ECONOMIC SURVEY
1960

FOREWORD

This Economic Survey—prepared by the East African Statistical Department and the Economic Research Division of the Treasury—describes the progress of the economy during the past year, and gives some indication of possible changes to be expected in the year ahead. It is intended to produce such a survey each year, and to lay it in Legislative Council with the Expenditure Estimates about two weeks before the presentation of the Budget.

TREASURY,

12TH APRIL, 1960.

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Notice

Throughout the tables the following signs have been used: —

"—" means "nil".

".." means "figures not available".

ECONOMIC SURVEY, 1960

CHAPTER 1—THE GENERAL ECONOMY

Introduction

The economic survey attempts to describe the growth of the economy during the last two to three years, highlighting in particular the year 1959. It will be appreciated that by April, 1960, final figures for 1959 have not become available on all aspects of the economy and that some of the figures for 1959 included in the survey are provisional and will be altered and finalized in later publications.

The survey, as well as giving a general appraisal of the position in 1959, explains fully the development and changes which have taken place in the various sectors of the economy during the year. Because of the importance of external trade in the economy of Kenya, in which it is equivalent to some 46 per cent of the gross domestic product, a chapter has been included on the world position and outlook. It is to the overseas markets that Kenya has to turn in order to sell much of her agricultural production and it is from the industrialized countries that Kenya obtains many of her consumer goods and nearly all her capital equipment.

Additional to the description of the position in 1959, some estimates and forecasts are made of the possible changes which will take place in 1960. Such forecasts are made against the known background of development plans and expected Government expenditure. The unknowns of such forecasts are the world position, including the possible changes in prices, the availability of capital from overseas and the political situation within the Colony. On the assumption that prices of primary products will not change greatly during the course of 1960 and assuming that the availability of capital is no worse than in 1959 and that the political climate will be satisfactory, estimates of possible national income growth in 1960 have been included in this survey. It will be observed that the forecasts of output, while showing some growth, do not anticipate rapid expansion during the year.

The Years 1958 and 1959

1958 was a disappointing year for the economy of Kenya. After substantial increases in the gross domestic product during and towards the close of the Emergency, the position changed. The shortage of capital, high interest rates and the effect of the United Kingdom "credit squeeze", super-imposed on low prices for agricultural commodities, resulted in only a very

small increase in the gross domestic product in the monetary sector in 1958; in terms of income per head there was a slight fall. The main effects were felt in the construction industry and in retail trade, which fell by 6 per cent.

The year 1959 was one of growth. The percentage increase in the gross domestic product, monetary and non-monetary combined, was in the order of 3 1/2 per cent and for the monetary sector alone was nearly 5 per cent. The increase per capita (monetary and non-monetary sectors combined) was about 2 per cent and since prices remained relatively unchanged, the real growth in gross domestic product, allowing for changes in population and prices, was also in the order of 2 per cent per annum. Although this is not a large growth figure, it compares favourably with 1957 and was a great improvement on the decline registered in 1958.

The recovery between 1958 and 1959 was also important, inasmuch as the growth was distributed through most sectors of the economy. Domestic exports again increased by some £4 million from £29.3 million to £33.3 million, but the level of retained imports declined slightly from £56.9 million to £56.4 million. The fall was more than accounted for by a drop in imports on Government account and commercial retained imports remained virtually unchanged at £52.5 million. This external trading position is summarized in the following table: —

EXTERNAL TRADE, 1958 AND 1959

Table 1 £000

	1958	1959
NET IMPORTS—		
Commercial	56,370	57,727
Government	4,499	3,781
TOTAL	60,869	61,508
Re-exports	3,924	5,079
Retained imports	56,945	56,429
Domestic exports	29,300	33,306
Adverse visible balance	—27,645	—23,123

Kenya traditionally incurs a deficit on its external trading account (by "external" is meant "outside East Africa") but, largely as a result of an increase of £4 million in domestic exports and of £1 million in re-exports, this adverse balance fell from £27.6 million in 1958 to £23.1 million in 1959. That this occurred should not give rise to complacency, since a developing country such as Kenya, dependent on imports for most of its requirements of capital equipment and for a large proportion of consumer goods, should expect to incur a growing import bill. In 1959 imports of producers' capital goods were on much the same level as in 1958, but if imports of public service vehicles and railway rolling stock and track material (both of which are subject to special influences) are excluded, an increase of approximately £2 million in capital imports was recorded. Imports of motor vehicles of all types fell by some £3/4 million in 1959, although imports of private motor-cars declined slightly both in terms of numbers and value. Imports of consumer goods, including food, drink and tobacco, rose by £1 1/2 million.

The general price level of Kenya's exports (f.o.b.) remained unchanged in 1959 and a 10 per cent increase in the quantity of goods exported was necessary to bring about the £4 million rise in the total value of domestic exports. On the import side a small decline in volume was offset by an increase in prices of similar magnitude, with the result that for the year there was a further deterioration in the terms of trade for Kenya.

Gross Domestic Product

Provisional estimates show that Kenya's gross domestic product in terms of current prices including the part of income represented by subsistence production rose to £215 million from £208 million in the previous year, an increase of about 3 1/2 per cent. This compares with a rise of only one per cent in 1958 and with an average annual rate of increase of 7 per cent during the period since 1954. Table 2 shows the composition of gross domestic product for each of the years 1954 to 1959 analysed by industrial origin: —

GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN, 1954-1959

Table 2 (Including Gross Product Outside the Recorded Monetary Economy)

INDUSTRY	£ MILLION AT FACTOR COST						PERCENTAGES					
	1954	1955	1956	1957	1958	1959*	1954	1955	1956	1957	1958	1959*
Agriculture (including incidental services) ..	53.25	53.54	59.84	61.11	62.79	63.81	33.7	29.6	30.9	29.7	30.2	29.7
Livestock	16.50	17.43	18.35	19.78	20.07	20.48	10.4	9.6	9.5	9.6	9.6	9.5
Forestry	2.28	2.75	3.19	3.11	3.11	3.83	1.5	1.5	1.7	1.5	1.5	1.8
Fishing and hunting	1.93	1.74	1.90	1.23	1.37	1.13	1.2	1.0	1.0	0.6	0.7	0.5
TOTAL	73.96	75.46	83.28	85.23	87.34	89.25	46.8	41.7	43.1	41.4	42.0	41.5
Mining and quarrying	0.89	1.28	1.36	1.26	1.15	1.20	0.6	0.7	0.7	0.6	0.5	0.5
Manufacturing	14.14	17.44	18.18	19.80	20.52	20.23	8.9	9.6	9.4	9.6	9.9	9.4
Construction	6.31	8.04	9.34	9.63	8.38	8.31	4.0	4.4	4.8	4.7	4.0	3.8
Electricity and water	1.24	1.45	1.75	2.09	2.20	2.34	0.8	0.8	0.9	1.0	1.1	1.1
Transport, storage and communication	11.84	15.18	15.78	18.64	17.69	18.89	7.5	8.4	8.2	9.1	8.5	8.8
Wholesale and retail trade	21.59	25.34	25.83	27.48	26.39	27.09	13.7	14.0	13.4	13.3	12.7	12.6
Banking, insurance and real estate	1.38	2.22	2.52	2.83	3.26	3.46	0.9	1.2	1.3	1.4	1.6	1.6
Rents (including ownership of dwellings)	4.83	5.26	5.80	6.65	7.51	8.38	3.0	2.9	3.0	3.2	3.6	3.9
General Government-												
Administration	6.68	10.03	9.20	9.72	9.89	9.91						
Public health and education	2.52	2.74	3.15	3.88	4.73	5.19						
Agricultural and related services	1.31	1.51	1.58	1.88	1.78	1.77						
Local authorities	1.61	2.26	2.29	2.53	2.89	3.15						
Defence	1.78	2.68	2.54	2.12	1.11	1.44						
Overseas Governments (local employees)	0.04	0.08	0.05	0.06	0.06	0.09						
Total (General Government)..	13.94	19.30	18.81	20.19	20.46	21.55	8.8	10.7	9.7	9.8	9.8	10.0
Services	7.90	10.09	10.73	12.11	13.11	14.58	5.0	5.6	5.5	5.9	6.3	6.8
TOTAL ..	158.02	181.06	193.38	205.91	208.01	215.28	100.0	100.0	100.0	100.0	100.0	100.0

* Provisional.

It will be noted that while the manufacturing and building and construction industries remained static, all other sectors benefited from the overall increase in gross domestic product. Agriculture and livestock production continued to take the largest share of the domestic product, which in percentage form remained virtually unchanged between 1958 and 1959. This apparent stability, however, conceals the fact that the imputed value of subsistence production in agriculture proper (excluding all related activities) fell slightly in absolute terms largely as a result of the lower prices received for maize in 1958/59 compared with 1957/58. Chart 1 shows how gross domestic product has increased over the years 1954-59 and the share in this increase earned by agriculture, both monetary and non-monetary, and all other sectors combined.

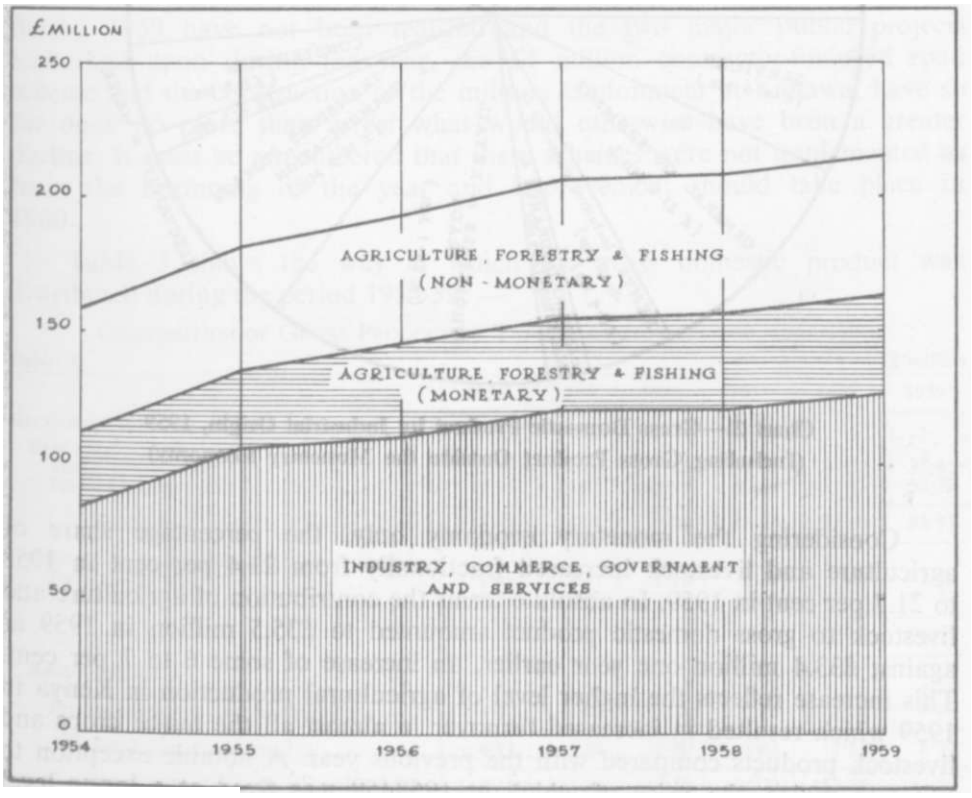


Chart 1.—Expansion of the Gross Domestic Product, 1954-1959

Chart 2 illustrates in more detail the contribution made by each major industrial group to gross domestic product (including gross product outside the monetary economy) in 1959.

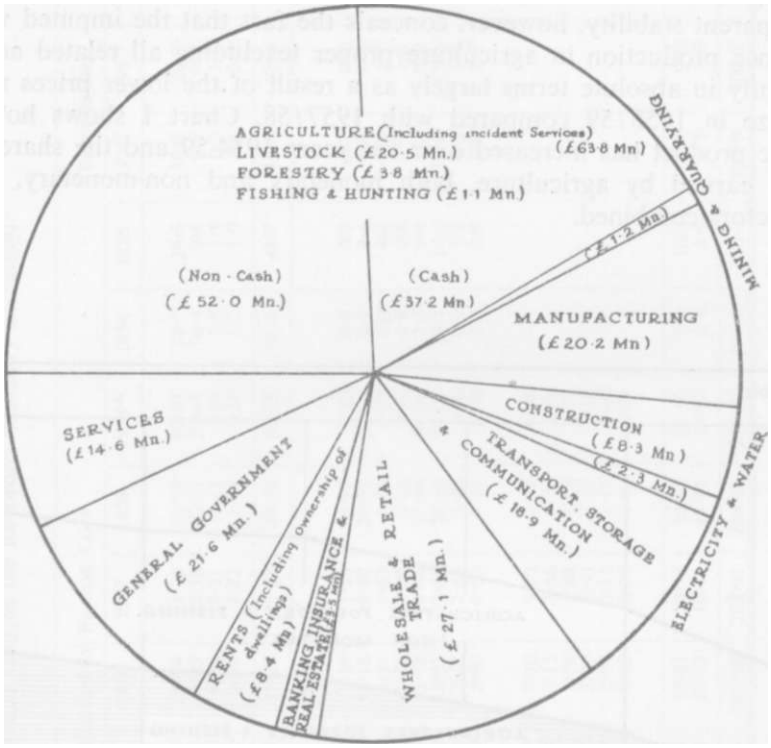


Chart 2.—Gross Domestic Product by Industrial Origin, 1959 (Including Gross Product Outside the Monetary Economy)

Considering the monetary economy only, the percentage share of agriculture and livestock increased fractionally from 21.4 per cent in 1958 to 21.7 per cent in 1959. In absolute terms the contribution of agriculture and livestock to gross domestic product amounted to £35.5 million in 1959 as against £33.4 million one year earlier, an increase of some 6 to 7 per cent. This increase reflects the higher level of agricultural production in Kenya in 1959 which resulted in increased turnover in almost all the major crops and livestock products compared with the previous year. A notable exception to this was maize, the price of which in 1958/59 was fixed at a lower level than in 1957/58; since production also declined, the pay-out to farmers fell considerably below that of the previous year. In spite of fears to the contrary, coffee prices were maintained at a level not far short of that ruling in 1958, and the price of sisal improved during the year, although it was subject to some uncertainty at one period.

Retained imports on commercial account in 1959 were much the same as in 1958, but there was, nonetheless, a small increase in turnover and hence in the contribution of wholesale and retail trade to gross domestic product. In general, however, the improvement in agriculture had limited effect on the level of trading activity, a situation which would appear to result in part through a time lag in the operation of the increased purchasing power, and in part from a reluctance on the part of traders to build up stocks to the level from which they had fallen prior to the onset of the recession in 1958. Theree is evidence that in certain trades, notably motor vehicles, a considerable amountt of de-stocking took place during part of 1959.

The gross product of manufacturing industry, which had steadily increased from £14 million in 1954 to £20.5 million in 1958, remained virtually unchanged at £20.2 million in 1959. The building and construction industry's contribution to gross domestic product altered little at £8.3 million. This represents a leveling off after the serious fall of £1 1/4 million in 1958 from the peak figure of £9.6 million achieved during the post-Emergency boom year of 1957. Hopes of an expansion in building and constructional activity during 1959 have not been realized and the two major public projects embarked upon during the year, the £4 million contractor-financed road scheme and the construction of the military cantonment at Kahawa, have so far done no more than arrest what would otherwise have been a greater decline. It must be remembered that these schemes were not implemented as from the beginning of the year and improvement should take place in 1960.

Table 3 shows the way in which the gross domestic product was distributed during the period 1954-59: —

COMPOSITION OF GROSS PRODUCT BY TYPE OF FACTOR INCOME, 1954-1959

Table 3 — £ *million*

	1954	1955	1956	1957	1958	1959 *
RECORDED MONETARY ECONOMY—						
Paid employment:						
Public employment	22.93	31.14	31.17	34.91	34.37	35.85
Private employment	35.95	44.10	4680	50.84	51.13	52.52
Total (employment)	58.88	75.24	77.97	85.75	85.50	88.37
Operating surplus (excluding rental surplus):						
Public enterprise	1.96	2.31	2.10	2.21	2.68	2.95
Private enterprise	46.78	51.93	59.28	59.61	60.19	63.52
Total (operating surplus)	48.74	54.24	61.38	61.82	62.87	66.47
Rental surplus:						
Public enterprise and government	1.16	1.24	1.34	1.50	1.63	1.78
Private enterprise and householders	3.67	4.02	4.46	5.15	5.88	6.60
Total (rental surplus)	4.83	5.26	5.80	6.65	7.51	8.38
Total (recorded monetary economy)	112.45	134.74	145.15	154.22	155.88	163.22
IMPUTED PRODUCT OUTSIDE THE RECORDED MONETARY ECONOMY	45.57	46.32	48.23	51.69	52.13	52.06
TOTAL (Gross Product)	158.02	181.06	193.38	205.91	208.01	215.28

* Provisional

The share of the domestic product accruing in the form of wages and salaries remained constant at about 41 per cent between 1958 and 1959, although in absolute terms it increased by nearly £3 million from £85.5 million to £88.4 million. This increase was spread fairly evenly between the private and the public sector, but within the private sector gains in the transport, storage and communication, wholesale and retail trade and services groups were not matched by gains in the manufacturing and building and construction groups. The position with regard to agricultural employment showed little change.

Gross profits, before depreciation but excluding rental surpluses, were at £66.5 million some £3.6 million up on the previous year. Since little change occurred in the level of profits earned by public trading enterprises, most of this increase may be attributed to the private sector. All industrial groups shared in this expansion, with the exception of manufacturing industry, but the most significant increase affected agriculture and livestock production where the operating surplus rose by nearly 10 per cent from £22.2 million in 1958 to £24.2 million in 1959. Within this overall increase profits earned by African farmers rose by approximately £1 million, or nearly 15 per cent. The amount earned in the form of rental surpluses also increased by some £3/4 million between the two years.

The Level of Employment and Wages

The higher wage and salary bill paid in 1959 reflects in part an expansion in the labour force in Kenya and in part higher average earnings. Although employment, as reported in June, 1959, increased from 593,000 in 1958 to 597,000 in 1959, this latter figure still fell short of the peak levels of 615,000 and 614,000 achieved in 1955 and 1957, respectively. The increase in employment which occurred in 1959 was by no means evenly spread among the various racial groups throughout the various sectors of the economy. Whereas in agriculture and forestry increases were recorded for Africans and Asians and a slight decrease for Europeans, in private industry and commerce the number of Africans in employment fell slightly, with small increases for the other two communities. The position in the public services followed a similar pattern to that in agriculture.

Table 4 shows the total number in employment and the corresponding wage bill in 1958 and 1959, analysed by race and major sector. It must be emphasized that the wage bill recorded in this table does not agree exactly with that shown in Tables 2 and 3, since Table 4 has been taken directly from the results of the Employment Enumeration made in June, 1959 and has not been adjusted to take account of certain indirect benefits such as pensions, and passages which accrue to employees.

REPORTED EMPLOYMENT AND WAGES, 1958 AND 1959

Table 4

YEAR/RACE	PRIVATE INDUSTRY AND COMMERCE[1]		PUBLIC SERVICES		AGRICULTURE AND FORESTRY		TOTAL	
	Numbers Employed	Total Wages £"000 p.a.	Numbers Employed	Total Wages £"000 p.a.	Numbers Employed	Total Wages £"000 p.a.	Numbers Employed	Total Wages £'000 p.a.
1958—								
African	149,642	12,391	137,873	12,539	247,218	8,633	534,733	33,563
Asian	24,772	11,185	10,609	5,951	468	242	35,849	17,378
European	11,613	13.300	9,142	11,320	1,833	1,971	22,588	26,591
TOTAL	186,027	36,876	157,624	29,810	249,519	10,846	593,170	77,532
1959—								
African	148,023	12,794	139,976	13,223	249,400	8,617	537,399	34,634
Asian	25,050	11,407	11,128	6,180	563	283	36,741	17,870
European	12,033	13,830	8,975	11,306	1,749	1,934	22,757	27,070
TOTAL	185,106	38,031	160,079	30,709	251,712	10,834	596,897	79,574

In general, average wages received by all races in all sectors of activity rose during 1959. The most notable increase affected Africans employed in private industry and commerce and in the public services where the increase over 1958 was of the order of 3 to 4 per cent. Although the increase in average wages recorded in 1959 continued the trend of recent years, the advances in the last two years have been of smaller magnitude than those granted in the period before 1958. This reflects in part the more difficult trading conditions of recent years and in part the stability in the price level. The fact that wages did advance both in 1958 and 1959, notwithstanding the difficult conditions in those years, suggests a greater tendency on the part of employers to relate wages to productivity and to think in terms of the quality rather than the quantity of labour employed.

In furtherance of the declared policy of Government relating to minimum wage rates, a further advance was made towards the target of an adult minimum wage of 1.67 times the "youth" wage in the nine towns of Kenya affected by Minimum Wage Orders. As from 1st July, 1959, the adult wage moved to a point 30 per cent higher than the prevailing "youth" wage and as from 1st January, 1960, further increases were made in the housing allowance element of the wage. Although the proportion of workers on the minimum wage is believed to be comparatively small, the increases in this minimum must have had some effect in bringing about a general upward movement in wage rates during 1959.

The Price Level

The modest increase in incomes, both in the form of wages and salaries and of profits, which occurred in 1959 did not have any inflationary effects. Although the Nairobi cost-of-living index (excluding rent) with a base of August, 1939= 100 stood at 290 points at mid-February, 1960, compared with 288 points at the end of 1958, this index has in fact remained remarkably steady since the end of 1957, only fluctuating within the range 288-290 or less than one per cent. The same position is revealed by the recently introduced Wage Earners' Index of consumer prices in Nairobi which refers primarily to persons in the lower income groups employed as labourers, artisans and in the more junior clerical grades. This index, with a base of October-December, 1958= 100 moved to 101 in July, 1959, at which point it has remained.

It is apparent that for most sections of the community wages and profits more than kept pace with movements in the cost of living between 1958 and 1959. For the economy as a whole the best measure of changes in real wealth is provided by domestic income expressed on a *per capita* basis after allowing for movements in prices. Using the Nairobi cost-of-living index as at mid-1958 and mid-1959 for this latter purpose and adjusting for the increase in population, average income per head at 1958 prices came to £33.4 in 1959 compared with £32.8 per head in the previous year; this corresponds to a rise of between 1 1/2 and 2 per cent.

Capital Formation

In any country, whether relatively highly developed or in its first stages of development, capital formation is fundamental to growth. By capital formation is meant the investment in capital goods and assets which will either be of value to the general economy, such as roads, railways, water supplies and other public utilities, or provide for future production of consumer goods as the result of building of factories and the installation of machinery. Gross capital formation in Kenya reached its peak in 1957. In that year it is estimated that the total amounted to some £47 million of which £30 million was invested in the private sector of the economy. Of the £30 million of private investment about 45 per cent was in buildings and construction, the remainder being spent on machinery and similar capital assets. Investment in large-scale agriculture amounted to £4.9 million or 16 per cent of total capital expenditure in the private sector,

The year 1958 saw a change, with a fall in capital formation of £6.4 million. This fall resulted in part from the completion of a number of large-scale projects in the public sector and in part from a lack of confidence which led to some postponement of investment decisions in the private sphere. Fluctuations in capital formation in developing countries are quite normal, particularly when over one-third of the total capital investment is being undertaken by public authorities mainly in the building or expansion of transport facilities, water supplies, electricity schemes and investment in public and quasi-public utilities.

From the first estimates available it appears a revival took place in 1959, investment activity being higher in spite of the continued tightness of money. Gross capital formation in 1959 is estimated at approximately £43 million compared with £40 1/2 million in 1958. In the private sector the amount of building work completed in the urban areas expanded, but this was in part offset by a slight decline in the value of building in agriculture. Agriculture also accounted for a fractional decrease in the value of constructional work done on private account. Private investment in plant and machinery increased from £7.2 million to £8.7 million between 1958 and 1959, partly as a result of a higher level of investment in agricultural machinery and tractors and road building equipment. Expenditure on transport equipment fell from £7.8 million to £6.5 million. 1959 showed little change in the level of capital expenditure by Government and its various agencies but, as already noted, the effect of the two major public projects on which work was started in 1959 had hardly made itself felt during the year.

The position in each of the major sectors of the economy, presented in summary form in this chapter, is discussed in more detail in chapters 3 to 8.

CHAPTER 2—THE WORLD OUTLOOK

Kenya relies mainly on the industrialized countries of the world for its markets and also for its imports, both of capital and consumer goods. Its total importance in world trade is negligible, being about 0.25 per cent, and even in those agricultural commodities of considerable importance to its economy, its share in world markets is small. Although the coffee crop of Kenya represents in value terms some 32 per cent of the total exports of the Colony, in world trade the value of Kenya's exports of coffee amounts to less than one per cent of the total world sales of coffee.

Similar conditions apply to imports. Imports of £56 million are insignificant in world trade and Kenya's economy depends on the fluctuations which take place in the rest of the world, particularly in industrialized countries where with sustained growth there has developed a greater demand for raw materials and food.

This is the reason why a chapter is included on the world outlook. There is little value in enumerating the economic activities of Kenya or attempting to estimate future changes in Kenya without taking into account the changes which have taken place in both the industrialized and primary producing areas of the world.

In the last few years, although industrialized countries have shown a regular increase in national income, together with a large expansion in general output, primary producing countries have gone through a period of recession. After the Korean boom there were falls in food and raw material world prices. At the time of the Korean boom the United Nations export and import price index of agricultural products prices stood about 25 per cent above the figure at the end of 1955, and during 1958 and 1959 the index moved only slightly. Chart 3 describes diagramatically the movement of this index and also the changes which have taken place over the last few years in the prices of East African commodities mainly exported on the world market.

The major industrialized countries registered rapid increases in industrial production during 1959. In the United States industrial production increased so that by the end of 1959, production was higher than ever before. In Germany and some other European countries there was also a rapid expansion. The result of this growth throughout Western Europe and the United States of America has been some increase in imports from primary producing countries. This increased demand for raw materials resulted in a general but only slight increase in raw material prices, but food prices have remained fairly stable. The results of this expansion have brought only limited improvements to the export incomes of primary producing areas and the actual recovery has not been as great as might have been expected. The earlier fall in incomes in these areas as a result of reduced export earnings has only been halted by an increase in the quantity of exports since the increase in prices has been small. Imports into many of the primary producing countries only began to increase in the latter half of 1959 and the funds to pay for

these imports came from the increased export earnings, together with an inflow of public funds to the less developed countries. In the case of Kenya exports to Europe rose and the aggregate of the exports to Germany, Italy, the Netherlands, Belgium and Denmark for 1959 totalled £11.3 million compared with £8.4 million in 1958.

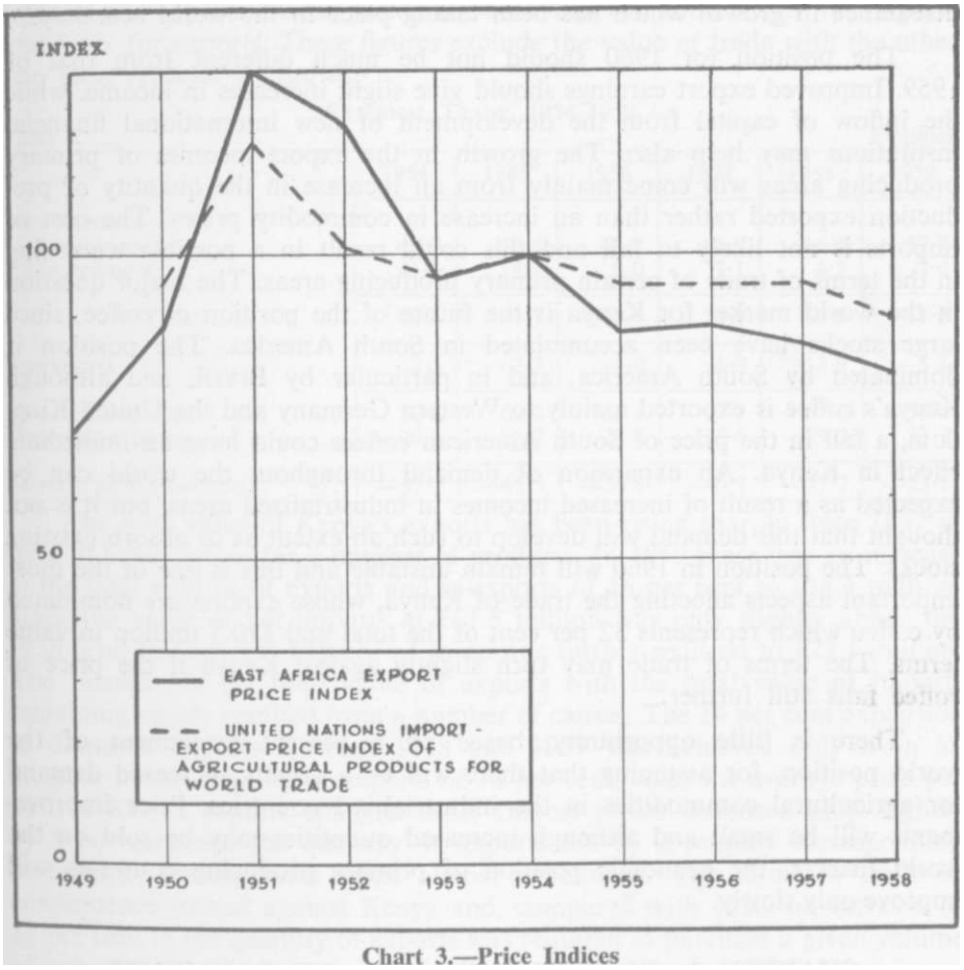


Chart 3.—Price Indices

(1954 = 100)

In the primary producing countries trade balances have not been as favourable as in the early post-war years, since lower export prices have not been matched by falling import prices. Many primary producing countries recorded falls in imports resulting from an inability to pay for all goods needed. In 1959 the imports into most primary producing countries fell slightly and the trade balances of some countries deteriorated. Although there was increased trade in the more developed parts of the world, the primary producing areas did not fully share in this.

The prosperity of primary producing countries in general depends on the continued growth in the industrialized countries. The relative stability in incomes of primary producing countries has resulted from an increase in output rather than of price. If export incomes of primary producing countries increase, their demand for imports will develop. An increase in the purchasing power of primary producing countries would help to rectify partially the disbalance in growth which has been taking place in the world economy.

The position for 1960 should not be much different from that of 1959. Improved export earnings should give slight increases in income, while the inflow of capital from the development of new international financial institutions may help also. The growth in the export incomes of primary producing areas will come mainly from an increase in the quantity of production exported rather than an increase in commodity prices. The cost of imports is not likely to fall and this could result in a possible worsening in the terms of trade of certain primary producing areas. The major question in the world market for Kenya is the future of the position of coffee, since large stocks have been accumulated in South America. The position is dominated by South America, and in particular by Brazil, and although Kenya's coffee is exported mainly to Western Germany and the United Kingdom, a fall in the price of South American coffees could have an immediate effect in Kenya. An expansion of demand throughout the world can be expected as a result of increased incomes in industrialized areas, but it is not thought that this demand will develop to such an extent as to absorb existing stocks. The position in 1960 will remain unstable and this is one of the most important aspects affecting the trade of Kenya, whose exports are dominated by coffee which represents 32 per cent of the total and £10.5 million in value terms. The terms of trade may turn slightly against Kenya if the price of coffee falls still further.

There is little opportunity, based on a present assessment of the world position, for assuming that there will be a greatly increased demand for agricultural commodities in the industrialized countries. Price improvements will be small and although increased quantities may be sold on the world market, the economic position of primary producing countries will improve only slowly.

CHAPTER 3—EXTERNAL TRADE AND PAYMENTS

Introduction

The importance of external trade to Kenya's economy is demonstrated by the fact that in 1959 the total value of this trade was equivalent to 46 per cent of gross domestic product. The average from 1954 to 1959 was 50 per cent. Although in recent years the production of manufactured goods within the Territory has expanded both in total value and in the range of articles produced, Kenya depends on overseas sources of supply for capital goods, many types of consumer goods and some important raw materials. These

imports are financed in part by the export of the produce of Kenya, mainly agricultural commodities. The adverse balance is financed by the provision of services for other territories and tourism, which form invisible exports, and by the inflow of capital funds.

The following table shows in summary form the total value of Kenya's imports and exports for the period 1954-59. The valuation is c.i.f. for imports and f.o.b. for exports. These figures exclude the value of trade with the other two East African territories.

EXTERNAL TRADE, 1954-1959

Table 5 *£ million*

	1954	1955	1956	1957	1958	1959
NET IMPORTS—						
Commercial	49.0	57.4	61.8	64.9	56.4	57.7
Government	11.3	14.1	8.0	7.1	4.5	3.8
Total	60.3	71.5	69.8	72.0	60.9	61.5
Re-exports	2.5	2.3	4.0	4.9	3.9	5.1
Retained imports	57.8	69.2	65.8	67.1	57.0	56.4
Domestic exports	20.3	25.7	29.0	26.4	29.3	33.3
Adverse visible balance	—37.5	-43.5	—36.8	—40.7	—27.7	—23.1

The total value of Kenya's exports has been rising sharply since 1957 in spite of lower prices for a number of products. In 1959 there was an increase in the total volume of exports and re-exports of 16 per cent to £38.4 million. Since the value of net imports at £61.5 million was only slightly above the 1958 level the adverse balance of trade was further reduced to £23.1 million. The increase in the total value of exports with the total value of imports remaining steady resulted from a number of causes. The 14 per cent expansion in domestic exports between 1958 and 1959 was achieved only from an increase in the quantity of exports of 10 per cent, since the average price per unit of Kenya exports changed little. Import prices increased only slightly by 5 per cent and the quantity of imports fell by a roughly corresponding percentage, leaving total value almost unchanged. The terms of trade in consequence moved against Kenya and, compared with 1958, an increase of 2 1/2 per cent in the quantity of exports was required to purchase a given volume of imports.

Pattern of Trade

Although the total value of net imports in 1959 was about the same as in 1958, an analysis of the composition of items revealed some important differences. The returns for the first half of the year showed that imports of capital equipment for industry and agriculture valued at £4.5 million were 30 per cent higher than in the same period of 1958, although still below the 1957 level. The results for the second half of the year were even better. Valued at £4.6 million, imports of capital equipment were 34 per cent higher than in the second half of 1958 and also 7 per cent greater than in the second half of

1957. For the calendar year the value of capital equipment imported totalled £9.1 million compared with £6.9 million in 1958 and £9.7 million in 1957. Some further indications of the revival of investment is given by imports of iron and steel for building and industrial uses, which were valued at £3.4 million as against £3.1 million in 1958.

Imports of consumer goods, excluding food, drink and tobacco, were valued at £11 million and were £1 million lower than in 1958. The most important change in these imports was the sharp decline in imports of synthetic fabrics from £2.4 million to £1 million, and blankets from £800,000 to £500,000. There were significant increases in the imports of cotton piece-goods from £2.1 million to £2.6 million and in bicycles from £90,000 to £200,000. The decline in imports of passenger cars, mainly due to over-stocking in 1958, was very noticeable in the first half of the year, but there was a sharp revival in the second six months which brought the annual total to £2.9 million. This figure compares quite favourably with the figure of £3 million in 1958 and £3.1 million in 1957. Imports of commercial vehicles in 1959 at £1.9 million were still markedly below the 1958 level of £2.6 million and of £3 million in 1957.

Chart 4 shows the pattern of imports into Kenya in 1959 according to end use.

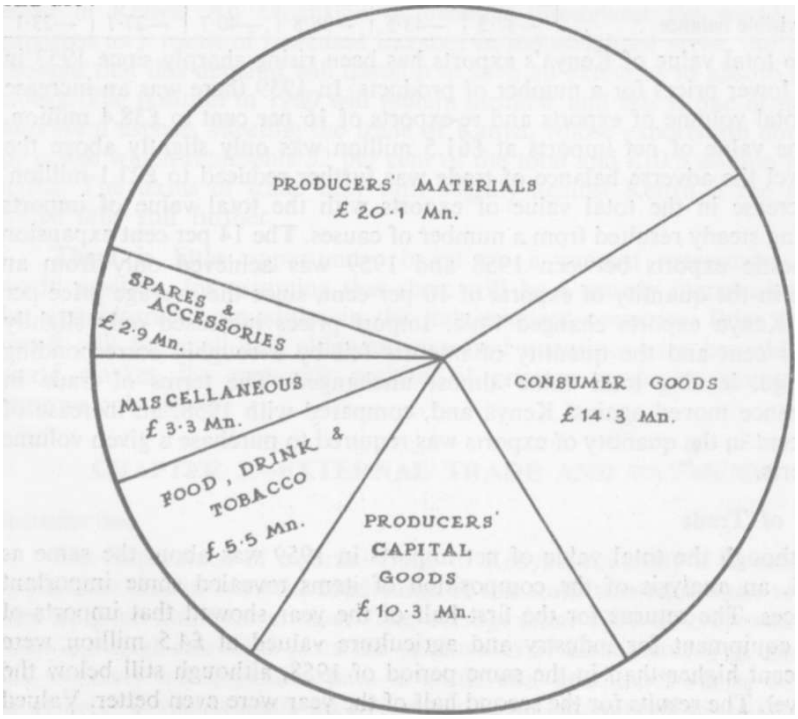


Chart 4.—Retained Imports, 1959
Classification by Stage of Production and Use

The £5.2 million increase in the value of total exports consisted of £4 million of domestic exports and £1.2 million of re-exports. The gains were widely spread as the investment in agriculture in recent years became reflected in increased production of a wide range of commodities. The most notable increase was recorded in sisal exports as a result of the improvements in the world price of that crop, but for five other commodities, meat, hides and skins, pyrethrum extract, tea and sodium carbonate, substantially increased values were recorded. Table 6 shows the changes in the value of exports by main commodities: —

CHANGES IN EXPORT VALUES OF CERTAIN COMMODITIES IN THE ORDER OF IMPORTANCE

Table 6 *£'000*

	1958	1959	Increase
Sisal	2,228	3,458	1,230
Meat and meat preparations	1,230	1,987	757
Hides and skins	1,018	1,635	617
Pyrethrum extract	1,289	1,863	574
Sodium carbonate	1,205	1,713	508
Tea	3,217	3,602	385
Beans and pulses	129	321	192
Coffee	10,405	10,577	172
Cotton	515	658	143
Cement	33	145	112
Wattle bark	95	198	103
Copra	10	110	100

Coffee remained the principal export earner, but in the year accounted for only 32 per cent of domestic exports compared with 36 per cent in 1958 and 41 per cent in 1957. The exports of three other plantation crops, tea, sisal and wattle, were valued at £8.3 million, or 25 per cent of the total. Three cattle products, meat, butter and hides, accounted for £4.3 million, or 13 per cent of total exports, while the export value of three other mixed farm products, pyrethrum, wool and maize, was £3.7 million, or 11 per cent of domestic exports. 81 per cent of exports was spread over ten agricultural products, although Kenya exports cover some 55 different groups.

The value to the economy of earnings from re-exports should not be overlooked. At £5.1 million their 1959 value was the highest yet recorded, the previous peak being in 1957 when they reached £4.9 million.

Direction of Trade

A reorientation of Kenya's export trade to foreign markets, a change which had become noticeable in the past few years, was continued in 1959. Six years ago, in 1954, foreign countries took 42 per cent of Kenya's domestic exports and the Commonwealth 58 per cent. By 1958 the figure had reached 54 per cent for foreign countries, and it increased further in 1959 to 56 per cent. The main increases were in the value of exports to Western Germany, the United States of America and Japan.

VALUE OF EXPORTS TO CERTAIN FOREIGN COUNTRIES

Comparison of 1954 and 1959

Table 7 *£'000*

	1954	1959
West Germany	3,204	7,981
U.S.A	1,668	2,724
Japan	274	1,349
Total	5,146	12,054

The main destinations of the 14 per cent increase between 1958 and 1959 in domestic exports were the European Common Market countries of Western Germany, France, Italy, Netherlands and Belgium, the value of exports to these countries rising by 31 per cent from £8,721,000 to £11,459,000. Exports to West Germany itself improved by 29 per cent and in 1959 almost equalled the value of exports to the United Kingdom. The level of exports to the United States of America and Japan was not maintained, declining by 15 per cent and 8 per cent, respectively. There were, however, some welcome signs of growth in the larger Commonwealth markets. Australia imported Kenya exports to the value of £918,000, a 27 per cent increase, while South Africa also showed a 27 per cent increase to £1,307,000. Exports to the United Kingdom fell by 5 per cent to £8,079,000, and the Canadian market for Kenya products continued to contract and at £517,000 it was below the 1954 level.

Markets in Africa and neighbouring countries showed fluctuation. Exports to the Central African Federation were not maintained at the level achieved in 1958 of £358,000, and fell to £308,000. Exports to the Congo and Ruanda Urundi continued to expand, rising by 21 per cent to £433,000. The Aden market increased by 94 per cent to £340,000, although this was still below the 1956 peak of £414,000. The Mauritius and Israel markets grew to an entirely new order of magnitude, as the following figures show: —

	1958	*1959*
	£	£
Mauritius	85,000	220,000
Israel	76,000	245,000

The sources of imports have changed also. The percentage of direct imports, excluding parcel post, supplied by Commonwealth countries fell from 66 per cent in 1956 to 59 per cent in 1959. This is largely a reflection of the changed position of the United Kingdom, Kenya's main supplier, whose share fell from 45 per cent in 1956 to 39 per cent in 1959. Other Commonwealth markets increased their trade with Kenya, with imports from South Africa increasing by 22 per cent in 1959 to £3,912,000. Imports from

Australia increased dramatically by 92 per cent to £1,074,000, a performance which was all the more remarkable when seen in the context of last year's static total import bill.

From outside the Commonwealth imports from West Germany last year at £4,743,000 showed little change from the previous year, but imports from France rose by 21 per cent to £2,438,000. In contrast with Germany, Kenya had an unfavourable trade balance with France. The value of imports from the United States of America increased by 9 per cent in 1959, and in the past two years Japan has replaced India as Kenya's principal supplier from the East. Both countries have a favourable balance of trade with Kenya.

Interterritorial Trade in Local Produce

In addition to trade with overseas countries, there is a considerable amount of trade carried on between Kenya and the other East African territories of Tanganyika and Uganda. The total value of the sales of local produce from Kenya to Tanganyika and Uganda decreased by £0.6 million in 1959. the greater part resulting from decreased trade with Uganda. There was an increase in the value of imports of local products from Tanganyika into Kenya, but this was offset by a fall in the value of local produce received into Kenya from Uganda. To Uganda. Kenya exported cigarettes, wheat meal and flour and fresh milk and cream; in aggregate these three groups represented 28 per cent of the total. The most important exports to Tanganyika included cigarettes, cement and cereals which, together, came to 31 per cent of the total exports of Kenya products to that Territory. Unmanufactured tobacco and vegetable oils were the main imports from Uganda and Tanganyika and, in addition, unrefined sugar to the value of £0.5 million and cotton piece-goods amounting to £0.4 million were imported from Uganda during the year.

In the past, excise duty has been included in the value of exports of local produce between the East African territories. This has meant that although very high figures have been recorded for the exports of cigarettes from Kenya to Uganda, the value to Kenya has been much lower since the excise duty has been credited to the Territory where the cigarettes have been consumed. In 1959 for the first year the valuation of interterritorial trade has been put on a comparable basis with overseas trade and the duties omitted.

Balance of Trade and Payments

Kenya had a favourable balance of local trade with Tanganyika and Uganda of nearly £7 million during the year, which reduced the overall adverse trade balance from £23 million to £16 million. As has been mentioned above, Kenya's adverse trade balance is made up mainly of the importation of capital equipment and this capital equipment is often financed from overseas sources. The presentation of the visible trade balance ignores the invisible exports of Kenya to other countries in the form of services and

the income received from tourism. The import bill of Kenya is also inflated because the imports required for the interterritorial services, such as the East African Railways and Harbours Administration and the East African Posts and Telecommunications Administration are included with Kenya, although the final cost is shared among the three territories.

The deficit is financed from invisible exports on current account and by an inflow of capital. However, at the present time, since East Africa has a common currency and the three territories form a customs union, no separate balance of payments of individual territories has been calculated. In view of the absence of restraint of movement of goods and money between the territories, the preparation of a territorial balance of payments of any standard of accuracy is fraught with considerable difficulty.

In an area such as East Africa, which has a sterling exchange system, an adverse balance of payments results in a decline in sterling balances. If payments exceed receipts on both current and capital account the external reserves of the banks and of the East African Currency Board are reduced. The Currency Board is required to exchange East African shillings for pounds sterling on demand. Naturally, it is only any excess, i.e. the difference between payments and receipts, which results in a drain on the East African Currency Board and causes East African currency to be taken out of circulation. The accountable sterling reserves of East Africa amounted at 30th June, 1959, to £151 million and since the East African Currency Board is an interterritorial organization it is not possible to state what part of the total of the sterling balances can be attributed directly to Kenya. Changes in the sterling balances in recent years are given in the following table: —

EAST AFRICAN MONETARY SYSTEM

Sterling Reserves as at 30th June

Table 8 *£'000*

	1956	1957	1958	1959
Currency Board	53,905	57,309	51,218	48,626
Banks	35,107	30,930	23,955	28,118
Official	84,201	87,365	80,480	74,513
Total	173,213	175,604	155,653	151,257

*Net balances due from banks abroad.

CHAPTER 4—OUTPUT AND EMPLOYMENT

A—Agriculture

Agriculture represents, in the aggregate of monetary and non-monetary activities, some 40 per cent of the gross domestic product of the Colony. Cash agriculture alone represents some 16 per cent of gross domestic product, of which the major amount is the result of activity of large scale in contrast to peasant farming.

Since agricultural production represents such a high proportion of the gross domestic product of the Colony and in addition agricultural exports represent some £30 million out of £33 million of the total export value of the Colony, changes in agricultural conditions, whether they depend on political or climatic factors, have a permeating effect throughout the Colony. Higher incomes in agriculture result in higher purchasing power elsewhere and have an encouraging effect on investment in other sectors.

Large-scale Agriculture

Large-scale agriculture is already highly developed in the Colony and spectacular changes are not, therefore, to be expected. The division of farms into smaller but still economic units has been progressing for some time, while the investment of some £5 million per annum has increased the productivity and total output of these farms. In an economic survey of this nature it is not proposed to describe the development of large-scale farming over the last decade, and reference should be made to the "Kenya European and Asian Agricultural Census, 1958: An Economic Analysis", published by the East African Statistical Department in 1960.

The main features of large-scale farming are given in the following four tables. The first table gives an analysis of agricultural holdings and land by the size of holding. It will be seen that 70 per cent of the holdings are less than 1,500 acres in size and this represents some 20 per cent of the total land included in these census studies. The area of land actually occupied has steadily risen from 5.1 million acres in 1938 to a position in 1958 when virtually all land available was occupied and used.

LARGE SCALE AGRICULTURE

Analysis of Agricultural Holdings and Land by Size of Holding, 1959

Table 9

SIZE OF HOLDING IN ACRES	HOLDINGS		LAND	
	Number	% of Total	"000 acres	% of Total
Under 200	646	18.0	52	0.7
200 - 499	507	14.1	168	2.2
500 - 999	807	22.5	584	7.6
1,000 - 1,499	552	15.4	658	8.5
1,500 - 1,999	301	8.4	518	6.7
2,000 - 4,999	501	13.9	1,460	19.0
5,000 - 49,999	268	7.4	3,437	44.7
50,000 and over	11	0.3	818	10.6
TOTAL	3,593	100.0	7,695	100.0

Table 10 illustrates land utilization, giving the acreage devoted to various uses and to the major crops for all farms. After natural grazing, the largest acreage was given over to cereals and other scheduled crops and to plantation crops, which together accounted for 90 per cent of land under crops in 1959. In terms of acreage planted, wheat and maize were the most important cereal crops, with sisal occupying the largest acreage among the plantation crops.

LARGE SCALE AGRICULTURE

Analysis of Land Utilization and Crop Acreages, 1958 and 1959

Table 10 *'000 acres*

	1958	1959
SCHEDULED CROPS—		
Wheat	247	254
Maize	148	134
Other	114	92
Total (Scheduled Crops)	509	480
PLANTATION CROPS—		
Sisal	244	243
Tea	33	36
Sugar	28	36
Coffee	64	68
Wattle	88	86
Other	6	9
Total (Plantation Crops)	463	478
Pyrethrum	22	28
Fodder crops	25	29
Other crops	39	53
TOTAL (All Crops)	1,058	1,068
Grass Leys	194	216
Natural Grazing	5,326	5,458
Forest	295	292
Other Land	704	661
TOTAL	7,577	7,695

Table 11 shows the expenditure in 1958 and 1959 on certain types of capital assets. From this table it will be seen that the major expenditure during both years was on mechanical equipment and on plantation development. The amount spent on residential buildings was larger in 1958 compared with 1959, but out of the total it still only represented in 1958 some 15 per cent. The average annual capital investment in these farms since 1954 has been in the order of £5 million and the distribution by type of investment has remained relatively unchanged over the period.

LARGE SCALE AGRICULTURE

Capital Expenditure (Net of Sales), 1958 and 1959

Table 11 *£'000*

	1958	1959
Residential buildings	949	832
Non-residential buildings	590	520
Mechanical equipment	1,950	1,723
Roads, dams, drainage and water supplies	650	530
Fencing	277	262
Plantation development	1,112	1,279
Other	362	301
TOTAL	5,890	5,447

Table 12 shows for the last three years an analysis of gross farm revenue by type of product. It will be seen that the total value of production has not changed over the last three years by more than 5 per cent in any one year, although certain crops have become more important in large-scale farming, in particular plantation crops such as sisal and tea, and also livestock.

LARGE SCALE AGRICULTURE

Analysis of Gross Farm Revenue by Product, 1957-1959

Table 12 *£ '000*

	1957	1958	1959
Wheat	3,589	2,927	2,702
Maize	2,427	2,372	1,576
Barley	538	646	681
Other Cereals	244	268	233
Total (Cereals and Seeds)	6,798	6,213	5,192
Coffee (including mbuni)	8,938	8,306	7,700
Sisal	2,144	2,433	3,628
Sugar	558	680	640
Tea	3,044	4,424	4,991
Wattle and other	330	461	359
Total (Plantation Crops)	15,015	16,304	17,318
Pyrethrum	955	1,067	1,070
Other crops	1,542	1,527	1,712
Total (Other Crops)	2,497	2,594	2,782
Cattle and Calves	1,916	2,164	2,866
Sheep and Lambs	144	126	195
Pigs	544	678	651
Poultry and Eggs	305	33	274
Wool	256	309	331
Total (Livestock Products)*	3,165	3,613	4,317
Wholemilk	2,331	2,288	2,434
Butterfat	1,515	1,315	1,509
Butter and Cheese	91	66	52
Skim-milk	300	341	355
Total (Dairy Products)	4,237	4,010	4,350
TOTAL GROSS REVENUE +	31,712	32,734	33,959

*Excluding revenue derived from the sale of animals for breeding and fattening purposes.

+Includes value of produce retained on farms.

In the beef and dairy industries the changes were marked. In the case of the land, the acreage under grass leys increased by 11.6 per cent, while that of silage and fodder crops was enlarged by 13.4 per cent to 28,700 acres and the acreage of paddocked grazing by 8.9 per cent to 2,224,000 acres. Of the herds, the total of dairy cattle increased by 4.1 per cent compared with a figure of 3.4 per cent in the previous year, and a steady improvement in the quality of herds was maintained. The proportion of cows in milk was the highest yet recorded, while the size of the beef herds grew at a faster rate than did the dairy herds, the expansion being 5.2 per cent to a total of 532,400 cattle. Over the year wholemilk production improved by 6.5 per cent, while the average milk yield continued to improve also. The number of cattle sold for slaughter in 4958/59 increased by 26.6 per cent compared with an increase of only 7.6 per cent in the previous year. This high rate of slaughtering was equivalent to 11.5 per cent of the total cattle population, compared with 9.6 per cent in the previous year.

The high rate of growth of the sheep population noticed in 1958 was maintained, with a further expansion of 12.3 per cent to 548,600 head. Since 1955 the sheep population has risen by 48 per cent compared with an increase of 28 per cent in the cattle population. In studying these figures, it should be remembered that in absolute terms the cattle population is almost twice the size of the sheep population. In the last three years the proportion of native breeds among the sheep population has fallen from 23 per cent to 16.6 per cent and the number of sheep and lambs sold for slaughter in 1959 totalled 58,200, a record figure. The wool clip at 2,115,300 lb. was a record for Kenya, being 16.5 per cent higher than in 1958.

The size of the pig population tends to fluctuate, and after the rapid increase since 1955, which reached a peak in 1958, a small decline was experienced of some 2,000 in 1959. This decline was associated with a large number of pigs sent for slaughter during the year, which was over 16 per cent higher than in 1958.

Among the plantation industries are included sisal, sugar, coffee and tea, although it is appreciated that some of these crops are grown as part of mixed farming in certain areas. The outstanding feature of these plantation industries was the large expansion of the sugar acreage, which was 8,800 acres larger, or an increase of 32.1 per cent, compared with 1958. The acreage under sugar for the first time exceeded that under tea, but sugar yields were generally reduced by drought, and this adversely affected factory production during 1959. Tea production increased from 25.2 million lb. to 27.6 million lb., a rise of nearly 10 per cent, while the acreage during the year was enlarged by 9.7 per cent to a total of 36,100 acres. The main development was still centred in the Kericho and Nandi districts. The sisal acreage remained unchanged at 243,200 acres, but there was a substantial increase in output, amounting to 20 per cent, and the total of 55,181 tons during the calendar year was the highest recorded in Kenya to date. It is not anticipated that coffee production on the large estates in the crop year 1959/60 will attain the level of the

previous year, the short-fall being expected to be of the order of 800 tons, with total production of approximately 18,800 tons of clean coffee. All coffee districts added to their acreage during the year, the total being enlarged by 5.3 per cent to 67,800 acres.

A rapid expansion of the pyrethrum industry has been recorded. In 1957 the total acreage was 20,700 acres and by 1959 there had been a 34 per cent increase, bringing the total to 27,900 acres. The main development has taken place in the Naivasha and Nakuru areas and although output increased by about 20 per cent during the calendar year it is thought that the increase would have been even greater but for drought.

Capital investment recorded at £5,499,000 was reported by farmers at the time of the 1959 agricultural census and this was only 2.6 per cent lower than in 1958 and was 8.6 per cent higher than in 1957. In the main the falls in expenditure were reported on residential buildings. Expenditure on mechanical equipment in 1959 was higher than that in 1958, although the number of tractors and harvesters on farms changed little.

African Agriculture

A statistical survey of African agriculture has not yet been completed, but as part of the 1960 World Census of Agriculture a comprehensive sample survey of the more important arable areas of African agriculture is being undertaken jointly by the East African Statistical Department and the Kenya Department of Agriculture. Its purpose is to ascertain the size of holdings, particularly in areas where land consolidation has taken place, to record the acreage under various types of crops and the total quantity of production.

In Kenya at the present time the majority of African farming is carried on under a tribal system of land tenure and only in certain areas are there individual holdings. This development has been recent and out of a total area of African land holdings amounting to 33.0 million acres, only 1.3 million acres has been consolidated.

In the African land units the development is mainly within the framework of the Swynnerton Plan. In the areas of high potential a major transformation of the pattern of agriculture has been and is being brought about through a process of land consolidation and enclosure, with the concomitant registration of titles and farm planning. Expert advisory services are being made available for cash crop development, and the effort of the last five years is now bearing fruit in increased production of a wide range of products. In the pastoral districts grazing management schemes have been extended over wide areas and an increasingly valuable offtake of livestock products is available for markets.

The progress of land consolidation and enclosure and of grazing management schemes is shown below: —

	Enclosed and Consolidated.	*Grazing Management Schemes.*
	Acres	*Acres*
Central Province	820,049	394,170
Nyanza Province	350,594	
Rift Valley Province	137,900	440,000
Rift Valley, Samburu		1,200,000
Southern (Ukambani)		538,000
Coast Province	6,115	70,000
	1,314,658	2,642,170

In Central Province 111,746 freehold titles had been registered by the end of 1959, and 13,644 farm layouts completed. In Nyanza Province 2,512 farm layouts had been completed by the end of the year.

The increasing monetary value of African agriculture is well illustrated by its expanding contribution to the domestic product. There was a 19.5 per cent increase in the value of African agriculture and livestock between 1958 and 1959 to £9.1 million, compared with an increase of 3.7 per cent in the value of non-African agriculture and livestock.

Coffee planting has developed rapidly as the major cash crop under the Swynnerton Plan, and acreage has increased to 26,000 acres. Production (including mbuni) increased from 1,000 tons in 1955 to 6,000 tons in 1959, valued at £2.2 million. With land consolidation completed in Kiambu and a growing interest being displayed in Elgeyo and South Nyanza, the acreage planted to pyrethrum is expected to show a large increase in the near future. Already in 1959 the acreage reached 9,100 acres and production at 600 tons worth £143,000, was nearly double the 1955 output. African tea growing has been proved as a commercial proposition at the pilot scheme in the Central Province, and finance is now the main limiting factor to a major expansion of the tea acreage in the African areas. 1,500 acres were under tea by the end of 1959 and 248,200 lb. of made tea were marketed at a value of £29,300.

Table 13 shows the gross revenue obtained by African farmers from the sale of food and cash crops in each of the years 1957, 1958 and 1959. The value of crops consumed within the district in which they were grown is excluded.

AFRICAN FARMS

Analysis of Revenue from Cash Sales by Product, 1957-1959

Table 13 *£'000*

	1957	1958	1959
Maize	1,180	1,118	1,006
Other Cereals	175	265	231
Seeds	182	212	128
Total (Cereals and Seeds)	1,537	1,595	1,365
Coffee (including mbuni)	894	1,266	2,189
Sisal	5	3	65
Sugar Cane			20
Tea	–	Negl.	29
Wattle	307	267	228
Coconuts and Products	56	236	405
Tobacco	47	52	35
Cotton Lint	417	348	466
Total (Plantation Crops)	1,726	2,172	3,437
Pyrethrum	61	89	143
Cashew Nuts	85	57	120
Bananas	117	92	83
Pineapples	54	71	51
Pulses	225	373	294
Potatoes (English)	107	60	96
Other	493	566	481
Total (Other Crops)	1,142	1,308	1,268
Cattle and Calves	1,800	1,876	2,376
Sheep and Goats	218	242	257
Pigs	185	153	143
Poultry and Eggs	51	64	74
Dairy Products	199	200	176
Total (Livestock and Diary Products)*	2,453	2,535	3,026
TOTAL GROSS REVENUE	6,858	7,610	9,096

*Includes value of hides and skins.

The value of maize marketed from the African areas declined slightly from £1.1 million to £1 million in 1959, but it was still the largest cash crop for African farmers. Drought conditions in Nyanza adversely affected the harvest of this crop, and also rice and groundnuts. Fortunately, the value of the cotton crop at £466,000 was 34 per cent greater than in 1958, and this was in spite of lower prices. There was a good season for cashew nuts at the coast and prices and quantities were higher. Output rose from 1,900 tons to

3,300 tons and the value of the crop from £57,000 to £120,000. Sales of cattle increased substantially and the total revenue from livestock and dairy products amounted to £3 million, an increase of million over the previous year.

Chart 5 shows how total agricultural revenue in 1959 was earned by the various crops and products, distinguishing the contribution of the large-scale farms and estates from that of African farmers: —

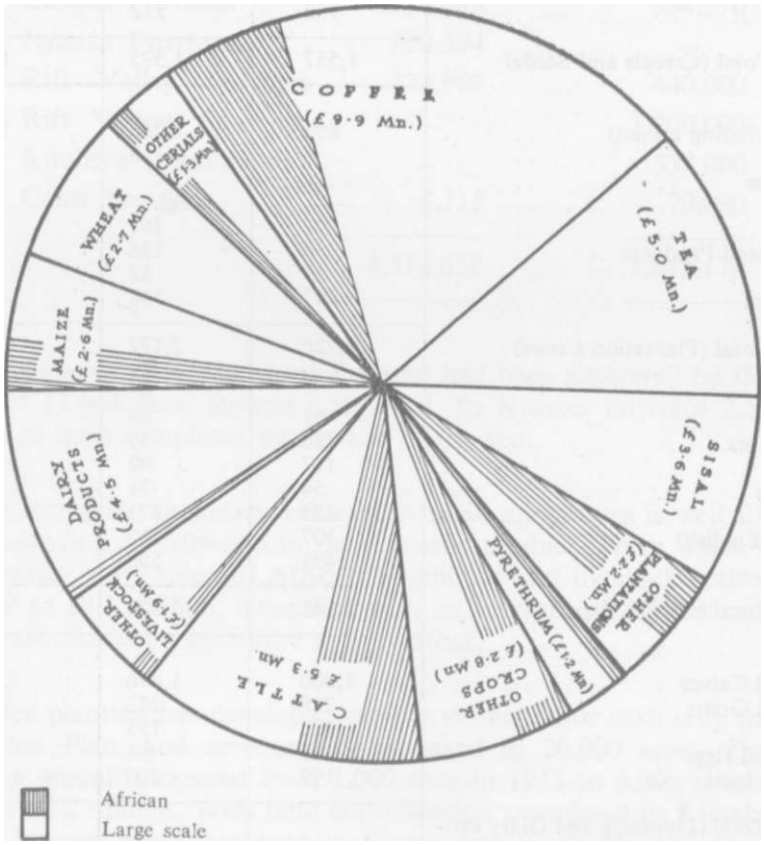


Chart 5.—Gross Revenue of Agriculture By-product, 1959

Changes in agriculture are fairly slow, but with the capital expenditure already incurred or planned an economic foundation has been laid for expansion. Higher cash incomes are expected to be received by African farmers during the next decade.

B—Other Industries and Services

The contribution of manufacturing industry fell slightly in 1959. There were signs of a recovery in the first quarter of 1960 and the value of mineral production in 1959 was a record. Production figures are available at present

for three important industries, cement, beer and cigarettes. The rate of growth of the cement industry has been extremely high and the increase of 1959 over 1958 was 31 per cent, with a total output of over 311,000 tons. In spite of the increase in the excise duty levied in the 1959/60 Budget, beer production continued to increase, although only at a rate of less than one per cent during the year. Cigarette production was relatively unchanged in 1958, but in 1959 the total production increased by over 9 per cent.

The building and construction industry was not as prosperous as it had been in the earlier post-war years. The total of work done on all building and construction projects by private contractors in 1959, excluding maintenance was estimated at £15 million, which was below the peak of £16.5 million achieved in 1956. These figures exclude capital works carried out on their own account by the Ministry of Works, the Railways, the Post Office and by large-scale farmers and plantations. Work of this nature amounted to more than £10 million in 1959. The value of buildings completed in urban areas of Kenya is expected to be about £1.5 million higher than in 1958, almost the whole of this increase taking place in Nairobi City. There was a small decline in the value of building plans passed in the Nairobi City area during 1959, but it is hoped the building and construction industry will maintain its share of the gross product in 1960.

The level of activity in the wholesale and retail trade was relatively unchanged and it is estimated that the contribution to the gross domestic product in 1959 was just less than £1 million above the figure for 1958.

The transport and communications industry did well last year, but this sector is dominated by the activities of the Railways and Harbours Administration and the Posts and Telecommunications Administration, which are public authorities, The share of the private sector in this industry, some 35 per cent, represents very largely the activities of private road transport, the various services incidental to transport, such as stevedoring and dock handling, and the operations of the East African Airways Corporation in Kenya.

Banking and financial activities had a satisfactory year and the banks lent more, mainly as a result of an increase in deposits. The ratio of loans and advances to deposits remained almost unchanged, with total deposits increasing by nearly £5 million. The level of debits to current account provides a useful indicator of economic activity; this index, based on 1950=100, rose by 16 points during the year.

The tourist industry, which includes hotel activities, enjoyed a good year in 1959 and there was an increase of nearly 4,000 visitors to the Colony, including persons in transit. There was a 14 per cent increase in the number of persons who stated that they were coming to Kenya on holiday.

C—Employment and Wages

The total population of Kenya is estimated to be about 6.5 million, of which some 96 per cent consists of the African population. Although there has been no census in Kenya since 1948, it is estimated that over 40 per cent of the African population consists of children and less than 25 per cent consists of adult males between the ages of 16 and 45, which is equal to about 1.5 million persons. This is not a large labour force and even when the female population from 16 to 45 years is included, the total is under 50 per cent of the total African population. This means that the dependent population in relation to those gainfully occupied is quite large and the resultant output of the labour force has to be distributed over a larger number of dependants than is the case in many western countries and in the case of the European population in Kenya itself.

The economically active population of Kenya, including males and females from 16 to 45 years of age, is believed to be less than 3 million persons. The total in 1959 recorded as in employment was 596,897 persons, of whom 537,399 were stated to be Africans. The remainder of the gainfully occupied population was either engaged in household duties as well as in agricultural activities in the case of females, or, for the male population, was engaged in agriculture on peasant holdings, or was unemployed. The rest of this section deals with persons in full employment as recorded in the Employment Enumeration made by the East African Statistical Department in July, 1959. In this enumeration the coverage of employment in African agriculture is very limited.

The division of employment by main groups is given in Table 4*. It will be seen that in 1959, as in 1958, the major employment was in agriculture. Out of a grand total in 1959 of 596,897 persons, 251,712, or over 42 per cent, were engaged in agriculture or forestry. Compared with the previous year there was an increase of some 2,200 persons engaged in agriculture, representing an improvement in the employment position of the African population. Private industry and commerce employed nearly the same number as in 1958, the total for 1959 being 186,106 compared with 186,027 in the previous year. The public services, which include central and local government activities and the activities of the High Commission, including the Railways and Harbours Administration and the Posts and Telecommunications Administration in Kenya, employed 160,079, which was an increase of some 2,500 compared with 1958. The total labour force in Kenya is still relatively small, particularly in the African population where it is estimated at less than one-fifth of the gainfully occupied group, or just over one-third of the male group.

The statistics given above and in the following paragraphs relate to the Employment Enumeration taken in June, 1959. It must again be emphasized that the figures of the total wage bill and its various components obtained from this enumeration will differ from the estimates of wages and salaries

* Chapter 1, page 9.

contained in the domestic income and product tables of Chapter 1 because of the inclusion in the latter of a number of indirect benefits.

At the present time there is no regular monthly assessment of the changes in employment, and although it is admitted that at the time of the picking of crops, particularly coffee, there will be increased employment, the figures for June give a good assessment of the average position throughout the year. Tables 14 and 15 show for industry and for the public services, respectively, the numbers employed in the various activities, together with the estimated total wages received from such employment in 1958 and 1959.

REPORTED EMPLOYMENT AND WAGES, 1958 AND 1959

Table 14 *Private Industry and Commerce*

GROUP	NUMBERS EMPLOYED		TOTAL WAGES £"000 p.a.	
	1958	1959	1958	1959
Mining and Quarrying	6,380	5,426	716	623
Manufactures and Repairs. .	55,608	53,717	10,278	10,098
Building and Construction	20,931	18,897	3,335	2,889
Electric Light, Power and Water Supply	2,538	2,486	660	694
Commerce	36,408	37,492	11,578	12,188
Transport and Communications	13,979	14,233	3,149	3,530
Other Services (including domestics)	50,183	52,855	7,160	8,009
TOTAL	186,027	185,106	36,876	38,031

REPORTED EMPLOYMENT AND WAGES, 1958 AND 1959

Table 15 *Public Services*

GROUP	NUMBERS EMPLOYED		TOTAL WAGES £'000 p.a.	
	1958	1959	1958	1959
Kenya Government	93,793	96,955	17,018	17,271
E.A. Railways and Harbours	29,303	26,983	6,512	6,535
E.A. Posts and Telecommunications	4,855	4,644	1,507	1,569
E.A. High Commission	3,223	3,103	1,365	1,400
Defence (Civilians only)	2,118	3,000	538	768
Local and Foreign Governments	24,332	25,394	2,870	3,166
TOTAL	157,624	160,079	29,810	30,709

The changes in employment during the year have been small. Although there has been a slight increase amounting to 3,700 persons, some unemployment remains, particularly in the urban areas. This unemployment is in part the result of the release of a large number of detainees who have yet to be absorbed into industry, agriculture and commerce. However, it is difficult in a country such as Kenya to define accurately "unemployment", since the majority of the African population has retained at least some interest in tribal holdings in their own areas and therefore cannot be considered to

be unemployed in the truly western sense of the term. In addition, minimum wages and wage rates have not fallen during the course of the year.

The total wage bill for the Colony was reported for the year 1959 to be in the order of £80 million. This is an increase of some £2 million compared with 1958. The major contribution to the total wage bill is received from private industry and commerce, where over £38 million was received in wages and salaries compared with £31 million in the public services and £11 million in agriculture. The distribution is shown in Table 4*.

It is of interest to note the change which has taken place in average wages of Africans over the last few years. The reason why the African employees are shown separately is that they form the largest section of the labour force and individual fluctuations in small groups in the other communities can seriously bias any averages over the years. Chart 6 shows the movement in average wages of Africans in employment throughout the Colony and is in the form of an index number, 1954 equalling 100. From this graph it will be seen that the average wages of African employees in the public service have increased by over 50 per cent during the period 1954-59; the comparable increases for private industry and commerce and for agriculture were 44 per cent and 40 per cent, respectively.

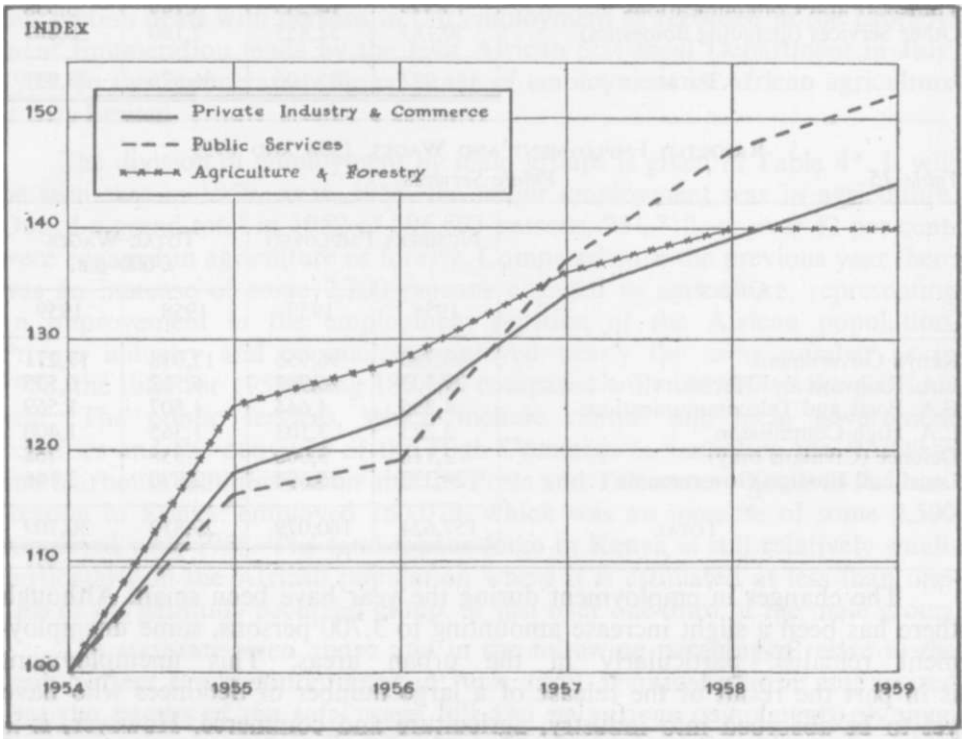


Chart 6.—Index of African Average Wages
(1954=100)

*Chapter 1, page 9.

Wages and salaries as a proportion of the total domestic income of the Colony are larger than in certain other East African territories. The proportion in 1959 was some 40 per cent and had increased from 1949 when the figure was only somewhere in the region of 30 per cent. This increase in the share of the domestic income received by employees shows the growing importance of employment throughout the Colony. It is expected that the labour force will increase as agricultural development and industrial expansion take place, and it is expected that the employee force in future years may take a higher proportion of the total domestic income compared with the present time.

CHAPTER 5—PUBLIC FINANCE

A role of Government in economic development is to provide the basic services and encouragement to private investors in developing factories, farming and other businesses. Another aim of Government is to develop the conditions and skills of the population by improving its health and standard of education so that it can take its place in a developing and expanding economy. This chapter deals briefly with the activities of Government, the proportions of expenditure devoted to various types of services and the sources of revenue to finance this expenditure.

The term "Government" may be defined in various ways. In national income terminology "General Government" excludes the trading activities carried out by central government and some public authorities such as, in East Africa, the Railways and Harbours and Posts and Telecommunications Administrations and certain other activities which are closely akin to those carried out by private enterprise, for example, the Government Printer, the Ministry of Works, ALDEV and the current water supply operations of local authorities. On the basis of the definition given above, the contribution of general government to the gross domestic product in the monetary sector has amounted to about 15 per cent in recent years.

The term "public sector" has a much wider concept and the definition includes all the trading organizations and other quasi-commercial activities undertaken by various public authorities. On this basis, since 1954 the share of the public sector in the cash domestic product has been of the order of 25 per cent.

The most important role within the public sector is filled by the Central Government. The financial proposals of the Government are set out each year in the estimates of revenue and expenditure and are explained at the time of the Budget. Kenya, in common with other East African territories, has, in fact, two budgets, the Colony or Recurrent Budget and the Development or Capital Account Budget. The object of this division is to separate as far as possible initial expenditure on the creation of new assets from the subsequent recurring expenditure in operating these assets. For example, provision for expenditure on the building of new schools will be in the Develop-

ment Estimates, while expenditure on teachers' salaries will form part of the Recurrent Estimates.

The Government plans its capital development over a period of years, and an attempt is made as far as possible to insulate the development programme from the fluctuations of revenue derived mainly from taxation. The size of the development budget is accordingly largely determined by the amount the Government can borrow and its ability to service the loans. Chart 7 below illustrates the sources of development revenue over the period 1956/57 to 1958/59: —

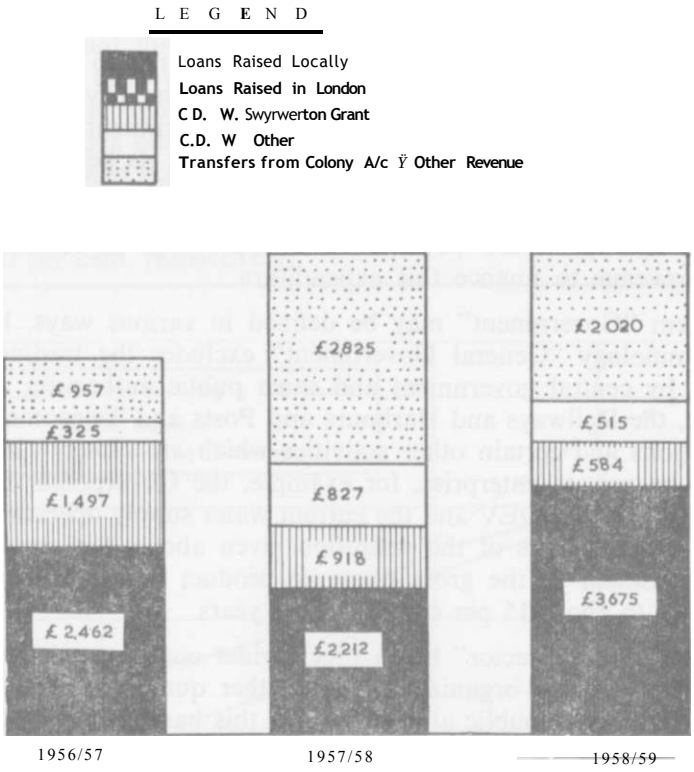


Chart 7.—Sources of Development Revenue, 1956-1959
£"000

Total revenue appropriated for development in 1958/59 amounted to £6,794.000. Although as Chart 7 shows this was in absolute terms the same as in the previous year, Government fared much better in raising loans locally. Kenya was unable to raise money in London and a deficit of some £4.5 million at the end of the financial year- had to be mainly financed by short-term borrowings. In 1959/60 Development will be financed by Exchequer loans (£4 million), local loans (£2.225 million) and other receipts (£2.97 million).

By this means, together with the grants from the Colonial Development and Welfare Fund, development expenditure was maintained in 1958/59 at the level planned.

Development generates recurrent costs after the capital expenditure has been made. Revenue has to be increased to provide for the servicing of the loans used for development purposes and also to provide for the additional staff and associated recurrent expenditure in the operation, for example, of new schools, hospitals and similar institutions. Provision for such purposes and for the normal maintenance of Government services is included in the Recurrent or Colony Budget. The necessary revenue is raised in two ways, partly through taxation of various kinds and partly by the provision of goods and services by Government. Revenue of this latter kind is known as appropriation-in-aid and with legislative approval is appropriated by the various Ministries and Departments which earn it to meet their own expenditure. School fees are a case in point, as these are used to offset the recurrent expenditure of the Ministry of Education.

Table 16 shows the main sources of this revenue. The fall of just over £700,000 in appropriation-in-aid is a reflection of declining payments to departments from the Emergency Fund rather than any reduction in the amount received by Government for the provision of goods and services.

KENYA GOVERNMENT—COLONY REVENUE, 1958/59 AND 1959/60

Table 16

	1958/59		1959/60 (Estimates)	
	£'000	Per cent	£'000	Per cent
Direct Taxation	13,743	35.1	12,535	32.4
Indirect Taxation	15,184	38.8	16,147	41.7
Provision of Goods and Services by Government Departments	4,394	11.2	4,457	11.5
Land and Property Income	1,788	4.6	1,415	3.7
Other Income	4,009	10.3	4,169	10.7
of which Transfers from Development Account and Emergency Fund	1,881		1,851	
TOTAL	39,118	100.0	38,723	100.0
of which Appropriation-in-aid	7,150		7,929	
Emergency Assistance	1,500		1,600	

Since 1946, taxation from all sources has accounted for some four-fifths of total revenue on Colony Account, and this proportion was maintained for the year ending June, 1959. During that year total tax revenue amounted to £28,927,000, an increase of some 6 per cent on the previous year and 10 per cent on 1956/57. There was, however, during the year a change in the ratio

of direct to indirect taxation, the proportion of direct to total taxation falling to 47 per cent from a peak of 50 per cent in 1957/58. The relationship is expected to change by a further 3 per cent in 1959/60. Table 17 gives a detailed analysis of the main sources of taxation.

KENYA GOVERNMENT—REVENUE FROM TAXATION, 1958/59 AND 1959/60

Table 17

	1958/59		1959/60 (Estimates)	
	£'000	Per cent	£'000	Per cent
DIRECT TAXATION—				
Graduated Personal Tax	2,167	7.5	1,985	6.9
tticome Tax	11,328	39.2	10,550	36.8
Estate Duties	248	0.8	–	–
TOTAL	13,743	47.5	12,535	43.7
INDIRECT TAXATION—				
Import Duties	9,543	33.0	10,070	35.1
Excise Duties	3,160	10.9	3,630	12.7
Stamp Duties	580	2.0	540	1.9
Entertainment Tax	79	0.3	77	0.3
Licence under Traffic Ordinance	783	2.7	760	2.6
Petrol Tax	495	1.7	520	1.8
Other Licences	544	1.9	550	1.9
TOTAL	15,184	52.5	16,147	56.3
GRAND TOTAL	28,927	100.0	28,682	100.0

Net expenditure on Colony Account was £32,760,000 in 1958/59 and Appropriation-in-aid applied were £7,150,000. giving a gross expenditure of £39.910.000. The most significant feature was the considerably reduced contribution to the Emergency Fund which fell from £4.3 million to £1.7 million. There is to be a similar contribution in 1959/60, after which the Emergency Fund is due to be wound up and all projects hitherto financed from this source will be absorbed into ordinary Colony expenditure. The contribution to the Emergency Fund excepted, the distribution of Colony expenditure in 1958/59 was much the same as in previous years. Recurrent expenditure on the maintenance of law and order (including transfers from the Emergency Fund) amounted to nearly £7 million. There was, however, a considerable saving on the estimated expenditure due to the run-down of Emergency personnel consequent upon the accelerated release of detainees and the closing of several Emergency detention camps. Expenditure of £5.8 million on education represented some 14 per cent of total expenditure on Colony Account. Recurrent expenditure on agricultural schemes was maintained at 6 per cent, which represented an expenditure of £2.3 million, of which very nearly half was the payment of wages and salaries.

KENYA GOVERNMENT—COLONY EXPENDITURE, 1958/59 AND 19$9/60

Table 18

	1958/59		1959/60 (Estimates)	
	£'000	Per cent	£'000	Per cent
General Services	12,967	32.5	12,700	31.5
Community Services	2,094	5.2	2,159	5.4
Social Services	8,349	20.9	9,085	22.6
Economic Services	4,805	12.0	4,537	11.3
Recurrent Financial obligations (including Public Debt and Pensions)	6,205	15.5	6,484	16.1
Unallocable Expenditure	3,391	8.6	3,548	8.8
Contributions to Emergency Fund	1,660	4.2	1,600	4.0
Transfers to Development Account	439	1.1	142	0.3
TOTAL (including transfers from Emergency Fund)	39,910	100.0	40,255	100.0
of which Appropriation in Aid	7,150	17.9	7,929	19.7
NET EXPENDITURE	32,760	82.1	32,326	80.3

As stated in the introduction to this chapter, the purpose of government activities is mainly to provide those basic services which cannot be provided by private enterprise and, in addition, to stimulate the economy in order that private entrepreneurs can invest in those activities which will give both themselves and the Colony the highest reward possible. The activities of Government have a widespread effect throughout the economy, and although some expenditure such as on toads, health and education cannot be measured directly in terms of growth of the gross domestic product, on the basis of experience of other countries more developed than Kenya, such expenditure will, in the end, result in larger national incomes with a wider distribution than at present.

CHAPTER 6—CAPITAL FORMATION

Capital equipment of all types is required to supply the means for future production and for the provision of basic services. In addition, there is the need to replace obsolete assets. An assessment of gross capital formation gives an indication of the total investment being made within a territory during the period of a year.

In the seven years 1950-56, the annual value of gross capital formation in Kenya more than doubled, rising from £22 million to £46.1 million, which represents a cumulative annual rate of growth of 13 per cent. This growth curve was arrested in 1957 when there was only a small increase in total capital formation and the trend changed with a substantial fall of 16 per cent in 1958. The position improved in 1959 and preliminary estimates show that gross capital formation in 1959 was of the order of £43 million compared with £40 1/2 million in the previous year.

The following table gives an analysis of gross capital formation by type of asset in 1958 and 1959, distinguishing the private and public sectors: —

GROSS CAPITAL FORMATION BY TYPE OF ASSET, 1958 AND 1959

Table 19 *£ million*

	1958			1959		
	Private	Public	Total	Private	Public	Total
Residential building	5.2	1.8	7.0	5.5	1.8	7.3
Non-residential building	3.9	2.6	6.5	5.2	2.7	7.9
Construction	2.5	8.0	10.5	2.8	7.8	10.6
Transport equipment*	7.8	0.6	8.4	6.5	0.7	7.2
Plant and machinery	7.2	0.9	8.1	8.7	1.4	10.1
TOTAL	26.6	13.9	40.5	28.7	14.4	43.1
*of which passenger cars	4.3	-	4.3	4.3	-	4.3

The increase in total capital expenditure which occurred in 1959 was the result of larger private investment amounting to £2.1 million, or 8 per cent. In the public sector capital expenditure had fluctuated between £15 million and £19 million per annum in the period 1954 to 1957 and this dropped to £14 million in 1958; there was a small recovery of million in 1959. The reduction in capital expenditure in 1958 followed from the completion of certain major constructional works and the Railways re-equipment programme. Building activities by public authorities remained unchanged in 1959, while the value of constructional work fell very slightly. Fluctuations are to be expected, particularly in the capital construction programmes of public authorities, since so many investments are of a large-scale nature and cannot be phased. Although work on the £4 million contractor-financed road programme started in 1959, only limited payments were made during the year and they had an insignificant effect on the total construction programme.

In the private sector expenditure on buildings increased by over £1.5 million in 1959. There was a rise in expenditure on non-residential buildings, mainly factories and godowns, the total value of which at £5.2 million was close to the previous peak. The construction of residential buildings increased only slightly in value and at £5.5 million was lower than the peak figure of £7 million recorded in 1956 and 1957. Expenditure on constructional work in the private sphere during the year remained steady.

Private investment on plant and equipment revived in 1959 and was equal to the 1957 level. A lower level of commercial vehicles caused a decline of some £1.3 million in expenditure on transport equipment during the year. Expenditure on private cars showed no change from 1958.

The role of public authorities in capital formation is to provide the basic services such as roads, transport systems and water works. Since 1950 the proportion of gross capital formation provided by the public sector has varied between 48 per cent and 32 per cent and was 33 per cent in 1959.

In large-scale agriculture in 1959 gross capital formation amounted to 22 per cent of the total investment in the private sector, excluding expenditure on private motor vehicles. In absolute terms the value fell slightly from £5.6 million in 1958 to £5.4 million in 1959 and this decline was mainly the result of a reduction in expenditure on residential buildings. Expenditure on farm buildings and other permanent improvements declined only slightly and investment in mechanical equipment increased by nearly £100,000.

The main investment in African agriculture has been by the Government through the African Land Development Organization and the construction of dams and other projects and through the Swynnerton Plan. Chart 8 shows the distribution of gross capital formation analysed by public sector, large-scale agriculture and the rest of the private sector: —

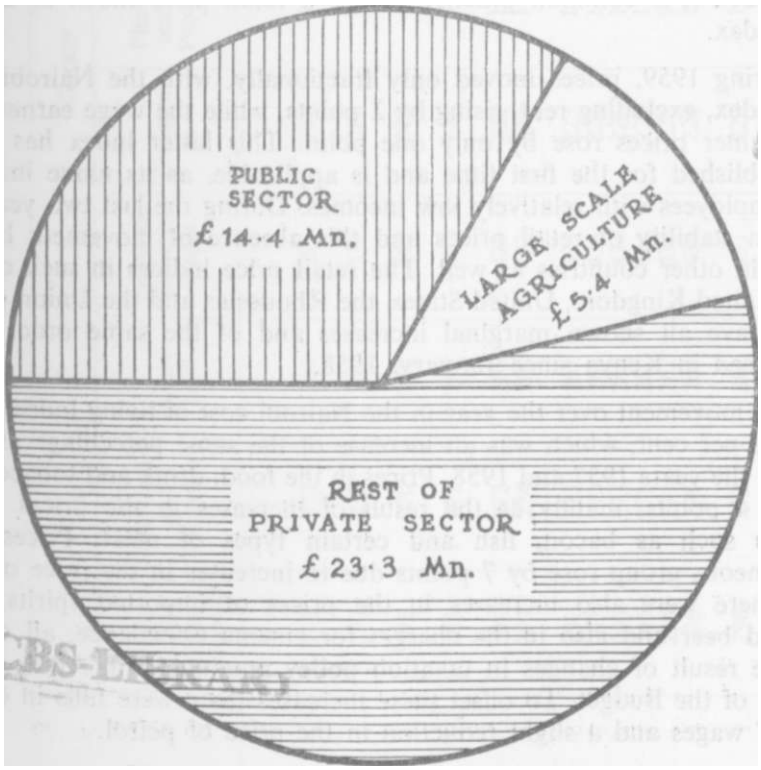


Chart 8.—Gross Capital Formation, 1959
(By Sector)

In the period from 1954 gross capital formation, excluding private motor-cars, has been equivalent to between 29 per cent and 23 per cent of

the monetary gross domestic product; in 1959 it was 24 per cent. Only rough information is available on capital consumption, including expenditure incurred for replacement purposes. On the basis of this information, net capital formation may have been at a rate equivalent to 10 per cent of monetary domestic product in recent years. This percentage has no direct relation to gross domestic product, inasmuch as it does not derive from internal savings. A proportion, not easily calculable at present, represents an inflow of capital and this investment from overseas must be maintained at a high level in order to improve economic growth.

CHAPTER 7—THE PRICE LEVEL

Some apparent growth in any economy is the result of increases in price levels and not in output alone. Therefore, it is important to consider changes of prices in relation to the development and expansion of the economy as a whole. It is extremely difficult to revalue output at constant prices because of the difficulty of providing a satisfactory index, but in the absence of any other index it is common practice to use a retail price index or a cost of living index.

During 1959, prices moved only fractionally, with the Nairobi cost of living index, excluding rent, rising by 2 points, while the wage earners' index of consumer prices rose by only one point. This latter index has recently been published for the first time and is applicable, as its name implies, to those employees with relatively low incomes. During the last two years there has been stability of retail prices and this absence of movement has been noticed in other countries as well. The retail price indices in such countries as the United Kingdom, United States, the Rhodesias and the Union of South Africa have all shown marginal increases and of the same order as that experienced in Kenya since January, 1958.

The movement over the year in the Nairobi cost of living index was less than one per cent, which was an increase of the same percentage as experienced in the years 1957 and 1958. Prices in the food, drink and tobacco group rose by 4 points, mainly as the result of increases in the prices of local products such as bacon, fish and certain types of meat. Prices in the miscellaneous group rose by 7 points due to increases in the price of motor-cars. There were also increases in the prices of imported spirits, locally produced beer and also in the charges for cinema attendance, all of which were the result of changes in taxation policy announced in April, 1959, at the time of the Budget. To offset these increases there were falls in domestic servants' wages and a slight reduction in the price of petrol.

Since the two indices mentioned above refer to the same city, the same forces were operating to bring about the one point increase in the wage earners' index. The food group remained unchanged, this being due to unchanged prices for the major items entering into this index, which are *posho,* milk and beef. Mid-year increases in the price of beer caused the

NAIROBI COST OF LIVING INDEX (EXCLUDING RENT)

(Base: August, 1939 = 100)

Table 20

MONTH	GROUP									
	Food Drink and Tobacco	Clothing and Footwear	House-hold	Domestic Servants Wages	Transport	Pharma-ceutical Products	Amuse-ments	Papers and Periodi-cals	Miscell-aneous	Average Weighted Index of all Groups
1954—										
June	273	272	236	295	197	143	157	158	242	253
1955—										
June	290	273	244	331	211	145	159	158	251	268
1956—										
June	295	270	248	381	208	148	166	158	254	277
1957—										
June	303	272	261	407	221	151	169	158	260	287
1958—										
June	296	272	265	428	222	155	174	169	268	289
December	292	274	262	432	223	158	174	188	267	288
1959—										
February	292	273	262	435	223	159	174	188	267	288
April	293	273	263	433	224	159	174	188	267	288
June	295	273	263	434	225	160	174	188	268	289
August	295	271	262	434	225	160	185	188	274	290
October	294	271	262	433	225	161	185	188	274	289
December	296	270	263	431	223	161	186	188	275	290
1960—										
February	296	272	262	431	222	161	186	188	274	290

WAGE EARNERS' INDEX OF CONSUMER PRICES IN NAIROBI

(Base: October-December, 1958 = 100)

Table 21

MONTH	Group									
	Food	Beverages and Tobacco	Clothing and Footwear	Fuel and Light	House-hold Operation	Personal Care and Health	Recrea-tion and Entertain-ment	Transport	Miscell-aneous	All Groups
1959—										
February	100	100	99	96	99	100	100	100	100	100
April	100	100	99	98	100	100	100	100	100	100
June	100	103	99	95	93	100	100	100	100	100
August	100	103	100	95	99	168	102	100	100	101
October	100	103	101	93	101	168	102	100	100	101
December	100	103	100	93	98	168	102	100	100	101
1960—										
February	100	103	102	92	98	168	102	100	125	101

beverage and tobacco group to rise by 3 points, while the higher charges for cinema" admissions led to a rise in the entertainment section of the index. Falls in the price of charcoal and certain household items were more than offset by the sharp rise in clinic fees announced by the City Council in July.

The economy of Kenya is subject to the fluctuations in world prices, so that import and export prices are most important in assessing the fundamental reasons for changes in the internal price level. In relation to the gross domestic product, external trade is equivalent to 46 per cent in value terms, while imports alone equal some 30 per cent of the gross domestic product.

The difficulty in studying changes in import and export prices is that the average unit value of imports over time does not always refer to the same quality. Bearing this in mind, the general graph of import prices was little changed during 1959. The prices of most fuels remained unchanged, while the price of imported textiles remained constant or fell slightly. Between 1958 and 1959 there was experienced a fall in the import price of certain foods, particularly rice and sugar. The price of imported motor-cars and agricultural tractors rose during the year.

The export prices of the United Kingdom, from which 39 per cent of the imports into Kenya are bought, rose during 1959 by about 1 per cent. The import index for Kenya rose by 5 per cent. There is some relation between these two indices, but it must be remembered that many consumer goods and other imports come from India, Japan and Western Europe to Kenya and that the United Kingdom index is only of general application.

Although the quantity of exports increased by 10 per cent between 1958 and 1959, the total value increased by 14 per cent. There were some noticeable increases in average unit prices, particularly sisal, which showed an average f.o.b. increase of 28 per cent, meat and meat extracts with an increase of 15 per cent, and hides and skins with 26 per cent. These products unfortunately comprise only some 25 per cent of the total and the prices of coffee and tea, which together form over 40 per cent of the total export value of the Colony, weakened slightly during the year.

On the basis of the main exports and the general index of imports, the terms of trade during the year continued to move slightly against Kenya. Although the total value of exports increased in relation to the total value of imports, the result of the changes in the price levels in external trade meant that £100 of imports cost more in terms of exports than in 1958. This has been a situation which has been taking place for some time with the low price of agricultural produce and the increase in prices of industrialized commodities.

The minimum wages in urban centres in Kenya are linked to an index compiled by the East African Statistical Department. This index consists of recosting an agreed formula at certain intervals on the basis of the prevailing prices of the goods included in the formula. During the year the minimum

wages in the nine urban centres did not move appreciably. There were increases in the case of two towns and falls in the case of five. In the main, the increases granted were in house allowances which showed changes of + Sh. 1/50 in Kisumu to + Sh. 4/50 in Mombasa for men over the age of 21. At Sh. 120/50 Mombasa had the highest minimum wage of the urban centres in Kenya, while Kitale at Sh. 106/50 was the lowest. Table 22 gives the changes during the year in minimum wages.

MOVEMENT IN STATUTORY MINIMUM WAGE (INCLUDING HOUSING ALLOWANCE) FOR ADULT MALES

Table 22 *Shillings*

Date Operative	Nairobi	Mombasa	Kisumu	Nakuru	Nyeri	Kitale
1st April, 1954	73.50	76.75	66.00	70.00	72.00	69.00
1st June, 1958	112.50	108.00	104.50	107.00	107.00	103.00
1st July, 1959	119.50	116.00	111.00	111.50	108.00	103.00
1st January, 1960	119.50	120.50	112.50	114.50	110.00	106.50

Increases in prices are often associated with rapid improvement in development, since idle resources are quickly used, resulting in increased competition and higher prices as demand increases. The year 1959 has shown that the idle resources available in Kenya were more than sufficient to meet the increased demand, which resulted in a 5 per cent increase in the cash domestic product and prices remained almost unchanged throughout the year. Although a stable price level is of great advantage it is to be expected that a large injection of capital and a considerable expansion in the economy would result in a higher price level. It is not thought that during the year 1960 the price level will move greatly as a result of local or overseas conditions.

CHAPTER 8—THE OUTLOOK FOR 1960

The dependence of Kenya's economy on world conditions has been emphasized in Chapter 2. The course of events in the economic sphere in Kenya during the next year will be largely determined by external developments over which Kenya can have no control. Much will depend on the level of economic activity in the industrialized countries, and the world availability of capital to developing countries.

Towards the end of 1959 there were welcome signs of an improvement in world prices of several important primary products exported by Kenya. The price of sisal made a remarkable recovery during the year and prices of pyrethrum and dairy produce also moved upwards; wool prices, although lower than at the opening of the present season, have remained reasonably firm. Tea and coffee prices although lower have not fallen greatly. The

improvement in economic activity in the manufacturing countries has continued so far in 1960 and it is likely that the year will be a good one for Western Europe and North America. From the standpoint of primary producing countries such as Kenya it is thought that prices obtained for export commodities will improve only slightly in the year but that greater quantities will find a market. Tea prices may decline further, while coffee prices continue to be uncertain.

In the face of falling prices in the last two years the increase in the value of Kenya's exports has been obtained from an expansion of output. The development of African agriculture under the Swynnerton Plan is now showing results in higher production of cash crops and this trend will continue, at an increasing tempo. Output from large-scale farms and plantations, particularly of dairy and livestock products, of tea and certain other specialized crops is also likely to expand.

This increased production will, however, only operate to the benefit of Kenya if it can be sold. A growing internal market is developing as employment opportunities increase through the establishing of secondary industries and work proceeds on capital projects such as the road programme, the military base at Kahawa and the proposed oil refinery at Mombasa. This in itself is not, however, sufficient and it is essential that overseas markets should be expanded in order to absorb the increased agricultural production. During the last few years Kenya has achieved considerable success in increasing exports to her traditional markets and in developing new markets, particularly in the Middle East and in neighbouring countries of Africa. At the same time, Kenya may in future be subject to some degree of discrimination in certain markets of the European Economic Community through the provisions of the Treaty of Rome with the association of overseas territories with the Community. The extent to which any losses in those markets may be offset through increased trade with the seven countries forming the European Free Trade Association is problematical at this stage.

The balance of trade deficit which Kenya annually incurs is partly offset by payments received from inhabitants of the other East African territories for services rendered, such as those given by the port of Mombasa, by the Railway Administration and by the local offices of banks, insurance companies and other commercial houses located in Nairobi. It is also offset by an inflow of capital funds from overseas and these funds can take the form of payments by overseas firms for equipment imported into the Colony. Kenya's economic expansion will depend on the reinvestment of available local funds and the import of capital from overseas.

Present indications are that the level of investment in Kenya will be maintained during the coming year. In the sphere of public investment the level of expenditure will be continued and expenditure on the road programme and the cantonment will be running at a higher rate in 1960. This investment will help to maintain the economic expansion of the Colony, but

more is required in the private sector if high rates of growth are to be achieved and finance from overseas will have to be supplemented by funds channelled from local sources. In the last few years there has been considerable success in the mobilization of local savings for investment purposes. Examples are the efforts of the Kenya Government and the Nairobi City Council in raising loans on the local market. The East African Currency Board and the insurance companies have given support to these issues, while the building societies have played a valuable part in providing finance for housing.

The year 1960 should see higher agricultural output, resulting in a higher quantity of exports although the percentage increase in the value of domestic exports during 1960 may not be as great as in the previous year. Present indications are that production costs may rise with an adverse effect on profits. The prices of imported materials will not decline during the course of the year and the terms of trade, if they do not remain unchanged, may move more unfavourably.

To forecast the rate of growth of the gross domestic product during 1960 is fraught with difficulty at the present time of political uncertainty. There may well be a fall in the price of coffee and tea on the world market, the extent of which cannot be gauged with any certainty, particularly in the case of coffee. The best estimate that can be made, therefore, is an increase in the order of 4 per cent during the year in the monetary sector, with an unchanged price level, which would give an increase in income per head of 2 per cent, assuming a growth in the population at the rate of 2 per cent per annum.

An increase of 4 per cent in the monetary gross domestic product irrespective of changes in prices, while not high and not in line with earlier rates of growth, is as good as can be expected in the present conditions. It is thought that if the political climate were satisfactory a higher rate of growth could be achieved.

G.P.K. 973—700—4/60