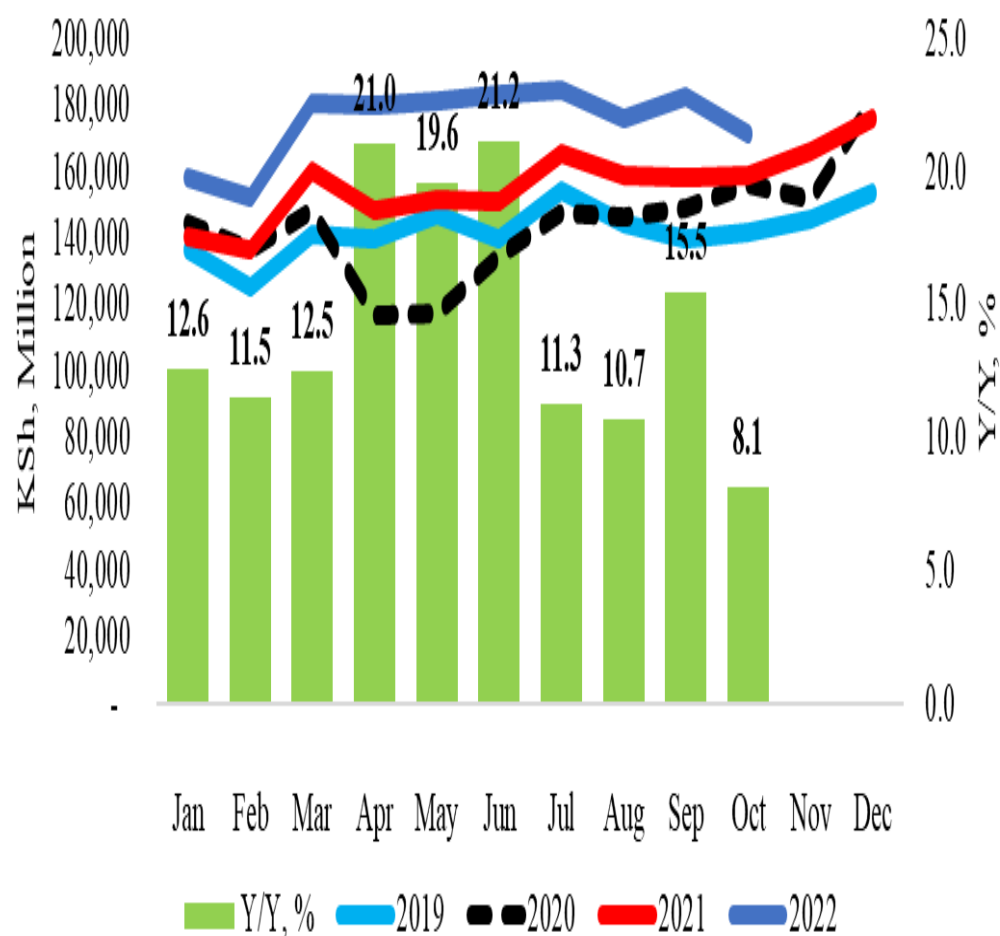
Real GDP growth (y/y, percent)								
	2018	2019	2020	2021	2022			
					Q1	Q2	Q3 Est.	Annual Proj.
1. Agriculture	5.7	2.7	4.8	-0.2	-0.7	-2.1	-1.9	-0.9
2. Non-Agriculture (o/w)	5.6	5.7	-0.7	9.4	8.7	7.2	6.0	7.1
2.1 Industry	3.8	4.0	4.0	7.2	5.5	5.6	4.1	5.1
Mining & Quarrying	-4.8	4.3	6.7	18.0	23.8	22.6	6.8	15.0
Manufacturing	3.6	2.6	-0.1	6.9	3.7	3.6	3.2	3.6
Electricity & water supply	3.6	1.7	0.1	5.0	1.9	5.0	5.4	4.6
Construction	6.1	7.2	11.8	6.6	6.4	5.8	4.5	5.6
2.2 Services	6.1	6.5	-2.2	9.8	9.2	7.7	6.5	7.6
Wholesale & retail Trade	5.9	5.3	-0.4	7.9	8.7	8.2	6.1	7.6
Accommodation & food services	15.6	14.3	-47.7	52.5	56.2	22.0	14.2	27.8
Transport & Storage	6.0	6.3	-7.8	7.2	7.8	7.1	5.9	6.8
Information & Communication	7.9	7.0	4.8	8.8	6.1	6.6	7.4	7.1
Financial & Insurance	2.7	8.1	5.6	12.5	14.7	11.6	8.8	10.5
Public administration	7.9	8.4	5.3	5.6	6.4	4.2	5.5	5.2
Professional, Admin & Support Services	6.9	6.8	-15.0	5.7	14.9	11.2	8.1	10.4
Real Estate	6.5	6.7	4.1	6.7	6.1	5.5	5.2	5.7
Education	6.4	5.7	-10.8	21.4	6.2	6.7	5.4	6.0
Health	5.4	5.5	6.7	6.0	5.0	4.8	5.2	5.0
Other Services	3.3	4.3	-14.2	12.6	10.8	6.7	5.9	7.3
FISIM	3.7	9.5	-2.0	5.5	6.5	4.9	4.1	4.3
2.3 Taxes on products	5.9	3.9	-7.9	11.9	11.7	7.3	6.8	7.9
Real GDP Growth	5.6	5.1	-0.3	7.5	6.8	5.2	4.7	5.6

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

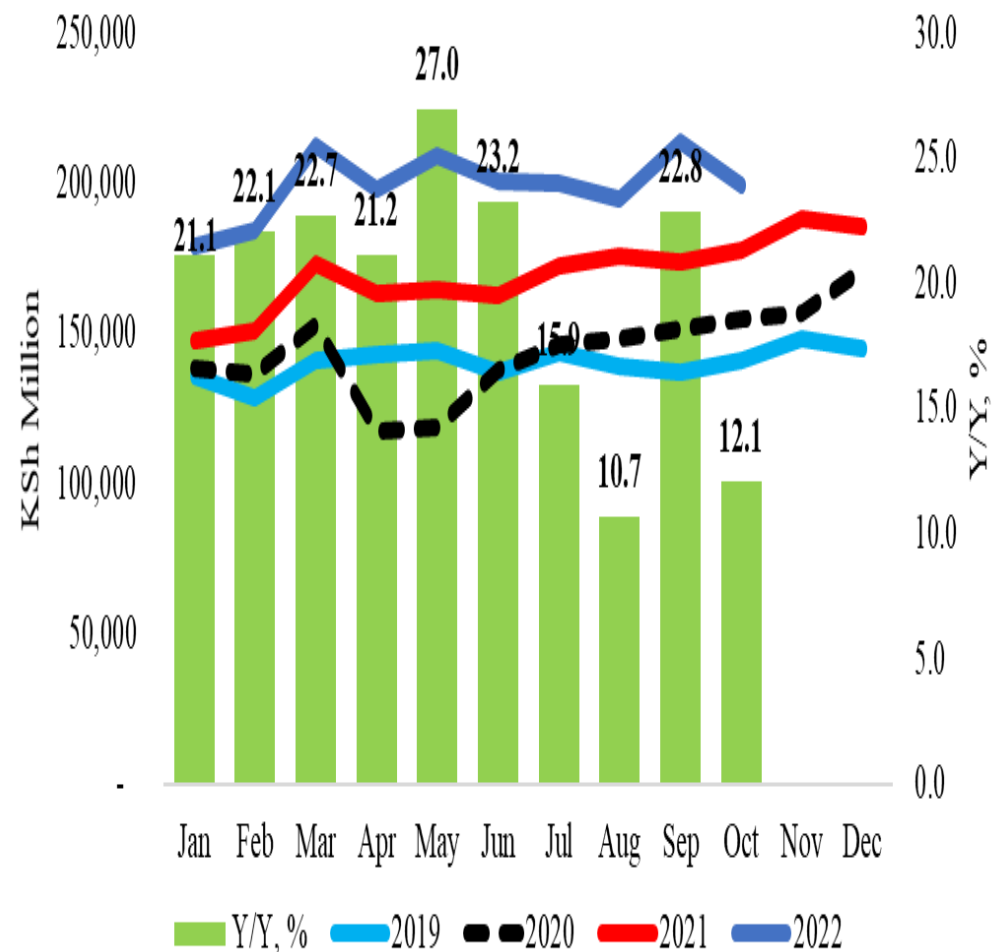
Sales turnover:

Strong activity in wholesale and retail trade, and manufacturing sectors

Sales Turnover: Wholesale and retail trade



Sales Turnover: Manufacturing Sector

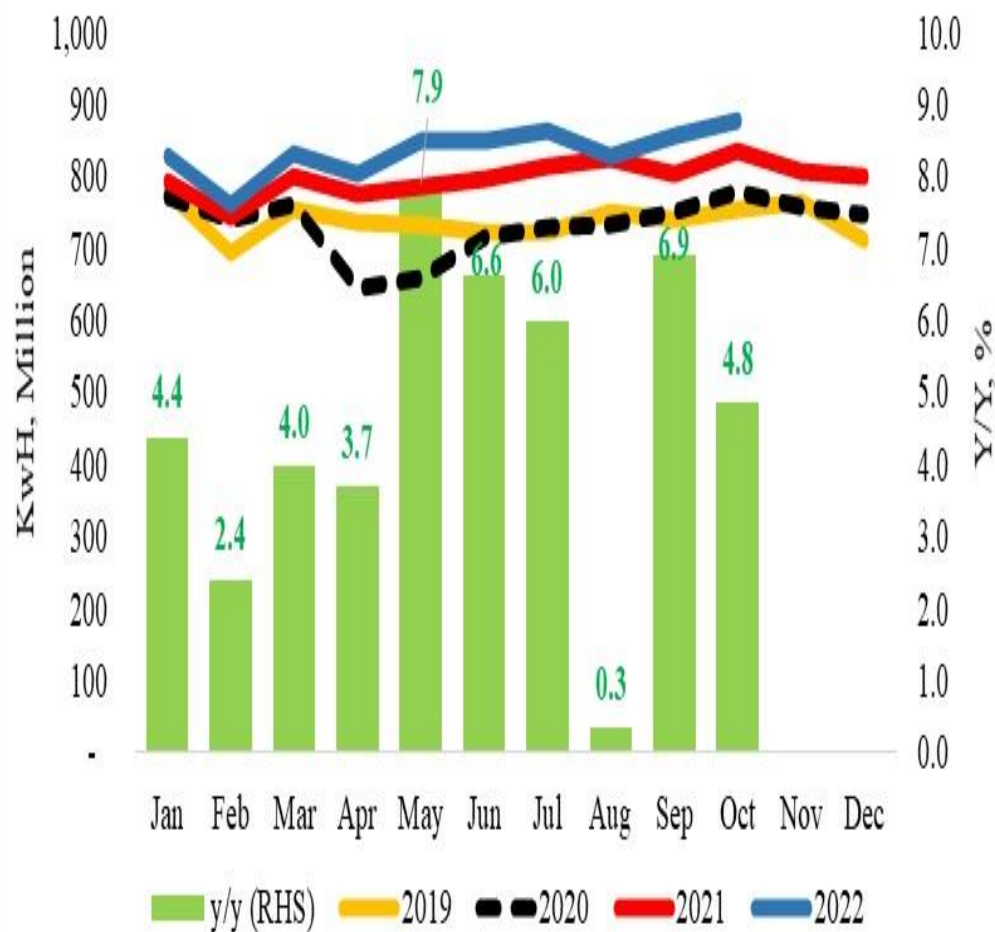


Source: CBK

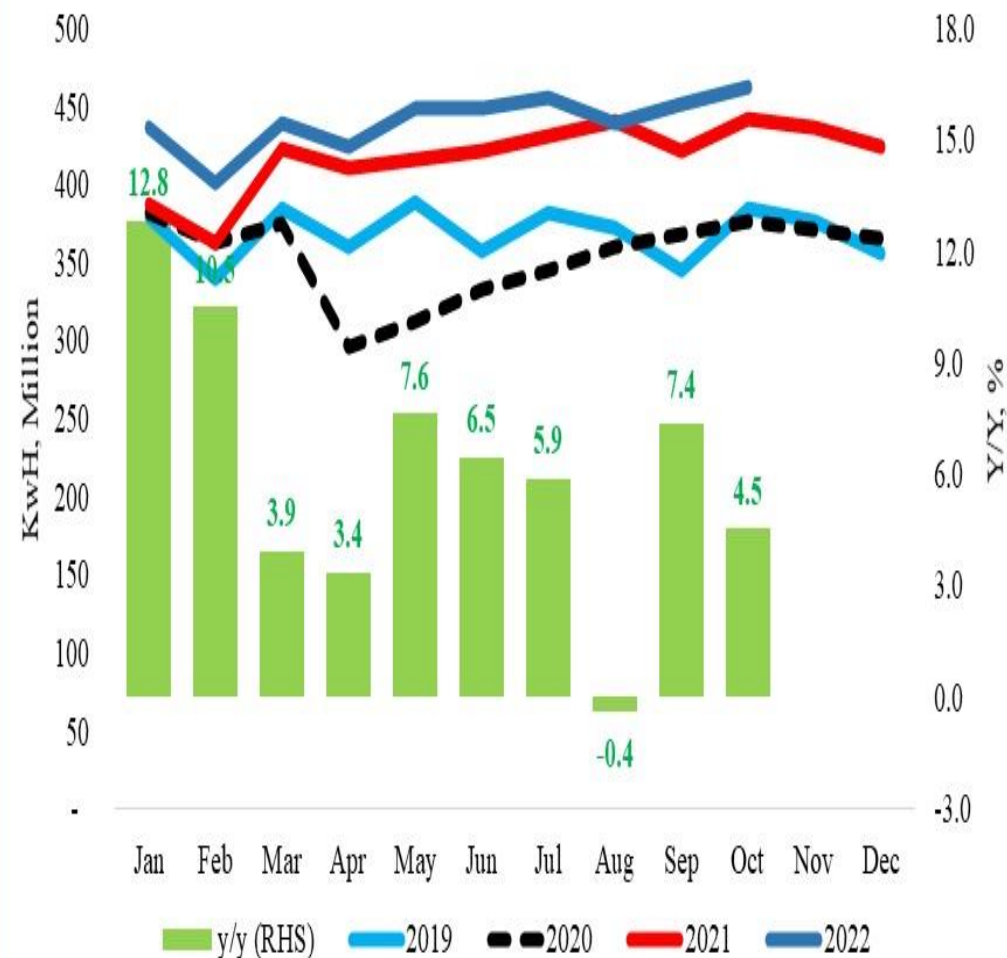
Manufacturing activity:

Power consumption has remained strong

Total Power Consumption

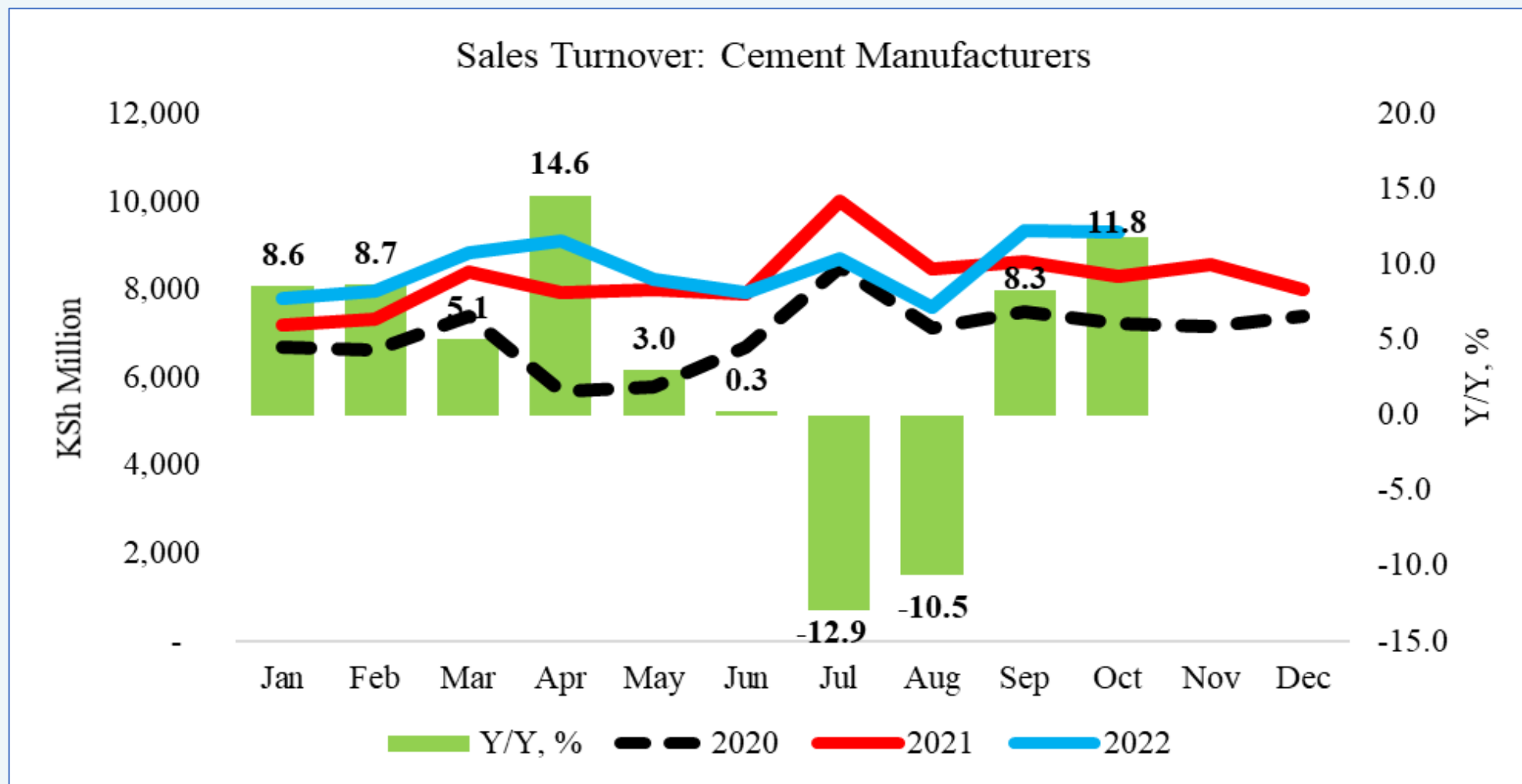


Trends of Large Power Consumption



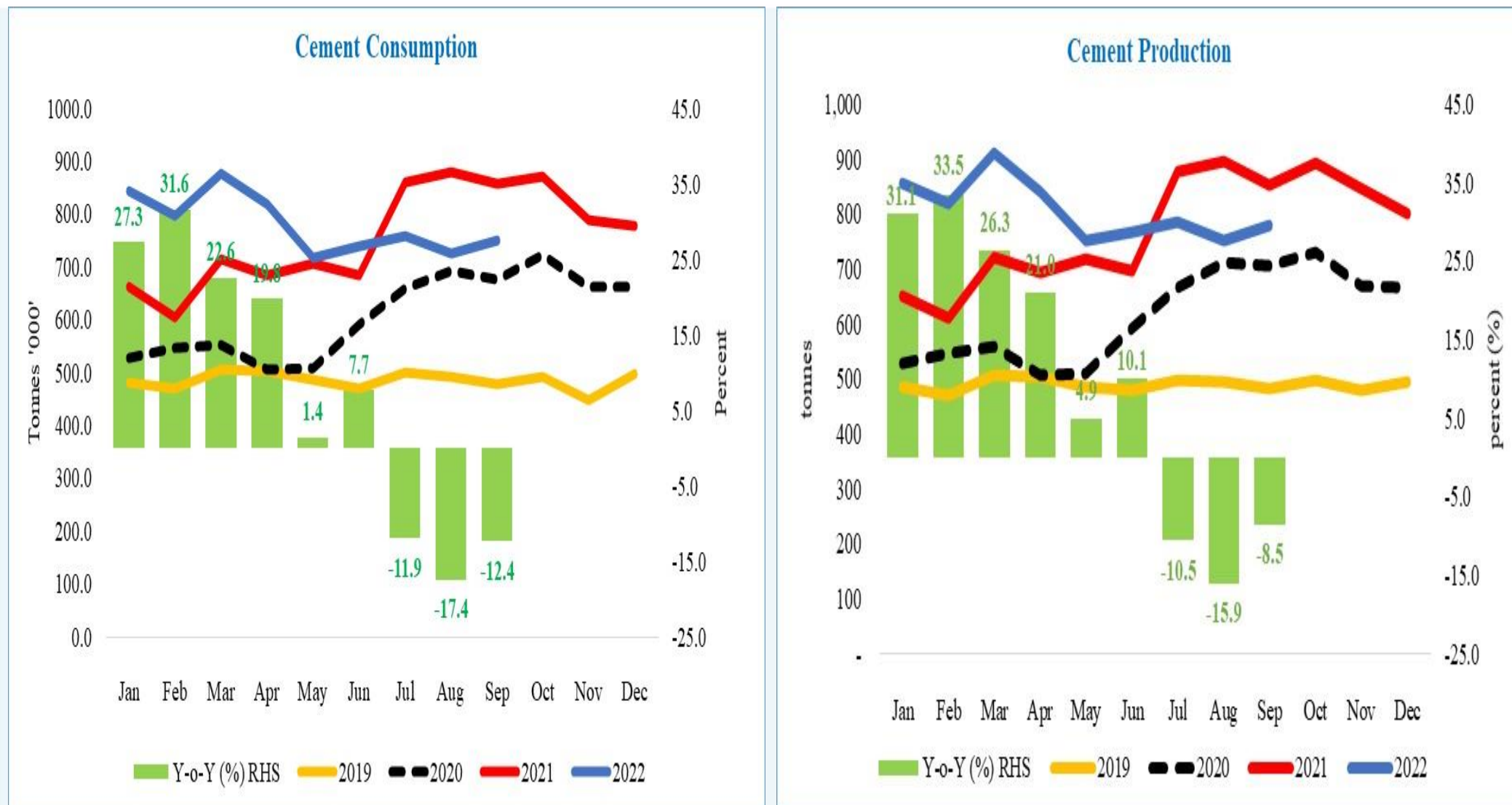
Source: Kenya National Bureau of Statistics

Construction activity: Strong recovery in sales turnover of cement manufacturers



Source: Kenya National Bureau of Statistics

Construction activity: Resilient cement consumption and production

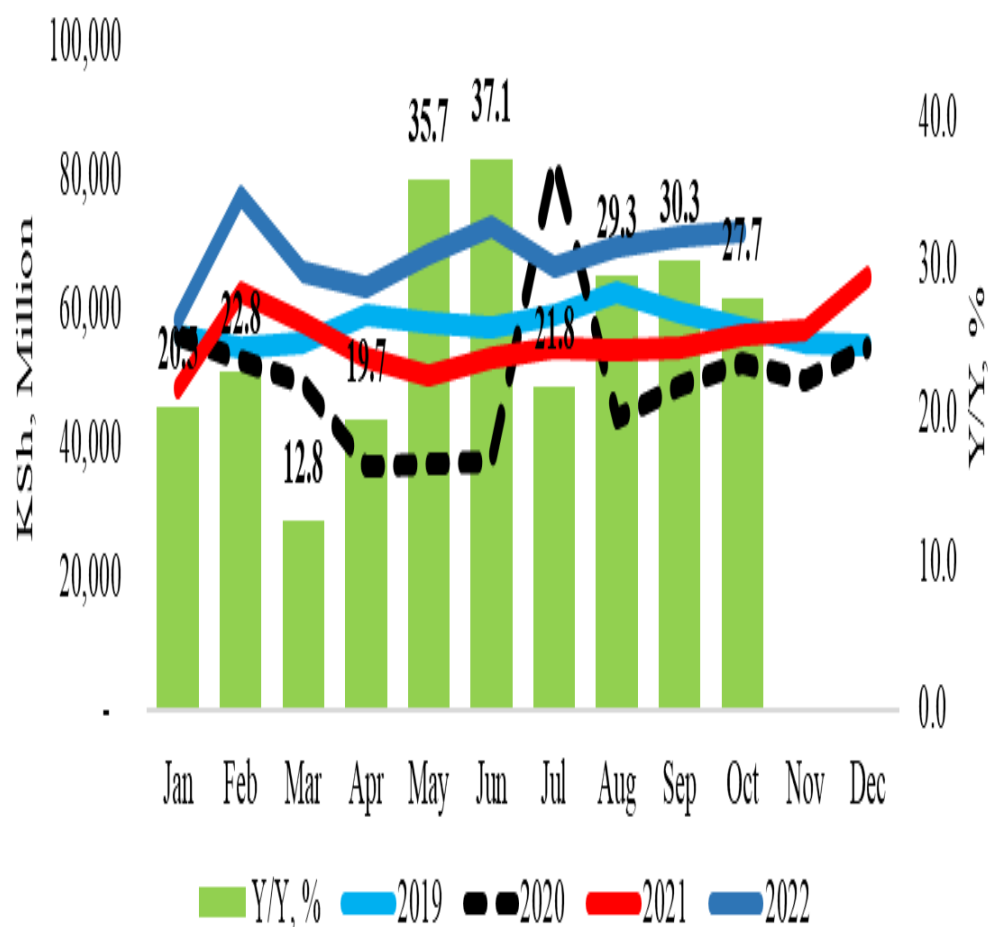


Source: Kenya National Bureau of Statistics

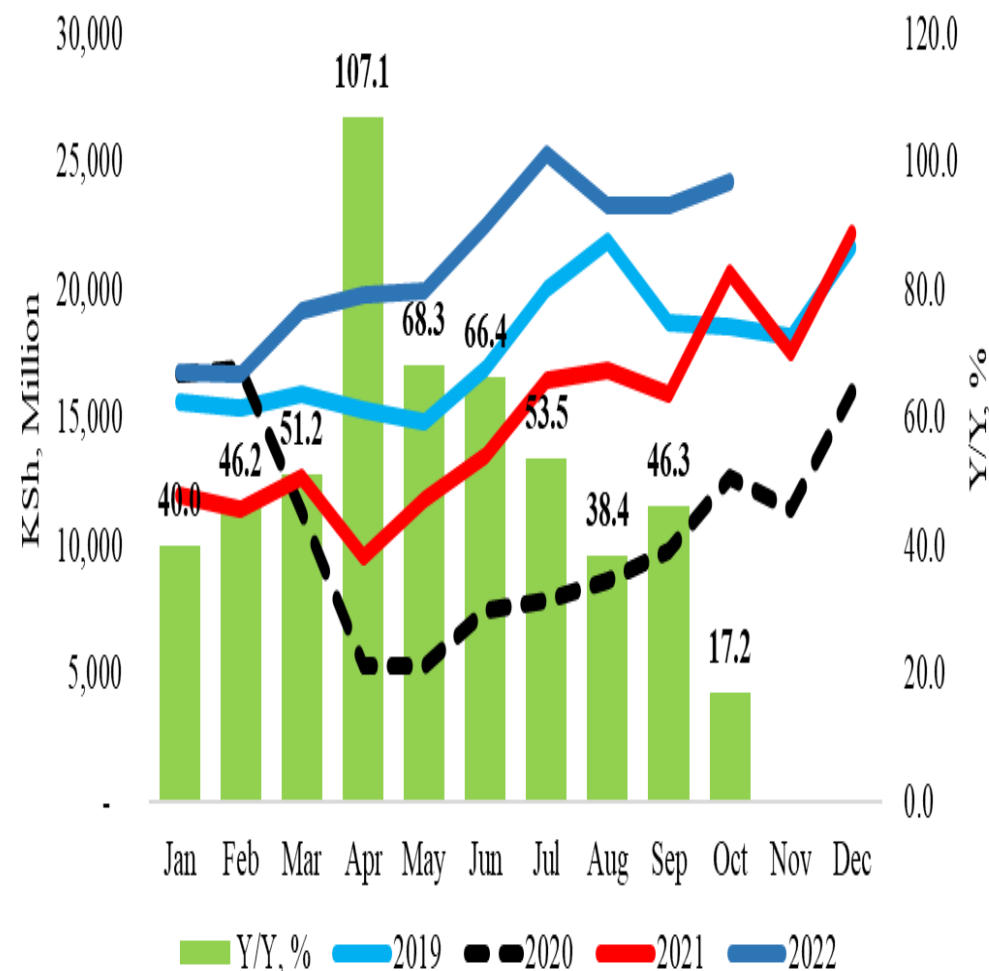
Sales Turnover:

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

Sales Turnover: Transport and storage



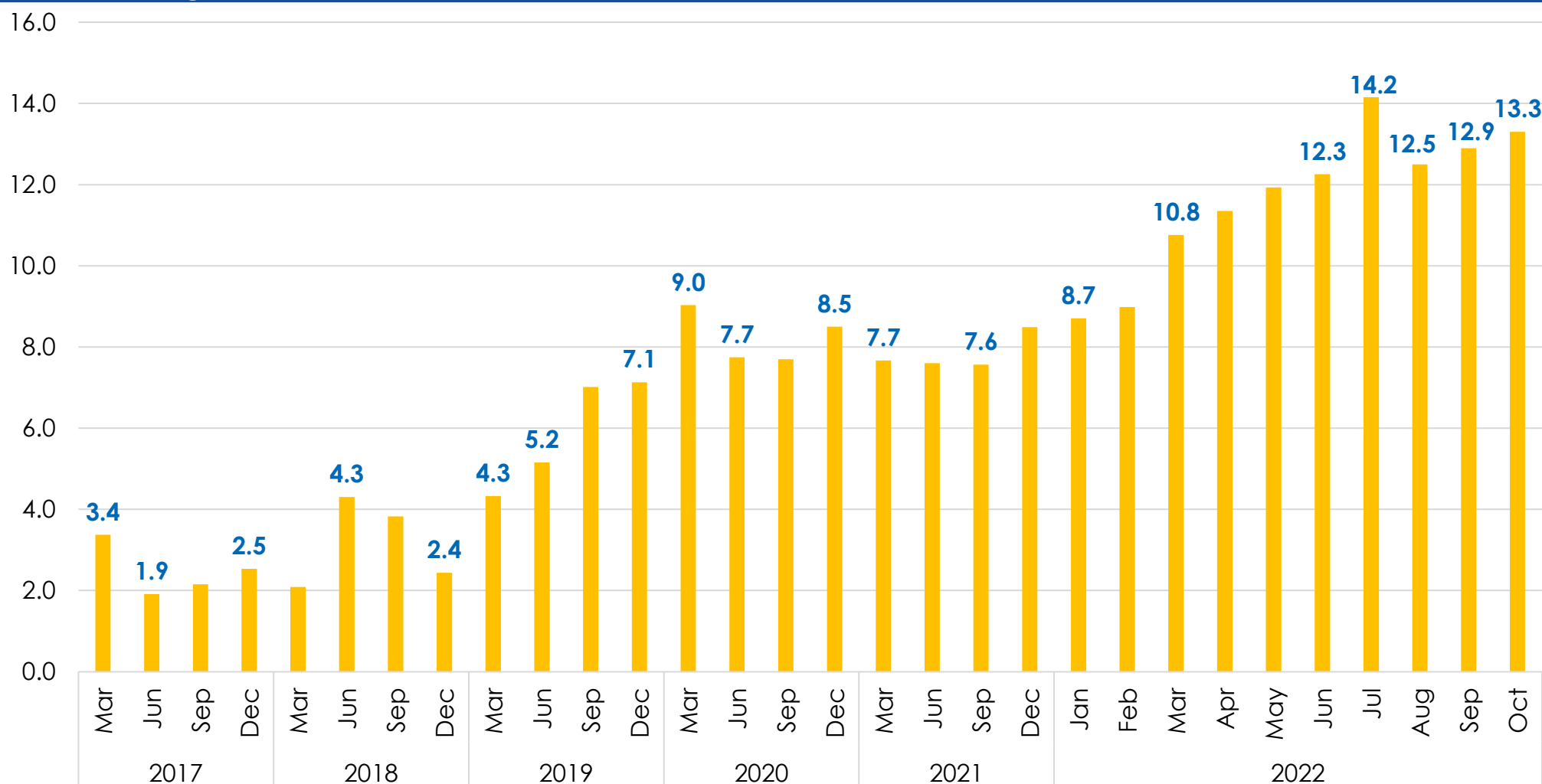
Sales Turnover: Accommodation and food services



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)

Manufacturing



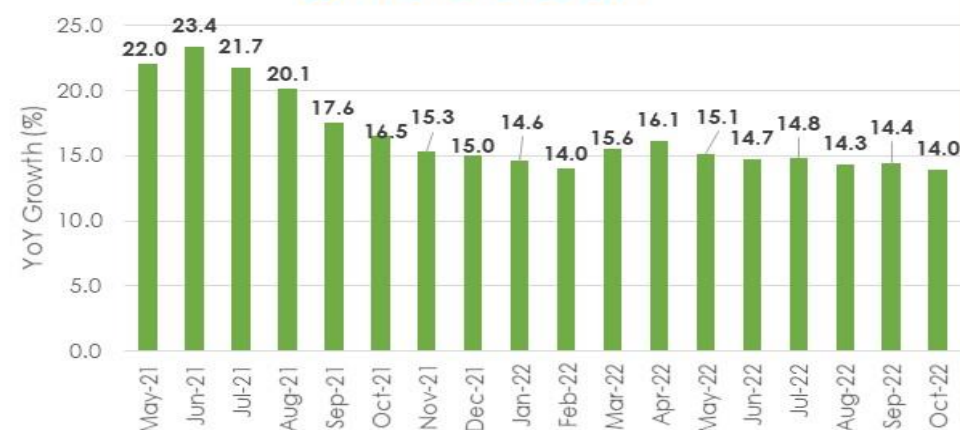
Trade



Business services



Consumer durables



Source: CBK

November 2022 CEOs Survey:

Sustained business confidence/optimism in growth prospects

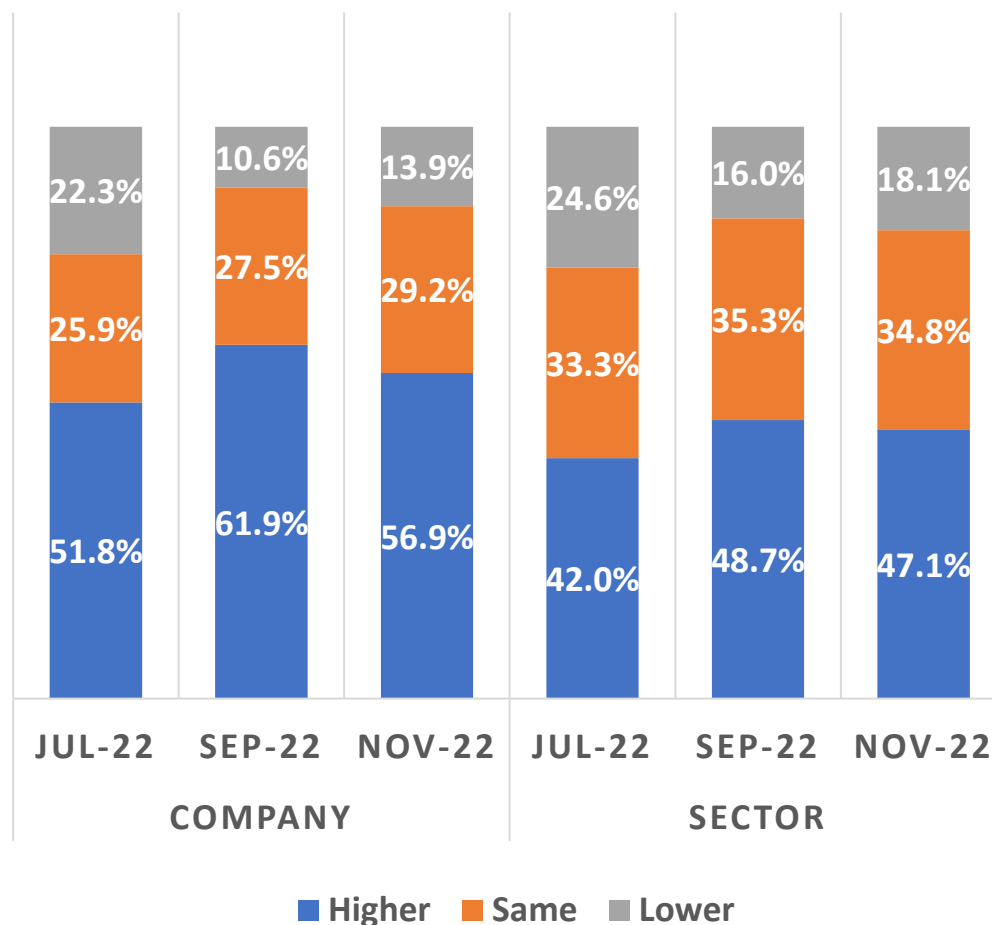
The November 2022 CEOs Survey revealed sustained optimism largely due to:

- Pick up in activity with end of election drag and settling in of new government.
- Sector specific opportunities: ICT, real sector, manufacturing (especially renewable energy), hospitality, healthcare and pharmaceuticals, building and construction

Nevertheless, firms raised some concerns:

- High inflation; stronger USD; possible global recession; drought conditions in some parts of the country; decline in consumer demand; and the war in Ukraine.

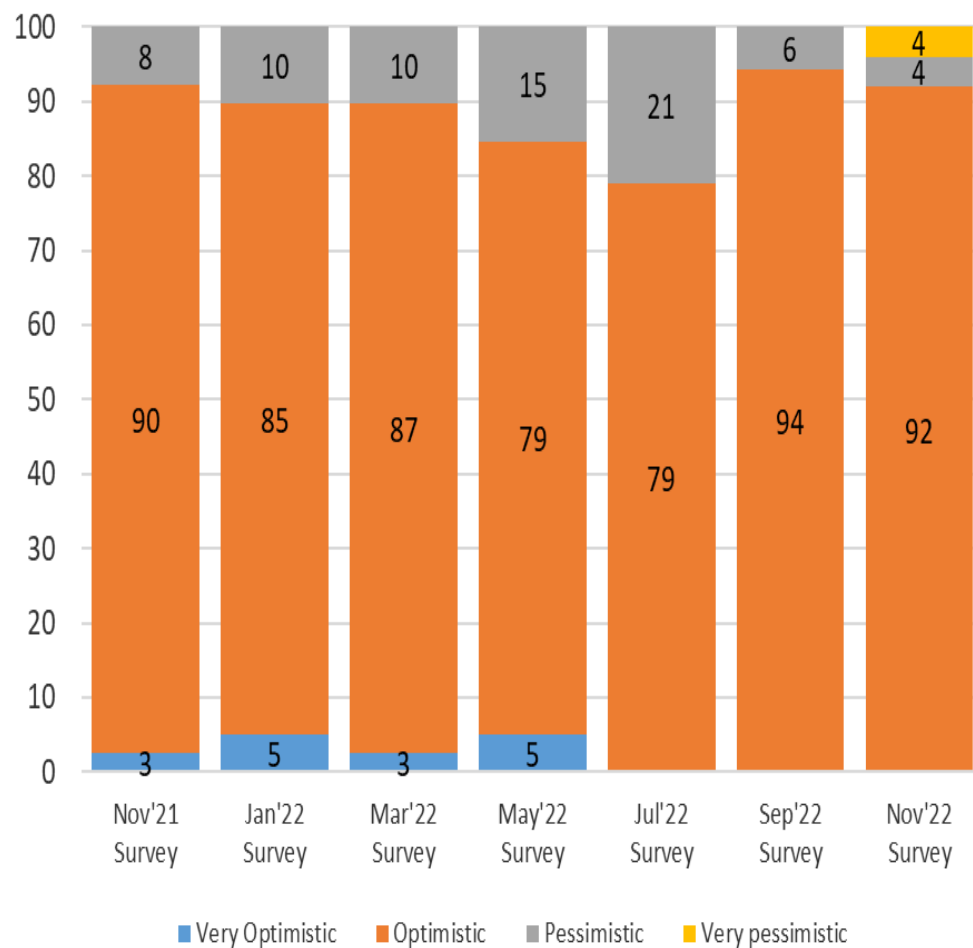
BUSINESS CONFIDENCE IN THE NEXT 12 MONTHS (PERCENT OF RESPONDENTS)



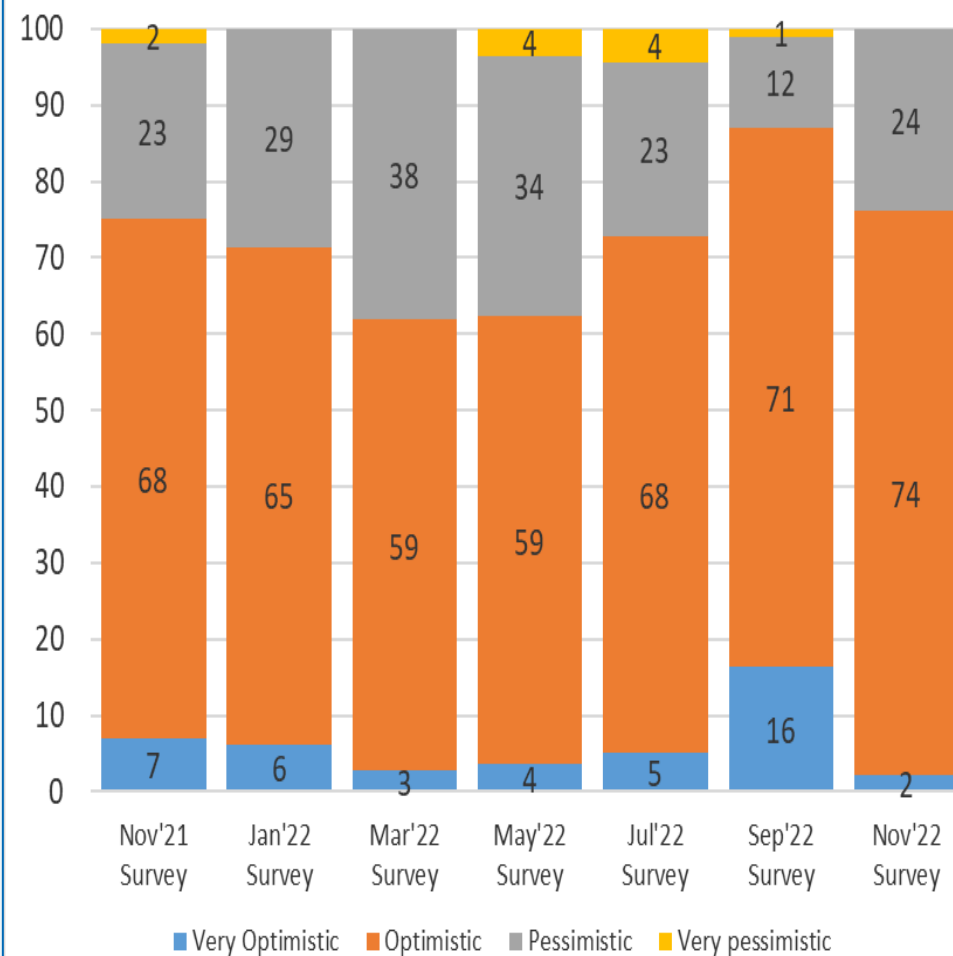
November 2022 Market Perceptions Survey:

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

Banks (percent of respondents)

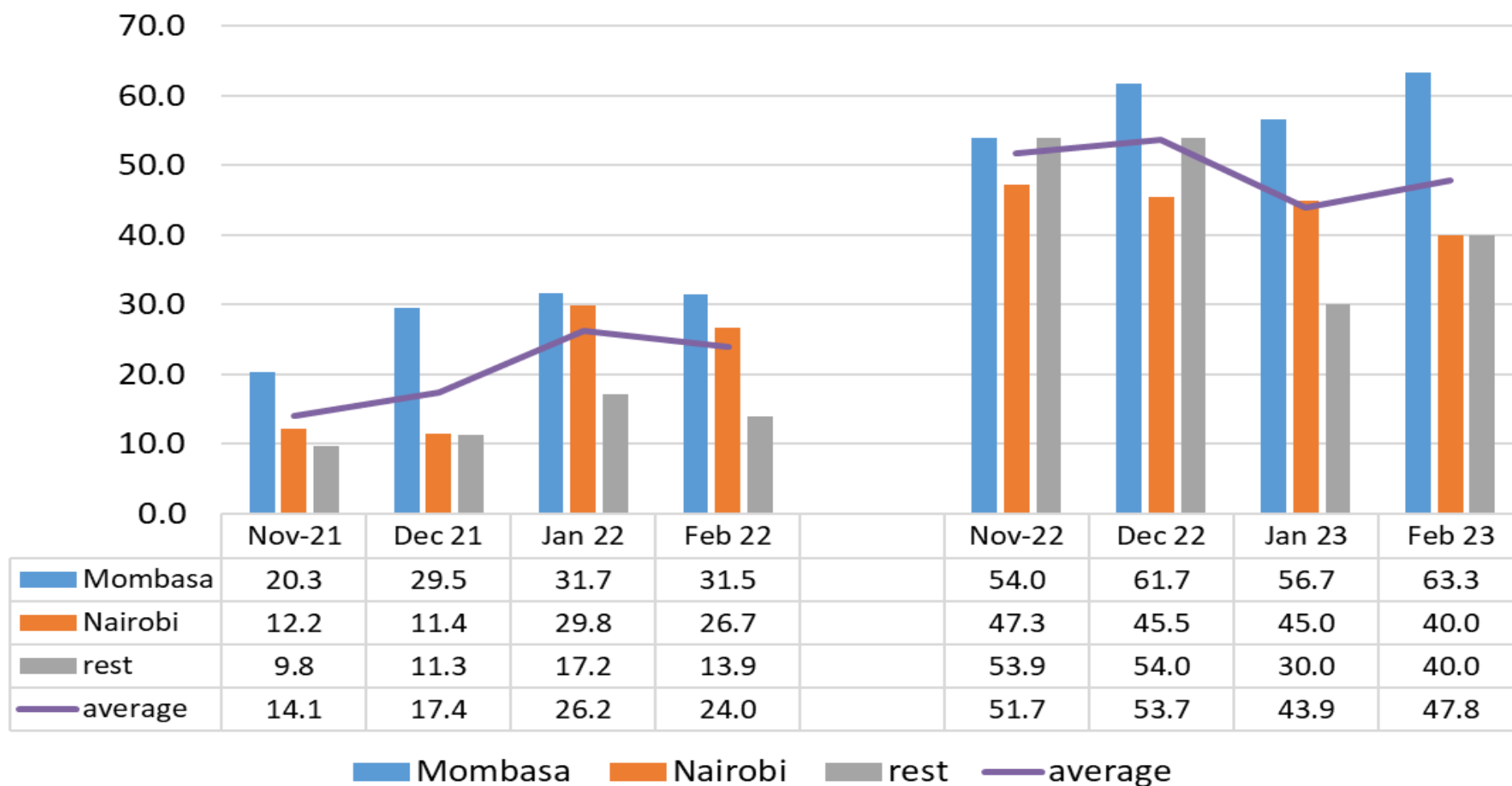


Non-Bank private firms (percent of respondents)



November 2022 Market Perceptions Survey: Forward hotel bookings have increased significantly

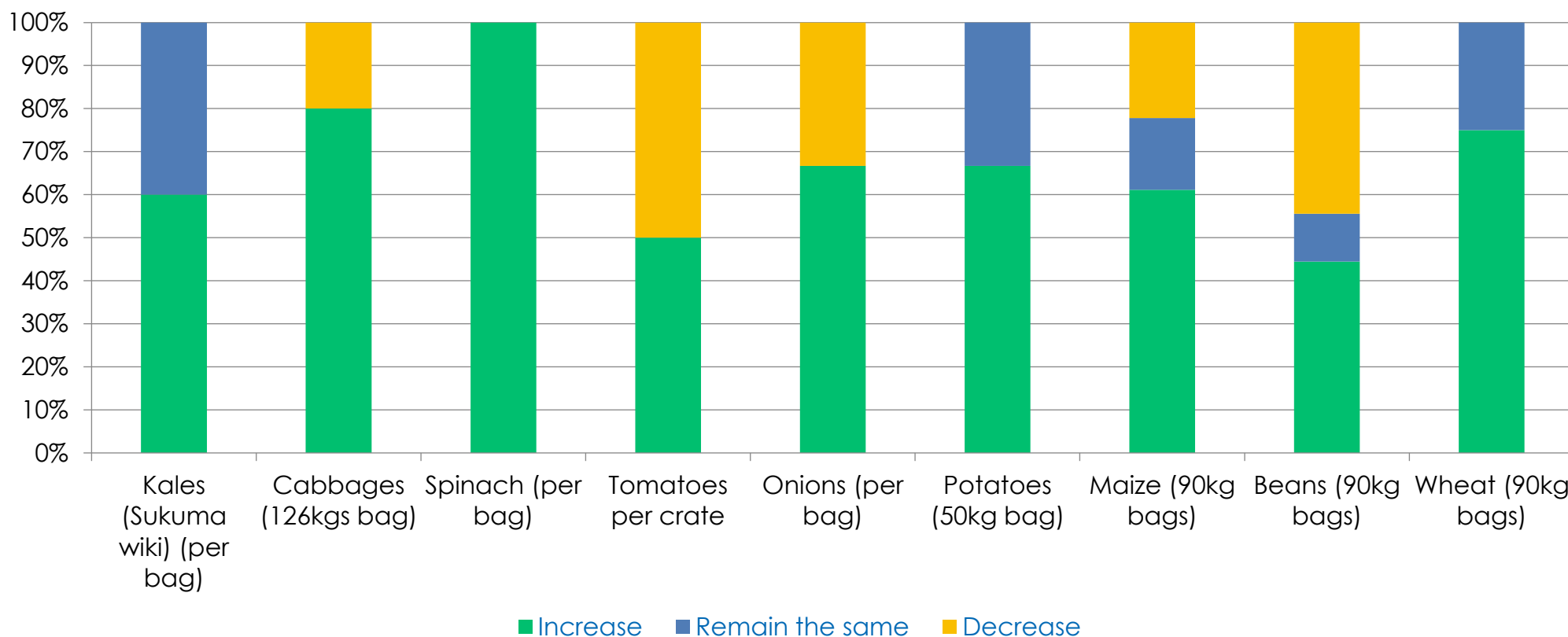
Forward hotel bookings (percent of total bed capacity)



November 2022 Agriculture Sector Survey:

Output of most food crops expected to increase due to improved weather conditions and increased acreage

Expected output in next harvest relative to previous harvest (percent of respondents)

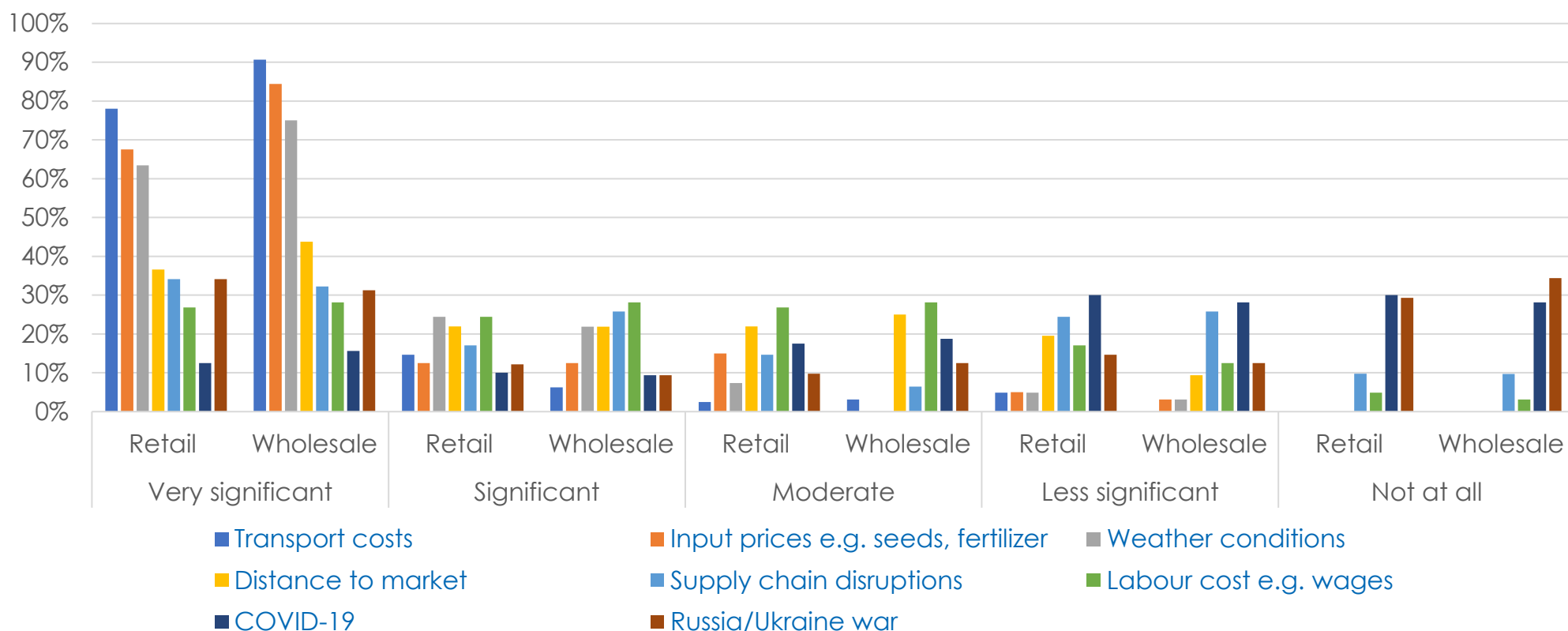


- Supply of maize products is expected to improve with the onset of the harvest season in the source regions primarily Kitale, Narok and Uasin Gishu
- The ongoing rains are expected to boost fast growing food items mainly vegetables. However, the rains may negatively affect the production of tomatoes

November 2022 Agriculture Sector Survey:

Transport costs, input prices and weather conditions are the main factors affecting Retail and Wholesale prices

Factors affecting agricultural production (percent of respondents)

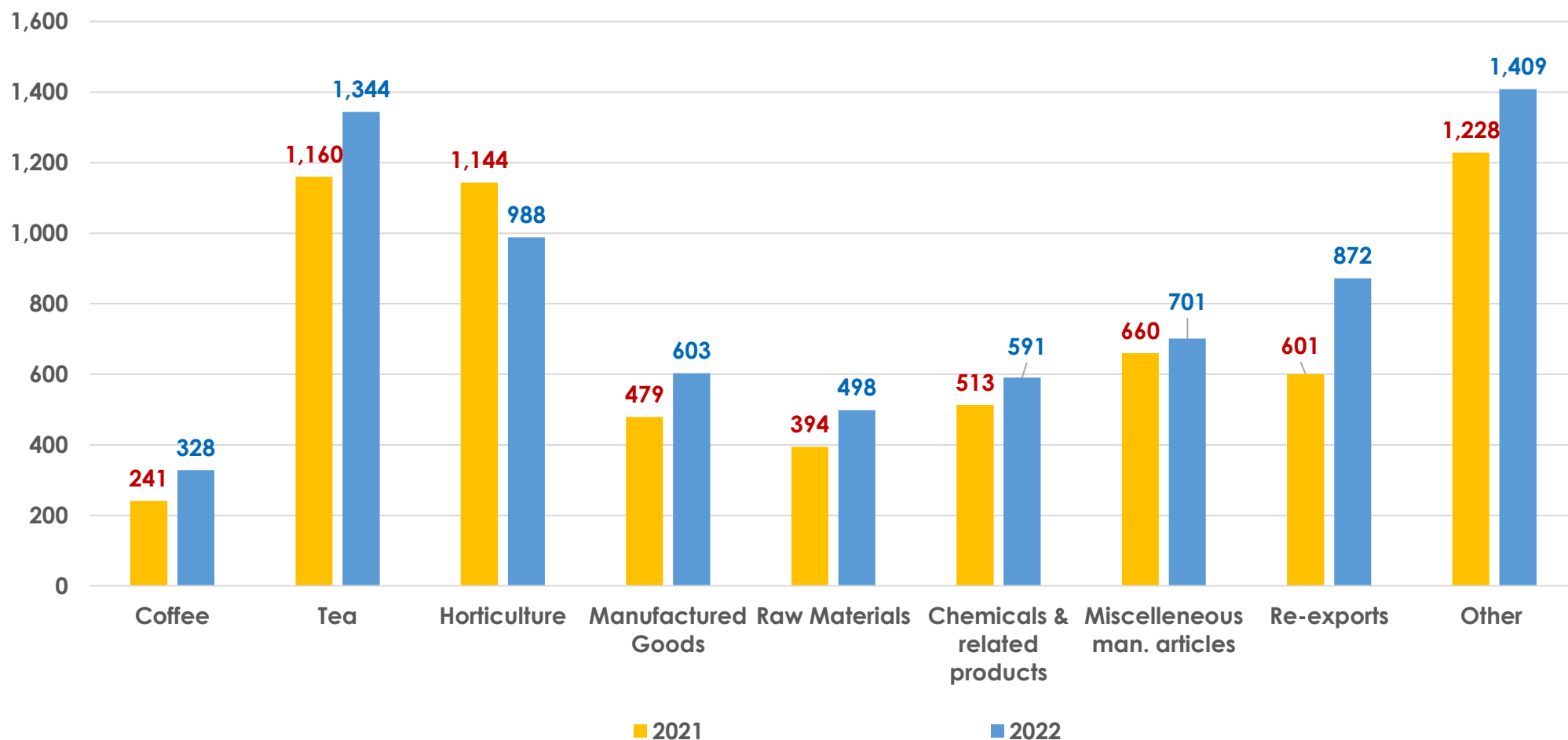


- Transport costs, input prices and weather conditions accounted for over 40 percent of the factors that were very significant in agricultural production.
- The impact of COVID-19 is ranked low following the full reopening of the economy and lifting of travel restrictions.

Balance of payments:

Exports of goods by products remain strong

12 months cumulative exports to September (USD Million)

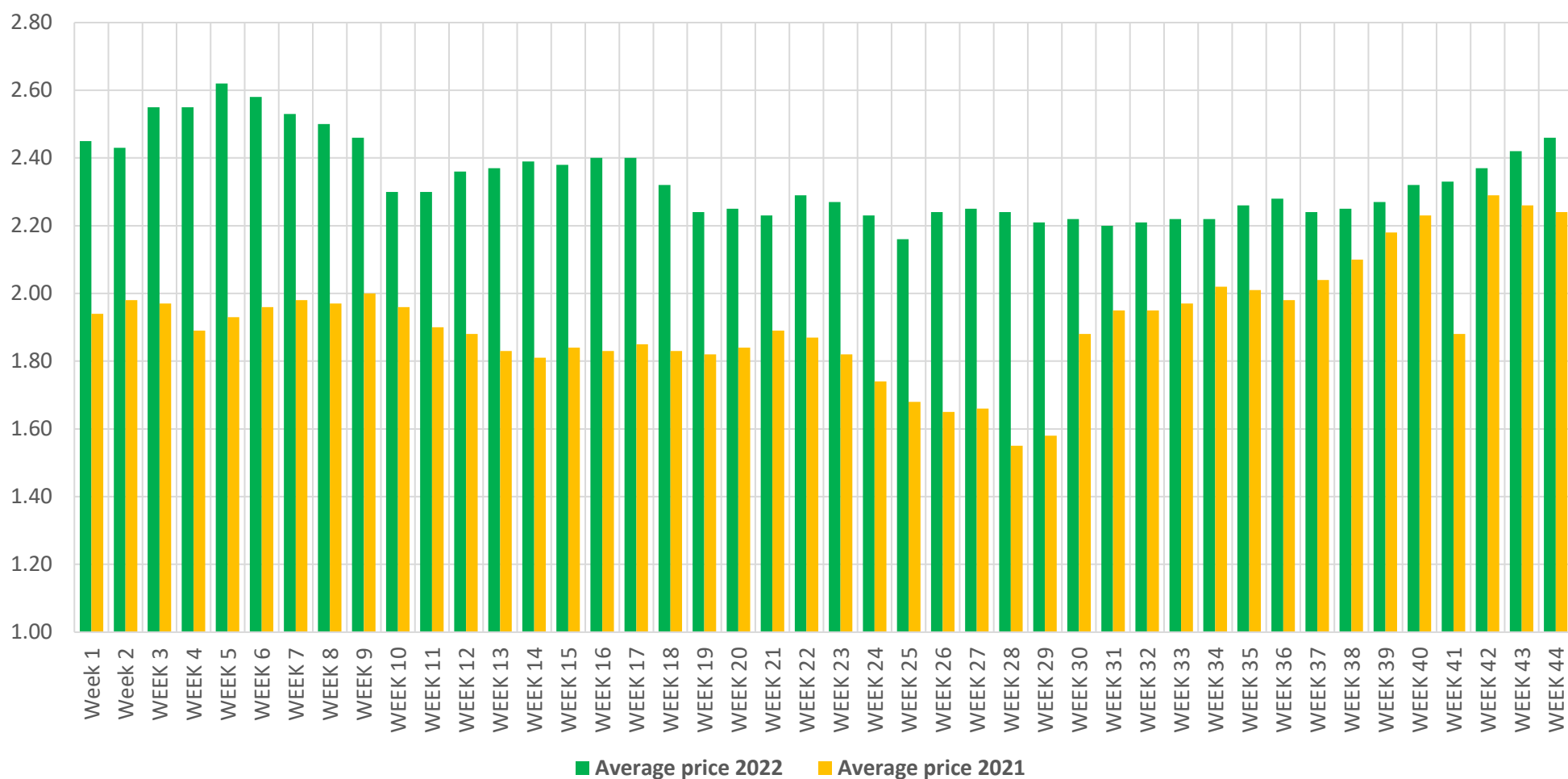


Source: CBK, KRA

Balance of payments:

Improved receipts from tea exports reflect higher international prices

Average price comparison of tea in 2022 and 2021 (USD per Kg)

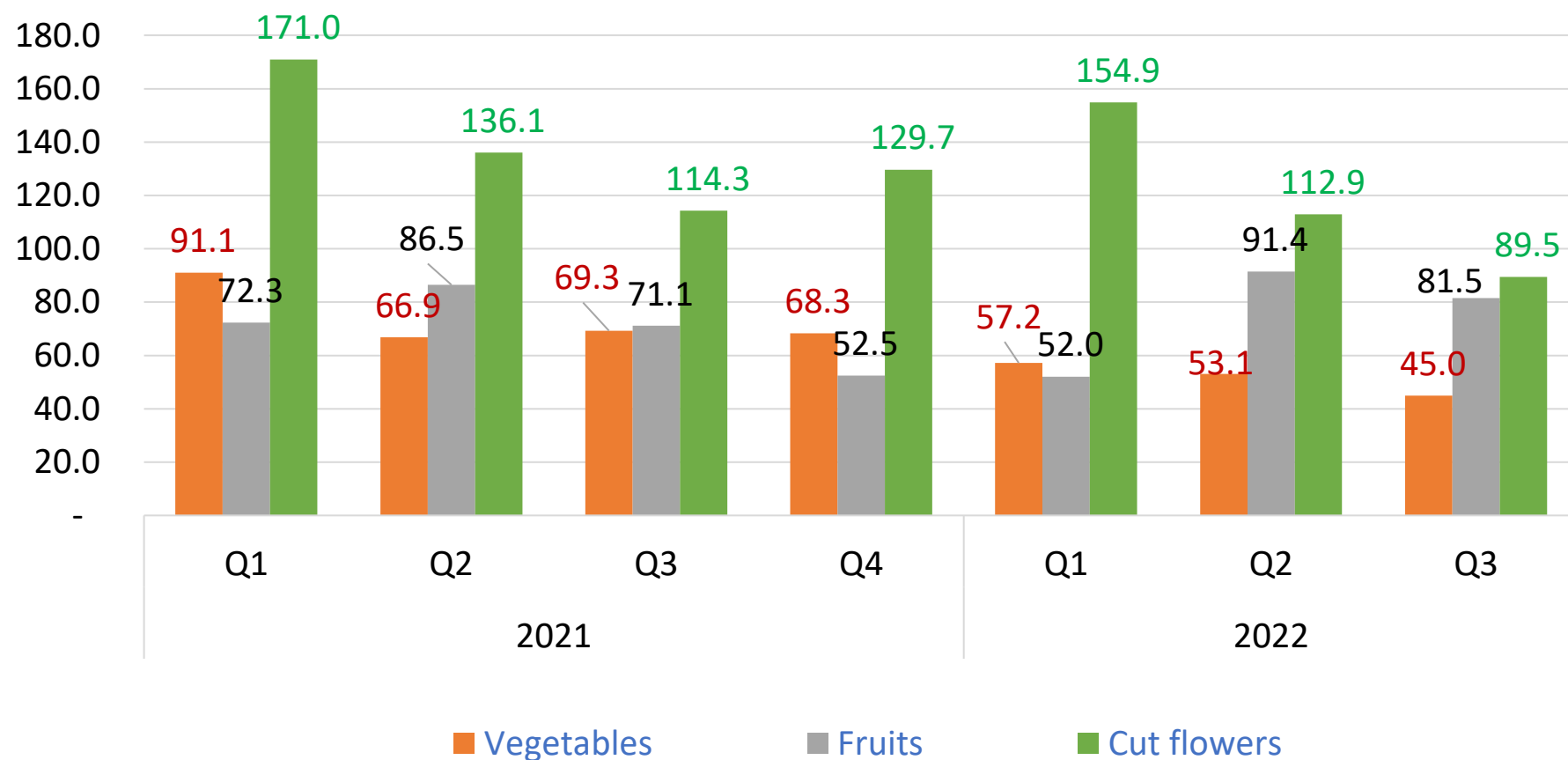


Source: CBK, KRA

Balance of payments:

Performance of flowers and vegetables exports

Horticulture exports (USD, Million)

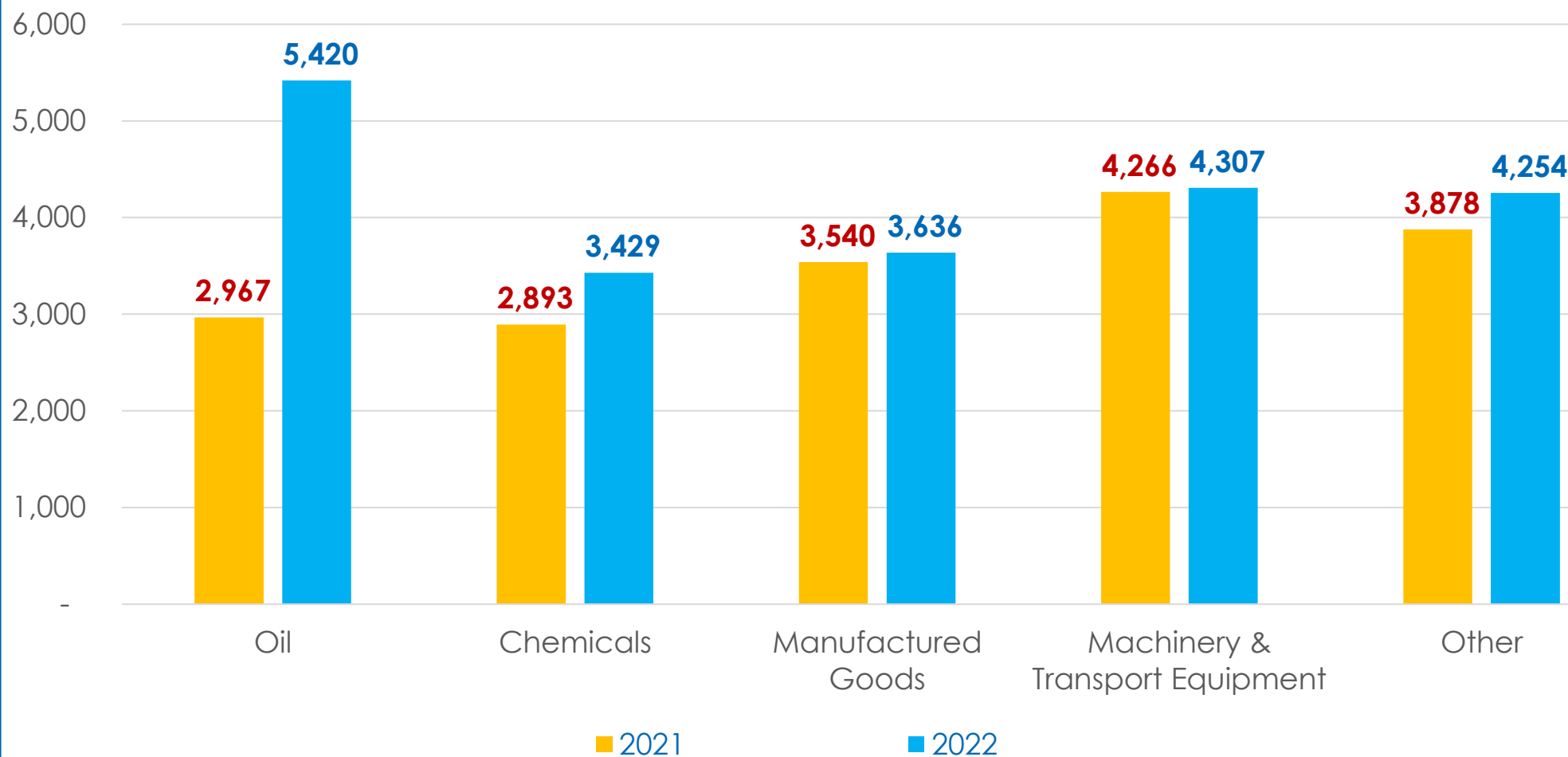


Source: CBK, KRA

Balance of payments:

Imports of goods by products increased largely due to oil imports

12 months cumulative imports to September (USD Million)

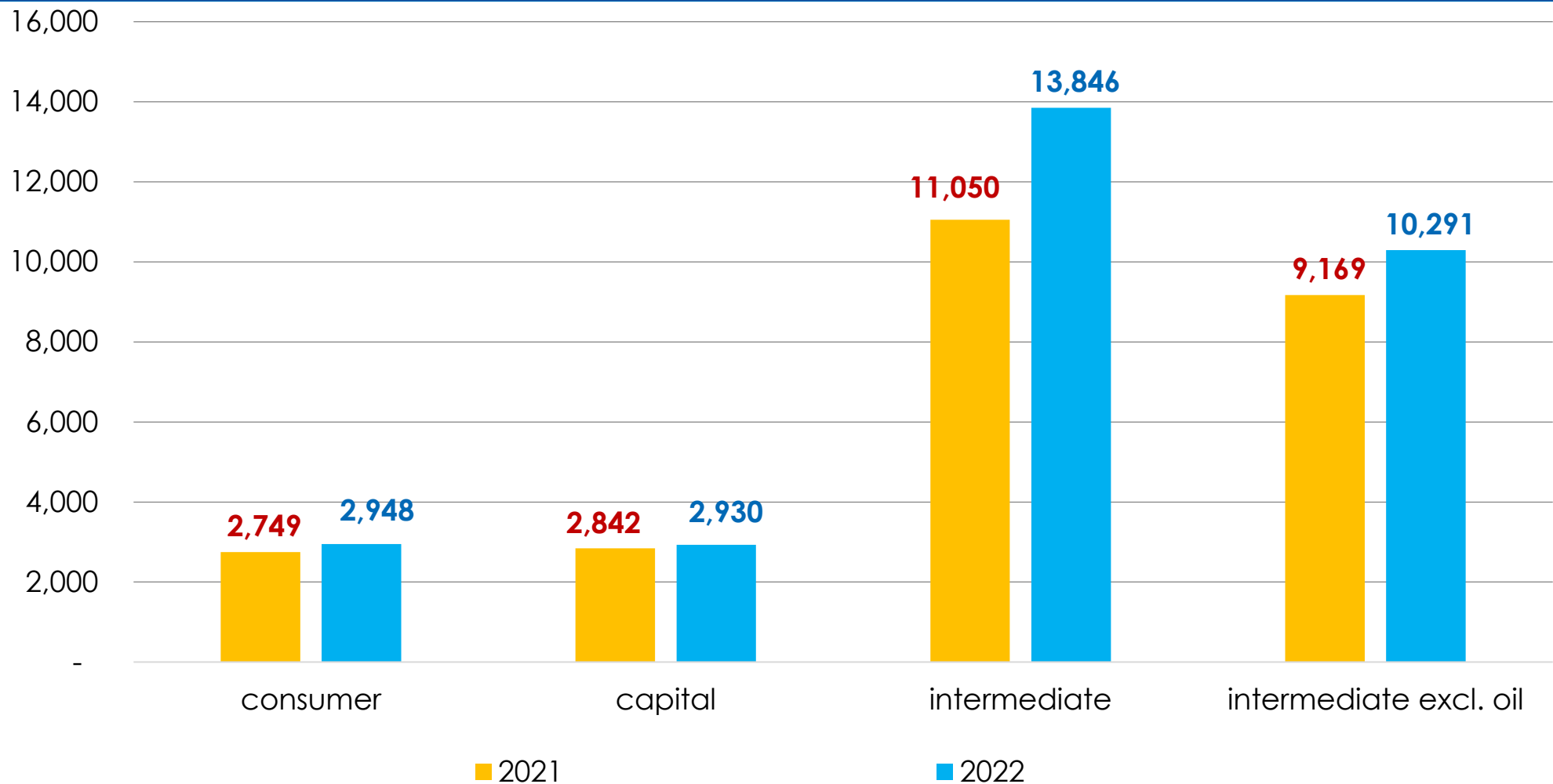


Source: CBK, KRA

Balance of payments:

Imports of goods increased due to oil and other intermediate goods

12 months cumulative imports to September (USD Million)

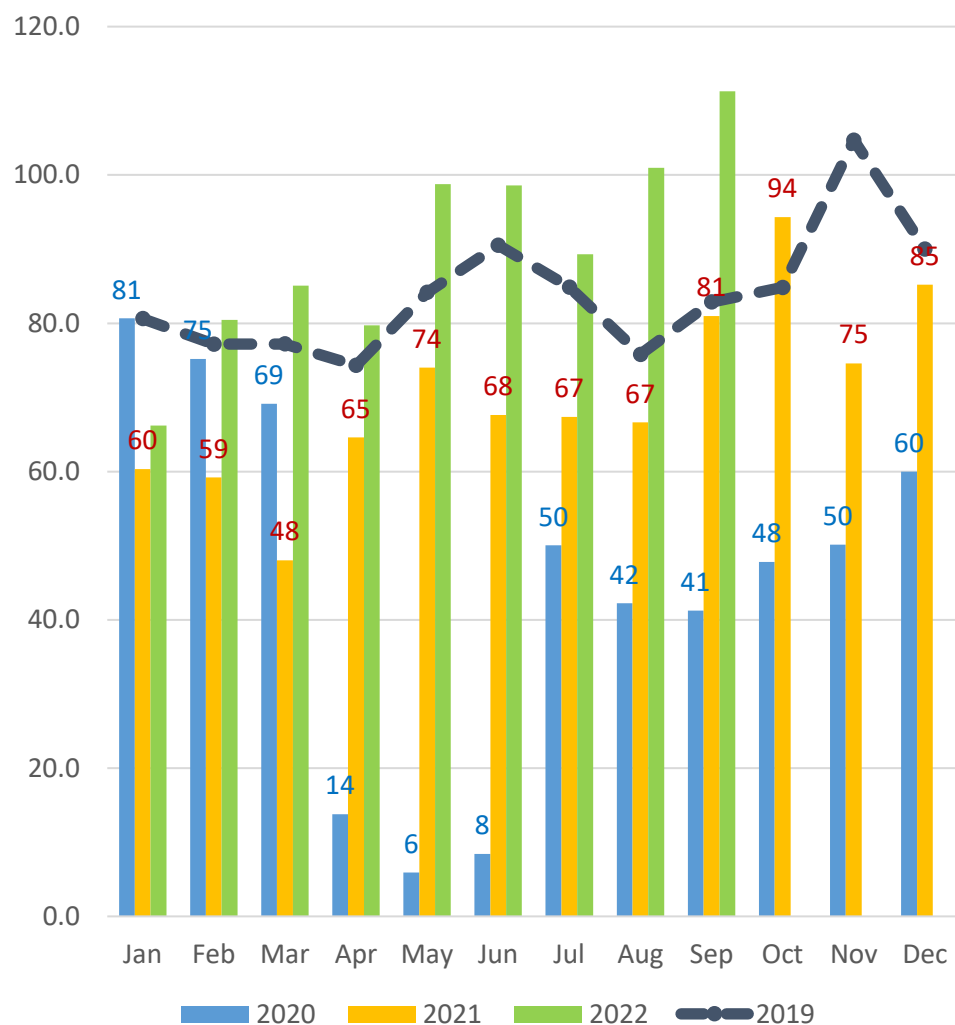


Source: CBK, KRA

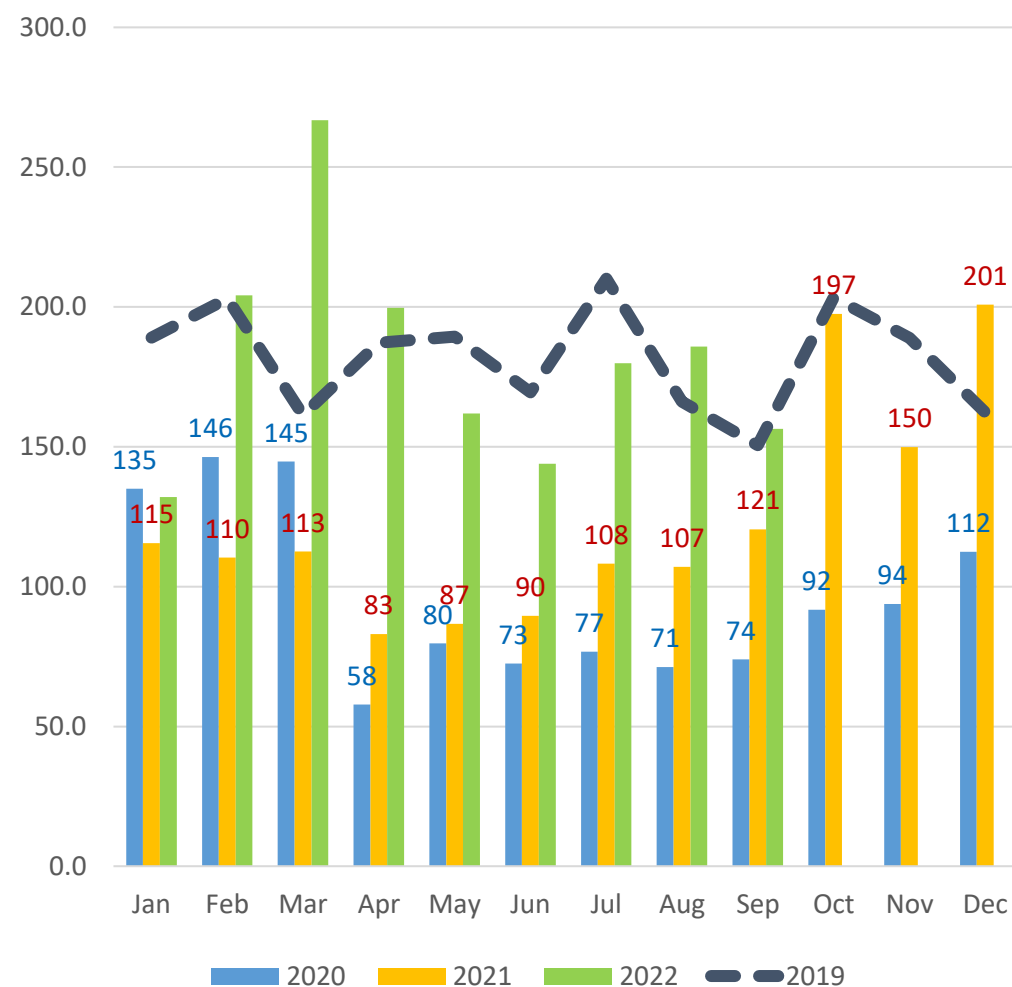
Services exports:

Receipts from travel and transport services have remained strong

Travel receipts (USD Million)



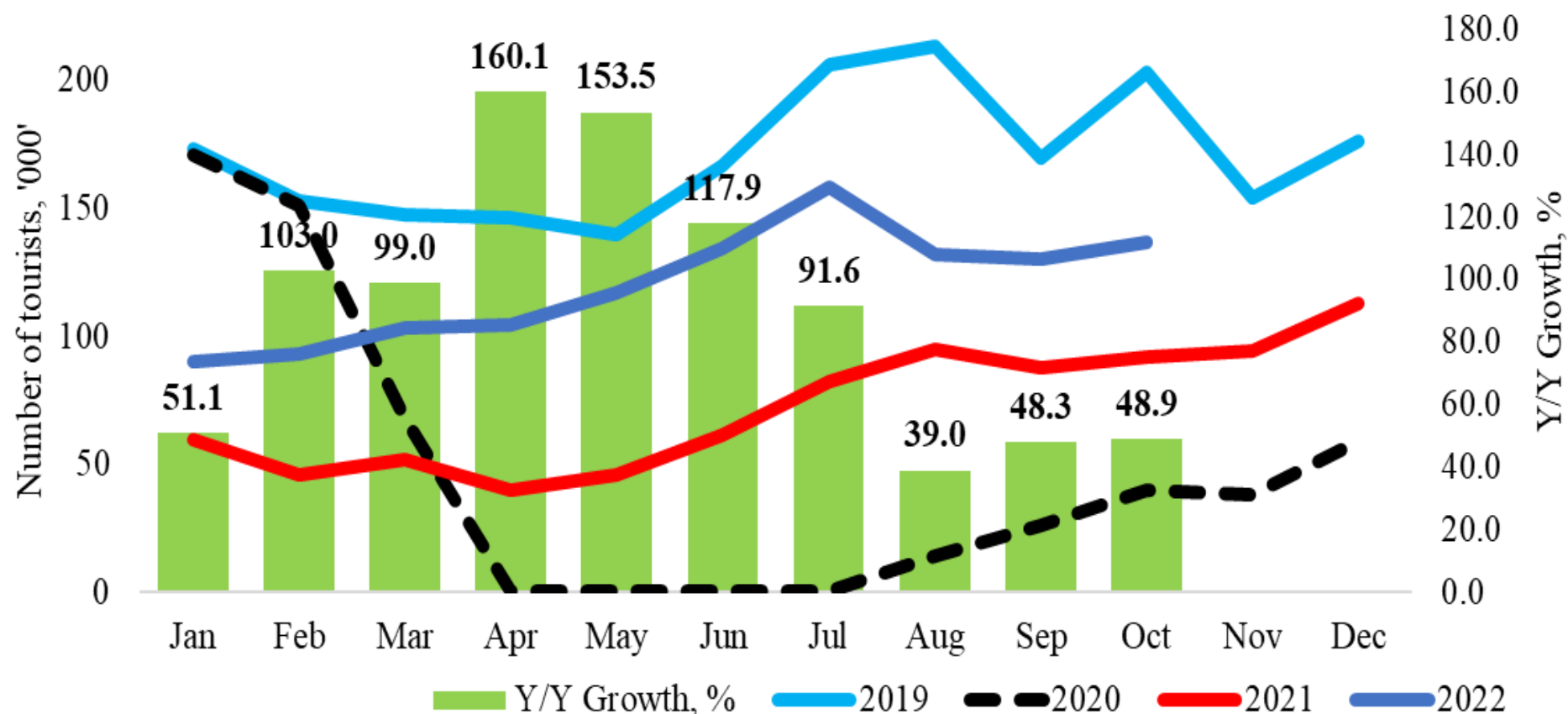
Transport receipts (USD Million)



Source: CBK

Tourism sector: Tourist arrivals have recovered strongly

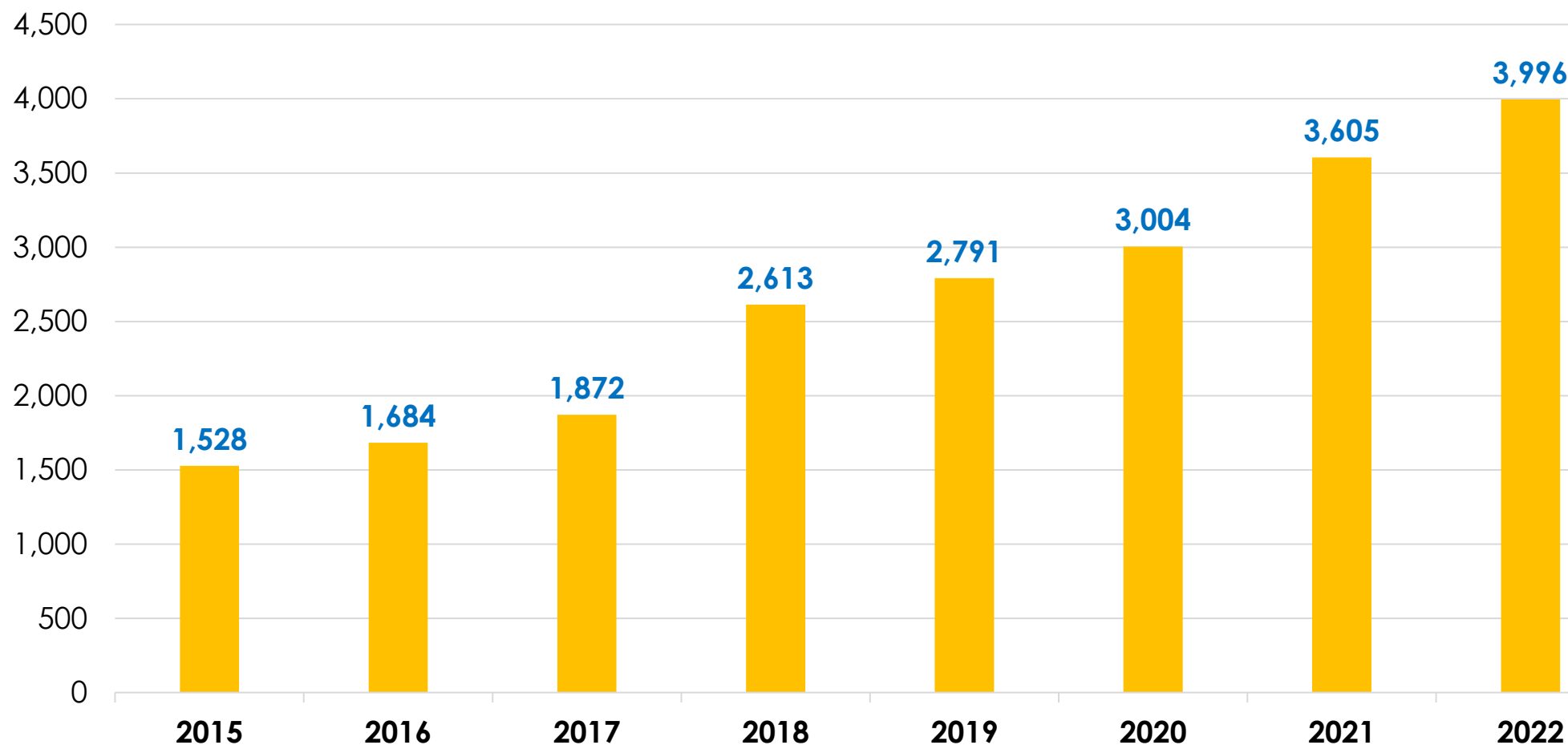
Tourist arrivals



Source: Kenya Tourism Board

Diaspora remittances: Remittances inflows have remained strong

12 months cumulative remittances to October (USD, Million)

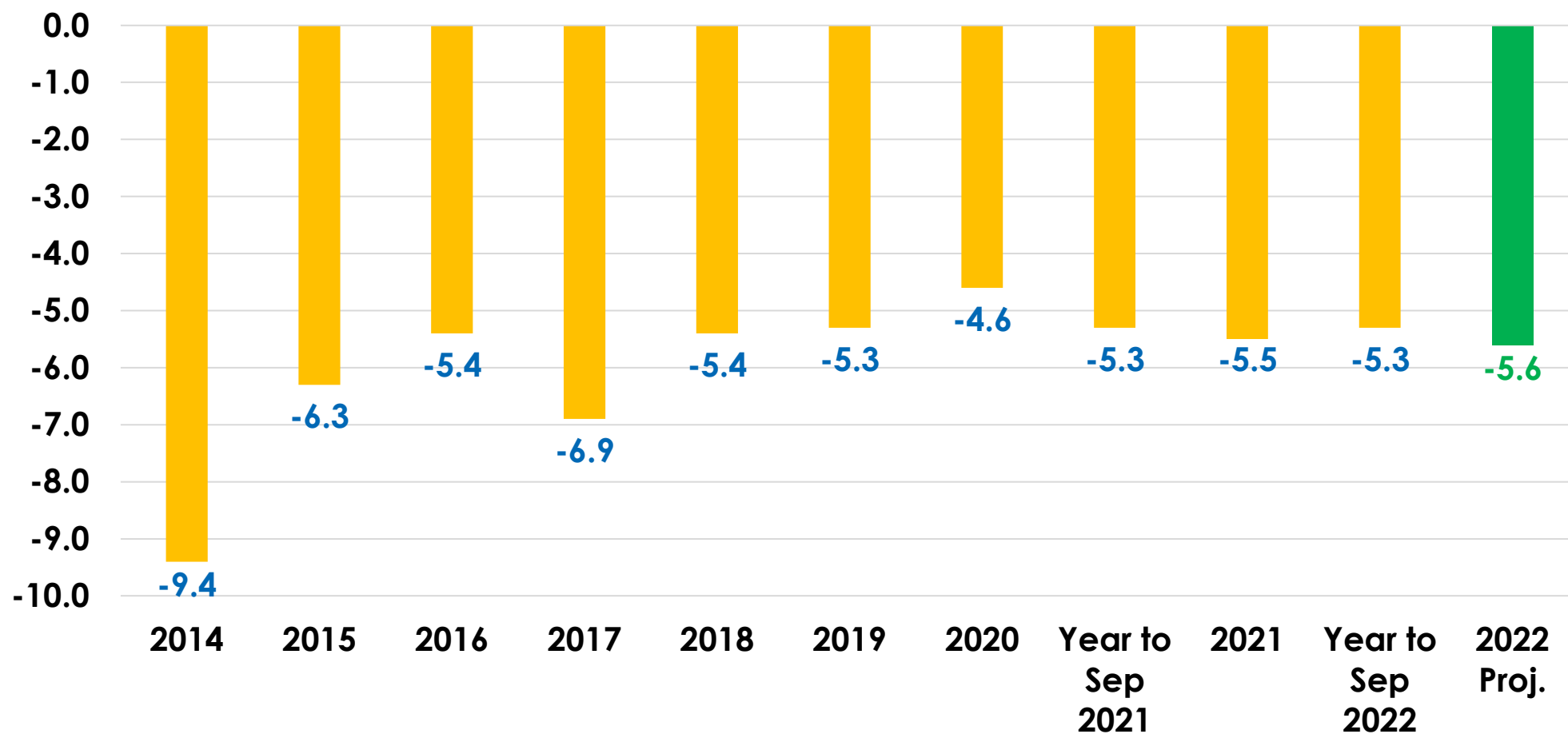


Source: CBK

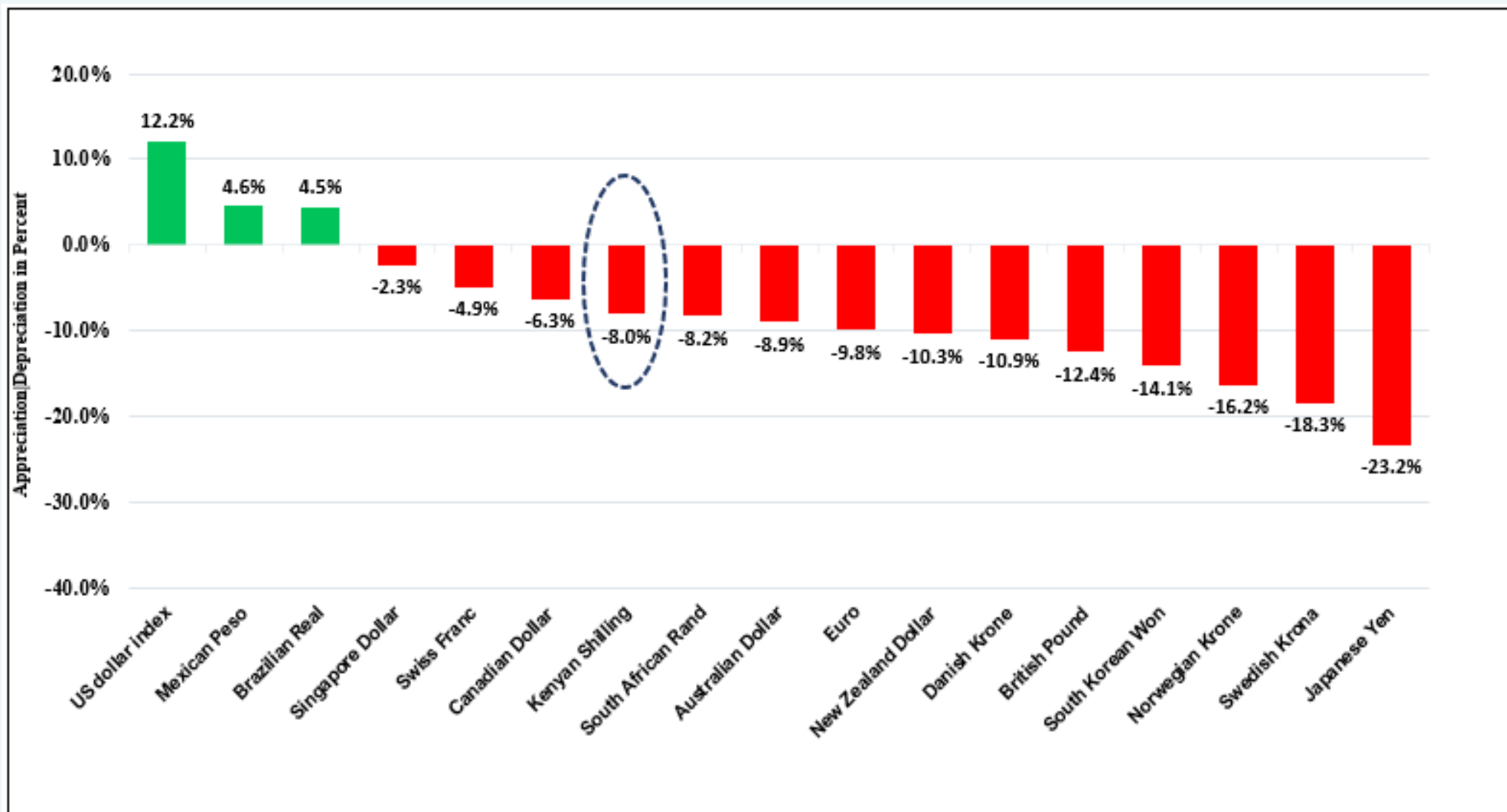
Current account balance:

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

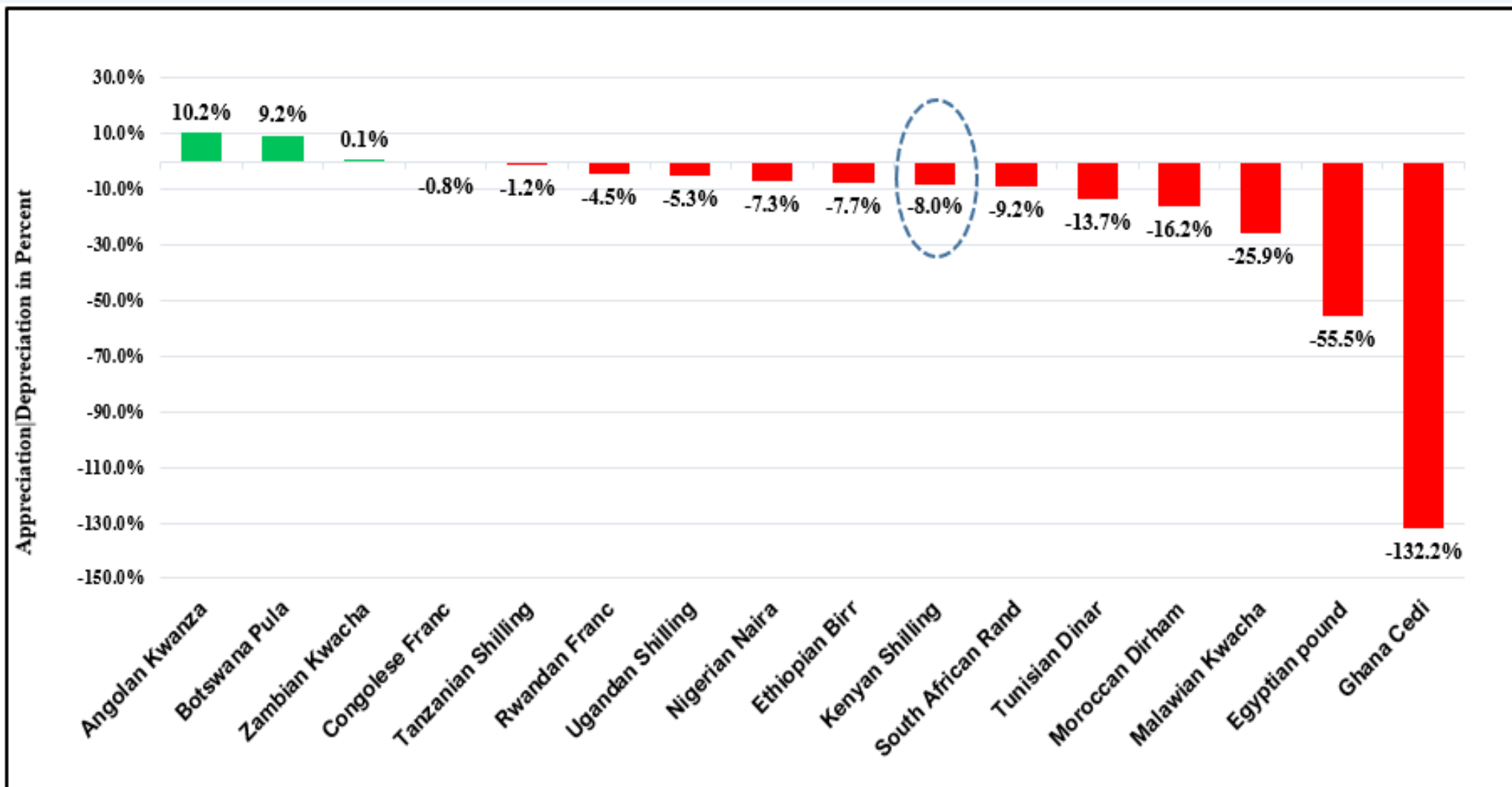
Current account balance (percent of GDP)



Source: CBK



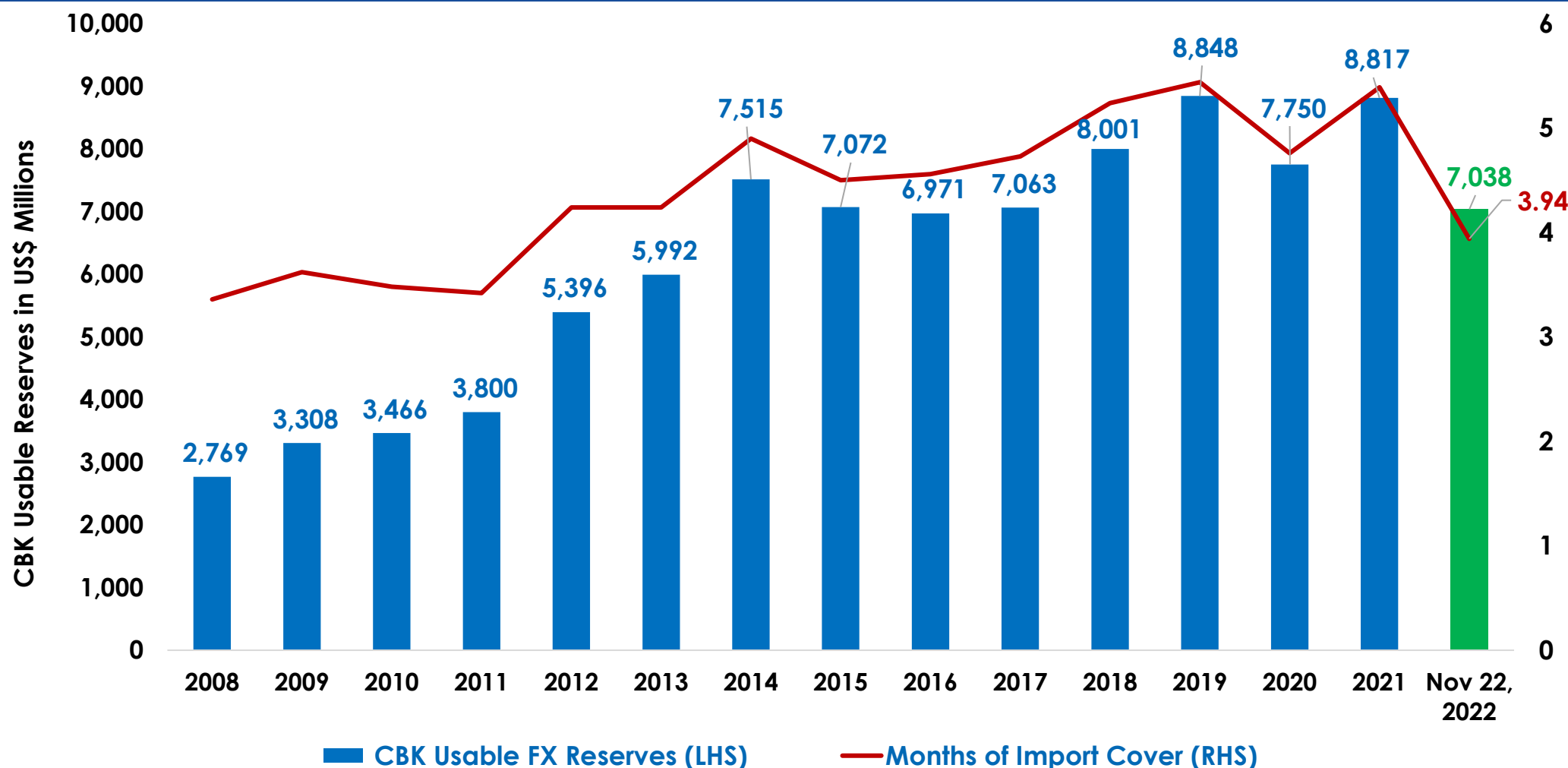
Source: Refinitiv, as at November 22, 2022



Source: Refinitiv, as at November 22, 2022

CBK usable foreign exchange reserves: Foreign exchange reserves remain adequate

CBK usable foreign exchange reserves (end period)



Source: CBK as of November 22, 2022

Thank You!



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