REPUBLIC OF KENYA

KNBS
KENYA NATIONAL
BUREAU OF STATISTICS
Keeping you Informed

ECONOMIC SURVEY 2013

KENYA NATIONAL BUREAU OF STATISTICS

Price: KSh 1,500

Economic Survey 2013

Kenya National Bureau of Statistics
P.O Box 30266-00100
Herufi House
Nairobi

Tel. 254-2-317583/6/8
Fax:254-2-315977
http://www.knbs.or.ke
E-mail:directorgeneral@knbs.or.ke

ISBN:9966-767-43-6

All Rights Reserved
Copyright©2013

Extracts may be published if the source is duly acknowledged

Foreword

The Economic Survey is an annual publication of the Kenya National Bureau of Statistics (KNBS). It presents socio-economic highlights of the economy for the last five years. The report forms an important source of input into the budgeting process, planning, monitoring and policy formulation. processes.

Vision

The Vision of the Bureau is "to be a centre of excellence in statistics production and management"

Mission

The mission of the Bureau is "to effectively manage and cordinate the entire Nationl Statistical System to enhance Statistical Production and Utilization".

Mandate

The KNBS is a Semi Autonomous Government Agency (SAGA) mandated by law (Statistics Act 2006) to collect, analyze and disseminate socio-economic statistics needed for planning and policy formulation in the country.

The Organization

The Kenya National Bureau of Statistics comprises of six Directorates namely;
Production Statistics
Macroeconomic Statistics
Strategy and Development
Finance and Administration
Population and Other Social Statistics
Information and Communication Technology

Teamwork

We are committed to face challenges and opportunities of the 21st Century together with our stakeholders.

Director General
Kenya National Bureau of Statistics

Table of Contents

Foreword iii
Summary and Outlook 1
International Scene 1
Domestic Economy 1
Social Scene 1
Employment, Earnings and Consumer Prices 2
Money, Banking and Finance 2
Public Finance 3
International Trade and Balance of Payments 3
Agriculture 4
Manufacturing 4
Environment and Natural resources 4
Energy 4
Building and Construction 5
Transport, Storage and Communi -cations 5
Tourism 5
Governance 6
Outlook 6
Chapter 1 9
International Scene 9
Overview 9
Regional Economic Analysis 9
Emerging Markets and Developing Economies 11
Outlook 14
Chapter 2 15
Domestic Economy 15
Overview 15
Sectoral Analysis 16
Agriculture 16
Manu-facturing 16
Transport and Commu-nication 16
Hotels and Restaurants 17
Financial Inter- mediation 17
Construction 17
Electricity and Water 17
Gross Domestics Product by Activity 18
Expenditure on GDP 25
Disposable Income and Savings 29
Quarterly Gross Domestic Product 31
Chapter 3 34
Social Scene 34
Overview 34
Social Sector Expenditure 35

Education 37
Vital Statistics 52
Causes of Death 53
Health Statistics 53
Other Social Services 59
Chapter 4 63
Employment, Earnings and Consumer Prices 63
Overview 63
Employment 63
Modern Sector 63
Wage earnings in the modern sector 68
Informal Sector 76
Developments in the Labour Market 77
Consumer Price Index 80
Inflation by Income Groups 81
Chapter 5 85
Money, Banking and Finance 85
Overview 85
Monetary Indicators and the Consolidated Balance Sheet for the Banking System 86
Sources of Changes in M3 and Real Values of Selected Financial Aggregates 89
Nominal and Real Interest Rates 90
Central Bank's Balance Sheet 91
Commercial Banks' credit and liquidity 93
Capital Market 95
Insurance Industry 96
Pensions Industry 96
Developments in the Financial Sector 97
Chapter 6 99
Public Finance 99
Overview 99
Central Government 99
Local Authorities 111
Chapter 7 117
International Trade and Balance of Payments 117
Overview 117
Balance of Trade 117
Price Changes 118
Terms of Trade 119
Volume Changes 120
Quantities of Principal Exports and Imports 121
Values of Principal Exports and Imports 123
Domestic Exports and Imports 125
Composition of Exports 127
Composition of Imports 128

Direction of Trade 130
Balance of Payments 135
International Liquidity 137
Developments in International Trade 140
Chapter 8 141
Agriculture 141
Overview 141
Agricultural Output and Input 141
Marketed Production 142
Cooperative Societies 156
Analysis of Food Balance Sheet, 2011 - 2012 158
SUA/FBS Indicators 159
Caloric Supply by Main Food Groups 159
Chapter 9 166
Environment and Natural Resources 166
Overview 166
Water Supply 166
Fisheries 167
Forestry 168
Mining 169
Refuse Management 170
Wildlife 171
Weather Patterns 171
Development in Environment and Natural Resource 173
Chapter 10 175
Energy 175
Overview 175
Petroleum 175
Electricity 182
Development in the Energy Sector 186
Chapter 11 188
Manufacturing 188
Overview 188
Employment 188
Manufacturing Output 188
Quantity Index 189
Credit to the Manufacturing Sector 192
Export Processing Zones 193
Impact of African Growth and Opportunity Act 194
Chapter 12 195
Building and Construction 195
Overview 195
Key Economic Indicators 195
Housing 199

Roads 201
Chapter 13 206
Tourism 206
Overview 206
Arrivals and Departures 206
Hotel Occupancy by Country of Residence 210
National Parks and Game Reserves 215
Museums, Snake Parks and Historical Sites 216
Conference Tourism 217
Training 217
Chapter 14 219
Transport and Communication 219
Overview 219
Value of Output 219
Road Transport 219
New Registration of Motor Vehicles 220
Road Licenses 221
Road Traffic Accidents 222
Railway Transport 223
Water Transport 223
Pipeline Transport 224
Air Transport 225
Information and Commun-ication 226
Telecommunications 227
Information and Mass Media 229
Developments in the Transport and Communication sector 230
Chapter 15 231
Governance 231
Overview 231
Public Safety, Law and Order 231
Ethics and Anti-Corruption Commission (EACC) 241
Department of Public Prosecution 241
Judiciary 242
Prisons Service Statistics 244
Police, Prison and Probation Personnel 249
Children Services Statistics 251
Immigration Statistics 251
National Identity Cards Statistics 252
Chapter 16 254
Highlights of the Census of Industrial Production 254
Industrial Production 254
Introduction 254
Type of ownership 254
Objectives 254

Capacity Utilization 255
Employment and Citizenship 257
Production by industry 259
Inputs in industrial production 259
Expenditure on raw materials 261
Marketing of Industrial Products 262
Expenditure on electricity, water and fuel 264
Industrial Investments 265
Contribution of Industrial Sector to the GDP in 2009 267
Chapter 17 269
Producer Price Index 269
Overview 269
Methodology 269
Results 272
Prices 272
Chapter 18 281
Supply and Use Tables 281
Introduction 281
Framework of Supply and Use Tables 281
The Supply Table 282
The Use Table 282
Role of SUT in compilation of national accounts 283
Application of SUT in the derivation of GDP estimates 284
Compilation of SUT and data sources 285
Preliminary results of 2009 Supply and Use Tables 286
Classification scheme 286
The 2009 Supply Table results 287
The 2009 Use Table results 287
Supply and Use Tables 291
Way Forward 292

List of Tables

Table 0: Key Economic and Social Indicators 2008 – 2012[1] 8
Table 1.1: Key Economic Indicators and Projections for Selected OECD Countries, 2010-2014 10
Table 1.2: Real GDP Growths, Consumer Prices and Current Account Balances for Selected Regions and Countries 13
Table 2.1: Gross Domestic Product by Activity*, 2008- 2012 19
Table 2.2 Gross Domestic Product by Activity*, 2008-2012 20
Table 2.3: Gross Domestic Product by Activity*, 2008-2012 21
Table 2.4 Growth rates of Gross Domestic Product*, 2008-2012 22
Table 2.5 Sources of Growth*, 2008-2012 23
Table 2.6: Annual production accounts by industry*, 2008-2012 24
Table 2.6: Cont'd 25
Table 2.7: Expenditure on the Gross Domestic Product*, 2008-2012 26
Table 2.8: Expenditure on the Gross Domestic Product*, 2008-2012 26
Table 2.9: Expenditure on the Gross Domestic Product*, 2008-2012 27
Table 2.10: Expenditure on the Gross Domestic Product*, 2008-2012 27
Table 2.11a: Private Consumption*, 2008-2012 28
Table 2.11b: Private Consumption*, 2008-2012 28
Table 2.12a: Gross Fixed Capital Formation*, 2008-2012 28
Table 2.12b: Gross Fixed Capital Formation*, 2008-2012 29
Table 2.13a: Gross Fixed Capital Formation*, 2008-2012 29
Table 2.13b: Gross Fixed Capital Formation*, 2008-2012 29
Table 2.14: Gross Domestic Product and Gross National Income*, 2008-2012 30
Table 2.15: National Disposable Income and Saving*, 2008-2012 31
Table 2.16 Gross domestic product by activity, 2008-2012 32
Table 2.16 Gross domestic product by activity, 2008-2012, Cont'd 32
Table 2.17 Growth Rates in Quarterly Gross domestic product by activity, 2008-2012, Cont'd 33
Table 2.17 Growth Rates in Quarterly Gross domestic product by activity, 2008-2012 33
Table 3.1: Central Government Expenditure on Social Services, 2008/09 - 2012/13 36
Table 3.2: Local Authorities Expenditure on Social Services, 2008/09- 2012/13 37
Table 3.3: Expenditure for the Ministries of Education, 2008/09 - 2012/13 38
Table 3.4: Number of Educational Institutions, 2008 – 2012 40
Table 3.5: Pupil Enrolment and Teacher Numbers in ECD Centres, 2008 - 2012 41
Table 3.6: Primary School Enrolment by Class and Sex, 2008 – 2012 42
Table 3.7: Mean Subject Percentage Score in KCPE and Number of Candidates by Sex, 2008-2012 44
Table 3.8: Number of Public Primary School Teachers by Qualification and Sex[1], 2008 - 2012 45
Table 3.9: Enrolment in Secondary Schools by Class and Sex, 2008 – 2012 46
Table 3.10: National trends in KCSE candidates mean grade by Sex, 2008-2012 47
Table 3.11: Number of Public Secondary School Teachers by Qualification and Sex[1], 2008 – 2012 48
Table 3.12: Teacher Trainee Enrolment by Year and Sex, 2008- 2012 49
Table 3.13: Student Enrolment by Sex in Technical Institutions, 2008 – 2012 50
Table 3.14: Student Enrolment[2] by Sex in Universities, 2008/2009 - 2012/2013 51
Table 3.15: Registration of Universities and Degree offering Institutions, 2008-2012 51
Table 3.16: Approved degree programmes and validated diploma programmes, 2008-2012 52
Table 3.17: Registration of Births and Deaths, 2008– 2012 52
Table 3.18: Coverage Rates of Births and Deaths by Region, 2008 – 2012 53

Table 3.19: Causes of Death by Region, 2012 53
Table 3.20: Health Institutions[1] by Region, 2008 – 2012 54
Table 3.21: National Hospital Insurance Fund Resources, 2007/2008-2011/2012 54
Table 3.22: Registered Members of the National Hospital Fund, 2007/08-2011/12 56
Table 3.23: Number of Registered Medical Personnel and those in Training, 2011-2012 55
Table 3.24: Undergraduate and Post Graduate Medical Students by Course and Sex, 2008/2009-2012/2013 56
Table 3.25: Middle Level Medical Trainees in Public Medical Training Colleges, 2008 – 2012 57
Table: 3.26: Full Immunization Coverage (FIC) Rate of Under-One Year Old Children by Region, 2008 – 2012 58
Table 3.27: Incidence of Diseases Causing Morbidity in Kenya, 2008– 2012 58
Table 3.28: National Youth Service Recruitment and Allowances, 2008-2012 58
Table 3.29: National Social Security Fund, 2008-2012 58
Table 3.30: Adult Education Enrolment by Region and Sex, 2009-2012 58
Table 3.31: Private Candidates KCPE Registration by Region and Sex, 2008-2012 60
Table 3.32: Registered Women Groups by Membership, Contributions and GoK Grants, 2008 to 2012. 61
Table 3.33 Government Allocation and Receipt 61
Table 3.34: Participation in Politics, Public Life, Decision Making and Representation of Government, 2008 to 2012 62
Table 4.1: Total Recorded Employment[1]: June, 2008 – 2012 63
Table 4.2: Wage Employment by Industry and Sector, 2008-2012 65
Table 4.3 Wage Employment in the Public Sector, 2008- 2012 66
Table 4.4: Wage Employment by Region, 2008- 2012 67
Table 4.5: Wage Employment by Industry and Sex, 2011 and 2012 68
Table 4.6: Estimated Total Wage Payments by Industry and Sector, 2008 – 2012 69
Table 4.7: Total Wage Payments in the Public Sector[1], 2008 – 2012 70
Table 4.8: Average Wage Earnings per Employee[1], 2008 - 2012 71
Table 4.9: Wage Employment and Average Earnings[1], 2012/2007 and 2012/2011 73
Table 4.10: Estimated Real Average Wage Earnings per Employee[1], 2008 – 2012 75
Table 4.11: Changes in Wage Employment, Prices and Real Earnings, 2008 – 2012 76
Table 4.12: Informal sector employment[*] by Region, 2008 – 2012 76
Table 4.13: Informal Sector employment by activity[1], 2008 - 2012 77
Table 4.14: Gazetted Monthly Basic Minimum Wages for Agricultural Industry, 2008 – 2012 78
Table 4.15: Gazetted Monthly Basic Minimum Wages in Urban Areas[1] , 2011 – 2012 78
Table 4.16: Collective Bargaining Agreements Registered by the Industrial Court, 2011 and 2012 80
Table 4.17: CPI and Inflation by Commodities, 2011 -2012 81
Table 4.18: Annual Inflation Rates, 2008-2012 82
Table 4.19: Consumer Price Indices for the Nairobi Lower Income Group, 2008-2012 82
Table 4.20: Consumer Price Indices, Nairobi Middle income Group, 2008-2012 83
Table 4.21: Consumer Price Indices, Nairobi Upper income Group, 2008-2012 83
Table 4.22: Consumer Price Indices, Overall Nairobi, 2008-2012 83
Table 4.23: Consumer Price Indices, Rest of Urban areas, 2008-2012 84
Table 4.24: Consumer Price Indices, Kenya, 2008-2012 84
Table 5.1: Monetary Indicators, 2008-2012 86
Table 5.2: Money and Quasi Money Supply, 2008-2012 87
Table 5.3: Consolidated Accounts of the Banking System, 2008-2012 88
Table 5.4: Changes in Money Supply and the Sources[1], 2008-2012 89

Table 5.5: Trends in the Real Values of Selected Financial Aggregates[1], 2008 -2012 90
Table 5.6: Principal Interest Rates, 2008-2012 90
Table 5.7: Trends in Selected Real Interest Rates[1], 2008-2012 91
Table 5.8: Central Bank of Kenya Assets and Liabilities, 2008 - 2012 92
Table 5.9a: Commercial Banks Bills,Loans and Advances[1], 2008 -2012 93
Table 5.9b: Commercial Banks Bills, Loans and Advances Sector Shares[1], 2008 -2012 94
Table 5.10: Commercial Banks-Deposit Liabilities and Liquid Assets[1], 2008 -2012 95
Table 5.11: Gross Secondary Market Statistics, 2008-2012 96
Table 6.1: Statement of Central Government Operations, 2008/09 - 2012/13 100
Table 6.2: Analysis of Key Fiscal Ratios, 2008/09-2012/13 101
Table 6.3: Comparison of Central Government Budget Estimates with Actual Out-turns, 2009/10 - 2012/13 102
Table 6.4: Central Government Gross Receipts on Recurrent Account, 2008/09-2012/13 103
Table 6.5: Central Government Import Duty Collections for Selected Items[1], 2008 - 2012 104
Table 6.6: Central Government Excise Revenue by Commodities, 2008 - 2012 104
Table 6.7: Central Government Financing of Non Financial Assets, 2008/09 - 2012/13 105
Table 6.8: Classification of Government Expenditures by Functions of Government (COFOG), 2009/10-2012/13 106
Table 6.9: Central Government Economic Analysis of Expenditure, 2008/09 -2012/13 108
Table 6.10: Central Government Public Debt, 2008- 2012 109
Table 6.11: Central Government Outstanding Debt by Source[1], 2008 -2012 110
Table 6.12: Central Government Debt Servicing Charges, 2008- 2012 111
Table 6.13: Central Government Debt Service Charges on External Debt related to Exports of Goods and Services, 2008-2012 111
Table 6.14: Central Government Transfer through LATF to Local Authorities, 2008/09 - 2012/13 112
Table 6.15: Expenditure by Local Authorities, 2008/09 - 2012/13 113
Table 6.16: Municipal Councils' Current and Capital Expenditure on Main Services, 2008/09- 2012/13 113
Table 6.17: Municipal Councils' Economic Analysis of Expenditure, 2008/09 – 2012/13 114
Table 6.18: Municipal Councils' Economic Analysis of Revenue, 2008/09 – 2012/13 115
Table 6.19: Town and County Councils Economic Analysis of Expenditure and Revenue, 2008/09 -2012/13 116
Table 7.1: Balance of Trade, 2008 – 2012 118
Table 7.2: Export and Import Price Indices, 2008-2012 119
Table 7.3: Terms of Trade, 2008 – 2012 120
Table 7.4: Quantum Indices, 2008 - 2012 120
Table 7.5: Quantities of Principal Exports and Imports, 2008 – 2012 122
Table 7.6: Values of Principal Exports and Imports, 2008 - 2012 124
Table 7.7: Prices of Principal Exports and Imports 2008-2012 126
Table 7.8: Domestic Exports by Broad Economic Category, 2008 - 2012 128
Table 7.9: Total Imports by Broad Economic Category, 2008- 2012 129
Table 7.10: Value of Total Exports by Destination, 2008-2012 131
Table 7.11: Value of Imports by Country of Origin, 2008- 2012 132
Table 7.12: Trade with African Countries, 2008 - 2012 134
Table 7.13: Balance of Payments, 2009-2012 136
Table 7.14: Changes in Balance of Payments, 2008 - 2012 137
Table 7.15: Central Monetary Authorities: Foreign Exchange Reserves, 2008 – 2012 138

Table 7.16: Foreign Exchange Rates of Shilling for Selected Currencies, 2008-2012 139
Table 8.1: Agricultural Output and Input, 2008 - 2012 142
Table 8.2: Recorded Marketed Production at Current Prices, 2008 - 2012 143
Table 8.3: Volume and Price Indices of Sales to Marketing Boards, 2008 -2012 144
Table 8.4: Average Gross Commodity Prices[1] to Farmers, 2008 -2012 145
Table 8.5: Sale to Marketing Boards from Large and Small Farms, 2008-2012 145
Table 8.6: Agricultural Input Indices, 2008 - 2012 146
Table 8.7: Value of Purchased Agricultural Inputs[1], 2008 – 2012 146
Table 8.8: Price and Terms of Trade Indices for Agriculture, 2008 – 2012 147
Table 8.9: Estimated Production of Selected Agricultural Commodities, 2008 – 2012 148
Table 8.10: Average Retail Market Prices for Selected Food Crops, 2008 - 2012 149
Table 8.11: Sale of Selected Crops to Marketing Boards, 2008 – 2012 150
Table 8.12: Production and Imports of Wheat, 2008 – 2012 150
Table 8.13: Production, Area, and Average Yield of Coffee by Type of Grower, 2007/08 - 2011/12 151
Table 8.14: Production, Area and Average Yield of Tea by Type of Grower, 2008 - 2012 151
Table 8.15: Area under Sugar Cane, Area Harvested, Production and Average Yield, 2008 – 2012 152
Table 8.16: Production, Imports and Consumption of Sugar, 2008 – 2012 152
Table 8.17: Exports of Fresh Horticultural Produce[1], 2008 - 2012 153
Table 8.18: Production at Irrigation Schemes, 2007/08 - 2011/12 155
Table 8.19: Production of Livestock and Dairy Products, 2008 – 2012 156
Table 8.20: Enrolment in Agricultural Training Institutions, 2008 – 2012 157
Table 8.21: Number of Societies and Unions by Type, 2008 – 2012 158
Table 8.22: Sale of Selected Agricultural Produce by Co-operatives and their Contribution to Gross Farm Revenue, 2008 – 2012 158
Table 8.23: Food Balance Sheet, 2008-2012 159
Table 8.24: Food Balance Sheet, 2011-2012 162
Table 9.1: Water Purification Points and Boreholes Drilled, 2008/09- 2012/13 167
Table 9.2: Development Expenditure on Water Supplies and Related Services, 2008/09 - 2012/13 167
Table 9.3: Quantity and Value of Fish Landed, 2008 -2012 168
Table 9.4: Government Forest Plantation Stocking, 2008-2012. 169
Table 9.5: Recorded Sale of Forest[1] Products, 2008 – 2012 169
Table 9.6: Quantity and Value of Mineral Production, 2008 -2012 170
Table 9.7: Average Export Prices of Soda Ash and Fluorspar, 2008 -2012 170
Table 9.8: Expenditure on Public Health by the Nairobi City Council, 2008/09 -2012/13 171
Table 9.9: Wildlife Population Estimates in the Kenya Rangelands, 2008 – 2012 171
Table 10.1: Quantity and Value of Imports, Exports and Re-exports of Petroleum Products[1], 2008 – 2012 176
Table 10.2: Crude Oil Intake at the Refinery by Type, 2008- 2012 176
Table 10.3: Finished Petroleum Products[1], 2008 - 2012 177
Table 10.4: Petroleum Supply and Demand, 2008 – 2012 178
Table 10.5: Net Domestic Sale of Petroleum Fuels by Consumer Category, 2008–2012 179
Table 10.6: Wholesale Prices[1] of Petroleum Products in Mombasa, 2008 – 2012 180
Table 10.7: Murban ADNOC Prices1, 2008 – 2012 180
Table 10.8: Average Retail Prices of Selected Petroleum Products in Kenya, 2008 – 2012 182
Table 10.9: Installed Capacity and Generation of Electricity[1], 2008-2012 183
Table 10.10: Electricity Supply and Demand Balance 2008 -2012 184
Table 10.11: Production, Trade and Consumption of Energy** distributed in Terms of

Primary Sources, 2008 - 2012 186
Table 11.1: Manufacturing Output, Compensation of Employees and Value Added, 2008-2012 189
Table 11.2: Quantum Index of Manufacturing Production, 2008-2012 190
Table 11.3: Cement Production and Utilization, 2008-2012 192
Table 11.4: Industrial Projects Approved By Selected Government or
Quasi-Government Institutions, 2008-2012 192
Table 11.5: Selected EPZ Performance Indicators, 2008-2012 193
Table 11.6: Selected EPZ Garment/Apparel Performance Indicators under AGOA, 2008-2012 194
Table 12.1 Selected Key Economic Indicators in Building and Construction[1], 2008 – 2012 196
Table 12.2: Annual Percentage change in Building and Construction Cost Indices[1], 2010 – 2012 196
Table 12.3: Annual Percentage Change in Building and Construction Average Wages, 2008-2012 197
Table 12.4: Value of Building Plans Approved By Nairobi and Other Towns, 2008– 2012 198
Table 12.5: Value of Reported Private Building[1] Works Completed in Selected Towns, 2008 – 2012 198
Table 12.6: Reported completions of New Private and Public Buildings[1] in Selected Major
Towns[2], 2008 – 2012 198
Table 12.7: Reported Value of New Private and Public Buildings[1] in Selected Main Towns[2],
2008 – 2012 199
Table 12.8: NHC Housing Loans Advanced by County, 2011/2012 200
Table 12.9: Approved and Actual Central Government Expenditure on Housing,
2008/09 – 2012/13 200
Table 12.10: Total Expenditure on Roads, 2008/09 - 2012/13 201
Table 12.11: Status of Roads 2000 Programme as at June 2012 201
Table 12.12: Kilometres of Road as at 1st July, 2008 and 1st July, 2012 by Type and Classification 202
Table 12.13: Major Road Works in Progress[1] in 2012/13 203
Table 12.13 Contd 204
Table 12.13 Contd 205
Table 13.1: Quarterly International Visitor Arrivals by Purpose of Visit, 2008 - 2012 208
Table 13.2: Quarterly International Visitor Departures by Purpose of Visit, 2008-2012 209
Table 13.3: Departing Visitors by Country of Residence and Purpose of Visit[1], 2010-2012 210
Table 13.4: Number of Visitor-Days Stayed[1] by Purpose of Visit, 2008-2012 210
Table 13.5: Hotel Bed - Nights Occupancy by Country of Residence, 2008-2012 212
Table 13.6: Hotel Bed-Nights by Zone, 2008-2012 213
Table 13.7: Hotel Bed-Nights Occupied by Area and Country of Residence, 2011-2012 214
Table 13.8: Game Lodges[1] Occupancy, 2010 – 2012 214
Table 13.9: Number of Visitors to National Parks and Game Reserves, 2008-2012 215
Table 13.10: Number of Visitors to Museums, Snake Parks and Historical Sites, 2008-2012 216
Table 13.11: Number of Conferences, 2010-2012 217
Table 13.12: Kenya Utalii College Graduates, 2008-2012 218
Table 14.1: Transport and Communication - Value of Output, 2008 - 2012 219
Table 14.2: Roads Maintenance Funds, 2008/09 - 2012/13 220
Table 14.3: Earnings from Road Traffic, 2008 – 2012 220
Table 14.4: New Registration of Road Motor Vehicles, 2008- 2012 221
Table 14.5: Road Transport Licenses Issued, 2008 – 2012 222
Table 14.6: Road Traffic Accidents, 2008 – 2012 223
Table 14.7: Railway Traffic, 2008 – 2012 223
Table 14.8: Traffic handled at Mombasa Port, 2008 – 2012 224
Table 14.9: Pipeline Throughput of White Petroleum Products, 2008 – 2012 225
Table 14.10: Commercial Traffic at Main Airports, 2008 - 2012 226

Table 14.11: Postal Services, 2008- 2012 227
Table 14.12: Telecommunications Indicators, 2008 – 2012 228
Table 14.13: Licensed Internet Service Providers and Internet Subscriptions, 2008 – 2012 229
Table 14.14: Radio and TV Frequencies Utilized, 2008 – 2012 229
Table 14.15: Local Daily/Weekly Newspapers in Circulation, 2008 – 2012 229
Table 15.1: Number of Crimes Reported to Police Stations, 2008-2012 232
Table 15.2: Number of Crimes Reported to Police by Province, 2008-2012 233
Table 15.3: Firearms and Ammunition Recovered or Surrendered, 2008-2012 234
Table 15.4: Number of Persons Reported to Police to have Committed Offences by Sex, 2008-2012 235
Table 15.5: Number of Persons Reported to have Committed Offences against Morality and Other Offences against Persons by Sex, 2008-2012 236
Table 15.6: Persons Reported to Police to have Committed Homicide by Sex, 2008-2012 237
Table 15.7: Persons Reported to Police to have Committed Robbery and Theft by Sex, 2008-2012 238
Table 15.8: Persons Reported to have Committed Offences Related to Drugs, Criminal Damage, Economic crime and Corruption by Sex, 2008-2012 240
Table 15.9(a): Number of Cases Handled by EACC by Action Taken, 2008-2012 241
Table 15.9(b): Number of Cases Forwarded to DPP and action taken by DPP, 2008-2012 241
Table 15.10: Registered Murder Cases and Convictions obtained by Station, 2008-2012 242
Table 15.11: Cases Handled by Various Courts, 2008-2012 243
Table 15.12: Distribution of Magistrates and Judges in Law Courts by Cadre, 2008-2012 244
Table 15.13: Prison Population by Sentence Duration, 2008-2012 245
Table 15.14: Daily Average Population of Prisoners by Sex, 2008-2012 246
Table 15.15: Convicted Prison Population by Age and Sex, 2008-2012 246
Table 15.16: Convicted Prisoners by Type of Offences 2008-2012 248
Table 15.17: The Number of Police, Prison and Probation Officers by Sex, 2008-2012 249
Table 15.18: Number of Offenders Serving Probation Sentence, Community Service and Aftercare by Sex and Type of offence, 2011-2012 250
Table 15.19: Number of Children Cases Handled, 2011-2012 251
Table 15.20: Number of Aliens Registered and Passports and Entry Permits Issued, 2008-2012 252
Table 15.21: Applications, Processing and Collection of New Identity Cards by Province, 2010-2012 252
Appendix 15.1: Kenya Police Service reclassified offences reported to Police in view of new legislations such as the Economic Crimes 253
Table 16.1: Number of establishments, type of ownership, and production value and capacity utilization by industry 257
Table 16.2: Number of employees by citizenship and employment status by industry 258
Table 16.3: Value of production and share of intermediate consumption by industry 260
Table 16.4: Value of Imported and Domestic materials by industry 262
Table 16.5: Annual expenditures on raw materials and value of sales to various regions by activity and source 263
Table 16.6: Annual expenditures on petroleum products, electricity and water and other fuels by activity 265
Table 16.7: Activities by Fixed Assets 266
Table 16.8: Value of Investment and Contribution of the Industrial Sector to GDP in 2009, KSh million 268
Table 17.1 Value Proportions at 1-Digit Level of ISIC in the Industrial Sector 270

Table 17.2: Proportions in Manufacturing (2-Digit ISIC) 271
Table 17.3: Manufacture of Food Products (3-Digit ISIC) 271
Table 17.4: Manufacture of Dairy Products (4-Digit ISIC) 271
Table 17.5: Producer Price Indices at Division level, Base Period June 2011=100 273
Appendix 17.1: Selection at Division level for manufacturing sector 274
Appendix 17.2: Selection at Group level for manufacturing sector 275
Appendix 17.3: Selection at Class level for Manufacturing Sector 276
Appendix 17.4: CPC selection, adjusted values and percentage contributions 277
Table 18.1: Simplified Supply Table 282
Table 18.2: Simplified Use Table 283
Table 18.3: Illustrative Supply and Use Tables 284
Table 18.4: Economic activities (industries) by broad category 287
Table 18.5: Supply Table (in KSh millions) 289
Table 18.6: Use Table at purchasers' prices (in KSh millions) 290
Appendix 18.1: Output Matrix 293
Appendix 18.2: Input Matrix 294
Appendix 18.3: Product classification 295
Appendix 18.4: Activity classification (based on ISIC rev 4) 299
Appendix 18.5: Concepts and definitions 301

List of Figures

Figure 3.1: Pre-primary Gross Enrolment Rate (GER) and Net Enrolment Rate (NER), 2008-2012.....42
Figure 3.2: Non-Formal Schools Enrolment, 2008-2012.....43
Figure 3.3: Primary school Gross Enrolment Rate (GER) and Net Enrolment Rate (NER), 2008-2012.....43
Figure 3.4: Primary to Secondary Transition Rate and Pupil Completion Rate (PCR), 2008-2012.....45
Figure 3.5: Secondary School Gross Enrolment Rate (GER) and Net Enrolment Rate (NER), 2008-2012.....46
Figure 4.1: Trend of New Jobs in the Modern Sector, 2008-2012.....66
Figure 6.1: LATF Disbursements, 2008/09 - 2012/13.....112
Figure 8.1: Agriculture Gross Value Added (GVA), Growth Rate, 2008-2012.....142
Figure 8.2: Quarterly Value of Fresh Horticultural Exports, 2011 – 2012.....154
Figure 8.3: Caloric Supply by Main Food Groups, 2012.....160
Figure 8.4: Import Dependency and Self-Sufficiency Ratios, 2012.....161
Figure 9.1: Long Rains (March to May) Performance, 2012.....172
Figure 9.2: Short Rains (October to December) Performance, 2012.....173
Figure 10.1: Sale of Petroleum Fuels to Major Consumers by Category, 2008-2012.....179
Figure 10.2: International Crude Oil Prices against Domestic Fuel Prices, 2012.....181
Figure 10.3: Generation of Electricity by Source, 2008- 2012.....183
Figure 10.4: Electricity Supply and Demand, 2008-2012.....185
Figure 11.1 Growth of Value Added of Manufacturing Sector, 2008-2012.....189
Figure 12.1: Trend in Overall Labour Construction Cost Indices, 2008 – 2012 (Base 1982 = 100).....197
Figure 12.2: Comparison of Value of Private Plans Approved and Reported New Private Buildings Works Completed in Main Urban Towns, 2008-2012.....199
Figure 13.1: Trends in Visitor Arrivals and Tourism Earnings, 2008 – 2012.....206
Figure 13.2(a): Number of Visitor Arrivals through MIA, 2011 -2012.....207
Figure 13.2(b): Number of Visitor Arrivals through JKIA, 2011 -2012.....207
Figure 13.3: Monthly Bed and Room Occupancy Rates, 2012.....211
Figure 13.4: Bed-Nights Occupied at the Coast, 2011 – 2012.....213
Figure 13.5: Visitors to National Parks and Game Reserves, 2010-2012.....216
Figure 13.6: Number of Visitors to the Museums, Snake Parks and Historical Sites by Month in 2012.....217
Figure 14.1: Percentage Share of New Vehicle Registration, 2012.....221
Figure 14.2: Percentage Share of New Vehicle Registration, 2011.....221
Figure 16.1: Percentage share of production by industry, in 2009.....255
Figure 16.2: Number of Establishments by reason for low capacity utilization.....256
Figure 16.3: Components of material expenditures by broad economic activity.....261
Figure 16.4: Annual expenditure shares on petroleum products, electricity and water, and other fuels by activity.....264

List of Acronyms

ADB	African Development Bank
ADF	African Development Fund
ADNOC	Abu Dhabi National Oil Corporation
AG	Attorney General
AGOA	African Growth and Opportunity Act
ATIA	African Trade Insurance Agency
AIA	Appropriation In Aid
AIDS	Acquired Immuno-Defficiency Syndrome
API	American Petroleum Institute
ASALs	Arid and Semi-Arid Lands
ASEAN	Association of South Eastern Asia Nations
BCG	Bacillus Calmete Guérin
BEC	Broad Economic Category
BIS	Bank for International Settlement
BoP	Balance of Payments
BH	Boreholes
BRICS	Brazil, Russia, India, China and South Africa
CBA	Commercial Bank of Africa
CBIK	Centre for Business Information in Kenya
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CBR	Crude Birth Rate
CCK	Communications Commission of Kenya
CDF	Constituency Development Fund
CDKN	Climate and Development Knowledge Network
CDMA	Code Division Multiple Access
CEMAC	Economic and Monetary Union of Central Africa
CHE	Commission for Higher Education
CIC	Co-orporative Insurance Company
C.I.F	Cost, Insurance and Freight
CMA	Capital Markets Authority
COFOG	Classification of Functions of Government
COICOP	Classification of Individual Consumption by Purpose
COMESA	Common Market for Eastern and Southern Africa
COMSEC	Commonwealth Secretariat
COP 15	15th Conferences of the Parties
CPE	Certificate of Primary Education
CPI	Consumer Price Index
CRB	Credit Reference Bureau
CRR	Cash Reserve Ratio

CTDLT	Catering and Training Development Levy Trustee
DAP	Daily Average Population
DBK	Development Bank of Kenya
DfID	Department for International Development
DPM	Directorate of Personnel Management
DPT	Diphtheria Pertussis Tetanus
DPP	Director of Public Prosecution
DSA	Debt Sustainability Analysis
DSOs	District Statistical Officers
DTOs	District Tourism Officers
DVB – H	Digital Video Broadcasting – Handheld
DWT	Dead Weight Tonnes
EAC	East African Community
EACC	Ethics and Anticorruption Commission
EAs	Environmental Audit
ECD	Early Childhood Development
ECF	Extended Credit Facility
ECK	Electoral Commission of Kenya
EEC	European Economic Commission
EFT	Electronic Funds Transfer
EIB	European Investment Bank
EMS	Expedited Mail Services
EPC	Export Promotion Council
EPP	Emergency Power Producers
EPVs	Export Production Villages
EPVs	Export processing Villages
EPZ	Export Processing Zone
EPZA	Export Processing Zone Authority
ESF	Exogenous Shocks Facility
ESP	Economic Stimulus Package
EU	European Union
FAL	Foreign Assets and Liabilities
FBS	Food Balance Sheet
FCDs	Foreign Currency Deposits
FDEI	Foreign Direct Equity Investment
FDI	Foreign Direct Investment
FIC	Full Immunization Coverage
FIS	Foreign Investment Survey
FM	Frequency Modulation
F.O.B	Free-On-Board
FONN	Fibre Optic National Network
FOSA	Front Office Savings Activities

FPE	Free Primary Education
FTSE	Free Tuition Secondary Education
GDC	Geothermal Development Company
GDP	Gross Domestic Product
GER	Gross Enrolment Rate
GFCF	Gross Fixed Capital Formation
GNDI	Gross National Disposal Income
GNI	Gross National Income
GNR	General Fertility Rate
GOB	Gross Operating Balance
GoK	Government of Kenya
GPI	Gross Premium Income
GSM	Global System for Mobile Communication
GVA	Gross Value Added
GWH	Giga Watts per Hour
HA	Hectare
H1N1	Hemaglutinin Type1 and Neuraminidase Type1 (Swine Flu)
HELB	Higher Education Loans Board
HIV	Human Immuno deficiency Virus
IBRD	International Bank for Reconstruction & Development
ICDC	Industrial and Commercial Development Corporation
ICEA	Insurance Company of East Africa
ICT	Information, Communication and Technology
ID	Identity Card
IDA	International Development Agency
IDB	Industrial Development Bank
IDR	Import Dependency Ratio
IEPA	Interim Economic Partnership Agreement
IFAD	International Fund for Agricultural Development
IIEC	Interim Independent Electoral Commission
IEBC	Independent Electoral and Boundaries Commission
IIP	International Investment Position
IIBC	Interim Independent and Boundaries Commission
ILO	International Labour Organisation
IMF	International Monetary Fund
IPO	Initial Public Offer
IPP	Independent Power Producers
IPT	Intermittent Preventive Treatment
IRA	Insurance Regulatory Authority
ISIC REV 4	International Standard of Industrial Classification Revision 4
ISPs	Internet Service Providers
IT	Information Technology

ITN	Insecticide Treated Mosquito Net
ITU	International Telecommunication Union
IUD	Intra-Uterine Devices
JAB	Joint Admissions Board
JICA	Japan International Co-operation Agency
JKIA	Jomo Kenyatta International Airport
JKUAT	Jomo Kenyatta University of Agriculture and Technology
KACC	Kenya Anti-Corruption Commission
KAPU	Kenya Airports Police Unit
KARI	Kenya Agricultural Research Institute
KBC	Kenya Broadcasting Corporation
KCB	Kenya Commercial Bank
KCE	Kenya Certificate of Education
KCPE	Kenya Certificate of Primary Education
KCSE	Kenya Certificate of Secondary Education
KDHS	Kenya Demographic and Health Survey
KeNHA	Kenya National Highways Authority
KenInvest	Kenya Investment Authority
KeRRA	Kenya Rural Roads Authority
KESSP	Kenya Education Sector Support Programme
KETRACO	Kenya electricity Transmission Company
KFS	Kenya Forestry Service
KG	Kilogram
KIE	Kenya Industrial Estates
KIHBS	Kenya Integrated Household Budget Survey
KJSE	Kenya Junior Secondary Education
KKV	Kazi Kwa Vijana
KLGRP	Kenya Local Government Reform Programme
KMTC	Kenya Medical Training College
KNBS	Kenya National Bureau of Statistics
KNCPC	Kenya National Cleaner Production Centre
KSh	Kenya Shilling
KOSF	Kipevu Oil Storage Facility
KPC	Kenya Pipeline Company
KPLC	Kenya Power and Lightening Company
KPRL	Kenya Petroleum Refineries Limited
KRA	Kenya Revenue Authority
KRB	Kenya Roads Board
KTDC	Kenya Tourism Development Corporation
KUC	Kenya Utalii College
KURA	Kenya Urban Roads Authority
KW	Kilowatts

KWS	Kenya Wildlife Service
LAIFOMS	Local Authority Integrated Financial Operation Management Systems
LAM	Lactational Amenorrhea Method
LATF	Local Authority Transfer Fund
LFS	Labour Force Survey
LPG	Liquefied Petroleum Gas
LTM	Long Term Means
M1	Narrow Money Supply
M2	Broad Money Supply (Money supplied by CBK, Commercial banks & NBFIs)
M3	Broad Money Supply (M2 plus Foreign Currency Holding by Residents
MAM	March-April-May
MCH	Maternal and Child Health
MDER	Minimum Dietary Energy Requirement
MDGs	Millennium Development Goals
MDP	Management Development Programme
MG	Metre Gauge
MIA	Moi International Airport
MNP	Mobile Number Portability
MoA	Ministry of Agriculture
MoE	Ministry of Education
MoF	Ministry of Finance
MoH	Ministry of Health
MoHEST	Ministry of Higher Education Science and Technology
MoLG	Ministry of Local Government
MoR	Ministry of Roads
MoT	Ministry of Transport
MPC	Monetary Policy Committee
MPC	Monetary Policy Committee
MRLs	Minimum Residue Limits
MPIs	Import Price Indices
MTP	Medium Term Plan
MW	Mega Watt
MWI	Ministry of Water and Irrigation
NBFIs	Non Bank Financial Institutions
NCAJ	National Council on Administration of Justice
NCC	Nairobi City Council
NCCRS	National Climate Change Response Strategy
NCPB	National Cereals and Produce Board
NCR	Nairobi Commuter Rail
NEMA	National Environmental Management Authority
NER	Net Enrolment Rate
NFA	Net Foreign Assets

NFE	Non Formal Education
NFS	Non Formal Schools
NHC	National Housing Corporation
NHIF	National Hospital Insurance Fund
NIP	National Incomes Policy
NIB	National Irrigation Board
NPA	National Plan of Action
NPSC	National Police Service Commission
NSE	Nairobi Stock Exchange
NSSF	National Social Security Fund
NWCPC	National Water Corporation and Pipeline Corporation
NYS	National Youth Service
OC	Other Capital
ODA	Official Development Assistance
OECD	Organisation of Economic Cooperation and Development
OI	Other Investment
OMO	Open Market Operations
OND	October, November, December
OPEC	Organization of Petroleum Exporting Countries
OVC	Orphans and Vulnerable Children
P.I	Portfolio Investment
PCK	Postal Corporation of Kenya
PCR	Pupil Completion Rate
PEV	Post Election Violence
PPPs	Public Private Partnerships
PS	Permanent Secretary
PSDA	Private Sector Development Authority
PSED	Private Sector External Trade
PSVs	Public Service Vehicles
PTR	Pupil Teacher Ratio
PV	PhotoVoltaic
RBA	Retirement Benefits Authority
RBS	Risk Based Supervision
REA	Rural Electrification Authority
REP	Rural Electrification Programme
RICS	Road Inventory and Condition Survey
RMLF	Roads Maintenance Levy Fund
RSI	System of Rice Intensification
RVR	Rift Valley Railways
SACMEQ	Southern and Eastern Africa Consortium for Monitoring Education Quality
SADC	Southern Africa Development Community
SAGA	Semi Atonomous Government Authority

SCMP	Sub-Catchment Management Plans
SDRs	Special Drawing Rights
SCAA	Specialty Coffee Association of America
SEACOM	Sea Submarine Communications
SEEP	Small Enterprise Education Programme
SEZ	Special Economic Zones
SG	Standard Gauge
SIM	Subscriber Identity Module
SITC	Standard International Trade Classification
SMS	Short Message Service
SPF	Social Protection Fund
SSA	Sub-Sahara Africa
SSR	Self Sufficiency Ratio
STIs	Sexually Transmitted Infections
TEAMS	The East Africa Marine System
TEUs	Twenty (-) Foot Equivalent Units
TFR	Total Fertility Rate
TIVET	Technical Industrial and Vocational Educational Training
TLB	Transport Licensing Board
TOT	Total Rainfall
TSA	Tourism Satellite Account
TSC	Teachers Service Commission
TV	Television
TWI	Trade Weighted Index
UAE	United Arab Emirates
UK	United Kingdom
UNFCC	United Nations Framework on Climate Change
UNIDO	United Nations Industrial Development Organization
UoN	University of Nairobi
UPE	Universal Primary Education
US$/BBL	US Dollar per Barrel
USA	United States of America
VAT	Value Added Tax
VCT	Voluntary Counseling and Testing
WAEMU	West African Economic and Monetary Union
WEF	Women Enterprice Fund
WHO	World Health Organisation
WPP	Water Purification Points
WRUA	Water Resource Users Associations

Summary and Outlook

International Scene

World real Gross Domestic Product (GDP) was estimated to have increased by 3.2 per cent in 2012 compared to 3.9 per cent 2011. The reduced growth led to slowed world trade and uncertainty in advance economies which also affected performance in emerging market and developing economies. Growth in the Organization of Economic Co-operation and Development (OECD) economies slowed by 1.4 per cent in 2012 compared to 1.8 per cent in 2011. Inflation within the OECD countries declined to 1.6 per cent in 2012 compared to an upsurge of 1.8 per cent in 2011.

The Euro Area's real GDP recorded a decline of 0.4 per cent in 2012 compared to a growth of 1.5 per cent in 2011. Sub-Saharan Africa's (SSA) real GDP expanded marginally by 5.3 per cent in 2012 compared to 5.2 per cent in 2011. The East African Community's (EAC) real GDP remained constant at 5.5 per cent in both 2012 and 2011. This was as a result of pressure on food and fuel prices easing up following a surge in 2011.

Domestic Economy

The Real Gross Domestic Product (GDP) is estimated to have grown by 4.6 per cent in 2012 compared to 4.4 per cent in 2011. Macroeconomic variables remained generally stable, although a surge in inflation during 2011 prompted tightening of monetary policy stance up to mid 2012. Activities accelerated in Agriculture, Wholesale and retail trade and, Transport and communication which, respectively, accounted for 17.6, 15.2 and 10.8 per cent to the overall GDP growth.

All sectors of the economy recorded positive growth, though expansions were moderate. Electricity supply, Financial services and, Wholesale and retail trade grew strongly, recording 12.6, 6.5 and 6.4 per cent, respectively. Improved rainfall and its link to increased generation of hydro electric power, which is cheaper than thermal electricity, accounted for the high value added created in the electricity industry.

Price stability was the main focus of monetary policy in 2012. The Central Bank Rate (CBR) was maintained at 18.0 per cent level up to June 2012 and gradually eased the tightening to 11.0 per cent in November 2012 as the pressure on inflation reduced. Inflation eased from annual average of 14.0 per cent in 2011 to 9.4 per cent in 2012, partly reflecting better harvests occasioned by favourable weather conditions and tightening of monetary policy during the first half of 2012.

The trade deficit widened further in 2012 to stand at KSh 856.7 billion compared to a deficit of KSh 788.1 billion in 2011, reflecting a raise in imports and slower growth of exports. The development resulted in further deterioration of export-import ratio from 38.8 per cent in 2011 to 37.7 per cent in 2012.

Social Scene

Government expenditure on the social sector is expected to increase by 41.1 per cent from KSh 301.0 billion in 2011/12 to KSh 424.7 billion in 2012/13 partly due to investment in rural health facilities and increases in personal emoluments as well as staffing and equipping of the county offices. Recurrent expenditure is expected to increase by 21.3 per cent while development is expected to almost triple to KSh 113.8 billion in 2012/13 from KSh 44.6 billion in 2011/12 financial year. During the review period, pre-primary, primary and secondary school enrolment increased by 1.5, 1.1, and 5.6 per cent, respectively while

enrolment at teacher training colleges and university grew by 3.9 and 21.3 per cent, respectively.

In 2012, registered births rose by 1.0 per cent to 754,429 while the number of recorded deaths decreased by 0.3 per cent. Pneumonia and malaria were the leading killer diseases accounting for 10.9 per cent and 10.8 per cent of the total deaths. Despite registering a decline of 2.4 per cent in 2012, incidence of malaria remained high. Full Immunization Coverage rate for children under one year increased to 85.0 per cent in 2012.

National Hospital Insurance Fund total receipts from members increased by 9.9 per cent compared to 13.3 per cent increase in 2011. Number of registered employees with National Social Security Fund rose by 7.9 per cent while number of registered employers increased by 9.4 per cent in 2012. The allocation for social protection fund for older persons rose by 51.9 per cent mainly due to increase in monthly cash transfers from KSh 1,500 to KSh 2,000 per household and increase in the number of households from 45,000 to 49,000 in 2012. The budgetary allocation for the Orphans and Vulnerable Children rose by 5.3 per cent.

Employment, Earnings and Consumer Prices

Total employment outside small scale agriculture and pastoralist activities improved from 12,077.7 thousand in 2011 to 12,737.1 thousand registered in 2012. New jobs created in the modern sector increased by 3.1 per cent to 68.0 thousand in the year under review. The informal sector is estimated to have created 591.4 thousand new jobs in 2012 compared to the 587.2 thousand jobs created in 2011. Overall, annual inflation rate over the same period declined to 9.4 per cent from 14.0 per cent registered in 2011 largely as a result of better food supply. The nominal wage bill went up from KSh 861,121.6 million in 2011, to KSh 930,072.6 million in 2012, an increase of 8.0 per cent. Average nominal earnings per employee went up by 4.7 per cent in 2012 while real average earnings declined by 4.8 per cent. The private sector wage bill went up by 7.8 per cent from KSh 582,883.0 million in 2011 to KSh 628,181.2 million in 2012. The public sector wage bill went up by 8.5 per cent in 2012, compared to 11.5 per cent in 2011.

Money, Banking and Finance

In 2012 the financial sector grew by 6.5 per cent against 7.8 per cent growth in 2011. Contributing to this growth was mainly the high lending interest rates and other banking charges. Monetary policy in the country focused on achieving and maintaining stability in the general level of prices. In pursuit of this objective, the Central Bank of Kenya (CBK) applied a monetary policy framework that targeted monetary aggregates consistent with the set inflation and growth targets. The Central Bank Rate (CBR) was the main instrument used to signal the direction of monetary policy stance. In response to the monetary policy actions broad money supply M3 increased by 14.1 per cent compared to an increase of 19.1 per cent recorded in the previous period. This expansion was within the targeted growth of 14.9 per cent.

In December 2012, the CBR, the Re-Purchase Order (REPO) rate and the 91-day Treasury Bill (TB) rate dropped substantially lowering to 11.0, 6.85 and 8.25 per cent, respectively. In the same period the interbank rate dropped to 5.89 per cent while commercial banks lending and overdraft interest rates remained high at 18.15 per cent and 17.79 per cent, respectively. Both the average deposits and savings interest rates remained at almost the December 2011 levels standing at 6.80 per cent and 1.60 per cent in December 2012. The interest rate spread narrowed to 11.35 points in December 2012.

There was an overall increase in the liquidity ratio to 42.2 per cent in December 2012

compared to 37.8 per cent in December 2011. During the same period the total domestic credit expanded by 15.4 per cent compared to a 20.8 per cent expansion in December 2011. Domestic credit to the private sector including other public sector expanded at a slower rate of 11.7 per cent in December 2012 compared to an expansion of 30.8 per cent recorded in the previous year. Nairobi Securities Exchange (NSE) 20-Share index went up by 29.0 per cent to 4,133 points in 2012 up from 3,205 points in 2011. The total number of deals in year 2012 decreased by 3.8 per cent to 342,235 from 355,738 in 2011.

Public Finance

In 2012/13, the Government proposed to spend KSh 1,539.5 billion compared to KSh 1,024.7 billion appropriated in 2011/12 on account of outlays related to implementation of the new constitution that provides for fiscal decentralization as well as the continued funding of human capital and infrastructure development. Total recurrent expenditure is expected to stand at KSh 1,079.5 billion, accounting for 70.1 per cent of the total government outlays. In the same period, the total revenue is expected to grow by 24.3 per cent from KSh 781.6 billion in 2011/12 to KSh 971.3 billion in 2012/13.

Total outstanding public debt as at the end of June 2012 stood at KSh 1,517.7 billion out of which domestic borrowing accounted for 50.6 per cent of the total stock of debt. This development signals a complete shift from the trend exhibited previously where external debt has been more prominent than internal debt.

Fiscal management in the local government component of General Government is undergoing fundamental changes as provided in the new constitution, the *Public Financial Management Act* (PFM) 2012 and the *Urban and Cities Act 2011*. Specifically, appointed boards will be responsible for the day to day running of cities, municipalities and urban areas. Total Local Authorities' expenditure is expected to increase from KSh 41.2 billion in 2011/12 to KSh 44.4 billion in 2012/13. Revenue generated by Local Authorities is expected to increase by 15.8 per cent to stand at KSh 19.8 billion in 2012/13. A total of KSh 20.6 billion was earmarked for transfer through the Local Authority Transfer Fund (LATF) mechanism in 2012/13, compared to KSh 17.3 billion transferred in 2011/12.

International Trade and Balance of Payments

In 2012, merchandise trade deficit widened to KSh856,740 million from KSh788,145 million recorded in 2011. The volume of trade expanded by 4.4 per cent compared to a growth of 33.6 per cent in 2011. Expenditure on imports increased by 5.7 per cent, whereas total export earnings increased by a paltry one per cent in the review period. The value of domestic exports declined marginally by one per cent which was more than compensated by a 35.7 per cent increase in the value of re-exports resulting into an increase in total exports from KSh 512.6 billion in 2011 to KSh 517.8 billion in 2012. The major foreign exchange earners in the review period were tea, horticulture, coffee, and articles of apparels and clothing accessories, collectively accounting for 47.0 per cent of the total domestic earnings. On the other hand, the main drivers of the import bill were petroleum oils, capital goods, food products and chemical fertilizers, collectively accounting for 58.4 per cent of the total import bill.

During the review period, the country's balance of payments position improved on account of increased international reserves attributed to the purchases of foreign exchange, loan disbursement by International Monetary Fund (IMF) and a syndicate loan to the government. The current account deteriorated from a deficit of KSh 340.2 billion in 2011 to a deficit of

KSh 359.5 billion in the review period. However, the deficit was compensated by the capital and financial account which registered a surplus of KSh438.0 billion compared to a surplus of KSh 332.6 billion in 2011 due to increased long term and short term loan disbursements.

Agriculture

The long and short rains were erratic with some regions experiencing above normal rains while other parts experienced depressed rainfall. The higher levels of rainfall resulted in an increase in crop production as well as pasture regeneration for livestock. During the period under review, agriculture value added at constant prices increased by 3.8 per cent from KSh 312.0 billion in 2011 to KSh 323.9 billion in 2012. Coffee production increased by 26.7 per cent from 36.3 thousand tonnes in 2010/11 crop year to 49.0 thousand tonnes in 2011/12. In contrast, tea production decreased by 2.2 per cent to stand at 369.4 thousand tonnes in 2012. Sugarcane production increased by 9.7 per cent from 5.3 million tonnes in 2011 to 5.8 million tonnes in 2012. Production of maize and wheat increased by 16.3 and 53.6 per cent to stand at 40.0 million bags and 162.7 thousand tonnes, respectively in 2012. The increased domestic supply of maize resulted in a drop in maize imports from 359.2 thousand tonnes in 2011 to 324.6 thousand tonnes in 2012. The volume of marketed milk decreased to 495.2 million litres in the review period. The quantity of horticulture exports declined by 4.9 per cent to stand at 205.7 thousand tonnes.

Environment and Natural resources

The overall development expenditure on water supplies and related services is expected to increase by 29.8 per cent from KSh 26.5 billion in the financial year (FY) 2011/12 to KSh 34.4 billion in 2012/13. The increase is mainly for construction of large medium size dams for water storage. Forest plantation stocking increased from 121.7 thousand hectares in 2011 to 127.1 thousand hectares in 2012, mainly due to improved forest guarding and enforcement. Total fish landings in the country declined by 1.9 per cent to 146.2 thousand tonnes in 2012 from 149.0 thousand tonnes in 2011. The quantity of minerals produced declined by 14.0 per cent from 1,690.7 thousand tonnes in 2011 to 1,454.8 thousand tonnes in 2012. The population of most wildlife herbivores decreased during the period under review.

Energy

Total import bill of petroleum products dropped by 3.2 per cent from 337.7 billion in 2011 to KSh 326.9 billion in 2012. Similarly, total domestic demand for petroleum products declined by 5.7 per cent from 3,857.9 thousand tonnes in 2011 to 3,638.0 thousand tonnes in 2012. Overall, per capita consumption of energy in terms of oil equivalent declined by 5.7 per cent from 112.9 in 2011 to 106.5 in 2012. International crude oil prices increased by 2.1 per cent from 110.60 US Dollars per barrel in 2011 to an average of 112.97 US Dollars per barrel in 2012 mainly as a result of speculation in the commodity markets, disruption in oil production in South Sudan, Yemen, Syria, and the North Sea. The total electricity generation went up by 3.9 per cent from 7,559.9 GWh in 2011 to 7,851.2 GWh in 2012. Total domestic demand for electricity registered a growth of 2.2 per cent from 6,273.6 million KWh in 2011 to 6,414.4 million KWh in 2012. The number of customers connected under the Rural Electrification Programme (REP) rose by 23.7 per cent from 309,287 customers as at June 2011 to 382,631 customers as at June 2012.

Manufacturing

During the period under review, the manufacturing sector registered a growth rate of 3.1 per which was a slower growth compared to a growth of 3.5 per cent registered in 2011. The sector continued experiencing challenges that included high production costs, high cost of credit, competition from imported goods and also uncertainties related to the 2013 general elections.

Total formal employment in the manufacturing sector increased by 2.3 per cent from 271.5

thousand persons in 2011 to stand at 277.9 thousand persons in 2012. The value of output increased by 2.6 per cent to KSh 1,042.2 billion during the review period. Total value added on the other hand increased by 8.3 per cent from KSh 292.4 billion in 2011 to KSh 316.7 billion in 2012. Industrial credit to the sector increased from KSh 270.8 million to KSh 473.3 million.

Overall, the sector posted mixed performance with majority of the sub-sectors showing some positive growths. Key sub-sectors that registered positive growths included production of tobacco products; motor vehicles, trailers and semi trailers; paper and paper products; basic pharmaceutical products; textiles; leather and related products; electrical equipment and machinery and equipment n.e.c.

The food industry which forms a major component of the sector registered a marginal decline. This was as a result of reduced production of a number of products like processed milk and tea. Sales from Export Processing Zones (EPZ) on the other hand rose by 12.0 per cent to KSh 47.5 billion in 2012 while capital investment in EPZ rose by 28.7 per cent to stand at KSh 34.1 billion in 2012.

Building and Construction

The Building and Construction sector value added grew by 4.8 per cent in 2012, compared to 4.3 per cent recorded in 2011. Total wage employment in the sector increased by 9.9 per cent to 117.8 thousand in 2012. Cement consumption rose by 1.7 per cent from 3,870.9 thousand tonnes in 2011 to 3,937.3 thousand tonnes in 2012. Government expenditure index on roads rose from 397.0 in 2011 to 447.3 in 2012. The Government budgetary allocation to Ministry of Roads is expected to rise by 28.5 per cent to KSh 117.6 billion in the financial year 2012/13. The The Kenya Roads Board (KRB) is expected to disburse to the various roads agencies KSh 24.5 billion in 2012/2013 from KSh 24.1 billion in 2011/12 financial year. The National Housing Corporation (NHC) completed 488 residential units in Nairobi at a cost of KSh 2.0 billion in 2012. Commercial banks loans and advances to the building and construction sector amounted to KSh 69.2 billion in 2012 compared to KSh 50.8 billion in 2011.

Tourism

Receipts accruing to the tourism sector decreased by 1.9 per cent to stand at KSh 96.0 billion in 2012. International visitor arrivals decreased from 1,822.9 thousand in 2011 to 1,710.8 thousand in 2012 due to a slow-down in global economy, especially in the Eurozone, coupled with travel advisories following security concerns.

The number of hotel bed-nights occupied decreased by 2.2 per cent from 7,015.2 thousand in 2011 to 6,860.8 thousand in 2012. The number of visitors to national parks and game reserves decreased from 2,664.1 thousand in 2011 to 2,492.2 thousand in 2012. Similarly, the number of visitors to museums, snake parks and other historical sites registered a 2.2 per cent decline to stand at 824.6 thousand in 2012. However, the number of local and international conferences held in Kenya increased by 11.5 and 6.1 per cent, respectively in 2012.

Transport, Storage and Communi -cations

The Transport and Communication sector posted a slowed performance during the period under review. The sector's total output value grew by 4.4 per cent to KSh 736.6 billion in 2012. Road transport sub-sector accounted for 54.6 per cent of the total value of output. The port of Mombasa recorded 9.9 per cent growth in total throughput handled. Similarly,

the pipeline performance improved notably to register a 14.1 per cent increase in 2012 in total throughput of white petroleum products.

The total commercial passenger traffic and cargo handled at the two major airports dropped by 1.6 and 3.0 per cent, respectively in the year under review as a result of a slow-down in global economy especially in the Eurozone. The Cargo traffic handled increased by 1.4 per cent in 2012. Likewise, revenue earned from freight stream rose by 22.4 per cent. Although passenger journeys increased by 17.5 per cent, revenue from passenger traffic dropped by 23.5 per cent.

The communication sub-sector remained vibrant over the review period buoyed by considerable growth in mobile telephony. The number of mobile telephone subscribers rose from 25.3 million as at 30th June 2011 to 29.7 million as at 30th June 2012, while mobile money transfer subscriptions expanded by 12.1 per cent in the same period.

Governance

In the period under review, the Government continued with implementation of reforms agenda as stipulated in the Constitution of Kenya, 2010. In 2012 the National Police Service Commission (NPSC) appointed the Inspector General of Police and two deputies, one to take charge of the Kenya Police Service and and the other Administration Police Service. A Director of Criminal Investigation Department was also appointed during the same period. In addition, Independent Electoral and Boundaries Commission (IEBC) conducted voter registration in readiness for the 2013 General elections in line with the new Constitution and the devolved system of Government. Reforms in the Judiciary included appointment of High Court Judges and vetting of Judges and Magistrates who were in office before the promulgation of the new constitution.

The total number of crimes reported to the Police increased by 2.8 per cent from 75,733 in 2011 to 77,852 in 2012. Similarly the number of reported offenders went up from 82,052 in 2011 to 83,853 in 2012. Prison population dropped by 20.3 per cent from 247,166 in 2011 to 196,911 in 2012. The number of magistrates and judges went up by 33.6 per cent from 425 in 2011 to 568 in 2012.The number of police officers increased to 42,586 from 39,719, an increase of 7.2 per cent. The total number of cases handled by the Ethics and Anti Corruption Commission (EACC) declined by 51.0 per cent from 7,326 in 2011 to 3,592 in 2012. The number of court cases filed declined from 347,322 in 2011 to 345,241 in 2012. The number of children cases handled increased by 19.1 per cent from 16,047 in 2011 to 19,118 in 2012.The number of passports issued and aliens registered declined from 182,313 and 27,225 in 2011 to 170,686 and 25,455 in 2012, respectively. The number of the entry permits issued increased from 9,233 in 2011 to 10,511 in 2012. While the number of entry permits renewed declined from 9,820 to 8,391 in the same period. A total of 2,282,378 identity cards were processed in 2012.

Outlook

The prospects of a stable macroeconomic environment look promising in the 2013. So far inflation and interest rates seem to be headed to levels supportive of desirable economic growth. Oil prices were relatively higher during the first quarter of 2013 compared to the same quarter in 2012. The prices rose moderately in February but have since been easing and therefore not likely to exert much pressure on the inflation if the Kenya shilling remains stable against major world currencies. Having gone through a peaceful electioneering period, the political climate also looks suitable of maintaining a conducive environment for economic activities to thrive.

Though the onset of long rains delayed slightly, weather forecast by the Kenya Meteorological Department (KMD) point to a likelihood of sufficient rains. Given that the first quarter of the

year experienced better weather conditions than 2012, the country is likely to post better growth in activities of agriculture, electricity and water supply. The weather might therefore be favourable for expansions in these sectors if the short rains will at least be normal. The activities of financial intermediation are likely to remain upbeat on account of a stable macroeconomic environment. Manufacturing is likely to sustain a growth path similar to that of 2012 given its reliance on Agriculture, Electricity and Financial intermediation sectors. Hotels and restaurants could benefit from a resurgence of international visitor arrivals on account of improved global economic growth. Other sectors are likely to record growth levels attained in 2012.

The world real trade is projected to grow by 4.7 per cent in 2013 compared to a growth of 2.8 per cent in 2012. If this happens, the external demand is likely to improve on account of this recovery and therefore support Kenya's export growth. Domestically, the government final consumption is likely to grow substantially as county governments take shape while the new government implements its policies. Private consumption is also likely to rise substantially as market and business confidence builds up.

Table 0: Key Economic and Social Indicators 2008 – 2012[1]

	DESCRIPTION	Unit	2008	2009	2010	2011	2012*	
1	Population	(Million)	36.7	37.7	38.5	39.5	40.7	
2	Growth of GDP at Constant Prices	(Per cent)	1.5	2.7	5.8	4.4	4.6	
3	GDP at Market Prices :	(KSh Mn)	2,107,589.4	2,366,984.2	2,553,733.0	3,048,867.0	3,440,115.0	
4	Total cost of petroleum products	(KSh Mn)	199,799.2	160,192.5	200,780.0	337,749.0	326,921.5	
5	Trade balance	(KSh Mn)	-425,705.0	-443,148.0	-537,412.0	-788,145.0	-856,740.0	
6	Money Supply (M3)	(KSh Mn)	901,055.0	1,045,657.0	1,271,638.0	1,514,152.0	1,727,324.0	
7	Total domestic credit	(KSh Mn)	836,901.0	978,319.0	1,267,940.0	1,532,051.0	1,767,757.0	
8	Balance of Payments (current account balance)	(KSh Mn)	-132,904.8	-124,139.9	-187,677.3	-340,179.0	-359,463.0	
9	Coffee-marketed production	('000 tonnes)	38.7	48.9	38.9	30.0	46.1	
10	Tea-marketed production	('000 tonnes)	345.8	304.2	399.0	377.9	369.4	
11	Fresh Horticultural Produce exports	('000 tonnes)	193.2	180.7	228.3	216.2	205.7	
12	Maize-marketed centrally	('000 tonnes)	340.5	191.0	294.6	405.8	387.3	
13	Wheat-marketed centrally	('000 tonnes)	82.1	123.1	190.2	100.9	155.0	
14	Sugar-cane production	('000 tonnes)	5,112.0	5,610.7	5,695.1	5,307.3	5,822.6	
15	Milk sold centrally	(Mn litres)	398.5	466.5	515.7	549.0	495.2	
16	Manufacturing output	(KSh Mn)	742,160.1	770,370.2	842,506.3	1,015,542.0	1,042,181.0	
17	Construction output	(KSh Mn)	223,175.9	265,755.5	289,024.0	319,731.0	352,542.0	
18	Cement Consumption	('000 tonnes)	2,205.8	2,671.2	3,104.8	3,870.9	3,937.3	
19	Petroleum Consumption	('000 tonnes)	3,133.2	3,610.8	3,765.7	3,857.9	3,638.0	
20	Electricity consumption	(GWh)	5,352.2	5,428.7	5,754.7	6,273.6	6,414.4	
21	Tourism earnings	(KSh Mn)	52,710.0	62,500.0	73,700.0	97,890.0	96,020.0	
22	New registration of vehicles	(Number)	121,831.0	161,813.0	196,456.0	205,841.0	173,044.0	
23	Rail freight	('000 tonnes)	1,628.0	1,532.0	1,572.0	1,596.0	1,619.0	
24	Air passengers handled	('000) No.	6,376.0	6,888.2	7,516.4	8,721.7	8,583.8	
25	Wage employment	('000) No.	1,905.6	1,959.0	2,016.2	2,084.1	2,149.0	
26	Education-primary enrolment	('000) No.	8,563.8	8,831.4	9,381.2	9,857.9	9,970.9	
27	Education-secondary enrolment	('000) No.	1,335.9	1,472.6	1,653.4	1,767.7	1,914.8	
28	Education-University enrolment	('000) No.	122.8	177.5	177.6	198.3	240.6	
29	Education-other post secondary enrolment (TIVET+TTC)	('000) No.	109.6	107.3	111.1	133.7	158.4	
31	Registered doctors and dentists	(Number)	7,597.0	7,659.0	8,027.0	8,479.0	9,077.0	
32	GDP Per capita (Current):	(KSh)	57,350.0	62,743.0	66,376.0	77,098.0	84,624.0	
33	GDP Per capita (Constant):	(KSh)	36,933.0	36,962.0	38,346.0	38,941.0	39,607.0	
34	Net lending/borrowing (% of GDP) at Current Market Prices	(Per cent)	-5.1	-4.9	-5.9	-4.8	-10.3	
35	Net lending/borrowing	(KSh Mn)	-106,972.1	-114,941.7	-151,644.8	-145,927.1	-354,664.4	
36	Recurrent Revenue and Grants	(KSh Mn)	498,895.4	574,135.1	673,269.7	781,627.8	971,325.3	
37	Total Expenditure	(KSh Mn)	679,390.1	741,763.0	872,793.4	990,044.8	1,282,088.3	
38	External Debt Service Charge as % of GDP[2]	(Per cent)	1.1	1.0	1.3	1.0	1.0	
39	External Debt Service as % of Exports of Goods & Services	(Per cent)	4.2	4.2	4.6	3.6	3.7	
	INDEX NUMBERS							2008-2012 Annual % rate of change
	Export volumes: (2009=100)		100.4	100.0	91.8	114.0	113.0	3.0
	Import volumes: (2009=100)		75.5	100.0	95.3	106.0	111.0	10.1
	Terms of trade		76.2	100.0	88.1	84.1	82.8	2.1
	NSE 20 Share: (1966=100)		3521.0	3247.0	4433.0	3205.0	4133.0	4.1
	Consumer Price Index+		92.4	102.1	106.3	121.2	132.5	9.4
	Real wages		100.6	95.9	95.9	88.1	83.3	-4.6
	Agriculture terms of trade: (2001 =100)		65.0	66.6	65.9	55.7	53.8	-4.6

* Provisional.

[1] More precise measures are given in individual chapters.

[2] Year ending 30th June

+ Weighted New Kenya Index (Feb 2009 = 100)

Chapter 1

International Scene

Overview

The global economic recovery slowed in 2012 against a backdrop of a recession in the Euro Area and an unexpected reduction in economic activities of many emerging market economies. There was slowed growth and uncertainty in advanced economies which also affected performance in emerging markets and developing economies. Fiscal consolidation and a weakened financial system in the advanced economies contributed to their weak performance. The real world Gross Domestic Product (GDP) was estimated to have increased by 3.2 per cent in 2012 compared to 3.9 per cent in 2011.

1.2. The reduced economic growth led to slowed world trade which expanded by 2.8 per cent in 2012 compared to 6.0 per cent in 2011. Oil prices increased in the year under review despite subdued demand globally, mainly due to instability in the Middle East. The Murban crude oil prices averaged US$ 112.9 per barrel in 2012 compared to US$ 110.6 in 2011.

1.3. The crisis in the Euro Area continued to intensify in 2012 with concerns that countries would not meet the required fiscal and structural adjustments to support growth. Real GDP growth in the region was estimated to have contracted by 0.4 per cent in 2012 compared to an expansion of 1.5 per cent in 2011.

1.4. In emerging markets and developing economies, growth was slowed down by weaker demand from advanced economies. Sub-Saharan Africa's real GDP expanded by 5.3 per cent in 2012 compared to 5.2 per cent recorded in 2011, primarily supported by growing demand.

1.5. In 2013, the economic recovery is projected to remain at the 2012 levels but with disparities across regions and countries. In the UK, growth is projected to improve by 0.9 per cent. Economic growth in the USA, Japan and Euro Area is projected to slow by 2.0, 0.7 and negative 0.1 per cent respectively. However, growth in the East African Community (EAC) and the Southern Africa Development Community (SADC) economic blocks are projected to improve moderately.

Regional Economic Analysis

Organization of Economic Co-operation and Development

1.6. Table 1.1 presents the estimates and projections of key economic indicators for the Organization of Economic Co-operation and Development (OECD) and some other selected countries. Growth in the OECD economies slowed by 1.4 per cent in 2012 compared to an increase of 1.8 per cent in 2011. The slowed performance was attributed to subdued domestic demand as a result of the Euro Area crisis.

Table 1.1: Key Economic Indicators and Projections for Selected OECD Countries, 2010-2014

	2010	2011*	2012*	2013[1]	2014[1]
World Real GDP Growth**	**5.1**	**3.9**	**3.2**	**3.5**	**4.1**
World Trade Growth[2]	**12.8**	**6.0**	**2.8**	**4.7**	**6.8**
Real GDP Growth	Percentage Change				
United States	2.4	1.8	2.2	2.0	2.8
United Kingdom	1.8	0.9	-0.1	0.9	1.6
Japan	4.5	-0.7	1.6	0.7	0.8
Euro Area	1.9	1.5	-0.4	-0.1	1.3
Total OECD	**3.0**	**1.8**	**1.4**	**1.4**	**2.3**
Inflation[3] (GDP Deflator)	Percentage Change				
United States	1.3	2.1	1.8	1.8	1.9
United Kingdom	2.8	2.7	2.1	1.7	1.7
Japan	-2.2	-2.1	-0.9	-0.5	0.7
Euro Area	0.8	1.2	1.2	1.3	1.0
Total OECD	**1.4**	**1.8**	**1.6**	**1.6**	**1.8**
Current Account Balances	Percentage Change				
United States	-3.0	-3.1	-3.0	-3.0	-3.2
United Kingdom	-2.5	-1.9	-3.3	-3.5	-3.1
Japan	3.7	2.1	1.1	1.2	1.5
Euro Area	0.5	0.5	1.4	1.9	2.2
Total OECD	**-0.4**	**-0.7**	**-0.6**	**-0.6**	**-0.6**
Unemployment Rate	Percentage Change				
United States	9.6	8.9	8.1	7.8	7.5
United Kingdom	7.9	8.1	8.0	8.3	8.0
Japan	5.1	4.6	4.4	4.4	4.3
Euro Area	9.9	10.0	11.1	11.9	12.0
Total OECD	**8.3**	**8.0**	**8.0**	**8.2**	**8.0**

Source: OECD Economic Outlook No. 92

* Revised

* Provisional

** World Economic Outlook Sept 2012 & Jan 2013

[1] Projections

[2] World Trade growth rate is the arithmetic average of world merchandise import and export volumes

[3] USA; price index for personal consumption expenditure, Japan; consumer price index and the Euro area; harmonised index of consumer prices

Assumptions Underlying Projections

The cut-off date for information used in the projections is 15 November 2012.

The projections assume unchanged exchange rates from those prevailing on 13 November 2012.

1.7. Unemployment rate in the OECD remained at 8.0 per cent in 2012. This is projected to worsen slightly by 0.2 percentage points in 2013. Despite the measures taken to address unemployment, structural imbalances and subdued global recovery led to low demand levels thereby constraining job creation. However, unemployment rate variations existed within the OECD countries in 2012. Inflation eased from 1.8 per cent in 2011 to 1.6 per cent in 2012.

United States of America

1.8. The USA's real GDP growth rate improved by 2.2 per cent in 2012 compared to 1.8 per cent recorded in 2011. This growth was mainly supported by moderate increase in private consumption. However, growth in business investment slowed in the face of uncertainty on the fiscal outlook. Drought-related losses in farm output and disruptions from hurricane Sandy were other factors that constrained growth.

1.9. Inflation was estimated to have eased by 0.3 percentage points to 1.8 per cent in 2012. Similarly, current account deficit as a percentage of GDP narrowed marginally by 3.0 per cent in 2012. This was mainly due to significant reductions in the volume of exports and imports as a result of a weakened global economy.

United Kingdom

1.10. In the United Kingdom, the effects of reduced external demand due to economic slowdown in the Euro Area led to a contraction of 0.1 per cent of the real GDP in 2012 compared to a growth of 0.9 per cent in 2011. The slowed external demand contributed to worsening of the current account balance from a deficit of 1.9 per cent in 2011 to a deficit of 3.3 per cent in 2012. Despite a depreciation of the Sterling Pound, the volume of exports did not increase significantly. The level of unemployment declined marginally by 8.1 per cent in 2011 compared to 8.0 per cent in 2012, mainly supported by an increase in the number of part-time jobs.

Japan

1.11. The Japanese economy recorded an improved real GDP growth of 1.6 per cent in 2012. The growth was mainly experienced during the first quarter of 2012, which was attributed to significant reconstruction spending arising from the destruction caused by the 2011 Great East Japan Earthquake and Tsunami. During the second quarter of 2012, recovery stalled due to a slowdown in exports occasioned by persistent strengthening of the Yen. Domestic demand also slowed thereby adversely affecting economic growth. The current account surplus narrowed by 1.1 per cent of the GDP in 2012.

Euro Area

1.12. In the Euro Area, real GDP growth declined by 0.4 per cent in 2012 compared to a growth of 1.5 per cent in 2011. Despite improved financial market conditions and accommodative monetary policies, the effect on economic activity and raising consumer demand was not immediate. The slowdown in business activity effectively worsened the unemployment rate from 10.0 per cent in 2011 to 11.1 per cent in 2012.

Emerging Markets and Developing Economies

1.13. The emerging markets and developing economies' contribution to the world real GDP declined by 5.3 per cent in 2012 in comparison to 6.2 per cent in 2011. Activity in these economies was slowed by policy tightening and weaker demand from the advanced economies.

1.14. Real GDP growth in Brazil decelerated by 1.5 per cent compared to a deceleration of 2.7 per cent in 2011. This was attributed to suppressed domestic and external demands. Inflation eased from 6.6 per cent in 2011 to 5.3 per cent in 2012 as a result of falling interest rates and reduction in energy costs.

1.15. China's real GDP grew by 7.5 per cent in 2012 compared to 9.3 per cent in 2011, the slowest in a decade. This was attributed to a weak export market growth and government measures to contain inflation and stabilize property prices.

1.16. India's economy grew at a reduced rate of 4.4 per cent in 2012 compared to 6.9 per cent in 2011. This may be explained by reduced external and domestic demands. The contraction in exports was more than compensated by reduction in imports resulting to a narrowing current account deficit of 4.2 per cent of real GDP in 2011 compared to 3.2 per cent in 2012.

1.17. In Russia, the global economic weakening, political uncertainty surrounding the elections and the continuation of the Euro Area crisis resulted in slowed growth rate of 3.4 per cent in 2012. Investment growth weakened as strong credit growth and other energy exporters dampened the overall growth impact.

Association of South Eastern Asia Nations (ASEAN)

1.18. The recent growth in some emerging markets and developing economies in particular ASEAN-5[1] and MENA[2] was supported by continued strengthening of commodity prices and strong credit growth but with some political stability risks in the latter. As shown in Table 1.2 the real GDP growth for ASEAN-5 increased by 5.4 per cent in 2012 compared to 4.5 per cent in 2011. Thailand experienced an economic rebound in 2012 emanating from reconstruction and investment after the devastating floods in October 2011. Inflation for this region declined from 5.9 per cent in 2011 to 4.0 per cent in 2012. The current account surplus as a percentage of GDP narrowed by 0.6 per cent in 2012 compared to 2.9 per cent in 2011.

Sub-Saharan Africa

1.19. As shown in Table 1.2, real GDP growth in Sub-Saharan Africa (SSA) accelerated slightly from 5.2 per cent in 2011 to 5.3 per cent in 2012. Despite the sluggish global economy, economic conditions in SSA remained generally robust. During the review period, drought in many Sahel[3] countries and political instability in Mali and Guinea-Bissau undermined economic activity. Inflation in SSA improved from 10.1 per cent in 2011 to 8.0 per cent in 2012. The current account deficit, as a percentage of GDP, in the SSA worsened from 2.0 per cent in 2011 to 3.1 per cent in 2012.

East African Community

1.20. The East African Community's (EAC) real GDP remained constant at 5.5 per cent in 2012. Inflation in the EAC countries improved significantly from 20.1 per cent in 2011 to 8.5 per cent in 2012. This was as a result of food and fuel prices easing up, following a surge during 2011. The easing of inflation was particularly noticeable within the region with Uganda, Kenya and Tanzania recording rates of 7.1 per cent, 9.4 per cent and 11.1 per cent, respectively in 2012. The significant drop of inflation was aided by monetary policy tightening and improved weather conditions.

Southern African Development Community

1.21. The real GDP of the Southern African Development Community (SADC) remained constant at 3.9 per cent in 2012. Consumer prices in 2012 eased to 6.8 per cent from 8.1 per cent in 2011, while the current account deficit as a percentage of GDP deteriorated from 2.5 per cent in 2011 to 3.8 per cent in 2012. There was a deepening of trade and other linkages within SADC brought about by the expansion of investment within the region.

1 Includes Indonesia, Malaysia, Philippines, Thailand and Vietnam

2 Includes Algeria, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Saudi Arabia, Syria, Tunisia and United Arab Emirates

3 3 The Sahel countries include Senegal, Mauritania, Mali, Burkina Faso, Niger, Nigeria, Chad, Sudan, Somalia, Ethiopia and Eritrea.

Maghreb

1.22. The 2011 Arab uprising resulted in severe disruption of economic activities in the Maghreb region. This affected investment and Foreign Direct Investment (FDI) inflows that were exacerbated by capital flight and diminished tourism earnings. However, there was resurgence of stability which brought about a rebound of real GDP growth from a contraction of 1.9 per cent in 2011 to an expansion of 19.0 per cent in 2012. Inflation rose from 4.0 per cent in 2011 to 6.4 per cent in 2012. The current account balance as a percentage of GDP improved from a surplus of 2.2 per cent in 2011 to a surplus of 4.4 per cent in 2012.

Table 1.2: Real GDP Growths, Consumer Prices and Current Account Balances for Selected Regions and Countries

	Real GDP Growth				Consumer Prices				Current Account Balances (Per cent of GDP)			
	2010	2011	2012*	2013[1]	2010	2011	2012*	2013[1]	2010	2011	2012*	2013[1]
BRICS[2]												
Brazil	7.6	2.7	1.5	4.0	5.0	6.6	5.3	5.3	-2.2	-2.1	-2.5	-2.7
Russia[3]	4.3	4.3	3.4	3.8	6.9	8.4	5.0	6.4	4.8	5.3	4.6	2.7
India	10.5	7.8	4.5	5.9	12.0	8.9	9.3	8.3	-3.2	-3.5	-3.7	-3.1
Indonesia	6.2	6.5	6.2	6.3	5.1	5.4	4.3	4.9	0.7	0.2	-2.5	-3.2
China	10.4	9.3	7.5	8.5	3.2	5.5	2.6	1.5	4.0	2.8	2.9	2.9
South Africa	2.9	3.1	2.6	3.3	4.3	5.0	5.6	5.4	-2.8	-3.3	-5.7	-6.1
Sub-Saharan Africa	**5.3**	**5.2**	**5.3**	**5.3**	**7.2**	**10.1**	**8.0**	**6.9**	**-1.3**	**-2.0**	**-3.1**	**-3.5**
EAC	**6.3**	**5.5**	**5.5**	**6.1**	**4.2**	**20.1**	**8.5**	**7.4**	**-8.1**	**-11.4**	**-11.1**	**-10.6**
Kenya	5.8	4.4	4.6	5.6	4.5	14.0	9.4	7.0	-6.5	-11.2	-10.5	-8.6
Tanzania	7.0	6.4	6.5	6.8	5.6	19.8	11.1	9.6	-9.3	-13.7	-15.4	-13.4
Uganda	6.1	5.1	4.2	5.7	3.1	27.0	7.1	5.0	-10.2	-11.4	-11.0	-11.7
Rwanda	7.2	8.6	7.7	7.5	0.2	8.3	6.3	5.9	-5.9	-7.3	-9.8	-9.9
Burundi	3.8	4.2	4.2	4.5	4.1	14.9	14.7	8.4	-9.4	-11.4	-11.4	-10.7
SADC	**3.9**	**3.9**	**3.9**	**4.2**	**6.0**	**8.1**	**6.8**	**6.3**	**-1.9**	**-2.5**	**-3.8**	**-4.3**
WAEMU	**4.6**	**1.2**	**5.4**	**5.6**	**3.5**	**3.0**	**3.3**	**3.4**	**-5.2**	**-4.0**	**-7.4**	**-5.9**
CEMAC	**5.2**	**4.8**	**5.5**	**4.3**	**2.7**	**4.4**	**4.3**	**3.8**	**-3.2**	**-0.5**	**-1.7**	**-2.7**
ASEAN-5	**6.9**	**4.5**	**5.4**	**5.8**	**4.4**	**5.9**	**4.0**	**4.3**	**3.3**	**2.9**	**0.6**	**0.2**
Indonesia	6.2	6.5	6.0	6.3	5.1	5.4	4.4	5.1	0.7	0.2	-2.1	-2.4
Malaysia	7.2	5.1	4.4	4.7	1.7	3.2	2.0	2.4	11.1	11.0	7.5	6.9
Philippines	7.6	3.9	4.8	4.8	3.8	4.7	3.5	4.5	4.5	3.1	3.0	2.6
Thailand	7.8	0.1	5.6	6.0	3.3	3.8	3.2	3.3	4.1	3.4	-0.2	0.1
Vietnam	6.8	5.9	5.1	5.9	9.2	18.7	8.1	6.2	-4.1	0.2	0.3	-0.9
Maghreb	**3.5**	**-1.9**	**19.0**	**6.0**	**3.1**	**4.0**	**6.4**	**3.6**	**4.4**	**2.2**	**4.4**	**2.9**
Algeria	3.3	2.4	2.6	3.4	3.9	4.5	8.4	5.0	7.5	10.0	6.2	6.1
Libya	3.7	-59.7	121.9	16.7	2.5	15.9	10.0	0.9	19.8	1.3	21.8	10.3
Mauritania	5.1	4.0	5.3	6.9	6.3	5.7	5.9	6.1	-8.7	-7.5	-23.6	-13.9
Morocco	3.7	4.9	2.9	5.5	1.0	0.9	2.2	2.5	-4.3	-8.0	-7.9	-5.4
Tunisia	3.1	-1.8	2.7	3.3	4.4	3.5	5.0	4.0	-4.8	-7.3	-7.9	-7.7
Mashreq	**4.9**	**1.8**	**2.0**	**3.0**	**9.6**	**10.0**	**8.2**	**9.8**	**-3.6**	**-4.9**	**-6.0**	**-5.4**
Egypt	5.1	1.8	2.0	3.0	11.7	11.1	8.6	10.7	-2.0	-2.6	-3.4	-3.3
Jordan	2.3	2.6	3.0	3.5	5.0	4.4	4.5	3.9	-7.1	-12.0	-14.1	-9.9
Lebanon	7.0	1.5	2.0	2.5	4.5	5.0	6.5	5.7	-9.6	-14.0	-16.2	-15.6
Syria[4]	3.4	-	-	-	4.4	-	-	-	-3.3	-	-	-

Source: September 2012 World Economic Outlook and Regional Economic Outlook - Various Issues) & OECD Economic Outlook 92 database

* Provisional

[1] Projections

[2] BRICS includes Brazil, Russia, India, Indonesia, China and South Africa

[3] Assumptions for Russia's Projections: Projections for 2012-2014 are based on the non-oil deficit in per cent of GDP.

[4] Data for Syria are excluded for 2011 and later due to its uncertain political situation.

SADC - Southern African Development Community ; WAEMU - West African Economic and Monetary Union; CEMAC - Economic & Monetary Union of Central Africa ; ASEAN -5 comprise of Indonesia, Thailand, Malyasia, Phillipines and Vietnam.

Outlook

1.23. There are variances to the projected performance of various countries and regions. Growths in advanced economies are projected to generally stagnate while emerging and developing economies will expand marginally. The global real GDP growth is projected to

rise to 3.5 per cent in 2013.

1.24. The Euro Area is projected to remain in or at near recession in 2013 with real GDP growth projected at negative 0.1 per cent. This is in anticipation of continued readjustments in the private sector and lag in policy effects on improving output growth.

1.25. Output in the United States of America is projected to increase moderately in 2013 and maintain the trend thereafter. USA's real GDP growth is forecast to average 2.0 per cent in 2013. The financial markets are expected to promote consumption growth in 2013.

1.26. In Japan, growth in real GDP is expected to expand by 0.7 per cent in 2013 while the renewed recession is expected to be short-lived. This is because the effects of temporary factors, such as the car subsidy and disruptions to trade with China, will subside.

1.27. In Brazil, real GDP is projected at 4.0 per cent in 2013 mainly supported by strong monetary and fiscal stimulus. Increased demand due to hosting of international sports events will boost investment for the next couple of years. India's GDP growth is projected to improve to 6.5 per cent in 2013 while inflation is likely to ease to 7.7 per cent during the same period.

1.28. China's real GDP growth rate is projected to improve to 8.5 per cent in 2013 while the current account surplus is likely to remain at 2.9 per cent of the GDP. Banks are expected to lower interest rates for first-time house buyers as the demand increases for housing. As the market interest rates fall and credit availability improves, the business investments will increase and inflation will ease. However, growth in China is expected to be adversely affected by a weaker than expected recovery in OECD economies.

1.29. Real GDP growth for Russia is projected to accelerate in 2013 and 2014 at 3.8 per cent and 4.1 per cent, respectively. The current account surplus will diminish slowly as domestic demand outpaces output while inflation will gradually fall.

1.30. In the ASEAN-5, real GDP is projected to grow by 5.8 per cent, while the current account surplus as a percentage of GDP is likely to deteriorate to 0.2 per cent in 2013. Inflation rate is projected to increase by 4.3 per cent in 2013.

1.31. The SSA region's economic growth is projected to remain constant at 5.3 per cent in 2013. In many low-income countries, strong domestic demand is expected to support growth. Consumer prices are projected to decrease slightly to 6.9 per cent in 2013 while the current account deficit as percentage of GDP is expected to deteriorate to about 3.5 per cent.

Chapter 2

Domestic Economy

Overview

Economic conditions improved in 2012 resulting in 4.6 per cent real Gross Domestic Product (GDP) growth compared to 4.4 per cent in 2011. Increase in domestic demand supported by an expansionary fiscal stance with modest credit growth boosted the performance. Macroeconomic variables remained generally stable, although a surge in inflation during 2011 prompted tightening of monetary policy stance up to mid 2012. Activities accelerated in Agriculture, Wholesale and retail trade and, Transport and communication which, respectively, accounted for 17.6, 15.2 and 10.8 per cent to the overall GDP growth.

2.2. All sectors of the economy recorded positive growth, though expansions were moderate. Electricity supply, Financial services and, Wholesale and retail trade grew strongly, recording 12.6, 6.5 and 6.4 per cent, respectively. Improved rainfall and its link to increased generation of hydro electric power, which is cheaper than thermal electricity, accounted for the high value added created in the electricity industry.

2.3. Average annual inflation eased from annual average of 14.0 per cent in 2011 to 9.4 per cent in 2012, partly reflecting better harvests occasioned by favourable weather conditions and tightening of monetary policy during the first half of 2012.

2.4. Price stability was the main focus of monetary policy in 2012. The Central Bank Rate (CBR) was maintained at 18.0 per cent level up to June 2012 and gradually eased the tightening to 11.0 per cent in November 2012 as the pressure on inflation reduced. Domestic credit expanded at a slower pace occasioned by decelerated credit to private sector from 30.8 per cent in 2011 to 10.8 per cent in 2012.

2.5. Labour market condition generally remained stable resulting in a modest employment growth of 5.5 per cent compared to 5.8 per cent in 2012 and 2011, respectively. Informal employment continued to dominate in the share of new jobs accounting for 89.7 per cent of new total jobs created, in the review period. In the modern sector, 68.0 thousand new jobs were created supported mainly by increased activity in the Construction, Information and Communication and, Education activities. Total annual average earnings in the economy rose by 24.8 per cent in the period between 2008 and 2012 with public sector recording a rise of 39.4 per cent compared to 18.7 per cent growth in private sector.

2.6. The trade deficit widened further in 2012 to stand at KSh 856.7 billion compared to a deficit of KSh 788.1 billion in 2011, reflecting rising both imports and slower export growth. The development resulted in further deterioration of export-import ratio from 38.8 per cent in 2011 to 37.7 per cent in 2012. Net Capital inflows improved resulting in a surplus of KSh 306.3 billion in 2012 in the capital and financial account. The growth is partly attributable to increased capital flows supported by investment in infrastructure projects.

2.7. Government gross operational balance is expected to widen further from a deficit of KSh 51.4 billion in 2011/12 to a deficit of KSh 152.1 billion in 2012/13. The increased demand

for funds for the implementation of Vision 2030 development goals, the devolution process as well as the March 2013 general elections against shortfall in targeted revenue are expected to form the critical ingredients in the fiscal deficit.

Sectoral Analysis

Agriculture

2.8. The Agricultural sector recorded growth of 3.8 per cent in 2012 compared to a growth of 1.5 per cent in 2011. However, performances of individual subsectors varied significantly mainly on account of erratic long rains across the ecological zones. The overall marketed production increased by 3.9 per cent from KSh 331,812.8 million in 2011 to KSh 344,591.5 million in 2012. Increased production was witnessed in key crops like coffee, maize, sugar cane and wheat while horticulture, tea and pyrethrum recorded decline in production. Coffee production increased by 53.7 per cent though the international prices were unfavourable. The decline in international prices more than offset the effect of increased marketed production resulting in 13.8 per cent contraction in earnings.

2.9. On the other hand, the marketed value for tea increased marginally by 0.1 per cent due to better prices but low production volumes which declined by 2.25 per cent. Production of tea was affected by adverse weather conditions characterized by frost attack in some of the tea growing regions coupled with drought experienced in the first quarter of the year under review. The value of marketed maize production increased by 29.6 per cent on the account of higher marketed volumes buoyed with rising prices paid to farmers for the crop in 2012 compared to 2011, while beans production increased by 42.0 per cent.

2.10. The marketed production of livestock and its products increased in the year under review with all the subsectors recording growths. Despite the increase in marketed production, volume of milk delivered to processors decreased from 549 million litres in 2011 to 495.2 million litres in 2012.

Manufacturing

2.11. The sector grew by 3.1 per cent in 2012 compared to 3.4 per cent in 2011with the food and non food subsectors growing by 3.6 per cent and 2.8 per cent, respectively. The growth in the food subsector was influenced by increased production of meat and meat products, vegetable oil and fats; and grain milling products. There was however decline in production of processed tea, milk and bakery products.

2.12. The growth of manufacturing of non food subsector was mainly attributed to increased production in cement, paper and paper products, rubber and plastic products and the fabricated metal products. The slower growth in the subsector was attributed to a reduction in output of refined petroleum products processed at KPRL and changes in international oil prices.

Transport and Communication

2.13. The transport and communication sector registered a growth of 4.0 per cent in 2012 compared to 4.7 per cent growth in 2011. The transport and storage subsector recorded a slower growth of 3.1 per cent in 2012 compared to 4.9 per cent in 2011.The Communication subsector registered a growth of 5.3 per cent in 2012 compared to 4.3 per cent in 2011.

2.14. The total number of newly registered motor vehicles recorded a decline of 15.9 per cent from 205,841 in 2011 to 173,044 in 2012. The decline was attributed to a drop in the registration of motor and auto cycles and a decreased demand for three wheelers by the commercial operators.

2.15. The total quantity of imports and exports handled at the port of Mombasa registered an upward trend of 10.6 and 9.2 per cent respectively in 2012.This increase resulted from increase in imports of both dry general and bulk cargo. On the other hand, growth in exports was attributed to increased export of dry general cargo. Aviation was negatively affected by sluggish global economic recovery especially the ongoing Euro zone crisis. This led to a decline in both passenger, cargo and mail traffic by 1.6 per cent 3.0 per cent and 27.8 per cent, respectively in the year under review. Cargo traffic decline was due to reduced demand for fresh produce and flower exports from major European markets.

2.16. The growth in the Communication subsector is mainly attributed to improved growth in the mobile telephony and internet markets that recorded a growth of 17.4 and 37.1 per cent respectively during the review period. The mobile money transfer service recorded an upward growth of 12.1 per cent in 2012, a lower growth compared to 64.2 per cent growth in 2011. Generally, the mobile telephony market, which has taken over most of the market share of other subsectors of the Information and Communication sector such as the postal services, continued to thrive, recording an increased market penetration rate from 65.6 per cent in 2011 to 75.4 per cent during the review period, representing a subscriber base of 29.7 million in 2012 up from 25.3 million subscriber base in the previous year.

Financial Intermediation

2.17. Significant institutional innovations continue to increase the significance of this sector in the economic development of the country. During the year under review, the sector recorded a slower growth of 6.5 per cent in 2012 compared to 7.8 per cent in 2011.This performance was due to a declined growth in credit from 30.8 per cent in 2011 to 10.8 per cent in 2012 following the tightening of the monetary policy stance in 2011. Broad money supply (M3) grew by 14.1 per cent in 2012 compared to 19.1 per cent in 2011 which was attributed to slowdown in growth of Net Domestic Assets (NDA).

Electricity and Water

2.18. During the year under review, the sector recorded an overall growth of 10.3 per cent compared to a decline 2.6 per cent in 2011. In particular, electricity supply registered an increase of 12.6 per cent in 2012 compared to a contraction of 4.4 per cent in the previous year with hydro generation recording a significant increase of 21.6 per cent to contribute 50.7 per cent of the total electricity generation. Total demand for electricity recorded a growth of 2.2 per cent from 6,273.6 million KWh in 2011 to 6,414.4 million KWh in 2012.

Construction

2.19. This sector recorded a growth of 4.8 per cent in 2012 compared to a growth of 4.3 per cent in 2011. Cement consumption, a key input in the construction industry, increased by 1.7 per cent from 3,870.9 thousand metric tonnes in 2011 to 3,937.3 metric tonnes in 2012. Commercial banks loans and advances to the sector grew by 36.2 per cent during the period under review. Total government expenditure on roads increased from KSh 91.5 billion in 2011/2012 to KSh 117.6 billion in 2012/2013.

Hotels and Restaurants

2.20. The sector expanded by 2.6 per cent in 2012 compared to 4.9 per cent in 2011.The decelerated growth was attributed to the decline in the number of tourist arrivals and earnings. The number of hotel bed nights contracted by 2.2 per cent in 2012 to reach 6,860.8 thousand. There was a significant decrease in hotel occupancy by residents of European countries due to the Euro crisis and the international visitors' perception and security concerns associated with the 2013 general elections.

Gross Domestics Product by Activity

2.21. Composition of GDP in terms of gross value added created by various sectors of the economy is presented in Table 2.1 while the share contributions are provided in Table 2.2. The nominal GDP at market prices expanded from KSh 3,049 billion in 2011 to KSh 3,440 billion in 2012 representing a growth of 12.8 per cent. On the other hand, a measure of GDP excluding net taxes on products, represented as "all industries at basic prices", increased from KSh 2,695 billion in 2011 to KSh 3,042 billion 2012.

2.22. Agriculture continues to be the mainstay of the economy with an estimated GDP share of 25.9 per cent in 2012. The other leading sectors include, Wholesale and Trade, Transport and Communication and, Manufacturing, which accounted for 10.2, 9.3 and 9.2, respectively.

Table 2.1: Gross Domestic Product by Activity*, 2008- 2012

Current Prices - KSh Million

Industry	2008	2009	2010	2011	2012*
Agriculture and forestry	470,753	555,288	545,849	725,024	892,410
Growing of crops and horticulture	345,841	399,474	405,265	545,599	616,243
Farming of animals	99,697	127,704	109,535	144,804	235,127
Agricultural and animal husbandry services	8,764	9,571	10,861	12,298	16,092
Forestry and logging	16,452	18,539	20,188	22,323	24,949
Fishing	9,450	9,903	14,637	15,091	16,313
Mining and quarrying	14,930	12,083	17,650	21,153	23,610
Manufacturing	228,304	234,556	252,122	292,401	316,683
Manufacture of food, beverages and tobacco	65,123	75,615	79,162	97,053	104,093
All other manufacturing	163,181	158,941	172,960	195,348	212,590
Electricity and water supply	43,767	44,185	35,443	32,250	47,198
Electricity supply	31,136	28,866	17,677	11,548	23,165
Water supply	12,631	15,318	17,766	20,702	24,033
Construction	80,407	97,445	109,232	125,132	141,569
Wholesale and retail trade, repairs	214,022	233,001	260,869	320,917	350,058
Hotels and restaurants	23,745	39,421	42,546	50,517	56,337
Transport and communication	216,052	234,752	257,039	303,258	321,110
Transport and storage	159,296	172,244	192,626	237,335	249,621
Post and telecommunications	56,756	62,508	64,413	65,923	71,489
Financial intermediation	97,806	128,732	143,471	193,044	177,592
Real estate, renting and business services	107,323	116,657	123,162	134,733	146,303
Dwellings, owner occupied and rented	53,338	58,291	61,598	65,098	68,803
Renting and business services	53,985	58,366	61,564	69,634	77,500
Public administration and defence	106,431	118,662	141,960	152,445	186,263
Education	132,229	142,235	158,687	176,416	188,360
Health and social work	51,591	60,196	64,738	74,237	81,834
Other community, social and personal services	71,586	79,423	84,598	96,734	108,614
Private households with employed persons	8,207	10,171	11,217	13,227	15,114
Less: Financial services indirectly measured	-18,231	-25,762	-21,652	-31,787	-27,758
All industries at basic prices	**1,858,371**	**2,090,948**	**2,241,570**	**2,694,791**	**3,041,610**
Taxes less subsidies on products	249,218	276,036	312,164	354,075	398,505
GDP at market prices	**2,107,589**	**2,366,984**	**2,553,733**	**3,048,867**	**3,440,115**

Institutional sector and industry	2008	2009	2010	2011+	2012*
Corporations, non-profit institutions and households					
Agriculture and forestry	462,799	546,797	536,256	714,202	878,257
Fishing	9,450	9,903	14,637	15,091	16,313
Mining and quarrying	14,930	12,083	17,650	21,153	23,610
Manufacturing	228,304	234,556	252,122	292,401	316,683
Electricity and water supply	41,156	41,178	31,778	28,065	42,613
Construction	78,996	95,948	107,464	123,054	139,321
Wholesale and retail trade, repairs	214,022	233,001	260,869	320,917	350,058
Hotels and restaurants	23,745	39,421	42,546	50,517	56,337
Transport, and communication	211,830	230,058	252,724	299,726	317,304
Financial intermediation	97,806	128,732	143,471	193,044	177,592
Dwellings, owner occupied and rented	53,338	58,291	61,598	65,098	68,803
Other real estate and business services	53,939	58,316	61,504	69,558	77,457
Education	16,050	15,622	18,061	20,088	21,340
Health and social work	27,243	33,525	34,920	38,805	42,153
Other community, social and personal services	66,953	74,341	78,852	89,648	100,903
Private households with employed persons	8,207	10,171	11,217	13,227	15,114
Less: Financial services indirectly measured	-18,231	-25,762	-21,652	-31,787	-27,758
Total value added at basic prices	**1,590,535**	**1,796,182**	**1,904,018**	**2,322,809**	**2,616,099**
General government					
Agriculture and forestry	7,954	8,491	9,593	10,822	14,153
Water supply	2,611	3,007	3,666	4,185	4,585
Construction	1,411	1,497	1,768	2,078	2,249
Transport, and communication	4,222	4,694	4,315	3,531	3,806
Research and technical services	46	50	60	76	43
Public administartion and defence	106,431	118,662	141,960	152,445	186,263
Education	116,179	126,613	140,626	156,328	167,020
Health and social work	24,349	26,671	29,818	35,432	39,681
Other services	4,633	5,082	5,746	7,086	7,711
Total value added at basic prices	**267,836**	**294,766**	**337,552**	**371,982**	**425,511**

* Provisional

+ Revised

Table 2.2 Gross Domestic Product by Activity*, 2008-2012

Per cent Contributions to GDP

Industry	2008	2009	2010	2011	2012*
Agriculture and forestry	22.3	23.5	21.4	23.8	25.9
Growing of crops and horticulture	16.4	16.9	15.9	17.9	17.9
Farming of animals	4.7	5.4	4.3	4.7	6.8
Agricultural and animal husbandry services	0.4	0.4	0.4	0.4	0.5
Forestry and logging	0.8	0.8	0.8	0.7	0.7
Fishing	0.4	0.4	0.6	0.5	0.5
Mining and quarrying	0.7	0.5	0.7	0.7	0.7
Manufacturing	10.8	9.9	9.9	9.6	9.2
Manufacture of food, beverages and tobacco	3.1	3.2	3.1	3.2	3.0
All other manufacturing	7.7	6.7	6.8	6.4	6.2
Electricity and water supply	2.1	1.9	1.4	1.1	1.4
Electricity supply	1.5	1.2	0.7	0.4	0.7
Water supply	0.6	0.6	0.7	0.7	0.7
Construction	3.8	4.1	4.3	4.1	4.1
Wholesale and retail trade, repairs	10.2	9.8	10.2	10.5	10.2
Hotels and restaurants	1.1	1.7	1.7	1.7	1.6
Transport and communication	10.3	9.9	10.1	9.9	9.3
Transport and storage	7.6	7.3	7.5	7.8	7.3
Post and telecommunications	2.7	2.6	2.5	2.2	2.1
Financial intermediation	4.6	5.4	5.6	6.3	5.2
Real estate, renting and business services	5.1	4.9	4.8	4.4	4.3
Dwellings, owner occupied and rented	2.5	2.5	2.4	2.1	2.0
Renting and business services	2.6	2.5	2.4	2.3	2.3
Public administration and defence	5.0	5.0	5.6	5.0	5.4
Education	6.3	6.0	6.2	5.8	5.5
Health and social work	2.4	2.5	2.5	2.4	2.4
Other community, social and personal services	3.4	3.4	3.3	3.2	3.2
Private households with employed persons	0.4	0.4	0.4	0.4	0.4
Less: Financial services indirectly measured	-0.9	-1.1	-0.8	-1.0	-0.8
All industries at basic prices	**88.2**	**88.3**	**87.8**	**88.4**	**88.4**
Taxes less subsidies on products	11.8	11.7	12.2	11.6	11.6
GDP at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Institutional sector and industry					
Corporations, non-profit institutions and households	75.5	75.9	74.6	76.2	76.0
General government	12.7	12.5	13.2	12.2	12.4

*Provisional

+ Revised

Table 2.3: Gross Domestic Product by Activity*, 2008-2012

Constant 2001 Prices - KSh Million

Industry	2008	2009	2010	2011	2012*
Agriculture and forestry	307,354	299,431	318,586	323,415	335,785
Growing of crops and horticulture	211,302	200,700	215,851	215,733	225,103
Farming of animals	81,389	83,914	87,834	92,619	95,051
Agricultural and animal husbandry services	3,627	3,639	3,620	3,639	3,759
Forestry and logging	11,036	11,158	11,281	11,424	11,872
Fishing	5,363	5,564	5,713	5,891	6,093
Mining and quarrying	6,453	6,163	6,763	7,244	7,545
Manufacturing	135,291	137,060	143,263	148,198	152,735
Manufacture of food, beverages and tobacco	40,928	41,810	43,214	43,908	45,501
All other manufacturing	94,363	95,250	100,049	104,289	107,234
Electricity and water supply	31,341	30,397	33,292	32,430	35,773
Electricity supply	23,575	22,348	24,999	23,888	26,907
Water supply	7,766	8,049	8,293	8,542	8,866
Construction	43,735	49,270	51,492	53,728	56,314
Wholesale and retail trade, repairs	138,044	143,460	154,942	166,186	176,874
Hotels and restaurants	13,298	18,993	19,796	20,775	21,322
Transport and communication	161,615	171,994	182,181	190,654	198,234
Transport and storage	96,333	100,205	107,131	112,408	115,875
Post and telecommunications	65,283	71,789	75,050	78,245	82,359
Financial intermediation	51,659	55,375	60,379	65,095	69,349
Real estate, renting and business services	73,503	75,674	78,089	80,888	83,583
Dwellings, owner occupied and rented	37,420	38,947	40,548	42,228	43,991
Renting and business services	36,083	36,728	37,541	38,660	39,592
Public administration and defence	45,317	46,031	47,085	48,271	49,584
Education	80,771	82,952	86,651	90,836	95,102
Health and social work	30,035	31,352	31,786	32,892	34,008
Other community, social and personal services	50,829	52,156	53,507	55,952	57,753
Private households with employed persons	4,256	4,342	4,428	4,517	4,607
Less: Financial services indirectly measured	-10,484	-11,945	-11,260	-11,843	-11,729
All industries at basic prices	**1,168,382**	**1,198,270**	**1,266,694**	**1,315,126**	**1,372,932**
All industries excl. agriculture and forestry	861,027	898,839	948,108	991,711	1,037,147
Taxes less subsidies on products	188,882	196,117	208,607	224,785	237,153
GDP at market prices	**1,357,263**	**1,394,387**	**1,475,302**	**1,539,912**	**1,610,084**

Institutional sector and industry	2008	2009	2010	2011+	2012*
Corporations, non-profit institutions and households					
Agriculture and forestry	303,802	295,834	315,063	319,890	332,211
Fishing	5,363	5,564	5,713	5,891	6,093
Mining and quarrying	6,453	6,163	6,763	7,244	7,545
Manufacturing	135,291	137,060	143,263	148,198	152,735
Electricity and water supply	29,918	28,953	31,875	31,047	34,361
Construction	37,798	42,809	44,622	46,175	48,165
Wholesale and retail trade, repairs	138,044	143,460	154,942	166,186	176,874
Hotels and restaurants	13,298	18,993	19,796	20,775	21,322
Transport, and communication	155,877	165,511	175,302	182,734	190,801
Financial intermediation	51,659	55,375	60,379	65,095	69,349
Dwellings, owner occupied and rented	37,420	38,947	40,548	42,228	43,991
Other real estate and business services	35,457	36,073	36,881	37,985	38,911
Education	11,290	9,713	10,018	10,770	11,138
Health and social work	18,664	19,687	19,614	20,420	21,067
Other community, social and personal services	48,304	49,715	51,286	53,610	55,378
Private households with employed persons	4,256	4,342	4,428	4,517	4,607
Less: Financial services indirectly measured	-10,484	-11,945	-11,260	-11,843	-11,729
Total value added at basic prices	**1,022,413**	**1,046,355**	**1,109,233**	**1,150,922**	**1,202,817**
General government					
Agriculture and forestry	3,553	3,597	3,523	3,525	3,574
Water supply	1,423	1,444	1,417	1,383	1,412
Construction	5,936	6,461	6,870	7,553	8,149
Transport, and communication	5,738	6,483	6,879	7,919	7,433
Research and technical services	626	655	660	674	682
Public administartion and defence	45,317	46,031	47,085	48,271	49,584
Education	69,481	73,239	76,633	80,065	83,963
Health and social work	11,371	11,665	12,173	12,472	12,941
Other services	2,525	2,441	2,221	2,342	2,376
Total value added at basic prices	**145,969**	**152,015**	**157,462**	**164,204**	**170,115**

* Provisional

+ Revised

Table 2.4 Growth rates of Gross Domestic Product+, 2008-2012

Percentage Changes

Industry	2008	2009	2010	2011	2012*
Agriculture and forestry	-4.1	-2.6	6.4	1.5	3.8
Growing of crops and horticulture	-7.2	-5.0	7.5	-0.1	4.3
Farming of animals	4.1	3.1	4.7	5.4	2.6
Agricultural and animal husbandry services	-1.0	0.9	-1.1	0.5	3.3
Forestry and logging	0.9	1.1	1.1	1.3	3.9
Fishing	-13.2	3.8	2.7	3.1	3.4
Mining and quarrying	2.9	-4.5	9.7	7.1	4.1
Manufacturing	3.5	1.3	4.5	3.4	3.1
Manufacture of food, beverages and tobacco	-1.8	2.2	3.4	1.6	3.6
All other manufacturing	6.0	0.9	5.0	4.2	2.8
Electricity and water supply	5.3	-3.0	9.5	-2.6	10.3
Electricity supply	6.1	-5.2	11.9	-4.4	12.6
Water supply	2.9	3.6	3.0	3.0	3.8
Construction	8.2	12.7	4.5	4.3	4.8
Wholesale and retail trade, repairs	4.8	3.9	8.0	7.3	6.4
Hotels and restaurants	-36.1	42.8	4.2	4.9	2.6
Transport and communication	3.0	6.4	5.9	4.7	4.0
Transport and storage	0.1	4.0	6.9	4.9	3.1
Post and telecommunications	7.8	10.0	4.5	4.3	5.3
Financial intermediation	2.7	7.2	9.0	7.8	6.5
Real estate, renting and business services	3.7	3.0	3.2	3.6	3.3
Dwellings, owner occupied and rented	4.0	4.1	4.1	4.1	4.2
Renting and business services	3.4	1.8	2.2	3.0	2.4
Public administration and defence	0.6	1.6	2.3	2.5	2.7
Education	5.9	2.7	4.5	4.8	4.7
Health and social work	3.6	4.4	1.4	3.5	3.4
Other community, social and personal services	2.9	2.6	2.6	4.6	3.2
Private households with employed persons	2.0	2.0	2.0	2.0	2.0
Less: Financial services indirectly measured	-13.9	13.9	-5.7	5.2	-1.0
All industries at basic prices	**1.1**	**2.6**	**5.7**	**3.8**	**4.4**
All industries excl. agriculture and forestry	3.0	4.4	5.5	4.6	4.6
Taxes less subsidies on products	4.4	3.8	6.4	7.8	5.5
GDP at market prices	**1.5**	**2.7**	**5.8**	**4.4**	**4.6**
Institutional sector and industry					
Corporations, non-profit institutions and households	1.0	2.3	6.0	3.8	4.5
General government	1.8	4.1	3.6	4.3	3.6

* Provisional

+ Revised

Table 2.5 Sources of Growth+, 2008-2012

Percentages

Industry	2008	2009	2010	2011	2012*
Agriculture and forestry	-64.0	-21.3	23.7	7.5	17.6
Growing of crops and horticulture	-80.1	-28.6	18.7	-0.2	13.4
Farming of animals	15.8	6.8	4.8	7.4	3.5
Agricultural and animal husbandry services	-0.2	0.1	0.0	0.0	0.2
Forestry and logging	0.5	0.3	0.2	0.2	0.6
Fishing	-4.0	0.5	0.2	0.3	0.3
Mining and quarrying	0.9	-0.8	0.7	0.7	0.4
Manufacturing	22.6	4.8	7.7	7.6	6.5
Manufacture of food, beverages and tobacco	-3.6	2.4	1.7	1.1	2.3
All other manufacturing	26.2	2.4	5.9	6.6	4.2
Electricity and water supply	7.7	-2.5	3.6	-1.3	4.8
Electricity supply	6.6	-3.3	3.3	-1.7	4.3
Water supply	1.1	0.8	0.3	0.4	0.5
Construction	16.3	14.9	2.7	3.5	3.7
Wholesale and retail trade, repairs	30.8	14.6	14.2	17.4	15.2
Hotels and restaurants	-36.8	15.3	1.0	1.5	0.8
Transport and communication	23.4	28.0	12.6	13.1	10.8
Transport and storage	0.3	10.4	8.6	8.2	4.9
Post and telecommunications	23.1	17.5	4.0	4.9	5.9
Financial intermediation	6.6	10.0	6.2	7.3	6.1
Real estate, renting and business services	12.9	5.8	3.0	4.3	3.8
Dwellings, owner occupied and rented	7.1	4.1	2.0	2.6	2.5
Renting and business services	5.8	1.7	1.0	1.7	1.3
Public administration and defence	1.4	1.9	1.3	1.8	1.9
Education	22.1	5.9	4.6	6.5	6.1
Health and social work	5.2	3.5	0.5	1.7	1.6
Other community, social and personal services	6.9	3.6	1.7	3.8	2.6
Private households with employed persons	0.4	0.2	0.1	0.1	0.1
Less: Financial services indirectly measured	8.3	-3.9	0.8	-0.9	0.2
All industries at basic prices	60.7	80.5	84.6	75.0	82.4
All industries excl. agriculture and forestry	124.7	101.9	60.9	67.5	64.7
Taxes less subsidies on products	39.3	19.5	15.4	25.0	17.6
GDP at market prices	100.0	100.0	100.0	100.0	100.0

*Provisional

+ Revised

2.23. Table 2.3 shows the estimated values of GDP by activity at constant 2001 prices, which focuses on volume estimates of Gross Value Added created by industries as well as GDP. The corresponding growth rates are provided in Table 2.4 while the industry/sectoral contribution to the overall GDP growth is presented in Table 2.5. Agriculture and forestry sector recorded the highest contribution to the GDP growth in 2012 accounting for 17.6 per cent of the overall economic performance which reflected a recovery from adverse weather in 2011. The activities with the least impact on total growth included, Fishing and Mining and Quarrying activities.

Table 2.6: Annual production accounts by industry*, 2008-2012

Current Prices - KSh Million

Industry	2008	2009	2010	2011	2012*
Agriculture and forestry					
Output at basic prices	619,369	687,188	699,763	906,554	1,017,203
Intermediate consumption	148,616	131,901	153,914	181,530	124,793
Gross value added at basic prices	470,753	555,288	545,849	725,024	892,410
Compensation of employees	55,615	64,009	70,262	73,669	90,305
Gross operating surplus/mixed income	415,138	491,279	475,587	651,356	802,105
Fishing					
Output at basic prices	12,601	13,204	19,516	20,122	21,751
Intermediate consumption	3,150	3,301	4,879	5,030	5,438
Gross value added at basic prices	9,450	9,903	14,637	15,091	16,313
Compensation of employees	1,260	1,320	1,952	2,012	2,175
Gross operating surplus/mixed income	8,190	8,583	12,686	13,079	14,138
Mining and quarrying					
Output at basic prices	22,989	20,666	27,019	31,317	33,787
Intermediate consumption	8,059	8,584	9,369	10,164	10,177
Gross value added at basic prices	14,930	12,083	17,650	21,153	23,610
Compensation of employees	6,543	5,803	7,552	9,065	9,818
Gross operating surplus/mixed income	8,387	6,280	10,098	12,088	13,792
Manufacturing					
Output at basic prices	742,160	770,370	842,506	1,015,542	1,042,181
Intermediate consumption	513,856	535,815	590,384	723,141	725,498
Gross value added at basic prices	228,304	234,556	252,122	292,401	316,683
Compensation of employees	62,828	74,988	83,472	95,780	111,377
Gross operating surplus/mixed income	165,476	159,568	168,650	196,622	205,306
Electricity and water					
Output at basic prices	70,765	81,829	79,306	92,962	107,143
Intermediate consumption	27,018	37,644	43,863	60,712	59,945
Gross value added at basic prices	43,767	44,185	35,443	32,250	47,198
Compensation of employees	14,381	17,379	20,564	21,040	20,574
Gross operating surplus/mixed income	29,386	26,806	14,879	11,210	26,624
Construction					
Output at basic prices	223,176	265,755	289,024	319,731	352,542
Intermediate consumption	142,769	168,311	179,792	194,599	210,972
Gross value added at basic prices	80,407	97,445	109,232	125,132	141,569
Compensation of employees	17,722	21,061	24,310	28,720	33,842
Gross operating surplus/mixed income	62,685	76,384	84,922	96,412	107,728
Wholesale and retail trade, repairs					
Output at basic prices	466,904	508,590	569,554	700,801	764,119
Intermediate consumption	252,883	275,589	308,684	379,884	414,061
Gross value added at basic prices	214,022	233,001	260,869	320,917	350,058
Compensation of employees	107,318	134,765	156,567	185,146	192,235
Gross operating surplus/mixed income	106,704	98,236	104,302	135,771	157,823
Hotels and restaurants					
Output at basic prices	75,119	122,970	132,696	157,807	176,120
Intermediate consumption	51,374	83,549	90,151	107,290	119,782
Gross value added at basic prices	23,745	39,421	42,546	50,517	56,337
Compensation of employees	12,092	20,191	21,803	26,001	29,014
Gross operating surplus/mixed income	11,653	19,230	20,743	24,516	27,323
Transport and communication					
Output at basic prices	523,880	544,522	608,728	705,585	733,729
Intermediate consumption	307,829	309,770	351,688	402,328	412,619
Gross value added at basic prices	216,052	234,752	257,039	303,258	321,110
Compensation of employees	94,205	102,714	121,773	142,651	152,895
Gross operating surplus/mixed income	121,847	132,038	135,267	160,607	168,215
Financial intermediation					
Output at basic prices	147,654	182,699	224,919	285,968	271,494
Intermediate consumption	49,848	53,967	81,448	92,924	93,903
Gross value added at basic prices	97,806	128,732	143,471	193,044	177,592
Compensation of employees	45,759	55,553	63,843	78,249	87,311
Gross operating surplus/mixed income	52,047	73,180	79,628	114,795	90,281

* Provisional

+ Revised

Table 2.6: Cont'd

Current Prices - KSh Million

Industry	2008	2009	2010	2011	2012*
Real estate and business services					
Output at basic prices	131,398	142,725	150,468	165,114	179,783
Intermediate consumption	24,075	26,068	27,307	30,381	33,480
Gross value added at basic prices	107,323	116,657	123,162	134,733	146,303
Compensation of employees	29,189	31,585	33,423	37,894	41,992
Gross operating surplus/mixed income	78,134	85,072	89,739	96,839	104,311
Public administration and defence					
Output at basic prices	165,884	187,043	222,478	254,977	293,538
Intermediate consumption	59,454	68,381	80,518	102,532	107,275
Gross value added at basic prices	106,431	118,662	141,960	152,445	186,263
Compensation of employees	82,369	91,806	112,632	119,709	150,223
Gross operating surplus/mixed income	24,062	26,856	29,327	32,736	36,041
Education					
Output at basic prices	164,537	182,510	204,364	223,827	244,441
Intermediate consumption	32,308	40,275	45,676	47,411	56,081
Gross value added at basic prices	132,229	142,235	158,687	176,416	188,360
Compensation of employees	113,727	121,971	136,316	152,331	162,539
Gross operating surplus/mixed income	3,395	3,789	4,138	4,619	5,086
Health and social work					
Output at basic prices	74,446	86,469	91,711	107,433	123,973
Intermediate consumption	22,854	26,272	26,974	33,195	42,139
Gross value added at basic prices	51,591	60,196	64,738	74,237	81,834
Compensation of employees	37,073	40,904	44,107	51,983	58,355
Gross operating surplus/mixed income	14,519	19,293	20,630	22,254	23,479
Other community, social and personal services					
Output at basic prices	117,906	131,587	140,586	161,413	181,283
Intermediate consumption	38,113	41,992	44,771	51,452	57,555
Gross value added at basic prices	79,793	89,594	95,815	109,962	123,728
Compensation of employees	35,605	40,529	43,773	50,794	57,132
Gross operating surplus/mixed income	44,189	49,065	52,042	59,168	66,596
Less: Financial services indirectly measured					
Intermediate consumption	18,231	25,762	21,652	31,787	27,758
Gross value added at basic prices	-18,231	-25,762	-21,652	-31,787	-27,758
All industries at basic prices					
Output at basic prices	3,558,809	3,928,128	4,302,638	5,149,152	5,543,086
Intermediate consumption	1,700,438	1,837,180	2,061,068	2,454,361	2,501,476
Gross value added at basic prices	1,858,371	2,090,948	2,241,570	2,694,791	3,041,610
Other taxes on production	5,487	6,837	12,189	7,997	9,085
Less: Subsidies	-36	-39	0	0	0
Compensation of employees	715,685	824,578	942,349	1,075,044	1,199,785
Gross operating surplus/mixed income	1,137,235	1,259,572	1,287,031	1,611,751	1,832,740
Total economy					
Output at basic prices	3,558,809	3,928,128	4,302,638	5,149,152	5,543,086
Taxes on products	249,218	276,036	312,164	354,075	398,505
Intermediate consumption	1,700,438	1,837,180	2,061,068	2,454,361	2,501,476
GDP at market prices	2,107,589	2,366,984	2,553,733	3,048,867	3,440,115
Taxes on production and imports	254,705	282,873	324,353	362,072	407,590
Less: Subsidies	-36	-39	0	0	0
Compensation of employees	715,685	824,578	942,349	1,075,044	1,199,785
Gross operating surplus/mixed income	1,137,235	1,259,572	1,287,031	1,611,751	1,832,740

* Provisional

+ Revised

Expenditure on GDP

2.24. Tables 2.7 and 2.8 present the components of Expenditure on GDP at current prices and their shares, respectively. Private final consumption expenditure continues to be the largest expenditure components in the Gross Domestic Expenditure and accounted for 77.3 per cent of GDP in 2012. Gross Fixed Capital Formation (GFCF) is the only expenditure component that maintained steady increase in GDP share in the past five years rising from 19.4 per cent in 2008 to 20.4 in 2012. The level of GFCF expenditure rose from KSh 609.2 billion to KSh

701.4 billion in the last two consecutive years. Government final consumption expenditure increased from KSh 498.9 billion to KSh 592.4 billion over the same period representing a nominal growth of 18.7 per cent. The gap between the value of imports and exports worsened in 2012 registering excess import value over export worth KSh 591.5 billion.

Table 2.7: Expenditure on the Gross Domestic Product*, 2008-2012

Current Prices - KSh Million

Expenditure category	2008	2009	2010	2011	2012*
Government final consumption expenditure	347,262	383,847	439,667	498,881	592,388
Private final consumption expenditure	1,583,651	1,849,582	1,982,955	2,351,534	2,660,565
Gross fixed capital formation	409,597	465,111	518,538	609,255	701,398
Changes in inventories	-4,120	6,365	-14,015	16,228	-10,346
Gross domestic expenditure	**2,336,390**	**2,704,905**	**2,927,145**	**3,475,898**	**3,944,004**
Exports of goods and services	581,806	571,305	709,209	870,168	939,116
Imports of goods and services	879,821	886,480	1,021,873	1,374,101	1,530,664
Discrepancy [1]	69,214	-22,745	-60,747	76,901	87,658
Gross domestic product at market prices	**2,107,589**	**2,366,984**	**2,553,733**	**3,048,867**	**3,440,115**

[1] Difference between GDP production approach and GDP expenditure approach

* Provisional

+ Revised

Table 2.8: Expenditure on the Gross Domestic Product*, 2008-2012

Percentage Shares

Expenditure category	2008	2009	2010	2011	2012*
Government final consumption expenditure	16.5	16.2	17.2	16.4	17.2
Private final consumption expenditure	75.1	78.1	77.6	77.1	77.3
Gross fixed capital formation	19.4	19.6	20.3	20.0	20.4
Changes in inventories	-0.2	0.3	-0.5	0.5	-0.3
Gross domestic expenditure	**110.9**	**114.3**	**114.6**	**114.0**	**114.6**
Exports of goods and services	27.6	24.1	27.8	28.5	27.3
Imports of goods and services	41.7	37.5	40.0	45.1	44.5
Discrepancy [1]	3.3	-1.0	-2.4	2.5	2.5
Gross domestic product at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

[1] Discrepancy expressed as a percentage of GDP

* Provisional

+ Revised

2.25. Tables 2.9 and 2.10 respectively, provide volume estimates of expenditure components of Gross Domestic Products and their corresponding real growth rates in the last five years. The volume measures which, are based on 2001 prices, show that Government final consumption expenditure increased to KSh 241.6 billion in 2012 from KSh 220.9 billion in 2011, representing 9.3 per cent real growth. The expansion in Private and Government final consumption expenditures accounted for higher contributions in the overall GDP growth during the review period compared to 2011 performance. Gross Fixed Capital Formation increased by 11.5 per cent while Private final consumption expenditure, which constitutes the largest share in GDP, posted an accelerated growth of 5.5.

Table 2.9: Expenditure on the Gross Domestic Product*, 2008-2012

Constant 2001 Prices - KSh Million

Expenditure category	2008	2009	2010	2011	2012*
Government final consumption expenditure	190,254	197,528	209,960	220,929	241,554
Private final consumption expenditure	1,041,750	1,094,202	1,173,376	1,208,531	1,274,569
Gross fixed capital formation	323,762	332,776	358,492	403,551	450,013
Changes in inventories including discrepancy	-7,164	1,117	-7,833	1,455	-6,166
Gross domestic expenditure	**1,548,601**	**1,625,623**	**1,733,995**	**1,834,466**	**1,959,970**
Exports of goods and services	375,245	340,310	399,586	426,047	446,089
Imports of goods and services	552,301	567,756	602,122	696,161	783,226
Discrepancy [1]	-14,283	-3,791	-56,157	-24,440	-12,748
Gross domestic product at market prices	**1,357,263**	**1,394,387**	**1,475,302**	**1,539,912**	**1,610,084**

[1] Difference between GDP production approach and GDP expenditure approach

* Provisional

+ Revised

Table 2.10: Expenditure on the Gross Domestic Product*, 2008-2012

Percentage Change

Expenditure category	2008	2009	2010	2011	2012*
Government final consumption expenditure	2.5	3.8	6.3	5.2	9.3
Private final consumption expenditure	-1.3	5.0	7.2	3.0	5.5
Gross fixed capital formation	9.5	2.8	7.7	12.6	11.5
Changes in inventories[1]	-0.2	0.6	-0.6	0.6	-0.5
Gross domestic expenditure	**1.0**	**5.0**	**6.7**	**5.8**	**6.8**
Exports of goods and services	7.2	-9.3	17.4	6.6	4.7
Imports of goods and services	6.6	2.8	6.1	15.6	12.5
Discrepancy					
Gross domestic product at market prices	**1.5**	**2.7**	**5.8**	**4.4**	**4.6**

[1] Change in changes of inventories as a percentage of GDP of the previous year

* Provisional

+ Revised

2.26. Table 2.11a presents expenditure details of private final consumption at current prices while shares of the expenditure categories are provided in Table 2.11b. The expenditure shares of the listed categories remained fairly stable with food accounting for the largest proportion in total private final consumption. Direct purchase abroad by residents is the only expenditure component that registered a decline in 2012, though its impact in total private consumption was negligible due to its small share. Expenditure by non-residents in Kenya grew to KSh 159.3 billion in the review period compared to KSh 151.0 billion realized during the previous period.

Table 2.11a: Private Consumption*, 2008-2012

Current Prices - KSh Million

Expenditure category	2008	2009	2010	2011	2012*
Food and beverages	738,120	852,877	872,452	1,098,413	1,262,095
Clothing and footwear	44,555	49,451	56,376	56,397	67,920
Housing	124,076	133,952	141,546	155,962	181,163
All other goods	191,094	216,545	256,724	282,604	331,655
All other services	576,848	694,233	770,748	899,234	969,049
Direct purchases abroad	10,150	8,800	7,257	9,880	7,969
Less: Direct purchases by non-res in Kenya	-101,190	-106,277	-122,147	-150,955	-159,286
Total	**1,583,651**	**1,849,582**	**1,982,955**	**2,351,534**	**2,660,565**

* Provisional

+ Revised

Table 2.11b: Private Consumption*, 2008-2012

Percentage Shares

Expenditure category	2008	2009	2010	2011	2012*
Food and beverages	46.6	46.1	44.0	46.7	47.4
Clothing and footwear	2.8	2.7	2.8	2.4	2.6
Housing	7.8	7.2	7.1	6.6	6.8
All other goods	12.1	11.7	12.9	12.0	12.5
All other services	36.4	37.5	38.9	38.2	36.4
Direct purchases abroad	0.6	0.5	0.4	0.4	0.3
Less: Direct purchases by non-res in Kenya	-6.4	-5.7	-6.2	-6.4	-6.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

* Provisional

+ Revised

2.27. The estimated values of Gross Fixed Capital Formation (GFCF) by asset type at current prices and the respective shares are provided in Tables 2.12a and 2.12b. GFCF increased from KSh 609.3 billion in 2011 to 701.4 billion in 2012, representing a nominal growth of 10.4 per cent. Building and structures recorded a share of 43.1 per cent during the review period and continues to hold the largest share in total GFCF.

Table 2.12a: Gross Fixed Capital Formation*, 2008-2012

Current Prices - KSh Million

Type of Asset	2008	2009	2010	2011	2012*
Buildings and structures	190,058	227,624	247,656	273,685	302,122
Transport equipment	73,798	84,830	96,670	102,149	132,332
Other machinery and equipment	144,384	151,300	172,794	231,623	265,127
Cultivated assets	1,279	1,279	1,341	1,718	1,738
Intangible assets	78	78	78	80	80
Total	**409,597**	**465,111**	**518,538**	**609,255**	**701,398**

* Provisional

+ Revised

Table 2.12b: Gross Fixed Capital Formation+, 2008-2012

Percentage Shares

Type of Asset	2008	2009	2010	2011	2012*
Buildings and structures	46.4	48.9	47.8	44.9	43.1
Transport equipment	18.0	18.2	18.6	16.8	18.9
Other machinery and equipment	35.3	32.5	33.3	38.0	37.8
Cultivated assets	0.3	0.3	0.3	0.3	0.2
Intangible assets	0.0	0.0	0.0	0.0	0.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

* Provisional

+ Revised

2.28. Table 2.13a presents estimated volume measures of Gross Fixed Capital Formation by asset type for the period 2008 to 2012 and, the corresponding growth rates are provided in Table 2.13b. Total GFCF increased from KSh 403.6 billion in 2011 to KSh 450.0 billion in 2012 supported by strong growth in transport and other machinery equipments. The two asset types respectively, accounted for 39.4 and 47.3 per cent to the overall GFCF growth.

Table 2.13a: Gross Fixed Capital Formation+, 2008-2012

Constant Prices - KSh Million

Type of Asset	2008	2009	2010	2011	2012*
Buildings and structures	115,760	131,461	137,083	141,884	148,056
Transport equipment	61,603	63,143	68,642	67,794	86,107
Other machinery and equipment	145,139	136,956	151,563	192,596	214,552
Cultivated assets	1,210	1,169	1,158	1,234	1,257
Intangible assets	51	48	46	43	39
Total	**323,762**	**332,776**	**358,492**	**403,551**	**450,013**

* Provisional

+ Revised

Table 2.13b: Gross Fixed Capital Formation+, 2008-2012

Annual Changes

Type of Asset	2008	2009	2010	2011	2012*
Buildings and structures	8.8	13.6	4.3	3.5	4.4
Transport equipment	-16.8	2.5	8.7	-1.2	27.0
Other machinery and equipment	27.7	-5.6	10.7	27.1	11.4
Cultivated assets	-10.7	-3.4	-1.0	6.6	1.9
Intangible assets	-10.3	-5.6	-3.2	-7.3	-7.9
Total	**9.5**	**2.8**	**7.7**	**12.6**	**11.5**

* Provisional

+ Revised

Disposable Income and Savings

2.29. Tables 2.14 and 2.15 highlight the performance of main national accounts aggregate in the past five years. The aggregates include, Gross Domestic Product (GDP) at factor cost and market prices, Gross national Income (GNI), Gross National Disposable Income (GNDI), Per Capita Income and Gross National saving.

2.30. In the past five years, net operating surplus consistently contributed the largest share in the estimated GDP at factor cost. Similarly, Gross National Income (GNI) estimate was

constantly lower than GDP indicating that the economy was a net remitter of primary incomes to the rest of the world. The country remitted KSh 29.6 billion to the rest of world in contrast to a receipt of KSh 15.2 billion in 2012. On the contrary, Kenya is a net recipient of current transfers from the rest of the world resulting in a higher level of GNDI compared to GNI. For instance, in 2012, the economy received a total of KSh 241.1 billion against KSh 3.4 billion payment made to the rest of the world.

2.31. Gross National Disposable Income provides estimated value of income available in the economy for final consumption and gross national saving. GNDI increased by 12.1 per cent in 2012 compared to 20.3 per cent expansion in 2011. During the same period, Final consumption expenditure accounted for KSh 3,253.0 billion of the total GNDI, leaving a balance of KSh 419.1 billion as the gross national saving

Table 2.14: Gross Domestic Product and Gross National Income+, 2008-2012

	2008	2009	2010	2011	2012*
CURRENT PRICES, KSh Million					
Compensation of employees	715,685	824,578	942,349	1,075,044	1,199,785
Consumption of fixed capital	150,180	167,580	180,623	199,060	215,359
Net operating surplus	987,055	1,091,992	1,106,408	1,412,691	1,617,381
Gross domestic product at factor cost	**1,852,920**	**2,084,149**	**2,229,380**	**2,686,795**	**3,032,525**
Taxes on production and imports	254,705	282,873	324,353	362,072	407,590
Subsidies	-36	-39	0	0	0
Gross domestic product at market prices	**2,107,589**	**2,366,984**	**2,553,733**	**3,048,867**	**3,440,115**
Primary incomes					
Receivable from the rest of the world	12,190	12,972	11,428	19,825	15,201
Payable to rest of the world	-15,317	-16,426	-23,125	-25,091	-29,619
Gross national income at market prices	**2,104,462**	**2,363,530**	**2,542,036**	**3,043,600**	**3,425,697**
Current transfers					
Receivable from the rest of the world	167,356	181,107	187,816	241,348	241,064
Payable to rest of the world	-6,091	-3,254	-3,423	-4,121	-3,352
Gross national disposable income	**2,265,727**	**2,541,383**	**2,726,429**	**3,280,827**	**3,663,409**
Per capita, KSh					
Gross domestic product at market prices	57,350	62,743	66,376	77,098	84,624
Gross national income at market prices	57,265	62,652	66,072	76,965	84,269
CONSTANT PRICES					
GDP at market prices, KSh Million	1,357,263	1,394,387	1,475,302	1,539,912	1,610,084
Per capita, KSh	36,933	36,962	38,346	38,941	39,607
- Annual percentage change	-1.0	0.1	3.7	1.6	1.7

* Provisional

+ Revised

Table 2.15: National Disposable Income and Saving*, 2008-2012

Current Prices - KSh Million

	2008	2009	2010	2011	2012*
Disposable income and saving					
Gross national disposable income	**2,265,727**	**2,538,760**	**2,724,501**	**3,280,828**	**3,663,410**
Consumption of fixed capital	150,180	167,580	180,623	199,060	215,359
Net national disposable income	**2,115,548**	**2,371,180**	**2,543,878**	**3,081,768**	**3,448,050**
Final consumption expenditure					
Private	1,583,651	1,849,582	1,982,955	2,351,534	2,660,565
General government	347,262	383,847	439,667	498,881	592,388
Discrepancy on GDP					
Saving, net	184,634	137,751	121,257	231,353	195,098
General government					
All Other serctors					
Financing of capital formation					
Saving, net	184,634	137,751	121,257	231,353	195,098
Capital transfers, receivable from abroad	6,535	20,178	19,030	20,861	19,890
Capital transfers, payable from abroad	0	0	0	0	0
Total	**191,169**	**157,929**	**140,287**	**252,214**	**214,988**
Gross fixed capital formation	409,597	465,111	518,538	609,255	701,398
Consumption of fixed capital	-150,180	-167,580	-180,623	-199,060	-215,359
Changes in inventories	-4,120	6,365	-14,015	16,228	-10,346
Net lending (+) / Net borrowing (-)	-64,128	-145,967	-183,613	-174,209	-260,704
Total	**191,169**	**157,929**	**140,287**	**252,214**	**214,988**
Discrepancy on GDP					
Gross savings	334,814	305,331	301,880	426,283	419,052
Gross savings as a ratio to GDP	15.9	12.9	11.8	14.0	12.2
Gross savings as a ratio to Disposable Income	14.8	12.0	11.1	13.0	11.4

* Provisional

+ Revised

Quarterly Gross Domestic Product

2.32. Tables 2.16 and 2.17 provide a summary of revised of quarterly GDP estimates at constant prices and their respective GDP growth rates. The revised estimates present quarterly series that are reconciled with the annual estimates, hence are consistent with the annual series. The economy expanded by 5.3 per cent in the fourth quarter of 2012 compared to a revised growth of 5.2 growth of a similar quarter in the previous year. Similarly, comparison of quarter to quarter shows that the economy recorded an accelerated growth from 1.7 per cent in the third quarter of 2012 compared to 1.9 per cent in the fourth quarter same year

Table 2.16 Gross domestic product by activity, 2008-2012

Constant 2001 Prices –KSh. Million

Year	Quar-ter	Agricul-ture and forestry	Fishing	Mining and quarrying	Manufac-turing	Electricty and water	Construc-tion	Whole-sale and retail trade	Hotels and restau-rants	Transport and com-munic-ation	Financial interme-diation
2008	1	72,097	1,413	1,466	31,963	7,736	9,125	33,439	2,784	36,948	12,699
	2	69,175	969	1,682	34,002	7,880	11,348	33,326	2,685	39,015	13,023
	3	81,492	1,364	1,754	34,813	7,765	12,456	37,738	4,026	42,869	12,705
	4	84,591	1,617	1,551	34,513	7,959	10,805	33,541	3,804	42,783	13,231
2009	1	70,990	1,405	1,291	33,463	7,931	11,359	32,813	7,194	45,310	13,410
	2	66,276	1,124	1,605	33,695	8,073	12,593	32,625	3,986	40,552	13,732
	3	78,761	1,372	1,645	34,380	7,439	12,585	39,048	4,091	51,403	13,984
	4	83,404	1,663	1,622	35,522	6,954	12,734	38,974	3,721	34,730	14,250
2010	1	75,188	1,460	1,555	35,676	7,681	11,496	26,442	7,126	48,897	14,165
	2	68,405	1,201	1,687	35,463	8,483	13,127	36,586	3,977	42,804	14,737
	3	85,642	1,400	1,745	36,347	8,680	13,296	43,850	4,501	52,976	15,440
	4	89,351	1,652	1,776	35,775	8,448	13,573	48,065	4,191	37,503	16,037
2011	1	75,289	1,475	1,665	37,181	8,040	12,323	28,875	7,521	51,378	15,975
	2	71,193	1,232	1,868	36,440	8,202	13,821	38,869	4,085	44,402	13,938
	3	85,817	1,469	1,872	37,273	7,717	13,782	47,115	4,605	55,129	16,611
	4	91,117	1,716	1,840	37,305	8,471	13,802	51,327	4,564	39,744	16,571
2012	1	76,888	1,509	1,771	37,719	8,918	12,702	30,379	7,761	53,949	16,471
	2	72,607	1,326	1,899	37,207	8,813	13,979	41,570	4,202	45,923	16,832
	3	90,765	1,580	1,893	38,226	8,769	13,811	49,492	4,699	57,126	17,728
	4	95,524	1,679	1,982	39,582	9,273	15,821	55,433	4,659	41,236	18,318

Table 2.16 Gross domestic product by activity, 2008-2012, Cont'd

Constant 2001 Prices – KSh. Millio

Year	Quar-ter	Real estate, renting, business services	Public admi-nistration	Education	Other services	FISIM	All industries at basic prices	All industries excl. agri-culture	Taxes on products	GDP at market prices	GDP, seaso-nally adjusted
2008	1	17,439	11,161	20,133	21,039	-2,685	276,758	204,661	46,126	322,884	331,215
	2	19,960	11,420	20,211	21,192	-2,627	283,261	214,086	43,443	326,704	341,323
	3	19,436	11,385	20,232	21,357	-2,503	306,889	225,397	50,751	357,640	342,888
	4	16,668	11,352	20,195	21,533	-2,669	301,474	216,883	48,562	350,036	341,416
2009	1	18,875	11,281	20,872	21,760	-2,853	295,100	224,109	47,720	342,820	352,489
	2	22,318	11,494	20,646	21,918	-3,004	287,632	221,356	45,168	332,800	347,367
	3	18,178	11,585	20,627	22,042	-3,059	314,081	235,320	50,342	364,423	348,359
	4	16,304	11,671	20,807	22,130	-3,029	301,457	218,053	52,887	354,344	345,976
2010	1	19,630	11,461	21,840	22,213	-2,788	302,043	226,855	45,712	347,755	358,302
	2	22,532	11,746	21,637	22,322	-2,764	301,944	233,539	51,043	352,987	368,491
	3	18,889	11,885	21,561	22,485	-2,811	335,885	250,243	54,931	390,816	372,975
	4	17,038	11,994	21,613	22,701	-2,898	326,822	237,471	56,922	383,744	374,256
2011	1	20,666	11,776	22,580	22,971	-2,922	314,792	239,503	49,710	364,501	376,466
	2	22,925	12,052	22,638	23,227	-2,919	313,974	242,781	51,460	365,434	381,676
	3	19,725	12,176	22,738	23,468	-3,036	346,459	260,642	59,994	406,453	387,537
	4	17,571	12,267	22,879	23,695	-2,966	339,902	248,785	63,622	403,524	392,855
2012	1	21,450	12,119	23,646	23,907	-2,851	326,339	249,451	52,709	379,048	392,247
	2	23,577	12,380	23,719	24,066	-2,849	325,251	252,644	56,082	381,333	398,526
	3	20,509	12,508	23,812	24,172	-2,972	362,118	271,353	62,798	424,916	405,111
	4	18,046	12,577	23,925	24,225	-3,057	359,224	263,700	65,564	424,787	412,658

Table 2.17 Growth Rates in Quarterly Gross domestic product by activity, 2008-2012, Cont'd

Percentage Changes at Constant Prices 2001

Year	Quar-ter	Agricul-ture and forestry	Fishing	Mining and quarrying	Manufac-turing	Electricty and water	Construc-tion	Whole-sale and retail trade	Hotels and restau-rants	Transport and com-munic-ation	Financial interme-diation
2008	1	-5.0	-13.8	5.3	0.7	8.7	5.2	11.7	-49.5	0.0	3.1
	2	0.4	-15.8	7.3	4.2	4.3	14.1	4.1	-43.0	0.5	3.5
	3	-5.1	-12.1	8.7	5.3	3.2	11.4	5.6	-26.5	4.6	0.4
	4	-5.7	-12.0	-8.7	3.8	5.2	1.9	-1.5	-25.7	6.7	3.7
2009	1	-1.5	-0.6	-11.9	4.7	2.5	24.5	-1.9	158.4	22.6	5.6
	2	-4.2	15.9	-4.6	-0.9	2.5	11.0	-2.1	48.5	3.9	5.4
	3	-3.4	0.6	-6.2	-1.2	-4.2	1.0	3.5	1.6	19.9	10.1
	4	-1.4	2.9	4.6	2.9	-12.6	17.8	16.2	-2.2	-18.8	7.7
2010	1	5.9	3.9	20.4	6.6	-3.1	1.2	-19.4	-0.9	7.9	5.6
	2	3.2	6.9	5.1	5.2	5.1	4.2	12.1	-0.2	5.6	7.3
	3	8.7	2.0	6.0	5.7	16.7	5.7	12.3	10.0	3.1	10.4
	4	7.1	-0.7	9.5	0.7	21.5	6.6	23.3	12.6	8.0	12.5
2011	1	0.1	1.0	7.1	4.2	4.7	7.2	9.2	5.5	5.1	12.8
	2	4.1	2.5	10.7	2.8	-3.3	5.3	6.2	2.7	3.7	8.2
	3	0.2	4.9	7.3	2.5	-11.1	3.7	7.4	2.3	4.1	7.6
	4	2.0	3.9	3.6	4.3	0.3	1.7	6.8	8.9	6.0	3.3
2012	1	2.1	2.3	6.4	1.4	10.9	3.1	5.2	3.2	5.0	3.1
	2	2.0	7.7	1.7	2.1	7.4	1.1	6.9	2.9	3.4	5.6
	3	5.8	7.6	1.1	2.6	13.6	0.2	5.0	2.0	3.6	6.7
	4	4.8	-2.1	7.7	6.1	9.5	14.6	8.0	2.1	3.8	10.5

Table 2.17 Growth Rates in Quarterly Gross domestic product by activity, 2008-2012

Year	Quar-ter	Real estate, renting, business services	Public admi-nistration	Education	Other services	FISIM	All industries at basic prices	All industries excl. agri-culture	Taxes on products	GDP at market prices	GDP, season-ally adjusted
2008	1	2.0	-0.9	4.9	3.0	-13.2	0.3	2.3	6.6	1.1	-2.4
	2	12.3	-0.2	6.3	3.0	-15.8	2.8	3.6	-1.5	2.2	3.1
	3	6.2	0.6	6.7	3.1	-17.7	1.7	4.3	8.5	2.6	0.5
	4	-5.8	3.2	5.6	3.2	-8.6	-0.3	1.9	4.0	0.2	-0.4
2009	1	8.2	1.1	3.7	3.4	6.3	6.6	9.5	3.5	6.2	3.2
	2	11.8	0.6	2.1	3.4	14.3	1.5	3.4	4.0	1.9	-1.5
	3	-6.5	1.8	2.0	3.2	22.2	2.3	4.4	-0.8	1.9	0.3
	4	-2.2	2.8	3.0	2.8	13.5	0.0	0.5	8.9	1.2	-0.7
2010	1	4.0	1.6	4.6	2.1	-2.3	2.4	1.2	-4.2	1.4	3.6
	2	1.0	2.2	4.8	1.8	-8.0	5.0	5.5	13.0	6.1	2.8
	3	3.9	2.6	4.5	2.0	-8.1	6.9	6.3	9.1	7.2	1.2
	4	4.5	2.8	3.9	2.6	-4.3	8.4	8.9	7.6	8.3	0.3
2011	1	5.3	2.8	3.4	3.4	4.8	4.2	5.6	8.7	4.8	0.6
	2	1.7	2.6	4.6	4.1	5.6	4.0	4.0	0.8	3.5	1.4
	3	4.4	2.4	5.5	4.4	8.0	3.1	4.2	9.2	4.0	1.5
	4	3.1	2.3	5.9	4.4	2.4	4.0	4.8	11.8	5.2	1.4
2012	1	3.8	2.9	4.7	4.1	-2.4	3.7	4.2	6.0	4.0	-0.2
	2	2.8	2.7	4.8	3.6	-2.4	3.6	4.1	9.0	4.4	1.6
	3	4.0	2.7	4.7	3.0	-2.1	4.5	4.1	4.7	4.5	1.7
	4	2.7	2.5	4.6	2.2	3.1	5.7	6.0	3.1	5.3	1.9

Chapter 3

Social Scene

Overview

During 2012/13 Government expenditure on the social sector continued to rise in response to the demand for basic social services by the population. The rise can be partly attributed to massive investment in the Ministry of Public Health and Sanitation on rural facilities as well as the increases in personal emoluments and the recruitment of new teachers. Staffing and equipping of the county offices could also have contributed to the increase in the social sector expenditure. The total social sector expenditure is expected to increase by 41.1 per cent from KSh 301.0 billion in 2011/12 to KSh 424.7 billion in 2012/13. The combined recurrent expenditure for Ministry of Education and Teachers Service Commission (TSC) is expected to increase by 11.8 per cent while recurrent expenditure for the ministries of Health is expected to grow substantially by 37.4 per cent. Recurrent expenditure in the Ministry of Higher Education, Science and Technology is expected to increase by 44.2 per cent to KSh 58.1 billion in 2012/13. The total development expenditure for the social sector is expected to almost triple to KSh 113.8 billion during the review period.

3.2. The total number of educational institutions rose by 2.4 per cent from 76,264 in 2011 to 78,102 in 2012. The increase may be attributed to the increased demand for education. The number of Teacher Training Colleges rose by 3.8 per cent while the number of Technical, Industrial and Vocational Educational Training (TIVET) institutions grew by 12.1 per cent in 2012. Total enrolment at pre-primary level increased by 35,455 in 2012. Enrolment in primary schools rose from 9.9 million in 2011 to 10.0 million in 2012 while that of secondary schools increased by 8.3 per cent. The total number of teachers in public primary schools grew by 1.1 per cent to 176,243 in 2012. The overall enrolment in TIVET institutions rose by 22.6 per cent while university student enrolment increased by 21.3 per cent during the review period.

3.3. The total number of registered births increased from 746,643 to 754,429 while recorded deaths decreased by 0.3 per cent during the review period. Pneumonia and malaria were the leading killer diseases accounting for 10.9 per cent and 10.8 per cent of the total deaths, respectively. Cancer and AIDS ranked third and fourth, accounting for 6.8 per cent and 5.4 per cent of the total reported deaths, respectively.

3.4. The number of health institutions rose by 4.6 per cent while National Hospital Insurance Fund (NHIF) total receipts from members increased by 9.9 per cent in 2012. NHIF registered members grew by 15.3 per cent while their accrued benefits increased by 4.3 per cent. Number of registered medical personnel rose by 9.3 per cent during the review period. Full Immunization Coverage (FIC) rate for children under one year increased to 85.0 per cent in 2012. Incidence of malaria remained high at 24.0 per cent in 2012 compared to 26.4 per cent in 2011.

3.5. The number of employers registered with the National Social Security Fund (NSSF) increased by 9.4 per cent in 2012 compared to an increase of 16.0 per cent recorded in 2011, while that of registered employees rose by 7.9 per cent in 2012. The budgetary allocation

for the Orphans and Vulnerable Children (OVC) rose by 5.3 per cent while the direct cash disbursement increased by 14.9 per cent during the review period. The allocation for social protection fund for older persons rose by 51.9 per cent mainly due to increase in monthly cash transfers from KSh 1,500 to KSh 2,000 per household and the number of households from 45,000 to 49,000 in the review period.

Social Sector Expenditure

3.6. Table 3.1 presents the Central Government expenditure on social sector services for the period 2008/09 to 2012/13. The total social sector expenditure is expected to increase by 41.1 per cent from KSh 301.0 billion in 2011/12 to KSh 424.7 billion in 2012/13. During the period under review, the gross recurrent expenditure is expected to increase by 21.3 per cent from KSh 256.3 billion in 2011/12 to 310.8 billion in 2012/13. The combined recurrent expenditure for Ministry of Education and TSC is expected to increase by 11.8 per cent from KSh 146.1 billion in 2011/12 to KSh 163.4 billion in 2012/13. The increase may be attributed to salary increase and recruitment of more teachers by the government. During the same period, recurrent expenditure for the Health ministries is expected to grow substantially from KSh 43.0 billion in 2011/12 to KSh 59.1 billion in 2012/13, while that of Ministry of Higher Education, Science and Technology is expected to increase by 44.3 per cent to KSh 58.1 billion in 2012/13.

3.7. The total development expenditure for the social sector is expected to almost triple from KSh 44.6 billion in 2011/12 to KSh 113.8 billion in 2012/13 compared to an increase of 21.3 per cent in the recurrent expenditure. The development budget expenditure for ministries of Health is expected to increase from KSh 20.2 billion in 2011/12 to KSh 32.6 billion in 2012/13. The increase may be attributed to improvements of rural health facilities by the Government. Development expenditure of the Ministry of Education is expected to increase by 10.3 per cent while that of the Ministry of Higher Education, Science and Technology development expenditure is expected to increase by 35.0 per cent in 2012/13.

Table 3.1: Central Government Expenditure on Social Services, 2008/09 - 2012/13

KSh million

	2008/09	2009/10	2010/11	2011/12*	2012/13+
RECURRENT EXPENDITURE-					
Ministry of Education	105,734.5	115,600.3	128,799.9	146,054.5	163,417.0
Ministry of Higher Education, Science and Technology[1]	20,356.2	23,244.7	30,886.8	40,274.0	58,115.6
Ministry of Health[2]	27,689.4	23,097.1	43,829.1	42,952.6	59,149.2
Ministry of Labour and Human Resource Development	999.6	1,137.3	1,817.2	1,780.9	1,560.2
Office of the Vice President and Ministry of Home Affairs	9,522.5	9,357.9	13,769.4	13,494.0	15,146.8
Ministry of Gender, Children and Social Development	1,640.2	2,432.1	4,151.0	4,068.0	5,333.1
Ministry of State for National Heritage and Culture	1,496.4	1,757.7	1,763.9	1,728.6	1,705.0
Minsitry of Youth Affairs and Sports	2,958.3	5,414.8	6,102.6	5,980.6	6,410.3
TOTAL	**170,397.0**	**182,041.9**	**226,105.7**	**256,333.1**	**310,837.3**
DEVELOPMENT EXPENDITURE-					
Ministry of Education	9,021.1	10,652.9	12,642.0	10,408.0	11,481.0
Ministry of Higher Education, Science and Technology[1]	4,767.0	3,432.0	6,063.2	10,298.0	13,897.8
Ministry of Health[2]	6,947.1	3,722.8	28,922.5	20,245.8	32,610.2
Ministry of Labour	399.7	266.3	1,067.0	746.9	1,080.8
Office of the Vice President and Ministry of Home Affairs	1,139.0	1,283.9	1,485.8	1,040.0	1,783.2
Ministry of Gender, Children and Social Development	1,421.4	2,005.5	4,500.2	3,150.2	4,663.0
Ministry of State for National Heritage and Culture	331.6	421.9	631.0	441.7	571.7
Minsitry of Youth Affairs and Sports	3,113.4	4,971.8	4,012.7	2,808.9	4,280.0
TOTAL	**27,140.4**	**26,757.1**	**56,375.6**	**44,637.9**	**113,819.2**
TOTAL EXPENDITURE	**197,537.4**	**208,799.0**	**282,481.3**	**300,971.0**	**424,656.5**

Source: Ministry of Finance

* Provisional

\+ Estimates including supplementaries

1 Expenditure on Youth Polytechnics is included within the Ministry of Youth Affairs and Sports

2 Expenditure is for both Ministry of Medical Services and Ministry of Public Health and Sanitation

3.8. Local Authorities expenditure on social services for the period 2008/09 to 2012/13 is presented in Table 3.2. The total expenditure estimate on social services is expected to increase by 6.7 per cent from KSh 5,347.2 billion in 2011/12 to KSh 5,706.0 billion in 2012/13. Expenditure on education is expected to rise by 6.0 per cent from KSh 1,685.3 million in 2011/12 to KSh 1,785.7 million in 2012/13. Health expenditure is expected to rise substantially by 15.1 per cent to KSh 2,486.4 billion in 2012/13. Over the same period, expenditure on other social services is expected to decline by 4.6 per cent from KSh 1,502.3 million to KSh 1,433.8 million.

Table 3.2: Local Authorities Expenditure on Social Services, 2008/09- 2012/13

KSh million

	2008/09	2009/10	2010/11	2011/12*	2012/13+
Education	1,125.64	1,203.67	1,559.62	1,685.27	1,785.74
Health	1,428.70	1,560.54	2,041.54	2,159.60	2,486.44
Other Social Services..	847.47	892.65	1,348.03	1,502.32	1,433.81
TOTAL EXPENDITURE..	**3,401.81**	**3,656.86**	**4,949.20**	**5,347.19**	**5,705.99**

Source: Ministry of Finance

* Provisional

+ Estimates including supplementaries

Education

3.9. **Expenditure:** Table 3.3 shows the expenditures for the ministries of Education and Higher Education, Science and Technology. The gross expenditure is expected to increase by 19.4 per cent from KSh 207.5 billion in 2011/12 to KSh 247.7 billion in 2012/13. The total recurrent expenditure is also expected to increase by 18.9 per cent from KSh 186.3 billion in 2011/12 to KSh 221.5 billion in 2012/13. The recurrent budget for the Ministry of Education is expected to grow by 11.9 per cent from KSh 146.1 billion in 2011/12 to KSh 163.4 billion in 2012/13. The increase may be due to salary increases and recruitment of more teachers. The recurrent expenditure on university education is also expected to rise by 38.7 per cent from 29.2 billion in 2011/12 to 40.5 billion in 2012/2013 compared to a reduction of 7.8 per cent recorded in 2011/12. Recurrent expenditure on Youth Polytechnics and Training is expected to increase significantly from KSh 1.0 billion in 2011/12 to KSh 1.5 billion in 2012/13. This sharp increase can be attributed to investment in the Youth Polytechnics through provision of subsidized tuition and employment of more instructors by the Government.

3.10. Total development expenditure of the Ministry of Education is expected to increase by 10.6 per cent from KSh 10.4 billion in 2011/12 to KSh 11.5 billion in 2012/13 while that of Ministry of Higher Education, Science and Technology is expected to increase by 37.4 per cent from KSh 10.7 billion in 2011/12 to KSh 14.7 billion in 2012/13. The development budget for university education is expected to increase from KSh 5.2 billion in 2011/12 to KSh 7.6 billion in 2012/13. The development expenditure on youth polytechnics and training is expected to double from KSh 0.4 billion in 2011/12 to KSh 0.8 billion in 2012/13.

Table 3.3: Expenditure for the Ministries of Education, 2008/09 - 2012/13

KSh million

	2008/09	2009/10	2010/11	2011/12*	2012/13+
RECURRENT EXPENDITURE-					
Ministry of Education					
General Administration and Planning[1]	81,841.73	91,606.73	113,185.50	110,057.18	128,164.81
Pre-Primary Education	182.43	186.32	393.38	376.07	1,676.21
Primary Education	7,298.79	7,970.51	9,188.74	9,705.76	4,263.20
Secondary Education	14,622.35	14,455.54	149.80	17,142.23	3,515.95
Special Education	506.33	279.31	193.90	435.33	7,585.51
Teacher Education	210.63	197.37	4,641.21	6,842.60	16,770.90
Adult Education	739.79	576.69	647.37	996.13	1,132.39
Quality assurance and standards	171.07	160.60	220.60	251.18	202.07
Policy and planning	161.40	167.23	179.40	247.98	105.98
Sub Total	**105,734.52**	**115,600.30**	**128,799.90**	**146,054.46**	**163,417.01**
Ministry of Higher Education, Science and Technology					
General administration and planning[1]	613.30	723.71	5,472.14	2,925.22	8,356.56
Technical Education	3,815.30	2,885.12	1,898.84	2,552.05	1,777.13
National Council for Science and Technology	129.20	188.35	478.88	608.68	701.00
University education	12,899.80	16,266.50	18,022.66	29,197.80	40,492.23
Higher Education support services	2,239.30	2,199.80	3,961.80	3,958.77	5,322.04
Youth Polytechnics and Training[2]	1,272.60	981.20	1,052.52	1,031.47	1,466.58
Sub Total	**20,969.50**	**23,244.69**	**30,886.83**	**40,274.00**	**58,115.56**
SUB-TOTAL	**126,704.02**	**138,844.99**	**159,686.74**	**186,328.45**	**221,532.57**
DEVELOPMENT EXPENDITURE-					
Ministry of Education					
General Administration and Planning	626.59	8,382.10	4,644.67	5,157.02	3,925.30
Pre-Primary Education	23.46	17.00	52.08	17.85	52.28
Primary Education	7,284.67	1,210.44	3,965.88	1,122.57	3,950.97
Secondary Education	750.19	823.76	2,876.80	2,055.90	916.46
Special Education	-	-	-	7.00	9.00
Teacher Education	180.00	50.00	958.00	1,431.06	151.00
Adult Education	5.77	20.00	20.00	268.00	27.00
Quality assurance and standards	-	57.90	106.20	77.70	186.00
Policy and planning	150.45	91.70	18.39	270.88	2,263.00
Sub Total	**9,021.13**	**10,652.90**	**12,642.02**	**10,407.99**	**11,481.01**
Ministry of Higher Education, Science and Technology					
General Administration and Planning	-	-	2,364.91	528.47	1,243.07
Technical Education	1,412.00	1,088.30	1,123.61	4,586.24	4,760.00
National Council for Science and Technology	5.00	3.20	0.50	-	262.00
University education	1,967.00	2,340.40	2,574.21	5,183.31	7,632.72
Youth Polytechnics and Training[2]	1,383.00	1,476.06	608.04	425.63	802.21
Sub Total	**4,767.00**	**4,907.96**	**6,671.28**	**10,723.65**	**14,700.00**
SUB-TOTAL	**13,788.13**	**15,560.86**	**19,313.30**	**21,131.64**	**26,181.01**
GROSS TOTAL EXPENDITURE	**140,492.16**	**154,405.85**	**179,000.03**	**207,460.09**	**247,713.58**

* Provisional

\+ Budget Estimates including supplementaries

1 Includes salaries for teachers and all other education personnel

2 Expenditure is within the Ministry of Youth Affairs and Sports

3.11. **Number of Educational Institutions**: In 2012, the total number of education institutions rose by 2.4 per cent to 78,102 as shown in Table 3.4. The number of pre-primary schools increased marginally from 39,500 in 2011 to 39,758 in 2012 while primary schools increased by 2.1 per cent in the same period. Similarly, the number of secondary schools rose by 12.3 per cent from 7,297 in 2011 to 8,197 in 2012. The increase in the number of these institutions may be attributed to Constituency Development Fund (CDF) and Local Authority Transfer Fund (LATF). The number of Teacher Training Colleges rose by 3.8 per cent from 237 in 2011 to 246 in 2012 with private primary school colleges posting an increase of 6.6 per cent. The number of Technical, Industrial and Vocational Educational Training (TIVET) institutions rose from 629 in 2011 to 705 in 2012. The policy on revamping TIVET institutions by the Ministry of Higher Education, Science and Technology has contributed to establishment of more of these institutions. During the year under review, Dedan Kimathi University College was granted a university charter thereby increasing the number of public universities from 7 to 8.

Table 3.4: Number of Educational Institutions, 2008 – 2012

Numbers

Category	2008	2009	2010	2011	2012*
Schools:					
Pre-Primary:					
Public	23,783	23,823	23,980	24,588	24,654
Private	14,171	14,424	14,543	14,912	15,104
Total	**37,954**	**38,247**	**38,523**	**39,500**	**39,758**
Primary:					
Public	18,130	18,543	19,059	19,848	20,307
Private	8,076	8,124	8,430	8,719	8,854
Total	**26,206**	**26,667**	**27,489**	**28,567**	**29,161**
Secondary:					
Public	4,454	5,019	5,296	5,311	6,188
Private	2,112	1,952	1,972	1,986	2,009
Sub Total	**6,566**	**6,971**	**7,268**	**7,297**	**8,197**
Teacher Training Colleges:					
Pre-primary:					
Public	21	20	20	20	20
Private	13	51	101	102	105
Total	**34**	**71**	**121**	**122**	**125**
Primary:					
Public	21	20	21	21	21
Private	75	85	89	91	97
Sub Total	**96**	**105**	**110**	**112**	**118**
Secondary[1]	2	3	3	3	3
Total	**132**	**179**	**234**	**237**	**246**
TIVET Institutions					
Youth Polytechnics	576	579	582	585	647
Institutes of Technology	23	17	14	14	14
Technical Training Institutes	24	19	26	26	35
National Polytechnics	4	2	2	2	7
Polytechnic University Colleges	-	2	2	2	2
Total	**627**	**619**	**626**	**629**	**705**
Universities					
Public	7	7	7	7	8
Private	21	24	25	27	27
Total	**28**	**31**	**32**	**34**	**35**
GRAND TOTAL	**71,513**	**72,714**	**74,172**	**76,264**	**78,102**

Source : Ministry of Education and Ministry of Youth Affairs and Sports

* Provisional

[1] Diploma teacher training colleges

3.12. **Pre - Primary Education**: Pupil enrolment and number of teachers in Early Childhood Development (ECD) Centres from 2008 to 2012 are shown in Table 3.5. The total enrolment in pre-primary increased by 1.5 per cent in 2012. There were more girls enrolled in ECD at 1,206.5 thousand compared to boys at 1,199.0 thousand in 2012. The number of ECD teachers rose by 2.8 per cent from 97,146 in 2011 to 99,889 in 2012. The number of trained ECD teachers rose from 75,615 in 2011 to 80,526 in 2012, while the number of untrained teachers declined by 10.1 per cent from 21,530 in 2011 to 19,363 in 2012. The Pupil Teacher Ratio in ECD remained at 24:1 during the review period. The Gross Enrolment Rate (GER) increased marginally from 65.6 in 2011 to 66.3 in 2012 while the Net Enrolment Rate (NER) increased from 52.4 to 53.3 during the same period as shown in Figure 3.1. This implies not all children are enrolled for pre-primary education despite the expansion of the education facilities. The GER level of 66.3 registered in 2012 is way below the Education For All (EFA) target of 80.0.

Table 3.5: Pupil Enrolment and Teacher Numbers in ECD Centres, 2008 - 2012

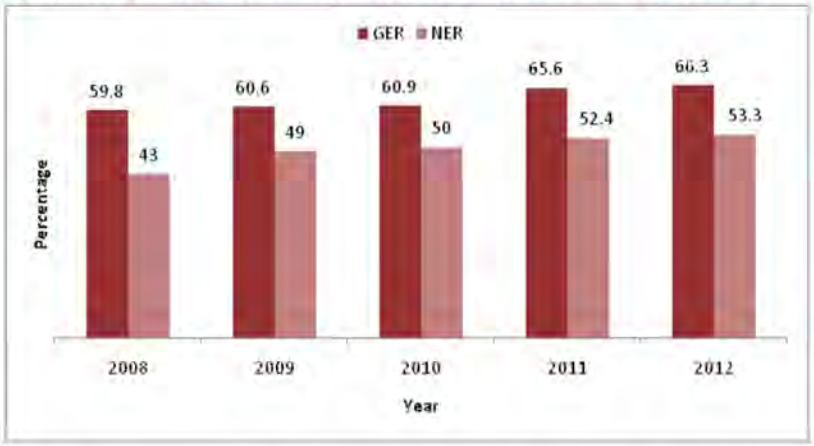
Number

	2008	2009	2010	2011	2012*
Enrolment					
Boys	885,320	967,544	1,100,890	1,175,530	1,199,041
Girls	834,925	946,678	1,092,181	1,194,518	1,206,464
TOTAL	**1,720,245**	**1,914,222**	**2,193,071**	**2,370,049**	**2,405,504**
Number of Trained Teachers					
Male	5,965	10,346	10,553	10,658	13,450
Female	52,011	61,234	62,459	64,957	67,076
Sub Total	**57,976**	**71,580**	**73,012**	**75,615**	**80,526**
Number of Untrained Teachers					
Male	4,124	5,345	5,356	5,372	4,342
Female	16,130	16,030	16,062	16,158	15,021
Sub Total	**20,254**	**21,375**	**21,418**	**21,530**	**19,363**
TOTAL	**78,230**	**92,955**	**94,429**	**97,146**	**99,889**

Source: Ministry of Education

* Provisional

Figure 3.1: Pre-primary Gross Enrolment Rate (GER) and Net Enrolment Rate (NER), 2008-2012



3.13. **Primary Education:** Table 3.6 shows primary school enrolment by class and sex for the period 2008 to 2012. The total enrolment in both public and private schools rose from 9.9 million in 2011 to 10.0 million in 2012. This was an increase of 1.1 per cent compared to an increase of 5.3 per cent registered in 2011. More girls were enrolled in standard one compared to boys. Girls' enrolment increased by 1.6 per cent from 4,880.2 thousand in 2011 to 4,956.8 thousand in 2012 while that of boys grew by 0.7 per cent from 4,977.7 thousand to 5,014.1 thousand during the same period. The survival rate of 72.3 per cent was recorded Standard 7, mainly due to repetition and drop outs. The survival rate of boys who joined Standard 1 in 2008 and completed Standard 5 in 2012 is 98.5 per cent compared to that of girls at 96.4 per cent. This implies that slightly more girls than boys dropped out of school over the period.

Table 3.6: Primary School Enrolment by Class and Sex, 2008 - 2012

'000

	2008		2009		2010		2011		2012*	
Class	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Standard 1	663.9	652.2	670.9	655.7	736.7	731.8	754.5	749.4	769.6	771.9
Standard 2	632.7	595.8	651.8	638.1	679.9	656.1	691.1	688.8	724.4	726.9
Standard 3	596.4	584.2	624.8	588.2	643.3	607.5	665.1	647.0	663.5	661.2
Standard 4	591.4	580.0	586.4	563.3	633.0	608.8	674.1	648.4	625.2	627.5
Standard 5	543.0	539.0	577.4	558.6	582.8	584.8	620.7	622.9	653.9	628.9
Standard 6	510.1	469.4	523.6	511.5	558.0	562.1	594.3	588.7	602.1	597.9
Standard 7	458.2	445.7	497.5	456.6	531.3	523.4	565.8	557.4	559.7	546.1
Standard 8	366.8	335.1	377.1	350.0	386.8	354.7	411.9	377.7	415.6	396.3
TOTAL ..	4,362.5	4,201.3	4,509.4	4,322.0	4,751.9	4,629.3	4,977.7	4,880.2	5,014.1	4,956.8
GRAND TOTAL	8,563.8		8,831.4		9,381.2		9,857.9		9,970.9	

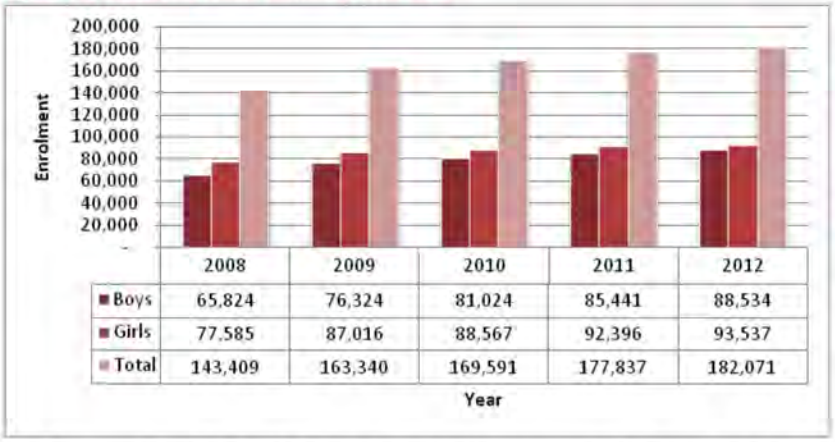
Source: Ministry of Education

* Provisional

3.14. The enrolment trends in Non-Formal Education (NFE) centres from 2008 to 2012 are presented in Figure 3.2. Enrolment in NFE grew by 2.4 per cent from 177,837 in 2011 to 182,071 in 2012, which was lower than the 4.9 per cent that was registered in 2011.

Enrolment for boys increased by 3.6 per cent while that of girls increased by 1.2 per cent during the same period.

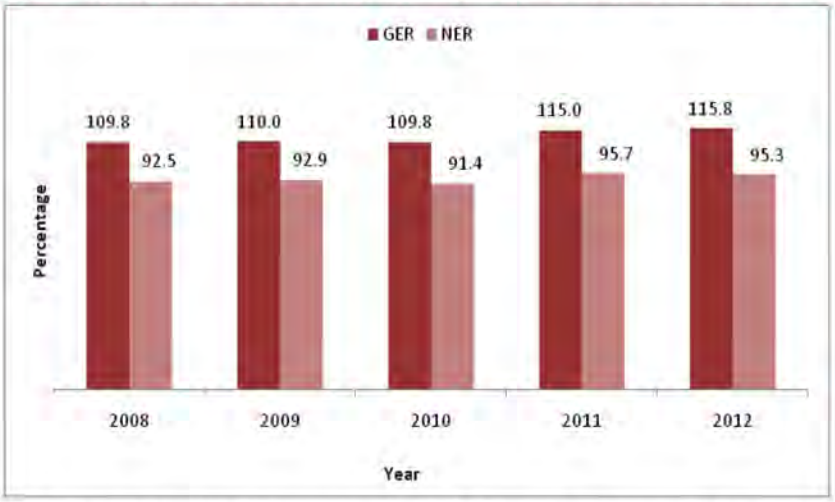
Figure 3.2: Non-Formal Schools Enrolment, 2008-2012



	2008	2009	2010	2011	2012
Boys	65,824	76,324	81,024	85,441	88,534
Girls	77,585	87,016	88,567	92,396	93,537
Total	143,409	163,340	169,591	177,837	182,071

3.15. Primary school GER and NER from 2008 to 2012 are presented in Figure 3.3. In the last five years, the GER remained above 100 per cent while the net enrolment rates were above 90 per cent. The GER increased from 115.0 per cent in 2011 to 115.8 per cent in 2012 while NER decreased marginally from 95.7 per cent in 2011 to 95.3 per cent in 2012. In spite of the drop in NER, the high GER and NER suggests high participation rates.

Figure 3.3: Primary school Gross Enrolment Rate (GER) and Net Enrolment Rate (NER), 2008-2012



3.16. **Kenya Certificate of Primary Education (KCPE):** Table 3.7 presents the mean subject percentage score in KCPE and the number of candidates by sex from 2008 to 2012. The number of candidates has been increasing gradually since 2008 putting pressure on limited Form one places. The number of candidates increased by 4.6 per cent from 776,214 in 2011

to 811,930 in 2012 compared to 4.0 per cent in 2011. The number of female candidates increased by 5.6 per cent from 375,400 in 2011 to 396,310 in 2012 compared to an increase of 3.7 per cent in the number of male candidates. The national mean score increased to 55.95 per cent in 2012 compared to a mean score of 53.02 in 2011 as a result of improved performance in all subjects except English composition and Science.

Table 3.7: Mean Subject Percentage Score in KCPE and Number of Candidates by Sex, 2008-2012

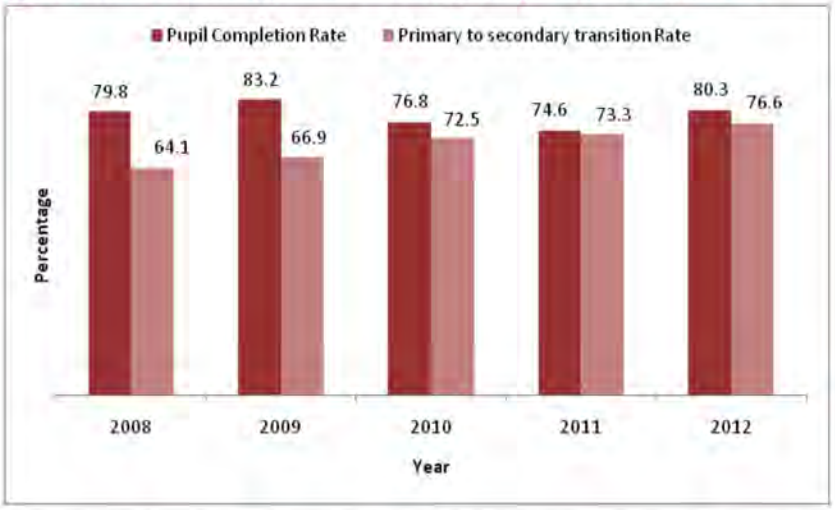
	2008	2009	2010	2011	2012*
Number of candidates					
Male	367,356	381,600	388,221	400,814	415,620
Female	328,354	345,500	357,859	375,400	396,310
Total	**695,710**	**727,100**	**746,080**	**776,214**	**811,930**
Subject	Mean score (%)				
English Langauage	41.58	45.76	49.12	47.10	48.16
English Composition	40.48	40.48	42.7	42.45	42.43
Kiswahili Lugha	56.60	57.28	52.76	41.46	46.38
Kiswahili Insha	46.00	53.68	50.3	54.68	54.98
Mathematics	47.16	49.56	53.8	52.18	56.30
Science	55.24	59.92	60.86	67.48	62.76
Social	61.35	62.42	64.93	56.32	60.87
Religious Education	60.41	61.60	60.07	62.45	75.75
National Mean Score	**51.10**	**53.84**	**54.32**	**53.02**	**55.95**

Source: Kenya National Examination Council

* Provisional

3.17. Figure 3.4 shows the Pupil Completion Rate (PCR) and primary to secondary transition rate from 2008 to 2012. The PCR increased by 5.7 percentage points from 74.6 per cent in 2011 to 80.3 per cent in 2012. The rise could be attributed to improvement and expansion of school infrastructure coupled with promotion of girl child education. There was an improvement in primary to secondary schools transition rate from 73.3 per cent in 2011 to 76.6 per cent in 2012.

Figure 3.4: Primary to Secondary Transition Rate and Pupil Completion Rate (PCR), 2008-2012



3.18. **Primary Teachers:** The number of public primary school teachers by qualification and sex from 2008 to 2012 are presented in Table 3.8. The total number of teachers in public primary schools increased from 174,267 in 2011 to 176,243 in 2012. The increase could be attributed to employment of new teachers by the Government in 2012. The number of approved graduate teachers rose by 1.1 per cent from 50,783 in 2011 to 51,359 in 2012. This was possible due to continuous implementation of the scheme of service for primary school teachers by the TSC which enabled teachers to be promoted on professional competency.

Table 3.8: Number of Public Primary School Teachers by Qualification and Sex[1], 2008 - 2012

Number

	2008			2009			2010			2011			2012*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED															
Graduate	658	490	1,148	801	708	1,509	895	778	1,673	3,210	3,052	6,262	3,246	3,086	6,332
Approved	22,003	21,010	43,013	22,404	21,403	43,807	22,388	21,401	43,789	29,801	20,982	50,783	30,139	21,220	51,359
S1/Diploma	7,054	7,456	14,510	7,133	7,486	14,619	7,109	7,407	14,516	6,439	7,744	14,183	6,512	7,832	14,344
P1	55,241	44,160	99,401	55,235	44,146	99,381	48,862	42,734	91,596	47,965	48,014	95,979	48,509	48,558	97,067
P2	6,802	5,185	11,987	6,801	5,184	11,985	3,847	4,007	7,854	3,209	3,851	7,060	3,246	3,895	7,141
Contract Teachers [2]	-	-	-	-	-	-	7,085	6,875	13,960	-	-	-	-	-	-
TOTAL	91,758	78,301	170,059	92,374	78,927	171,301	90,186	83,202	173,388	90,624	83,643	174,267	91,652	84,591	176,243

Source: Ministry of Education/Teachers Service Commision

* Provisional

[1] Data exclusively for public schools and does not include teachers on study leave, disciplinary cases and those performing non-teaching duties.

[2] Contract Teachers were all absorbed as Permanent Teachers in 2011

- Not applicable

3.19. **Secondary Education:** Table 3.9 presents enrolment in secondary schools by class and sex from 2008 to 2012. Access to secondary education has continued to increase as a result of implementation of Free Tuition Secondary Education (FTSE). The total enrolment in both public and private secondary schools rose by 5.6 per cent from 1.8 million in 2011 to 1.9 million in 2012. Total girls enrolment increased by 9.4 per cent while that of boys grew by 7.4 per cent. The retention rate at secondary school level declined from 96.2 per cent in 2011 to 92.4 per cent in 2012 with the rate for boys at 95.8 per cent compared to that of girls at 88.6 per cent. The decline in retention rate could be attributed to high school fees imposed by the schools in spite of the availability of fee guidelines for secondary schools.

Table 3.9: Enrolment in Secondary Schools by Class and Sex, 2008 – 2012

Number

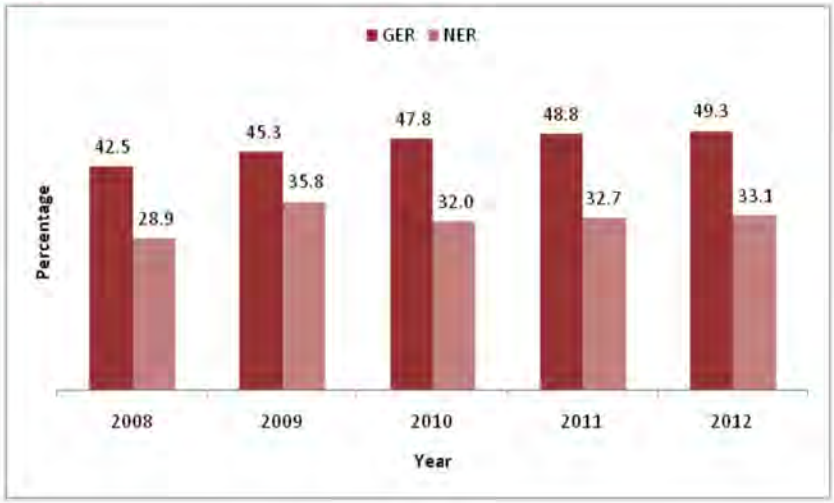
	2008		2009		2010		2011		2012*	
Class	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Form 1	207,212	180,461	232,854	212,467	266,707	232,226	276,965	244,636	282,555	249,573
Form 2	170,487	142,873	202,045	175,098	232,145	211,799	240,552	219,469	274,195	239,743
Form 3	181,775	155,798	170,281	142,579	216,786	181,823	224,637	188,408	239,149	218,278
Form 4	161,026	136,275	182,764	154,546	169,899	141,999	206,552	166,501	223,132	188,198
TOTAL	720,500	615,407	787,944	684,690	885,537	767,847	948,706	819,014	1,019,031	895,792
GRAND TOTAL	**1,335,907**		**1,472,634**		**1,653,384**		**1,767,720**		**1,914,823**	

Source : Ministry of Education

* Provisional.

3.20. Trends in secondary school GER as shown in Figure 3.5 increased from 42.5 per cent in 2008 to 49.3 per cent in 2012. The high GER in comparison to NER indicates presence of over-age and under-age students in secondary schools. GER increased from 48.8 per cent in 2011 to 49.3 per cent in 2012 while NER increased marginally from 32.7 per cent to 33.1 per cent during the same period. Implementation of FTSE and expansion of secondary schools together with improved facilities partly explains the increases for both GER and NER.

Figure 3.5: Secondary School Gross Enrolment Rate (GER) and Net Enrolment Rate (NER), 2008-2012



3.21. **Kenya Certificate of Secondary Education (KCSE):** Table 3.10 shows the number of candidates by mean grade attained in KCSE from 2008 to 2012. The number of KCSE candidates rose by 5.3 per cent from 410,586 in 2011 to 432,443 in 2012. The proportion of female candidates rose by 6.3 per cent to 193,624 in 2012 while that of males increased by 4.5 per cent to 238,819 in 2012. The number of male candidates who scored A and A minus dropped by 2.9 and 5.9 per cent respectively while number of female candidates who scored the same grade increased by 13.5 and 20.0 per cent, respectively.

Table 3.10: National trends in KCSE candidates mean grade by Sex, 2008-2012

Number

KCSE	2008		2009		2010		2011		2012*	
Grade	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
A	489	328	629	301	934	632	1,315	615	1,277	698
A-	3,413	1,748	3,035	1,387	4,425	2,140	6,322	2,741	5,947	3,288
B+	6,143	3,222	6,361	2,979	8,620	4,117	11,150	5,240	11,753	5,977
B	8,576	4,793	9,601	5,359	11,616	6,557	14,793	8,151	15,962	9,221
B-	11,026	7,397	13,312	8,511	15,103	9,624	18,344	11,771	18,936	12,174
C+	14,663	10,851	17,171	12,402	19,502	13,864	22,474	16,742	22,180	16,291
C	18,763	15,357	22,327	17,418	24,329	19,440	27,631	22,334	27,134	21,771
C-	23,091	19,828	27,067	22,669	28,178	24,232	31,955	26,890	31,582	27,166
D+	25,986	22,967	30,133	25,943	30,497	26,265	34,093	29,760	35,655	31,548
D	27,159	26,449	29,846	29,173	29,532	27,329	32,995	31,397	37,694	35,872
D-	20,395	21,689	19,956	22,318	20,245	20,962	23,741	23,532	26,436	25,997
E	3,665	3,402	3,037	2,881	3,227	2,971	3,684	2,916	4,263	3,621
Total	**163,369**	**138,031**	**182,475**	**151,341**	**196,208**	**158,133**	**228,497**	**182,089**	**238,819**	**193,624**
Grand Total		**301,400**		**333,816**		**354,341**		**410,586**		**432,443**

Source: Kenya National Examination Council(KNEC)

* Provisional

3.22. **Secondary School Teachers:** Table 3.11 presents trends in number of secondary school teachers for the period 2008 to 2012. The number of secondary school teachers grew by 4.5 per cent from 56,735 in 2011 to 59,273 in 2012. Graduate teachers accounted for 80.0 per cent of the total number of secondary school teachers with an increase of 6.3 per cent from 44,647 in 2011 to 47,441 in 2012. The number of trained secondary school teachers rose by 4.4 per cent with more males at 36,835 compared to female at 22,209 in 2012. The number of approved graduate teachers increased by 1.8 per cent from 7,188 in 2011 to 7,318 in 2012 and accounted for 12.3 per cent of the total number of teachers. The number of untrained secondary school teachers rose by 32.4 per cent from 173 in 2011 to 229 in 2012. In 2012, the Government recruited 4,358 teachers accounting for 14.9 per cent of the reported shortage. The Teacher Pupil Ratio remained fairly constant at 1:30 during the review period.

Table 3.11: Number of Public Secondary School Teachers by Qualification and Sex[1], 2008 – 2012

Number

TEACHERS	2008			2009			2010			2011			2012*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED															
Graduate	22,431	12,572	35,003	24,009	15,501	39,510	24,989	15,475	40,464	27,815	16,832	44,647	29,476	17,965	47,441
Approved	5,435	2,894	8,329	5,329	2,397	7,726	5,297	2,345	7,642	4,677	2,511	7,188	4,785	2,533	7,318
S1/Diploma	105	72	177	95	74	169	81	59	140	2,132	1,730	3,862	1,907	1,387	3,294
Dip/Technical	386	181	567	361	192	553	324	165	489	621	244	865	667	324	991
Contract Teachers[2]	..	..	..	..	..	..	2,435	1,765	4,200	..	..	..			
TOTAL	**28,357**	**15,719**	**44,076**	**29,794**	**18,164**	**47,958**	**33,126**	**19,809**	**52,935**	**35,245**	**21,317**	**56,562**	**36,835**	**22,209**	**59,044**
UNTRAINED															
Graduate	138	20	158	76	11	87	75	9	84	6	2	8	6	4	10
Dip/Technical	49	22	71	31	11	42	21	7	28	152	13	165	165	54	219
TOTAL	**187**	**42**	**229**	**107**	**22**	**129**	**96**	**16**	**112**	**158**	**15**	**173**	**171**	**58**	**229**
GRAND TOTAL	**28,544**	**15,761**	**44,305**	**29,901**	**18,186**	**48,087**	**33,222**	**19,825**	**53,047**	**35,403**	**21,332**	**56,735**	**37,006**	**22,267**	**59,273**

Source: Teachers Service Commission

* Provisional

[1] Public schools data and excludes teachers on study leave, disciplinary cases and those performing non-teaching duties

[2] Contract Teachers were all absorbed as Permanent Teachers in 2011

.. Not applicable

3.23. **Teacher Training Institutions:** Table 3.12 shows teacher trainee enrolment by year and sex from 2008 to 2012. The total enrolment at teacher training colleges grew by 3.9 per cent from 29,571 in 2011 to 30,729 in 2012. Enrolment of P1 teacher trainees increased by 3.7 per cent from 27,920 in 2011 to 28,952 in 2012. Diploma trainees rose by 7.6 per cent from 1,651 to 1,777 during the review period. The number of female trainees in public primary teacher training colleges declined by 3.3 per cent to 8,899 while male trainees declined by 2.0 per cent to 8,768 during the review period. Enrolment in private teacher training colleges increased by 15.6 per cent from 9,762 in 2011 to 11,285 in 2012.

Table 3.12: Teacher Trainee Enrolment by Year and Sex, 2008- 2012

Number

TYPE OF INSTITUTION/ CERTIFICATION	2008		2009		2010		2011		2012*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Public primary (P 1)										
1st Year.....	4,134	3,908	4,121	4,313	4,579	4,763	4,372	4,444	4,403	4,497
2nd Year.....	4,601	4,402	4,260	3,944	4,233	4,175	4,579	4,763	4,365	4,402
Sub Total	8,735	8,310	8,381	8,257	8,812	8,938	8,951	9,207	8,768	8,899
Private primary (P 1)	2,672	2,702	3,453	4,231	4,353	4,287	4,918	4,844	5,342	5,943
SUB TOTAL	11,407	11,012	11,834	12,488	13,165	13,225	13,869	14,051	14,110	14,842
Diploma[1]										
1st Year.....	452	204	365	322	460	328	338	206	422	245
2nd Year.....	403	297	445	198	361	311	344	231	332	205
3rd Year.....	358	293	385	287	441	175	345	187	343	230
SUB TOTAL	1,213	794	1,195	807	1,262	814	1,027	624	1,097	680
TOTAL	12,620	11,806	13,029	13,295	14,427	14,039	14,896	14,675	15,207	15,522
GRAND TOTAL	24,426		26,324		28,466		29,571		30,729	

Source: Ministry of Education, TSC

*Provisional

[1]Kibabii, Kagumo and Kenya Technical Teachers Training College

3.24. **Technical, Industrial and Vocational Educational Training Institutions (TIVET):** Table 3.13 presents enrolment trends from 2008 to 2012 in TIVET institutions. The overall enrolment increased from 104,173 in 2011 to 127,691 in 2012. Enrolments at other TIVET institutions declined by 4.1 per cent from 48,760 in 2011 to 46,784 in 2012 mainly due to a decline in enrolment of female students by 14.8 per cent. Enrolments in National Polytechnics also declined by 32.2 per cent from 20,427 in 2011 to 13,853 in 2012 compared to an increase of 29.5 per cent registered in 2011. The low enrolments can be attributed to reduction in enrolments in all National Polytechnics except Kisumu Polytechnic, Kenya Polytechnic University College and Mombasa Polytechnic University College that are gradually increasing the number of admissions for degree courses compared to diploma and certificate courses. Kenya Polytechnic University College and Mombasa Polytechnic University College accounted for 43.8 per cent of the total enrolment in national polytechnics compared to 59.8 per cent registered in 2011. Youth Polytechnics continued to experience high enrolments from 34,986 in 2011 to 67,054 in 2012. The high enrolments are mainly attributed to registration of

more polytechnics and the subsidized tuition fees since 2008.

Table 3.13: Student Enrolment by Sex in Technical Institutions, 2008 – 2012

Number

INSTITUTION	2008		2009		2010		2011		2012*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
National Polytechnics										
Kenya Polytechnic University College [1]	6,602	3,546	2,642	1,156	2,904	1,357	2,360	4,512	1,698	1,024
Mombasa Polytechnic University College [1]	3,456	3,543	3,518	2,152	2,041	3,276	3,558	1,794	2,190	1,150
Kisumu Polytechnic	1,768	1,022	2,276	1,472	1,798	781	1,990	936	2,256	1,136
Eldoret Polytechnic	1,996	987	1,949	1,302	1,903	1,718	3,132	2,145	2,730	1,669
Sub Total	**13,822**	**9,098**	**10,385**	**6,082**	**8,646**	**7,132**	**11,040**	**9,387**	**8,874**	**4,979**
Other TIVET Institutions										
Technical Training Institutes	12,132	9,876	12,514	9,923	12,908	9,970	16,719	13,255	16,263	12,505
Institutes of Technology	5,807	4,768	5920	4813	6,035	4,858	10,179	8,607	11,890	6,126
Sub Total	**17,939**	**14,644**	**18,434**	**14,736**	**18,943**	**14,829**	**26,898**	**21,862**	**28,153**	**18,631**
Youth Polytechnics	12,154	17,543	13,222	18,122	14,384	18,720	15,648	19,338	40,233	26,821
TOTAL	**43,915**	**41,285**	**42,041**	**38,940**	**41,973**	**40,680**	**53,586**	**50,587**	**77,260**	**50,431**
GRAND TOTAL	**85,200**		**80,981**		**82,653**		**104,173**		**127,691**	

Source: Ministry of Higher Education, Science & Technology and Ministry of State for Youth and Sports

* Provisional

[1] Diploma and Certificate courses only

3.25. **University Education:** Table 3.14 shows the student enrolment by sex in public and private universities from 2008/09 to 2012/13 academic years. There was an increase of 21.3 per cent in overall university student enrolment from 198,260 in 2011/12 to 240,551 in 2012/13. The change in enrolment was higher than the 11.6 per cent recorded in 2011/12 when there was a double intake. This can be attributed to the creation and expansion of the universities. Female student enrolment rose by 30.5 per cent from 80,560 in 2011/12 to 105,115 in 2012/13 compared to an increase in male students enrolment of 15.1 per cent from 117,700 in 2011/12 to 135,436 in 2012/13. During the same period, enrolment in private universities increased by 11.6 per cent from 40,344 in 2011/12 to 45,023 in 2012/13 academic years.

Table 3.14: Student Enrolment[2] by Sex in Universities, 2008/2009 - 2012/2013

Number

INSTITUTION	2008/09		2009/10		2010/11		2011/12		2012/13*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Public Universities										
Nairobi	24,162	13,253	27,159	15,201	31,237	18,127	27,084	17,219	30,710	20,185
Kenyatta	10,652	8,713	15,615	10,876	18,739	13,795	21,328	15,892	25,633	31,559
Moi	8,982	6,379	13,600	6,699	11,963	9,143	14,124	11,409	17,372	14,273
Egerton[1]	8,667	4,415	9,036	4,451	6,095	4,453	7,050	5,095	4,577	3,101
Jomo Kenyatta (JKUAT)	5,725	2,594	6,510	3,206	6,677	2,713	9,818	4,119	19,048	9,870
Maseno	3,603	2,257	3,331	2,176	3400	1927	2809	1742	3,953	2,159
Masin de Muliro	965	284	4,119	2,584	4,142	2,320	10,958	6,402	6,295	3,901
Kenya Poly University College	-	-	6,721	4,211	850	135	187	642	405	135
Mombasa Poly University College	-	-	3,520	3,541	2,828	1,226	1,000	1,038	1,828	524
SUB-TOTAL	62,753	37,896	89,611	52,945	85,931	53,839	94,358	63,558	109,821	85,707
Private Universities										
Private Accredited	10,172	10,992	16,728	12,300	17,564	13,763	18,864	14,575	20,788	16,884
Private Unaccredited	618	416	3,989	2,162	4,228	2,292	4,478	2,427	4,827	2,524
SUB-TOTAL	10,790	11,408	20,717	14,462	21,793	16,055	23,342	17,002	25,615	19,408
TOTAL	73,543	49,304	110,328	67,407	107,724	69,894	117,700	80,560	135,436	105,115
GRAND TOTAL	122,847		177,735		177,618		198,260		240,551	

Source: Commision for Higher Education /Universities

* Provisional

.. Not applicable

[1] Egerton university 2010/11 data included Chuka, Laikipia and Kisii Campuses. The 2011/12 data exclude the three campuses

[2] Enrolments excludes Diploma/Certificate.

3.26. **Registration of Universities and Degree offering Institutions**: The registration of universities and degree offering institutions from 2008 to 2012 is presented in Table 3.15. There was an increase in the number of Chartered Private Universities from 14 in 2011 to 15 in 2012 occasioned by the issuance of a Charter to the Great Lakes University. The number of universities with Letter of Interim Authority increased from 11 in 2011 to 12 in 2012. The number of public universities rose from 7 in 2011 to 8 in 2012 after the award of Charter to Dedan Kimathi University College. The number of Public University constituent colleges remained at 23. In the same period, no institution was approved for collaboration with universities in offering university programmes because the applications received were not up to the required standards. The number of established public university campuses increased to 33 during the review period.

Table 3.15: Registration of Universities and Degree offering Institutions, 2008-2012

Number

Category of Institutions	2008	2009	2010	2011	2012*
Chartered private universities	7	11	13	14	15
Universities with letter of Interim Authority	4	9	9	11	12
Registered universities	5	4	3	2	2
Institutions approved for collaboration with universities in offering university programmes	18	29	32	33	0
Public universities	6	7	7	7	8
Public university constituent colleges	1	14	15	23	23
Public university campuses established		3	30	30	33

Source: Commision for Higher Education

* Provisional

3.27. The number of approved degree programmes and validated diplomas are presented in Table 3.16. The number of validated diploma programmes increased by 6 in 2012 compared to an increase of 21 in 2011. The number of approved private university degree programmes by the Commission for Higher Education increased by 51 to stand at 160 in 2012.

Table 3.16: Approved degree programmes and validated diploma programmes, 2008-2012

Number

Programme	2008	2009	2010	2011	2012*
Approved private university degree programmes	12	82	87	109	160
Approved degree programmes for collaboration with universities	29	46	49	38	38
Validated diploma programmes	50	105	113	134	140

Source: Commision for Higher Education

* Provisional

Vital Statistics

3.28. Table 3.17 shows the number of registered births and deaths in the country from 2008 to 2012. Total registered births increased marginally by one per cent from 746,643 to 754,429 while registered deaths declined marginally from 174,487 in 2011 to 173,912 in 2012. North Eastern region continued to register the lowest number of births at 30,668 and deaths at 1,995 in 2012 while Nyanza and Rift Valley regions each registered the highest number of deaths at 29,294 and 32,402, respectively. The low registration of births and deaths in the North Eastern region could be attributed to insecurity which affected government operations.

Table 3.17: Registration of Births and Deaths, 2008– 2012

	2008		2009		2010		2011		2012*	
Regions	Births	Deaths	Births	Deaths	Births	Deaths	Births	Deaths	Births	Deaths
Nairobi	83,000	21,248	89,323	22,737	85,215	20,449	99,040	21,563	104,416	19,832
Coast	73,809	15,773	58,808	14,055	56,052	13,534	74,153	14,795	84,563	15,162
North Eastern	17,640	817	18,007	854	22,692	1,103	24,025	1,456	30,668	1,995
Eastern	100,000	27,612	95,451	29,660	108,325	26,367	93,221	24,255	81,916	24,909
Central	98,122	25,564	94,688	24,933	82,693	26,732	88,698	22,426	104,859	24,351
Western	79,408	29,112	71,828	25,275	122,409	24,975	69,922	26,768	87,921	25,967
Nyanza	87,723	45,476	85,275	38,275	107,666	32,773	101,230	29,356	84,911	29,294
Rift Valley	139,902	33,965	151,336	33,259	162,524	29,827	176,354	33,868	175,175	32,402
Total	**679,604**	**199,567**	**664,716**	**189,048**	**747,576**	**175,760**	**746,643**	**174,487**	**754,429**	**173,912**

Source: Department of Civil Registration

*Provisional

3.29. Details of the registration coverage rates for both births and deaths for the years 2008 to 2012 are shown in Table 3.18. In 2012, overall number of registered births and deaths declined by 1.8 and 3.3 percentage points, respectively. In particular, Central recorded the highest birth registration coverage rate at 68.2 per cent followed by Coast at 56.2 per cent. North Eastern region registered increased registration coverage rate for births at 42.4 per cent in 2012. Nairobi region recorded a decline in registration of deaths from 69.9 per cent in 2011 to 59.8 per cent in 2012 while Nyanza, Eastern and Rift Valley regions recorded declines in registration of births. The improvement in national the registration coverage for both births and deaths could be attributed to renewed efforts in public sensitization programmes by the Government.

Table 3.18: Coverage Rates of Births and Deaths by Region, 2008 - 2012

Per cent

	2008		2009		2010		2011		2012*	
Region	Births	Deaths	Births	Deaths	Births	Deaths	Births	Deaths	Births	Deaths
Nairobi	85.4	75.2	85.6	73.2	86.8	68	93.3	69.9	92.0	59.8
Coast	55.6	42	39	54	55.5	68.1	49.3	34.8	56.2	35.6
North Eastern	25.3	6.3	25.3	7.6	20.2	6	21.8	8.4	42.4	17.4
Eastern	47.4	53.7	38.9	28.7	55.5	32.7	39.1	42.0	34.3	43.0
Central	72.6	71.8	63.7	31.2	68.99	30.8	58.0	55.7	68.2	60.0
Western	43.3	49.2	34.5	47.5	45.9	46.1	26.2	24.6	42.7	39.1
Nyanza	37.8	47.2	30.9	37.1	71.2	33.6	38.5	26.9	32.2	28.5
Rift Valley	34.2	44.2	32.6	37.1	71.2	33.7	55.8	31.2	33.7	34.8
National	**44.9**	**47.9**	**46.7**	**48.4**	**51.5**	**48.3**	**55.1**	**47.3**	**53.3**	**44.0**

Source: Department of Civil Registration

*Provisional

Causes of Death

3.30. Table 3.19 gives a detailed analysis of causes of death by region in the year 2012. Pneumonia was the leading killer disease with 19,011 cases accounting for 10.9 per cent of 173,912 cases nationally. Malaria with 18,746 reported cases was second and accounted for 10.8 per cent of the total cases. Cancer and AIDS ranked third and fourth with 11,863 and 9,436 cases nationally, respectively. Regionally, Nyanza was leading with 29,294 reported deaths in 2012.

Table 3.19: Causes of Death by Region, 2012

Number

CAUSE OF DEATH	Nairobi	Central	Western	Coast	Nyanza	Eastern	North Rift	South Rift	North Eastern	TOTAL
Tuberculosis	1,190	1,121	1,133	787	1,637	1,632	714	909	113	9,236
Cancer	1,041	1,993	1,985	859	2,092	1,492	1,044	1,297	60	11,863
Malaria	831	786	5,872	1,443	4,520	2,672	1,310	1,085	227	18,746
Menengitis	694	556	373	322	849	377	286	490	21	3,968
Anaemia	459	793	1,329	1,029	1,288	833	522	606	72	6,931
Heart disease	1,438	615	390	278	854	1,063	297	519	38	5,492
Pneumonia	1,971	4,680	1,964	1,236	2,383	2,410	1,385	2,903	79	19,011
AIDs	865	1,310	1,686	900	1,579	869	1,033	1,171	23	9,436
Road traffic acc.	797	721	243	432	707	536	357	620	44	4,457
Other accidents	1,156	534	325	366	405	432	394	509	10	4,131
Other diseases	9,390	11,242	10,667	7,510	12,980	12,593	11,872	3,079	1,308	80,641
TOTAL	**19,832**	**24,351**	**25,967**	**15,162**	**29,294**	**24,909**	**13,188**	**19,214**	**1,995**	**173,912**

Source: Department of Civil Registration

Health Statistics

3.31. Table 3.20 shows the distribution of health institutions by region for the period, 2008 to 2012. The number of institutions rose by 4.6 per cent, from 8,006 in 2011 to 8,375 in 2012. This can be attributed to the CDF programmes and the Government's expansion programme. Eastern region recorded the highest increase in the number of health institutions in 2012.

Table 3.20: Health Institutions[1] by Region, 2008 – 2012

Number

Region	2008	2009	2010	2011	2012*
Nairobi	387	406	423	505	562
Central	1,199	1,251	1,345	1,413	1,438
Coast	723	770	754	852	873
Eastern	942	1,106	1,256	1,441	1,548
North Eastern	198	232	264	278	291
Nyanza	716	773	745	932	965
Rift Valley	1,648	1,732	1,867	2,076	2,166
Western	377	426	457	509	532
Total	6,190	6,696	7,111	8,006	8,375

Source: Health Management Information System, Ministry of Public Health and Sanitation

* Provisional

[1] Government institutions only

3.32. **National Hospital Insurance Fund:** The National Hospital Insurance Fund (NHIF) performs a significant role in health care sector by assisting members settle some hospital bills when need arises. Resources for the Fund for the period 2007/08 to 2011/12 are presented in Table 3.21. Total receipts of the Fund rose by 9.9 per cent from KSh 6,765.8 million in 2010/11 to KSh 7,432.7 million in 2012. Similarly, benefits accrued to members increased marginally by 4.3 per cent to KSh 3,837.4 million in 2011/12. Total Contributions Net of Benefits rose by 16.4 per cent to KSh 3,595.3 million in 2011/12 from KSh 3,088.3 million in 2010/11.

Table 3.21: National Hospital Insurance Fund Resources, 2007/2008-2011/2012

KSh million

Financial Year	2007/08	2008/09	2009/10	2010/11	2011/12*
Receipts	4,546.00	5,079.00	6,025.71	6,765.77	7,432.67
Benefits	2,054.20	2,813.00	3,110.02	3,677.43	3,837.38
Contributions Net of Benefits	**2,492.00**	**2,266.00**	**2,915.67**	**3,088.34**	**3,595.29**

Source: National Hospital Insurance Fund

* Provisional

3.33. **National Hospital Insurance Fund Membership:** Total registered NHIF members grew by 15.3 per cent from 2,886.7 thousand in 2010/11 to 3,327.5 thousand in 2011/12 as shown in Table 3.22. The number of registered members in the informal sector which comprise a third of those in the formal sector recorded a significant growth of 27.1 per cent in 2011/12. Registration from the formal sector grew by 11.6 per cent, from 2,197.9 thousand to 2,452.1 thousand, in same period.

Table 3.22: Registered Members of the National Hospital Fund, 2007/08-2011/12

Number

Financial Year	2007/08	2008/09	2009/10	2010/11	2011/12*
Formal Sector	1,775,390	1,800,000	2,286,205	2,197,940	2,452,146
Informal Sector	301,106	376,470	555,730	688,746	875,353
Total	**2,076,496**	**2,176,470**	**2,841,935**	**2,886,686**	**3,327,499**

Source: National Hospital Insurance Fund

* Provisional

3.34. Table 3.23 shows the number of registered medical personnel per 100,000 population and those under going training in 2011 and 2012. The number of registered medical personnel increased by 9,409 to stand at 105,369 in 2012. Overall, the number of medical personnel per 100, 000 population increased from 243 in 2011 to 259 in 2012. The registered nurses cadre of medical personnel was 83 per 100,000 population while that of registered dentists was 2 per cent per 100,000 .

Table 3.23: Number of Registered Medical Personnel and those in Training, 2011-2012

	Registered Medical Personnel				In-Training	
	2011		2012*			
Type of Personnel	Number	No. Per 100,000 Population	Number	No. Per 100,000 Population	2011/2012	2012/2013*
Doctors	7,549	19	8,092	20	2,472	3,170
Dentists	930	2	985	2	218	268
Pharmacists	2,432	6	2,532	6	298	466
Pharmaceutical Technologists	4,436	11	5,236	13	406	444
BSc. Nursing	1,173	3	1,532	4	1,932	2,148
Registered Nurses	31,719	80	35,148	86	1,029	2,224
Enrolled Nurses	24,375	62	26,621	65	184	276
Clinical Officers	9,793	25	11,185	28	1,182	1,262
Public Health officers	7,584	19	8,069	20	540	1080
Public Health Technicians[1]	5,969	15	5,969	15	-	-
Total	**95,960**	**243**	**105,369**	**259**	**8,261**	**11,338**

Source: Health Management Information System, Ministry of Public Health and Sanitation, Clinical Officers Council, Nursing Council of Kenya, Medical Practitioners & Dentists Board, Pharmacy & Poisons Board

* Provisional

1 Programme has been phased out

3.35. During the period under review, the number of medical students rose by 24.2 per cent from 6,546 to 8,131 as shown in Table 3.24. There was an increase in the number of the medical students enrolled in all the courses except Bachelor of Science in Biochemistry which declined from 501 in 2011/12 to 380 in 2012/13. More female students registered in all the courses except Bachelor of Science in Dental Surgery and Bachelor of Science in Medicine and Surgery.

Table 3.24: Undergraduate and Post Graduate Medical Students by Course and Sex, 2008/2009-2012/2013

Number

Undergraduate	2008/09		2009/10		2010/11		2011/12		2012/13*	
Medical Degree	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Medicine & Surgery	1,186	909	1,290	930	1,317	1,074	1,373	1,099	1,649	1,521
Bsc (Nursing)	323	581	333	583	577	1,090	630	1,302	781	1,368
Dental Surgery	66	50	102	97	103	91	118	100	138	130
Environmental Health	117	90	121	105	286	233	307	233	409	671
Pharmacy	195	140	230	130	281	205	168	130	207	259
Bsc (Biochemistry)	191	161	212	161	623	433	321	180	186	194
Sub-Total	**2,078**	**1,931**	**2,288**	**2,006**	**3,187**	**3,126**	**2,917**	**3,044**	**3,370**	**4,143**
Postgraduate students	385	310	323	260	784	550	243	342	335	283
Total	**2,463**	**2,241**	**2,611**	**2,266**	**3,971**	**3,676**	**3,160**	**3,386**	**3,705**	**4,426**
Grand Total	4704		4877		7647		6546		8131	

Source: University of Nairobi, Moi University, Kenya Methodist University, University of Eastern Africa, Baraton, Kenyatta University, Egerton University , Aga Khan & Masinde Muliro University of Science & Technology

* Provisional

3.36. Table 3.25 shows the total number of registered middle level medical trainees in public training colleges from 2008 to 2012. The number of middle level medical trainees rose by 23.9 per cent, from 6,140 in 2011 to 7,606 in 2012. The increase was mainly due to an upsurge in enrolment for Diploma in Community Health nursing courses, which more than doubled from 1,029 in 2011 to 2,224 in 2012.

Table 3.25: Middle Level Medical Trainees in Public Medical Training Colleges, 2008 – 2012

Number

Level of Training	2008	2009	2010	2011	2012*
Certificate in Community Nursing	138	130	128	184	276
Certificate in Medical Engineering Technology	181	129	167	76	84
Certificate in Health Records & Information Technol	215	155	553	722	763
Certificate in Nutrition	36	23	55	196	180
Sub-Total	**570**	**437**	**903**	**1,178**	**1,303**
Diploma in Community Health Nursing	1,762	2,039	2,200	1,029	2,224
Diploma in Community Nutrition	53	80	47	72	178
Diploma in Environmental Health Sciences	366	400	552	464	593
Diploma in Medical Laboratory Sciences	424	407	482	429	419
Diploma in Clinical Medicine & Surgery	1,349	1,260	1,114	1,134	1,152
Diploma in Medical Engineering Technology	99	81	34	55	64
Diploma in Community Oral Health	38	42	51	40	41
Diploma in Dental Technology	30	32	38	39	41
Diploma in Health Records and Information technolo	39	83	97	225	153
Diploma in Occupational Therapy	138	43	60	42	43
Diploma in Orthopaedic Technology	23	37	37	32	35
Diploma in Pharmacy	509	224	298	406	444
Diploma in Physiotherapy	124	98	108	117	142
Diploma in Medical Imaging Sciences	48	36	72	115	147
Diploma in Optical Technology	64	22	22	25	22
Diploma in Nuerophysiology	22	15	19	14	16
Sub Total	**5,088**	**4,899**	**5,231**	**4,238**	**5,714**
Higher Diploma in Pharmacy	7	-	-	-	5
Higher Diploma in Environmental Health Sciences[1]	86	62	45	21	18
Higher Diploma in Medical Laboratory Sciences[2]	61	56	54	18	16
Higher Diploma in Nursing[3]	85	61	48	438	275
Higher Diploma in Clinical Medicine and Surgery[4]	130	74	70	48	110
Higher Diploma in Medical Engineering	7	-	2	60	27
Higher Diploma in Ultra Sound Image Pattern Analy:	16	33	24	49	56
Higher Diploma in Community Health & HIV/AIDS	-	32	54	45	54
Higher Diploma in Health Education & Promotion	22	21	24	25	19
Post Graduate Diploma in Medical Education	18	18	16	20	14
Post Graduate Certificate in Medical Education	-	22	-	-	-
Sub-Total	**432**	**379**	**337**	**724**	**589**
Total	**6,090**	**5,715**	**6,471**	**6,140**	**7,606**

Source: Kenya Medical Training College, Ministry of Medical Services

* Provisional

1. Includes food science and inspection, epidemiology, solid waste and occupational health

2. Includes clinical chemistry, haematology, histology, parastology, virology, microbiology, bacterialogy and blood transfu

3. Includes Psychiatry Nursing, Community Health Nursing, intensive care, ophthalmic and Peri Operative nursing

4. Includes paediatrics, orthopaedics, anesthesia, lungs & skin, ent & audiology, reproductive health and opthalmology &

3.37. Table 3.26 presents Full Immunization Coverage (FIC) rate of under one year old children by region for the years 2008-2012 .The number of children under one year who were fully immunized increased from 1,050.3 thousand in 2011 to 1,176.2 thousand in 2012. The FIC rose from 80.0 per cent in 2011 to 85.0 per cent in 2012. The regions that registered increases in FIC rate were Coast, Nyanza and Rift valley.

Table: 3.26: Full Immunization Coverage (FIC) Rate of Under-One Year Old Children by Region, 2008 – 2012

	2008		2009		2010		2011		2012*	
Region	No.	%	No.	%	No.	%	No.	%	No.	%
Nairobi	85,866	74	78,294	83	100,813	96	101,055	99	106,655	98
Central	104,194	86	101,419	92	113,729	96	99,213	86	101,225	86
Coast	90,773	75	81,761	71	103,914	87	97,781	80	112,506	89
Eastern	126,302	64	128,887	80	135,593	83	151,459	91	157,496	91
N/Eastern	33,454	89	30,080	67	31,213	57	44,142	76	35,933	60
Nyanza	149,465	75	158,206	79	161,212	79	158,570	76	212,765	100
R/Valley	228,243	64	240,943	71	254,228	70	261,478	71	306,793	75
Western	129,308	66	132,622	85	143,419	90	136,609	84	142,818	83
National Coverage	**947,605**	**71**	**952,212**	**78**	**1,044,121**	**81**	**1,050,307**	**80**	**1,176,191**	**85**

Source: Division of Vaccine & Immunization, Ministry of Public Health and Sanitation

* Provision

[1] Delineation remains the former provincial boundaries

3.38. The incidence of diseases causing morbidity in Kenya is presented in Table 3.27. The number of cases recorded increased from 38.3 million in 2011 to 39.2 million in 2012. Malaria and diseases of the respiratory system combined constituted 55.1 per cent of all morbidity cases reported in 2012. Diseases of the respiratory system were the major cause of morbidity in 2012 at 31.1 per cent surpassing malaria that had dominated in the previous four years. Despite declining by 2.4 percentage points, incidence of malaria remained high at 24.0 per cent during the review period.

Table 3.27: Incidence of Diseases Causing Morbidity in Kenya, 2008– 2012

	2008		2009		2010		2011		2012*	
DISEASE	Number	%	Number	%	Number	%	Number	%	Number	%
Malaria	9,312,357	32.8	9,833,701	31.0	11,371,889	29.7	11,150,223	26.4	9,421,972	24.0
Disease of the Respiratory System	6,840,004	24.1	8,017,565	25.0	9,760,371	25.5	11,098,928	26.3	12,200,141	31.1
Diseases of the Skin (Incl. Ulcers)	1,989,432	7	2,109,416	7.0	2,718,570	7.1	2,882,050	6.8	3,046,548	7.8
Diarrhoea Diseases	1,397,659	4.9	1,639,945	5.0	1,816,078	4.8	2,024,812	4.8	2,078,216	5.3
Intestinal Worms	331,627	1.2	387,066	1.0	419,298	1.1	374,886	0.9	357,386	0.9
Pneumonia	989,095	3.5	1,018,151	3.0	1,081,317	2.8	1,100,997	2.6	1,130,664	2.9
Accidents (incl. fractures, burns etc)	568,457	2	582,881	2.0	708,721	1.9	780,908	1.9	843,504	2.2
Rheumatism, Joint pains etc	488,908	1.7	558,539	2.0	659,192	1.7	750,888	1.8	843,836	2.2
Urinary Tract Infections	652,224	2.3	507,910	2.0	638,758	1.7	778,433	1.8	822,813	2.1
Eye Infection	492,225	1.7	550,395	2.0	643,986	1.7	689,004	1.6	717,319	1.8
All Other Diseases	5,337,642	18.8	6,755,308	21.0	8,441,917	22.1	6,701,348	15.9	7,730,954	19.7
TOTAL	**28,399,630**	**100**	**31,960,877**	**100**	**38,262,097**	**100**	**38,332,477**	**100**	**39,193,353**	**100.0**

Source: Ministry of Medical Services

* Provisional

Other Social Services

3.39. Table 3.28 shows the number of men and women recruited by the National Youth Service (NYS) and income earned for the period 2008 to 2012. The number of service men and women rose by 7.4 per cent from 5,167 in 2011 to 5,550 in 2012. There was an increase of 16.9 per cent in the recruitment of service women compared to 3.5 per cent growth in the recruitment of service men. During the same period, income earned declined by 7.1 per cent from KSh 4.2 million in 2011 to KSh 3.9 million in 2012.

Table 3.28: National Youth Service Recruitment and Allowances, 2008-2012

Year	Recruitment (Number)			Income Earned
	Service Men	Service Women	Total	KSh Million
2008	5,477	1,901	7,378	42.41
2009	4,125	1,067	5,192	18.17
2010	3,600	999	4,599	3.22
2011	3,660	1,507	5,167	4.23
2012*	3,788	1,762	5,550	3.89

Source: National Youth Service

*Provisional

3.40. **National Social Security Fund (NSSF):** National Social Security Fund (NSSF) provides social security protection to workers in the formal and informal sectors. Table 3.29 gives details of registered employers, registered employees, annual contributions and benefits to members. The number of registered employers increased by 7.9 per cent while the number of registered employees increased by 8.1 per cent from 3.7 million in 2011 to 4.0 million in 2012. There were more male registered employees compared to females in 2012. The number of male and female employees registered went up by 8.6 per cent and 5.9 per cent respectively, during the review period. Annual contributions and benefits also increased by 9.7 per cent and 17.3 per cent respectively, during the review period.

Table 3.29: National Social Security Fund, 2008-2012

Details	2008	2009	2010	2011	2012*
Registered Employers '000	61.4	72.6	72.6	84.2	92.1
Registered Employees '000					
Male	2376.8	2546.6	2553.5	2720.0	2,954.7
Female	792.3	848.9	848.6	945.2	1,001.2
Total	3169.0	3395.4	3402.0	3665.2	3,955.9
Annual contribution KSh (million)	5368.6	5341.0	5341.7	5990.6	6,571.1
Annual benefits paid KSh (million)	2575.6	2773.4	2773.4	2357.1	2,765.3

Source: National Social Security Fund

* Provisional

3.41. **Adult Education:** Details of adult learners' enrolment by sex and region from 2008 to 2012 are shown in Table 3.30. There was an increase of 4.6 per cent in enrolment at national level from 278,090 in 2011 to 290,935 in 2012. Rift Valley region recorded the highest number of adult learners at 73,269 while Nairobi recorded the least at 12,305. More females than males enrolled for adult classes in all the regions except in North Eastern.

Table 3.30: Adult Education Enrolment by Region and Sex, 2009-2012

	2009			2010			2011			2012*		
Region	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Nairobi	2,746	4,170	6,916	4850	5260	10,110	5,476	5,619	11,095	5,884	6,421	12,305
Central	4,018	14,387	18,405	4068	12201	16,269	4,570	12,986	17,556	4,921	14,012	18,933
Coast	7,227	18,738	25,965	6634	19416	26,050	6,340	22,229	28,569	5,021	22,389	27,410
Eastern	19,358	46,879	66,237	15122	53348	68,470	14,285	52,541	66,826	14,923	54,821	69,744
North Eastern	7,159	5,793	12,952	6703	6147	12,850	6,857	5,896	12,753	7,012	6,231	13,243
Nyanza	11,298	21,062	32,360	22060	34511	56,571	14,510	33,858	48,368	14,820	36,125	50,945
Rift Valley	15,985	39,612	55,597	13798	23204	37,002	28,432	40,241	68,673	28,689	44,580	73,269
Western	4,922	25,840	30,762	7162	23204	25,231	6,978	17,272	24,250	7,012	18,074	25,086
Total	**72,713**	**176,481**	**249,194**	**80397**	**23204**	**252,553**	**87,448**	**190,642**	**278,090**	**88,282**	**202,653**	**290,935**

Source: Ministry of Education, Department of Adult Education

*Provisional

3.42. Table 3.31 gives details of private candidates who registered for KCPE by sex and region from 2008 to 2012. There was a considerable increase in both male and female private registered candidates in all the regions except for Central region which had a decline of 39.5 per cent during the period in review. Nairobi region recorded the highest number of registered private candidates at 12,634 followed by North Eastern and Rift Valley. At national level, the number of registered private candidates went up by 11.8 per cent. Nairobi, North Eastern and Rift Valley regions had more males registering as private candidates for KCPE compared to females.

Table 3.31: Private Candidates KCPE Registration by Region and Sex, 2008-2012

	2008			2009			2010			2011			2012*		
Region	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Nairobi	3171	2997	6168	483	239	722	424	234	658	5,613	5,672	11,285	6,421	6,213	12,634
Central	149	388	537	365	211	576	220	95	315	485	398	883	245	289	534
Coast	337	220	557	151	134	285	95	64	159	227	120	347	345	201	546
Eastern	90	289	379	232	137	369		141	395	301	201	502	432	342	774
North Eastern	2166	300	2466	257	45	302	91	21	112	1,921	664	2,585	2,100	721	2,821
Nyanza	77	82	159	463	286	749	416	289	705	390	320	710	401	480	881
Rift Valley	1266	735	2001	902	858	1,760	436	313	749	1,287	610	1,897	1,340	812	2,152
Western	162	105	267	130	90	220	145	109	254	223	193	416	280	204	484
Grand Total	**7,418**	**5,116**	**12,534**	**2983**	**2000**	**4,983**	**2081**	**1266**	**3,347**	**10,447**	**8,178**	**18,625**	**11,564**	**9,262**	**20,826**

Source: Ministry of Education: Department of Adult Education

* Provisional

3.43. **Gender and Development:** Promotion of gender equality and empowerment of women is one of the Millennium Development Goals (MDGs). Further, the new constitution recognizes the need to improve participation of both men and women in development issues. Table 3.32 shows the number of registered women groups, membership, contributions, Government of Kenya grants from 2008 to 2012. The number of registered women groups increased by 1.4 per cent from 143,792 in 2011 to 145,856 in 2012. During the same period, membership and group contribution went up by 2.1 and 2.7 per cent, respectively. On the other hand, Government grants to women groups and Women Enterprise Fund (WEF) declined by 12.5 per cent and 27.3 per cent, respectively.

Table 3.32: Registered Women Groups by Membership, Contributions and GoK Grants, 2008 to 2012.

Year	No. of Women Groups	Membership	Group contributions (KSh Million)	Grants by GOK	
				Women Group (KSh Million)	Women Enterprise Fund (KSh million)
2008	140,482	5,484,275	547.3	80	300
2009	141,560	5,516,396	548.4	100	500
2010	142,783	5,579,639	551.2	80	490
2011	143,792	5,618,064	553.8	80	440
2012*	145,856	5,734,543	568.7	70	320

Source: Department of Gender and Social Development

* Provisional

3.44. **Social Protection Fund:** The Social Protection Fund was established to facilitate access to credit and cash transfer on flexible terms in a bid to attain a meaningful and better quality of life for poor and vulnerable individuals by transferring a monthly stipend. Table 3.33 shows that the Government increased the allocated fund for social protection for older persons from KSh 1,000.0 million in 2011/12 to KSh 1,519.2 million in 2012/13. The direct cash disbursement increased from KSh 949.5 million in 2011/12 to KSh 1,478.0 million in 2012/13. The increase in allocation and direct cash disbursement was attributed to increased monthly cash transfers from 1,500 to 2,000 per household and the number of households from 45,000 to 49,000 in the same period.

3.45. **Social Protection Fund for Orphans and Vulnerable Children (OVC):** This program was started in 2004 in response to the strong need to protect and assist the highly vulnerable children and also to strengthen the capacity of the households to protect and care for OVC within their families and communities. The fund is currently directed to the poor households taking care of OVC through the department of children's services. Table 3.33 indicates that the funds allocated for the OVC increased by 5.3 per cent from KSh 1,026.9 million in 2011/12 to KSh 1,081.4 million in 2012/13. The direct cash disbursement increased by 14.9 per cent from KSh 896.9 million in 2011/12 to KSh 1,030.3 million in 2012/13.

Table 3.33 Government Allocation and Receipt

	Social Protection Fund for Older Persons		Social Protection Fund for OVC	
Financial Year	Allocation (million)	Direct cash Disbursement (million)	Allocation (million)	Direct cash Disbursement (million)
2008/09	4.0	3.6	579.0	546.0
2009/10	550.0	346.0	815.0	772.8
2010/11	530.0	394.0	827.7	766.9
2011/12	1,000.0	949.5	1,026.9	896.9
2012/13*	1,519.2	1,478.0	1,081.4	1,030.3

Source: Department Of Gender and Social Development

* Provisional

3.46. **Women in Decision-Making:** Women participation in politics and high level decision making organs show a gradual increase as shown in Table 3.34. The number of women ministers in the Cabinet rose from 2 in 2006 to 6 in 2012 while women permanent secretaries increased

from 5 to 7 over the same period. Women members of National Assembly increased by 22.2 per cent from 18 in 2006 to 22 in 2012. The proportion of women district commissioners increased from 5.1 per cent in 2006 to 9.7 per cent in 2012, while the proportion of women councillors increased from 13.3 per cent in 2006 to 15.8 per cent in 2012. Except for high court judges, magistrates and lawyers, the country has not met the 30 per cent representation of either gender in high level decision making organs.

Table 3.34: Participation in Politics, Public Life, Decision Making and Representation of Government, 2008 to 2012

	2008			2009			2010			2011			2012		
Categories	W	M	(%) W	W	M	(%)W	W	M	(%)W	W	M	(%)W	W	M	(%)W
Ministers	7	35	17	6	36	14	6	36	14	6	36	14	6	36	14
Assistant Ministers	6	46	12	6	46	12	6	46	12	6	46	12	7	45	14
National Assembly	19	200	9	22	200	10	22	200	10	22	200	10	22	200	10
Diplomatic	11	29	28	11	29	28	11	29	28	16	37	30	14	53	21
Permanent Secretary (PS)	6	38	14	7	37	16	7	37	16	7	37	16	7	37	16
Provincial commissioners	0	8	0	1	7	13	1	7	13	1	7	13	1	7	13
County commissioners	0	0	0	0	0	0	0	0	0	0	0	0	16	31	34
District Commissioners	12	136	8	22	232	9	22	232	9	28	262	10	28	262	10
Deputy Provincial Commissioner	0	0	0	0	0	0	0	0	0	2	21	9	2	21	9
Deputy Secretary	33	92	26	33	92	26	33	92	26	42	107	28	42	107	28
Supreme Court	0	0	0	0	0	0	0	0	0	0	0	0	2	5	29
Court of Appeal Judges	1	9	10	1	10	9	0	11	0	1	9	10	8	19	30
High Court Judges (Puisne)	13	35	27	15	31	33	19	26	42	31	39	44	35	45	44
Magistrates	85	202	30	93	188	33	127	231	36	122	216	36	174	281	38
Kadhis	0	16	0	0	16	0	0	16	0	0	18	0	0	18	0
Chiefs	85	2,421	3	96	2,483	4	96	2,483	4	96	2,483	4	96	2,483	4
Assistant Chief	396	5,387	7	458	5,438	8	458	5,438	8	458	5,438	8	458	5,438	8
Councillors	393	2,093	16	393	2,093	16	393	2,093	16	393	2,093	16	393	2,093	16
Lawyers	1,708	3,277	34	1,763	3,334	35	1,763	3,334	35	1,859	3,497	35	1,859	3,497	35

Source: Ministry of Gender, Children and Social Development

Note: The puisne judge number is inclusive of 15 land and environment court and 12 industrial court judges

Chapter 4

Employment, Earnings and Consumer Prices

Overview

Over the five year period to 2012, the economy registered growth in employment due to favourable business environment and increased investment in the various sectors of the economy. This was against a backdrop of unrest in the labour market characterised by frequent strikes by unionisable employees, especially in the public sector. The growth of jobs creation in the economy decelerated to 5.5 per cent compared to a 5.8 per cent increase recorded in 2011. Average nominal earnings per employee went up by 4.7 per cent in 2012, which was slightly higher than the increase of 4.6 per cent recorded in 2011. However, real average earnings, contracted by 4.8 per cent in 2012, which was an improvement, compared to a decrease of 8.4 per cent registered the previous year.

4.2. The overall annual inflation rate over the same period declined to 9.4 per cent from 14.0 per cent registered in 2011. This easing was largely attributed to better food supply due to more favourable weather conditions during the year. Further, prudent macro-economic policies pursued by the Government, ensured stability of the Shilling against other major currencies.

Employment

4.3. Total employment outside small scale agriculture and pastoralist activities improved from 12,077.7 thousand in 2011 to 12,737.1 thousand in 2012 as shown in Table 4.1. There were 68.0 thousand new jobs created in the modern sector in the year under review. This was supported by increased activity in the construction, information and communication industries as well as the education and health activities. Wage employment in the modern sector registered a decelerated growth of 3.1 per cent in 2012 compared to 3.4 per cent recorded in 2011. The number of self employed and unpaid family workers engaged in the modern sector increased at a slower rate of 4.2 per cent in 2012 compared to an increase of 5.7 per cent registered in 2011. The informal sector is estimated to have created 591.4 thousand new jobs in 2012 compared to the 587.2 thousand jobs created in 2011. This constituted 89.7 per cent of all the new jobs created.

Table 4.1: Total Recorded Employment[1]: June, 2008 – 2012

'000

	2008	2009	2010	2011	2012*
Modern Establishments - Urban and Rural Areas:					
Wage Employees	1,905.6	1,959.0	2,016.2	2,084.1	2,149.0
Self-employed and unpaid family workers	67.4	67.5	69.8	73.8	76.9
Informal Sector[2]	8,039.5	8,676.6	9,332.6	9,919.8	10,511.2
TOTAL	10,012.5	10,703.1	11,418.6	12,077.7	12,737.1

* Provisional

[1] Employment numbers as at 30th June and excludes small scale farming and pastoralist activities

Modern Sector

4.4. Wage employment in the modern sector by industry and sector for the period 2008 to 2012 is presented in Table 4.2. Analysis by industry is presented using the International Standard of Industrial Classification of all economic activities (ISIC) Revision four, and may differ from the previous presentation that based on ISIC Revision two. This is because, whereas some economic activities have remained as they were in the earlier revision, others have been split while others have been moved to other industries.

4.5. **Private Sector:** During the period under review, the share of private sector employment in the modern sector increased from 69.1 per cent recorded in 2011 to 69.5 per cent in 2012 as shown in Table 4.2. Growth in employment in this sector improved from 3.2 per cent recorded in 2011 to 3.7 per cent in the year under review. This represented an increase of 52.9 thousand workers from 2011 levels.

4.6. In 2012, the leading activities providing wage employment in the private sector were agriculture, forestry and fishing, manufacturing and wholesale and retail trade and repair of motor vehicles, accounting for 19.9, 16.7 and 11.5 per cent of the total private sector employment, respectively. The share of education, human health, and building and construction industries in the private sector employment increased slightly. The building and construction industry registered the highest growth in employment posting an increase of 11.2 per cent, followed by information and communication at 7.0 per cent. This is attributable to increased activity in the construction industry and continued public spending in the construction of roads during the year and the thriving private sector real estate construction. The growth in employment in the information and communication industry is attributed to expansion in money transfer and media services. Human health and education activities registered growths of 6.9 and 6.2 per cent, respectively, an indication of increased investment in the social sector. Employment creation in the manufacturing industry registered a minimal growth of 0.3 per cent in 2012 compared to an increase of 3.5 per cent in 2011.

4.7**. Public Sector:** Employment in the public sector registered a decelerated growth of 1.9 per cent in 2012 compared to a 3.8 per cent growth recorded in 2011. Most economic activities in the public sector registered positive growths in employment while the rest remained at the same level as in the previous year. Though employment in water supply, sewerage and waste management and remediation activities did not record any growth in 2011, a remarkable growth of 9.1 per cent was registered in 2012. Decelerated growth in employment was recorded in the activities of education, human health and public administration activities, relative to the performance in 2011.

Table 4.2: Wage Employment by Industry and Sector, 2008-2012

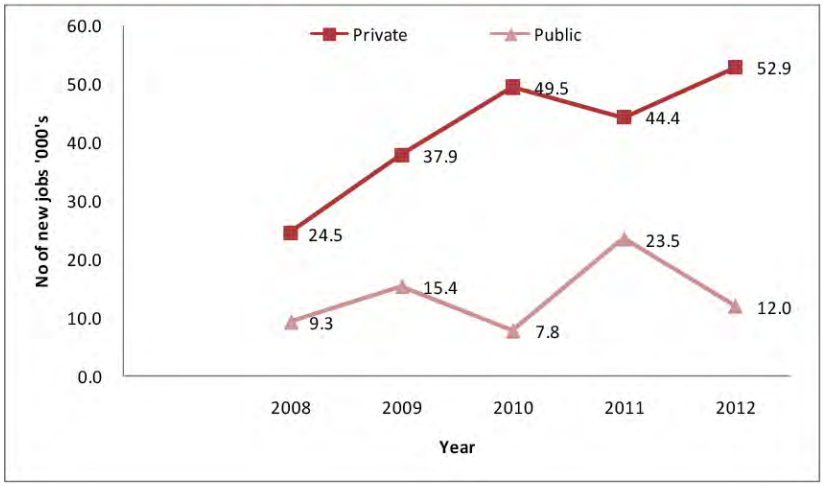
'000

	2008	2009	2010	2011	2012*	% change
PRIVATE SECTOR:						
Agriculture, forestry and fishing	288.5	286.5	290.4	290.2	296.8	2.3
Mining and quarrying	7.7	7.6	7.8	8.0	8.4	5.0
Manufacturing	238.1	238.0	240.5	249.0	249.8	0.3
Electricity, gas, steam and air conditioning supply	1.0	1.1	1.1	1.1	1.1	0.0
Water supply; sewerage, waste management and remediation activities	1.2	1.2	1.2	1.3	1.3	0.0
Construction	64.6	73.2	81.6	89.1	99.1	11.2
Wholesale and retail trade; repair of motor vehicles and motorcycles	139.7	149.2	157.5	165.7	171.9	3.7
Transportation and storage	56.0	55.4	56.9	59.4	61.6	3.7
Accommodation and food service activities	59.4	62.7	65.9	69.4	72.0	3.7
Information and communication	62.8	67.6	73.5	76.0	81.3	7.0
Financial and insurance activities	34.2	35.8	38.3	41.1	43.2	5.1
Real estate activities	3.5	3.6	3.5	3.6	3.7	2.8
Professional, scientific and technical activities	50.6	51.7	53.1	54.3	55.6	2.4
Administrative and support service activities	2.2	2.2	2.3	2.3	2.4	4.3
Education	93.1	96.4	98.3	101.2	107.5	6.2
Human health and social work activities	58.2	62.4	66.9	70.7	75.6	6.9
Arts, entertainment and recreation	0.4	0.4	0.5	0.5	0.5	0.0
Other service activities	44.6	46.8	50.3	51.4	53.8	4.7
Activities of households as employers; undifferentiated goods- and	102.3	104.2	105.8	105.5	107.1	1.5
Activities of extraterritorial organizations and bodies	0.9	1.0	1.0	1.0	1.0	0.0
TOTAL PRIVATE SECTOR	**1,309.0**	**1,347.0**	**1,396.4**	**1,440.8**	**1,493.7**	**3.7**
PUBLIC SECTOR:						
Agriculture, forestry and fishing	50.0	50.5	51.0	51.2	52.1	1.8
Mining and quarrying	0.7	0.7	0.7	0.7	0.7	0.0
Manufacturing	26.7	27.4	27.4	27.9	28.1	0.7
Electricity, gas, steam and air conditioning supply	9.5	10.3	10.9	11.3	12.1	7.1
Water supply; sewerage, waste management and remediation activities	6.7	6.8	6.6	6.6	7.2	9.1
Construction	19.5	19.6	19.2	18.2	18.7	2.7
Wholesale and retail trade; repair of motor vehicles and motorcycles	4.6	4.8	4.9	5.0	5.1	2.0
Transportation and storage	14.5	17.0	17.4	17.1	17.3	1.2
Accommodation and food service activities	1.3	1.3	1.3	1.4	1.4	0.0
Information and communication	1.3	1.6	1.8	2.2	2.6	18.2
Financial and insurance activities	7.5	7.1	8.0	8.3	8.9	7.2
Professional, scientific and technical activities	5.4	4.5	5.5	5.6	5.7	1.8
Public administration and defence; compulsory social security	170.6	173.7	164.3	171.4	174.3	1.7
Education	246.7	254.8	267.8	283.2	285.4	0.8
Human health and social work activities	29.5	29.7	30.7	30.8	33.3	8.1
Arts, entertainment and recreation	2.1	2.2	2.3	2.4	2.4	0.0
TOTAL PUBLIC SECTOR	**596.6**	**612.0**	**619.8**	**643.3**	**655.3**	**1.9**
TOTAL WAGE EMPLOYMENT	**1,905.6**	**1,959.0**	**2,016.2**	**2,084.1**	**2,149.0**	**3.1**

* Provisional.

4.8. The number of new jobs created in the modern sector for the period 2008 to 2012 is presented in Figure 4.1. Job creation in the modern sector has maintained a steady rise in the last five years. This is largely supported by new jobs created in the private sector. However, creation of new jobs in the private sector decelerated to 44.5 thousand in 2011 but recovered to 52.9 thousand in 2012. New jobs creation in the public sector maintained a modest increase between 2008 and 2012. There were 12.0 thousand new jobs created in 2012 compared to 23.5 thousands created in 2011 in the public sector. This contributed to the overall decline in the jobs created in the modern sector in 2012.

Figure 4.1: Trend of New Jobs in the Modern Sector, 2008-2012



4.9. Details of the wage employment in the public sector by employer are presented in Table 4.3. The Teachers Service Commission (TSC), which had recorded the highest increase in employment in 2011, registered the lowest growth of 0.8 per cent in 2012. Wage employment in the local Government improved by 1.1 per cent in 2012 up from a decline of 4.9 per cent recorded in 2011. Employment in the Central Government registered a decelerated growth of 1.2 per cent in the year under review compared to an increase of 3.7 per cent registered in 2011.

Table 4.3 Wage Employment in the Public Sector, 2008- 2012

'000

	2008	2009	2010	2011	2012*	Annual Percentage Change 2012/2011
Central Government[1]	196.8	200.6	212.0	219.9	222.6	1.2
Teachers Service Commission ..	236.8	245.4	243.0	258.7	260.8	0.8
Parastatal Bodies[2]..	82.4	84.4	84.8	86.0	90.6	5.4
Majority Control by the Public Sector[3] ..	39.7	40.6	40.8	41.4	43.6	5.4
Local Government[4]	40.9	41.0	39.2	37.3	37.7	1.1
TOTAL	**596.6**	**612.0**	**619.8**	**643.3**	**655.3**	1.9

* Provisional.

[1] Covers all civil servants on Government payroll plus casual workers in various ministries.

[2] Refers to Government wholly-owned corporations.

[3] Refers to institutions where the Government has over 50 per cent shares but does not wholly own them.

[4] Source: LATF Report.

4.10. Distribution of wage employment in the modern sector by region is presented in Table 4.4. Overall, wage employment in all the regions went up by margins of between 2.7 per cent and 3.2 per cent. Nairobi region registered the highest wage employment with 17.0 thousand in 2012. Rift Valley region had the second largest growth in employment with 14.2 thousand.

Table 4.4: Wage Employment by Region, 2008- 2012

'000

Region	2008	2009	2010	2011	2012*	Percentage Change 2012/2011
Nairobi	479.6	495.8	510.3	525.7	542.7	3.2
Coastal	236.4	243.0	248.9	258.3	266.1	3.0
North Eastern	17.5	17.5	17.4	18.7	19.2	2.7
Eastern	158.6	163.0	168.5	173.5	179.0	3.2
Central	271.4	279.8	288.6	297.3	306.9	3.2
Rift Valley	428.0	437.6	451.3	467.2	481.4	3.0
Nyanza	188.7	193.9	199.5	206.4	212.7	3.1
Western	125.4	128.4	131.7	137.0	141.0	2.9
TOTAL	**1,905.6**	**1,959.0**	**2,016.2**	**2,084.1**	**2,149.0**	**3.1**

* Provisional

4.11. Distribution of wage employees by industry and sex is presented in Table 4.5. The number of females in wage employment went up from 656.9 thousand in 2011 to 689.5 thousand in 2012. Activities of households as employers were the main female employers, with 60.7 per cent of the workers being female. Human health activities followed closely with 57.3 per cent of workers being female. However, the activities of transport, mining and quarrying and building and construction had the least proportions of females, constituting 11.2, 13.2, and 12.9 per cent, respectively. The number of males engaged in the activities of manufacturing and agriculture declined by 0.8 per cent and 0.6 per cent, respectively in 2012. Further analysis of employment status shows that only 29.9 per cent of the workers in regular engagement were female while 40.2 per cent of the casual workers were female.

Table 4.5: Wage Employment by Industry and Sex, 2011 and 2012

'000

	Male		Female		Total	
INDUSTRY	2011	2012*	2011	2012*	2011	2012*
Agriculture, forestry and fishing	234.2	232.9	107.2	116.0	341.4	348.9
Mining and quarrying	7.6	7.9	1.1	1.2	8.7	9.1
Manufacturing	214.0	212.3	62.9	65.6	276.9	277.9
Electricity, gas, steam and air conditioning supply	10.1	10.2	2.3	3.0	12.4	13.2
Water supply; sewerage, waste management and remediation activities	5.5	6.0	2.4	2.5	7.9	8.5
Construction	94.7	102.6	12.6	15.2	107.3	117.8
Wholesale and retail trade; repair of motor vehicles and motorcycles	135.0	141.1	35.7	35.9	170.7	177.0
Transportation and storage	68.8	70.1	7.7	8.8	76.5	78.9
Accommodation and food service activities	50.3	50.9	20.5	22.5	70.8	73.4
Information and communication	51.3	55.1	26.9	28.8	78.2	83.9
Financial and insurance activities	29.2	30.7	20.2	21.4	49.4	52.1
Real estate activities	2.1	2.2	1.5	1.5	3.6	3.7
Professional, scientific and technical activities	44.9	46.6	15.0	14.7	59.9	61.3
Administrative and support service activities	1.9	1.9	0.4	0.5	2.3	2.4
Public administration and defence; compulsory social security	119.0	120.4	52.4	53.9	171.4	174.3
Education	237.6	242.1	146.8	150.8	384.4	392.9
Human health and social work activities	41.9	46.5	59.6	62.4	101.5	108.9
Arts, entertainment and recreation	2.1	2.0	0.8	0.9	2.9	2.9
Other service activities	34.6	35.2	16.8	18.6	51.4	53.8
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	41.7	42.1	63.8	65.0	105.5	107.1
Activities of extraterritorial organizations and bodies	0.7	0.7	0.3	0.3	1.0	1.0
TOTAL	1,427.2	1,459.5	656.9	689.5	2,084.1	2,149.0
Of which: Regular	1,169.8	1,186.9	487.1	506.3	1,656.9	1,693.2
Casual	257.4	272.6	169.8	183.2	427.2	455.8

* Provisional

Wage earnings in the modern sector

4.12. Table 4.6 presents analysis of total wage payments by industry and sector for the period 2008 to 2012. The nominal wage bill went up from KSh 861,121.6 million in 2011, to KSh 930,072.6 million in 2012, an increase of 8.0 per cent. The private sector wage bill went up by 7.8 per cent from KSh 582,883.0 million in 2011 to KSh 628,181.2 million in 2012. The public sector wage bill went up by 8.5 per cent in 2012, compared to 11.5 per cent in 2011. Wage payments in the private sector for workers in the various economic activities went up by between 1.5 per cent in the water supply, sewerage, waste management and remediation and 13.2 per cent in the building and construction industry. Total wage payment in the public sector by the various industries showed that total wage payment in the information and communication industry registered the highest growth of 24.3 per cent, from KSh 1,407.7 million in 2011 to KSh 1,750.0 million in the year under review. The public sector accounted for 32.5 per cent of the total wage bill in the modern sector in 2012.

Table 4.6: Estimated Total Wage Payments by Industry and Sector, 2008 – 2012

KSh Million Per Annum

	2008	2009	2010	2011	2012*
PRIVATE SECTOR:					
Agriculture, forestry and fishing	45,467.3	47,065.6	48,771.0	50,899.2	54,861.6
Mining and quarrying	1,475.8	1,643.3	1,739.5	1,869.3	2,084.7
Manufacturing	56,165.5	59,014.4	60,678.0	64,195.0	68,434.1
Electricity, gas, steam and air conditioning supply	886.5	929.5	957.7	1,002.4	1,061.9
Water supply; sewerage, waste management and remediation activities	157.4	153.9	170.6	167.8	170.3
Construction	25,525.0	29,098.4	32,979.0	36,539.4	41,378.9
Wholesale and retail trade; repair of motor vehicles and motorcycles	62,433.5	65,369.5	69,048.6	75,475.8	79,710.9
Transportation and storage	37,923.9	40,631.1	43,214.6	47,320.5	52,200.6
Accommodation and food service activities	21,936.6	21,741.5	22,351.6	23,084.4	23,691.7
Information and communication	42,134.8	45,709.2	48,873.4	50,504.7	54,066.3
Financial and insurance activities	36,494.9	39,830.2	43,660.8	48,477.9	52,175.0
Real estate activities	648.1	697.5	683.1	698.1	742.0
Professional, scientific and technical activities	29,545.5	32,922.0	34,630.4	36,405.9	39,315.1
Administrative and support service activities	1,158.7	1,263.6	1,320.0	1,386.0	1,501.1
Education	57,807.8	64,651.6	66,140.3	69,040.7	75,969.1
Human health and social work activities	31,913.5	32,719.5	35,687.5	38,530.5	41,367.7
Arts, entertainment and recreation	197.6	223.0	241.9	265.0	294.7
Other service activities	14,917.8	16,328.2	17,841.8	18,655.4	20,089.9
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	14,595.1	15,564.5	15,823.8	15,994.6	16,621.8
Activities of extraterritorial organizations and bodies	2,212.0	2,278.3	2,303.8	2,370.4	2,443.8
TOTAL PRIVATE SECTOR	**483,597.3**	**517,834.8**	**547,117.4**	**582,883.0**	**628,181.2**
PUBLIC SECTOR:					
Agriculture, forestry and fishing	10,668.0	11,266.1	11,956.9	12,884.3	13,768.6
Mining and quarrying	118.1	131.8	141.6	158.2	171.3
Manufacturing	13,126.4	13,740.9	14,296.3	15,564.8	15,883.7
Electricity, gas, steam and air conditioning supply	8,031.9	9,028.8	9,734.9	10,423.6	11,477.8
Water supply; sewerage, waste management and remediation activities	1,850.6	2,030.9	2,184.0	2,495.9	3,018.9
Construction	6,480.2	6,884.7	7,202.2	7,341.5	8,047.8
Wholesale and retail trade; repair of motor vehicles and motorcycles	2,939.7	3,459.9	3,997.9	4,696.6	5,379.2
Transportation and storage	11,026.6	12,792.7	13,978.4	15,170.2	16,544.4
Accommodation and food service activities	535.3	624.9	719.0	847.1	966.4
Information and communication	693.6	878.0	1,079.8	1,407.7	1,750.0
Financial and insurance activities	8,399.6	7,481.4	8,937.6	9,704.1	10,620.5
Professional, scientific and technical activities	1,825.3	1,981.4	2,098.7	2,290.3	2,417.6
Public administration and defence; compulsory social security	68,984.7	75,125.8	76,656.2	87,185.1	95,283.9
Education	65,302.2	71,147.0	78,117.9	87,959.9	93,080.2
Human health and social work activities	14,131.9	15,265.4	17,188.4	18,946.0	22,242.9
Arts, entertainment and recreation	899.5	986.3	1,058.0	1,163.3	1,238.2
TOTAL PUBLIC SECTOR	**215,013.6**	**232,826.0**	**249,347.8**	**278,238.6**	**301,891.4**
TOTAL PUBLIC AND PRIVATE ..	**698,610.9**	**750,660.8**	**796,465.2**	**861,121.6**	**930,072.6**

* Provisional

4.13. Table 4.7 presents the summary of wage payments in the public sector by type of employer. Total wage bill for Central Government, increased by 5.4 per cent from KSh 73,171.9 million in 2011 to KSh 77,132.2 million in 2012. This was mainly as a result of normal salary increments and partly due to the slight increase in employment in the civil service. Teachers Service Commission (TSC) wage bill went up by 5.7 per cent, mainly on account of a negotiated agreement between the Kenya National Union of Teachers (KNUT) and the Government annual salary increments. The TSC expenditure continued to take the largest share of the public sector wage bill in 2012. Similarly, the combined share of the Central Government and TSC wage accounted for 61.2 per cent of the total wage bill in the public sector. The wage bill in the Local Authorities increased by 7.3 per cent in 2012 compared to 2.4 per cent in 2011.

Table 4.7: Total Wage Payments in the Public Sector[1], 2008 – 2012

KSh Million

	2008	2009	2010	2011	2012*
Central Government	50,741.6	57,891.3	64,220.7	73,171.9	77,132.2
Teachers Service Commission ..	77,191.6	79,699.6	87,844.9	101,859.7	107,616.6
Parastatal Bodies[2]...	46,949.1	51,575.4	52,522.3	55,975.6	63,971.4
Majority Control by the Public Sector[3].. ..	29,860.4	32,802.7	33,405.0	35,601.4	40,686.8
Local Government	10,270.9	10,857.0	11,354.9	11,630.0	12,484.5
TOTAL	**215,013.6**	**232,826.0**	**249,347.8**	**278,238.6**	**301,891.4**

* Provisional.

[1] Refers to position as at 30th June, annualised by multiplying by 12 for earnings.

[2] Refers to Government wholly-owned corporations.

[3] Refers to institutions where the Government has over 50 per cent shareholding but does not fully own them.

4.14. During 2012, total wage earnings per employee went up by 4.7 per cent to KSh 432,802.9 in 2012 from KSh 413,181.1 per annum in 2011, as shown in Table 4.8. Annual average earnings in the private sector increased from KSh 404,546.1 in 2011 to KSh 420,578.3 in 2012, a 4.0 per cent rise. Average annual earnings per person were higher in the public sector at KSh 460,664.5 than in the private sector at KSh 420,578.3 in the review period. In the private sector, average earnings for workers in the finance and insurance activities and activities of extraterritorial organisations were highest, at approximately three times the national average.

Table 4.8: Average Wage Earnings per Employee[1], 2008 - 2012

KSh Per Annum

	2008	2009	2010	2011	2012*
PRIVATE SECTOR:					
Agriculture, forestry and fishing	157,649.1	164,211.5	167,953.5	175,406	184,884
Mining and quarrying	192,741.8	216,107.8	221,870.3	232,901	249,634
Manufacturing	235,931.0	247,918.0	252,341.5	257,840	274,111
Electricity, gas, steam and air conditioning supply	845,126.0	883,598.0	900,894.0	935,028	971,568
Water supply; sewerage, waste management and remediation activities	131,056.0	124,334.0	136,576.0	128,450	127,936
Construction	394,860.3	397,600.0	403,946.2	410,127	417,378
Wholesale and retail trade; repair of motor vehicles and motorcycles	447,004.3	437,989.6	438,451.1	455,601	463,791
Transportation and storage	676,644.7	733,267.8	759,924.4	796,763	847,082
Accommodation and food service activities	369,408.1	346,981.8	338,927.3	332,437	328,896
Information and communication	670,562.0	675,911.8	664,836.3	664,204	664,867
Financial and insurance activities	1,066,386.3	1,112,232.6	1,139,015.9	1,180,776	1,206,581
Real estate activities	183,639.5	194,028.0	193,959.8	194,738	199,674
Professional, scientific and technical activities	583,672.9	637,245.5	651,902.3	670,805	707,272
Administrative and support service activities	532,008.7	570,233.0	579,220.0	595,340	620,040
Education	620,621.7	670,917.3	672,738.9	682,234	707,354
Human health and social work activities	547,964.5	524,242.1	533,796.0	545,171	546,837
Arts, entertainment and recreation	476,060.0	503,452.0	519,128.0	540,748	566,766
Other service activities	334,548.2	349,079.6	354,495.8	362,742	373,696
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	142,812.4	149,494.7	149,523.8	151,450	155,171
Activities of extraterritorial organizations and bodies	2,425,480.0	2,398,200.0	2,360,486.0	2,349,252	2,334,106
TOTAL PRIVATE SECTOR	**369,439.1**	**384,429.2**	**391,784.8**	**404,546.1**	**420,578.3**
PUBLIC SECTOR:					
Agriculture, forestry and fishing	213,552.2	223,290.1	234,518.0	251,435.3	264,460.4
Mining and quarrying	181,413.2	195,549.0	205,515.2	224,079.3	239,245.8
Manufacturing	490,230.1	501,529.3	520,831.4	557,618.3	564,232.2
Electricity, gas, steam and air conditioning supply	841,741.8	873,867.6	890,088.7	925,226.3	950,070.4
Water supply; sewerage, waste management and remediation activities	276,374.0	299,587.0	332,977.6	379,085.7	419,175.2
Construction	333,018.1	351,834.6	374,704.8	404,445.8	429,513.8
Wholesale and retail trade; repair of motor vehicles and motorcycles	641,435.7	723,223.2	816,898.2	935,764.1	1,055,987.4
Transportation and storage	761,821.2	753,176.3	802,618.3	888,861.5	956,766.1
Accommodation and food service activities	428,240.0	479,217.8	540,601.5	618,772.8	696,253.6
Information and communication	535,598.5	563,543.0	597,234.5	641,613.5	677,769.2
Financial and insurance activities	1,116,819.6	1,051,792.5	1,117,285.6	1,174,667.6	1,200,056.5
Professional, scientific and technical activities	339,464.4	442,573.2	384,518.1	411,111.1	427,893.8
Public administration and defence; compulsory social security	404,095.7	432,413.0	466,627.7	508,308.7	546,449.8
Education	264,756.5	279,125.0	291,698.4	310,546.8	326,075.1
Human health and social work activities	478,269.3	513,830.8	560,430.4	614,312.1	667,811.6
Arts, entertainment and recreation	431,829.1	447,707.7	466,902.0	495,021.3	515,701.8
TOTAL PUBLIC SECTOR	**360,414.1**	**380,454.3**	**402,328.5**	**432,521.6**	**460,664.5**
TOTAL PRIVATE AND PUBLIC SECTOR	**366,613.6**	**383,187.5**	**395,025.7**	**413,181.1**	**432,802.9**
MEMORANDUM ITEMS IN PUBLIC SECTOR:					
Central Government	257,833.5	288,590.6	302,927.7	332,750.9	346,505.9
Teachers Service Commission	325,977.9	324,814.2	361,457.1	393,736.7	412,640.4
Parastatal Bodies[2]	569,553.3	611,130.7	619,686.5	650,670.8	705,717.6
Majority Control by the Public Sector[3]	752,900.5	807,862.2	819,172.3	860,130.9	932,898.0
Local Government	251,234.0	264,800.6	289,691.9	311,998.2	331,342.1
TOTAL PUBLIC SECTOR	**360,414.1**	**380,454.3**	**402,328.5**	**432,521.6**	**460,664.5**

* Provisional.

[1] Refers to position as at 30th June, annualised by multiplying by 12 for earnings.

[2] Refers to Government wholly-owned corporations.

[3] Refers to institutions where the Government has over 50 per cent shareholding but does not fully own them.

4.15. In general, growths in average earnings for all employees in the public sector were lower in 2012 compared to 2011. Annual average earnings in the public sector increased by 6.5 per cent from KSh 432,521.6 in 2011 to KSh 460,664.5 in 2012. Annual average earnings for employees in Local Authorities registered the highest increase of 6.2 per cent in 2012, which was slightly lower than the increase of 7.7 per cent registered in 2011.

4.16. Table 4.9 presents percentage changes in wage employment and average earnings for the period 2007 to 2012. During the six-year period, total employment has risen by 14.8 per cent;

with wage employment in the private sector and public sector rising by 16.3 per cent and 11.6 per cent, respectively. Although all public sector wage employment recorded positive growths, Local Government wage employment registered a negative growth of 8.4 per cent over the five-year period.

Table 4.9: Wage Employment and Average Earnings[1], 2012/2007 and 2012/2011

	EMPLOYMENT		AVERAGE EARNINGS	
	2012/2007*	2012/2011*	2012/2007*	2012/2007*
PRIVATE SECTOR:				
Agriculture, forestry and fishing	2.7	2.3	22.3	5.4
Mining and quarrying	13.5	5.0	33.4	7.2
Manufacturing	6.2	0.3	20.6	6.3
Electricity, gas, steam and air conditioning supply	10.0	0.0	16.5	3.9
Water supply; sewerage, waste management and remediation activities	18.2	0.0	14.7	-0.4
Construction	61.9	11.2	12.8	1.8
Wholesale and retail trade; repair of motor vehicles and motorcycles	28.7	3.7	4.6	1.8
Transportation and storage	8.6	3.7	31.8	6.3
Accommodation and food service activities	20.6	3.7	-10.1	-1.1
Information and communication	37.1	7.0	1.9	0.1
Financial and insurance activities	32.9	5.1	16.3	2.2
Real estate activities	5.7	2.8	12.7	2.5
Professional, scientific and technical activities	13.7	2.4	25.2	5.4
Administrative and support service activities	9.1	4.3	20.1	4.1
Education	16.7	6.2	19.3	3.7
Human health and social work activities	35.0	6.9	7.3	0.3
Arts, entertainment and recreation	25.0	0.0	26.1	4.8
Other service activities	26.9	4.7	12.8	3.0
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	5.6	1.5	10.4	2.5
Activities of extraterritorial organizations and bodies	11.1	0.0	-2.9	-0.6
TOTAL PRIVATE SECTOR	**16.3**	**3.7**	**18.7**	**4.0**
PUBLIC SECTOR:				
Agriculture, forestry and fishing	2.8	1.8	37.7	5.2
Mining and quarrying	0.0	0.0	50.0	6.8
Manufacturing	6.4	0.7	27.1	1.2
Electricity, gas, steam and air conditioning supply	28.7	7.1	17.0	2.7
Water supply; sewerage, waste management and remediation activities	5.9	9.1	87.0	10.6
Construction	-6.5	2.7	41.2	6.2
Wholesale and retail trade; repair of motor vehicles and motorcycles	8.5	2.0	91.2	12.8
Transportation and storage	-3.9	1.2	67.9	7.6
Accommodation and food service activities	7.7	0.0	88.5	12.5
Information and communication	160.0	18.2	38.2	5.6
Financial and insurance activities	3.5	7.2	6.9	2.2
Professional, scientific and technical activities	5.6	1.8	34.7	4.1
Public administration and defence; compulsory social security	8.5	1.7	50.1	7.5
Education	18.2	0.8	31.7	5.0
Human health and social work activities	9.9	8.1	55.5	8.7
Arts, entertainment and recreation	14.3	0.0	30.1	4.2
TOTAL PUBLIC SECTOR	**11.6**	**1.9**	**39.4**	**6.5**
TOTAL PRIVATE AND PUBLIC SECTOR	**14.8**	**3.1**	**24.8**	**4.7**
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	15.8	1.2	43.7	4.1
Teachers Service Commission	11.2	0.8	42.0	4.8
Parastatal Bodies[2]	12.5	5.4	32.2	8.5
Majority Control by the Public Sector[3]	12.5	5.4	32.3	8.5
Local Government	-8.4	1.1	48.8	6.2
TOTAL PUBLIC SECTOR	**11.6**	**1.9**	**39.4**	**6.5**

* Provisional.

[1] Refers to position as at 30th June, annualised by multiplying by 12 for earnings.

[2] Refers to Government wholly-owned corporations.

[3] Refers to institutions where the Government has over 50 per cent shareholding but does not fully own them.

4.17. Total annual average earnings in the economy rose by 24.8 per cent over the five-year period with public sector average earnings rising by 39.4 per cent. Earnings in the private sector went up by 18.7 per cent in the period under review. Private sector employees in the activities of accommodation and food service and extraterritorial organizations and bodies registered negative growths of 10.1 and 2.9 per cent, respectively, in average earnings over the five year period.

4.18. Real average earnings per employee by sector and industry deflated using the consumer price index is shown in Tables 4.10 and 4.11. Average real earnings dropped by 4.8 per cent from KSh 341,726.2 in 2011 to KSh 325,269.0 in 2012 per employee, per annum. Both private and public sector real earnings declined by 5.5 per cent and 3.2 per cent, respectively. The only activities in the public sector that recorded a positive change in the value of real earnings to their employees in the period under review were accommodation and food service, wholesale and retail services and water supply. The remaining industries in both public and private sector registered negative changes in the real average earnings over the review period.

Table 4.10: Estimated Real Average Wage Earnings per Employee[1], 2008 – 2012

KSh Per Annum

	2008	2009	2010	2011	2012*
PRIVATE SECTOR:					
Agriculture, forestry and fishing	169,715.9	160,912.8	159,031.8	145,072	138,948
Mining and quarrying	207,494.7	211,766.6	210,084.6	192,624	187,610
Manufacturing	253,989.7	242,937.8	238,937.1	213,250	206,006
Electricity, gas, steam and air conditioning supply	909,813.8	865,848.1	853,038.5	773,326	730,173
Water supply; sewerage, waste management and remediation activities	141,087.3	121,836.4	129,321.1	106,236	96,149
Construction	425,083.8	389,612.9	382,488.6	339,200	313,677
Wholesale and retail trade; repair of motor vehicles and motorcycles	481,219.0	429,191.2	415,160.6	376,810	348,558
Transportation and storage	728,436.5	718,537.8	719,557.2	658,972	636,616
Accommodation and food service activities	397,683.4	340,011.6	320,923.5	274,946	247,178
Information and communication	721,888.3	662,334.0	629,520.2	549,337	499,675
Financial and insurance activities	1,148,009.8	1,089,889.9	1,078,511.4	976,574	906,794
Real estate activities	197,695.7	190,130.3	183,656.7	161,060	150,063
Professional, scientific and technical activities	628,348.5	624,444.4	617,273.3	554,797	531,544
Administrative and support service activities	572,729.8	558,778.0	548,451.9	492,383	465,985
Education	668,125.4	657,439.8	637,003.0	564,249	531,605
Human health and social work activities	589,906.9	513,711.0	505,440.8	450,890	410,971
Arts, entertainment and recreation	512,498.7	493,338.6	491,551.9	447,232	425,948
Other service activities	360,155.2	342,067.2	335,665.0	300,010	280,848
Activities of households as employers; undifferentiated goods-	153,743.6	146,491.6	141,581.1	125,258	116,618
Activities of extraterritorial organizations and bodies	2,611,131.4	2,350,024.5	2,235,097.1	1,942,976	1,754,176
TOTAL PRIVATE SECTOR	**397,716.8**	**376,706.7**	**370,973.2**	**334,584.5**	**316,081.7**
PUBLIC SECTOR:					
Agriculture, forestry and fishing	229,897.9	218,804.6	222,060.4	207,952.4	198,752.7
Mining and quarrying	195,299.0	191,620.8	194,598.2	185,327.4	179,802.9
Manufacturing	527,753.4	491,454.5	493,164.9	461,184.6	424,043.4
Electricity, gas, steam and air conditioning supply	906,170.5	856,313.2	842,807.2	765,219.0	714,016.5
Water supply; sewerage, waste management and remediation activities	297,528.3	293,568.8	315,289.8	313,527.2	315,027.2
Construction	358,508.0	344,766.9	354,800.5	334,501.5	322,797.1
Wholesale and retail trade; repair of motor vehicles and motorcycles	690,532.6	708,695.0	773,504.6	773,934.4	793,617.5
Transportation and storage	820,132.6	738,046.3	759,983.2	735,143.1	719,048.6
Accommodation and food service activities	461,018.4	469,591.2	511,884.8	511,763.1	523,262.9
Information and communication	576,594.4	552,222.4	565,509.4	530,653.8	509,371.1
Financial and insurance activities	1,202,303.4	1,030,663.9	1,057,935.4	971,522.3	901,891.3
Professional, scientific and technical activities	365,447.7	433,682.7	364,092.5	340,014.1	321,579.6
Public administration and defence; compulsory social security	435,026.1	423,726.6	441,840.5	420,402.5	410,679.2
Education	285,021.5	273,517.9	276,203.4	256,841.3	245,058.7
Human health and social work activities	514,877.1	503,508.9	530,660.4	508,073.9	501,887.6
Arts, entertainment and recreation	464,882.2	438,714.1	442,100.2	409,413.0	387,570.9
TOTAL PUBLIC SECTOR	**388,000.9**	**372,811.7**	**380,956.8**	**357,722.0**	**346,208.1**
TOTAL PRIVATE AND PUBLIC SECTOR	**394,675.0**	**375,490.0**	**374,041.9**	**341,726.2**	**325,269.0**
MEMORANDUM ITEMS IN PUBLIC SECTOR:					
Central Government	277,568.7	282,793.3	286,836.2	275,205.5	260,413.2
Teachers Service Commission	350,928.9	318,289.2	342,256.5	325,644.4	310,116.0
Parastatal Bodies[2]	613,148.1	598,854.2	586,768.8	538,144.8	530,375.5
Majority Control by the Public Sector [3]	810,529.1	791,633.7	775,657.9	711,381.1	701,110.7
Local Government	270,464.0	259,481.3	274,303.5	258,041.7	249,017.0
TOTAL PUBLIC SECTOR	**388,000.9**	**372,811.7**	**380,956.8**	**357,722.0**	**346,208.1**

* Provisional.

[1] Average current earnings adjusted for inflation.

[2] Refers to Government wholly-owned corporations.

[3] Refers to institutions where the Government has over 50 per cent shareholding but does not fully own them.

Table 4.11: Changes in Wage Employment, Prices and Real Earnings, 2008 – 2012

Percentage

	2008	2009	2010	2011	2012*
Wage employment	1.8	2.8	2.9	3.4	3.1
Average earnings at current prices	5.7	4.5	3.1	4.6	4.7
Consumer prices (Inflation rates)[1]	17.8	9.9	3.5	14.5	10.0
Real average earnings*	-10.3	-4.9	-0.4	-8.6	-4.8

* Provisional.

[1] Inflation rates at June of each year

Informal Sector

4.19. The informal sector is defined to include all small-scale activities that are semi-organised, unregulated and use low and simple technologies while employing few persons. To this effect, the sector plays a central role in the economy by being the source of employment opportunities for the mainly youthful population and persons exiting from the modern sector of the economy. The sector also plays a vital role in the economic development of the nation by increasing competition, fostering innovation, besides generating employment. The inter-linkages between the informal sector and the formal sector including government are also crucial in fostering growth in the sector. Majority of the small businesses such as retailers, hawkers and other service providers fall in this sector. The sector has also expanded to cover areas such as manufacturing and information and communication.

4.20. As shown in Table 4.12, an estimated 10,511.2 thousand persons were engaged in informal sector economic activities in 2012, an increase of 6.0 per cent. There was a slower growth of employment in the informal sector in the rural areas from 7.0 per cent registered in 2011 to 6.5 per cent in 2012. The growth in employment in the informal sector has been on an upward trend over the five year period, providing necessary employment interface between modern sector and small-scale farming and pastoralist activities over time.

Table 4.12: Informal sector employment[+] by Region, 2008 – 2012

000

Province	2008	2009	2010	2011	2012*
Nairobi	1,968.8	2,131.8	2,303.5	2,459.8	2,624.4
Central	1,271.7	1,372.2	1,475.5	1,567.8	1,667.5
Nyanza	932.1	1,001.2	1,069.7	1,129.2	1,200.5
Western	593.4	643.2	696.1	744.5	786.4
Rift Valley	1,516.5	1,635.3	1,756.9	1,865.2	1,971.6
Eastern	718.5	769.9	819.9	862.6	898.7
Coast	1,002.6	1,084.8	1,170.7	1,248.8	1,319.8
North Eastern	35.9	38.2	40.3	41.9	42.3
TOTAL	**8,039.5**	**8,676.6**	**9,332.6**	**9,919.8**	**10,511.2**
Of which					
Urban	3,135.4	3,097.4	3,276.0	3,441.0	3,614.8
Rural	4,904.1	5,579.2	6,056.6	6,478.8	6,896.4

* Provisional

[+] Estimated

4.21. Distribution of the informal sector employment by industry is presented in Table 4.13. Analysis shows that construction and wholesale and retail trade, hotels and restaurants activities registered the highest growths of 8.2 per cent and 6.7 per cent, respectively, in 2012. Informal sector workers in wholesale and retail trade, hotels and restaurants accounted for 60.7 per cent of all workers in the sector. The second largest employer was manufacturing which absorbed 19.4 per cent of the informal sector labour force.

Table 4.13: Informal Sector employment by activity[1], 2008 - 2012

000

Activity	2008	2009	2010	2011	2012*
Manufacturing	1,664.3	1,769.9	1,883.0	1,957.1	2,037.2
Construction	214.0	224.9	237.3	260.2	281.5
Wholesale and Retail Trade, Hotels and Restaura	4,776.6	5,175.3	5,582.2	5,983.8	6,383.9
Transport and Communications[2]	246.5	268.3	290.4	307.7	326.5
Community, Social and Personal Services	772.3	843.2	914.7	963.7	1,025.8
Others	365.8	395.0	425.0	447.3	456.3
**TOTAL .. ..

KSh 3,765 in 2011 to KSh 4,258 in 2012. Wages for the highest paid category of workers, namely farm foreman and farm clerks was increased from KSh 6,792 in 2011 to KSh 7,681 in 2012.

Table 4.14: Gazetted Monthly Basic Minimum Wages for Agricultural Industry, 2008 – 2012

KSh

Type of Employee	2008	2009	2010	2011	2012
Unskilled employees	2,536	3,043	3,347	3,765	4,258
Stockman, Herdsman and Watchman	2,928	3,514	3,865	4,348	4,917
SKILLED AND SEMI-SKILLED EMPLOYEES:					
House servant or cook	2,894	3,473	3,820	4,298	4,861
Farm foreman	4,573	5,488	6,037	6,792	7,681
Farm clerk	4,573	5,488	6,037	6,792	7,681
Section foreman	2,961	3,553	3,908	4,397	4,973
Farm artisan	3,030	3,636	4,000	4,500	5,089
Tractor driver	3,213	3,856	4,242	4,772	5,397
Combine harvester driver	3,540	4,248	4,673	5,257	5,945
Lorry driver or car driver	3,715	4,458	4,904	5,517	6,239
AVERAGE	**3,396**	**4,076**	**4,483**	**5,044**	**5,704**

Source: Ministry of Labour & Human Resource Development

4.27. As shown in Table 4.15, the average gazetted monthly basic minimum wages in Nairobi, Mombasa and Kisumu cities went up from KSh 11,911 in 2011 to KSh 13,471 in 2012. For other municipalities, average basic minimum monthly wage increased from KSh 11,066 in 2011 to KSh 12,515 in 2012. Similarly, the wages in all other towns rose from KSh 9,413 to KSh 10,646 over the same period.

Table 4.15: Gazetted Monthly Basic Minimum Wages in Urban Areas[1], 2011 – 2012

KSh

	Nairobi, Mombasa & Kisumu Cities		All Municipalities and Mavoko, Ruiru & Limuru Town Councils		All other towns	
Occupation	2011	2012	2011	2012	2011	2012
General labourer	7,586	8,579	6,999	7,915	4,047	4,577
Miner, stone cutter, turnboy, waiter, cook	8,193	9,266	7,269	8,221	4,676	5,288
Night watchman	8,463	9,571	7,846	8,873	4,827	5,459
Machine attendant	8,598	9,724	8,001	9,049	6,485	7,334
Machinist	9,815	11,100	9,182	10,384	7,507	8,490
Plywood machine operator	10,239	11,580	9,450	10,687	7,811	8,834
Pattern designer	11,684	13,214	10,682	12,081	9,108	10,301
Tailor, Driver (medium vehicle)	12,877	14,564	11,835	13,385	10,553	11,935
Dyer, Crawler, Tractor driver, Salesman	14,216	16,078	13,264	15,001	11,971	13,539
Saw doctor, Caretaker (building)	15,732	17,793	14,690	16,614	13,685	15,477
Cashier, Driver (heavy commercial)	17,118	19,360	16,109	18,219	15,104	17,083
Artisan (Ungraded)	10,239	11,580	9,450	10,686	7,811	8,834
Artisan Grade III	12,877	14,564	11,835	13,385	10,533	11,913
Artisan Grade II	13,908	15,730	13,264	15,002	11,971	13,539
Artisan Grade I	17,118	19,361	16,109	18,219	15,104	17,083
AVERAGE	**11,911**	**13,471**	**11,066**	**12,515**	**9,413**	**10,646**

Source: Ministry of Labour and Human Resource Development

[1] Exclude Housing Allowance

4.28. Collective bargaining is the process whereby trade unions, representing workers, and employers through their representatives, treat and negotiate with a view to the conclusion of a collective agreement or renewal thereof or the resolution of disputes. A collective agreement is usually in writing between an employer and a union, on behalf of workers employed by the employer. It contains provisions reflecting terms and conditions of employment of the workers, and conferring to them their rights, privileges and responsibilities. It is an important mechanism for wage determination, which allows workers and managers to discuss issues and settle disputes through consensus and dialogue rather than through confrontation. The Industrial Court has jurisdiction to arbitrate and register collective bargaining agreements negotiated between employers' and workers' representatives in order to improve terms and conditions of employment. In 2012, a number of such as that of nurses were determined by the industrial court.

4.29. Table 4.16 shows the number of collective bargaining agreements registered by the Industrial Court in 2011 and 2012. There was a notable decrease in the number of agreements from 362 in 2011 to 256 in 2012. However, there was an increase in the number of agreements in the manufacture of textile, wearing apparels and leather industry. The agreements registered reflected an average monthly wage of KSh 27,104 in 2012 compared to KSh 26,134 in 2011. The number of unionisable employees covered by the agreements registered in 2012 was 76,001 compared to 96,614 in 2011, a decline of 21.3 per cent. The highest reduction in the number of unionisable employees was noted in the Wood and Wood Industry including Furniture which decreased from 1,192 to 161. The other notable decreases were in the Paper and Paper Products, Printing and Publishing and in Building and Construction which reduced by 64.1 per cent and 81.0 per cent in 2012 , respectively.

Table 4.16: Collective Bargaining Agreements Registered by the Industrial Court, 2011 and 2012

	No. of Agreements		No. of Unionisable Employees Covered by the Agreements		Monthly Basic Wage (KSh)		Monthly Housing Allowance Offered (KSh)	
	2011	2012*	2011	2012*	2011	2012*	2011	2012*
Agriculture, Forestry, Hunting & Fishing	23	17	11,072	5,923	8,863.8	14,104.5	1,698.5	2,090.3
Mining & Quarrying	4	3	488	446	10,320.3	19,161.0	1,823.3	4,700.0
Manufacturing of :								
Food, Beverage & Tobacco	42	34	9,598	5,691	23,827.8	22,214.5	3,209.3	3,164.4
Textile, Wearing Apparels & Leather Industry	18	21	4,142	4,668	10,007.8	13,299.8	2,282.6	2,475.5
Wood & Wood Industry including Furniture	7	5	1,192	161	10,627.5	15,326.6	2,230.4	2,228.1
Paper & Paper Products, Printing & Publishing	16	10	1,530	550	16,112.9	19,049.2	3,433.3	3,277.8
Chemical, Petroleum Rubber & Plastic Product	24	16	1,070	1,527	28,842.7	26,529.6	2,565.0	3,454.5
Glass, Ceramic & Cement	4	5	679	721	28,952.8	13,717.5	-	4,269.6
Basic Metal Industries	2		258		16,250.7		8,400.7	
Electronics & Electrical Products	55	32	3,040	1,901	14,946.1	18,103.0	3,711.5	2,822.7
Other Manufacturing industries	-	1	-	746	-	13,160.0	2,631.8	2,700.0
Electricity and Water	7	5	7,781	6,848	36,168.5	34,018.4	8,340.6	6,755.3
Building & Construction	4	5	274	52	14,859.6	12,047.6	6,806.3	1,718.6
Wholesale & Retail Trade, Restaurant & Hotels	37	16	2,410	5,111	13,317.6	37,107.5	2,628.3	2,899.8
Transport and Communication	36	34	12,073	11,995	66,031.5	38,795.1	6,028.0	5,890.4
Finance, Insurance, Real Estate & Business Services	26	15	32,606	19,344	97,021.8	103,949.6	6,017.6	7,158.2
Community & Social Services	57	37	8,401	10,317	21,992.0	33,064.7	4,087.7	3,991.3
Total/Average	**362**	**256**	**96,614**	**76,001**	**26,134.0**	**27,104.3**	**3,876.17**	**3,724.78**

Source: Ministry of Labour & Human Resource Development

* Provisional

Consumer Price Index

4.30. The average annual Consumer Price Index (CPI) increased from 121.17 in 2011 to 132.53 in 2012. However, the overall annual rate of inflation decreased from 14.0 per cent in 2011 to 9.4 per cent in 2012. This decline was largely attributed to better food supply resulting from more favourable weather conditions.

4.31. Table 4.17 shows percentage changes in the Indices of the 12 broad Classification of Individual Consumption by Purpose (COICOP) divisions. Food and non-alcoholic drinks' annual average index, increased from 131.77 in 2011 to 144.92 in 2012. This marginal decrease resulted from several observed falls in food prices that outweighed observed rises in prices of several other food items. The average price of a Kilogram of sugar for instance declined from KSh 127.23 in 2011 to KSh 119.92 in 2012. Similarly, there were significant falls in the average prices of green grams, spinach, lemons and other food items over the two years. Generally reduced food inflation in 2012 reflects improved weather conditions that favourably supported food production.

Table 4.17: CPI and Inflation by Commodities, 2011 -2012

February 2009=100

Broad Item Group	Weights (Per cent)	Annual Average Index 2011	Annual Average Index 2012	% Change
Food & Non-Alcoholic Beverages	36.03	131.77	144.92	10.0
Alcoholic Beverages, Tobacco & Narcotics	2.06	122.00	132.99	9.0
Clothing & Footwear	7.43	112.39	123.22	9.6
Housing, Water, Electricity, Gas and other Fuels	18.30	117.12	127.99	9.3
Furnishings, Household Equipment and Routine Household Maintenance	6.16	113.05	124.39	10.0
Health	3.13	113.83	120.49	5.9
Transport	8.67	130.98	140.64	7.4
Communication	3.82	75.29	79.54	5.7
Recreation & Culture	2.25	109.92	120.51	9.6
Education	3.14	105.81	112.92	6.7
Restaurant & Hotels	4.49	122.30	139.91	14.4
Miscellaneous Goods & Services	4.52	111.21	121.75	9.6
Weighted average of all Items	**100.00**	**121.17**	**132.53**	**9.4**

4.32. In the review period, Food and Non-alcoholic Beverages, which accounts for the largest weight, went up by 10.0 per cent. Restaurant and Hotels Index registered the highest increase in percentage terms, 14.4 per cent from 122.30 in 2011 to 139.91 in 2012. Transport Index went up by 7.4 per cent in 2012. The increase coincided with similar increases in petrol and diesel prices. Thus, whereas the average price of diesel increased from KSh 104.79 per litre in 2011 to KSh 106.07 per litre in 2012, the average price of petrol increased from KSh 113.57 per litre in 2011 to KSh 114.05 per litre in 2012. By extension most of the other transport costs including bus/matatu fares recorded small increases over the two years.

4.33. The Communications Index increased by 5.7 per cent from 75.29 in 2011 to 79.54 in 2012. This was mainly due to a reversal of the price decrease competitions that were witnessed in 2011 between companies who are major airtime service providers. The Education Index rose by 6.7 per cent due to increased school fees in several private institutions.

Inflation by Income Groups

4.34. Table 4.18 shows annual Inflation Rates for the different Income Groups over the last five years. Inflationary pressures in respect to Nairobi Lower Income Group eased up from 15.1 per cent in 2011 to 9.5 per cent in 2012. Inflation for the Nairobi Middle and Upper Income groups also declined but by lower margins. The Rest of Urban towns rate of inflation similarly declined from 14.3 per cent in 2011 to 9.7 per cent in 2012.

Table 4.18: Annual Inflation Rates, 2008-2012

Per cent

Income Group	2008	2009	2010	2011	2012
Nairobi Lower Income Inflation	17.9	12.4	4.7	15.1	9.5
Nairobi Middle Income Inflation	10.9	6.1	2.1	9.9	7.8
Nairobi Upper Income Inflation	10.9	6.4	5.6	9.9	5.8
Nairobi Inflation	16.7	11.2	4.2	14.1	9.0
Rest of Urban Towns Inflation	15.9	10.2	4.0	14.3	9.7
Kenya Inflation Rate	**16.2**	**10.5**	**4.1**	**14.0**	**9.4**

Note:

1. The lower income group comprises households with monthly expenditure below KSh 23, 670 in October 2005
2. The middle income group comprises households with monthly expenditure between KSh 23,671 and KSh 119,999 in October 2005
3. The upper income group comprises households with monthly expenditure above KSh 120,000 in October 2005

4.35 Table 4.19 shows that the annual average CPI for Nairobi Lower Income Group rose by 11.72 percentage points from 123.63 in 2011 to 135.35 in 2012. This population category recorded the highest Index of 138.00 in May and the lowest of 133.18 in August 2012.

Table 4.19: Consumer Price Indices for the Nairobi Lower Income Group, 2008-2012

February 2009=100

Month	2008	2009	2010	2011	2012
January	85.56	97.38	105.60	111.59	134.21
February	85.86	100.00	106.16	114.08	134.38
March	87.22	101.59	105.78	117.46	136.85
April	89.82	102.24	106.38	121.32	137.61
May	91.54	102.56	106.85	121.77	138.00
June	90.80	102.65	106.67	123.70	136.21
July	91.13	102.84	107.61	124.83	134.44
August	92.80	103.56	108.11	126.64	133.18
September	93.95	104.23	108.73	128.27	133.61
October	94.71	104.58	108.38	129.60	134.13
November	96.39	104.59	108.80	131.23	135.14
December	95.75	105.37	110.33	133.09	136.49
Annual average	**91.29**	**102.63**	**107.45**	**123.63**	**135.35**

4.36. Tables 4.20, 4.21, 4.22, 4.23 and 4.24 present a five year series of CPI for the Nairobi Lower, Middle and Upper Income Groups as well as the combined Indices for all Nairobi, Rest of Urban Areas and the aggregated national Indices. The 2009, 2010, 2011 and 2012 Indices were derived from the current CPI while Indices for 2008 were derived from the previous CPI series. However, both the old and new CPI were linked so as to have a common base of February 2009=100.

Table 4.20: Consumer Price Indices, Nairobi Middle income Group, 2008-2012

February 2009=100

Month	2008	2009	2010	2011	2012
January	91.38	99.78	102.93	106.64	121.65
February	91.72	100.00	102.95	107.26	121.37
March	93.81	100.46	103.34	108.86	122.53
April	95.42	100.95	103.52	111.35	123.49
May	94.90	100.91	103.39	112.42	123.66
June	95.37	101.15	103.09	112.95	123.31
July	96.11	101.44	103.34	113.83	121.96
August	95.84	102.06	103.39	115.05	122.03
September	97.53	102.01	103.70	116.57	122.40
October	98.64	102.30	103.97	118.86	123.12
November	97.84	102.49	104.65	120.95	123.36
December	97.55	102.71	103.83	121.73	123.51
Annual average	95.51	101.35	103.51	113.87	122.70

Table 4.21: Consumer Price Indices, Nairobi Upper income Group, 2008-2012

February 2009=100

Month	2008	2009	2010	2011	2012
January	91.38	99.78	105.51	110.90	123.72
February	91.72	100.00	105.56	111.29	123.63
March	93.81	99.92	106.23	111.95	124.12
April	95.42	100.04	106.32	113.12	124.90
May	94.90	100.08	107.30	113.93	124.98
June	95.37	100.78	107.39	118.28	124.83
July	96.11	101.60	107.62	120.18	124.26
August	95.84	102.25	107.07	120.90	124.74
September	97.53	103.33	107.67	121.83	124.87
October	98.64	103.03	107.89	123.51	125.72
November	97.84	103.85	109.24	124.52	125.51
December	97.55	104.26	109.09	124.03	125.46
Annual average	95.51	101.58	107.24	117.87	124.73

Table 4.22: Consumer Price Indices, Overall Nairobi, 2008-2012

February 2009=100

Month	2008	2009	2010	2011	2012
January	86.47	97.76	104.95	110.37	130.78
February	86.78	100.00	105.36	112.33	130.84
March	88.25	101.25	105.21	115.18	132.91
April	90.70	101.85	105.69	118.60	133.73
May	92.07	102.07	106.03	119.22	134.05
June	91.52	102.22	105.84	120.90	132.67
July	91.91	102.46	106.58	122.00	131.04
August	93.27	103.15	106.93	123.63	130.17
September	94.51	103.66	107.48	125.21	130.58
October	95.32	103.97	107.30	126.78	131.16
November	96.61	104.06	107.81	128.49	131.94
December	96.04	104.69	109.04	130.01	132.94
Annual average	91.95	102.26	106.52	121.06	131.90

Table 4.23: Consumer Price Indices, Rest of Urban areas, 2008-2012

February 2009=100

Month	2008	2009	2010	2011	2012
January	85.65	97.31	104.84	110.71	130.84
February	87.47	100.00	105.05	111.87	130.71
March	88.39	100.76	104.80	114.22	132.23
April	91.03	101.83	105.48	118.07	133.74
May	92.97	101.68	105.62	119.67	134.12
June	93.61	101.93	105.45	120.91	133.33
July	93.09	102.24	105.56	122.75	132.54
August	93.83	102.79	105.78	124.21	132.45
September	94.67	103.26	106.22	125.24	132.81
October	95.23	103.47	106.74	127.50	133.38
November	97.05	103.75	107.90	129.57	134.31
December	97.66	104.64	109.62	130.15	135.17
Annual average	92.56	101.97	106.09	121.24	132.97

Table 4.24: Consumer Price Indices, Kenya, 2008-2012

February 2009=100

Month	2008	2009	2010	2011	2012
January	86.07	97.55	104.89	110.57	130.82
February	87.25	100.00	105.18	112.06	130.76
March	88.22	100.96	104.97	114.62	132.51
April	90.85	101.84	105.56	118.29	133.74
May	92.68	101.84	105.79	119.48	134.09
June	92.89	102.05	105.61	120.91	133.06
July	92.75	102.33	105.98	122.44	131.92
August	93.79	102.94	106.25	123.97	131.51
September	94.72	103.42	106.74	125.23	131.89
October	95.29	103.68	106.97	127.20	132.46
November	96.95	103.87	107.86	129.13	133.33
December	96.89	104.66	109.38	130.09	134.25
Annual average	92.36	102.10	106.27	121.17	132.53

Chapter 5

Money, Banking and Finance

Overview

Monetary policy in the country focused on achieving and maintaining stability in the general level of prices in the economy. Price stability is a necessary condition for raising the level of investment and thereby supporting economic growth and employment creation. In pursuit of this objective, the Central Bank of Kenya (CBK) worked with a monetary policy framework that targeted monetary aggregates consistent with the set inflation and growth targets. The Central Bank Rate (CBR) was the main instrument used to signal the direction of monetary policy stance and was reviewed and announced at least every month in 2012. The monetary policy operations framework focused on reduced volatility in the interbank rate in alignment with the CBR. Pricing for Open Market Operations and CBK Discount Window was referenced to the CBR for enhancement of clarity and certainty in the money market.

5.2. During the first half of 2012, the Central Bank maintained the CBR at the December 2011 level of 18.0 per cent. The monetary policy yielded the desired results giving rise to reduced inflation rates and stable exchange rates. While the inflation target for the fiscal year 2011/2012 was 9.0 per cent, the overall inflation rate declined from 18.9 per cent in December 2011 to 7.7 per cent in July 2012 and further to 3.2 per cent in December 2012. Following the decline in inflation rate, CBK eased the monetary policy by lowering the CBR to 16.5 per cent, 13.0 per cent and 11.0 per cent in the months of July, September and November 2012, respectively. This downward adjustment of the CBR was aimed at providing a signal to commercial banks to lower the interest rates and therefore promote uptake of private sector credit to support economic activities. Reflecting these measures, interest rates declined with the average inter-bank rate declining from 21.75 per cent in December 2011 to 17.18 per cent in June 2012 and 5.89 per cent in December 2012. The average 91-day Treasury Bills rate declined from 18.30 per cent in December 2011 to 10.09 per cent in June 2012 before settling at 8.25 per cent in December 2012. The weighted average commercial bank lending and overdraft rates remained high at around 20.3 per cent in January through to August 2012 but eased thereafter to stand at 18.15 per cent and 17.79 per cent respectively, in December 2012. The average deposit rate decreased from 6.99 per cent in December 2011 to 6.80 per cent in December 2012. Consequently, the interest rate spread narrowed to 11.35 per cent in December 2012 compared to 13.05 per cent in December 2011.

Monetary Indicators and the Consolidated Balance Sheet for the Banking System

5.3. Monetary indicators are presented in Table 5.1. Net Foreign Assets (NFA) of the banking system grew by 10.3 per cent to stand at KSh 327.8 billion in December 2012. The increase in the NFA of the banking system was mainly due to increased holdings by the CBK following interbank market purchases to build the stock of foreign exchange reserves. The NFA was further boosted by receipt of proceeds from a syndicated loan for bridging the shortfall in net domestic financing by Government in June 2012. During the same period the total domestic credit expanded by 15.4 per cent compared to a 20.8 per cent expansion in December 2011.

Table 5.1: Monetary Indicators, 2008-2012

As at end of:	Net Foreign Assets (KSh Million)	DOMESTIC CREDIT (KSh Million)			Money[2] Supply (M3) (KSh Million)	Commercial Bank Liquidity Ratio (per cent)	Advances/ Deposits Ratio (per cent)
		Private[1]	Government	Total			
2008 Dec	251,049	664,636	162,777	827,413	901,055	39.3	73
2009 Dec	245,304	759,794	218,525	978,319	1,045,657	40.1	71
2010 Dec	271,491	920,671	347,270	1,267,940	1,271,638	43.3	74
2011 Dec	297,294	1,203,946	328,105	1,532,051	1,514,152	37.8	79
2012 Mar	277,886	1,225,762	346,717	1,572,479	1,517,126	38.1	80
Jun	323,476	1,265,292	329,944	1,595,236	1,594,661	39.1	81
Sep	353,752	1,299,080	384,812	1,683,891	1,670,865	41.7	78
Dec	327,821	1,345,209	422,548	1,767,757	1,727,324	42.2	79

Source: Central Bank of Kenya

[1] Includes other public sectors

[2] See Table 5.2 for coverage

5.4. Domestic credit to the private sector including other public sector expanded at a slower rate of 11.7 per cent in December 2012 compared to an expansion of 30.8 per cent recorded in the previous year. This contributed to the overall reduced rate of credit creation during the year. However, credit to Central Government recorded a turnaround from a decline of 5.5 per cent in 2011 to expand by 28.8 per cent over the review period. The slowdown in domestic credit growth led to a deceleration in monetary expansion with broad money supply increasing by 14.1 per cent compared to an increase of 19.1 per cent recorded in the previous period. This expansion was marginally below the targeted growth of 14.9 per cent and was in line with the monetary policy objective of taming inflation and correcting the exchange rate instability experienced 2011. The deceleration in the growth of broad money supply (M3) in the year to December 2012 was reflected by a slowdown in the growth of Net Domestic Assets (NDA) of the banking system. Commercial banks maintained higher liquidity levels in 2012 compared to 2011 as shown in Table 5.1. Advances to deposits ratio remained in the range of 80 per cent in the first half of 2012. However, this declined in the second half of the year following the easing of monetary policy.

Table 5.2: Money and Quasi Money Supply, 2008-2012

KSh Million

As at end of:		Money[1] (M1)	Quasi-Money		Broad Money Supply		Overall Liquidity
			Banks	Others[2]	M2	M3	L
2008	Dec	392,778	360,300	13,531	766,393	901,055	1,091,929
2009	Dec	442,245	438,804	17,199	898,099	1,045,657	1,280,440
2010	Dec	577,206	506,654	15,490	1,099,234	1,271,638	1,569,560
2011	Dec	622,731	613,279	18,089	1,253,958	1,514,152	1,876,142
2012	Jan	606,652	606,847	18,245	1,231,744	1,505,764	1,864,439
	Feb	619,427	619,237	18,329	1,256,993	1,504,776	1,889,874
	Mar	611,780	646,590	18,157	1,276,403	1,517,126	1,906,473
	Apr	628,269	644,772	19,887	1,292,927	1,536,287	1,920,417
	May	616,133	673,045	21,104	1,310,282	1,561,573	1,944,236
	Jun	623,687	715,385	-	1,339,072	1,594,661	1,970,119
	Jul	638,196	725,643	-	1,363,839	1,612,640	1,991,127
	Aug	645,590	738,258	-	1,383,848	1,638,212	2,021,560
	Sep	667,410	741,958	-	1,409,368	1,670,865	2,060,593
	Oct	699,005	735,224	-	1,434,230	1,702,545	2,096,606
	Nov	691,244	772,463	-	1,463,707	1,740,178	2,136,553
	Dec	710,744	758,293	-	1,469,037	1,727,324	2,129,475

Source: Central Bank of Kenya.

[1] Currency outside banks plus all demand deposits except; those of Central Government, Local Government, Commercial Banks, Non Residents and foreign currency denominated deposits

[2] Following the conversions and mergers there are no operational NBFIs

5.5. Monetary aggregates are presented in Table 5.2. Narrow Money Supply (M1) grew by 14.1 per cent from KSh 622.7 billion in December 2011 to KSh 710.7 billion in December 2012. Quasi money deposits of the commercial banks increased by 23.6 per cent leading to growth in Broad Money Supply (M2) by 17.2 per cent to KSh 1,469.0 billion. The overall liquidity equally expanded but at a slower rate of 13.5 per cent in December 2012 compared to 19.5 per cent expansion recorded in December 2011.

Table 5.3: Consolidated Accounts of the Banking System, 2008-2012

KSh Million

	2008	2009	2010	2011	2012*			
LIABILITIES-	Dec	Dec	Dec	Dec	March	June	Sept	Dec
1 Money (M1):								
1.1 Demand Deposits	298,899	341,253	454,179	485,628	468,772	479,170	521,953	548,545
1.2 Currency outside banks ..	93,880	100,992	123,027	137,103	143,008	144,518	145,457	162,199
Sub-Total	392,778	442,245	577,206	622,731	611,780	623,687	667,410	710,744
2 Quasi-Money(Banks):								
2.1 Call + 7 days Notice Deposits..	33,497	52,718	39,621	61,197	64,521	71,386	74,037	75,667
2.2 Savings Deposits	92,009	109,924	134,799	150,129	158,284	175,124	181,629	185,628
2.3 Time Deposits	234,793	276,162	332,233	401,953	423,786	468,875	486,292	496,998
Sub-Total (quasi-money banks)	360,300	438,804	506,654	613,279	646,590	715,385	741,958	758,293
Money (M1) & Quasi money (Banks)	753,078	881,049	1,083,860	1,236,010	1,258,370	1,339,072	1,409,368	1,469,037
3 Quasi-Money (NBFIs)[1]	13,531	17,199	15,490	18,089	18,157.11	-	-	-
Broad Money Supply (M2)	766,393	898,099	1,099,234	1,253,958	1,276,528	1,339,072	1,409,368	1,469,037
4 Foreign Currency Deposits	134,662	147,557	172,404	260,193	240,723	255,589	261,497	258,287
Broad Money Supply (M3)	901,055	1,045,657	1,271,638	1,514,152	1,517,126	1,594,661	1,670,865	1,727,324
5 Treasury Bill Holdings	190,874	234,783	297,922	361,990	389,347	375,459	389,728	402,151
Broad Money Supply (L)	1,091,929	1,280,440	1,569,560	1,876,142	1,906,473	1,970,119	2,060,593	2,129,475
6 Other Items (Net)	186,895	177,967	267,792	315,194	333,240	324,052	366,779	368,254
TOTAL	1,087,950	1,223,624	1,539,431	1,829,346	1,850,365	1,918,712	2,037,644	2,095,578
ASSETS-								
7 Net Foreign Assets	251,049	245,304	271,491	297,294	277,886	323,476	353,752	327,821
8 Domestic Credit:								
8.1 Central Govt. (Net).. ..	162,777	218,525	347,270	328,105	346,717	329,944	384,812	422,548
8.2 Other Public Bodies ..	11,807	12,482	22,180	30,809	32,175	41,177	50,135	49,814
8.3 Private Sector..	662,317	747,312	898,490	1,173,137	1,193,587	1,224,115	1,248,945	1,295,395
Sub-Total	836,901	978,319	1,267,940	1,532,051	1,572,479	1,595,236	1,683,891	1,767,757
TOTAL	1,087,950	1,223,624	1,539,431	1,829,346	1,850,365	1,918,712	2,037,644	2,095,578

Source: Central Bank of Kenya.

* Provisional

[1] Following the conversions and mergers there are no operational NBFIs since December 2010

Notes:

(a) Broad Money , **M2,** is money supplied by the Central Bank, Commercial Banks and NBFIs.
The items include currency outside banking institutions, deposits held by non-banking institutions with Central Bank, all deposits as well as certificates of deposits held by the private and other public sectors with banking institutions.
Excluded are Central Government, Local Government and Non-residents deposits with banking institutions.

(b) Broad Money , **M3,** comprises M2 and foreign currency holdings by residents.

(c) Broad Money , **L,** comprises M3 and Treasury Bill holdings by the non-bank public.

(d) Other Items Net Includes SDR allocated by IMF.

(e) Net Foreign Assets includes Government reserve position in the IMF and deposits with crown agents.

(f) Treasury Bill holdings by the non-bank public is not included in total liabilities of the banking sytem.

5.6. Table 5.3 shows the consolidated accounts of the banking system for the period 2008 to 2012. During the year, liabilities of the banking system increased by 14.6 per cent to KSh 2,095.6 billion in December 2012. Contributing to the growth was a 13.0 per cent increase in demand deposits held in the banks, which constituted 26.2 per cent of the liabilities, and 23.6 per cent increase in time deposits that constituted 23.7 per cent of the liabilities. Foreign currency deposits recorded a marginal decline while Other Items (Net) recorded a 16.8 per cent increase. Net foreign assets increased by 10.2 per cent and constituted 15.6 per cent of

the banking assets. 'Other public bodies', which constitute 2.5 per cent of total assets recorded significant growth in credit to KSh 49.8 billion in December 2012. The highest contributor to the credit expansion was the private sector with 61.8 per cent share in total assets, recording a 10.4 per cent growth.

Sources of Changes in M3 and Real Values of Selected Financial Aggregates

5.7. Changes in money supply and the sources are shown in Table 5.4. Broad money supply increased by KSh 213.2 billion during the review period. The various components that increased included Money Supply (M1) registering a growth of 14.1 per cent to KSh 710.7 billion. Quasi-money deposits of the banks increased by KSh 145.0 billion, a growth of 23.6 per cent to KSh 758.3 billion. The foreign currency deposits on the other hand declined marginally. The sources of changes in money supply M3 included, net foreign assets that increased by KSh 28.7 billion, while domestic credit to Central Government and credit to the private sector expanded by KSh 40.7 billion and KSh 110.7 billion, respectively.

Table 5.4: Changes in Money Supply and the Sources[1], 2008-2012

KSh Million

	2008	2009	2010	2011	2012
MONEY SUPPLY CHANGES					
1 Currency plus demand deposits (M1)	19,469	49,467	134,961	45,525	88,013
2 Quasi-money (Banks)	78,665	78,504	67,850	106,625	145,014
3 Quasi-money (NBFIs)	-790	3,667	-1,709	2,599	-17,948
4 Foreign Currency Deposits	23,941	12,895	24,847	87,789	-1,907
5 Broad Money supply (M3)	123,459	144,602	225,982	242,513	213,172
SOURCES OF CHANGES					
6 Net foreign assets	-5,641	-5,745	26,186	25,804	28,698
7 All Domestic Credit	166,130	141,418	289,621	264,111	170,470
(a) to Central Government(net)	25,810	55,748	128,744	675,375	40,729
(b) to other public sector	-2,540	676	9,698	8,629	19,006
(c) to private sector	142,860	84,995	151,178	274,646	110,736
8 Other Items (Net)	37,029	8,928	89,826	47,402	14,004
9 Total sources of changes	123,459	144,602	225,982	242,513	213,172

[1]Compares year-end values

5.8. Trends for selected real financial aggregates are presented in Table 5.5. Money Supply (M3) expanded in real terms to KSh 1,286.6 billion in December 2012 recording a growth of 10.5 per cent. In the same period the overall liquidity stood at KSh 1,586.2 billion, a growth in real terms of 10.0 per cent while commercial banks' credit grew by 43.3 per cent. Deposit liabilities on the other hand grew by 11.9 per cent to KSh 1,248.3 billion while total liabilities of the banking system grew by 11.0 per cent. The ratio of commercial bank deposit liabilities to total liabilities rose to 80.0 per cent in December 2012 from 79.3 per cent in December 2011.

Table 5.5: Trends in the Real Values of Selected Financial Aggregates[1], 2008 -2012

KSh Million

	2008	2009	2010	2011	2012
1 Money Supply (M3)....	934,801	999,099	1,163,455	1,163,926	1,286,647
2 Overall Liquidity (L)....	1,132,824	1,223,454	1,435,436	1,442,188	1,586,201
3 Commercial bank credit to private sector	517,287	545,007	645,714	674,166	723,722
4 Total commercial bank credit	665,819	669,101	812,275	917,663	1,315,063
5 Commercial Banks' Deposit Liabilities	858,451	945,624	1,103,278	1,115,527	1,248,326
6 Total liabilities of banking system .. .	1,128,696	1,132,141	1,415,976	1,406,216	1,560,952
Memorandum item:					
7 Line 5 as per cent of line 6 ..	76.1	83.5	77.9	79.3	80.0

[1] Deflated by average Consumer Price Indices.

Nominal and Real Interest Rates

5.9. Nominal principal interest rates are shown in Table 5.6. All the interest rates dropped albeit by different magnitudes. The CBR, the Re-Purchase Order (REPO) rate and the 91-day Treasury Bill (TB) rate dropped substantially registering reductions of 7.0, 10.7 and 10.1 percentage points respectively. The interbank rate dropped by 15.9 percentage points while commercial banks lending and overdraft interest rates remained at 2011 levels. Both the average deposits and savings interest rates remained at almost the December 2011 levels in December 2012. The deposits interest rates remained low while the lending rates remained high. However, the interest rate spread has been on a downward trend falling from 13.05 points in December 2011 to 12.42 points in June 2012 and 11.35 points in December 2012.

Table 5.6: Principal Interest Rates, 2008-2012

Per cent

	2008	2009	2010	2011	2012	
	December	December	December	December	June	December
CENTRAL BANK OF KENYA						
91 day Treasury Bills Rate	8.59	6.82	2.28	18.30	10.09	8.25
Central Bank Rate..	8.50	7.00	6.00	18.00	18.00	11.00
Repo rate..	6.36	..	..	17.59	17.75	6.85
Inter-bank rate..	6.67	2.95	1.18	21.75	17.18	5.89
COMMERCIAL BANKS[1]						
Average deposits	4.89	4.84	3.59	6.99	7.88	6.80
Savings deposits	1.65	1.73	1.45	1.59	1.46	1.60
Loan and Advances	14.87	14.76	13.87	20.04	20.30	18.15
Overdraft	14.39	14.13	13.69	20.20	20.36	17.79

Source: Central Bank of Kenya.

[1]Weighted average commercial bank interest rates

5.10. Table 5.7 presents the trends in selected real interest rates for the periods 2008 to 2012. In 2012, the real interest rates rose to the positive domain with the exception of the commercial banks savings deposit rate which, though it rose substantially by 15.7 percentage points, still remained at negative 1.6 per cent. Real interest rate on 91 day Treasury Bills rose by 5.7 percentage points to 5.1 per cent in December 2012 from negative 0.6 per cent in 2011. Commercial banks loans and advances maximum lending and inter-bank real interest rates

rose to 15.0 and 2.6 per cent, respectively.

Table 5.7: Trends in Selected Real Interest Rates[1], 2008-2012

Percentage

		Year	Nominal Interest	Inflation Rate	Real Interest[2]
1	Average Interest Rate for 91-day Treasury Bills	2008	8.6	17.8	-9.2
		2009	6.8	8.0	-1.2
		2010	2.3	4.5	-2.2
		2011	17.9	18.9	-0.6
		2012	8.3	3.2	5.1
2	Commercial bank savings deposits (average)	2008	1.7	17.8	-16.1
		2009	1.7	8.0	-6.3
		2010	1.5	4.5	-3.0
		2011	1.6	18.9	-17.3
		2012	1.6	3.2	-1.6
3	Commercial bank loans and advances (maximum)	2008	14.9	17.8	-2.9
		2009	14.8	8.0	6.8
		2010	13.9	4.5	9.4
		2011	20.0	18.9	1.1
		2012	18.2	3.2	15.0
4	Inter-Bank Rate	2008	6.7	17.8	-11.1
		2009	3.0	8.0	-5.1
		2010	1.2	4.5	-3.3
		2011	22.1	18.9	3.2
		2012	5.8	3.2	2.6

[1] As at December

[2] Real Interest Rate equals Nominal Rate minus Inflation Rate

Central Bank's Balance Sheet

5.11. Central Bank of Kenya balance sheet is presented in Table 5.8. The Bank assets increased to KSh 556.0 billion in December 2012 from KSh 449.3 billion in December 2011, recording a growth of 23.7 per cent. Contributing to this was an increase of 55.6 per cent in foreign exchange balances with external banks to KSh 488.5 billion and 27.5 per cent growth in the category of 'other assets including treasury bills and bonds'. Direct, advances and overdraft to Kenya Government declined by 2.9 per cent to KSh 25.5 billion in 2012.

5.12. Growth of liabilities was mainly due to 63.8 per cent increase in the bank's deposits to KSh 295.8 billion. Kenya Government deposits in the Central Bank grew over threefold to KSh 46.3 billion in December 2012. A significant growth was recorded in deposits from external banks including International Monetary Fund (IMF) that almost doubled during the year. The capital and general reserve fund grew by 60.4 per cent to KSh 79.1 billion in December 2012. Over the same period, currency in circulation increased by 9.0 per cent to KSh 187.7 billion.

Table 5.8: Central Bank of Kenya Assets and Liabilities, 2008 - 2012

KSh Million

ASSETS	2008	2009	2010	2011	2012			
					1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
1. Foreign Exchange:-								
1.1 Balances with								
External Banks	221,335	263,019	326,079	314,010	387,580	437,887	464,454	488,588
1.2 Treasury Bills ..	-	16,569	-	35,506	-	-	-	-
1.3 Other Investments ..	1,976	2,267	-	8,705	77	74	85	80
1.4 Special Drawing Rights	238	119	24,829	1,431	758	2,200	1,606	596
TOTAL	223,549	281,974	352,055	359,652	388,415	440,161	466,145	489,264
2. Advances & Disc. to Banks ..	-	-	1,280	-	-	-	-	-
3. Direct Advances & Overdraft								
to Kenya Government	16,198	11,640	22,733	26,221	25,455	7,590	25,481	25,462
4. Other Assets including Kenya								
Treasury Bills & Bonds	39,470	39,386	42,857	63,463	57,940	50,405	40,775	41,226
TOTAL ASSETS	279,217	333,000	393,289	449,335	471,809	498,156	532,402	555,952
LIABILITIES :								
1. Capital and General								
Reserve Fund	14,254	26,304	28,103	49,297	45,602	51,286	74,536	79,078
2. Currency in Circulation-								
2.1 Notes	111,712	119,741	135,412	169,096	157,288	154,789	157,945	181,946
2.2 Coins	4,024	4,549	4,639	3,145	4,839	4,427	4,641	5,797
TOTAL CURRENCY	115,736	124,290	140,051	172,241	162,127	159,216	162,586	187,743
3 REPO securities[1]								
3.1 OMO-repo sales	3,971	-	-	-	-	-	-	-
3.2 Repo-tap sales	-	-	-	-	-	-	-	-
TOTAL	3,971	-	-	-	-	-	-	-
Deposits								
4.1 Kenya Government	50,091	70,451	58,700	13,709	40,899	37,687	45,143	46,296
4.2 Kenya Banks[2]	47,858	57,673	75,425	91,455	95,788	119,851	120,050	111,137
4.3 External Banks	22,153	36,470	36,490	62,076	96,053	109,463	114,912	123,919
4.4 Other	11,734	12,506	20,842	13,329	13,599	17,587	14,886	14,446
TOTAL	131,836	177,100	184,347	180,569	246,339	284,587	294,990	295,798
5. Foreign Liabilities	-	26,585	30,578	-	1,248	214	1,702	1,202
5. Other Liabilities	13,420	5,306	42,767	47,228	16,493	2,853	-1,413	-7,869
TOTAL LIABILITIES	279,217	333,000	393,289	449,335	471,809	498,156	532,402	555,952

Source: Central Bank of Kenya

[1]-Blanks refer to the end of the reference period but do not indicate that the facility is not in use.

[2]- deposits from commercial banks excluding non-bank financial institutions (NBFIs)

Commercial Banks' credit and liquidity

5.13. Table 5.9a shows the total commercial banks' credit to the various sectors of the economy for the period 2008 to 2012. The total credit expanded by 8.4 per cent to KSh 1,765.5 billion in December 2012 up from KSh 1,628.0 billion in December 2011. There was a 33.6 per cent increase of the public sector credit and a 1.7 per cent decline in credit to the private sector. Credit to the Central Government, including commercial banks' investment in government securities, reversed the trend from a decline of 9.4 per cent in December 2011 to stand at KSh 422.6 billion, an increase of 30.9 per cent. This increase was occasioned partly by the financing need in preparation for the 2013 General Elections. Credit to other public sector expanded by 64.7 per cent to KSh 46.9 billion. Sectors that recorded significant growth in credit included Real Estate (45.1 per cent), Building and Construction (36.2 per cent), Manufacturing (15.8 per cent), Financial Institutions (9.3 per cent) and Agriculture (8.1 per cent). Notable reductions in credit were recorded in Wholesale and Retail Trade (20.1 per cent), Transport Storage and Communications (13.3 per cent), and Mining and Quarrying (1.0 per cent).

Table 5.9a: Commercial Banks Bills,Loans and Advances[1], 2008 -2012

KSh Million

	2008 Dec	2009 Dec	2010 Dec	2011 Dec	2012 Dec
PUBLIC SECTOR:					
Central Government (net)[2]	159,506	218,544	356,190	322,828	422,551
Local Government (net)	-1,960	-6,730	-116	2,314	2,888
Enterprises, Parastatal bodies and other					
Other Public entities	13,767	19,212	22,297	28,494	46,926
TOTAL PUBLIC SECTOR	**171,313**	**231,027**	**378,370**	**353,636**	**472,365**
PRIVATE ENTERPRISES:					
Agriculture	31,110	38,182	41,694	53,191	57,479
Mining and Quarrying	10,268	8,193	14,584	25,271	25,048
Manufacturing	90,224	87,876	112,222	146,197	169,262
Building and Construction	29,247	30,414	32,637	50,805	69,183
Transport, Storage and Communication	57,100	63,920	60,136	87,359	75,776
Wholesale and retail trade, hotels and restaurants	98,038	107,784	211,518	264,227	211,172
Real Estate	22,440	37,712	78,928	111,632	161,940
Financial Institutions	17,634	23,817	22,807	29,919	32,689
Other Business	164,992	210,218	186,558	220,052	169,047
TOTAL PRIVATE ENTERPRISES	**521,053**	**608,116**	**761,083**	**988,654**	**971,597**
COMMUNITY AND PERSONAL SERVICES					
(including non-profit making institutions)	88,000	87,972	123,586	163,801	174,900
Other Activities (Nes)	41,026	41,905	82,701	121,916	146,609
TOTAL BILLS, LOANS AND ADVANCES	**821,392**	**969,019**	**1,345,741**	**1,628,008**	**1,765,471**

Source: Central Bank of Kenya.

[1] Excludes portfolio investment by private enterprises and bank deposits placed with non-bank financial institutions.

[2] Figures on Credit to Central Government have been revised to include investments in Government Securities

5.14. Table 5.9b shows the percentage share of commercial banks' credit by various sectors. The Central Government had the highest share of commercial banks' credit accounting for 24.1 per cent in 2012. The other sectors that received significant proportion of the credit includes Wholesale and Retail Trade, Hotels and Restaurants (12.0 per cent), Private Households (10.0 per cent), Other Business (9.6 per cent), Other Activities (8.3 per cent), Community and Personal Services (10 per cent), Manufacturing (9.6 per cent) and Real Estate (9.2 per cent). Overall, a substantial decline was recorded in share of commercial banks credit to Private Enterprises from 73.5 per cent in December 2011 to 55.2 per cent in December 2012 which was in line with efforts to lower inflation early in the year.

Table 5.9b: Commercial Banks Bills, Loans and Advances Sector Shares[1], 2008 -2012

Percentage

	2008 Dec	2009 Dec	2010 Dec	2011 Dec	2012 Dec
PUBLIC SECTOR:					
Central Government [2]	24.9	31.2	39.1	27.0	24.1
Local Government	-0.3	-1.0	0.0	0.2	0.2
Enterprises, Parastatal bodies and other Public entities	2.1	2.7	2.4	2.4	2.7
TOTAL PUBLIC SECTOR	**26.7**	**33.0**	**41.5**	**29.6**	**26.9**
PRIVATE ENTERPRISES:					
Agriculture	4.8	5.5	4.6	4.5	3.3
Mining and Quarrying	1.6	1.2	1.6	2.1	1.4
Manufacturing	14.1	12.5	12.3	12.2	9.6
Building and Construction	4.6	4.3	3.6	4.3	3.9
Transport, Storage and Communication ..	8.9	9.1	6.6	7.3	4.3
Wholesale and retail trade, hotels and restaurants	15.3	15.4	23.2	22.1	12.0
Real Estate	3.5	5.4	8.7	9.4	9.2
Financial Institutions	2.7	3.4	2.5	2.5	1.9
Other Business	25.7	30.0	20.5	18.4	9.6
TOTAL PRIVATE ENTERPRISES	**77.7**	**81.5**	**74.9**	**73.5**	**55.3**
COMMUNITY AND PERSONAL SERVICES (including non-profit making institutions) .	13.7	12.6	13.6	13.7	10.0
Other Activities (Nes)	6.4	6.0	9.1	10.2	8.3
TOTAL BILLS, LOANS AND ADVANCES	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Kenya.

[1] Excludes portfolio investment by private enterprises and bank deposits placed with non-bank financial institutions

[2] Figures on Credit to Central Government have been revised to include investments in Government Securities

5.15. Table 5.10 shows commercial banks' deposits liabilities and liquid assets. The banks deposit liabilities grew by 15.5 per cent to stand at KSh 1,675.9 billion in December 2012. This was much slower growth compared to the 47.1 per cent growth in the previous year. The growth was attributed to major innovations in the banking sector such as agency banking and mobile banking which consequently increased the coverage of the banking services. Commercial banks' liquid assets rose by 28.9 per cent to KSh 707.0 billion which was a slight improvement from the previous year's performance. There was an overall increase in the liquidity ratio to 42.2 per cent in December 2012 compared to 37.8 per cent in December 2011.

Table 5.10: Commercial Banks-Deposit Liabilities and Liquid Assets[1], 2008 -2012

		Deposit Liabilities (KSh Million)	Liquid Assets[2] (KSh Million)	Overall Liquidity Ratio[3] (Per cent)
2008	December	827,461	324,997	39.3
2009	December	989,690	396,671	40.1
2010	December	986,668	427,471	43.3
2011	December	1,451,189	548,300	37.8
2012	January	1,457,364	564,765	38.8
	February	1,468,374	552,948	37.7
	March ..	1,488,194	566,408	38.1
	April	1,491,916	569,176	38.2
	May	1,530,022	599,907	39.2
	June	1,554,528	607,662	39.1
	July	1,546,678	592,778	38.3
	August	1,595,668	648,495	40.6
	September.. ..	1,633,502	681,391	41.7
	October	1,656,984	693,253	41.8
	November	1,700,128	733,512	43.1
	December	1,675,878	707,019	42.2

Source: Central Bank of Kenya.

[1] Deposits and Liquid Assets are calculated as an average of three days balances.

[2] Includes notes and coins, balances at Central Bank, net inter-bank balances in Kenya and Overseas (included only if positive) and Treasury Bills.

[3] The ratios given in this column are not consistent with figures in the other two columns because of the inclusion of certain other minor items in the denominator.

Capital Market

5.16. Table 5.11 shows the performance of the various capital market indicators from 2008 through 2012. The total number of shares traded in 2012 dropped by 3.5 per cent from KSh 5.7 billion in the December 2011 to stand at KSh 5.5 billion in December 2012. Market capitalization increased by 46.5 per cent to stand at KSh 1,272.0 billion in December 2012 up from KSh 868.0 billion in December 2011. Nairobi Securities Exchange (NSE) 20-Share index went up by 29.0 per cent to 4,133 in 2012 up from 3,205 in 2011. The total number of deals in year 2012 decreased by 3.8 per cent to 342,235 from a high of 355,738 in 2011. Total bond turnover increased by 26.7 per cent to KSh 565 billion in 2012 up from KSh 446 billion in 2011. Total net foreign portfolio inflow improved in 2012, with total inflow rising to KSh 9.4 billion in the fourth quarter, up from KSh 5.2 billion registered in the preceding quarter, an 82 per cent improvement. On an annual basis, net inflows rose substantially from KSh 220 billion in 2011 to KSh 21,734 billion. The number of investment banks decreased from 11 in 2011 to 10 in 2012 while stockbrokers, fund managers and custodians increased by 7, 2 and 1, respectively, to stand at 12, 21 and 15, respectively.

Table 5.11: Gross Secondary Market Statistics, 2008-2012

	2008	2009	2010	2011	2012				
	Dec	Dec	Dec	Dec	1st Qr	2nd Qr	3rd Qr	4th Qr	Total
Equities Market									
Total No. of Shares (million)	5,857	3,169	7,546	5,721	1,059	1,455	1,193	1,757	5,464
Total No. of Deals	121,769	134,885	127,379	355,738	67,181	77,543	84,715	112,796	342,235
Total Value of Shares (KSh bn)	98	38	25	79	13	23	21	29	86
NSE 20 Share Index (Base Jan 1966=100)	3,521	3,247	4,433	3,205	3,367	3,704	3,972	4,133	
Market Capitalization (KSh bn)	854	834	1,167	868	941	1,049	1,144	1,272	
Fixed Income Securities Market									
Total bond Turnover (KSh bn)	95	111	479	446	99	111	217	138	565
Capital Markets, Licensed/approved Institutions									
Securities Exchange (NSE)	1	1	1	1	1	1	1	1	
Central Depositories (CDSC)	1	1	1	1	1	1	1	1	
Investment Banks	17	17	19	11	10	10	10	10	
Stockbrokers	8	8	7	5	12	12	12	12	
Investment advisers	20	20	23	18	19	19	18	18	
Fund Managers	16	16	16	19	21	21	21	21	
Collective Investment Schemes	11	11	11	16	16	16	16	16	
Authorized depositories/Custodians	11	11	12	14	15	15	15	15	
Credit Rating Agencies	1	1	1	1	1	1	1	1	
Venture Capital Companies	1	1	1	1	1	1	1	1	
Dealer	0	0	0	0	0	0	0	0	

Source: Capital Markets Authority and Nairobi Securities Exchange

Insurance Industry

5.17. The insurance industry assets amounted to KSh 286.9 billion as at the end of the third quarter of 2012. This was a growth of 23.2 per cent from KSh 232.8 billion held as at 30th September 2011. The liabilities amounted to KSh 216.8 billion representing an increase of 20.9 per cent. The industry's gross written premiums by the insurance companies by the end of the third quarter of 2012 amounted to KSh 83.6 billion. This represented an increase of 20.8 per cent from KSh 69.2 billion recorded over the same period in 2011. The reinsurance companies reported gross premiums of KSh 7.1 billion in 2012 compared to KSh 5.7 billion in 2012. Claims and policyholders' benefits incurred by insurance companies under general insurance business grew to KSh 22.4 billion from KSh 19.4 billion recorded in the same period of the previous year. Claims and policyholders' benefits under life business increased to KSh 12.6 billion from KSh 11.8 billion recorded in 2011. Shareholders' funds in the insurance industry amounted to KSh 70.1 billion in 2012 having grown from KSh 53.5 billion in September 2011 a growth of 31.0 per cent. The shareholders' funds comprised of KSh 22.9 billion in paid up share capital, while KSh 21.9 billion was in retained earnings and KSh 25.6 billion was other reserves.

Pensions Industry

5.18. During the period under review, the pensions industry put in place various policy developments geared towards increasing pension coverage and promotion of good governance in management of pension funds. Retirement benefits assets grew by 7.2 per cent in the year, rising from KSh 440 billion in June 2011 to KSh 472 billion in June 2012. The amount composed of KSh 361.6 billion held by fund managers and KSh 110.4 billion held by the

National Social Security Fund (NSSF). Membership of the 1,262 retirement benefits schemes was over 1.7 million in the review period. During the review period there were 16 registered fund managers, 26 administrators and 12 custodians.

Developments in the Financial Sector

Banking Sector

5.19. In 2012 the banking sector comprised 43 commercial banks, one mortgage finance company, five Representative Offices of Foreign Banks, 112 forex bureaus, eight deposit taking micro finance institutions and two credit reference bureaus. During the period ended 31st December 2012, the CBK proposed amendments to several statutes including the Banking Act and the Central Bank of Kenya Act. The amendments to the Banking Act became effective from 1st January 2013 while those under the Central Bank of Kenya Act became effective from 7th January 2013 when the Finance Act 2012 was published. Amendments to the Banking Act include introduction of consolidated supervision, broadening the definition of banking business, liability of institutions for agents' acts or omissions and expansion of the credit information sharing mechanism. Amendments to the Central Bank of Kenya Act were to accommodate a framework whereby money remittance service providers are allowed to engage in international money remittances. This Act was amended to also allow mortgage finance companies to engage in foreign exchange business and to allow forex bureaus to engage in international money remittance business but limited to settling payments to or from Kenya as may be prescribed by the CBK.

Microfinance Institutions

5.20. In 2012, the Central Bank of Kenya licensed two additional nationwide Deposit Taking Microfinance institutions (DTM) bringing the total number of licensed DTMs to 8. In 2012 DTMs had a total of 1,062,204 depositors of which 564,164 were active. Value of total deposits stood at KSh 15.3 billion while value of loans in recovery or recovered stood at KSh 65.7 million.The increased number of the DTMs should go a long way in enhancing financial inclusion in Kenya. The resulting promotion of livelihoods through access to finance services will facilitate enhanced economic growth in line with Vision 2030.

Agent Banking and Credit Reference Bureaus

5.21. During the year 2012, the Central Bank continued to support banks in the engagement with agents in the provision of banking services as part of the measures geared towards reducing costs of offering financial services and improving outreach. As at end of December 2012, twelve banks had been authorized to offer agent banking services, out of which ten had commenced operations and a total of 15,763 agents had been appointed by the banks. Over the review period two credit reference bureaus were in operation. As at end of December 2012, Banks had requested for 2,321,766 credit rating reports from the credit reference bureaus while customers had requested for 28,733 reports. It is expected that the benefits of credit information sharing will reduce information search costs and lower credit risk and subsequently reduce risk premiums in the pricing of credit.

Capital Markets

5.22. The legal framework necessary for facilitation of the demutualization of the NSE was gazetted, vide Kenya Gazette Notices Nos. 87 and 88 of August 2012. The gazetted regulations will complement the amendments to the Capital Markets Act as promulgated in 2010 to anchor the demutualization process. The Capital Markets Act was amended in 2011 to facilitate on-going reforms in the bond markets sector, more particularly to allow for the introduction of a hybrid bond market in Kenya.

5.23. In early October 2012, Financial Times and the London Stock Exchange (FTSE) Group and the Nairobi Securities Exchange (NSE) launched the first independently calculated Kenyan sovereign benchmark debt index, underscoring the increasing investor interest in the country. The index would also serve as the basis of financial products in the future. The CMA embarked on the process of reviewing the risk-profiling tool for investment banks and stockbrokers with the aim of formulating a risk profiling tool for Fund Managers.

Pensions industry

5.24. The Retirement Benefits Authority (RBA) continued to promote the development and implementation of the various innovative products which are aimed at improving the pension coverage and scheme governance. Some of the initiatives implemented during the period include; the promotion of the *Blue* Medium and Small Micro Enterprises (MSME) *Jua Kali* Individual Retirement Benefit Scheme; The Trustee Training Programme and the implementation of Risk Based Supervision. Even though, the membership and retirement benefits assets have improved over time, the pension coverage has stagnated at 15 per cent of the total working population. This is mainly because majority of the workforce in Kenya (approximately 85 per cent) are in the informal sector.

5.25. In order improve pension coverage and reduce old age poverty the RBA has been able to conceptualize and implement the *Blue* MSME *Jua Kali* Individual Retirement Benefits Scheme popularly known as the "*Mbao Pension Plan*" which targets the larger working population in the informal (*Jua Kali*) sector. Since its launch, the membership has grown from 7,898 members in June 2011 to 39,943 members in December, 2012. Similarly, the fund value increased from KSh 143,708 in June 2011 to KSh. 40 million in December, 2012. The tremendous growth in both the membership and fund value demonstrate the positive response the *Mbao Pension plan* has had in the informal sector.

5.26. The RBA has also put in place a Pension Trustee Development programme. The programme was developed through collaboration efforts of the Retirement Benefits Authority, Association of Retirement Benefits Scheme (ARBS) and College of Insurance. The Humber Institute of Technology and Advanced Learning of Canada offered the technical and academic assistance. The programme is part of efforts by the RBA to improve governance in the management of pension funds. The trustee development programme was also in response to the requirement under Regulation 8 (1) (c) (iii) of the Retirement Benefits (Occupational Retirement Benefits Schemes) Regulations 2000. As at 31st December 2012, 738 trustees had been trained and 462 schemes had complied with the requirement.

Chapter 6

Public Finance

Overview

Public spending priorities in 2012/13 were anchored on a fiscal framework that is supportive of growth over the medium to long term while continuing to provide adequate resources to facilitate fiscal decentralization as well as spending in human capital and physical infrastructure development. The expansionary tendency resulting from the funding of the devolution process as well as providing for implementation of flagship projects under the Vision 2030 blue print will continue to exert considerable pressure on the Government's financing requirements against a backdrop of shortfalls in realizing the targeted revenue in the year under review. In view of this, the overriding fiscal objectives have been to contain non-priority and non-productive recurrent expenditure with the principal aim of managing the budget deficit and exercising prudent borrowing to ensure debt sustainability.

6.2. **Recent Fiscal Developments:** The Public Financial Management (PFM) Act, 2012 as the single overarching legislation aimed at promoting prudent financial management at the national and county government, and to facilitate effective and efficient use of resources. In 2012/13, the Government allocated KSh 5.5 billion to the Equalization Fund that is primarily intended to promote activity in marginalized counties and help them catch up with others that are at higher levels of development.

6.3. **Overall Fiscal Results:** In 2012/13, the Government proposed to spend KSh 1,539.5 billion compared to KSh 1,024.7 billion appropriated in 2011/12. In the same period, the total revenue is expected to grow by 24.3 per cent from KSh 781.6 billion in 2011/12 to KSh 971.3 billion in 2012/13. Total outstanding public debt as at the end of June 2012 stood at KSh 1,517.7 billion out of which domestic borrowing accounted for 50.6 per cent of the total stock of debt. Total Local Authorities' expenditure is expected to increase from KSh 41.2 billion in 2011/12 to KSh 44.4 billion in 2012/13. Revenue generated by Local Authorities is expected to increase by 15.8 per cent to stand at KSh 19.8 billion in 2012/13. A total of KSh 20.6 billion was earmarked for transfer through the Local Authority Transfer Fund (LATF) mechanism in 2012/13, compared to KSh 17.3 billion transferred in 2011/12.

Central Government

6.4. Table 6.1 presents a statement of Central Government operations for the period 2008/09 to 2012/13. Total revenue is expected to rally from a slower growth of 16.1 per cent in 2011/12 to post a 24.3 per cent growth, whereas expense is estimated to record a 34.9 per cent increase and surpass one trillion for the first time. Spending pressures have emanated from an expanded mandate of the government through the devolved system of government and salary awards, among others. Gross operating balance is expected to worsen from a deficit

of KSh 51.4 billion in 2011/12 to a deficit of KSh 152.1 billion in 2012/13 mainly due to a faster growth of expense relative to revenue. Consequently, the net lending/borrowing is also expected to deteriorate to a deficit of KSh 354.7 billion.

Table 6.1: Statement of Central Government Operations, 2008/09 -

KSh Million

	2008/09	2009/10	2010/11	2011/12*	2012/13+
1. Revenue[1]	498,895.43	574,135.08	673,269.67	781,627.80	971,325.26
2. Expense (2.1+2.2)	492,669.29	574,253.05	733,348.08	833,019.77	1,123,420.27
2.1 Current Expenditure	465,970.29	525,671.23	641,408.73	677,031.37	930,155.30
2.2 Capital Transfers	26,699.00	48,581.82	91,939.35	155,988.40	193,264.98
3. Gross Operating Balance(G.O.B) (1-2)	**6,226.14**	**-117.97**	**-60,078.41**	**-51,391.97**	**-152,095.01**
4. Acquisition of Non-Financial Assets(net)	113,198.20	114,823.72	91,566.37	94,535.10	202,569.42
5. Net lending/Borrowing (3-4)	**-106,972.06**	**-114,941.70**	**-151,644.78**	**-145,927.07**	**-354,664.43**
FINANCING (6+7)	83,422.48	168,285.09	127,282.62	114,397.00	202,645.48
6. Net Acquisition of financial assets (6.1+6.2)	-9,126.79	5,659.95	6,394.62	5,654.09	12,911.67
6.1. Domestic	-9,126.79	5,659.95	6,394.62	5,654.09	12,911.67
6.2. Foreign	-	-	-	-	-
7. Net Incurrence of liabilities (7.1+7.2)	92,549.27	162,625.14	120,888.00	108,742.91	189,733.81
7.1. Domestic	69,427.27	151,479.26	92,498.00	81,519.91	118,515.81
7.2. Foreign	23,122.00	11,145.88	28,390.00	27,223.00	71,218.00
MEMORANDUM ITEMS:					
8. Public debt Redemption	75,361.36	91,714.97	121,656.66	88,816.82	197,783.94
8.1. External	17,374.48	18,134.06	23,521.74	25,382.87	26,212.64
8.2. Internal	57,986.88	73,580.91	98,134.92	63,433.95	171,571.30

Source: Kenya National Bureau of Statistics and Ministry of Finance

*Provisional

+Revised estimates

[1] incudes grants

Acquisition of Non financial assets(net) = Acquisition of Non financial assets - Gross Disposal of Non financial assets

6.5. Table 6.2 presents key fiscal ratios for the period 2008/09 to 2012/13. The ratios of key fiscal balances, namely Gross Operating Balance (GOB) and net lending/borrowing to both revenue and investment in non-financial assets are expected to worsen in 2012/13 owing to substantial increases in appropriations in the same period. The ratio of capital revenue to investment in non-financial assets is expected to drop by 15.7 percentage points mainly attributable to increased funding of capital projects by the Government. In the year under review, total government expenditure is estimated to be slightly below half of the Gross domestic Product (GDP). Net borrowing as a percentage of GDP is expected to worsen in 2012/13 owing to a faster growth of expenditure than the corresponding GDP.

Table 6.2: Analysis of Key Fiscal Ratios, 2008/09-2012/13

		2008/09	2009/10	2010/11	2011/12*	2012/13+
1	Gross operating balance as a % of Revenue	7.2	0.0	-8.9	-6.6	-15.7
2	Gross operating balance as a % of Acquisition of Non financial assets(net)	33.9	-0.1	-65.6	-54.4	-75.1
3	Ratio of Acquisition of Non financial assets(net) to Current Expenditure	24.3	21.8	14.3	14.0	21.8
4	Net lending/Borrowing as % of Revenue ..	-14.1	-20.0	-22.5	-18.7	-36.5
5	Net lending/Borrowing as % of Total Expenditure	-10.8	-14.6	-15.9	-31.7	-23.0
6	External Grants and Loans as % of Acquisition of Non financial assets(net)	38.0	36.9	54.9	78.6	62.9
7	Net Short-Term Borrowing as % of Acquisition of Non financial assets(net)	25.4	55.3	-49.6	-0.1	45.8
8	Revenue as % of GDP at Current Market Prices	25.6	23.4	26.4	27.9	29.9
9	Total Government Expenditure as % of GDP at Current Market Prices	36.3	32.1	37.5	36.6	47.4
10	Net lending/Borrowing as % of GDP at Current Market Prices	-3.2	-4.7	-5.9	-5.2	-10.9

* Provisional

+ Revised Estimates

6.6. Table 6.3 presents comparisons between central government budget estimates and actual out-turns of expenditure for the period 2009/10 to 2011/12 and the difference between the printed estimates and the revised estimates in the current financial year. Actual out-turns of recurrent revenue have remained relatively high compared to the targeted estimates, registering over 90 per cent in 2011/12. Absorption of funds on the development account remained low compared to that on the recurrent account in the same period. The absorption rate for development budget dropped to 73.0 per cent in 2011/12 which was almost the same level in 2009/10 compared with 79.6 per cent in 2010/11. Absorption of external funds that include loans and grants from development partners, which form the bulk of development revenue stood at 30.4 and 40.8 per cent in 2009/10 and 2010/11, respectively. This trend is partly attributable to delayed disbursements of funds coupled with challenges associated with procurement processes.

Table 6.3: Comparison of Central Government Budget Estimates with Actual Out-turns, 2009/10 - 2012/13

KSh Million

	2009/10			2010/11		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	569,508.30	542,945.06	-51,559.54	651,494.67	651,409.99	-84.67
Recurrent Expenditure[2]	633,895.52	603,831.54	-30,063.98	691,563.49	708,807.13	17,243.64
Recurrent Balance	-64,387.22	-85,882.79	-21,495.56	-40,068.82	-57,397.14	-17,328.32
Development Expenditure	253,067.33	185,529.08	-67,538.25	306,692.37	244,158.60	-62,533.77
External Financing (Net)[1]	43,031.01	13,102.00	-29,929.01	123,107.62	50,249.68	-72,857.94
Balance for Domestic Financing (Net)	-274,423.54	-258,309.86	16,113.68	-223,653.58	-251,306.06	-27,652.48
	2011/12			2012/13		
	Budget	Actual*	Difference	Budget	Actual+	Difference
Recurrent Revenue	752,214.18	734,548.27	-17,665.90	915,088.93	915,088.93	0.00
Recurrent Expenditure[2]	753,443.75	732,793.73	-20,650.03	1,001,759.45	1,079,546.45	77,786.99
Recurrent Balance	-1,229.58	1,754.55	2,984.12	-86,670.52	-164,457.51	-77,786.99
Development Expenditure	399,862.53	291,869.54	-107,992.99	453,225.02	459,966.86	6,741.83
External Financing (Net)[1]	52,827.90	74,302.53	21,474.63	127,454.33	127,454.33	0.00
Balance for Domestic Financing (Net)	-348,264.21	-215,812.47	132,451.74	-412,441.21	-496,970.04	-84,528.83

Source: Ministry of Finance

* Provisional.

[1] Includes external grants.

\+ Revised budget estimates

[2] Recurrent expenditure consists of current expenditure , Acquisition of Non financial assets and Consolidated Fund Services from the Recurrent- Estimates

6.7. Table 6.4 presents details of Central Government recurrent revenue for the period 2008/09 to 2012/13. Total ordinary revenue is expected to increase by 24.6 per cent from KSh 734.5 billion in 2011/12 to KSh 915.1 billion in 2012/13. Total tax revenue is expected to expand by 23.1 per cent from KSh 703.5 billion in 2011/12 to KSh 866.3 billion in 2012/13. Non-tax revenue is expected to record significant growth to stand at KSh 48.7 billion in 2012/13 mainly due to considerable growths expected in the various components under this category. However, during the current fiscal year, Kenya Revenue Authority (KRA) has experienced challenges in realizing the revenue targets. Specifically, a shift in consumption patterns occasioned by exemption of 'keg' beer from excise tax has resulted in constrained consumption of other taxable beers. To counter the challenges in meeting revenue targets, KRA introduced a new excise stamps management system to curb the sale of illicit products in the beverages sector, with special focus on alcoholic drinks and bottled water. KRA will also endeavour to continue expanding the tax base coupled with strengthening tax compliance.

Table 6.4: Central Government Gross Receipts on Recurrent Account, 2008/09-2012/13

KSh Million

	2008/09	2009/10	2010/11	2011/12*	2012/13+
Taxes on income, Profits and Capital gains	**194,154.50**	**219,496.84**	**272,263.87**	**329,938.04**	**403,637.75**
Income Tax from individuals (P.A.Y.E)	110,164.81	121,524.51	144,267.92	176,922.26	215,999.44
Income Tax from corporations (other income tax)	83,989.69	97,972.33	127,995.95	153,015.78	187,638.31
Taxes on property	**327.52**	**269.37**	**352.10**	**557.32**	**653.73**
Immovable property	62.92	86.12	132.60	156.00	182.99
Financial and capital transactions	264.60	183.25	219.50	401.32	470.75
VAT	**126,854.07**	**141,970.70**	**171,880.75**	**177,826.18**	**231,854.76**
VAT on domestic goods and services	66,216.49	78,859.16	90,211.14	82,178.75	112,988.84
VAT on imported goods and services	60,637.58	63,111.53	81,669.61	95,647.42	118,865.92
Taxes on other goods and services	**93,051.89**	**99,335.01**	**108,701.54**	**108,765.04**	**120,618.06**
Excise taxes	69,872.12	74,112.08	80,566.54	80,287.24	91,910.07
Taxes on use of goods and on permission to use the goods or to perform services and activities	81.99	193.43	2,464.00	2,907.80	3,410.85
Royalties	113.00	33.20	0.00	0.00	0.00
Taxes on goods and services collected as AIA	22,984.78	24,996.31	25,671.00	25,570.00	25,297.13
Taxes on international Trade Transactions	**49,094.03**	**57,205.80**	**66,670.45**	**77,925.21**	**98,783.64**
Custom duties	36,180.60	41,271.12	46,071.81	52,109.24	67,384.24
Other taxes on international trade and transactions	12,913.42	15,934.69	20,598.64	25,815.97	31,399.39
Other taxes not elsewhere classified	4,669.69	5,355.62	6,800.04	8,438.75	10,799.71
Total tax Revenue	**468,151.70**	**523,633.34**	**626,668.74**	**703,450.53**	**866,347.65**
Social security contributions	0.00	341.05	659.58	708.71	857.19
Property income	9,545.30	9,844.04	12,917.61	12,839.87	16,882.45
Sale of goods and services	2,313.18	1,848.20	1,891.37	8,155.79	10,066.74
Fines penalties and forfeitures	140.00	229.41	289.63	1,032.03	1,410.57
Repayments from domestic lending and on-lending	679.25	571.48	1,159.75	1,558.08	1,696.23
Other receipts not elsewhere classified	8,105.01	6,477.55	7,823.31	6,803.26	17,828.10
Total non-tax revenue	**20,782.75**	**19,311.72**	**24,741.25**	**31,097.74**	**48,741.29**
TOTAL	**488,934.45**	**542,945.06**	**651,409.99**	**734,548.27**	**915,088.93**

Source: Ministry of Finance

* Provisional

+ Revised Estimates

6.8. Details of import duty from selected commodities for the period 2008 to 2012 are shown in Table 6.5. Growth of import duty obtained from this merchandise decelerated from 19.2 per cent in 2011 to 8.8 per cent in 2012. This is attributable to modest growth recorded in almost all categories except duty on semi manufactures that decreased by almost a third. The slow growth in duty for food, drinks and tobacco category may partly be due to the continued implementation of common external tariff on rice among other interventions. Import duty on transport equipment sustained a rising trend mainly as a result of the continued growth in demand for second hand vehicles.

Table 6.5: Central Government Import Duty Collections for Selected Items[1], 2008 - 2012

KSh Million

END-USE CATEGORY	2008	2009	2010	2011	2012*
Food, drinks and tobacco	5,408.49	6,790.61	7,994.73	8,179.12	9,667.38
Basic materials	1,818.21	2,087.37	2,341.22	2,369.59	2,930.71
Fuels	694.34	659.25	807.75	967.30	1,201.96
Chemicals	1,283.50	1,446.79	1,936.18	2,360.59	2,685.71
Textiles	851.66	979.19	1,268.64	1,508.64	1,564.91
Semi-manufactures	1,882.74	3,469.81	3,044.92	6,187.93	4,187.87
Metals	1,972.63	1,875.53	2,226.71	3,390.43	3,795.67
Transport Equipment	7,904.23	8,622.63	9,854.53	10,134.55	12,186.21
Machinery	4,261.83	4,417.04	4,845.40	6,401.12	6,850.25
Miscellaneous commodities	3,283.60	3,379.97	4,553.33	4,822.31	5,317.13
TOTAL	**29,361.24**	**33,728.19**	**38,873.41**	**46,321.58**	**50,387.79**

Source: Kenya Revenue Authority

* Provisional

[1] Excludes non-metallic mineral manufactures

6.9. Table 6.6 presents Central Government excise revenue by selected commodities for the period 2008 to 2012. Total excise revenue grew by 15.9 per cent compared to a 4.7 per cent growth recorded in 2011. Excise revenue from beer that almost stagnated in 2011 recorded improved performance in 2012. In spite of this growth, revenue from this commodity was expected to be higher but zero-rating of 'keg' beer may have constrained growth. Revenue from wines and spirits declined by 15.0 per cent. Revenue from mineral water grew at a decelerated rate of 8.3 per cent while revenue from cigarettes went up by 24.9 per cent.

Table 6.6: Central Government Excise Revenue by Commodities, 2008 - 2012

KSh Million

	2008	2009	2010	2011	2012*
Beer	11,091.33	13,756.56	14,701.54	14,456.04	16,544.52
Wines and Spirits	1,045.79	1,567.76	2,163.38	2,837.84	2,413.40
Mineral Water	1,579.17	1,324.75	1,285.19	1,639.95	1,776.02
Cigarettes	6,582.55	6,526.75	7,324.45	7,626.79	9,527.65
Other commodities[1]	1,798.37	557.51	954.52	1,101.27	1,788.44
TOTAL	22,097.21	23,733.33	26,429.10	27,661.89	32,050.03

Source: Kenya Revenue Authority

* Provisional

[1] Includes revenue from Jewellery, cosmetics and locally assembled vehicles

6.10. Details of Central Government financing of non financial assets are shown in Table 6.7. Overall financing of acquisition of non financial assets is expected to grow by 57.9 per cent from KSh 155.8 billion in 2011/12 to KSh 246.0 billion in 2012/13. In 2012/13, capital revenue that mainly comprises of external loans and grants is anticipated to account for slightly over half of the total financing. This is in contrast to the trend shown in the previous years where

domestic financing has been prominent over the external financing component.

Table 6.7: Central Government Financing of Non Financial Assets, 2008/09 - 2012/13

KSh Million

	2008/09	2009/10	2010/11	2011/12*	2012/13+
EXPENDITURE:					
Acquisition of Non financial Assets(net)	113,234.96	114,823.72	91,566.37	94,535.10	202,569.42
TOTAL	**113,198.20**	**114,823.72**	**91,566.37**	**94,535.10**	**202,569.42**
FINANCING:	121,924.64	193,815.16	142,747.67	155,822.44	245,970.14
External Loans	23,122.00	11,145.88	28,390.00	27,223.00	71,218.00
External Grants	29,375.37	31,190.02	21,859.68	47,079.53	56,236.33
Long-Term Domestic Borrowing (Net)	40,668.60	87,946.79	137,904.90	81,635.42	25,813.03
SHORT TERM BORROWING:	28,758.66	63,532.47	-45,406.90	-115.51	92,702.78
Treasury Bills (Net)	37,301.62	39,274.08	-30,875.45	-4,265.71	40,666.96
Other Short-Term Borrowing (Net) ..	-8,542.95	24,258.39	-14,531.45	4,150.19	52,035.82
CHANGE IN CASH BALANCES[1]: Increase=(-)	-8,689.68	-78,991.44	-51,181.30	-61,287.33	-43,400.72
TOTAL	**113,198.20**	**114,823.72**	**91,566.37**	**94,535.10**	**202,569.42**

Source: Central Bank of Kenya and Ministry of Finance

* Provisional.

\+ Revised budget estimates

[1] Balancing Item

6.11. Functional classification of expenditure for the period 2009/10 to 2012/13 is presented in Table 6.8. Total government outlays are expected to grow by 50.2 per cent to stand at KSh 1,539.5 billion in 2012/13. The sharp rise in anticipated appropriations is on account of outlays related to implementation of the new constitution that provides for fiscal decentralization as well as the continued funding of human capital and infrastructure development. In addition, funding of the general elections under the new constitutional dispensation is also expected to significantly contribute to this growth. In the year under review, spending on economic affairs is expected to increase by 42.1 per cent from KSh 234.5 billion in 2011/12 to KSh 333.2 billion in 2012/13 mainly due to expected funding of roads construction and investment in initiatives aimed at expanding the capacity of the national grid. Spending on human capital that entails financing the health and education sector is also expected to grow from KSh 246.4 billion in 2011/12 to KSh 316.4 billion in 2012/13.

Table 6.8: Classification of Government Expenditures by Functions of Government (COFOG), 2009/10-2012/13

KSh Million

	2009/10			2010/11			2011/12*			2012/13+		
	Recurrent Account	Development Account	Total	Recurrent Account	Development Account	Total	Recurrent Account	Development Account	Total	Recurrent Account	Development Account	Total
General public services.	67,131.23	38,017.80	105,149.03	84,087.12	37,662.23	121,749.35	83,542.05	51,907.16	135,449.21	168,400.48	96,734.60	265,135.08
Public debt transactions	147,501.39	0.00	147,501.39	190,334.48	0.00	190,334.48	170,426.54	0.00	170,426.54	303,632.71	0.00	303,632.71
Transfers of general character betw. levels of govt	10,999.88	0.00	10,999.88	12,145.48	0.00	12,145.48	17,811.11	0.00	17,811.11	21,498.00	0.00	21,498.00
Defense	51,072.47	2,591.41	53,663.88	53,328.09	1,056.09	54,384.18	61,311.65	1,091.30	62,402.94	81,475.35	0.00	81,475.35
Public order and safety	55,032.16	4,913.68	59,945.85	68,309.49	6,078.25	74,387.74	74,857.77	5,966.61	80,824.38	103,990.88	12,808.92	116,799.80
Economic affairs	**60,726.39**	**92,663.77**	**153,390.16**	**62,901.68**	**138,821.64**	**201,723.32**	**68,737.02**	**165,799.08**	**234,536.10**	**82,585.23**	**250,607.29**	**333,192.52**
General economic, commercial & labour affairs	9,498.60	3,845.53	13,344.14	10,667.20	9,133.19	19,800.39	12,674.91	5,332.10	18,007.01	13,341.53	14,436.24	27,777.77
Agriculture, forestry, fishing, and hunting	20,333.07	12,405.81	32,738.88	18,505.90	23,065.91	41,571.80	18,328.16	38,052.63	56,380.79	23,675.40	28,492.26	52,167.66
Fuel and energy	379.94	29,551.59	29,931.53	1,806.96	36,284.76	38,091.72	2,280.41	42,480.04	44,760.45	2,113.76	83,279.80	85,393.56
Mining, manufacturing, and construction	200.24	163.91	364.15	234.98	349.57	584.55	196.01	184.80	380.81	297.06	425.80	722.86
Transport	21,252.98	35,609.88	56,862.86	24,322.84	61,591.80	85,914.64	25,028.52	65,618.92	90,647.44	35,760.14	114,379.19	150,139.32
Communication	347.91	1,118.72	1,466.63	123.09	0.00	123.09	382.09	3,104.11	3,486.20	2,286.52	5,564.85	7,851.37
Other industries	8,713.65	9,968.34	18,681.99	7,240.71	8,396.42	15,637.13	9,846.92	11,026.48	20,873.40	5,110.82	4,029.15	9,139.97
Environmental protection	2,586.76	3,016.35	5,603.11	3,002.32	2,693.25	5,695.57	3,177.75	5,665.86	8,843.60	5,012.22	26,256.32	31,268.53
Housing and community amenities	5,781.22	13,984.28	19,765.51	5,962.46	19,340.18	25,302.64	6,517.16	18,897.28	25,414.44	4,697.80	12,231.80	16,929.59
Health	**28,475.13**	**8,878.29**	**37,353.42**	**30,859.20**	**17,051.38**	**47,910.58**	**36,208.27**	**18,898.25**	**55,106.52**	**33,002.31**	**30,553.06**	**63,555.37**
Outpatient services	4,751.71	3,235.44	7,987.15	6,744.45	5,991.05	12,735.50	8,134.95	6,905.35	15,040.30	9,298.52	8,659.80	17,958.32
Hospital services	20,580.05	3,514.33	24,094.38	18,673.35	1,808.04	20,481.39	21,018.58	2,293.89	23,312.47	14,564.06	5,079.32	19,643.39
Public health services	1,430.66	1,931.82	3,362.48	2,574.65	2,867.25	5,441.90	3,253.47	7,211.80	10,465.27	6,237.00	16,322.59	22,559.59
Health expenditure not elsewhere classified	1,712.72	196.70	1,909.41	2,866.76	6,385.03	9,251.79	3,801.27	2,487.20	6,288.47	2,902.73	491.35	3,394.08
Recreation, culture and religion	2,771.61	495.96	3,267.58	2,841.55	1,124.88	3,966.43	3,144.54	1,020.84	4,165.38	1,013.71	573.57	1,587.28
Education	**142,234.82**	**17,105.10**	**159,339.92**	**171,873.38**	**17,972.40**	**189,845.78**	**172,239.27**	**19,065.20**	**191,304.47**	**228,330.97**	**24,543.55**	**252,874.51**
Administration	97,918.10	11,947.26	109,865.35	118,592.82	10,800.06	129,392.88	120,766.21	10,229.48	130,995.69	147,890.59	11,053.51	158,944.10
Pre-primary and primary education	7,586.64	244.45	7,831.09	8,421.52	433.30	8,854.82	8,514.00	253.02	8,767.02	9,490.94	391.24	9,882.19
Secondary education	1,230.50	164.03	1,394.53	1,411.93	420.88	1,832.81	1,614.90	1,998.67	3,613.57	21,345.32	4,396.07	25,741.39
Tertiary education	34,289.44	2,916.74	37,206.19	39,965.95	4,094.75	44,060.70	39,331.94	5,774.73	45,106.67	47,495.28	7,375.72	54,871.00
Education expenditure not elsewhere classified	1,210.14	1,832.62	3,042.77	3,481.15	2,223.42	5,704.57	2,012.22	809.30	2,821.52	2,108.84	1,327.00	3,435.84
Social protection	29,518.47	3,862.42	33,380.89	26,422.37	2,358.29	28,780.66	34,820.60	3,557.98	38,378.58	45,906.80	5,657.76	51,564.56
TOTAL OUTLAYS[1]	**603,831.54**	**185,529.08**	**789,360.62**	**712,067.62**	**244,158.60**	**956,226.22**	**732,793.73**	**291,869.54**	**1,024,663.27**	**1,079,546.45**	**459,966.86**	**1,539,513.30**

Source: Ministry of Finance

* Provisional

+ Revised estimates

[1]Total in this Table vary with that in Table 6.9 by Disposal of Non financial Assets

6.12. Table 6.9 shows the economic classification of budgetary central government expenditure for the last five fiscal years. Overall, total expense is expected to increase by 34.9 per cent to stand at KSh 1,123.4 billion in 2012/13 mainly on account of anticipated substantial increases in consumption expenditure and transfers to general government units. In particular, the growth of expenditure on compensation of employees is expected to accelerate from 3.9 per cent in 2011/12 to 39.0 per cent in 2012/13. This is principally as a result of recent salary increases to teachers, employees in the mainstream civil service and the police coupled with remuneration of constitutional office holders and salaries for holders of incoming positions provided under devolved government. Capital grants mainly to State Owned Enterprises (SOEs) charged with the responsibility of implementing various capital projects are expected to increase from KSh 156.0 billion in 2011/12 to KSh 193.3 billion in 2012/13. These include SOEs that are involved in construction and rehabilitation of roads, development of energy sources and agricultural development among others. Investment in net non-financial assets is expected to more than double owing to substantial increases expected in building and structures, and machinery and equipment categories.

Table 6.9: Central Government Economic Analysis of Expenditure, 2008/09 -2012/13

KSh Million

		2008/09	2009/10	2010/11	2011/12*	2012/13+
EXPENSE						
	Consumption expenditure on goods and services:					
	Compensation of employees	182,455.53	222,272.99	239,317.59	248,565.14	345,530.18
	Use of Goods and Services	100,048.49	82,785.31	102,561.75	107,337.73	161,365.04
	Total	**282,504.02**	**305,058.30**	**341,879.34**	**355,902.86**	**506,895.22**
Subsidies		71.70	93.98	107.25	85.85	127.45
Interest:		50,564.49	55,786.42	68,677.82	84,077.93	105,848.77
	Domestic	44,067.81	49,603.30	60,394.01	75,795.22	94,513.54
	Foreign	6,496.68	6,183.12	8,283.81	8,662.77	11,335.23
Grants to:						
	International organisations	1,122.71	1,941.76	1,710.60	1,817.05	2,125.46
	General Government units	98,128.92	125,746.51	196,945.76	190,751.29	250,896.11
	Other Grants	7,021.55	7,675.41	5,549.90	10,895.30	11,758.19
	To tal grants	**106,273.19**	**135,363.68**	**204,206.26**	**203,463.64**	**264,779.75**
Social benefits		25,677.05	27,709.75	25,907.06	31,496.69	44,648.60
Other expense		879.84	1,659.10	631.00	2,004.39	7,855.50
	Total current expenditure	**465,970.29**	**525,671.23**	**641,408.73**	**677,031.37**	**930,155.30**
	Capital Grants(TRANSFERS)	26,699.00	48,581.82	91,939.35	155,988.40	193,264.98
1	**Total Expense**	**492,669.29**	**574,253.05**	**733,348.08**	**833,019.77**	**1,123,420.27**
2. Acquisition of Non Financial Assets(net)		**113,198.20**	**114,823.72**	**91,566.37**	**94,535.10**	**202,569.42**
	Building and structures	91,603.33	96,902.65	77,944.37	75,715.09	166,709.64
	Machinery and equipment	16,842.22	13,780.56	12,383.38	16,429.99	33,965.84
	Inventories	7,835.46	4,956.72	1,781.04	1,911.60	3,504.43
	Non- produced assets & Land	726.93	2,092.72	2,718.07	3,115.91	1,217.50
	Less Disposal of Non financial assets	(3,809.73)	(2,908.92)	(3,260.49)	(2,637.49)	(2,827.99)
	Equity Participation and on-lending	9,126.79	5,659.95	6,394.62	5,654.09	12,911.67
3	**PUBLIC DEBT REDEMPTION**	75,361.36	91,714.97	121,656.66	88,816.82	197,783.94
4	**Total Expenditure (1+2+3)**	**690,355.64**	**786,451.70**	**952,965.73**	**1,022,025.78**	**1,536,685.30**

Source: Ministry of Finance

* Provisional.

+ Revised Estimates

6.13. Table 6.10 provides a summary of Central Government debt disaggregated into foreign and domestic debt. Total stock of debt stood at KSh 1,517.7 billion as at the end of June 2012, representing a 14.8 per cent increase from KSh 1,322.6 billion in 2011. This increase was lower than the 22.2 per cent recorded in 2011 possibly as a consequence of debt sustainability framework that ensures debt remains sustainable from the medium to the long term. The proportion of external debt to total debt dropped from 52.8 in 2011 to 49.4 per cent in 2012. This underscores the continued efforts geared towards constraining foreign borrowing in favour of domestic borrowing that comes with lower costs and risks.

Table 6.10: Central Government Public Debt, 2008- 2012

KSh Million

As at 30th June	Public Debt								
	Stocks			Other debt			Total		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
2008	..	754.7	754.7	424,335.2	334,241.4	758,576.7	424,335.2	334,996.1	759,331.3
2009	..	754.7	754.7	517,037.6	400,986.4	918,024.1	517,037.6	401,741.1	918,778.7
2010	..	753.4	753.4	548,680.3	533,218.6	1,081,898.9	548,680.3	533,971.9	1,082,652.2
2011	-	0.0	0.0	697,846.3	624,752.0	1,322,598.3	697,846.3	624,752.0	1,322,598.3
2012*	-	0.0	0.0	749,160.4	768,569.3	1,517,729.7	749,160.4	768,569.3	1,517,729.7

Source: Ministry of Finance/Central Bank of Kenya

* Provisional

.. Not Applicable

6.14. Table 6.11 details Central Government outstanding debt by source as at the end of June for the period 2008 to 2012. Total multilateral debt rose by 14.7 per cent to stand at KSh 505.6 billion while total bilateral debt declined from KSh 257.0 billion in 2011 to KSh 243.5 billion in 2012. This was mainly as a result of a deliberate effort that seeks to restrict borrowing to sources that attract low interest rates as well as long term repayment period which is a common feature with most multilateral lenders. External debt from most bilateral lenders declined in the review period while that from Peoples Republic of China continued to rise. The stock of debt from the International Monetary Fund (IMF) increased from KSh 47.6 billion in 2011 to KSh 66.6 billion in 2012 as a result of the continued disbursement of the Extended Credit Facility (ECF).

Table 6.11: Central Government Outstanding Debt by Source[1], 2008 -2012

KSh Million

Outstanding as at 30th June	2008	2009	2010	2011	2012*
EXTERNAL DEBT:					
Lending Countries:					
Germany	15,763.94	16,440.53	16,234.89	26,670.05	24,878.80
Japan	72,845.00	90,839.00	98,847.00	111,842.00	107,402.77
France	22,903.00	28,102.91	28,173.42	40,347.13	36,708.95
USA	4,863.00	5,669.00	5,729.00	5,901.00	5,136.78
Netherlands	2,318.00	2,140.08	1,876.60	3,011.87	2,925.78
Denmark	2,336.03	2,354.49	2,290.80	2,774.66	2,076.63
Finland	120.11	128.60	119.30	132.30	104.81
China	4,024.00	11,821.00	14,385.00	32,453.00	36,661.87
Belgium	4,750.00	7,078.00	6,775.00	9,037.00	7,365.07
Other	23,277.00	21,359.00	21,916.00	24,795.70	20,281.11
Total	153,200.08	185,932.61	196,347.01	256,964.71	243,542.57
International Organisations:					
IDA/IFAD	209,545.00	246,485.00	260,108.00	319,268.00	297,588.74
EEC/EIB	11,234.75	11,062.78	10,498.01	12,496.71	10,933.89
IMF	17,547.72	35,125.00	34,110.04	47,581.72	66,593.02
ADF/AfDB	30,134.66	32,651.25	41,000.20	52,645.14	70,863.36
Commercial Banks	0.00	0.00	0.00	0.00	50,539.98
Others	2,673.00	5,781.00	6,617.00	8,890.00	9,098.86
Total	271,135.12	331,105.03	352,333.25	440,881.57	505,617.85
Total External	424,335.20	517,037.64	548,680.26	697,846.28	749,160.42
INTERNAL DEBT:					
Treasury Bills[1]	76,848.15	116,794.30	158,494.00	126,605.00	131,831.29
Treasury Bonds	315,189.66	360,743.95	448,615.00	595,661.00	686,950.90
Non Interest bearing debt	34,438.00	33,328.76	32,218.00	31,663.00	29,998.76
Others(includes stocks)	7,082.32	7,690.00	20,624.94	10,293.00	10,048.60
Less govt deposits & on-lending	-98,562.00	-116,815.91	-125,980.00	-139,470.00	-90,260.29
TOTAL INTERNAL(net)[2]	334,996.13	401,741.09	533,971.94	624,752.00	768,569.26
TOTAL DEBT	759,331.33	918,778.73	1,082,652.20	1,322,598.28	1,517,729.68

Source: Ministry of Finance/Central Bank of Kenya

* Provisional

[1] Excludes Repo Bills

6.15. Table 6.12 shows the Central Government debt servicing charges and receipts from interest and loan repayments on on-lending from 2007/08 to 2011/12. Net external debt servicing charges rose from KSh 31.8 billion in 2010/11 to KSh 34.4 billion in 2011/12 while net internal debt servicing charges dropped by 8.5 per cent to stand at KSh 138.7 billion in 2011/12. This may be attributed to longer maturity of treasury bonds that constitute the bigger component of internal debt. Interest and loan receipts grew by 23.1 per cent from KSh 1.3 billion in 2010/11 to KSh 1.6 billion in 2011/12.

Table 6.12: Central Government Debt Servicing Charges, 2008- 2012

KSh Million

Year ending	Annual Debt Servicing Charges[1]			Interest and Loan Repayment Receipts			Net Servicing Charges		
30th June	External	Internal	Total	External	Internal	Total	External	Internal	Total
2008	23,831.82	118,290.27	142,122.09	..	708.56	708.56	23,831.82	117,581.71	141,413.53
2009	23,557.60	102,054.69	125,612.29	..	571.48	571.48	23,557.60	101,483.21	125,040.81
2010	24,317.18	123,184.21	147,501.39	..	926.11	926.11	24,317.18	122,258.10	146,575.27
2011	31,805.55	158,528.92	189,586.09	..	1,325.30	1,325.30	31,805.55	156,821.05	188,260.79
2012*	34,448.23	140,235.27	174,683.50	..	1,558.08	1,558.08	34,448.23	138,677.19	173,125.42

Source: Ministry of Finance

* Provisional

[1]Annual debt servicing Charges =Central Government and guaranteed debt redemption+Interest

6.16. Table 6.13 presents the ratio of Central Government public debt servicing charges to export of goods and services for the period 2008-2012. This ratio provides a measure of the cost of, or capacity for, servicing debt in terms of the foreign exchange or output foregone. Debt servicing charges grew faster in the year under review compared the drop registered in 2011. This resulted to a slight increase in the ratio of debt servicing charges to export of goods and services. Over the five year period, the ratio has remained relatively stable, an indication that there has not been any considerable change in the two parameters.

Table 6.13: Central Government Debt Service Charges on External Debt related to Exports of Goods and Services, 2008-2012

	Debt Service Charges on External Debt[1] (Financial Year)	Exports of Goods and Services (Calender Year)	External debt service Charges as a Percentage of Exports of Goods and Services
	KSh Million	KSh Million	%
.008	23,831.82	573,501.00	4.16
.009	23,557.60	573,199.00	4.24
.010	24,317.18	711,756.00	4.58
.011	31,805.55	879,786.39	3.57
.012	34,448.23	931,993.33	3.70

ource: Ministry of Finance and Kenya National Bureau of Statistics

* Provisional.

[1] Including debt redemption, however, interest payments on drawing on IMF are excluded.

Local Authorities

6.17. Urban Areas and Cities Act, 2011 ushered in fundamental changes in classification, governance and management of cities, municipalities and urban areas. Under the Act, appointed boards will be responsible for the day to day running of cities, municipalities and urban areas. Further, with respect to fiscal management, the Public Financial Management Act, 2012 provides guidelines on how public resources should be managed from the budgeting process to the eventual appropriation with considerable emphasis on efficiency and transparency.

6.18. In 2012/13, the government proposed to disburse KSh 20.6 billion through the LATF mechanism. As shown in figure 6.1, LATF disbursements have been growing over the review period in tandem with the growth in income tax which is the underlying parameter that determines LATF allocation. The rationale for disbursements is based on the extent to which local authorities provide service to the public and, prudence and efficiency in utilization of previous allocations.

Table 6.14: Central Government Transfer through LATF to Local Authorities, 2008/09 - 2012/13

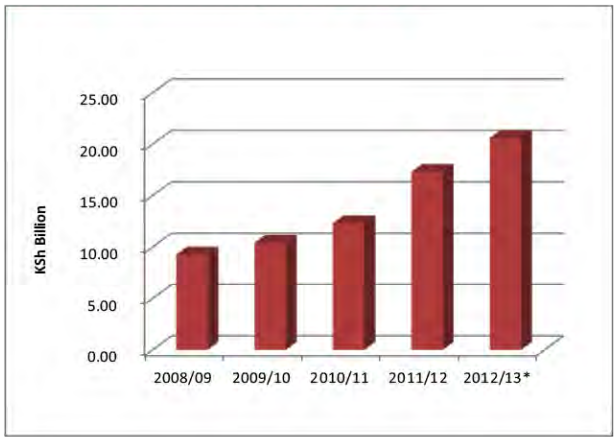
KSh Million

	2008/09	2009/10	2010/11	2011/12	2012/13*
Nairobi City Council	1,729.45	1,956.74	2,230.95	3,325.10	3,976.90
Municipal Councils	2,300.59	2,606.51	3,086.54	4,334.53	5,210.32
County Councils	4,304.56	4,831.21	5,791.98	8,024.39	9,512.03
Town Councils	915.41	1,005.54	1,190.53	1,615.97	1,901.84
TOTAL	**9,250.00**	**10,400.00**	**12,300.00**	**17,300.00**	**20,601.09**

Source: Ministry of Local Government/Kenya Local Government Reform Programme

*Provisional

Figure 6.1: LATF Disbursements, 2008/09 - 2012/13



6.19. Local authorities' expenditures by category for the period 2008/09 - 2012/13 are shown in Table 6.15. Total Local authorities' budgeted expenditure is expected to be KSh 44.4 billion in 2012/13 representing a 7.8 per cent increase from KSh 41.2 billion appropriated in 2011/12. The slower increase in expenditure was possibly due to austerity measures instituted to contain the growth of expenditure and realign spending with available resources. The Nairobi City Council is expected to appropriate a total of KSh 15.6 billion in 2012/13, accounting for 35.1 per cent of the total budgeted expenditure, while other cities and municipal councils; and town and county councils budgets will each contribute approximately one third of the total local authorities' budget.

Table 6.15: Expenditure by Local Authorities, 2008/09 - 2012/13

KSh million

	Local Authorities				
	Nairobi City Council	Other Cities & Municipal Councils	Sub-Total	Town and County Councils	Total
2008/09	8,806.51	7,412.50	16,219.01	9,108.70	25,327.72
2009/10	9,387.31	8,843.57	18,230.88	10,806.40	29,037.28
2010/11	12,852.81	11,893.90	24,746.71	13,452.54	38,199.26
2011/12*	14,836.16	12,245.98	27,082.15	14,165.89	41,248.03
2012/13+	15,583.70	13,554.50	29,138.21	15,307.37	44,445.58

* Provisional

+ Budget Estimates

6.20. Table 6.16 presents the functional classification of expenditure for municipalities including Nairobi City Council for the period 2008/09 to 2012/13. The budgeted expenditure on economic services, which mainly entails provision of water, accounted for 39.8 per cent of the total expenditure. Under community services category, rehabilitation of roads remains the dominant destination of funds accounting for slightly over a half of total allocation. Budget for provision of health services remains the principal recipient of funds under social services.

Table 6.16: Municipal Councils[1] Current and Capital Expenditure on Main Services, 2008/09- 2012/13

KSh Million

		2008/09	2009/10	2010/11	2011/12 *	2012/13+
ADMINISTRATION		3,727.56	4,218.79	5,134.80	6,061.76	6,543.76
COMMUNITY	Roads	1,476.40	1,604.72	2,422.19	2,482.33	2,649.64
SERVICES:	Sanitation	956.84	1,008.26	1,664.59	1,714.77	1,834.56
	Other	476.92	505.98	653.97	742.71	793.29
	Total	2,910.16	3,118.96	4,740.75	4,939.81	5,277.49
SOCIAL	Education	1,125.64	1,203.67	1,559.62	1,685.27	1,785.74
SERVICES	Health	1,428.70	1,560.54	2,041.54	2,159.60	2,486.44
	Other	847.47	892.65	1,348.03	1,502.32	1,433.81
	Total	3,401.81	3,656.86	4,949.20	5,347.19	5,705.99
ECONOMIC	General Administration	1,285.42	1,395.27	1,907.29	1,992.58	2,106.88
SERVICES:	Water Undertaking	3,176.64	4,012.50	5,379.25	5,589.66	6,125.76
	Housing Estates (including staff housing)	865.34	927.48	1,222.69	1,496.30	1,593.79
	Other	852.09	901.02	1,412.75	1,654.86	1,784.53
	Total	6,179.49	7,236.27	9,921.97	10,733.39	11,610.96
TOTAL EXPENDITURE		16,219.02	18,230.88	24,746.71	27,082.15	29,138.21

Source: Local Authorities

* Provisional

+ Estimates

[1] Includes Nairobi City Council

6.21. Details of economic classification of expenditure for municipal councils from 2008/09 to 2012/13 are provided in Table 6.17. Current expenditure is estimated to grow by 7.5 per cent from KSh 18.6 billion in 2011/12 to KSh 20.0 billion in 2012/13, while capital expenditure is expected to increase by 8.0 per cent to stand at KSh 9.1 billion in 2012/13. Consumption expenditure that includes compensation of employees and use of goods and services accounts for over two thirds of the total expenditure.

Table 6.17: Municipal Councils[1] Economic Analysis of Expenditure, 2008/09 – 2012/13

KSh Million

	2008/09	2009/10	2010/11	2011/12*	2012/13+
CURRENT EXPENDITURE:					
Compensation of employees	7,293.96	7,891.69	10,136.28	12,160.06	12,909.45
Use of Goods and Services	3,575.67	3,928.48	6,140.99	6,113.37	6,713.26
Transfer to Households & Enterprises	93.43	97.42	136.01	149.94	156.78
Transfer to Funds (Current)	87.26	82.45	108.22	114.52	124.63
Interest	46.67	55.49	89.79	101.03	113.23
Total	11,096.99	12,055.53	16,611.28	18,638.92	20,017.35
CAPITAL EXPENDITURE:					
Acquisition of Non financial Assets	4,899.20	5,919.14	7,891.55	8,111.59	8,722.51
Loan Repayment[2]	222.82	235.87	243.88	331.64	398.35
Total	5,122.02	6,155.01	8,135.43	8,443.23	9,120.86
TOTAL EXPENDITURE	16,219.01	18,230.88	24,746.71	27,082.15	29,138.21

Source: Local Authorities

* Provisional

+ Budget estimates

[1] Includes Nairobi City Council

[2] Includes interest

6.22. Revenue collections by municipal councils between 2008/09 and 2012/13 are presented in Table 6.18. Municipal councils' revenue collections are anticipated to increase from KSh 17.1 billion in 2011/12 to KSh 19.8 billion in 2012/13. During the review period, current revenue is expected to grow by 16.8 per cent to stand at KSh 19.1 billion in 2012/13 while capital revenue is expected to decline by 3.0 per cent to KSh 0.8 billion in 2012/13. In the same period, revenue derived from the sale of goods and services, direct taxes, and indirect taxes each increased by 24.7, 10.4 and 12.5 per cent, respectively.

Table 6.18: Municipal Councils[1] Economic Analysis of Revenue, 2008/09 – 2012/13

KSh Million

	2008/09	2009/10	2010/11	2011/12*	2012/13+
CURRENT REVENUE:	12,793.55	13,081.85	13,942.38	16,329.30	19,068.04
Direct Taxes (Rates[2])	2,883.85	3,247.15	3,567.98	4,136.34	4,565.89
Indirect Taxes (Licences and cesses)	1,874.17	2,014.35	2,176.38	2,654.54	2,986.31
Income from property	900.32	798.57	715.80	799.48	802.89
Current Transfers[3]	2,187.79	1,718.11	2,107.46	2,387.35	2,794.03
Sale of goods and services[4]	3,432.50	5,303.67	5,374.77	6,351.60	7,918.92
CAPITAL REVENUE:	514.92	605.42	601.94	802.96	778.83
Loans Raised	511.68	602.44	598.75	696.87	774.72
Loan Repayment	3.24	2.98	3.19	3.85	4.10
TOTAL REVENUE	13,308.47	13,687.27	14,544.31	17,132.26	19,846.87

Source: Local Authorities

* Provisional

+ Revised budget estimates

[1] Includes Nairobi City Council

[2] Paid by households and enterprises

[3] Excludes LATF

[4] Includes services charge

6.23. Table 6.19 shows the economic analysis of expenditure and revenue for towns and county councils for the period 2008/09 to 2012/13. Total expenditure is expected to rise by 7.7 per cent from KSh 14.2 billion in 2011/12 to KSh 15.3 billion in 2012/13. Total revenue for towns and county councils is expected to increase from KSh 5.1 billion in 2011/12 to KSh 5.7 billion in 2012/13. Receipts from sale of goods and services and indirect taxes remain the main source of revenue for towns and county councils accounting for 44.8 and 30.0 per cent, respectively.

Table 6.19: Town and County Councils Economic Analysis of Expenditure and Revenue, 2008/09 -2012/13

KSh Million

	2008/09	2009/10	2010/11	2011/12*	2012/13+
CURRENT EXPENDITURE:					
Compensation of employees	3,503.82	3,938.15	4,897.04	5,060.86	5,364.93
Use of Goods and Services	3,004.63	3,530.57	4,261.17	4,532.62	4,665.12
Transfer to Households & Enterprises	324.89	350.62	391.32	430.43	598.08
Transfer to Funds (Current)	72.34	76.39	83.96	86.48	100.59
Total	6,905.68	7,895.73	9,633.49	10,110.39	10,728.71
CAPITAL EXPENDITURE:					
Acquisition of non-financial Assets	2,200.66	2,905.68	3,810.57	4,045.67	4,565.10
Loan Repayments[1]	2.36	4.99	8.48	9.82	13.56
Total	2,203.02	2,910.67	3,819.05	4,055.49	4,578.66
TOTAL EXPENDITURE	9,108.70	10,806.40	13,452.54	14,165.89	15,307.37
CURRENT REVENUE:					
Direct Taxes (Rates[2])	220.47	227.84	235.22	254.04	310.31
Indirect Taxes (Licences and Cesses)	1,380.14	1,402.59	1,427.19	1,541.47	1,720.53
Income from Property	276.02	292.87	307.51	322.88	446.77
Current Transfers[3]	418.93	415.65	449.81	545.31	607.71
Sale of Goods and Services[4]	1,963.42	2,155.15	2,376.79	2,400.56	2,575.94
Total	4,258.98	4,494.10	4,796.52	5,064.26	5,661.26
CAPITAL REVENUE:					
Loans Raised	98.40	82.56	68.70	74.19	83.51
Total	98.40	82.56	68.70	74.19	83.51
TOTAL REVENUE	4,357.38	4,576.66	4,865.22	5,138.45	5,744.77

Source: Local Authorities

* Provisional.

+ Budget Estimates

[1] Includes Interest

[2] Paid by households and enterprises

[3] Excludes LATF

[4] Includes service charge

Chapter 7

International Trade and Balance of Payments

Overview

Key indicators of international trade for 2012 show that merchandise trade deficit continued to widen due to high import bill. During the review period, the import bill grew by 5.7 per cent while export earnings almost stagnated compared to the previous year. The balance of trade widened from a deficit of KSh 788,145 million recorded in 2011 to a deficit of KSh 856,740 million in the period under review, translating to an 8.7 per cent increase. The export to import ratio further deteriorated to 37.7 per cent in 2012.

7.2. The volume of trade expanded by 4.4 per cent to stand at KSh 1,892.4 billion in 2012 compared to a 33.6 per cent growth in 2011. During the review period, a marginal one per cent drop in the domestic export earnings was more than compensated by a 35.7 per cent increase recorded in the re-exports, resulting to a paltry increase of one per cent in the total export earnings. The major foreign exchange earners in the review period were tea, horticulture, coffee, and articles of apparels and clothing accessories, collectively accounting for 47.0 per cent of the total domestic earnings. Expenditure on imports grew from 1,315.7 billion in 2011 to KSh 1,374.6 billion in 2012. The main drivers of the import bill were petroleum products, capital goods, food products and chemical fertilizers, collectively accounting for 58.4 per cent of the total import bill.

7.3. In 2012, balance of payments position improved on account of increased international reserves attributed to the purchases of foreign exchange reserves from the domestic interbank market by CBK, the disbursement of International Monetary Fund (IMF) loans under the Extended Credit Facility (ECF) and partly due to a syndicate overseas loan to the Government. The current account deteriorated from a deficit of KSh 340,179 million in 2011 to a deficit of KSh 359,463 million in the review period. This was mainly due to a widening visible trade deficit worsening further from KSh 746,052 million in 2011 to KSh 790,737 million in 2012. The capital and financial account registered a surplus of KSh 438,038 million in 2012 compared to a surplus of KSh 332,569 million in 2011 due to increased long term and short term loan disbursements.

Balance of Trade

7.4. Table 7.1 present details on the balance of trade from 2008 to 2012. In 2012, the value of domestic exports deteriorated by one per cent after registering an impressive growth of 25.7 per cent in 2011 while the value of imports rose by 5.7 per cent. The value of re-exports also increased by 35.7 per cent compared to a 15.4 per cent growth recorded in 2011. There were significant increases in the value of petroleum products, medicament and fixed vegetable fat re-exports during the period under review. The balance of trade deficit widened further by 8.7 per cent from KSh 788,145 million in 2011 to KSh 856,740 million in 2012. Total imports grew relatively faster than exports leading to deterioration in export/import cover ratio from 39.4 per cent in 2011 to 37.7 per cent in the review period.

Table 7.1: Balance of Trade, 2008 – 2012

KSh Million

DESCRIPTION	2008	2009	2010	2011	2012*
EXPORTS (f.o.b) :					
Domestic Exports	322,660	323,571	385,441	484,507	479,706
Re-exports	22,287	21,378	24,353	28,097	38,141
Total	**344,947**	**344,949**	**409,794**	**512,604**	**517,847**
IMPORTS (c.i.f) :					
Commercial	763,704	780,323	934,729	1,283,111	1,360,408
Government	6,947	7,773	12,476	17,639	14,179
Total	**770,651**	**788,097**	**947,206**	**1,300,749**	**1,374,587**
BALANCE OF TRADE	**(425,705)**	**(443,148)**	**(537,412)**	**(788,145)**	**(856,740)**
TOTAL TRADE	**1,115,598**	**1,133,046**	**1,356,999**	**1,813,354**	**1,892,434**
COVER RATIO[1] (in percentage)	**44.8**	**43.8**	**43.3**	**39.4**	**37.7**

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

*Provisional

[1]COVER RATIO = the ratio of exports to imports

Price Changes

7.5. Table 7.2 presents a five-year series of unit price indices for exports and imports by commodity groups based on the Standard International Trade Classification (SITC). Unit price indices measure the average change in prices for exports and imports. The export unit price index for all items and non-oil items, which showed significant growths in 2011, recorded declines of 0.8 per cent and 1.5 per cent, respectively, in 2012. The import unit price index for all items increased by 0.6 per cent while that for non-oil items decreased by 1.3 per cent during the period under review. This may be attributed to high international oil prices.

Table 7.2: Export and Import Price Indices, 2008-2012

2009=100

	2008	2009	2010	2011	2012*
EXPORTS:					
Food and live animals	86	100	112	141	137
Beverages and tobacco	115	100	130	133	134
Crude materials, (inedible)	99	100	106	109	98
Mineral fuels	107	100	114	121	151
Animal and vegetable oils and fats	125	100	115	177	152
Chemicals	112	100	98	124	127
Manufactured goods	108	100	104	112	123
Machinery and transport equipment	123	100	129	224	235
Miscellaneous manufactured articles	116	100	129	137	135
All Exports	**99**	**100**	**111**	**132**	**131**
Non-oil Exports	99	100	111	133	131
IMPORTS:					
Food and live animals	119	100	131	126	132
Beverages and tobacco	94	100	108	111	140
Crude materials, (inedible)	92	100	104	125	131
Mineral fuels	147	100	136	144	158
Animals and vegetable oils and fats	146	100	125	185	165
Chemicals	109	100	107	132	132
Manufactured goods	125	100	119	157	139
Machinery and transport equipment	144	100	137	207	198
Miscellaneous manufactured articles	107	100	108	135	150
All imports	**130**	**100**	**126**	**157**	**158**
Non-oil Imports	124	100	124	160	158

*Provisional

7.6. The export unit price indices for mineral fuels, manufactured goods, and machinery and transport equipment increased by 24.8, 9.8 and 4.9 per cent, respectively, in 2012. Similarly, chemicals and beverages and tobacco recorded increases in their export price indices in the same period. On the other hand, decreases were recorded in export price indices for animal and vegetable oils and fats (14.1 per cent), crude inedible materials (10.1 per cent), food and live animals (2.8 per cent) and miscellaneous manufactured articles (1.5 per cent), in the review period.

7.7. During the review period, substantial increases in import unit price indices were recorded in mineral fuels (9.7 per cent), beverages and tobacco (26.1 per cent) and miscellaneous manufactured articles (11.1 per cent). Import price increases were also noted in the categories of crude inedible materials and food and live animals. However, import price decreases were recorded in manufactured goods (11.5 per cent), animal and vegetable oils and fats (10.8 per cent), and machinery and transport equipment (4.4 per cent), in 2012 resulting in the decline in non-oil import price index.

Terms of Trade

7.8. The deterioration of the export prices vis-à-vis import prices is reflected in the terms of trade which is the ratio of export unit price index to import unit price index, as presented in Table 7.3.The terms of trade for all items declined by 1.1 percentage points in 2012 to stand at 83.0 per cent. Terms of trade for non-oil items decreased marginally by 0.3 percentage points from 83.1 per cent in 2011 to 82.8 per cent in 2011. These unfavourable terms of trade may be attributed to the depreciation of the Shilling against the major world trading currencies which made imports more expensive relative to exports.

Table 7.3: Terms of Trade, 2008 – 2012

DESCRIPTION	2008	2009	2010	2011	2012*
All Items	76.2	100.0	88.1	84.1	83.0
Non-oil Items	79.8	100.0	89.5	83.1	82.8

*Provisional

Volume Changes

7.9. Quantum indices for various SITC groups which measure the volume of trade are shown in Table 7.4. Overall, export quantum index for all items deteriorated slightly by 0.9 per cent in 2012 compared to a substantial increase of 23.9 per cent, recorded in 2011. This was mainly due to a drop in the export quantum indices for mineral fuels (47.6 per cent), manufactured goods (15.4 per cent), chemicals (6.3 per cent) and beverages and tobacco (4.0 per cent). However, export quantum index for non-oil items increased marginally by 1.8 per cent in 2012, compared to a 22.8 per cent increase in the previous period. This is partly explained by increases recorded in the export quantum indices for machinery and transport equipment (14.1 per cent), crude inedible materials (10.4 per cent), animal and vegetable oils and fats (6.6 per cent), food and live animals (4.9 per cent) and miscellaneous manufactured articles (4.7 per cent).

Table 7.4: Quantum Indices, 2008 - 2012

2009 = 100

	2008	2009	2010	2011	2012*
EXPORTS:					
Food and live animals	112	100	92	103	108
Beverages and tobacco	73	100	79	124	119
Crude materials, (inedible)	108	100	97	125	138
Mineral fuels	86	100	86	124	65
Animal and vegetable oils and fats	65	100	89	136	145
Chemicals	95	100	104	128	120
Manufactured goods	98	100	99	143	121
Machinery and transport equipment	65	100	80	64	73
Miscellaneous manufactured articles	92	100	79	107	112
All Exports	**100**	**100**	**92**	**114**	**113**
Non-oil Exports	101	100	92	113	115
IMPORTS:					
Food and live animals	47	100	59	91	90
Beverages and tobacco	126	100	142	204	118
Crude materials, (inedible)	98	100	116	118	121
Mineral fuels	84	100	92	146	130
Animals and vegetable oils and fats	85	100	113	111	120
Chemicals	90	100	116	127	130
Manufactured goods	82	100	108	116	129
Machinery and transport equipment	63	100	89	67	86
Miscellaneous manufactured articles	84	100	112	119	122
All imports	**75**	**100**	**95**	**106**	**111**
Non-oil Imports	73	100	96	96	105

*Provisional

7.10. The overall import quantum index for all items increased by 4.7 per cent in 2012 compared to an increase of 11.6 per cent recorded in the previous year. The overall import quantum index

for non-oil items rose by 9.4 per cent in 2012 compared to a stagnation recorded in 2011. The increase may be partly attributed to the rise in the quantum indices for most categories of the imported products. The import quantum indices rose for machinery and transport equipment (28.4 per cent), manufactured goods (11.2 per cent), animal and vegetable oils and fats (8.1 per cent). Similarly, import quantum indices for crude inedible materials, chemicals and miscellaneous manufactured goods, increased during the year under review. Import quantum indices for beverages and tobacco, mineral fuels, and food and live animals declined by 42.2, 11.0 and 1.1 per cent, respectively, in 2012.

Quantities of Principal Exports and Imports

7.11. Quantity of principal exports and imports commodities for the period 2008 to 2012 are presented in Table 7.5. Export quantities of hides and skins increased almost five fold from 2,250 tonnes in 2011 to 10,200 tonnes in 2012. Coffee exports, which recorded a decline in 2011, increased by 37.6 per cent in the review period. Export quantities of wire products, metal scrap, medicinal and pharmaceutical products, fish and fish preparations and foot wear increased by 30.8, 25.9, 14.1, 12.5 and 9.4 per cent respectively, in 2012. Similarly, cement exports increased by 4.1 per cent from 708,384 tonnes in 2011 to 737,496 tonnes in 2012. Quantity exports of soda ash, iron and steel which registered significant increases in the previous period declined by 22.5 per cent and 11.7 per cent respectively, in 2012. Export quantities of tea declined by 2.2 per cent in 2012 compared to 6.0 per cent decline in 2011. During the review period, export quantities of maize continued to deteriorate posting a 53. 3 per cent decline.

7.12. Imported quantities of sugars, molasses and honey increased by 51.9 per cent compared to a 41.1 per cent decline recorded the previous year. Essential oil and perfume imports increased by 51.1 per cent while those of unmilled wheat increased from 1,002.7 thousand tonnes in 2011 to 1,044.8 thousand tonnes in 2012. Notable increases were recorded in the import quantities of rice, petroleum products, hand and machine tools and road motor vehicles which increased by 18.5, 21.2, 15.7 and 12.3 per cent respectively, in 2012. Quantity imports of crude petroleum decreased by 43.7 per cent from 1,772.1 thousand tonnes in 2011 to 997.0 thousand tonnes in 2012. Similarly, the quantity of chemical fertilizer imports decreased by 18.5 per cent to stand at 425,840 tonnes in 2012. During the review period, quantities of imported unmilled maize declined by 9.6 per cent. Imports of processed wheat, non- ferrous metals and, paper and paperboard decreased by 12.1, 6.7 and 5.6 per cent, respectively.

Table 7.5: Quantities of Principal Exports and Imports, 2008 – 2012

Commodity	Unit of Quantity	2008	2009	2010	2011	2012*
DOMESTIC EXPORTS						
Fish and fish preparations	Tonne	20,989	14,970	17,804	15,519	17,455
Maize(raw)	Tonne	19,002	4,072	2,623	1,173	548
Meals and flours of wheat	Tonne	2,286	2,816	20,696	4,624	7,488
Horticulture	Tonne	414,703	338,994	374,566	363,799	367,885
Sugar confectionery	Tonne	27,876	36,332	30,845	33,092	33,188
Coffee, unroasted	Tonne	41,470	59,991	43,135	37,570	51,713
Tea	Tonne	390,003	326,497	410,035	385,425	376,996
Margarine and shortening	Tonne	26,807	26,322	18,463	20,288	18,532
Beer made from malt	000 Lt.	47,870	58,699	51,370	59,054	62,638
Tobacco and tobacco manufactures	Tonne	34,049	33,386	31,594	40,290	35,259
Hides and Skins	Tonne	841	717	322	2,250	10,200
Sisal	Tonne	20,693	19,864	21,817	12,040	11,066
Stone, sand and gravel	Tonne	99,990	20,331	18,957	45,962	39,138
Fluorspar	Tonne	105,805	5,504	37,500	116,600	105,753
Soda Ash	Tonne	710,928	512,624	493,722	592,207	458,811
Metal scrap	Tonne	7,303	4,298	3,626	4,342	5,465
Petroleum Products	Mn. Lt.	69	76	80	89	27
Animal and Vegetable oils	Tonne	50,516	73,775	105,919	106,420	99,252
Medicinal and pharmaceutical products	Tonne	9,166	8,769	9,457	11,446	13,063
Essential oils	Tonne	65,794	89,372	100,526	121,919	120,059
Insecticides and fungicides	Tonne	5,109	2,918	4,197	3,301	1,709
Leather	Tonne	19,529	13,957	22,272	26,485	22,698
Wood manufactures n.e.s	Tonne	971	866	812	712	608
Paper and paperboard	Tonne	21,990	7,929	7,666	9,572	5,063
Textile yarn	Tonne	2,248	2,183	2,358	2,263	1,859
Cement	Tonne	692,464	684,259	651,701	708,384	737,496
Iron and steel	Tonne	113,853	118,926	142,958	170,143	150,182
Metal containers	Tonne	3,632	3,310	2,642	3,262	3,432
Wire products: nails screws, nuts, etc.	Tonne	4,959	5,702	8,962	8,356	10,931
Footwear	'000' Pairs	45,918	44,035	44,504	47,288	51,712
Articles of plastic[1]	..	..	..	..	..	..
IMPORTS						
Wheat, unmilled	Tonne	538,498	781,717	848,081	1,002,710	1,044,848
Rice	Tonne	259,780	296,292	283,021	337,446	399,699
Maize, unmilled	Tonne	243,656	1,508,414	229,611	359,232	324,622
Wheat flour	Tonne	22,514	21,197	37,912	61,850	54,397
Sugars, Mollases and Honey	Tonne	242,459	212,868	299,308	176,174	267,679
Textile fibres and their waste	Tonne	17,645	16,594	16,628	18,182	19,451
Second - hand clothing	Tonne	57,817	59,677	80,423	76,533	82,216
Crude Petroleum	Tonne	1,773,338	1,627,900	1,551,524	1,772,135	997,028
Petroleum products	Mn. Lt.	2,130	2,867	2,638	2,874	3,484
Animal/vegetable fats and oils	Tonne	438,514	514,819	590,786	553,087	591,488
Organic & inorganic chemicals	Tonne	175,047	186,212	230,291	240,714	241,719
Medicinal and pharmaceutical products	Tonne	12,573	11,043	14,910	16,637	16,110
Essential oils & pefumes	Tonne	19,486	21,823	26,923	33,273	50,269
Chemical fertilizers	Tonne	321,277	448,984	419,732	522,200	425,840
Plastics in primary & non-primary forms	Tonne	221,332	266,955	300,070	317,119	342,163
Paper and Paperboard	Tonne	175,981	222,432	267,173	278,797	263,089
Iron and steel	Tonne	466,225	681,873	717,361	792,093	778,859
Non-ferrous metals	Tonne	35,417	43,657	39,667	45,425	42,405
Hand & machine tools	"000"No	6,102	7,040	9,102	9,534	11,027
Industrial Machinery[1]	..	..	..	..	..	..
Agricultural Machinery and Tractors[1]	..	..	..	..	..	..
Bicycles, assembled or partly assembled	"000"No	129	94	152	143	134
Road Motor Vehicles	Nos.	65,638	66,108	77,941	65,987	74,111

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority
* Provisional.
.. Data not available
[1] items have different units

Values of Principal Exports and Imports

7.13. Table 7.6 presents the values of principal exports and imports from 2008 to 2012. Tea continued to be the leading commodity foreign exchange earner accounting for 21.2 per cent of the total domestic export earnings in the review period. However, export earnings from tea decreased from KSh 102,236 million in 2011 to KSh 101,441 million in 2012. Similarly, foreign exchange earnings from horticulture declined by 2.6 per cent to stand at KSh 81,129 million in 2012. The value of domestic exports of maize declined significantly by 66.3 per cent in 2012. The value of domestic exports of petroleum product reduced by 47.0 per cent from KSh 6,217 million in 2011 to KSh 3,294 million in 2012. During the review period, export earnings from hides and skin increased almost five times while those from metal scrap more than doubled. Foreign exchange earnings from medicinal and pharmaceutical products, sugar confectionary and coffee increased by 16.8, 11.7 and 6.8 per cent respectively, in the review period.

7.14. Imports of both industrial machinery and petroleum products continued to push up the country's import expenditure, collectively accounting for 31. 4 per cent of the total import bill in the year under review. The value of imported petroleum products increased by 19.3 per cent to KSh 237,557 million in 2012. This increase is partly explained by a 45.1 per cent decline in the value of of crude petroleum imports during the review period. The value of imported second hand clothing increased from KSh 6,831 million in 2011 to KSh 8,400 million in 2012. Despite a decline in quantity imports of medicinal and pharmaceutical products, their import value increased by 4.1 per cent in the review period. In 2012, import values of maize, processed wheat, chemical fertilizers and bicycles decreased by 43.8, 15.8, 12.4 and 10.4 per cent in tandem with their reduced import quantities.

Table 7.6: Values of Principal Exports and Imports, 2008 - 2012

KSh Million

Commodity	2008	2009	2010	2011	2012*
DOMESTIC EXPORTS					
Fish and fish preparations	5,131	4,391	5,027	4,955	5,392
Maize(raw)	473	283	284	169	57
Meals and flours of wheat	95	109	5,105	159	290
Horticulture	71,182	65,220	72,092	83,331	81,129
Sugar confectionery	3,457	3,629	4,241	5,211	5,818
Coffee, unroasted	10,126	15,309	16,244	20,863	22,271
Tea	63,812	68,766	91,617	102,236	101,441
Margarine and shortening	2,923	2,597	2,006	2,950	2,684
Beer made from malt	2,065	2,508	2,775	2,961	3,209
Tobacco and tobacco manufactures	9,053	10,411	10,562	18,633	16,615
Hides and skins (undressed)	40	30	11	108	504
Sisal	1,495	1,291	1,586	1,212	1,184
Stone, sand and gravel	135	64	120	494	385
Fluorspar	2,191	153	726	3,928	3,272
Soda ash	13,185	8,305	7,265	12,371	9,724
Metal scrap	1,713	752	596	1,050	2,826
Petroleum products	4,223	4,466	4,706	6,217	3,294
Animal and Vegatable oils	4,851	5,910	9,893	14,166	12,727
Medicinal and pharmaceutical products	4,457	5,185	5,862	7,446	8,699
Essential oils	6,427	8,231	9,625	13,822	13,623
Insecticides and fungicides	1,642	1,269	1,659	1,828	801
Leather	3,313	2,237	4,192	7,208	7,036
Wood manufactures n.e.s	212	160	167	193	140
Paper and paperboard	1,354	642	544	651	474
Textile yarn	551	549	621	851	792
Cement	7,253	7,766	7,399	8,898	8,118
Iron and steel	10,824	9,073	12,124	18,165	15,098
Metal containers	402	437	444	734	715
Wire products: nails screws, nuts, etc.	478	493	918	1,142	1,649
Footwear	2,618	2,665	3,214	3,562	4,148
Articles of plastics	6,136	5,916	6,895	9,350	10,278
Articles of apparel and clothing accessories	17,452	13,948	15,561	22,260	20,676
All other Commodities	63,392	71,172	87,884	107,385	114,637
GRAND TOTAL	**322,660**	**323,571**	**385,441**	**484,507**	**479,706**
IMPORTS					
Wheat, unmilled	13,937	13,841	17,451	31,371	29,743
Rice	5,875	7,430	7,958	12,548	14,520
Maize	6,665	33,945	5,471	11,479	6,451
Wheat flour	668	1,525	1,396	2,517	2,120
Sugars, Mollases and Honey	7,410	8,064	14,551	11,088	17,030
Textile fibres and their waste	2,421	2,499	3,571	5,093	5,025
Second - hand clothing	3,663	4,533	6,539	6,831	8,400
Crude Petroleum	81,453	54,495	72,598	124,042	68,086
Petroleum Products	116,792	99,550	122,004	199,120	237,557
Animal/vegetable fats and oils	34,101	27,569	38,956	56,733	54,876
Organic & inorganic chemicals	13,231	12,612	16,127	19,593	22,080
Medicinal & Pharmaceauticals Products	20,776	22,994	27,879	39,681	41,307
Essential oils & perfumes	6,455	8,060	9,755	13,454	15,351
Chemical Fertilizers	15,507	15,238	14,186	23,045	20,184
Plastics in primary & non-primary forms	27,777	26,462	35,995	49,296	47,650
Paper and Paperboard	12,155	13,756	17,748	22,947	20,049
Iron and Steel	34,829	33,776	43,558	62,087	56,667
Non-ferrous metals	8,910	8,402	10,235	13,863	12,119
Hand & machine tools	1,110	1,160	1,613	2,335	2,794
Industrial Machinery	100,900	130,929	158,721	177,174	194,666
Agricultural Machinery and Tractors	3,321	3,578	4,279	5,532	6,347
Bicycles, assembled or partly assembled	271	202	314	395	354
Road Motor Vehicles	45,323	50,115	55,812	62,870	73,768
All other Commodities	207,101	207,359	251,424	347,657	417,442.28
GRAND TOTAL	**770,651**	**788,097**	**947,206**	**1,300,749**	**1,374,587**

Source: Kenya National Bureau of Statistics/ Kenya Revenue Authority

* Provisional

Domestic Exports and Imports

7.15. Table 7.7 indicates unit prices of principal commodity exports and imports for the period 2008 to 2012. Most commodities which registered improved export unit prices in 2011 recorded declines in the review period. Export unit prices of coffee and fluorspar declined by 22.3 and 8.2 per cent respectively, in 2012. Export unit price of metal scrap more than doubled during the review period. In 2012, export unit prices of petroleum products maintained an upward trend registering an increase of 74.3 per cent. However, export unit prices of margarine and shortening, and essential oils remained at the 2011 levels.

7.16. A decreasing trend of import unit prices for principal commodities was observed in 2012. Import unit prices of maize, non-ferrous metals and processed wheat reduced by 37.8, 6.4 and 4.2 per cent, respectively, in the year under review. On the other hand, unit price of second hand clothing imports increased by 14.5 per cent maintaining the upward trend witnessed since 2009. Similarly, import unit prices of organic and inorganic chemicals, and chemical fertilizers increased by 12.4 per cent and 7.4 per cent, respectively in 2012.

Table 7.7: Prices of Principal Exports and Imports 2008-2012

KSh/Unit

Commodity	Unit	2008	2009	2010	2011	2012*
DOMESTIC EXPORTS						
Fish and fish preparations	Kg	244	293	282	319	309
Maize(raw)	Tonne	24,899	69,619	108,183	143,621	104,445
Meals and flours of wheat	Tonne	41,381	38,658	246,668	34,409	38,749
Horticulture	Kg	172	192	192	229	221
Sugar confectionery	Kg	124	100	137	157	175
Coffee, unroasted	Kg	244	255	377	555	431
Tea	Kg	164	211	223	265	269
Margarine and shortening	Kg	109	99	109	145	145
Beer made from malt	Lt.	43	43	54	50	51
Tobacco and tobacco manufactures	Kg	266	312	334	462	471
Hides and Skins(undressed)	Kg	47	41	35	48	49
Sisal	Tonne	72,259	64,983	72,696	100,650	107,039
Stone, sand and gravel	Tonne	1,351	3,167	6,351	10,752	9,828
Fluorspar	Tonne	20,712	27,796	19,372	33,690	30,941
Soda Ash	Tonne	18,546	16,200	14,714	20,890	21,193
Metal scrap	Tonne	234,545	174,968	164,474	241,711	517,068
Petroleum Products	Lt.	62	58	59	70	122
Animal and Vegetable oils	Kg	96	80	93	133	128
Medicinal and pharmaceutical products	Kg	486	591	620	651	666
Essential oils	Kg	98	92	96	113	113
Insecticides and fungicides	Kg	321	435	395	554	469
Leather	Kg	170	160	188	272	310
Wood manufactures n.e.s	Tonne	218,049	184,378	205,429	270,355	230,037
Paper and paperboard	Tonne	61,571	80,996	70,936	67,989	93,640
Textile yarn	Kg	245	251	263	376	426
Cement	Tonne	10,475	11,350	11,353	12,561	11,008
Iron and steel	Tonne	95,069	76,295	84,811	106,760	100,531
Metal containers	Tonne	110,745	132,032	168,060	225,106	208,247
Wire products: nails screws, nuts, etc.	Tonne	96,385	86,512	102,422	136,613	150,850
Footwear	Pair	57	61	72	75	80
Articles of plastics[1]	..	..	..	..	..	..
IMPORTS						
Wheat, unmilled	Tonne	25,881	17,705	20,577	31,286	28,467
Rice	Tonne	22,615	25,076	28,119	37,186	36,326
Maize, unmilled	Tonne	27,353	22,504	23,828	31,954	19,872
Wheat flour	Tonne	29,675	71,926	36,834	40,690	38,975
Sugars, Mollases and Honey	Tonne	30,563	37,885	48,615	62,938	63,621
Textile fibres and their waste	Tonne	137,211	150,583	214,742	280,124	258,337
Second - hand clothing	Tonne	63,347	75,961	81,312	89,253	102,169
Crude Petroleum	Tonne	45,932	33,476	46,791	69,996	68,289
Petroleum products	Lt.	55	35	46	69	68
Animal and vegetable oils	Kg	78	54	66	103	93
Organic & inorganic chemicals	Kg	76	68	70	81	91
Medicinal & Pharmaceauticals Products	Kg	1,652	2,082	1,870	2,385	2,564
Essential oils & pefumes	Kg	331	369	362	404	305
Chemical fertilizers	Tonne	48,267	33,939	33,798	44,131	47,399
Plastics in primary & non-primary forms	Tonne	125,500	99,125	119,957	155,448	139,262
Paper and Paper Products	Tonne	69,069	61,844	66,430	82,308	76,205
Iron and steel	Tonne	74,705	49,534	60,720	78,383	72,757
Non-ferrous metals	Tonne	251,569	192,460	258,015	305,187	285,799
Hand & machine tools	No.	182	165	177	245	253
Industrial Machinery[1]	..	..	..	..	..	..
Agricultural Machinery and Tractors[1]	..	..	..	..	..	..
Bicycles, assembled or partly assembled	No.	2,100	2,149	2,067	2,767	2,647
Road Motor Vehicles	No.	690,505	758,073	716,078	952,763	995,372

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

* Provisional.

.. Data not available

[1] items have different units

Composition of Exports

7.17. Domestic exports by Broad Economic Category (BEC) are presented on Table 7.8. During the review period, earnings from machinery and capital equipment including parts and accessories rose by 22.3 per cent. Growth in the export earnings from transport equipment slowed down from a 14.7 increase recorded in 2011 to a 4.2 per cent increase in 2012 attributable to a drop in the domestic exports of other transport equipment for industry from KSh 4,245 million in 2011 to KSh 3,942 million 2012. Domestic export earnings from fuel and lubricants, however, declined significantly from KSh 10,015 million recorded in 2011 to KSh 4,029 million in 2012. Domestic export earnings from non-food industrial supplies and food and beverages declined slightly.

7.18. Domestic export earnings from food and beverages accounted for 41.2 per cent of the total export earnings in 2012, a slight increase from 40.4 per cent recorded in 2011. During the year under review, the share of non-food industrial supplies earnings declined slightly to 29.6 per cent of the total export earnings. The share of domestic export earnings from consumer goods not elsewhere classified rose marginally from 23.4 per cent in 2011 to 23.7 per cent of total domestic export earnings in the period under review.

Table 7.8: Domestic Exports by Broad Economic Category, 2008 - 2012

KSh Million

DESCRIPTION	2008	2009	2010	2011	2012*
FOOD AND BEVERAGES	**130,273**	**136,751**	**170,050**	**195,565**	**197,491**
Primary	97,994	107,319	136,579	153,791	153,198
For Industry	11,381	16,710	18,099	22,448	23,895
For Household Consumption	86,613	90,608	118,480	131,343	129,303
Processed	32,279	29,433	33,471	41,774	44,293
For Industry	4,036	5,151	4,130	7,158	8,071
For Household Consumption	28,243	24,282	29,341	34,616	36,222
INDUSTRIAL SUPPLIES (Non-Food) ..	**92,500**	**87,342**	**108,201**	**146,601**	**142,019**
Primary	18,463	19,975	19,356	30,702	29,370
Processed	74,037	67,367	88,845	115,900	112,649
FUEL AND LUBRICANTS	**4,589**	**4,553**	**7,454**	**10,015**	**4,029**
Primary	12	9	7	10	8
Processed	4,577	4,543	7,448	10,005	4,021
Motor Spirit	238	318	561	538	395
Other	4,339	4,225	6,887	9,466	3,625
MACHINERY & OTHER CAPITAL EQUIPMENT ..	**5,566**	**6,781**	**9,036**	**11,214**	**13,713**
Machinery & Other Capital Equipment ..	4,787	5,492	7,320	9,006	11,864
Parts and Accessories	779	1,288	1,715	2,207	1,849
TRANSPORT EQUIPMENT	**3,672**	**5,828**	**6,576**	**7,545**	**7,858**
Passenger Motor Vehicles	69	100	228	160	103
Other	2,168	3,978	3,885	4,356	4,091
For Industry	2,124	3,944	3,517	4,245	3,942
Non-Industrial	44	34	368	111	149
Parts and Accessories	1,435	1,750	2,464	3,029	3,664
CONSUMER GOODS NOT ELSEWHERE SPECIFIED	**86,036**	**82,291**	**84,044**	**113,450**	**113,869**
Durable	2,560	3,234	1,326	1,720	3,803
Semi-Durable	24,091	20,239	22,036	28,467	27,999
Non-Durable	59,385	58,818	60,683	83,263	82,068
GOODS NOT ELSEWHERE SPECIFIED ..	**24**	**25**	**80**	**117**	**727**
TOTAL	**322,660**	**323,571**	**385,441**	**484,507**	**479,706**
Food and Beverages	40.37	42.26	44.12	40.36	41.17
Industrial Supplies (Non-Food)	28.67	26.99	28.07	30.26	29.61
Fuel and Lubricants	1.42	1.41	1.93	2.07	0.84
Machinery and other Capital Equipment ..	1.73	2.10	2.34	2.31	2.86
Transport Equipment	1.14	1.80	1.71	1.56	1.64
Consumer Goods not elsewhere specified	26.66	25.43	21.80	23.42	23.74
Goods not elsewhere specified	0.01	0.01	0.02	0.02	0.15
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

* Provisional

Composition of Imports

7.19. Imports by Broad Economic Category (BEC) are detailed in Table 7.9. The value of imports of transport equipment rose by 25.5 per cent from KSh 129,761 million in 2011 to KSh 162,854 million in 2012 mainly due to increases in the value of imports of other industrial transport equipment and passenger motor vehicles which increased by 43.0 per cent and 23.1 per cent, respectively. Expenditure on machinery and other capital equipment increased by 20.6 per cent on account of a 53.1 per cent rise in the import value of parts and accessories during the review period. Expenditure on fuel and lubricants reduced slightly from KSh 349,905 million in 2011 to KSh 336,838 million in 2012 owing to a 44.6 per cent drop in the primary fuel and lubricant imports. The value of non-food industrial supplies imports remained fairly constant during the same period.

7.20. During the review period, expenditure on non-food industrial supplies and fuel and lubricants were the highest and accounted for 29.6 per cent and 24.5 per cent of the total imports, respectively. The share of machinery and other capital equipment imports rose to 18.4 per cent compared to 16.1 per cent recorded in 2011. The share of expenditure on transport equipment increased slightly from 10.0 per cent in 2011 to 11.8 per cent in 2012.

Table 7.9: Total Imports by Broad Economic Category, 2008- 2012

KSh Million

DESCRIPTION	2008	2009	2010	2011	2012*
1 FOOD AND BEVERAGES	**53,614**	**90,437**	**70,449**	**105,967**	**109,074**
Primary	26,207	58,256	31,695	57,398	52,592
For Industry	23,142	53,661	25,949	48,967	43,342
For Household Consumption	3,065	4,595	5,746	8,430	9,250
Processed	27,407	32,181	38,754	48,569	56,482
For Industry	7,875	7,840	9,229	10,719	12,093
For Household Consumption	19,532	24,341	29,525	37,850	44,389
2 INDUSTRIAL SUPPLIES (Non-Food)	**238,926**	**232,091**	**299,270**	**406,010**	**407,225**
Primary	15,489	15,160	20,270	24,360	23,319
Processed	223,437	216,931	279,000	381,650	383,906
3 FUEL AND LUBRICANTS	**206,642**	**165,515**	**209,223**	**349,905**	**336,838**
Primary	82,945	55,865	74,849	128,394	71,104
Processed	123,697	109,651	134,374	221,511	265,734
Motor Spirit	14,252	16,726	23,052	40,094	50,889
Other	109,445	92,925	111,322	181,416	214,845
4 MACHINERY AND OTHER CAPITAL EQUIPMENT	**127,872**	**137,288**	**177,242**	**210,024**	**253,281**
Machinery and Other Capital Equipment	106,133	112,602	150,931	176,653	202,175
Parts and Accessories	21,739	24,685	26,312	33,371	51,106
5 TRANSPORT EQUIPMENT	**89,103**	**103,449**	**116,904**	**129,761**	**162,854**
Passenger Motor Vehicles	22,485	23,761	28,478	29,087	35,796
Other	41,587	57,022	61,992	64,600	87,014
Industrial	38,267	50,948	55,768	56,034	80,141
Non-Industrial	3,320	6,074	6,224	8,566	6,874
Parts and Accessories	25,031	22,666	26,435	36,074	40,044
6 CONSUMER GOODS NOT ELSEWHERE SPECIFIED	**53,715**	**57,712**	**70,948**	**93,075**	**95,965**
Durable	10,064	9,905	11,839	14,767	17,203
Semi-Durable	14,699	15,933	19,263	24,933	21,603
Non-Durable	28,952	31,874	39,846	53,376	57,159
7 GOODS NOT ELSEWHERE SPECIFIED	**779**	**1,606**	**3,169**	**6,008**	**9,350**
TOTAL	**770,651**	**788,097**	**947,206**	**1,300,749**	**1,374,587**
PERCENTAGE SHARES:					
1 Food and Beverages	6.96	11.48	7.44	8.15	7.94
2 Industrial Supplies (Non-Food)	31.00	29.45	31.60	31.21	29.63
3 Fuel and Lubricants	26.81	21.00	22.09	26.90	24.50
4 Machinery and other Capital Equipment	16.59	17.42	18.71	16.15	18.43
5 Transport Equipment	11.56	13.13	12.34	9.98	11.85
6 Consumer Goods not elsewhere specified ..	6.97	7.32	7.49	7.16	6.98
7 Goods not elsewhere specified	0.10	0.20	0.33	0.46	0.68
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

* Provisional

Direction of Trade

7.21. The direction of trade is presented in Tables 7.10, 7.11 and 7.12. In 2012, the share of the value of exports to Africa remained at 48.4 per cent of total exports. The value of exports to the continent increased by a paltry 1.2 per cent compared to a 31.1 per cent growth recorded in 2011. Total exports to Rwanda and Tanzania increased by 19.2 per cent and 10.3 per cent respectively while total exports to the European Union declined slightly by 6.2 per cent from KSh 115,866 million in 2011 to KSh 108,719 million in 2012. In particular, exports earnings from United Kingdom deteriorated from KSh 47,110 million in 2011 to KSh 40,630 million in 2012 mainly due to a drop in tea exports from KSh17, 428 million to KSh 13,783 million during the review period. Export earnings from Germany and Sweden however rose by 26.1 per cent and 26.6 per cent in the period under review, respectively.

7.22. The exports to Middle East increased by 27.7 per cent in 2012. Total exports to United Arab Emirates increased by 43.6 per cent from KSh 19,918 million in 2011 to KSh 28,608 million in 2012. This increase is partly explained by notable rises in non-monetary gold exports from KSh 5,838 million in 2011 to KSh 13,648 million in 2012. Similarly, total value of exports to Israel and Saudi Arabia increased during the same period. Although total exports to the Far East increased by a paltry 1.2 per cent during the review period, exports to China and Pakistan increased by 41.6 per cent and 13.7 per cent, respectively. The increase in total exports to China is partly explained by growth in scrap metal exports during the review period. Exports to Indonesia and India declined by 27.5 per cent and 19.9 per cent respectively.

7.23. Overall, the value of imports from Europe fell by 2.0 per cent in 2012 compared to a 25.0 per cent growth registered in 2011. Imports from Finland, Russian Federation and Netherlands declined by 53.0 per cent, 33.8 per cent and 21.4 per cent respectively. However, imports from Italy shot up by 43.0 per cent from KSh 14,503 million in 2011 to KSh 20,736 million in 2012 mainly due to significant increases in the importation of edible products and preparations, and bituminous mixtures during the review period. The value of imports from France rose from KSh 19,852 million to KSh 27,081 million during the same period. This is partly explained by increased imports of aircraft and associated equipment; civil engineering and contractors' plant and equipment and; measuring and controlling instruments and apparatus. Major increases were also recorded for imports from Germany and Spain during the same period.

7.24. The value of imports from Africa fell significantly from KSh 151,254 million in 2011 to KSh 140,755 million recorded in the review period. This is partly explained by a notable drop in the value of imports from South Africa from KSh 70,683 million in 2011 to KSh 61,954 million occasioned by the reduction in the importation of flat rolled products of iron and non-alloy steel during the review period. The value of imports from Uganda however shot up by 48.2 per cent primarily due to increased importation of fresh vegetables and sugars, molasses and honey.

7.25. Total value of imports from America increased by 50.7 per cent while the share of the value of imports in the total import bill which has been on an increasing trend stood at 8.7 per cent. In particular, imports from United States of America increased by 48.1 per cent from KSh 44,547 million in 2011 to KSh 65,966 million in 2012. This was occasioned by notable rises in the value of imports of aircraft and associated equipment, fertilizers, internal combustion engines and steam turbines during the review period. Imports from Canada almost doubled partly due to increased imports of automatic data processing machines in preparation of 2013 general elections from KSh 47 million in 2011 to KSh 5,144 million in 2012.

Table 7.10: Value of Total Exports by Destination, 2008-2012

KSh Million

	2008	2009	2010	2011	2012*
EUROPE					
WESTERN EUROPE:					
European Union					
Belgium	2,814	3,390	4,159	4,569	5,267
Finland	1,230	1,657	1,808	1,241	1,476
France	4,829	4,250	5,093	5,604	4,915
Germany	6,114	7,351	7,715	7,747	9,771
Italy	2,987	2,417	3,253	6,668	5,413
Netherlands	26,167	26,331	26,868	32,859	31,056
Spain	2,151	1,508	2,034	2,203	1,934
Sweden	1,575	2,497	2,742	3,009	3,810
United Kingdom	37,912	38,496	40,211	47,110	40,630
Other	3,516	4,118	4,882	4,857	4,447
Total	**89,295**	**92,015**	**97,922**	**115,866**	**108,719**
Other Western Europe	5,390	2,692	3,767	10,536	5,692
Total Western Europe	**94,685**	**94,707**	**101,689**	**126,402**	**114,411**
EASTERN EUROPE:					
Russia Federation	3,410	3,616	4,515	5,786	6,582
Other	307	2,652	3,219	4,058	4,203
Total	**3,716**	**6,268**	**7,734**	**9,844**	**10,784**
TOTAL, EUROPE	**98,513**	**100,975**	**109,422**	**136,246**	**125,195**
AMERICA					
U.S.A	20,512	17,422	22,522	25,772	26,405
Canada	745	1,009	1,170	1,190	1,516
Other	798	531	688	630	820
TOTAL AMERICA	**22,054**	**18,961**	**24,380**	**27,592**	**28,740**
AFRICA					
South Africa	3,641	3,580	2,444	2,835	2,684
Rwanda	8,953	9,536	10,535	13,554	16,151
Egypt	15,490	11,885	18,116	23,422	21,464
Tanzania	29,224	30,087	33,211	41,743	46,036
Uganda	42,285	46,240	52,108	75,954	67,450
Burundi	3,479	4,597	5,458	5,904	5,309
Other[1]	59,468	56,808	67,042	84,189	91,494
TOTAL AFRICA	**162,541**	**162,732**	**188,914**	**247,600**	**250,589**
ASIA					
MIDDLE EAST:					
Iran	504	379	859	1,955	1,310
Israel	1,516	1,597	1,547	1,424	2,058
Jordan	150	230	163	216	272
Saudi Arabia	1,423	1,415	1,843	2,353	3,316
United Arab Emirates	7,560	10,716	18,856	19,918	28,608
Other .	4,779	4,963	7,257	7,074	6,500
Total Middle East	**15,932**	**19,300**	**30,525**	**32,940**	**42,065**
FAR EAST					
China(Mainland)	2,030	2,487	2,512	3,803	5,384
India	6,769	5,137	8,478	9,400	7,528
Indonesia	672	567	989	2,167	1,571
Japan	2,340	2,228	2,091	2,315	2,457
Korea South	210	262	177	489	1,018
Pakistan	13,935	15,172	18,069	21,010	23,889
Singapore	1,491	1,838	649	1,131	345
Other	13,862	12,246	18,111	22,359	21,203
Total Far East	**41,310**	**39,935**	**51,075**	**62,673**	**63,395**
TOTAL, ASIA	**57,241**	**59,236**	**81,600**	**95,613**	**105,460**
AUSTRALIA & OCEANIC					
Australia	462	658	636	914	1,638
Other	219	257	131	134	256
TOTAL	**680**	**914**	**767**	**1,049**	**1,894**
All Other Countries	206	427	1,661	1,022	1,191
Aircraft and Ships Stores	3,077	1,703	3,051	3,483	4,776
TOTAL	**3,284**	**2,130**	**4,712**	**4,504**	**5,968**
TOTAL EXPORTS	**344,947**	**344,949**	**409,794**	**512,604**	**517,847**

Source: Kenya National Bureau of Statistics/ Kenya Revenue Authority

*Provisional

[1]See Table 7.12 for details

Table 7.11: Value of Imports by Country of Origin, 2008- 2012

KSh Million

DESCRIPTION	2008	2009	2010	2011	2012*
EUROPE					
WESTERN EUROPE					
European Union					
Belgium	8,188	7,044	7,642	10,716	10,907
Finland	5,343	4,298	14,167	4,783	2,245
France	16,390	15,885	18,652	19,852	27,081
Germany	26,946	22,729	26,367	31,872	41,474
Italy	12,538	13,889	11,981	14,503	20,736
Netherlands	13,218	17,444	18,465	22,435	17,635
Spain	3,385	4,003	3,255	6,372	7,981
Sweden	6,597	6,239	5,653	8,407	8,117
United Kingdom	27,976	36,885	37,869	43,160	43,849
Other	14,621	12,430	22,594	31,407	24,108
Total	**135,201**	**140,846**	**166,646**	**193,505**	**204,133**
Other Western Europe	13,652	10,700	13,779	34,094	21,410
Total Western Europe	**146,847**	**151,546**	**185,431**	**227,599**	**225,543**
EASTERN EUROPE					
Russian Federation	11,507	4,887	9,689	22,981	15,212
Other	6,098	15,444	8,795	4,369	9,014
Total	**17,606**	**20,331**	**18,484**	**27,350**	**24,226**
TOTAL, EUROPE	**166,459**	**171,878**	**203,914**	**254,950**	**249,769**
AMERICA					
U.S.A	27,549	50,056	39,316	44,547	65,966
Canada	4,532	6,139	7,068	7,418	13,372
Other	11,496	8,721	9,263	27,203	39,955
TOTAL AMERICA	**43,577**	**64,916**	**55,647**	**79,168**	**119,293**
AFRICA					
South Africa	46,691	70,561	59,781	70,683	61,954
Tanzania	7,265	7,809	10,549	15,670	14,402
Uganda	5,221	4,426	9,227	10,337	15,323
Other[1]	26,814	21,876	35,247	54,564	49,077
TOTAL AFRICA	**85,991**	**104,672**	**114,804**	**151,254**	**140,755**
ASIA					
MIDDLE EAST					
Iran	6,578	6,468	3,140	3,676	3,686
Israel	8,182	5,129	4,719	6,345	7,230
Jordan	450	551	767	830	1,175
Saudi Arabia	25,879	27,522	32,274	53,494	66,841
United Arab Emirates	113,810	89,709	116,045	199,030	149,879
Other	29,002	19,494	11,782	36,192	55,306
Total Middle East	**183,900**	**148,874**	**168,726**	**299,568**	**284,117**
FAR EAST					
China	63,474	74,524	120,648	143,817	167,206
India	90,531	83,243	103,242	148,567	195,230
Indonesia	22,928	18,774	26,955	43,486	55,241
Japan	44,840	48,857	58,244	56,593	63,135
Korea South	8,242	10,703	19,695	26,391	22,541
Pakistan	5,620	7,753	8,219	17,257	12,881
Singapore	24,958	26,419	31,739	30,807	13,025
Other	24,277	22,979	30,453	42,638	43,149
Total Far East	**284,870**	**293,251**	**399,195**	**509,556**	**572,408**
TOTAL, ASIA	**468,770**	**442,125**	**567,921**	**809,123**	**856,525**
AUSTRALIA & OCEANIC					
Australia	1,394	2,184	3,230	2,320	4,589
Other	398	2,169	702	677	3,523
TOTAL	**1,792**	**4,354**	**3,932**	**2,997**	**8,112**
All Other Countries N.E.S.	155	152	987	3,257	134
TOTAL	**155**	**152**	**987**	**3,257**	**134**
GRAND TOTAL	**770,651**	**788,097**	**947,206**	**1,300,749**	**1,374,587**

Source: Kenya National Bureau of Statistics/ Kenya Revenue Authority

*Provisional

[1]See table 7.12 for details

7.26. Trade with African countries for the period 2008 to 2012 is summarized in Table 7.12. Common Market for Eastern and Southern Africa (COMESA) remained the dominant destination of exports accounting for 70.1 per cent of the value of total exports to Africa in 2012. The value of exports to COMESA decreased slightly from KSh 181,522 million in 2011 to KSh 175,732 million in 2012. Total exports to Comoros increased by 57.7 per cent from

KSh 770 million in 2011 to KSh 1,214 million in 2012 while those to Djibouti increased by 12.9 per cent from KSh 1,046 million to KSh 1,181 million. The value of total exports to Zimbabwe and Zambia also increased by 8.7 and 8.6 per cent respectively. Notable declines were recorded in the value of total exports to Madagascar, Malawi and Egypt which dropped by 34.1 per cent, 19.3 per cent and 8.4 per cent respectively. The value of total exports to South Sudan stood at KSh 17,964 million and mainly comprised of cement, fixed vegetable fats, alcoholic and non-alcoholic beverages and made up articles.

7.27. The value of exports to the East African Community (EAC) region declined from KSh 137,155 million in 2011 to KSh 134,946 million in 2012 and accounted for 53.9 per cent of the total value of exports to Africa. However, significant growths were recorded in the value of total exports to Rwanda and Tanzania during the period under review.

7.28. Total exports to Nigeria shot up by 62.0 per cent on account of increased exports of automatic data processing machines which went up from KSh 85 million in 2011 to KSh 661 million in 2012. There was also a significant increase in total exports to Mozambique partly explained by the rise in the value of sugar confectionery exports from KSh 89 million in 2011 to KSh 103 million in 2012. Notable increases were recorded for total exports to Somalia during the review period.

7.29. Total imports from COMESA increased by 11.4 per cent from KSh 55,289 million in 2011 to KSh 61,572 million in 2012. Value of imports from Rwanda shot up by 94.7 per cent partly due to increased importation of hides and skins from KSh 306 million to KSh 661 million in the review period. Similarly, imports from Egypt increased by 67.0 per cent from KSh 17,871 million in 2011 to KSh 29,844 million in 2012. This is mainly attributed to increased imports of sugars, molasses and honey, and civil engineering and contractors' plant equipment. Other notable increases were recorded for imports from Mauritius. There was however a decline in the value of imports from Malawi mainly due to non importation of unmilled maize in 2012. Significant declines were also recorded for imports from Democratic Republic of Congo from KSh 2,559 million in 2011 to KSh 884 million in 2012 owing to a drop in the value of imported unmanufactured tobacco from KSh1,825 million to KSh 657 million during the same period. The value of imports from Zambia reduced by almost half mainly because of reduced importation of unmilled maize from KSh 2,985 million to KSh 1,244 million. There was a sharp decline in the value of imports from Mozambique from KSh 1,514 million in 2011 to KSh 695 million in 2012 on account of reduced imports of coal from KSh 1,409 million to KSh 204 million in the review period.

Table 7.12: Trade with African Countries, 2008 - 2012

KSh '000

ZONES/COUNTRIES	Total Exports					Total Imports				
	2008	2009	2010	2011	2012*	2008	2009	2010	2011	2012*
EAST AFRICAN COMMUNITY (EAC)										
Tanzania	29,223,947	30,086,582	33,211,109	41,743,395	46,036,163	7,265,089	7,809,234	10,548,967	15,670,393	14,401,599
Uganda	42,285,352	46,239,885	52,107,583	75,953,923	67,450,115	5,221,189	4,426,263	9,226,647	10,337,155	15,322,810
Rwanda	8,953,198	9,535,976	10,535,060	13,553,558	16,151,363	25,327	240,070	430,122	422,246	822,286
Burundi	3,479,476	4,597,172	5,458,011	5,903,760	5,308,763	78,159	92,653	144,855	468,845	310,424
Total, EAC	**83,941,972**	**90,459,615**	**101,311,763**	**137,154,635**	**134,946,405**	**12,589,764**	**12,568,221**	**20,350,591**	**26,898,639**	**30,857,118**
COMESA										
Comoros	391,642	437,716	467,055	769,775	1,213,819	-	-	113,734	107	540
Congo, D.R	9,852,453	11,323,667	12,791,660	17,536,632	18,427,368	985,009	879,448	1,330,290	2,559,008	883,829
Djibouti	799,248	711,718	926,041	1,046,052	1,181,098	1,525,001	44,305	3,214	2,858	119,318
Egypt	15,489,896	11,885,062	18,116,441	23,421,521	21,464,391	10,850,664	9,599,003	18,408,906	17,871,434	29,844,316
Eritrea	260,179	563,285	387,666	368,855	266,221	175,005	23,511	1,972	654	275
Ethiopia	4,362,771	4,318,774	4,384,842	4,826,340	4,578,469	201,348	237,896	247,569	369,149	354,122
Libya	32,754	76,144	17,856	29,539	70,435	7,499	11	1,995	30	33,181
Madagascar	418,646	705,457	342,650	682,872	450,088	29,271	477,999	475,833	885,731	638,314
Malawi	3,992,151	3,145,307	4,262,365	5,818,314	4,693,589	74,879	121,514	534,856	6,496,237	782,922
Mauritius	824,094	1,153,342	1,481,428	1,329,186	1,296,488	1,533,141	1,280,193	2,885,646	2,448,183	3,057,571
Seychelles	238,964	248,562	274,507	250,531	183,693	385,765	309,526	105,876	512,453	403,870
Sudan	14,073,437	12,762,795	18,814,689	22,153,665	6,633,308	162,979	11,638	167,691	818,847	955,403
South Sudan	-	-	-	-	17,964,306	-	-	-	-	14,665
Swaziland	1,726	2,823	11,474	155,613	11,101	4,987,810	5,042,765	3,907,481	4,861,621	4,092,652
Zambia	5,496,235	4,829,710	4,688,273	6,138,007	6,666,568	1,853,541	1,571,485	2,458,857	5,573,694	2,879,769
Zimbabwe	179,077	356,551	742,218	1,583,580	1,721,158	156,030	601,291	572,047	1,661,126	1,056,068
Sub-Total	**56,519,736**	**52,597,771**	**67,709,166**	**86,110,483**	**86,822,101**	**22,947,377**	**20,528,683**	**31,215,968**	**44,061,131**	**45,116,816**
Total, COMESA	**111,237,762**	**112,970,805**	**135,809,820**	**181,521,724**	**175,732,344**	**28,272,052**	**25,287,670**	**41,017,592**	**55,289,377**	**61,572,335**
OTHER COUNTRIES										
Algeria	6,118	1,704	3,560	3,803	4,503	385,994	3,635	6,472	248,736	19,391
Angola	157,650	123,116	251,867	414,020	402,105	297	6,830	1,289	3,995	284,979
Ghana	477,502	591,045	675,596	420,369	369,074	9,820	31,636	84,526	24,829	254,611
Nigeria	3,168,499	1,865,382	1,593,966	1,805,115	2,923,891	169,855	182,481	125,710	164,690	48,664
Lesotho	1,311	16,562	852	16,371	110,192	939	133,658	20,767	40,317	49,184
Mozambique	869,507	1,126,207	773,884	810,041	1,246,300	279,906	104,152	982,783	1,514,448	695,392
Reunion	122,629	80,033	93,590	123,227	92,686	-	18,261	270	4,259	4,985
Somalia	12,848,237	11,214,883	13,054,341	16,598,814	19,236,817	30,161	1,694	19,448	143,870	17,320
South Africa	3,641,006	3,579,505	2,443,737	2,834,528	2,684,280	46,690,926	70,561,130	59,781,318	70,682,533	61,953,797
All Other African Countries	629,025	953,469	1,001,384	1,308,737	1,750,702	2,885,967	525,025	2,214,504	7,466,663	1,452,794
Sub-Total	**21,921,482**	**19,551,906**	**19,892,777**	**24,335,025**	**28,820,549**	**50,453,866**	**71,568,502**	**63,237,087**	**80,294,338**	**64,781,117**
TOTAL AFRICA	**162,540,840**	**162,732,409**	**188,913,707**	**247,600,143**	**250,589,055**	**85,991,007**	**104,672,235**	**114,803,646**	**151,254,108**	**140,755,051**
Percentage of all Exports/Imports	47.4	47.5	46.1	48.3	48.4	11.2	13.7	12.1	11.6	10.2

Source: Kenya National Bureau of Statistics/ Kenya Revenue Authority

* Provisional

[1] South Sudan joined COMESA in 2011

Balance of Payments

7.30. Kenya's balance of payments outcomes for the period 2009 to 2012 are presented in Table 7.13. The current account deficit widened from KSh 340,179 million in 2011 to KSh 359,463 million in 2012. The widening of the current account deficit was occasioned by a relatively faster increase in merchandise imports from KSh 1,261,738 million in 2011 to KSh 1,313,207 million in 2012 compared to merchandise exports which increased by KSh 6,784 million to KSh 522,470 million. The Euro zone sovereign debt crisis which caused global economic volatility exposed the Shilling making it depreciate against major currencies. This partly contributed to the high import bill resulting into a widened current account deficit.

7.31. International trade in services which form part of the current account posted an increase of 19.6 per cent from a surplus of KSh 173,913 million in 2011 to a surplus of KSh 207,979 million in 2012. During the review period, earnings from transportation improved while tourism earnings declined. Current transfer flows increased by 0.2 per cent supported by remittances from diaspora.

7.32. The capital and financial account recorded a surplus of KSh 438,038 million in 2012 compared to a surplus of KSh 332,569 million in 2011 mainly due to increases recorded in both long and short term net capital flows. Net foreign direct investment inflows decreased from KSh 28,936 million in 2011 to KSh 20,503 million in 2012 while the portfolio investment account improved from a deficit of KSh 5,094 million in 2011 to a deficit of KSh 1,149 million in 2012. The improvement was mainly due to increased participation by foreign investors that contributed to the bullish Nairobi Securities Exchange during the review period.

Table 7.13: Balance of Payments, 2009-2012

KSh Million

	2009			2010			2011			2012*		
	Liabilities/ Credits	Assets/ Debits	Net	Liabilities/ Credits	Assets/ Debits	Net	Liabilities/ Credits	Assets/ Debits	Net	Liabilities/ Credits	Assets/ Debits	Net
A. -CURRENT ACCOUNT												
1. Goods	350,285	734,302	-384,017	413,821	912,384	-498,563	515,686	1,261,738	-746,052	522,470	1,313,207	-790,737
2. Transportation	83,484	65,036	18,448	130,512	73,922	56,589	154,564	94,086	60,478	179,699	108,455	71,243
3. Foreign Travel	53,366	17,536	35,830	63,393	16,787	46,606	82,230	17,507	64,724	79,017	14,711	64,306
4. Other Services- Private	32,140	43,081	-10,942	44,134	53,246	-9,112	57,231	62,311	-5,080	67,883	64,815	3,068
5. Government Services, n.i.e.	53,924	11,783	42,141	59,896	15,790	44,106	70,075	16,284	53,791	82,925	13,563	69,362
6. Income	12,972	16,426	-3,454	11,428	23,125	-11,697	19,825	25,091	-5,266	15,201	29,619	-14,418
7. Current Transfers	181,107	3,254	177,853	187,816	3,423	184,393	241,348	4,121	237,227	241,064	3,352	237,713
Government	26,242	1,702	24,540	19,361	1,910	17,452	17,721	1,824	15,897	20,687	2,125	18,562
Private	154,865	1,552	153,313	168,455	1,514	166,941	223,626	2,296	221,330	220,377	1,226	219,151
TOTAL CURRENT ACCOUNT	767,277	891,417	-124,140	911,001	1,098,678	-187,677	1,140,959	1,481,138	-340,179	1,188,259	1,547,721	-359,463
of which:												
Visible Balance	350,285	734,302	-384,017	413,821	912,384	-498,563	515,686	1,261,738	-746,052	522,470	1,313,207	-790,737
Invisible Balance	416,992	157,115	259,877	497,179	186,293	310,886	625,273	219,399	405,873	665,789	234,514	431,274
B. -CAPITAL & FINANCIAL ACCOUNT												
8.Capital Account	20,178	-	20,178	19,030	-	19,030	20,861	-	20,861	19,890	-	19,890
9.Direct Investment	8,893	3,557	5,336	14,109	125	13,984	29,774	838	28,936	21,860	1,357	20,503
10.Portfolio Investment	216	1,831	-1,616	1,760	4,054	-2,294	2,116	7,210	-5,094	2,303	3,452	-1,149
11.Other Investment	160,334	-6,253	166,587	182,864	27,582	155,282	397,856	109,990	287,866	416,727	17,933	398,794
Long Term	115,646	26,744	88,902	94,786	35,172	59,614	180,639	49,929	130,710	229,828	46,642	183,187
Short Term	44,688	-32,998	77,686	88,078	-7,590	95,668	217,217	60,061	157,156	186,899	-28,708	215,607
TOTAL CAPITAL & FINANCIAL ACCOUNT	189,620	-865	190,485	217,763	31,762	186,001	450,606	118,038	332,569	460,780	22,742	438,038
C. -ERRORS AND OMISSIONS			8,835			13,901			29,457			44,610
D. -RESERVE ASSETS[1]												
12.Special Drawing Rights	-	-	-	-	-	-	-	-	-	-	-	-
13.Reserve Position in the Fund	-34	-	-34	20	-	20	-	-	-	-3	-	-3
14.Foreign Exhange	-75,122	-	-75,122	-12,302	-	-12,302	-21,826	-	-21,826	-123,141	-	-123,141
15.Other claims	-24	-	-24	57	-	57	-20	-	-20	-41	-	-41
TOTAL MONETARY MOVEMENTS	-75,180		-75,180	-12,225		-12,225	-21,847		-21,847	-123,185		-123,185

* Provisional.

7.33. Net changes in Balance of Payments (BOP) magnitudes for the period 2008-2012 are shown in Table 7.14. During the review period, expenditure on imports valued on f.o.b basis expanded by KSh 51,469 million whereas earnings from exports increased by KSh 6,784 million. Net services and income increased by KSh 24,915 million in 2012 compared to an increase of KSh 42,154 in 2011. In 2012, tourism net earnings declined by KSh 418 million compared to an increase of KSh 18,118 million in 2011 mainly occasioned by reduced in international tourism arrivals. These developments in the current account led to a contraction in the deficit from KSh 152,501 million in 2011 to KSh 19,284 million in 2012. Net long term capital flows continued to post a surplus, registering a surplus of KSh 49,189 million in 2012 compared to a surplus of KSh 85,853 million recorded in 2011. This resulted in a surplus of KSh 24,446 million in the basic balance indicating an improvement of Kenya's overall balance of payments position during the review period.

Table 7.14: Changes in Balance of Payments, 2008 - 2012

KSh Million

	2008	2009	2010	2011	2012*
1 Exports Goods ……	+71,003	+1,108	+63,536	+101,865	+6,784
2 Imports Goods ……	-174,732	+5,111	-178,083	-349,354	-51,469
Transportation	+5,643	+2,173	+38,141	+3,889	+10,766
Travel	-10,244	+2,173	+10,776	+18,118	-418
Other Services	+1,313	-7,155	+1,830	+4,032	+8,149
Government services n.e.s.	+15,774	+3,161	+1,965	+9,685	+15,571
Income	+7,516	-+1,264	-8,243	+6,431	-9,152
3 Services & Income (net)……	+20,001	-913	+44,468	+42,154	+24,915
4 Current Transfers(net)……	+19,334	+16,588	+6,540	+52,834	+486
5 Changes on current account……	-64,394	+21,894	-63,537	-152,501	-19,284
6 Capital account ……	-4,023	+13,642	-1,148	+1,831	-971
7 Direct investment ……	-43,067	+1,751	+8,648	+14,952	-8,433
8 Portfolio investment ……	+3,470	+190	-679	-2,799	+3,945
9 Other investment - Long term	+4,857	+39,774	-29,288	+85,853	+49,189
10 Change on basic balance (net balance on lines 5-9)	-103,157	+77,251	-86,003	-52,665	+24,446
11 Other investment - Short term	-24,519	+51,931	+17,982	+71,095	+52,477
12 Errors and ommision (net)……	+34,875	-7,712	+5,066	+15,556	+15,153
13 Net change on all above items (5 - 10) (Net changes on Reserves assets)……	+96,412	-108,341	+62,955	-9,622	-101,338

* Provisional

1. A positive entry indicates a change that improves the balance of payments outcome; a negative enrty indicates a change worsening the BOP outcome. Thus, an increase in imports or reduction in exports are marked as negative entries.
2. Exports and imports of goods are derived from Goods Account

International Liquidity

7.34. Stock of international reserves of Central Monetary Authorities which consist of reserves held by the Central Bank of Kenya (CBK) and the Treasury are presented in Table 7.15. The gross international reserves increased by 36.2 per cent to stand at KSh 480,710 million as at December 2012 from KSh 353,065 million as at December 2011. This increase may be attributed to the purchases of foreign exchange from the domestic interbank market by CBK, the disbursement of International Monetary Fund (IMF) loans under the Extended Credit Facility (ECF) and partly due to a syndicate overseas loan to the Government of KSh

50,540 million, in June 2012. Net foreign assets of Central Bank increased from KSh 282,972 million as at December 2011 to KSh 390,417 million as at December 2012. The reserve position in the IMF increased slightly to KSh 1,713 million as at December 2012 from KSh 1,690 million as at December 2011 while the Special Drawing Rights (SDRs) declined from KSh 1,431 million to KSh 596 million during the same period. The decline in the SDRs in the period under review may be due to conversion of the SDRs to the major foreign currencies by IMF. The foreign liabilities of the Central Bank consisting of External banks' deposits and Use of Fund Credit rose by 29.5 per cent to stand at KSh 88,467 million as at December 2012 compared to a total of KSh 68,336 million as at December 2011.

Table 7.15: Central Monetary Authorities: Foreign Exchange Reserves, 2008 – 2012

KSh Million

As at end of	Official Foreign Assets and Liabilities								
	Central Bank Of Kenya					Central Government			
	S.D.R.'s	Foreign Exchange (cash + gold)	External Banks' Deposits	Use of Fund Credit	Total Net Foreign Assets of Central Bank	Reserve Position in IMF	Other Holdings	Total Reserves of Central Government	Gross Foreign Reserves[1] of Central Monetary Authorities
2008..	238	219,757	2,355	19,535	198,105	1,512	40	1,553	221,548
2009..	119	258,514	3,753	34,109	220,770	1,489	40	1,529	260,161
2010..	24,829	286,602	2,330	33,622	275,479	1,610	46	1,656	313,087
2011..									
January ..	24,295	289,547	2,819	33,678	277,345	1,643	43	1,686	315,528
February ..	24,723	303,335	2,896	42,805	282,357	1,677	40	1,717	329,775
March	1,961	329,658	4,095	43,484	284,039	1,704	35	1,739	333,357
April	2,047	340,090	5,051	44,689	292,397	1,751	31	1,782	343,919
May	2,047	337,599	5,106	45,333	289,206	1,776	27	1,803	341,448
June	2,731	363,361	5,440	47,495	313,157	1,861	23	1,884	367,976
July	2,048	368,422	5,961	53,338	311,171	1,885	63	1,948	372,418
August ..	2,121	383,682	7,600	55,188	323,015	1,950	62	2,013	387,815
September ..	2,144	389,852	8,263	57,074	326,660	2,017	50	2,067	394,063
October ..	2,181	382,367	7,694	57,845	319,010	2,044	47	2,092	386,640
November ..	1,881	348,274	10,911	50,958	288,285	1,801	76	1,877	352,032
December ..	1,431	349,877	8,829	59,507	282,972	1,690	68	1,757	353,065
2012..									
January ..	786	341,956	7,737	59,146	275,859	1,703	64	1,766	344,508
February ..	762	354,781	8,071	58,210	289,261	1,676	59	1,735	357,277
March	758	376,283	7,073	58,021	311,947	1,670	55	1,725	378,766
April	2,564	416,877	5,808	67,448	346,185	1,675	51	1,726	421,167
May	2,597	396,526	8,899	68,541	321,683	1,702	46	1,748	400,871
June	2,200	424,690	7,581	66,488	352,822	1,659	41	1,700	428,591
July	1,562	418,957	8,379	65,449	346,691	1,649	76	1,725	422,245
August ..	1,577	440,596	8,691	66,122	367,360	1,666	72	1,738	443,911
September ..	1,606	453,854	10,779	67,754	376,927	1,707	71	1,778	457,238
October ..	1,110	454,531	9,572	67,112	378,957	1,703	63	1,766	457,407
November ..	1,113	478,096	12,964	76,966	389,279	1,713	113	1,826	481,035
December ..	596	478,288	11,653	76,814	390,417	1,713	113	1,826	480,710

Source: Central Bank of Kenya

[1] Reserves constitute foreign assets which are readily available for meeting external financial needs

7.35. The foreign exchange rates computed as a simple average of the mean buying and selling exchange rate prevailing as at the last trading day of the year are shown in Table 7.16. The Shilling depreciated against most of the selected major trading currencies as reflected in the overall trade weighted exchange rate index, which increased by 1.0 per cent to 110.8 in 2012 from 109.6 in 2011. The depreciation of the Shilling against the leading world currencies could be attributed to the large current account deficit occasioned by the high import bill vis-à-vis export earnings. The depreciation of the Shilling could also be attributed to the global economic volatility resulting from the Euro zone sovereign debt crisis and currency speculation activities within the foreign exchange market. The Shilling weakened against the Sterling Pound, Euro and US Dollar by 6.0, 3.2 and 1.1 per cent at the end of review period. However, the Shilling strengthened against the Japanese Yen, Pakistan Rupee and Indian Rupee by 10.2 per cent, 5.2 per cent and 1.7 per cent, respectively, at the end of review period.

7.36. Within the East African Community, the Shilling gained against Uganda Shilling and Rwandan Francs by 5.6 per cent and 0.3 per cent, respectively, as at end of 2012. However, it depreciated against the Tanzania Shilling by 2.1 per cent as at 31 December, 2012 compared to a 1.6 per cent appreciation, witnessed as at 31 December, 2011.

Table 7.16: Foreign Exchange Rates of Shilling for Selected Currencies, 2008-2012

Currency	Dec. 2008	Dec. 2009	Dec. 2010	Dec. 2011	Dec.[3] 2012
1 Euro[2]	109.4822	108.9354	107.6281	110.0599	113.5578
1 US Dollar	77.7111	75.8200	80.7519	85.0681	86.0286
1 Pound Sterling	112.3472	121.8929	124.7669	131.1185	139.0189
1 UAE Dirham	21.1571	20.6417	21.9859	23.1610	23.4222
1 Indian Rupee	1.6091	1.6245	1.7132	1.5984	1.5712
1 Chinese Yuan	11.3834	11.1067	12.2462	13.1630	13.6529
1 SA Rand	8.2679	10.2225	12.2008	10.3872	10.1399
100 Japanese Yen	86.0654	82.0390	99.1234	111.2549	99.9027
1 Saudi Riyal	20.7064	20.2141	21.5316	22.6842	22.9376
1 Egyptian Pound[1]	13.1380	13.3037	13.5415	13.9019	14.2128
TSh/KSh	16.7930	17.6208	18.5136	18.8086	18.4242
1 Pakistan Rupee[1]	0.9107	0.8916	0.9056	0.9337	0.8851
1 Swedish Kroner	10.0317	10.6139	11.9789	12.3184	13.2078
USh/KSh	25.1252	25.0727	28.5691	29.5060	31.2571
1 Congolese Franc[1]	0.1120	0.0906	0.0881	0.0924	0.0953
100 Rwanda Francs[1]	13.0306	13.0226	13.0176	14.0566	14.0112
Overall Weighted Index+					
2009=100	**99.07**	**100.00**	**107.29**	**109.62**	**110.76**

Source: Central Bank of Kenya

[1]Via US $ Exchange Rates (DR Congo, Egypt,Pakistan and Rwanda)

[2] Countries in the Euro area included in the computation of Trade Weighted Fisher's Ideal Index are: Germany, France, Switzerland, Netherlands, Belgium and Italy.

[3]Exchange rate on the last day of trading

Developments in International Trade

Export Market Development

7.37. The Export Promotion Council (EPC) through the Centre for Business Information in Kenya (CBIK) continued to empower Kenyan exporters by consolidating, diversifying and expanding Kenya's export products and markets. Consequently, the Council facilitated producers and exporters of goods and services through enhancing market access, value addition and dissemination of trade information. The Council exposed the beneficiary firms to the vast opportunities availed through enhanced international visibility for their products and ease of transacting business.

7.38. Under the trade policy facilitation, the EPC Council continued to advocate a trade policy environment that aids growth and development of Kenya's export sector. This was achieved through participation and contribution in several bilateral and multilateral trade negotiations policy forums to ensure expansion of export markets for the country's products. These fora included EAC-EU Economic Partnership Agreements (EPAs), EAC/COMESA/SADC tripartite negotiations, the African Growth and Opportunity Act (AGOA), the Common Market for Eastern and Southern Africa (COMESA), and the East African Community (EAC) common market negotiations among others.

7.39. The EPC Council within its strategy of export consolidation and diversification undertook a market research, covering broad economic and social categories in the Republic of South Sudan and the Democratic Republic of Congo (DRC) to aid the economic operators in Kenya to conduct business with their counterparts in these countries. The findings of the studies identified business opportunities for expanding Kenya's export of goods and services, and also pointed out the market entry requirements for Kenyan investors and businessmen into South Sudan and DRC. Under market research, twenty seven (27) trade statistical analyses were done on Kenya's foreign trade to establish the direction of bilateral trade with Kenya's trading partners by identifying potential products for development and promotion; and markets for expansion and diversification. The reports facilitated policy interventions to promote export growth.

7.40. The Council also organised and facilitated the participation of Kenya's exhibitors in major international trade fairs and exhibitions in Tanzania, China, Zambia, Uganda, DRC, Zimbabwe, USA - Specialty Coffee Association of America (SCAA) and Mozambique. These events were aimed at consolidation and expansion of market shares as well as enabling the Kenyan exhibitors to gauge competitiveness of their products, appoint distributors, study consumer trends and identify joint venture opportunities in these markets.

7.41. In the Micro Small and Medium Enterprises (MSMEs) Development, the Council provided assistance to strengthen the export supply base and mainstreaming MSMEs in the export process. This was achieved through the establishment of Export Production Villages (EPVs) and capacity building programmes for SME exporters. The Council facilitated the establishment of 19 EPVs and is assisting them to form co-operatives to maximize the production capacity of individual units through collective selling. In 2012, a total of 736 exporters were trained under various modules to enhance exporters' skills and knowledge to enable them respond effectively to opportunities in the export market. The Training Modules included basic, intermediate and advanced courses in Export Marketing, E-trade, International Commercial Terms (INCOTERMS), Export - Logistics, Documentation and Payment.

Chapter 8

Agriculture

Overview

The agricultural sector recorded mixed performance in 2012. Agriculture value added at constant prices increased by 3.8 per cent in 2012 compared to a growth 1.5 per cent in 2011. The long and short rains were erratic with some regions experiencing above normal rains while other parts experienced depressed rainfall. The higher levels of rainfall resulted in an increase in crop production as well as pasture regeneration for livestock. Coffee production increased by 35.0 per cent from 36.3 thousand tonnes in 2010/11 crop year to 49.0 thousand tonnes in 2011/12. Sugarcane production also increased by 9.4 per cent from 5.3 million tonnes in 2011 to 5.8 million tonnes in 2012. Maize production increased by 16.3 per cent to 40.0 million bags in 2012. The increased domestic supply of maize resulted in a drop in maize imports from 359.2 thousand tonnes valued at KSh 11.5 billion in 2011 to 324.6 thousand tonnes valued at KSh 6.5 billion in 2012. The volume of marketed milk decreased to 495.2 million litres in the review period. The quantity of horticulture exports declined by 4.9 per cent to stand at 205.7 thousand tonnes.

8.2. Wheat production increased by 53.6 per cent to 162.7 thousand in 2012 with imports rising marginally from 1,002.7 thousand tonnes in 2011 to 1,044.8 thousand tonnes in 2012. Sisal production increased to 27.8 thousand tonnes in 2012 whereas tea production decreased by 2.2 per cent to 369.4 thousand tonnes in 2012. The value of marketed dairy produce increased by 6.2 per cent from KSh14.5 billion in 2011 to KSh15.4 billion in 2012, owing to high prices of milk. Prices of maize, wheat, tea, sugarcane, livestock and livestock products increased during the year under review while prices of coffee, pyrethrum and cotton registered declines. The value of horticulture exports increased from KSh 88.6 billion in 2011 to KSh 89.9 billion in 2012.

Agricultural Output and Input

8.3. As shown in Table 8.1, the sector's output value at current prices increased by 12.2 per cent from KSh 881.6 billion in 2011 to KSh 989.4 billion in 2012. However, the value of intermediate consumption during the same period decreased by 31.8 per cent from KSh 178.9 billion in 2011 to KSh 122.0 billion in 2012. Value added at current prices increased by 23.4 per cent to KSh 867.5 billion in 2012. The sector's output value at constant prices increased from KSh 409.1 billion in 2011 to KSh 424.0 billion in 2012. Over the same period, the value of intermediate consumption at constant prices increased from KSh 97.1 billion in 2011 to KSh 100.1 billion in 2012. Consequently, value added at constant prices increased by 3.8 per cent from KSh 312.0 billion in 2011 to KSh 323.9 billion in 2012 as shown in Figure 8.1.

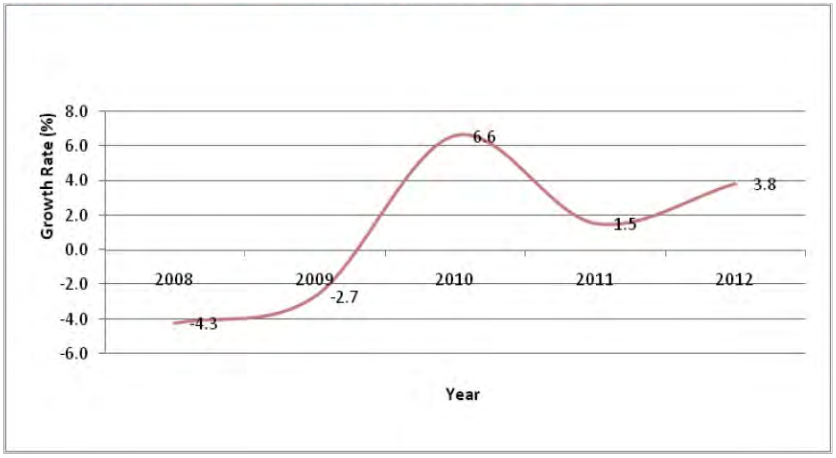
Table 8.1: Agricultural Output and Input, 2008 - 2012

KSh million

	2008	2009	2010	2011	2012*
PRODUCTION AT CURRENT PRICES					
Output at basic prices	600,880	666,446	677,121	881,572	989,448
Intermediate consumption	146,579	129,697	151,459	178,871	121,987
Value added at basic prices, gross	454,302	536,749	525,661	702,701	867,461
PRODUCTION CONSTANT PRICES					
Output	384,278	375,445	401,920	409,121	424,033
Intermediate consumption	87,960	87,171	94,615	97,130	100,120
VALUE ADDED, GROSS	296,319	288,273	307,305	311,991	323,913

* Provisional

Figure 8.1: Agriculture Gross Value Added (GVA), Growth Rate, 2008-2012



Marketed Production

8.4. The value of marketed production in the agricultural sector for the period 2008 to 2012 is shown in Table 8.2. Total value of marketed production increased by 3.9 per cent from KSh 331.8 billion in 2011 to KSh 344.6 billion in 2012. This rise is partly attributed to better prices for some agricultural commodities such as sisal, tea, sugarcane, maize, wheat and dairy produce. The value of marketed crops, which constitute the bulk of the total output, registered a 2.1 per cent growth in 2012. The value of marketed cereals and temporary industrial crops increased by 20.7 and 8.6 per cent, respectively, while that of horticulture went up by a paltry 1.4 per cent. During the review period, the value of marketed permanent crops declined from KSh 120.5 billion in 2011 to KSh 118.6 billion in 2012. In 2012, the value of marketed livestock and livestock products grew by 9.2 per cent, mainly on account of increased sales of chicken and eggs, and cattle and calves that expanded by 16.7 and 10.6 per cent, respectively.

8.5. During the review period, there was a 30.7 per cent increase in the value of marketed maize from KSh 10.1 billion in 2011 to KSh 13.2 billion in 2012, mainly on account of higher marketed volumes coupled with higher prices. The value of marketed wheat increased from KSh 3.0 billion in 2011 to KSh 5.6 billion in 2012. Fresh horticultural produce registered an increase in marketed value from KSh 88.6 billion in 2011 to KSh 89.9 billion in 2012, attributed to better unit prices and direct access to export markets. The value of vegetables

exported declined by 23.2 per cent from KSh 26.3 billion in 2011 to KSh 20.2 billion in 2012. This was mainly attributed to a decrease in production due to shortage of planting seeds, in addition stringent testing chemical residuals which led to rejection of consignments destined to Europe not meeting the minimum specification, Minimum Residue Limits (MRLs). The value of marketed tea increased slightly from KSh 100.1 billion in 2011 to KSh 100.3 billion in 2012 while that of marketed coffee contracted by 13.5 per cent from KSh 17.8 billion in 2011 to KSh 15.4 billion in 2012 due to a decline in international prices. During the year under review, the drop in the volume of marketed milk was offset by rise in average price, resulting in a 6.2 per cent increase in the value of dairy produce to KSh 15.4 billion in 2012.

Table 8.2: Recorded Marketed Production at Current Prices, 2008 - 2012

KSh million

	2008	2009	2010	2011	2012*
CEREALS-					
Maize	8,326.6	4,566.4	5,070.3	10,145.5	13,153.0
Wheat	2,613.8	3,614.9	5,541.5	3,045.0	5,612.8
Others	2,458.1	3,422.7	5,390.2	7,090.9	5,721.2
Total	**13,398.4**	**11,604.0**	**16,002.0**	**20,281.4**	**24,487.0**
HORTICULTURE[1]-					
Cut flowers	39,765.9	30,815.0	35,557.5	58,835.0	64,962.6
Vegetables	16,128.7	16,253.6	18,646.4	26,251.2	20,225.4
Fruits	2,071.2	2,283.5	2,789.1	3,535.4	4,680.0
Total	**57,965.8**	**49,352.2**	**56,993.0**	**88,621.7**	**89,868.0**
TEMPORARY INDUSTRIAL CROPS-					
Sugar-cane	12,291.1	15,367.7	17,665.5	18,615.6	21,676.2
Pyrethrum	91.9	51.6	63.8	133.4	17.0
Others	786.5	1,166.0	1,560.6	2,775.8	1,685.2
Total	**13,169.5**	**16,585.3**	**19,289.9**	**21,524.8**	**23,378.4**
PERMANENT CROPS-					
Coffee	6,859.3	9,563.7	15,449.9	17,826.3	15,375.2
Tea	55,383.1	64,684.8	87,960.1	100,145.5	100,262.3
Sisal	1,451.4	1,495.0	2,097.7	2,513.3	2,915.3
Total	**63,693.8**	**75,743.5**	**105,507.6**	**120,485.2**	**118,552.7**
TOTAL CROPS	**148,227.5**	**153,284.9**	**197,792.5**	**250,913.1**	**256,286.1**
LIVESTOCK AND PRODUCTS-					
Cattle and Calves..	22,834.0	24,057.0	31,892.5	48,943.4	54,140.6
Dairy Produce ..	8,368.7	11,496.7	11,346.4	14,548.4	15,415.9
Chicken and eggs	2,788.8	4,344.6	5,011.9	5,553.0	6,482.2
Others	4,904.4	5,195.4	7,009.3	11,854.9	12,266.7
Total	**38,895.9**	**45,093.7**	**55,260.2**	**80,899.7**	**88,305.3**
GRAND TOTAL	**187,123.4**	**198,378.6**	**253,052.7**	**331,812.8**	**344,591.5**

* Provisional.

[1]Data refers to fresh Horticultural exports only

8.6. Table 8.3 presents details of volume and price indices in the agricultural sector for the last five years. Overall, the quantum index for marketed production declined from 197.4 in 2011 to 194.3 in 2012. The quantum index for marketed cereals increased from 97.7 in 2011 to 104.2 in 2012, mainly due to an increase in marketed maize and wheat. Similarly, the quantum index for temporary industrial crops increased from 139.9 in 2011 to 146.2 in 2012 in tandem with higher volumes of sugar cane delivered to factories. However, the quantum index for horticulture decreased from 245.5 in 2011 to 223.2 in 2012, largely as a result of lower volumes of fresh vegetable exports. The quantum index for permanent crops increased from 117.8 in 2011 to 119.6 in 2012.

8.7. The price index for permanent crops declined from 245.1 in 2011 to 218.9 in 2012 mainly due to lower prices of coffee in the international market. Sisal, tea, sugarcane, maize, wheat, and dairy produce recorded better prices as reflected by the upward movement of price indices for cereals and temporary industrial crops. During the review period, the price index for horticulture increased from 117.2 to 165.3. The overall price index for crops decreased from 196.5 in 2011 to 190.3 in 2012 whereas that of livestock and livestock products rose to 261.2.

Table 8.3: Volume and Price Indices of Sales to Marketing Boards, 2008 -2012

Base: 2001=100

		2008	2009	2010	2011	2012*
QUANTUM INDICES	Cereals	81.0	65.9	92.7	97.7	104.2
	Temporary Industrial Crops	126.5	142.2	146.8	139.9	146.2
	Horticulture	214.1	197.3	248.9	245.5	223.2
	Permanent Crops	110.4	101.1	125.7	117.8	119.6
	TOTAL CROPS	120.0	113.1	122.6	131.6	131.4
	Livestock and Products	171.0	179.5	179.5	216.0	260.1
	TOTAL GROSS MARKETED PRODUCTION	144.9	143.2	162.8	197.4	194.3
PRICE INDICES	Cereals	174.9	171.5	143.4	177.6	227.5
	Temporary Industrial Crops	115.1	131.7	149.5	155.0	167.9
	Horticulture	115.4	105.9	96.8	117.2	165.3
	Permanent Crops	127.0	162.5	191.8	245.1	218.9
	TOTAL CROPS	120.8	139.6	154.5	196.5	190.3
	Livestock and Products[1]	218.5	246.4	250.3	239.2	261.2
	TOTAL GROSS MARKETED PRODUCTION	168.5	191.7	201.3	217.4	224.9

* Provisional.

[1]Data on livestock is from slaughter houses

8.8. The average gross prices paid to farmers for various commodities are shown in Table 8.4. Coffee prices decreased by 47.0 per cent from KSh 59,452.9 per 100 Kg in 2011 to KSh 33,387.3 in 2012. However, the prices per 100 Kg unit of tea, maize and wheat increased by 2.4, 35.8 and 20.0 per cent, respectively in 2012. The price for marketed milk increased by 17.0 per cent to KSh 31.0 per litre in 2012 while that of pig meat increased by 6.8 per cent to KSh 18,175.6 per 100 Kg in 2012.

Table 8.4: Average Gross Commodity Prices[1] to Farmers, 2008 -2012

KSh per stated unit

	UNIT	2008	2009	2010	2011	2012*
Coffee	100 Kg	17,721.96	19,544.42	39,677.94	59,452.85	33,387.29
Tea	,,	16,015.17	21,264.05	22,044.78	26,499.65	27,130.04
Sisal	,,	6,539.59	5,886.93	6,672.07	9,119.72	10,461.70
Sugar-cane	Tonne	2,400.00	2,739.00	3,094.00	3,487.00	3,792.00
Pyrethrum (Pyrethrin equivalent)	Kg	7,372.27	7,373.00	10,975.46	18,999.86	12,626.40
Seed Cotton	100 Kg	2,440.43	2,600.00	4,800.00	6,500.00	4,500.00
Maize	,,	2,445.37	2,391.33	1,721.35	2,499.92	3,396.00
Wheat	,,	3,183.24	2,936.83	2,913.76	3,017.42	3,622.31
Beef (third grade)	,,	15,334.80	15,609.26	16,273.10	19,979.02	20,977.97
Pig meat	,,	12,900.85	14,023.90	14,485.39	17,014.90	18,175.59
Milk	100 litres	2,100.00	2,828.00	2,200.00	2,650.00	3,100.00

* Provisional.

[1] The prices refer to calendar year and may differ from those based on crop years. In the case of tea and coffee , the prices are for black tea and processed coffee respectively.

8.9. Details of sales to marketing boards are presented in Table 8.5. The proportion of sales from small farms to total marketed production has remained stable over the five years with rates above 70.0 per cent. The value of output from large farms sold through marketing boards increased marginally from KSh 93.2 billion in 2011 to KSh 93.9 billion in 2012.

Table 8.5: Sale to Marketing Boards from Large and Small Farms, 2008-2012

YEAR	LARGE FARMS		SMALL FARMS		TOTAL		PERCENTAGE SHARE OF SMALL FARMS
	KSh mn.	Annual Percentage change	KSh mn.	Annual Percentage change	KSh mn.	Annual Percentage change	
2008	49,793.5	1.7	137,329.8	3.3	187,123.4	2.8	73.4
2009	58,323.3	17.1	140,055.3	2.0	198,378.6	6.0	70.6
2010	75,536.2	29.5	177,516.5	26.8	253,052.7	27.6	70.2
2011	93,173.0	23.4	238,639.7	34.4	331,812.8	31.1	71.9
2012*	93,866.7	0.7	250,724.8	5.1	344,591.5	3.9	72.8

* Provisional.

8.10. Table 8.6 shows the price and quantum indices for various agricultural inputs. The overall price index rose from 179.4 in 2011 to 184.1 in 2012, as a result of increased agricultural input costs. Price index for all material inputs rose from 177.0 in 2011 to 182.2 in 2012, with that of bags exhibiting the highest increase. Most price indices for material and service inputs depicted an upward trend, mainly associated with the rise in prices during 2012. In contrast, the quantum indices showed a mixed performance with fertilizer and purchased seeds indices declining from 198.6 and 191.9 in 2011 to 106.0 and 120.2, respectively, in 2012. The quantum indices of other agricultural inputs increased during the year under review.

Table 8.6: Agricultural Input Indices, 2008 - 2012

Base: 2001=100

	2008	2009	2010	2011	2012*
QUANTUM INDICES-					
Fertilizers	189.5	162.5	205.8	198.6	106.0
Fuel and Power	71.8	49.3	61.6	67.8	99.4
Bags	52.1	72.7	103.7	68.7	77.4
Manufactured Feeds	341.9	367.7	270.2	212.6	311.4
Purchased Seeds	192.5	188.4	166.1	191.9	120.2
Other Material Inputs	145.3	142.1	125.3	110.4	137.1
Total Material Inputs	**151.5**	**172.5**	**132.1**	**142.0**	**146.4**
Service Inputs	264.9	217.3	166.3	159.8	213.5
TOTAL INPUTS	**220.6**	**179.8**	**141.2**	**149.9**	**169.4**
PRICE INDICES-					
Fertilizers	235.7	204.8	198.1	255.5	259.8
Fuel and Power	178.9	135.9	147.5	179.2	187.6
Bags	193.9	173.0	116.8	141.2	154.0
Manufactured Feeds	167.4	168.1	159.4	202.5	203.0
Purchased Seeds	92.3	88.4	90.6	102.2	100.8
Other Material Inputs	162.9	133.0	136.2	153.6	155.7
Total Material Inputs	**165.7**	**145.1**	**158.3**	**177.0**	**182.2**
Service Inputs	187.5	159.2	173.7	195.0	198.5
TOTAL INPUTS	**167.1**	**146.5**	**159.8**	**179.4**	**184.1**

* Provisional

8.11 Table 8.7 shows the value of agricultural inputs for the period 2008 to 2012. Total value of inputs sold increased by 38.3 per cent from KSh 39.2 billion in 2011 to KSh 50.3 billion in 2012. The value of fuel and power consumed in the agricultural sector increased by 59.0 per cent to KSh 24.8 billion in 2012 accounting for half the expenditure. During the year under review, sales of certified seeds and manufactured feeds stood at KSh 3.6 billion and KSh 4.6 billion, respectively in 2012. It is only the value of fertilizer purchased that decreased to KSh 7.7 billion in 2012, as a result of low uptake of the commodity.

Table 8.7: Value of Purchased Agricultural Inputs[1], 2008 – 2012

KSh million

	2008	2009	2010	2011	2012*
MATERIAL INPUTS-					
Fertilizers	6,160.2	5,680.1	6,021.9	9,397.4	7,737.6
Other Agricultural Chemicals	1,258.4	3,941.0	4,307.0	3,362.1	4,514.3
Livestock Drugs and Medicines	857.4	1,856.0	1,467.2	1,382.7	2,289.3
Fuel and Power	7,262.0	9,770.0	9,818.3	15,570.8	24,777.8
Bags	428.8	520.8	425.0	267.3	290.3
Manufactured Feeds	4,849.0	5,543.5	4,453.0	3,910.8	4,594.6
Purchased Seeds	3,661.0	3,182.1	4,227.0	3,337.9	3,573.8
Other Material Inputs	651.0	565.8	536.2	592.6	748.2
Total	25,127.7	31,059.3	31,255.6	37,821.6	48,525.8
SERVICE INPUTS	1,007.7	1,244.9	1,167.1	1,412.3	1,745.9
TOTAL INPUTS	26,135.4	32,304.2	32,422.7	39,233.9	50,271.7

*Provisional.

[1]Excluding labour.

8.12. Agriculture terms of trade for the period 2008 to 2012 are shown in Table 8.8. Output price index rose from 143.6 in 2011 to 148.6 in 2012 as a result of improved agricultural output prices. The index of purchased consumer goods in rural areas rose from 336.1 in 2011 to 368.6 in 2012 while that of purchased inputs increased from 179.4 in 2011 to 184.1 in 2012. This culminated in the deterioration in the overall agriculture terms of trade from 55.7 in 2011 to 53.8 in 2012.

Table 8.8: Price and Terms of Trade Indices for Agriculture, 2008 – 2012

Base: 2001=100

	2008	2009	2010	2011	2012*
General Index of Agricultural Output Prices	113.5	128.3	134.7	143.6	148.6
PRICE PAID					
Purchased Inputs	167.1	146.5	159.8	179.4	184.1
Index of Purchased Consumer Goods-Rural Areas	205.3	225.9	235.0	336.1	368.6
INDICES OF PRICES PAID	174.5	192.5	204.4	257.7	276.3
Agricultural Sector terms of Trade	65.0	66.6	65.9	55.7	53.8

* Provisional

8.13. Table 8.9 shows estimates of production of major food crops over the last five years. Production of maize increased by 16.3 per cent from 34.4 million bags in 2011 to 40.0 million bags in 2012, mainly attributable to favourable weather conditions in the maize growing areas. However, maize production in some regions was negatively affected by the maize *necrosis* disease in 2012. Production of beans and sorghum increased by 14.1 per cent and 5.6 per cent, respectively, while that of potatoes more than doubled to stand at 5.6 million tonnes in 2012.

Table 8.9: Estimated Production of Selected Agricultural Commodities, 2008 – 2012

CROP	Unit	2008	2009	2010	2011	2012*
Maize	million bags	26.3	27.1	35.8	34.4	40.0
Beans	"	2.9	5.2	4.3	6.4	7.3
Potatoes	million tonnes	2.2	2.6	3.1	2.4	5.6
Sorghum	million bags	0.6	1.1	1.8	1.8	1.9
Millet	"	0.4	0.6	0.6	0.8	1.0

Source: Ministry of Agriculture

* Provisional

8.14. Table 8.10 shows the average retail prices of selected food crops from 2008 to 2012. Overall, the retail prices of finger millet, sorghum and potatoes increased in March and September 2012 compared to those in 2011. Prices of maize and beans depicted a mixed trend, with March 2012 price increasing while September 2012 prices dropped. On average, Nairobi recorded the highest retail price of maize in September 2012 while the lowest price was recorded in Western region. The average retail price of beans was lowest in Eastern in March and highest in Nairobi in September 2012. The lowest average price of potatoes was recorded in Central in September 2012 while the lowest average price of sorghum was recorded in Rift Valley in the same month.

Table 8.10: Average Retail Market Prices for Selected Food Crops, 2008 - 2012

KSh per Kg

CROP	REGION	2008		2009		2010		2011		2012	
		MAR	SEPT	MAR	SEPT	MAR	SEPT	MAR	SEPT	MAR	SEPT
MAIZE	Nairobi	23.4	32.6	47.1	38.2	31.2	20.8	23.6	48.4	39.2	50.7
	Central	18.4	32.7	36.2	35.0	25.8	17.6	27.0	43.5	39.8	39.9
	Coast	22.4	38.0	33.0	30.0	30.0	25.0	37.7	47.6	41.7	46.0
	Eastern	16.8	30.8	33.5	31.7	19.7	15.3	23.4	40.8	33.1	36.8
	Nyanza	18.8	26.0	31.8	31.8	25.1	15.8	26.4	39.8	35.9	36.0
	Rift Valley	19.0	26.5	31.5	35.0	27.8	17.7	25.2	41.4	37.0	39.0
	Western	19.3	24.7	32.4	38.2	24.5	17.9	27.7	33.4	34.5	32.9
	Total	19.5	29.8	36.5	36.7	25.4	17.5	29.3	42.8	39.6	40.5
BEANS	Nairobi	59.7	86.1	83.6	87.8	73.3	64.5	72.7	92.7	82.1	93.7
	Central	53.7	74.5	70.6	67.2	66.2	63.4	69.9	79.2	75.6	68.7
	Coast	61.0	75.0	78.0	70.0	65.0	56.7	78.8	87.9	76.8	83.2
	Eastern	54.6	71.1	75.0	70.0	57.1	53.5	66.9	71.7	65.0	66.3
	Nyanza	59.0	67.1	59.1	58.6	62.4	51.7	59.7	68.7	69.7	68.0
	Rift Valley	53.1	56.0	67.5	70.0	63.1	53.7	66.9	72.5	79.6	65.4
	Western	60.4	62.0	72.5	74.5	63.8	53.4	65.2	67.6	75.1	70.5
	Total	57.2	68.9	74.1	84.2	64.2	56.3	70.2	77.9	74.6	71.8
FINGER	Nairobi	65.2	85.9	67.1	49.0	51.8	54.9	64.0	73.9	86.6	87.6
MILLET	Central	54.0	43.2	74.8	65.8	68.3	57.3	68.0	81.3	81.2	78.7
	Eastern	36.3	53.8	56.5	75.0	72.3	61.5	68.3	75.1	90.6	76.0
	Nyanza	51.2	57.4	43.5	58.7	58.7	48.8	60.8	57.8	61.3	73.9
	Rift Valley	43.2	41.8	46.9	50.0	60.0	47.7	62.3	67.5	71.8	64.0
	Western	59.8	55.3	64.3	59.0	66.2	56.4	63.1	58.9	75.9	80.2
	Total	49.8	53.8	62.0	53.3	62.3	53.3	68.1	67.6	75.3	74.2
SORGHUM	Nairobi	40.2	42.5	59.9	37.0	37.1	37.6	38.0	46.0	46.0	51.9
	Central	40.3	39.7	56.6	58.0	47.8	42.6	42.1	60.4	56.1	59.4
	Eastern	21.2	30.5	64.0	65.0	33.0	30.5	38.1	48.6	45.3	49.4
	Nyanza	28.0	28.3	39.5	32.5	29.1	22.4	29.4	43.3	45.3	48.6
	Rift Valley	29.2	48.2	51.2	52.0	38.8	37.5	42.2	56.9	59.4	42.0
	Western	30.2	33.1	40.9	46.0	33.8	33.6	38.2	43.5	52.5	60.2
	Total	30.7	39.6	56.6	47.5	36.0	32.8	41.9	49.6	53.4	54.0
POTATOES	Nairobi	20.9	15.5	44.6	11.7	11.9	15.1	15.1	29.6	32.1	31.6
	Central	21.9	16.8	28.5	24.3	14.4	21.6	29.0	15.8	31.6	23.5
	Coast	38.0	34.6	37.4	38.0	34.5	36.7	41.6	33.0	43.2	40.6
	Eastern	24.4	23.2	29.8	17.8	16.8	29.5	30.6	28.5	37.1	27.7
	Nyanza	21.0	20.0	23.8	22.0	13.5	19.5	27.6	24.0	32.8	36.3
	Rift Valley	30.9	18.5	21.8	19.0	12.9	24.2	21.7	17.4	41.5	33.3
	Western	23.9	37.5	34.0	29.0	22.4	25.6	34.7	30.0	50.5	25.3
	Total	27.4	23.4	31.2	13.7	14.7	23.1	31.7	26.3	39.1	33.0

8.15. Table 8.11 shows sales of agricultural produce to various marketing boards from 2008 to 2012. Sale of coffee, wheat and sugarcane increased by 53.7, 53.6 and 7.5 per cent, respectively in 2012. The quantity of maize sold decreased by 4.6 per cent from 405.8 thousand tonnes in 2011 to 387.3 thousand tonnes in 2012, while sales of tea decreased by 2.2 per cent from 377.9 thousand tonnes in 2011 to 369.4 thousand tonnes in 2012. Sale of pyrethrum, cotton and rice paddy declined over the review period. The pyrethrum sub-sector performed dismally in 2012 resulting in very low deliveries to the marketing boards.

Table 8.11: Sale of Selected Crops to Marketing Boards, 2008 – 2012

CROP	UNIT	2008	2009	2010	2011	2012*
Maize[1]	'000 tonnes	340.5	191.0	294.6	405.8	387.3
Wheat[2]	"	82.1	123.1	190.2	100.9	155.0
Coffee	"	38.7	48.9	38.9	30.0	46.1
Tea	"	345.8	304.2	399.0	377.9	369.4
Cotton[2]	"	2.7	14.9	11.8	22.0	10.0
Sugar-cane[2]	mn. tonnes	5.1	5.6	5.7	5.3	5.7
Pyrethrum (extract equivalent)	tonnes	12.5	7.0	5.8	7.0	1.0
Sisal	'000 tonnes	22.2	21.5	22.8	27.6	27.8
Rice Paddy[2]	"	24.3	22.6	44.0	48.7	40.3

* Provisional.

[1] Includes purchases by NCPB and millers.

[2] Deliveries to factories/ginneries.

8.16. **Wheat:** Table 8.12 presents details on production and importation of wheat from 2008 to 2012. Production of wheat increased by 53.6 per cent from 105.9 thousand tonnes in 2011 to 162.7 thousand in 2012. However, this increase was not sufficient to satisfy domestic demand, hence necessitating bridging of the deficit through imports, as evidenced by a 4.2 per cent increase in imports from 1,002.7 thousand tonnes in 2011 to 1,044.8 thousand tonnes in 2012. The almost doubling of consumption over the five years reflects among other things urbanization and shift to foodstuffs requiring less expenditure on energy.

Table 8.12: Production and Imports of Wheat, 2008 – 2012

'000 Tonnes

YEAR	PRODUCTION[1]	IMPORTS	TOTAL
2008	86.2	538.5	624.7
2009	129.2	781.7	910.9
2010	199.7	848.1	1,047.8
2011	105.9	1,002.7	1,108.6
2012*	162.7	1,044.8	1,207.5

* Provisional.

[1] Includes retention for seed.

8.17. **Coffee:** Table 8.13 shows area, production and average yield of coffee by type of grower for the last five years. Area under coffee bushes remained at 2011 levels in 2012 though the production of Coffee increased by 35.0 per cent from 36.3 thousand tonnes in crop year 2010/11 to 49.0 thousand tonnes in 2011/12. The high production was attributed to favorable weather conditions experienced in the coffee growing areas and maturing of high quality coffee varieties. The average yield per hectare for estates increased from 417 Kg/Ha to 533 Kg/Ha while that for co-operatives improved from 163 Kg/Ha in 2011 to 207 Kg/Ha in 2012.

Table 8.13: Production, Area, and Average Yield of Coffee by Type of Grower, 2007/08 - 2011/12

	2007/08	2008/09	2009/10	2010/11	2011/12*
AREA ('000 Ha)					
Co-operatives	118.0	120.0	120.0	120.0	120.0
Estates	37.0	40.0	40.0	40.0	40.0
TOTAL	155.0	160.0	160.0	160.0	160.0
PRODUCTION ('000 Tonnes)					
Co-operatives	22.3	29.4	22.3	19.6	27.0
Estates	19.7	24.6	19.7	16.7	22.0
TOTAL	42.0	54.0	42.0	36.3	49.0
AVERAGE YIELD (Kg/Ha.)					
Co-operatives	189	270	186	163	207
Estates	532	616	493	417	533

Source: Coffee Board of Kenya

* Provisional

8.18. **Tea:** The area under tea increased from 187.8 thousand hectares in 2011 to 190.6 thousand hectares in 2012, as shown in Table 8.14. However, tea production decreased by 2.2 per cent from 377.9 thousand tonnes in 2011 to 369.4 thousand tonnes in 2012. This is attributed to a 5.3 per cent decline in production from estates. As a result, the share of tea produced by estates reduced from 42.2 per cent in 2011 to 40.9 per cent in 2012. Although production from the smallholder recorded a marginal drop, its share rose from 57.8 per cent in 2011 to 59.1 per cent in 2012. The low yield was as a result of frost attack in some parts of the tea growing regions in addition to the dry spell experienced in the first quarter of 2012.

Table 8.14: Production, Area and Average Yield of Tea by Type of Grower, 2008 - 2012

	2008	2009	2010	2011	2012*
AREA ('000 Ha)					
Smallholder	107.1	107.3	115.0	123.3	124.9
Estates	50.6	51.1	56.9	64.5	65.7
TOTAL	157.7	158.4	171.9	187.8	190.6
PRODUCTION ('000 Tonnes)					
Smallholder	210.9	172.6	225.0	218.6	218.5
Estates	135.0	141.5	174.0	159.3	150.9
TOTAL	345.8	314.1	399.0	377.9	369.4
AVERAGE YIELD (Kg/Ha)[1]					
Smallholder	2,397.0	1,862.0	2,291.0	2,040.0	2,039.0
Estates	2,768.0	2,909.0	3,412.0	3,149.0	2,953.0

Source: Tea Board of Kenya

* Provisional

[1] Obtained by dividing current production by the area four years ago

8.19. **Sugarcane:** The area under cane increased by 19.1 per cent from 179.5 thousand hectares in 2011 to 213.7 thousand hectares in 2012, as shown in Table 8.15. This increase was attributed to increased cane prices, better management and increased cane demand. The area harvested increased by 7.5 per cent from 79.0 thousand hectares in 2011 to 84.9 thousand hectares in 2012. Total cane deliveries increased by 9.4 per cent from 5.3 million tonnes in 2011 to 5.8 million tonnes in 2012. This increase was mainly attributed to a larger crushing capacity arising from the commissioning of two new sugar mills. However, the cane yield continued its

5 year decline, falling by 12.1 per cent from 58.8 tonnes per hectare in 2011 to 51.7 tonnes per hectare in 2012. The decline in yield may be explained by harvesting of premature cane.

Table 8.15: Area under Sugar Cane, Area Harvested, Production and Average Yield, 2008 – 2012

	2008	2009	2010	2011	2012*
Area under cane (Ha)	169,421	154,298	157,583	179,451	213,710
Area harvested (Ha)[1]	54,465	65,774	78,517	79,000	84,916
Production (Tonnes)	5,112,040	5,610,702	5,695,085	5,307,341	5,822,633
Average yield (Tonnes/Ha)[2]	72.94	65.21	64.37	58.78	51.67

Source: Kenya Sugar Board

*Provisional

[1] Excludes area harvested by non-contracted farmers

[2] Based on area and production from contracted farmers only

8.20. Table 8.16 shows the production, imports, consumption and exports of sugar for the period 2008 to 2012. Overall, sugar produced locally increased by 3.7 tonnes to stand at 493.9 tonnes in 2012. However, demand for sugar grew by 1.4 per cent from 783.7 thousand tonnes in 2011 to 794.8 thousand tonnes in 2012, leading to a substantial increase in imports to meet the deficit.

Table 8.16: Production, Imports and Consumption of Sugar, 2008 – 2012

'000 Tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION	EXPORTS
2008	517.7	218.6	751.5	44.3
2009	548.2	184.5	762.0	2.0
2010	523.7	258.6	772.7	0.05
2011	490.2	139.1	783.7	16.7
2012*	493.9	238.6	794.8	0.4

Source: Kenya Sugar Board

*Provisional

8.21. **Horticulture:** The horticulture sub-sector registered a depressed performance for the second consecutive year. As shown in Table 8.17, the quantity of fresh horticultural exports declined by 4.9 per cent in 2012. The total quantity of exported flowers, fruits and vegetables decreased from 216.2 thousand tonnes in 2011 to 205.7 thousand tonnes in 2012. However, the total value of fresh horticultural exports increased marginally in the same period, rising to KSh 89.9 billion in 2012 from KSh 88.6 billion in 2011. The volume of cut flowers and vegetables went down by 1.5 and 16.2 per cent, respectively in 2012 while that of exported fruits rose by 14.9 per cent. Export values of cut flowers and fruits recorded significant increases in the same period while vegetable values declined significantly. Competitive unit prices resulting from the new markets impacted positively on the overall value of horticultural exports, which remained stable between 2011 and 2012 inspite of a drop in volume of exports.

Table 8.17: Exports of Fresh Horticultural Produce[1], 2008 - 2012

	CUT FLOWERS		FRUITS		VEGETABLES		TOTAL	
YEAR	Volume 000 Tonnes	Value KSh billion	Volume 000 Tonnes	Value KSh billion	Volume 000 Tonnes	Value KSh billion	Volume '000 Tonnes	Value KSh billion
2008	93.7	39.8	17.1	2.1	82.4	16.1	193.2	58.0
2009	87.0	30.8	21.2	2.3	72.5	16.3	180.7	49.4
2010	120.2	35.6	32.5	2.8	75.6	18.6	228.3	56.9
2011	110.0	58.8	27.1	3.5	79.2	26.3	216.2	88.6
2012*	108.3	65.0	31.1	4.7	66.4	20.2	205.7	89.9

Source: Horticultural Crops Development Authority

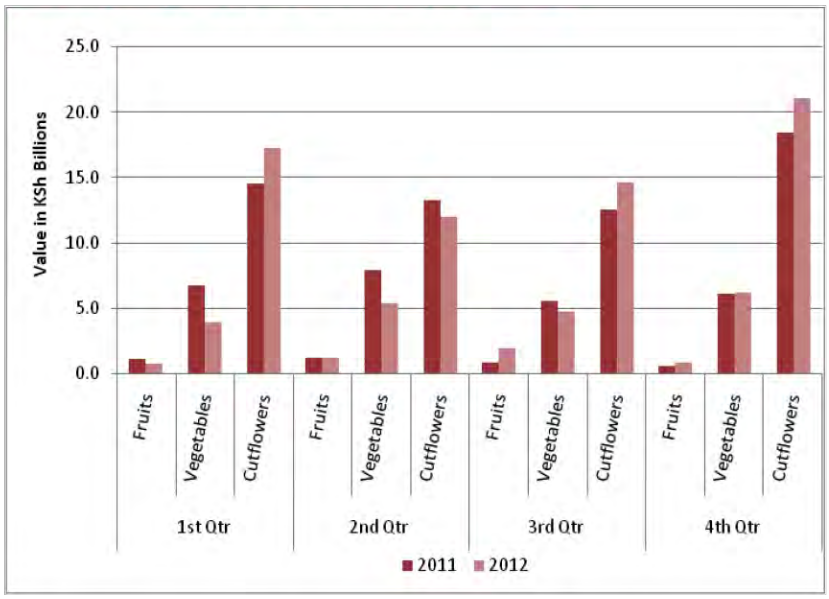
* Provisional.

[1] Excludes exports of processed horticultural produce and nuts.

8.22. Cut flowers remained the leading horticultural commodity exported to foreign markets, accounting for more than half of the total volume exported in 2012. The value of flowers exported increased by KSh 6.2 billion above the 2011 level, adequately compensating for the decrease in the value of vegetables. Horticultural commodity prices were competitive in the year under review, with cut flowers and fruits each recording more than a 10.0 per cent increase in unit prices. However, fresh vegetables recorded a notable decrease in unit price during this year.

8.23. A graphical illustration of quarterly export values of horticultural products is depicted in Figure 8.2. In 2012, the highest value of cut flowers exports was observed in the fourth quarter while the lowest was reported in the second quarter. Further, cut flowers recorded higher values in 2012 compared to 2011 in all quarters except the second. In 2012, the value of vegetable exports recorded lower values than the previous year in all quarters except the fourth.

Figure 8.2: Quarterly Value of Fresh Horticultural Exports, 2011 – 2012



8.24. **Irrigation:** Table 8.18 presents production activities in various irrigation schemes across the country. In 2012, improved performance was recorded in the area under irrigation and the number of plot holders practicing irrigation. Additional 771 hectares of land was placed under irrigation in 2012 following expansion activities mainly in Turkana County and Tana Delta. The total number of farmers operating in the irrigation schemes rose from 15,828 in 2011 to 21,464 in 2012. The gross value of output from all scheme areas rose by 15.0 per cent to stand at KSh 5,670 million in 2012. Total rice production from irrigation schemes increased from 80,244 tonnes in 2011 to 83,572 tonnes in 2012. All schemes except Mwea recorded increases in production of rice paddy. Imports of rice increased by 18.5 per cent from 337.4 thousand tonnes in 2011 to 399.7 thousand tonnes in 2012.

Table 8.18: Production at Irrigation Schemes, 2007/08 - 2011/12

	2007/08	2008/09	2009/10	2010/11	2011/12*
MWEA-					
Area cropped-Hectares	7,806	7,431	10,526	10,629	10,629
Plot-holders-Number[1]	7,257	4,936	7,178	7,178	7,178
Gross value of output-KSh million ..	2,121	1,782	2,860	2,970	2,808
Payments to plot-holders-KSh million ..	1,450	1,341	2,080	2,197	1,728
ALL SCHEME AREAS-					
Area cropped-Hectares	9,092	10,072	17,611	21,101	21,872
Plot-holders-Number	8,716	8,931	15,518	15,828	21,464
Gross value of output-KSh million ..	2,160	2,097	4,338	4,932	5,670
Payments to plot-holders-KSh million ..	1,457	1,535	3,138	3,637	3,300
CROPS PRODUCED - Tonnes					
Mwea-Paddy	38,560	32,406	52,000	54,000	50,476
Ahero-Paddy	-	2,939	6,000	7,484	9,484
W.Kano-Paddy	938	692	4,500	5,994	8,910
Bunyala-Paddy	567	1,161	3,200	4,666	5,462
S.W Kano	-	-	6,800	8,100	9,240
TOTAL PADDY	40,065	37,198	72,500	80,244	83,572

Source: National Irrigation Board

*Provisional

[1] Includes farmers outside Mwea Scheme

8.28. **Dairy Produce:** Livestock sub-sector statistics including processing of milk and slaughter of animals are presented in Table 8.19. The quantity of milk delivered to dairy processors recorded a significant drop from 549.0 million litres in 2011 to 495.2 million litres in 2012, after posting growths in the last three years. At the same time, the quantity of processed milk output from processing plants decreased by 11.3 per cent while that of butter and ghee went down by 9.7 per cent. Production of cheese decreased from 290.3 tonnes in 2011 to 254.9 tonnes in 2012. The dismal performance in the dairy sub-sector follows reduced production of milk in the early part of 2012. The rise in cost of inputs in 2012 negatively affected milk production in the review period.

8.29. **Livestock products**: The demand for animal products increased during the year under review. The number of cattle slaughtered in abattoirs rose from 2,103.4 thousand in 2011 to 2,194.2 thousand in 2012. Over the same period, the total number of goats and sheep slaughtered increased by 1.5 per cent to stand at 5,924.2 thousand. The number of pigs slaughtered increased for the second year running, rising from 223.5 thousand in 2011 to 235.4 thousand in the 2012. Production of pork and other pig meat products increased modestly in 2012.

Table 8.19: Production of Livestock and Dairy Products, 2008 – 2012

	UNIT	2008	2009	2010	2011	2012*
RECORDED MILK PRODUCTION	Mn. Litres	398.5	406.5	515.7	549.0	495.2
MILK PROCESSED:						
Milk and cream	Mn. Litres	262.2	323.1	358.2	374.0	331.6
Butter and ghee	Tonnes	1,217.7	1,079.6	1,967.4	1,995.1	1,800.7
Cheese	"	154.7	187.7	263.2	290.3	254.9
LIVESTOCK SLAUGHTERED						
Cattle and Calves..	'000 Head	1,891.9	2,057.0	1,923.5	2,103.4	2,194.2
Sheep and Goats	"	5,424.8	5,716.0	6,162.8	5,837.5	5,924.2
Pigs	"	197.5	221.0	217.2	223.5	235.4

* Provisional

8.30. **Agricultural Training:** Agricultural training is an important component of agriculture sector development as it provides the human capital required to guide and manage production and other activities in the sector. Details on levels of enrolment at various institutions offering agricultural courses are presented in Table 8.20. Enrolment for agricultural courses at degree level registered growth in 2012, rising by 874 to reach 7,546 students. Both the University of Nairobi and Moi University recorded slight increases in enrolment for agricultural courses in 2012. Over the same period, there was increased demand for courses at Jomo Kenyatta University with enrolment almost doubling from 758 students in 2011 to 1,324 students in 2012. Egerton University accounted for 39.9 per cent of agriculture trainees, although its dominance is declining following increased enrolment in the other institutions.

8.31. Table 8.20 further shows that enrolment at diploma level has been fluctuating over the years. The number of diploma trainees at Egerton University declined marginally in 2012 while enrolment in Bukura Institute rose by close to fifty per cent in 2012. The same trend is observed in certificate level training in Naivasha Dairy Training Institute where the number of regular students has shown a consistent rising trend over the last five years. During the year, the number of trainees pursuing certificate courses in animal health declined to 339 in 2012 from 355 in 2011. During the review period, a significant increase was observed in the number of participants attending short courses conducted at Naivasha Dairy Institute and the Meat Training Institute.

Co-operative Societies

8.32. Table 8.21 presents details on the number of co-operative societies and unions for the period 2008 - 2012. The total number of societies and unions registered a 5.4 per cent growth, rising from 14,228 in 2011 to 14,990 in 2012. A total of 45 multi-purpose societies were registered in 2012 while the number of dairy societies increased from 313 in 2011 to 343 in 2012. The number of co-operative societies dealing in coffee and sugar cane increased modestly during the year while those in cotton and pyrethrum activities rose marginally in the review period. Accelerated growth was observed in the number of savings and credit societies, which rose from 6,902 in 2011 to 7,341 in 2012. Three new unions were registered in the review period.

Table 8.20: Enrolment in Agricultural Training Institutions, 2008 – 2012

Number

	2008			2009			2010			2011			2012*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
DEGREE LEVEL -Public Universities															
Nairobi ……	850	354	1,204	920	386	1,306	1,017	433	1,450	1,363	690	2,053	1,308	694	2,002
Moi ……	998	385	1,383	1,002	435	1,437	564	257	821	807	368	1,175	643	568	1,211
Jomo Kenyatta (JKUAT)….	489	245	734	546	345	891	444	217	661	467	291	758	768	556	1,324
Egerton……	1,905	884	2,789	2,045	1,056	3,101	1,378	639	2,017	1,756	930	2,686	1,986	1,023	3,009
Total……	**4,242**	**1,868**	**6,110**	**4,513**	**2,222**	**6,735**	**3,403**	**1,546**	**4,949**	**4,393**	**2,279**	**6,672**	**4,705**	**2,841**	**7,546**
DIPLOMA LEVEL -Public Universities															
Egerton……	1,210	634	1,844	1,410	834	2,244	1,543	1,027	2,570	1,585	928	2,513	1,512	839	2,351
Total……	**1,210**	**634**	**1,844**	**1,410**	**834**	**2,244**	**1,543**	**1,027**	**2,570**	**1,585**	**928**	**2,513**	**1,512**	**839**	**2,351**
DIPLOMA LEVEL - MOA															
Bukura Institute of Agriculture	199	102	301	92	99	191	354	129	483	483	226	709	684	374	1,058
CERTIFICATE LEVEL-															
Naivasha Dairy Training Institute	58	43	101	55	47	102	70	34	104	94	48	142	134	80	214
Total……	**58**	**43**	**101**	**55**	**47**	**102**	**70**	**34**	**104**	**94**	**48**	**142**	**134**	**80**	**214**
Animal Health Training Institutes-															
Kabete ……	90	26	116	90	26	116	92	28	120	98	24	122	79	26	105
Nyahururu ……	52	28	80	51	27	78	50	25	75	53	27	80	51	27	78
Ndomba ……	124	56	180	84	63	147	117	53	170	112	41	153	99	57	156
Total……	**266**	**110**	**376**	**225**	**116**	**341**	**259**	**106**	**365**	**263**	**92**	**355**	**229**	**110**	**339**
SHORT-TERM VOCATIONAL COURSES-															
Naivasha Dairy Training School	63	17	80	69	43	112	46	4	50	93	41	134	147	47	194
Athi River M.T. School ….	67	19	86	66	28	94	68	30	98	53	16	69	66	28	94
Total……	**130**	**36**	**166**	**135**	**71**	**206**	**114**	**34**	**148**	**146**	**57**	**203**	**213**	**75**	**288**

Source: Ministry of Agriculture , Ministry of Livestock, Public Universities and Institutions

* Provisional.

Table 8.21: Number of Societies and Unions by Type, 2008 – 2012

Number

TYPE OF SOCIETY	2008	2009	2010	2011	2012*
Coffee	548	555	567	586	594
Sugar-cane	152	159	162	179	191
Pyrethrum	146	146	146	147	148
Cotton	59	59	60	60	61
Dairy	264	273	278	313	343
Multi-produce	1,923	1,894	1,924	1,974	2,019
Farm Purchase	114	114	114	114	116
Fisheries	67	67	72	76	80
Other Agricultural Societies	1,204	1,317	1,363	1,398	1,436
TOTAL	**4,477**	**4,584**	**4,686**	**4,847**	**4,988**
Savings and Credit	5,350	5,628	6,267	6,902	7,341
Other Non-Agricultural Societies	2,041	2,094	2,200	2,374	2,553
TOTAL	**7,391**	**7,722**	**8,467**	**9,276**	**9,894**
Unions	100	101	103	105	108
GRAND TOTAL	**11,968**	**12,407**	**13,256**	**14,228**	**14,990**

Source: Ministry of Co-operative Development and Marketing

* Provisional

8.33. Table 8.22 gives details on sales of agricultural produce from co-operative societies. The total value of sales from co-operative societies went down by KSh 446.0 million to reach KSh 10.0 billion in 2012 mainly due to a decline in value of coffee. Sales of Pyrethrum which had remained constant in the last two years declined drastically in the review period.

Table 8.22: Sale of Selected Agricultural Produce by Co-operatives and their Contribution to Gross Farm Revenue, 2008 – 2012

YEAR	COFFEE	SUGAR CANE	PYRETHRUM	COTTON	MILK	TOTAL
			Sale KSh million			
2008	3,815	214	64	2.0	2,482	6,577
2009	4,898	266	45	2.1	3,704	8,915
2010	4,839	267	47	2.6	5,221	10,376
2011	4,806	268	47	3.2	5,310	10,433
2012*	4,367	269	28	3.3	5,320	9,987
			Percentage Share of sector total			
2008	55.6	1.7	69.7	3.0	29.7	23.7
2009	51.2	1.7	72.7	3.5	32.2	25.3
2010	31.3	1.5	74.3	6.9	46.0	23.3
2011	27.0	1.4	35.2	4.9	36.5	19.9
2012*	28.4	1.6	43.4	3.7	34.5	19.3

* Provisional.

Analysis of Food Balance Sheet, 2011 - 2012

8.34. The domestic food supply situation improved significantly in 2012 reflecting a higher production of cereals and other major food crops. This increased production of food crops was realized following improved rainfall in most parts of the country especially during the long rains season of the year. Over this period, increased demand for meat and meat products led to increased slaughter of various livestock species which further supplemented food supply in the country. The status of food supply is presented through the Supply and Utilization Account (SUA) which generates the Food Balance Sheet (FBS) of a country. The FBS gives

a comprehensive picture of a country's food supply in terms of per caput daily energy supply of calories, proteins and fats. Other indicators used in the FBS are the Self-Sufficiency Ratio (SSR) and Import Dependency Ratio (IDR).

SUA/FBS Indicators

8.35. Per caput daily energy supply is a measure of the food available for human consumption during a specific reference period in terms of calories, proteins and fat contents. A country's ability to satisfy its food requirement is measured by use of the SSR which compares quantities produced locally with the total food supply. Reliance on imports to supplement food deficits is measured by the IDR which gives the amount of imports in relation to the total domestic supply.

8.36. Table 8.23 presents a five year summary of food balance sheet indicators. Per caput supply of calories and proteins went up significantly between 2011 and 2012. There has been a consistent upward trend in the supply of these two nutrients since 2009. Per caput daily supply of calories increased from 2,153 kilocalories in 2010 to 2,253 kilocalories in 2011 and rose further to 2,447 kilocalories in 2012. Similarly, the supply of proteins increased gradually from 58 grams in 2008 to 74 grams per person per day in 2012. However, the supply of fats increased between 2008 and 2010 but stabilized at similar levels thereafter.

8.37. The country's overall SSR improved significantly, rising by three percentage points from 74.6 per cent in 2011 to 77.6 per cent in 2012. This increase was cumulatively driven by both vegetable and animal products, each of which recorded increases in SSR. In 2012, the country recorded 100 per cent self sufficiency in animal products while the SSR for vegetable products rose from 71.5 per cent in 2011 to an estimated 75.1 per cent in 2012. In the review period, the IDR for food and animal products were estimated at 28.4 per cent and 1.0 per cent, respectively. This led to a notable reduction in the country's overall IDR from 29.1 per cent in 2011 to 25.7 per cent in 2012, reflecting decreased reliance on imported food commodities.

Table 8.23: Food Balance Sheet, 2008-2012

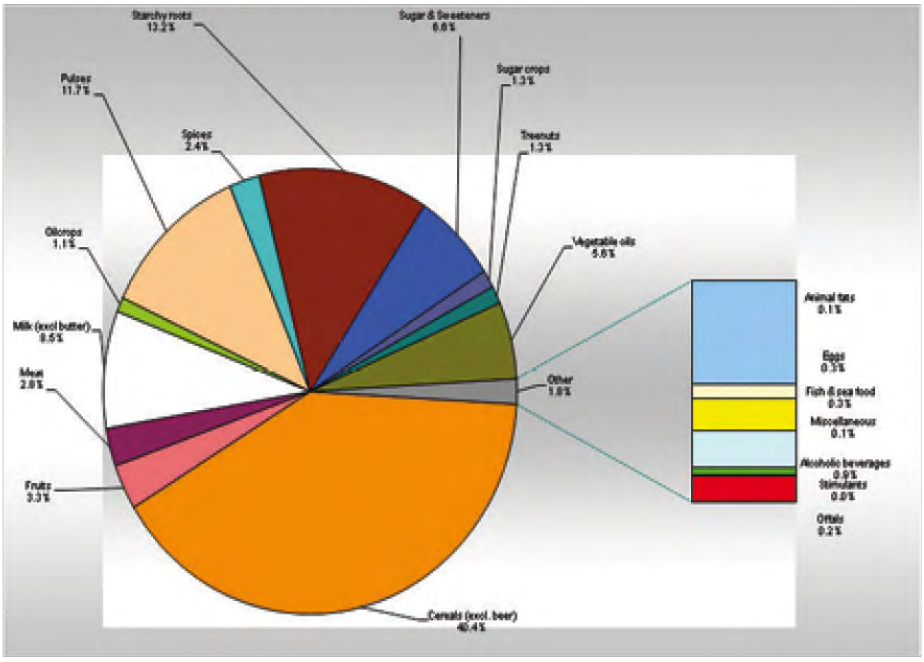
Indicator		2008	2009	2010	2011	2012
Per Caput Daily Supply	Calories	1,983	1,954	2,153	2,253	2,447
	Proteins	58	60	66	69	74
	Fats	42	42	49	47	47
SSR	Total	77.9	63.7	75.4	74.6	77.6
	Vegetable Products	74.3	58.9	72.1	71.5	75.1
	Animal Products	100.2	100.2	100.3	99.9	100.1
IDR	Total	26.1	39.5	28.2	29.1	25.7
	Vegetable Products	30.2	44.7	32	32.6	28.4
	Animal Products	1	0.9	0.9	1.1	1
Per Caput Caloric Daily Supply	Vegetable Products	1,682	1,657	1,829	1,955	2,148
	Cereals	854	941	976	959	988
	Animal Products	301	297	325	298	299

*Provisional

Caloric Supply by Main Food Groups

8.38. Figure 8.3 shows the composition of food supply in the country in 2012. Cereals comprise the leading source of energy, providing 40.4 per cent of all caloric supply in the year. Other important sources of dietary caloric energy are starchy roots and pulses. These food commodity groups supplied 13.2 per cent and 11.7 per cent, respectively, of calories in the local diet in 2012. During the review period, milk, sugar and vegetables supplied significant quantities of dietary energy in the local diets.

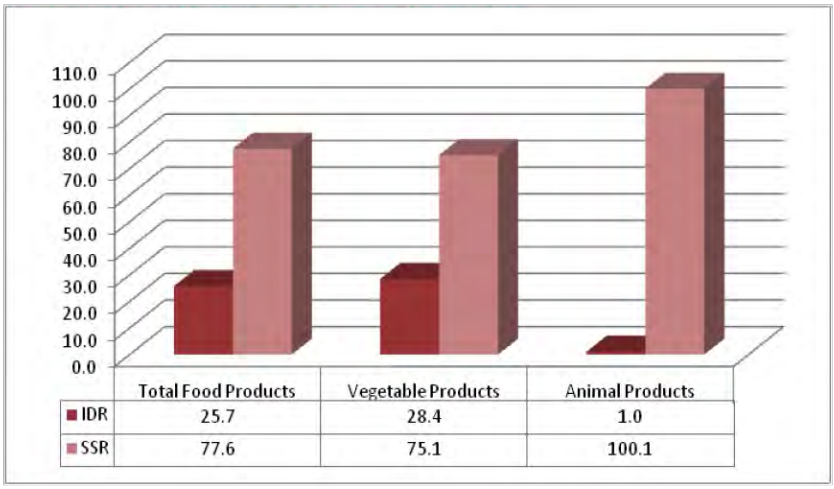
Figure 8.3: Caloric Supply by Main Food Groups, 2012



Self-Sufficiency Ratio and Import Dependency Ratio

8.39. Figure 8.4 gives the country's SSR and IDR while Table 8.24 presents the detailed Food Balance Sheet results.

Figure 8.4: Import Dependency and Self-Sufficiency Ratios, 2012



	Total Food Products	Vegetable Products	Animal Products
IDR	25.7	28.4	1.0
SSR	77.6	75.1	100.1

Table 8.24: Food Balance Sheet, 2011-2012

FOOD BALANCE SHEET 2012 — Population ('000): 40,652

Products	DOMESTIC SUPPLY (1000 MT)					DOMESTIC UTILIZATION (1000 MT)						PER CAPUT SUPPLY			
	Prod.	Imports	Stock changes	Exports	Total D.S.	Feed	Seed	Processed	Waste	Oth.Util.	Food	PER YEAR FOOD	PER DAY Calories	Proteins	Fats
	1000 Metric Tons											Kg.	units	grams	grams
Grand total													**2447**	**74**	**47**
Vegetable prod.													**2148**	**55**	**29**
Animal prod.													**299**	**19**	**18**
Cereals (excl. beer)	**4469**	**1983**	**545**	**66**	**6931**	**112**	**87**	**589**	**1333**	**0**	**4810**	**118**	**988**	**24**	**5**
Wheat	442	1123	0	18	1546	0	12	51	30	0	1453	35.7	259	7	3
Maize	3600	325	545	1	4469	80	68	422	1261	0	2637	64.9	565	13	2
Rice (Milled Eq.)	98	402	0	7	493	0	0	1	4	0	488	12.0	117	2	0
Barley	64	0	0	18	47	0	2	42	1	0	1	0.0	0	0	0
Rye	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Oats	0	0	0	0	1	0	0	0	0	0	0	0.0	0	0	0
Millet	90	12	0	0	102	8	2	20	11	0	60	1.5	12	0	0
Sorghum	175	57	0	11	221	23	3	52	26	0	118	2.9	25	1	0
Cereals, other	0	63	0	11	52	0	0	0	0	0	52	1.3	10	0	0
Starchy roots	**6916**	**4**	**0**	**1**	**6919**	**0**	**104**	**6**	**628**	**0**	**6181**	**152.0**	**324**	**6**	**0**
Cassava	906	1	0	0	907	0	0	0	27	0	879	21.6	64	1	0
Potatoes	5600	3	0	1	5602	0	104	6	560	0	4932	121.3	236	5	0
Sweet Potatoes	384	0	0	0	383	0	0	0	38	0	345	8.5	23	0	0
Yams	8	0	0	0	8	0	0	0	0	0	8	0.2	1	0	0
Roots, other	19	0	0	0	19	0	0	0	2	0	17	0.4	1	0	0
Sugar crops	**5823**	**0**	**0**	**0**	**5823**	**0**	**0**	**4150**	**0**	**0**	**1673**	**41.1**	**32**	**0**	**0**
Sugar cane	5823	0	0	0	5823	0	0	4150	0	0	1673	41.1	32	0	0
Sugar beet	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Sugar & Sweeteners	**572**	**179**	**-20**	**19**	**712**	**0**	**0**	**34**	**0**	**0**	**678**	**16.7**	**162**	**0**	**0**
Sugar non-centrifugal	23	0	0	0	23	0	0	20	0	0	3	0.1	1	0	0
Sugar (raw equivalent)	527	167	-20	15	660	0	0	7	0	0	652	16.0	157	0	0
Sweeteners, other	0	12	0	4	8	0	0	7	0	0	1	0.0	0	0	0
Honey	22	0	0	0	22	0	0	0	0	0	22	0.5	5	0	0
Pulses	**946**	**7**	**433**	**1**	**1384**	**0**	**11**	**0**	**143**	**0**	**1247**	**30.7**	**288**	**19**	**1**
Beans	662	1	35	0	698	0	0	0	105	0	593	14.6	136	9	1
Peas	0	5	0	0	5	0	0	0	0	0	5	0.1	1	0	0
Pulses, other	284	1	398	1	681	0	11	0	38	0	649	16.0	150	10	1
Treenuts	**22**	**0**	**0**	**6**	**16**	**0**	**0**	**0**	**0**	**0**	**13**	**0.3**	**3**	**0**	**0**
Oilcrops	**179**	**8**	**0**	**6**	**181**	**10**	**3**	**82**	**8**	**0**	**79**	**1.9**	**26**	**1**	**2**
Soybeans	0	0	0	0	0	0	0	0	0	0	1	0.0	0	0	0
Groundnuts	69	1	0	0	70	0	1	0	3	0	66	1.6	24	1	2
Sunflowerseed	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Rape & Mustard seed	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Cottonseed	13	3	0	1	15	0	2	13	1	0	0	0.0	0	0	0
Coconuts (incl. copra)	60	0	0	0	60	10	0	34	4	0	12	0.3	1	0	0
Sesame seed	0	4	0	5	0	0	0	0	0	0	0	0.0	0	0	0
Palm	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Olive	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Oilcrops, other	36	0	0	0	35	0	0	35	0	0	0	0.0	0	0	0
Vegetable oils	**35**	**536**	**0**	**80**	**491**	**0**	**0**	**0**	**0**	**258**	**232**	**5.7**	**137**	**0**	**15**
Soybean oil	0	5	0	5	0	0	0	0	0	0	0	0.0	0	0	0
Groundnut oil	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Sunflower seed oil	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Rape and mustard oil	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Cottonseed oil	2	0	0	0	1	0	0	0	0	0	1	0.0	1	0	0
Palm kernel oil	0	2	0	0	2	0	0	0	0	0	2	0.0	1	0	0
Palm oil	0	515	0	73	442	0	0	0	0	256	186	4.6	110	0	12
Copra oil	6	12	0	1	17	0	0	0	0	0	17	0.4	10	0	1
Sesame seed oil	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Olive oil	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Rice bran oil	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maize germ oil	14	1	0	0	14	0	0	0	0	0	14	0.3	8	0	1
Oilcrops oil, other	14	1	0	0	15	0	0	0	0	3	12	0.3	7	0	1
Vegetables	**1397**	**113**	**0**	**221**	**1289**	**0**	**0**	**0**	**104**	**0**	**1785**	**43.9**	**27**	**1**	**0**
Tomatoes	330	5	0	0	335	0	0	0	33	0	302	7.4	4	0	0
Onions	68	0	0	0	68	0	0	0	7	0	61	1.5	2	0	0
Vegetables, other	999	108	0	221	886	0	0	0	64	0	1422	35.0	22	1	0
Fruits	**2479**	**34**	**0**	**333**	**2180**	**0**	**0**	**6**	**260**	**0**	**1914**	**47.1**	**81**	**1**	**1**
Oranges & mandarins	26	2	0	0	28	0	0	0	3	0	25	0.6	0	0	0
Lemons & limes	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Grapefruit	13	0	0	0	13	0	0	0	1	0	12	0.3	0	0	0
Citrus, other	135	0	0	0	135	0	0	0	14	0	121	3.0	2	0	0
Bananas	600	0	0	0	600	0	0	0	90	0	510	12.5	21	0	0
Plantains	600	0	0	0	600	0	0	6	60	0	534	13.1	32	0	0
Apples (excl. cider)	2	4	0	0	6	0	0	0	0	0	6	0.1	0	0	0
Pineapples	600	0	0	226	374	0	0	0	60	0	314	7.7	11	0	0
Dates	1	1	0	0	2	0	0	0	0	0	2	0.0	0	0	0
Grapes (excl. wine)	1	2	0	0	3	0	0	0	0	0	3	0.1	0	0	0
Fruit, other	501	25	0	106	420	0	0	0	34	0	387	9.5	14	0	1
Stimulants	**415**	**12**	**5**	**438**	**-5**	**0**	**0**	**0**	**0**	**0**	**2**	**0.0**	**0**	**0**	**0**
Coffee	46	1	5	58	-6	0	0	0	0	0	0	0.0	0	0	0
Cocoa Beans	0	2	0	1	2	0	0	0	0	0	2	0.0	0	0	0
Tea	369	9	0	379	-1	0	0	0	0	0	0	0.0	0	0	0

FOOD BALANCE SHEET 2012

Population ('000) : 40,652

Products	DOMESTIC SUPPLY (1000 MT)					DOMESTIC UTILIZATION (1000 MT)						PER CAPUT SUPPLY			
	Prod.	Imports	Stock changes	Exports	Total D.S.	Feed	Seed	Processed	Waste	Oth.Util.	Food	PER YEAR FOOD	PER DAY Calories	Proteins	Fats
	1000 Metric Tons											Kg.	units	grams	grams
Spices	256	2	0	3	256	0	0	0	0	0	255	6.3	58	2	3
Pepper	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Pimento	5	0	0	0	5	0	0	0	0	0	5	0.1	1	0	0
Cloves	1	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Spices, other	250	2	0	2	250	0	0	0	0	0	250	6.2	57	2	3
Alcoholic beverages	596	7	0	2	601	0	0	0	0	0	601	14.8	21	0	0
Wine	0	4	0	1	3	0	0	0	0	0	3	0.1	0	0	0
Beer	210	2	0	1	211	0	0	0	0	0	211	5.2	6	0	0
Beverages, fermented	362	0	0	0	362	0	0	0	0	0	362	8.9	10	0	0
Beverages, alcoholic	24	1	0	1	25	0	0	0	0	0	25	0.6	5	0	0
Alcohol, non food	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Meat	468	1	0	11	457	0	0	0	0	0	533	13.1	68	5	6
Bovine meat	411	0	0	1	410	0	0	0	0	0	410	10.1	52	4	5
Mutton & goat meat	0	0	0	2	-2	0	0	0	0	0	61	1.5	7	1	0
Pig meat	0	0	0	2	-1	0	0	0	0	0	12	0.3	4	0	0
Poultry meat	22	0	0	6	15	0	0	0	0	0	15	0.4	1	0	0
Other meat	36	0	0	0	36	0	0	0	0	0	36	0.9	3	0	0
Offals	76	0	0	0	76	0	0	0	0	0	76	1.9	5	1	0
Animal fats	19	4	0	1	22	0	0	13	0	3	5	0.1	3	0	0
Butter, ghee	3	0	0	0	2	0	0	0	0	0	2	0.1	1	0	0
Cream	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Fats, animal, raw	16	4	0	0	19	0	0	13	0	3	3	0.1	2	0	0
Fish, body oil	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Fish, liver oil	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Milk (excl butter)	4928	24	0	10	4941	17	0	2	292	0	4935	121.4	209	11	11
Eggs	96	0	0	0	96	0	5	0	14	0	77	1.9	6	1	1
Fish & sea food	158	42	0	42	158	0	0	0	0	0	161	4.0	7	1	0
Freshwater fish	138	18	0	26	129	0	0	0	0	0	129	3.2	6	1	0
Demersal fish	9	0	0	10	-1	0	0	0	0	0	1	0.0	0	0	0
Pelagic fish	2	22	0	3	21	0	0	0	0	0	21	0.5	1	0	0
Marine fish, other	8	2	0	1	9	0	0	0	0	0	9	0.2	0	0	0
Crustaceans	1	1	0	0	1	0	0	0	0	0	1	0.0	0	0	0
Molluscs other	0	0	0	1	-1	0	0	0	0	0	0	0.0	0	0	0
Cephalopods	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Aquatic products, other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aquatic mammals meat	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aquatic animals, other	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Aquatic plants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	18	7	2	14	13	0	0	7	0	3	3	0	2	0	0
Infant food	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous, other	18	7	2	14	13	0	0	7	0	3	3	0	2	0	0

FOOD BALANCE SHEET 2011

Population ('000) : 39,545

Products	DOMESTIC SUPPLY (1000 MT)					DOMESTIC UTILIZATION (1000 MT)						PER CAPUT SUPPLY			
	Prod.	Imports	Stock changes	Exports	Total D.S.	Feed	Seed	Processed	Waste	Oth.Util.	Food	PER YEAR FOOD	PER DAY		
													Calories	Proteins	Fats
	1000 Metric Tons											Kg.	units	grams	grams
Grand total													**2253**	**69**	**47**
Vegetable prod.													**1955**	**50**	**29**
Animal prod.													**298**	**19**	**18**
Cereals (excl. beer)	**3750**	**1881**	**545**	**58**	**6119**	**107**	**82**	**330**	**1094**	**0**	**4506**	**114**	**959**	**24**	**5**
Wheat	268	1090	0	18	1341	0	11	38	25	0	1267	32.1	234	7	2
Maize	3096	359	545	2	3998	80	64	186	1031	0	2637	66.7	580	14	2
Rice (Milled Eq.)	89	318	0	9	399	0	0	1	5	0	392	9.9	101	2	0
Barley	64	0	0	18	47	0	2	42	1	0	1	0.0	0	0	0
Rye	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Oats	0	0	0	0	1	0	0	0	0	0	0	0.0	0	0	0
Millet	72	12	0	0	84	7	2	17	9	0	49	1.2	10	0	0
Sorghum	160	38	0	0	197	20	3	46	22	0	106	2.7	23	1	0
Cereals, other	0	63	0	11	52	0	0	0	0	0	52	1.3	11	0	0
Starchy roots	**3490**	**7**	**0**	**2**	**3495**	**0**	**104**	**3**	**302**	**0**	**3087**	**78.1**	**176**	**3**	**0**
Cassava	679	1	0	0	680	0	0	0	20	0	659	16.7	49	0	0
Potatoes	2400	5	0	1	2404	0	104	2	241	0	2057	52.0	101	2	0
Sweet Potatoes	384	0	0	0	383	0	0	0	38	0	345	8.7	23	0	0
Yams	8	0	0	0	8	0	0	0	0	0	8	0.2	1	0	0
Roots, other	19	0	0	0	19	0	0	0	2	0	17	0.4	1	0	0
Sugar crops	**5307**	**0**	**0**	**0**	**5307**	**0**	**0**	**4150**	**0**	**0**	**1157**	**29.3**	**22**	**0**	**0**
Sugar cane	5307	0	0	0	5307	0	0	4150	0	0	1157	29.3	22	0	0
Sugar beet	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Sugar & Sweeteners	**572**	**179**	**-20**	**19**	**712**	**0**	**0**	**34**	**0**	**0**	**678**	**17.1**	**167**	**0**	**0**
Sugar non-centrifugal	23	0	0	0	23	0	0	20	0	0	3	0.1	1	0	0
Sugar (raw equivalent)	527	167	-20	15	660	0	0	7	0	0	652	16.5	161	0	0
Sweeteners, other	0	12	0	4	8	0	0	7	0	0	1	0.0	0	0	0
Honey	22	0	0	0	22	0	0	0	0	0	22	0.5	5	0	0
Pulses	**816**	**7**	**433**	**1**	**1254**	**0**	**10**	**0**	**128**	**0**	**1133**	**28.7**	**269**	**17**	**1**
Beans	578	1	35	0	614	0	0	0	92	0	522	13.2	123	8	1
Peas	0	5	0	0	5	0	0	0	0	0	5	0.1	1	0	0
Pulses, other	238	1	398	1	636	0	10	0	36	0	607	15.4	144	9	1
Treenuts	**22**	**0**	**0**	**6**	**16**	**0**	**0**	**0**	**0**	**0**	**13**	**0.3**	**3**	**0**	**0**
Oilcrops	**179**	**8**	**0**	**6**	**181**	**10**	**3**	**82**	**8**	**0**	**79**	**2.0**	**27**	**1**	**2**
Soybeans	0	0	0	0	0	0	0	0	0	0	1	0.0	0	0	0
Groundnuts	69	1	0	0	70	0	1	0	3	0	66	1.7	25	1	2
Sunflowerseed	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Rape & Mustard seed	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Cottonseed	13	3	0	1	15	0	2	13	1	0	0	0.0	0	0	0
Coconuts (incl. copra)	60	0	0	0	60	10	0	34	4	0	12	0.3	1	0	0
Sesame seed	0	4	0	5	0	0	0	0	0	0	0	0.0	0	0	0
Palm	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Olive	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Oilcrops, other	36	0	0	0	35	0	0	35	0	0	0	0.0	0	0	0
Vegetable oils	**35**	**559**	**0**	**83**	**511**	**0**	**0**	**0**	**0**	**278**	**232**	**5.9**	**141**	**0**	**16**
Soybean oil	0	5	0	5	0	0	0	0	0	0	0	0.0	0	0	0
Groundnut oil	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Sunflower seed oil	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Rape and mustard oil	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Cottonseed oil	2	0	0	0	1	0	0	0	0	0	1	0.0	1	0	0
Palm kernel oil	0	2	0	0	2	0	0	0	0	0	2	0.0	1	0	0
Palm oil	0	538	0	76	462	0	0	0	0	276	186	4.7	113	0	13
Copra oil	6	12	0	1	17	0	0	0	0	0	17	0.4	11	0	1
Sesame seed oil	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Olive oil	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Rice bran oil	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maize germ oil	14	1	0	0	14	0	0	0	0	0	14	0.3	8	0	1
Oilcrops oil, other	14	1	0	0	15	0	0	0	0	3	12	0.3	7	0	1
Vegetables	**1397**	**113**	**0**	**221**	**1289**	**0**	**0**	**0**	**104**	**0**	**1785**	**45.1**	**28**	**2**	**0**
Tomatoes	330	5	0	0	335	0	0	0	33	0	302	7.6	4	0	0
Onions	68	0	0	0	68	0	0	0	7	0	61	1.5	2	0	0
Vegetables, other	999	108	0	221	886	0	0	0	64	0	1422	36.0	22	1	0
Fruits	**2479**	**34**	**0**	**333**	**2180**	**0**	**0**	**6**	**260**	**0**	**1914**	**48.4**	**83**	**1**	**1**
Oranges & mandarins	26	2	0	0	28	0	0	0	3	0	25	0.6	0	0	0
Lemons & limes	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Grapefruit	13	0	0	0	13	0	0	0	1	0	12	0.3	0	0	0
Citrus, other	135	0	0	0	135	0	0	0	14	0	121	3.1	2	0	0
Bananas	600	0	0	0	600	0	0	0	90	0	510	12.9	21	0	0
Plantains	600	0	0	0	600	0	0	6	60	0	534	13.5	33	0	0
Apples (excl. cider)	2	4	0	0	6	0	0	0	0	0	6	0.2	0	0	0
Pineapples	600	0	0	226	374	0	0	0	60	0	314	7.9	11	0	0
Dates	1	1	0	0	2	0	0	0	0	0	2	0.0	0	0	0
Grapes (excl. wine)	1	2	0	0	3	0	0	0	0	0	3	0.1	0	0	0
Fruit, other	501	25	0	106	420	0	0	0	34	0	387	9.8	14	0	1
Stimulants	**414**	**11**	**5**	**446**	**-15**	**0**	**0**	**0**	**0**	**0**	**2**	**0.1**	**0**	**0**	**0**
Coffee	36	1	5	58	-15	0	0	0	0	0	1	0.0	0	0	0
Cocoa Beans	0	2	0	1	2	0	0	0	0	0	2	0.0	0	0	0
Tea	378	8	0	388	-2	0	0	0	0	0	0	0.0	0	0	0

FOOD BALANCE SHEET 2011

Population ('000) : 39,545

Products	DOMESTIC SUPPLY (1000 MT)					DOMESTIC UTILIZATION (1000 MT)						PER CAPUT SUPPLY			
	Prod.	Imports	Stock changes	Exports	Total D.S.	Feed	Seed	Processed	Waste	Oth. Util.	Food	PER YEAR FOOD	PER DAY Calories	Proteins	Fats
	1000 Metric Tons											Kg.	units	grams	grams
Spices	256	2	0	3	256	0	0	0	0	0	255	6.5	60	2	3
Pepper	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Pimento	5	0	0	0	5	0	0	0	0	0	5	0.1	1	0	0
Cloves	1	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Spices, other	250	2	0	2	250	0	0	0	0	0	250	6.3	58	2	3
Alcoholic beverages	552	7	0	2	557	0	0	0	0	0	557	14.1	20	0	0
Wine	0	4	0	1	3	0	0	0	0	0	3	0.1	0	0	0
Beer	210	2	0	1	211	0	0	0	0	0	211	5.3	6	0	0
Beverages, fermented	318	0	0	0	318	0	0	0	0	0	318	8.0	9	0	0
Beverages, alcoholic	24	1	0	1	25	0	0	0	0	0	25	0.6	5	0	0
Alcohol, non food	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Meat	462	1	0	5	458	0	0	0	0	0	533	13.5	69	5	6
Bovine meat	405	0	0	1	404	0	0	0	0	0	404	10.2	53	4	5
Mutton & goat meat	0	0	0	2	-2	0	0	0	0	0	61	1.5	7	1	0
Pig meat	0	1	0	2	-1	0	0	0	0	0	12	0.3	4	0	0
Poultry meat	22	0	0	0	21	0	0	0	0	0	21	0.5	2	0	0
Other meat	36	0	0	0	36	0	0	0	0	0	36	0.9	4	0	0
Offals	76	0	0	0	76	0	0	0	0	0	76	1.9	6	1	0
Animal fats	19	4	0	1	22	0	0	13	0	3	5	0.1	3	0	0
Butter, ghee	3	0	0	0	2	0	0	0	0	0	2	0.1	1	0	0
Cream	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Fats, animal, raw	16	4	0	0	19	0	0	13	0	3	3	0.1	2	0	0
Fish, body oil	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Fish, liver oil	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Milk (excl butter)	4700	24	0	11	4714	17	0	2	281	0	4719	119.3	206	11	11
Eggs	103	0	0	1	102	0	5	0	15	0	82	2.1	7	1	1
Fish & sea food	160	43	0	39	164	0	0	0	0	0	164	4.2	8	1	0
Freshwater fish	140	18	0	24	134	0	0	0	0	0	133	3.4	6	1	0
Demersal fish	9	0	0	9	0	0	0	0	0	0	0	0.0	0	0	0
Pelagic fish	2	22	0	3	21	0	0	0	0	0	21	0.5	1	0	0
Marine fish, other	8	2	0	1	9	0	0	0	0	0	9	0.2	0	0	0
Crustaceans	1	1	0	0	1	0	0	0	0	0	1	0.0	0	0	0
Molluscs other	0	0	0	1	-1	0	0	0	0	0	0	0.0	0	0	0
Cephalopods	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Aquatic products, other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aquatic mammals meat	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aquatic animals, other	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0
Aquatic plants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	18	7	2	14	13	0	0	7	0	3	3	0	2	0	0
Infant food	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous, other	18	7	2	14	13	0	0	7	0	3	3	0	2	0	0

Chapter 9

Environment and Natural Resources

Overview

The Country's economic growth and the livelihood of her people is largely dependent on her natural resource base such as forestry, fisheries, mining and water. This resource base is increasingly under pressure from human activities and the effects of climate change resulting in environmental degradation and depletion. In view of this, the Government finalized the National Environmental Policy, 2012 which sets out provision for the management of ecosystems and the sustainable use of natural resources. Total development expenditure on water supplies and related services is expected to increase by 29.8 per cent from KSh 26.5 billion in 2011/12 to KSh 34.4 billion in 2012/13. The forest plantation stocking improved from 121.7 thousand hectares in 2011 to 127.1 thousand hectares in 2012, mainly due to improved forest protection. Total fish landings decreased slightly by 1.9 per cent to 146.2 thousand tonnes in 2012 from 149.0 thousand tonnes in 2011. The quantity of minerals produced declined by 14.0 per cent from 1,690.7 thousand tonnes in 2011 to 1,454.8 thousand tonnes in 2012. The population of most wildlife herbivores, a key tourist attraction, declined during the period under review.

Water Supply

9.2. Access to safe and sustainable supply of water is a key indicator to well being, social stability and economic growth to the population. Programmes under the water sub-sector during the year were geared towards increasing the number of households with access to an improved water source and sanitation. The management of water resources focused on construction of large and medium size dams for water storage.

9.3. During the review period, major projects undertaken by the Ministry of Water and Irrigation include the Nzoia Cluster phases 1 to 3, rehabilitation works for Kisumu, Nakuru and Ruiru water supply, and commencement of both Murang'a and Maragwa bulk water supply projects. In addition, the water storage capacity is projected to increase by 24.3 million cubic metres at the end of 2012/2013. This is as a result of rehabilitation of Sasumua and completion of Maruba and Kiserian dams and construction of 198 small dams in Arid and Semi-Arid lands (ASALs) with storage capacities of 16.0, 2.5, 1.2 and 4.6 million cubic metres respectively.

9.4. In 2012/13, the Government in collaboration with other stakeholders, continued to increase access to improved water sources through drilling of Boreholes (BHs) and maintenance of Water Purification Points (WPPs) across the country as shown in Table 9.1. Regions with high number of WPPs include Rift Valley, Central, Western, Nyanza and Eastern. The number of boreholes drilled in the sector is expected to increase from 86 in 2011/2012 to 91 in 2012/13. The highest number of boreholes is expected to be drilled in Rift Valley followed by Eastern and Nyanza regions with 34, 22 and 14, respectively.

Table 9.1: Water Purification Points and Boreholes Drilled, 2008/09- 2012/13

Number

	2008/09		2009/10		2010/11		2011/12		2012/13*	
Regions	**WPP**	**BH**	**WPP**	**BH**	**WPP**	**BH**	**WPP**	**BH**	**WPP**	**BH**
Central	38	7	38	5	41	3	41	3	41	3
Coast	8	5	8	11	8	5	8	1	8	1
Eastern	29	32	31	29	31	28	31	32	32	22
N/Eastern	7	14	7	17	7	18	7	13	8	11
Nyanza	34	8	34	6	35	10	36	13	36	14
Rift Valley	43	34	45	26	46	23	46	18	46	34
Western	33	0	35	3	40	8	40	6	40	5
Nairobi	-	15	-	-	-	-	-	-	-	1
TOTAL	**192**	**115**	**198**	**97**	**208**	**95**	**209**	**86**	**211**	**91**

Source: Ministry of Water and Irrigation

* Provisional

BH - Borehole (drilled by Government or Private Sector)

WPP - Water Purification Points

9.5. Development expenditure on water supplies and related services over the period 2008/09 to 2012/13 is shown in Table 9.2. Total development expenditure is projected to grow by 29.8 per cent from KSh 26.5 billion in 2011/12 to KSh 34.4 billion in 2012/13. This substantial increase is expected to fund water and irrigation projects as prioritized through Medium Term Expenditure Framework (MTEF).

9.6. Expenditure on Water Development is expected to grow by 23.5 per cent from KSh 18.7 billion in 2011/12 to KSh 23.1 billion in 2012/13. The increased funding is mainly for the development of water supplies infrastructure undertaken by the Water Services Boards in all urban areas. Funding of the National Water Conservation and Pipeline Corporation (NWCPC) is expected to increase by 32.5 per cent mainly to support water conservation and dam construction. Likewise, spending by the National Irrigation Board will increase to KSh 2.7 billion in 2012/13 from KSh 0.8 billion in 2011/12.

Table 9.2: Development Expenditure on Water Supplies and Related Services, 2008/09 - 2012/13

KSh Million

Item	**2008/09**	**2009/10**	**2010/11**	**2011/12***	**2012/13+**
Water Development	9,989.0	13,822.0	21,756.5	18,665.0	23,095.1
Training of Water Development Staff	25.0	33.0	26.4	70.0	70.0
Rural Water Supplies	1,056.7	1,044.8	1,308.7	1,829.1	1,405.4
Miscellaneous and Special Water Programmes	178.0	216.0	206.0	650.2	1,114.0
National Water Conservation and Pipeline Corporation	3,002.2	4,034.2	4,677.0	3,990.2	5,286.0
Irrigation Development	629.7	487.2	761.9	542.2	712.9
National Irrigation Board	410.0	2,626.7	2,358.7	764.5	2,743.0
TOTAL	**15,290.6**	**22,263.9**	**31,095.2**	**26,511.2**	**34,426.4**

Source: Ministry of Water and Irrigation/ National Water Conservation and Pipeline Corporation

+ Revised budget estimate

* Provisional

Fisheries

9.7. Details of quantity and value of fish landed are presented in Table 9.3. In 2012, the total quantity of fish landed in the country declined by 1.9 per cent to 146.2 thousand tonnes from 149.0 thousand tonnes in 2011. The quantity of fresh water fish landed decreased by 2.1 per cent to 137.5 thousand tonnes in 2012 from 140.5 thousand tonnes in 2011. The decline

was attributed to reduced fish catch from most lakes in the country. Fish landings from Lake Victoria decreased from 111.6 thousand tonnes in 2011 to 107.2 thousand tonnes in 2012 due to water hyacinth menace while that from Lake Turkana dropped to 5,088 tonnes. However, fish production from fish farming increased by 21.8 per cent from 19.3 thousand tonnes in 2011 to 23.5 thousand tonnes in 2012. This was mainly attributed to increase in area of farmed fish. Fish landings from marine sources increased slightly from 7,422 tonnes to 7,513 tonnes during the same period.

Table 9.3: Quantity and Value of Fish Landed, 2008 -2012

	2008	2009	2010	2011	2012*
Quantities - Tonnes:					
Freshwater fish					
Lake Victoria. ..	111,369	108,934	111,868	111,619	107,154
Lake Turkana . ..	8,070	9,445	6,430	7,250	5,088
Lake Naivasha	225	688	209	217	249
Lake Baringo	262	191	53	158	78
Lake Jipe	109	109	103	106	103
Tana River dams	1302	584	583	943	656
Fish Farming	4,452	4,895	12,153	19,265	23,501
Other areas . ..	883	828	946	916	703
SUB-TOTAL ...	**126,672**	**125,674**	**132,345**	**140,474**	**137,532**
Marine fish . ..	7,561	7,024	7,283	7,422	7,513
Crustaceans	578	407	519	549	547
Other marine products.	597	495	604	601	616
GRAND TOTAL .	**135,408**	**133,600**	**140,751**	**149,046**	**146,208**
Value - KSh Million					
Freshwater fish .	8,029.3	10,718.0	12,274.0	15,831.0	18,807.0
Marine fish . ..	422.0	541.0	557.0	630.0	708.0
Crustaceans . ..	145.4	147.0	127.0	156.0	171.0
Other marine products	43.4	49.0	44.0	61.0	87.0
TOTAL .	**8,640.2**	**11,454.0**	**13,002.0**	**16,678.0**	**19,773.0**

Source: Fisheries Department

* Provisional

9.8. As shown in Table 9.3, earnings from fish landings increased from KSh 16,678 million in 2011 to KSh 19,773 million in 2012. The increase in value may be attributed to high prices for freshwater fish. Value of fresh water fish increased from KSh 15,831 million in 2011 to KSh 18,807 million in 2012, accounting for 95.1 per cent of the total revenue generated from the sub-sector. Value of marine fish increased marginally from KSh 630 million in 2011 to KSh 708 million in 2012.

Forestry

9.9. Government forest plantation stocking from 2008 to 2012 are presented in Table 9.4. The total forest plantation stocking increased from 121.7 thousand hectares in 2011 to 127.1 thousand hectares in 2012. Area planted declined to 7.4 thousand hectares in 2012 compared to 8.0 thousand hectares in 2011. The decline in area planted is attributed to slowing down of *Kazi Kwa Vijana* funding in the forestry sub-sector. The area clear felled reduced from 3.9 thousand hectares in 2011 to 2.0 thousand hectares in 2012. During the same period, there were no planting failures and fire damages due to increased forest protection by the Government.

Table 9.4: Government Forest Plantation Stocking, 2008-2012.

'000 Ha

Stocking	2008	2009	2010	2011	2012*
Previous Plantation Area.[1]	107.2	108.9	112.7	118.8	121.7
Area Planted	5.7	3.5	9.6	8.0	7.4
Total	**112.9**	**112.4**	**122.3**	**126.8**	**129.1**
Area Clear felled	3.0	1.8	2.8	3.9	2.0
Planting failures/fire damages	1.0	3.0	0.7	1.2	0.0
Total Area	**108.9**	**112.7**	**118.8**	**121.7**	**127.1**

Source: Kenya Forest Service

* Provisional

[1] Opening stock at the beginning of the year

9.10. Recorded sale of forest products is as shown in Table 9.5. Total sale of timber increased by 68.8 per cent from 428.7 thousand true cubic metres in 2011 to 723.6 thousand true cubic metres in 2012. This was mainly attributed to the partial lifting of logging ban to pave way for harvesting of mature trees in gazzeted forests. The significant reduction in sale of hard wood is an indication of the effectiveness of the ban on logging. There was a notable increase in the sale of both fuel-wood/charcoal and power and telegraphic poles in 2012 compared to 2011.

Table 9.5: Recorded Sale of Forest[1] Products, 2008 – 2012

Forest Products	2008	2009	2010	2011	2012*
Timber - '000 true cu. metres-					
Soft wood	503.7	347.0	401.2	419.2	721.3
Hard wood	-	12.7	19.3	9.5	2.3
TOTAL	**503.7**	**359.7**	**420.5**	**428.7**	**723.6**
'000 stacked cu. metres-					
Fuel wood /Charcoal	28.8	0.9	60.3	6.6	45.9
Power & Telegraph Poles	52.0	12.2	6.4	0.8	1.8

Source: Kenya Forest Service

* Provisional.

[1] Government forest

Mining

9.11. Table 9.6 shows the quantity and value of mineral production for the period 2008 to 2012. Total quantity of minerals produced declined by 14.0 per cent from 1,690.7 thousand tonnes in 2011 to 1,454.8 thousand tonnes in 2012. Production of soda ash declined by 10.0 per cent from 499,052 tonnes in 2011 to 449,269 tonnes in 2012. Similarly, production of fluorspar, crushed refined soda, salt and gemstones decreased during the same period. However, production of gold more than doubled due to increased production in gold mining areas while that of carbon dioxide registered a growth of 31.1 per cent.

Table 9.6: Quantity and Value of Mineral Production, 2008 -2012

Mineral	2008	2009	2010	2011	2012*
Quantities - Tonnes:					
Minerals-					
Soda Ash	502,846	404,904	473,689	499,052	449,269
Fluorspar	130,100	5,500	40,750	95,051	91,000
Salt	24,345	24,125	6,194	24,639	9,980
Crushed Refined Soda	865,788	948,076	959,160	1,054,236	882,801
Carbon Dioxide	12,317	15,097	16,152	15,197	19,919
Diatomite	72	231	224	2,165	1,731
Gold	0.3	1.1	2.4	1.6	3.6
Gemstones	20.9	39.4	167.6	310.1	120.9
TOTAL	**1,545,202**	**1,398,587**	**1,496,339**	**1,690,652**	**1,454,825**
Value - KSh Million					
Soda Ash	8,881.7	6,085.4	6,980.0	7,354.0	9,388.0
Fluorspar	1,949.2	122.5	789.0	3,984.0	2,942.0
Salt	139.2	154.7	35.0	140.3	65.7
Crushed Refined Soda	442.0	484.0	467.0	532.0	589.0
Carbon Dioxide	296.0	333.0	408.0	411.0	503.0
Diatomite	3.5	14.0	9.0	15.0	3.6
Gold	592.9	2,284.0	6,217.0	5,650.8	13,919.7
Gemstones	178.6	141.3	226.4	230.9	157.5
TOTAL	**12,483.1**	**9,618.9**	**15,131.4**	**18,318.0**	**27,568.5**

Source: Department of Mines and Geology

* Provisional

9.12. Total earnings from mineral production, as indicated in Table 9.6, rose from KSh 18,318.0 million in 2011 to KSh 27,568.5 million in 2012. This was mainly attributed to increased earnings from gold and soda ash. The value of gold exports more than doubled from KSh 5,650.8 million in 2011 to KSh 13,919.7 million in 2011 to become the major earner for the sub-sector after soda ash. Despite reduced production, earnings from soda ash rose significantly from KSh 7,354 million in 2011 to KSh 9,388.0 million in 2012. However, earnings from fluorspar declined by 26.2 per cent from KSh 3,984.0 million in 2011 to KSh 2,942.0 million in 2012.

9.13. Average export prices of soda ash and fluorspar are shown in Table 9.7. The average price per tonne for soda ash increased from KSh 20.9 thousand in 2011 to KSh 21.2 thousand in 2012. However, average price of fluorspar decreased from KSh 33.7 thousand per tonne in 2011 to KSh 30.9 thousand per tonne in 2012.

Table 9.7: Average Export Prices of Soda Ash and Fluorspar, 2008 -2012

KSh per tonne

Mineral	2008	2009	2010	2011	2012*
Soda Ash	18,541	13,922	14,809	20,890	21,194
Fluorspar	14,982	22,280	19,372	33,688	30,940

Source: Department of Mines and Geology

* Provisional

Refuse Management

9.14. Table 9.8 shows the expenditure on public health for Nairobi City Council. Total expenditure is expected to increase from KSh 562.2 million in 2011/12 to KSh 686.7 million in 2012/13. Expenditure on Refuse Removal increased to KSh 499.3 million, accounting for 72.7 per cent of the total public health expenditure budget in 2012/13. Expenditure on Cleaning and Administration, and Cleaning – General rose to KSh 72.1 million and KSh 115.3 million, respectively.

Table 9.8: Expenditure on Public Health by the Nairobi City Council, 2008/09 -2012/13

KSh Million

Expenditure category	2008/09	2009/10	2010/11	2011/12	2012/13+
Cleaning and Administration....	330.2	49.7	64.2	67.9	72.1
Cleaning - General. . . .	1.9	51.7	121.7	80.0	115.3
Refuse Removal	158.4	356.7	313.9	414.3	499.3
Total.	**490.5**	**458.1**	**499.8**	**562.2**	**686.7**

Source: Nairobi City Council

+ Estimates

Wildlife

9.15. Wildlife population numbers derived from aerial sample survey data are given in Table 9.9. The data is usually taken from rangelands which are home to most wildlife species, which are a major tourist attraction. Most of the wildlife herbivores recorded decreases in population during the review period. This included Grant's gazelle, Elephant, Buffalo, Kongoni, Wildebeest, Gerenuk, Eland, Oryx and Thompson's gazelle. The reducing numbers of these herbivores may be attributed to unfavourable weather conditions; impediment of wildlife movements due to pressure from growing human population; land-use changes within fragile areas leading to land fragmentation and loss of habitat for wildlife; and poaching of some species especially the elephant.

Table 9.9: Wildlife Population Estimates in the Kenya Rangelands, 2008 – 2012

'000 Number

Species	2008	2009	2010	2011	2012*
Buffalo	18.1	17.8	17.5	16.2	15.0
Burchell's Zebra	107.0	103.4	102.0	101.7	103.6
Eland	7.7	8.5	7.9	7.4	6.8
Elephant	19.4	20.9	22.0	20.5	18.0
Gerenuk	23.0	21.0	20.2	19.8	18.5
Giraffe	27.5	25.4	24.0	23.0	23.4
Grant's Gazelle	114.0	113.3	112.5	112.7	111.5
Grevy's Zebra	3.8	3.8	3.6	3.4	3.0
H. Hartebeest	1.0	0.9	0.9	0.8	0.7
Impala	63.9	63.8	62.6	61.0	62.2
Kongoni	7.4	8.7	8.4	7.8	6.9
Kudus	11.4	11.2	10.5	11.2	11.0
Oryx	18.8	18.8	17.8	16.4	15.0
Ostrich	26.9	28.0	28.0	28.0	28.7
Thomson's Gazelle	47.4	47.5	47.0	46.0	43.5
Topi	27.0	24.0	23.3	21.0	21.5
Warthog	17.5	18.8	18.6	17.0	18.4
Waterbuck	3.7	3.9	4.0	3.0	3.6
Wildebeest	298.0	295.0	294.6	295.0	288.0

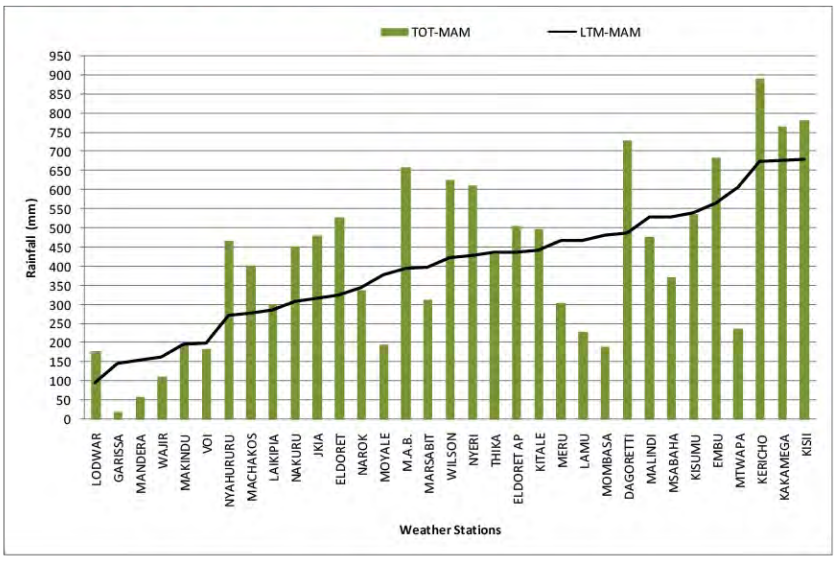
Source: Department of Resource Surveys and Remote Sensing

* Provisional

Weather Patterns

9.16. The long rains for the season 2012 was fairly adequate especially in the food basket zones of the country. From Figure 9.1, the stations that obtained rainfall that was well above their Long Term Mean (LTM) were Kericho, Dagoretti, Moi Air Base, Wilson Airport, Eldoret, Nakuru and Nyahururu among others. However, weather stations that recorded amount of rainfall below their LTM include Mombasa, Moyale, Lamu, Mtwapa and Mandera among others. North Eastern and the Coastal strip also recorded depressed rainfall during March April May (MAM) season.

Figure 9.1: Long Rains (March to May) Performance, 2012

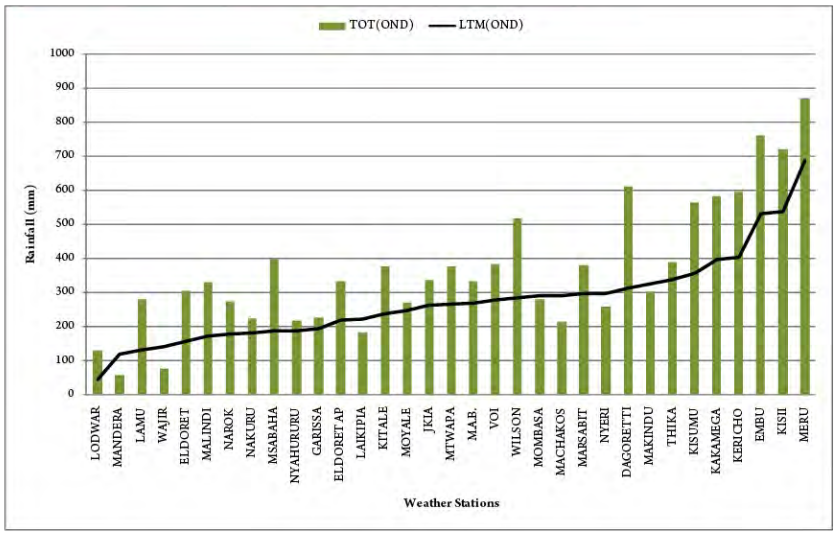


Source: Kenya Meteorological Department
TOT -Total rainfall
LTM- Long Term Mean
MAM- March- April-May

9.17. Impact of the enhanced rainfall recorded in the western and central highlands including Nairobi resulted in good crop production and pasture regeneration for livestock including in the pastoral areas. This also resulted in increased water levels in the Seven-Forks, Turkwel and Sondu Miriu hydroelectric power generation dams. Some of the negative effects included flash floods that claimed several human lives and displaced several families. Excessive rainfall in the western and central areas hampered production of certain crops such as beans.

9.18. The October-December 2012 seasonal rainfall analysis is depicted in Figure 9.2. Most meteorological stations recorded well above their LTM in the short rain season. Some of the positive effects were improved pasture for livestock and water levels for hydroelectric power generation. However, in certain areas there were serious floods which resulted in the destruction of infrastructure, crops and loss of human life and livestock.

Figure 9.2: Short Rains (October to December) Performance, 2012



Source: Kenya Meteorological Department
TOT-Total rainfall
LTM- Long Term Mean
OND- October-November-December

Development in Environment and Natural Resource

9.19. The United Nations conference on Sustainable Development (Rio + 20) held in Rio de Janeiro, Brazil from 20th to 22nd June, 2012, concluded and adopted "*the future we want outcomes*". This presented an opportunity to redirect and re-energize political commitment to the three dimensions of sustainable development, economic growth, social improvement and environmental protection. Member States agreed to launch development of a set of Sustainable Development Goals (SDGs), which will build upon the Millennium Development Goals and converge with the post 2015 development agenda. The Conference adopted guidelines on green economy policies, and agreed to upgrade United Nation Environment Programme (UNEP) headquarters located in Kenya. The decision to strengthen UNEP underlines how nations are increasingly recognising that climate change and the loss of fertile lands are now challenging the lives and livelihood of increasing numbers of people world-wide.

9.20. The United Nations Framework on Climate Change conference (UNFCC) held in Doha, Qatar from 26th November to 8th December, 2012 laid the basis for more ambitious international action against climate change in the short term and took a modest step towards a new global climate agreement to be finalized in 2015. The conference also agreed on continued implementation of agreed outcomes on key issues such as finance, adaptation, technology, deforestation, mitigation, measurement, reporting and verification, and markets under existing or newly-established bodies under the UNFCC.

9.21. The Government of Kenya finalized the National Environmental Policy, 2012 which sets out important provisions relating to the management of ecosystems and the sustainable use of natural resources. The policy recognizes that natural resource systems are under intense pressure from human activities particularly for critical ecosystems such as forests, water, grasslands and arid and semi-arid lands. The key policy statements in the document include

Government's pledge to increase the forest and tree cover to at least 10 per cent as required under the Constitution, protect key water catchment areas and rehabilitate and restore degraded ecosystems.

9.22. The Tana River Delta which covers an area of 163,600 hectares was recognized by the Ramsar Convention as Kenya's 6th Ramsar site. As a result of the declaration, the delta will now be conserved through local, national and international actions, as a contribution towards achieving sustainable development throughout the world. The delta has been the focus of a lot of controversy over plans of sugarcane and Jatropha large scale farming, oil exploration and other developments.

9.23. In 2012, the National Environment Management Authority (NEMA) was accredited as the National Implementing Entity (NIE) by the Adaptation Fund (AF) in disbursement of funds to support climate change adaptation projects in Kenya. The fund was established under the Kyoto Protocol to finance concrete adaptation projects and programmes in developing countries to cope with adversities of climate change. Communities will benefit through undertaking activities such as water resource management, agriculture for food security, disaster risk reduction, urban as well as rural development and coastal zones management. NEMA is the sixth NIE to be accredited in Africa and the 14th in the world.

9.24. The Government continued with the rehabilitation of the Mau Forest Complex in 2012. Over the last one-year, more than 21,000 hectares of forestland have been repossessed, and 10,000 hectares have been rehabilitated. In 2012 the Government gazetted the Kenya Water Towers Agency that succeeded Mau Secretariat in the coordination and supervision of the Kenya's water towers.

Chapter 10

Energy

Overview

On the international scene, average crude oil prices in 2012 were volatile and historically high for the second consecutive year. Murban crude prices increased by 2.1 per cent up from an average of 110.60 US Dollars per barrel in 2011 to an average of 112.97 US Dollars per barrel in 2012. The high oil prices are attributable to increased levels of speculation in the commodity markets, in oil production in South Sudan, Yemen, Syria, and the North Sea. In the domestic market, petroleum pump prices maintained an erratic trend in tandem with crude oil prices.

10.2. Total quantity of imported petroleum products decreased from 4,285.7 thousand tonnes in 2011 to 4,142.5 thousand tonnes in 2012. Imports of refined petroleum fuels rose to 2,803.4 thousand tonnes in 2012 from 2,235.6 thousand tonnes in 2011.This is partly attributed to a drop in imports of crude oil due to the transition from tolling to merchant refinery by the Kenya Petroleum Refinery Ltd (KPRL), resulting to a decline in finished processed petroleum products. Subsequently, the total quantity of domestic petroleum products exported declined by 55.4 per cent from 125.3 thousand tonnes in 2011 to 55.9 thousand tonnes in 2012. During the same period, the total value of petroleum products exported, including re-exports, decreased by 23.4 per cent. Total import bill of petroleum products dropped by 3.2 per cent to KSh 326.9 billion in 2012.

10.3. Total installed capacity of electricity expanded by 4.7 per cent to 1,606.1 MW in 2012 from 1,534.3 MW in 2011. Similarly, total electricity generation expanded from 7,559.9 GWh in 2011 to 7,851.2 GWh in 2012, reflecting a growth of 3.9 per cent. Total domestic demand for electricity recorded a growth of 2.2 per cent from 6,273.6 million KWh in 2011 to 6,414.4 million KWh in 2012. The number of customers connected under the Rural Electrification Programme (REP) grew by 23.7 per cent to stand at 382,631 customers as at June 2012.

Petroleum

10.4. Details of the quantity and value of imports and exports of petroleum products for the period 2008 to 2012 are presented in Table 10.1. The total quantity of petroleum products imported declined from 4,285.7 thousand tonnes in 2011 to 4,142.5 thousand tonnes in 2012. This was on account of decreased imports of crude oil that dropped by 43.7 per cent to 997.0 thousand tonnes during the review period.

10.5. The value of imported petroleum products declined by 3.2 per cent from KSh 337.7 billion in 2011 to KSh 326.9 billion in 2012. In contrast, the value of imported refined petroleum fuels increased by 20.9 per cent in 2012. The value of imported lubricating greases increased by 23.9 per cent. The value of total exports of petroleum products dropped by 13.0 per cent to stand at KSh 13,716.1 million in 2012 occasioned by decline in the value of domestic exports which dropped significantly by 50.8 per cent to stand at KSh 3,817.1 million. However, the value of re-exports increased by 23.6 per cent during the same period. Net balance of petroleum products decreased by 2.7 per cent to KSh 313.2 billion in 2012 compared to 322.0 billion in 2011.

Table 10.1: Quantity and Value of Imports, Exports and Re-exports of Petroleum Products[1], 2008 – 2012

	Quantity ('000 Tonnes)					Value (KSh Million)				
Year	2008	2009	2010	2011	2012*	2008	2009	2010	2011	2012*
IMPORTS										
Crude Petroleum	1,687.7	1,610.1	1,551.5	1,772.1	997.0	81,452.9	54,495.4	72,598.0	124,041.6	68,086.0
Petroleum Fuels	1,704.5	2,259.0	2,071.9	2,235.6	2,803.4	112,786.7	96,621.3	119,462.5	196,648.9	237,699.5
Lubricating Oils	12.4	17.0	3.0	0.0	0.07	614.1	588.2	123.4	0.3	5.8
Lubricating Greases	118.6	265.0	218.2	278.0	342.0	4,945.5	8,487.6	8,596.1	17,058.4	21,130.3
TOTAL	**3,523.2**	**4,151.1**	**3,844.6**	**4,285.7**	**4,142.5**	**199,799.2**	**160,192.5**	**200,780.0**	**337,749.2**	**326,921.5**
DOMESTIC EXPORTS										
Petroleum Fuels	19.2	20.7	29.4	32.1	11.7	1,350.2	1,102.0	1,835.2	2,642.1	1,093.3
Lubricating Oils	29.5	11.0	10.0	35.0	0.6	1,220.8	370.8	471.1	1,740.9	38.8
Lubricating Greases	51.1	65.7	55.7	58.2	43.7	1,893.9	2,230.5	2,308.0	3,370.9	2,685.0
TOTAL	**99.8**	**97.4**	**95.1**	**125.3**	**55.9**	**4,464.9**	**3,703.3**	**4,614.3**	**7,753.9**	**3,817.1**
RE-EXPORTS										
Petroleum Fuels	25.0	35.7	68.4	55.3	57.3	1,611.0	1,621.0	3,979.3	4,824.9	5,163.8
Lubricating Oils	7.6	11.1	1.1	0.1	0.0	371.6	460.7	50.7	2.4	2.4
Lubricating Greases	43.4	66.6	51.8	60.3	71.3	1,527.2	2,074.3	2,071.6	3,178.7	4,732.8
TOTAL	**76.0**	**113.4**	**121.3**	**115.7**	**128.7**	**3,509.8**	**4,156.0**	**6,101.6**	**8,006.0**	**9,899.0**
TOTAL EXPORTS	**175.8**	**210.8**	**216.3**	**240.9**	**184.6**	**7,974.7**	**7,859.3**	**10,715.9**	**15,759.9**	**13,716.1**
NET BALANCE						**191,824.5**	**152,333.2**	**190,064.1**	**321,989.3**	**313,205.4**

Source: Kenya Revenue Authority/ Kenya National Bureau of Statistics

*Provisional

[1] Excludes other light and medium petroleum oils, preparations and residual petroleum products not elsewhere stated.

10.6. Table 10.2 presents the quantity of crude oil intake at the KPRL by type. Crude oil intake declined by 43.1 per cent to 992.1 thousand tonnes in 2012. This was occasioned by change over from a tolling/ leasing to a merchant refinery. KPRL is now able to procure crude oil, process and sell refined petroleum products to oil marketing companies. Murban crude oil intake fell from 1,736.5 thousand tonnes in 2011 to 998.4 thousand tonnes in 2012. Murban crude has dominated intake at the refinery over the last five years. This is mainly due to its high yield of white products. For the second consecutive year, there were no imports of Arabian Medium crude.

Table 10.2: Crude Oil Intake at the Refinery by Type, 2008- 2012

'000 Tonnes

Crude intake	A.P.I. Gravity	2008	2009	2010	2011	2012*
Arabian Medium	31.0	252.6	84.0	83.9	..	..
Murban	39.6	1,334.9	1,545.5	1,495.1	1,736.5	998.4
Slops[1]	..	(4.8)	(24.4)	23.3	5.7	(6.3)
TOTAL		**1,582.7**	**1,605.0**	**1,602.2**	**1,742.2**	**992.1**

Source: Kenya Petroleum Refineries Limited

*Provisional

[1] A mixture of crude oil and pure products realised during processing and is recycled

A.P.I - American Petroleum Institute

10.7. Details of finished petroleum products processed by KPRL are presented in Table 10.3. During the review period, illuminating kerosene and jet /turbo fuel; light diesel oil and fuel oil, were the main products processed, collectively accounting for 75.3 per cent of total output. The production of light diesel oil, illuminating kerosene and jet/turbo, fuel oil, heavy and marine diesel oil and unleaded motor gasoline premium decreased considerably. This is attributed to a decline in crude oil imports. The refinery usage declined significantly from 83.7 thousand tonnes in 2011 to 48.0 thousand tonnes in 2012.

Table 10.3: Finished Petroleum Products[1], 2008 - 2012

'000 Tonnes

	2008	2009	2010	2011	2012*
OUTPUT-					
Liquefied petroleum gas	32.7	29.4	29.2	27.6	17.1
Motor gasoline premium (Unleaded)	134.9	109.5	135.1	141.5	111.2
Motor gasoline regular					
Unleaded	46.7	47.7	46.3	36.9	5.9
Illuminating kerosene and					
Jet/turbo fuel	316.9	359.3	349.3	393.3	224.4
Light diesel oil	350.0	371.9	367.3	402.8	223.0
Heavy and Marine diesel oil	24.0	17.8	25.8	26.6	16.4
Fuel oil	515.2	497.9	449.6	520.0	299.5
Bitumen	12.4	0.3	15.9	(5.4)	0.0
Additives	58.6	78.8	82.3	115.2	46.7
Refinery usage[2]	91.3	92.4	101.4	83.7	48.0
THROUGHPUT=TOTAL OUTPUT	**1,582.7**	**1,605.0**	**1,602.2**	**1,742.2**	**992.1**

Source: Kenya Petroleum Refineries Limited.

* Provisional.

1 Excludes lubricants.

2 Includes fuel use and losses

10.8. Table 10.4 shows supply and demand for petroleum products for the period 2008 to 2012. Total domestic demand for petroleum products declined by 5.7 per cent from 3,857.9 thousand tonnes in 2011 to 3,638.0 thousand tonnes in 2012. However, demand for illuminating kerosene, motor spirit and light diesel oil increased by 14.6, 10.0 and 1.7 per cent, respectively. Jet fuel recorded a marginal increase from 670.6 thousand tonnes in 2011 to 671.0 thousand tonnes in 2012. During the review period, there was decreased demand for aviation spirit, heavy diesel oil and fuel oil. The demand for Liquefied Petroleum Gas (LPG) grew by 2.2 per cent to 93.6 thousand tonnes in 2012.

Table 10.4: Petroleum Supply and Demand, 2008 – 2012

'000 Tonnes

	2008	2009	2010	2011	2012*
DEMAND-					
Liquefied petroleum gas	84.4	74.6	87.8	91.6	93.6
Motor spirit (premium and regular)	381.3	461.7	597.2	562.1	618.5
Aviation spirit	2.5	1.4	2.5	2.8	1.8
Jet/turbo fuel	559.2	570.9	539.6	670.6	671.0
Illuminating kerosene	244.7	332.8	316.0	269.6	309.0
Light diesel oil	1,141.1	1,416.1	1,517.3	1,461.8	1,486.3
Heavy diesel oil	30.0	23.9	25.0	27.6	20.8
Fuel oil	690.0	729.4	680.3	771.8	437.0
TOTAL	**3,133.2**	**3,610.8**	**3,765.7**	**3,857.9**	**3,638.0**
Refinery usage	91.3	92.4	101.4	83.7	48.0
TOTAL DOMESTIC DEMAND	**3,224.5**	**3,703.2**	**3,867.1**	**3,941.6**	**3,686.0**
Exports of petroleum fuels	19.2	20.7	29.4	32.1	11.7
TOTAL DEMAND	**3,243.7**	**3,723.9**	**3,896.5**	**3,973.7**	**3,697.7**
SUPPLY-					
Imports:					
Crude oil	1,687.7	1,610.1	1,551.5	1,772.1	997.0
Petroleum fuels	1,704.5	2,259.0	2,071.9	2,235.6	2,803.4
TOTAL	3,392.2	3,869.1	3,623.4	4,007.7	3,800.4
Adjustment[1]	(148.5)	(145.2)	273.1	(34.0)	(102.7)
TOTAL SUPPLY	**3,243.7**	**3,723.9**	**3,896.5**	**3,973.7**	**3,697.7**

Source: Ministry of Energy, Kenya Revenue Authority & Kenya Petroleum Refineries Limited.

* Provisional.

[1] Adjustment for inventory changes and losses in production.

10.9. Table 10.5 and Figure 10.1 present net domestic sales of petroleum fuels by consumer category for the period 2008 to 2012. Total domestic sales declined to 3,638.0 thousand tonnes in 2012 from 3,857.9 thousand tonnes in 2011. Transport sector (mainly road and aviation) was the main consumer of petroleum fuels, jointly accounting for 79.7 per cent of sales in 2012. Consumption by retail pump outlets and road transport category expanded by 3.5 per cent. On the other hand, aviation category declined marginally. Less fuel was sold for power generation due to adequate rains which supported hydro electricity generation. Consistent with reduced activity in the tourism sector, the volume of fuel sold declined by 19.5 per cent to 6.2 thousand tonnes.

Table 10.5: Net Domestic Sale of Petroleum Fuels by Consumer Category, 2008–2012

'000 Tonnes

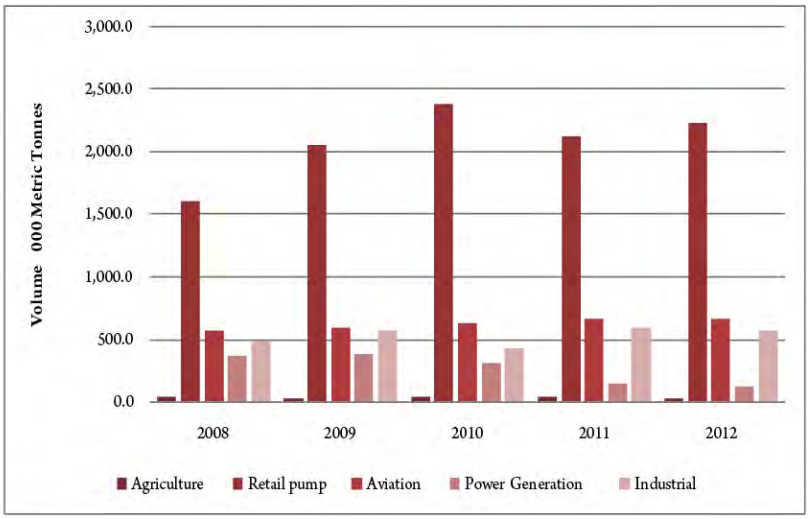
User	2008	2009	2010	2011	2012*
Agriculture	37.1	26.3	33.9	30.4	22.5
Retail pump outlets & road transport	1,609.3	2,054.5	2,362.5	2,159.5	2,234.7
Rail transport	13.5	8.5	0.2	7.3	11.6
Tourism[1]	8.1	8.3	7.4	7.7	6.2
Marine (excl. Naval Forces)	0.8	7.3	16.1	26.8	13.1
Aviation (excl. Government)	567.0	592.4	625.1	665.7	665.5
Power Generation	360.4	372.2	300.3	328.7	118.7
Industrial, Commercial and Other	482.0	570.0	414.6	632.5	566.1
Government	12.5	18.9	15.8	21.0	12.6
Balancing Item	42.5	(47.5)	(10.2)	(21.7)	(13.0)
TOTAL	**3,133.2**	**3,610.8**	**3,765.7**	**3,857.9**	**3,638.0**

Source: Ministry of Energy

* Provisional

1 Comprises sales to tour operators

Figure 10.1: Sale of Petroleum Fuels to Major Consumers by Category, 2008-2012



10.10. Average wholesale prices of petroleum products in Mombasa for the month of December in the last five years are presented in Table 10.6. Except for fuel oil, all other wholesale prices dropped by various margins in 2012. Illuminating kerosene, gas oil and premium motor gasoline prices, recorded declines of 6.5, 5.7 and 4.6 per cent, respectively.

Table 10.6: Wholesale Prices[1] of Petroleum Products in Mombasa, 2008 – 2012

KSh per Tonne

PRODUCT	Dec 08	Dec 09	Dec 10	Dec 11	Dec 12
Liquefied petroleum gas	79,168	68,983	94,114	131,420	130,910
Premium motor gasoline	104,652	100,989	107,794	112,000	106,866
Regular motor gasoline[2]	81,450	..	..	..	..
Illuminating kerosene	82,206	64,668	73,193	84,000	78,516
Light diesel oil	84,324	74,340	86,106	105,000	99,060
Industrial diesel oil	64,875	69,059	69,148	86,501	81,608
Fuel oil	48,671	47,841	48,711	68,050	70,838

Source: National Oil Corporation

[1] Including duties and VAT.

[2] The product is no longer sold in the market

10.11. Details of Murban crude oil prices at the international market for the last five years are presented in Table 10.7 and Figure 10.2. The price of Murban crude oil imports remained volatile during the year in tandem with international crude oil prices. The average price went up by 3.1 per cent from US Dollar 110.60 per barrel in 2011 to US Dollar 112.97 per barrel in 2012. Over the 12 months period, international crude oil prices peaked in February to a level of US Dollar 127.0 and declined in June 2012 to its lowest level of US Dollar 97.35 per barrel. The high prices may partly be explained by high demand for fuel mainly driven by expectations of improved global economic activity, speculation in the commodity market and the appreciation of the dollar against major international currencies.

Table 10.7: Murban ADNOC Prices[1], 2008 – 2012

US$/BBL

Month/Year	2008	2009	2010	2011	2012*
January	92.25	48.85	77.50	95.55	114.20
February	95.10	44.95	74.20	103.60	120.45
March	102.20	47.55	78.30	112.55	127.00
April	109.35	45.85	84.80	120.70	121.20
May	125.75	60.15	77.85	113.60	110.60
June	134.00	71.65	74.80	112.15	97.35
July	137.35	66.95	73.00	113.95	101.75
August	117.50	72.75	74.60	109.05	111.65
September	98.05	69.10	75.90	110.90	115.40
October	69.25	69.25	81.50	108.95	113.20
November	51.40	78.60	85.65	114.35	112.10
December	42.10	76.10	91.85	111.80	110.75
Annual average	97.86	62.65	79.16	110.60	112.97

Source : Ministry of Energy

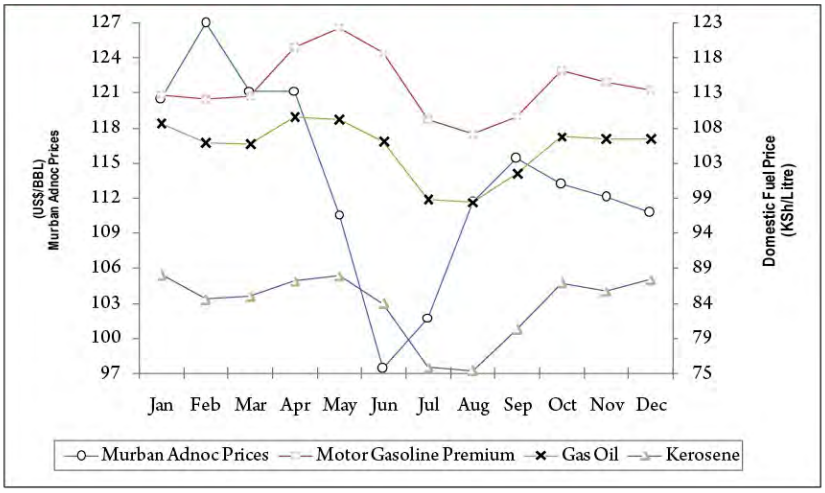
* Provisional

ADNOC : Abu Dhabi National Oil Corporation

[1] Abu Dhabi Free On Board (FOB) Prices

US$/ BBL: US Dollars per Barrel

Figure 10.2: International Crude Oil Prices against Domestic Fuel Prices, 2012



10.12. Details of average retail prices of selected petroleum products over the last five years are shown in Table 10.8. Domestic prices for motor spirit premium declined by 5.4 per cent from KSh 119.79 per litre in December 2011 to KSh 113.35 per litre in December 2012. The average price of diesel (gas oil) declined from KSh 111.81 in December 2011 to KSh 106.64 in December 2012. The prices of gas oil and illuminating kerosene peaked at KSh 109.64 per litre in April and KSh 87.96 per litre in January 2012, respectively. The average retail price of LPG per 13 Kg cylinder fell by 20.5 per cent to KSh 2,604.55 in December 2012 from KSh 3,275.84 in December, 2011.

Table 10.8: Average Retail Prices of Selected Petroleum Products in Kenya, 2008 – 2012

		KSh per Litre				KSh Per 13 Kg Cylinder
		Motor Spirit				
Year	Month	Premium	Regular	Gas Oil	Illuminating Kerosene	Liquified Petroleum Gas (LPG)
2008	January	88.04	86.10	77.69	64.37	1,735.70
	March	91.63	89.99	81.63	66.94	1,783.63
	June	100.43	98.73	93.18	75.45	1,810.07
	September	106.85	103.89	100.77	84.52	1,816.06
	December	82.16	82.73	73.12	61.08	1,845.46
2009	January	84.52	81.73	75.57	68.00	1,918.00
	March	80.64	79.41	72.59	63.26	1,913.00
	June	78.94	77.48	67.26	57.99	1,915.00
	September	79.49	80.26	68.71	59.73	1,907.00
	December	82.14	82.73	73.12	61.08	1,936.56
2010	January	83.95	83.71	73.78	62.27	1,913.29
	March	85.61	..	74.10	62.36	1,970.54
	June	89.19	..	78.24	65.60	2,121.10
	September	93.82	..	78.95	67.32	1,986.04
	December	95.65	..	87.10	74.12	2,191.00
2011	January	95.37	..	89.47	78.45	2,326.65
	March	103.32	..	95.27	84.92	2,308.56
	June	115.87	..	107.26	86.66	2,328.67
	September	118.42	..	109.01	89.14	2,451.66
	December	119.79	..	111.81	91.58	3,275.84
2012	January	112.70	..	108.74	87.96	3,149.63
	February	112.07	..	106.13	84.60	2,971.82
	March	112.44	..	105.97	84.99	2,882.50
	April	119.23	..	109.64	87.13	2,824.50
	May	121.89	..	109.28	87.83	2,813.01
	June	118.40	..	106.33	84.05	2,772.94
	July	109.22	..	98.35	75.27	2,696.80
	August	107.25	..	97.94	74.84	2,633.16
	September	109.70	..	101.92	80.51	2,628.06
	October	116.00	..	106.95	86.88	2,636.93
	November	114.42	..	106.70	85.72	2,617.02
	December	113.35	..	106.64	87.29	2,604.55

Source: Ministry of Energy

Electricity

10.13. Table 10.9 and Figure 10.3 present details of installed capacity and generation of electricity by different producers. Total installed capacity expanded by 4.7 per cent to 1,606.1 MW in 2012. The increased installed capacity is mainly attributable to the commissioning of Sang'oro-21 MW, Kindaruma-44 MW, Eburru-2.5 MW and Wellhead-5 MW. Geothermal installed capacity increased from 190.6 in 2011 to 199.6 MW in 2012 while co-generation installed capacity remained constant at 26.0 MW.

10.14. Total electricity generation increased by 3.9 per cent from 7,559.9 GWh in 2011 to 7,851.2 GWh in 2012. This is explained by a 21.6 per cent increase in hydro generation which accounted for 50.7 per cent of total electricity generation. Good rainfall experienced during the

period impacted positively on hydro generation. Thermal and geothermal sources accounted for 28.0 per cent and 19.3 per cent of the total electricity generation, respectively, during the same period. The total generation from geothermal plants recorded a growth of 3.0 per cent to 1,488.0 GWh in 2012. Co-generation and wind energy jointly accounted for a paltry 1.5 per cent of the total generation.

Table 10.9: Installed Capacity and Generation of Electricity[1], 2008-2012

	INSTALLED CAPACITY MW[2]					GENERATION GWh[3]								
	Hydro	Thermal Oil	Geo thermal	Co-gene-ration	Total	Hydro[4]	Thermal oil				Geo thermal	Co-gene-ration	Wind	Total
							KenGen	IPP	EPP	Total				
2008	719.0	418.9	128.0	2.0	1,267.9	3,267.0	521.4	883.0	741.0	2,145.4	1,039.0	4.0	0.2	6,455.6
2009	730.0	421.5	158.0	2.0	1,311.5	2,160.0	654.0	1,208.0	1,135.0	2,997.0	1,293.0	50.0	7.2	6,507.2
2010	728.0	469.2	189.0	26.0	1,412.2	3,224.0	291.0	1,370.0	540.0	2,201.0	1,442.0	92.0	16.8	6,975.8
2011	735.0	582.7	190.6	26.0	1,534.3	3,217.2	903.0	1,538.8	358.7	2,800.5	1,443.7	80.9	17.6	7,559.9
2012*	769.9	610.6	199.6	26.0	1,606.1	4,015.9	682.5	1,208.9	309.0	2,200.4	1,515.9	104.7	14.4	7,851.3

Source: Kenya Power & Lighting Company Ltd / Kenya Electricity Generation Company Ltd

*Provisional

IPP: Independent Power Producers

EPP: Emergency Power Producers

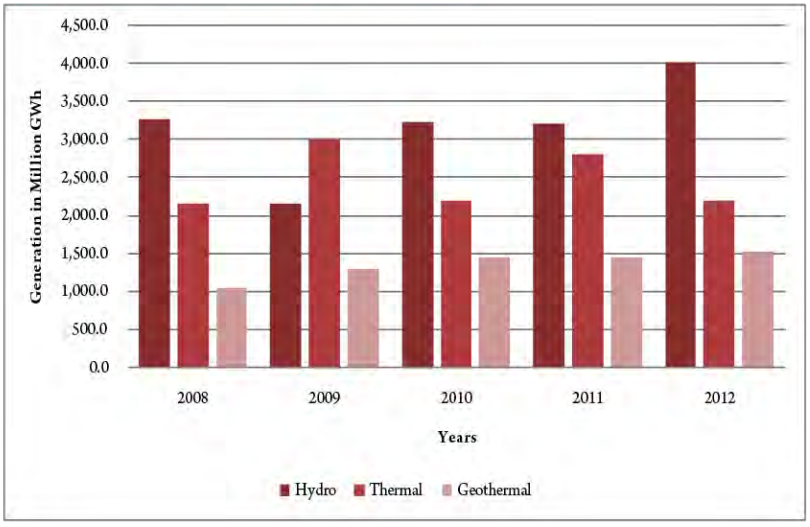
[1]Includes generation for industrial establishment with generation capacity of over 100KVA plus emergency supply of 99 MW by contracted

[2] 1 megawatt = million watts = 1,000 kilowatts.

[3] 1 Gigawatt hour = 1,000,000 kilowatt hours

[4]Includes Imports from Uganda and Tanzania

Figure 10.3: Generation of Electricity by Source, 2008- 2012



10.15. Details of demand and supply balance of electricity are shown in Table 10.10. The total domestic demand for electricity expanded by 2.2 per cent to 6,414.4 million KWh in 2012. Domestic and small, and large and medium commercial and industrial sectors remained the main consumers of electricity accounting for 93.2 per cent of the total domestic consumption. Domestic and small commercial consumption increased by 3.9 per cent to KSh 2,568.5 million KWh. Sales to the Large and Medium commercial consumers declined to 3,409.2 million KWh in 2012 but accounted for the largest share of the total demand.

10.16. The demand for electric power by rural electrification registered a growth of 24.2 per cent to 380.1 million KWh in 2012 in line with the government policy of connecting 200 thousand households in rural areas annually. Total imports of electricity from Uganda and Tanzania rose by 15.3 per cent from 33.9 GWh in 2011 to 39.1 GWh in 2012. In contrast, exports to Uganda and Tanzania fell substantially by 12.3 per cent to stand at 32.7 million KWh during the review period. Transmission losses and unallocated demand increased by 12.4 per cent and accounted for 17.9 per cent of total demand, during the year under review.

Table 10.10: Electricity Supply and Demand Balance, 2008 – 2012

Million KWh

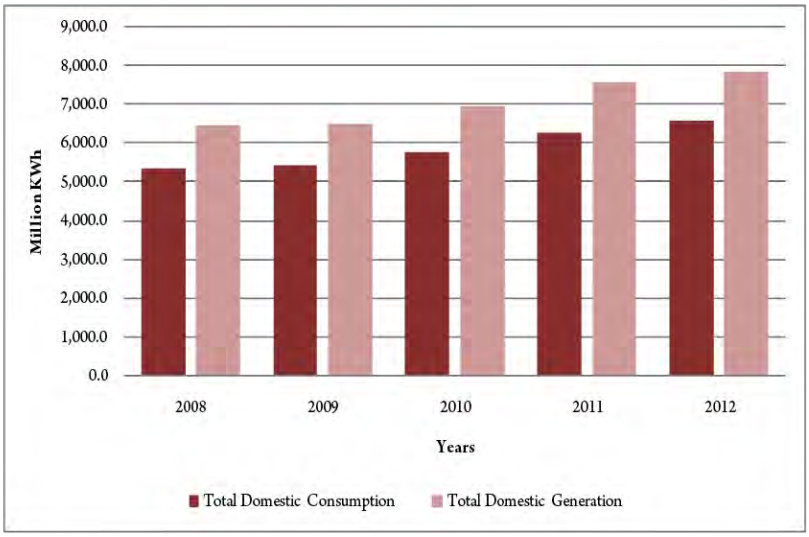
	2008	2009	2010	2011	2012*
DEMAND-					
Domestic and Small Commercial	2,030.8	2,058.1	2,200.3	2,471.4	2,568.5
Large & Medium (Commercial and Industrial)	3,019.8	3,058.1	3,204.9	3,440.3	3,409.2
Off-peak	36.2	36.8	38.2	37.9	36.0
Street Lighting	26.3	21.3	20.5	17.9	20.6
Rural Electrification	239.1	254.4	290.8	306.1	380.1
TOTAL DOMESTIC DEMAND	**5,352.2**	**5,428.7**	**5,754.7**	**6,273.6**	**6,414.4**
Exports to Uganda & Tanzania	**41.0**	**27.0**	**29.6**	**37.3**	**32.7**
Transmission losses[1] and unallocated demand	1,062.4	1,051.5	1,191.5	1,248.9	1,404.2
TOTAL DEMAND = TOTAL SUPPLY	**6,455.6**	**6,507.2**	**6,975.8**	**7,559.8**	**7,851.2**
of which imports from Uganda and Tanzania	25.0	39.0	30.0	33.9	39.1
Net generation	**6,430.6**	**6,468.2**	**6,945.8**	**7,525.9**	**7,812.1**

Source: Kenya Power and Lighting Company

* Provisional

[1] Voltage losses in power transmission lines

Figure 10.4: Electricity Supply and Demand, 2008-2012



10.18. Details of demand and supply of commercial energy expressed in terms of primary source are presented in Table 10.11. The consumption of coal and coke declined from 236.3 thousand tonnes of oil equivalent in 2011 to 211.3 thousand tonnes of oil equivalent in 2012. Total consumption of hydro and geothermal energy rose by 18.7 per cent to 479.0 thousand tonnes of oil in 2012 mainly due to increase in domestic production of hydro power. Total energy consumption decreased from 4,497.9 thousand tonnes of oil equivalent in 2011to 4,328.4 thousand tonnes of oil equivalent in 2012.

10.19. Local production as a percentage of total energy consumption increased by 1.8 percentage points to 10.7 per cent tonnes of oil equivalent in 2012. The per capita consumption of energy in terms of oil equivalent declined from 113.7 thousand tonnes of oil equivalent in 2011 to 106.5 in 2012.

Table 10.11: Production, Trade and Consumption of Energy distributed in Terms of Primary Sources, 2008 - 2012**

'000 tonnes of Oil Equivalent

	2008	2009	2010	2011	2012*
COAL AND COKE CONSUMPTION	108.8	94.6	165.2	236.3	211.3
Imports of crude oil	1,687.7	1,610.1	1,551.5	1,772.1	997.1
Net exports of petroleum	1,485.1	2,051.3	1,775.9	1,883.5	2,532.3
Stock changes and balancing item	-148.5	-145.2	273.1	-34.0	-102.7
TOTAL CONSUMPTION OF LIQUID FUELS	**3,133.1**	**3,610.8**	**3,765.7**	**3,857.9**	**3,638.0**
HYDRO AND GEOTHERMAL ENERGY:-					
Local production of hydro power	280.9	185.7	277.2	276.6	345.3
Local production of geothermal power	89.3	111.2	124.0	124.1	130.3
Imports of hydro power	2.1	3.4	2.6	2.9	3.4
TOTAL CONSUMPTION OF HYDRO AND GEOTHERMAL ENERGY	372.4	300.3	403.8	403.7	479.0
TOTAL LOCAL ENERGY PRODUCTION	370.2	293.6	360.8	400.7	464.3
TOTAL NET IMPORTS	313.5	-343.2	-56.6	127.8	-1,320.5
TOTAL ENERGY CONSUMPTION	**3,614.3**	**4,005.7**	**4,334.7**	**4,497.9**	**4,328.3**
LOCAL PRODUCTION AS PERCENTAGE OF TOTAL	10.2	7.3	8.3	8.9	10.7
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAMS OF OIL EQUIVALENT..	97.5	94.4	112.7	113.7	106.5

* Provisional.

** Modern sector only; fuel wood and charcoal are excluded.

Development in the Energy Sector

Rural Electrification

10.19. In 2012, Kenya Power and Lighting Company (KPLC) in collaboration with the Rural Electrification Authority (REA) undertook a total of 1,336 projects spread across the 291 constituencies at a total cost of KSh 3.5 billion. The projects benefited 734 market centres, 569 public schools, 177 health centres, 44 government/administrative centres, 31 coffee factories, 75 tea buying centres, and 127 water projects, among others.

10.20. The total capital expenditure since inception of the Rural Electrification Programme (REP) in 1973 expanded to KSh 45.1 billion during the fiscal year 2011/2012. A total of KSh 1.77 billion was collected from the Rural Electrification Levy during the financial year 2011/2012 compared to KSh 1.7 billion in the fiscal year 2010/2011.

10.21. Total number of customers connected under the REA Programme went up significantly by 23.7 per cent to 382,631 as at the end of June 2012 from 309,287 customers as at the end of June 2011. Units of electricity sold for Rural Electricity Programme (REP) schemes increased from 307 million KWh in 2010/2011 to 308 million KWh in 2011/2012, while revenue recorded increased from KSh 4.324 billion in 2010/2011 to KSh 5.841 billion in 2011/2012.

10.22. A total of 14 major electricity power projects are currently under implementation. The liquefied natural gas thermal plant with a capacity of 300 MW was the main power generation project under implementation. Olkaria 1 units 4 & 5, Olkaria IV, Olkaria IV unit3, Olkaria I unit 6 and Olkaria 1 Reinvestment with expected output of 140 MW, 140 MW, 140 MW and 45 MW are the ongoing geothermal power generation projects.

10.23. The Ministry of Energy continued promoting the use of solar by installing solar electricity systems in institutions which are far from the national grid. The programme, which started in 2005, is an affirmative action covering boarding primary schools, secondary schools, health centres, dispensaries and administrative units in Arid and Semi Arid Lands (ASAL) counties. So far, over 738 institutions are installed with working Solar PV systems with an installed capacity of 1.6 MW at a cost of KSh 1,752 million. Mandera, Marsabit, Wajir, Meru, Kilifi, Kwale, Makueni, Garissa, Kitui, West Pokot, Siaya, Turkana, Narok, Baringo and Samburu were the benefitting counties. During the review period, the cost of the projects was around KSh 500 million.

Petroleum Discoveries

10.24. The efforts made by the Ministry of Energy on oil exploration over the last decade have born fruits with three discoveries, two for crude oil in Blocks 10BB in a well called Ngamia 1 and 13T in Twiga South 1 well situated in the Tertiary Rift Basin. Ngamia 1 well was the first ever oil discovery well in Kenya. The wells are operated by Tullow Oil which has Africa Oil as Joint Venture Partner and one for natural gas in offshore Block L8, Mbawa 1 well in Lamu Basin, operated by Apache Limited with Origin Energy, Tullow Oil and Pancontinental Oil and Gas NL as partners.

Current exploration status

10.25. Exploration blocks have progressively increased from thirty seven (37) as at 1st December, 2006 to forty six (46) in March 2012. A further increase from 46 to fifty three (53) blocks is to be published in the Gazette Notice by the State Law Office on or before end of March, 2013. Forty three (43) blocks are currently licensed to twenty three (23) international Oil companies and one to the National Oil Corporation of Kenya (NOCK). Several new applications for open blocks have been received for evaluation by National Fossils and Fuels Advisory Committee (NAFFAC) during its meeting at the end of March 2013.

10.26. Up on discovery and declaration of commercial viability, it takes on average five (5) years to commence production for oil all conditions remaining constant. However, it takes much longer to commence production of natural gas due to the capital intensiveness of the prerequisite infrastructural network and sustainable gas market that have to be in place, before engaging into commitments. There has also been noteworthy exploration of potential coal mining as a further energy source.

Chapter 11

Manufacturing

Overview

Manufacturing is one of the key activities of the economy that accounts for about 10 per cent of the Gross Domestic Product (GDP). In terms of employment generation, the sector is estimated to employ an average of 13 per cent of the labour force in the formal sector.

11.2. The sector's real output grew by 3.1 per cent in 2012 compared to a growth of 3.4 per cent in 2011. Manufacturing activities were negatively affected by high production costs, uncertainties relating to the general election, the high cost of credit, and strong competition from imported goods. In spite of these constraints, there were significant increases in production of motor vehicles, trailers and semi-trailers, paper and paper products, basic pharmaceutical products, textiles and tobacco products. However, a marginal decline was noted in the performance of the food industry, which is the largest component in the manufacturing sector. This was as a result of reduced production of milk and tea occasioned by climatic conditions drought experienced in some parts of the country in the first quarter of the year.

11.3. Overall, the manufacturing sector exhibited mixed performance with the majority of the sub-sectors showing positive growth. Major output growths were recorded in basic pharmaceutical products and pharmaceutical preparations, leather and related products, electrical equipment, machinery and equipment n.e.c. However, declines in output were registered in manufacture of beverages, basic metals and refined petroleum products.

11.4. Sales from Export Processing Zones (EPZ) rose by 12.0 per cent from KSh 42.4 billion in 2011 to KSh 47.5 billion in 2012. Capital investment in EPZ continued its upward trend rising by 28.7 per cent to stand at KSh 34.1 billion in 2012. The value of manufacturing projects approved by industrial credit institutions almost doubled from KSh 271 million in 2011 to KSh 473 million in 2012.

Employment

11.5. In 2012, there was a net increase of 6,244 new formal sector jobs compared to 3,656 new jobs generated in 2011. Total formal employment in the manufacturing sector increased from 271.5 thousand persons in 2011 to stand at 277.9 thousand persons in 2012. The number of Kenyans directly employed in the EPZ rose slightly to 32,516 in 2012 from 32,043 in 2011. Direct employment under African Growth and Opportunity Act (AGOA) contracted by 5.4 per cent to stand at 23,811.

Manufacturing Output

11.6. Manufacturing output, intermediate consumption, value added and compensation of employees are highlighted in Table 11.1. The value of output increased by 2.6 per cent from Ksh 1,015.5 billion in 2011 to Ksh 1,042.2 billion in 2012. During the year the intermediate consumption rose marginally by 0.3 per cent while total value added increased by 8.3 per cent rising from KSh 292.4 billion in 2011 to KSh 316.7 billion in 2012. At the same time, compensation of employees grew by 16.3 per cent in 2012. Figure 11.1 shows manufacturing growth rate for the last five years.

Figure 11.1 Growth of Value Added of Manufacturing Sector, 2008-2012

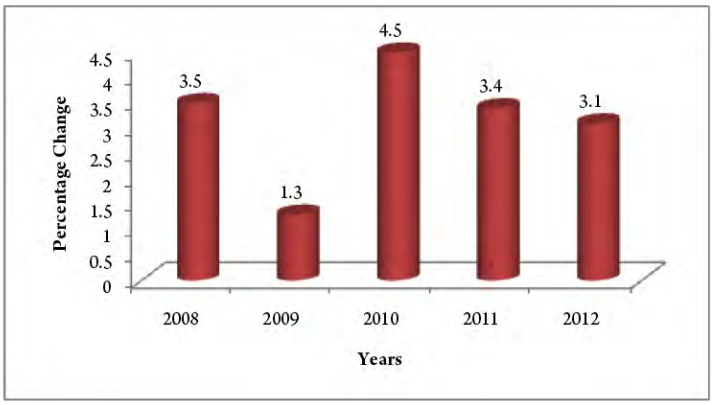


Table 11.1: Manufacturing Output, Compensation of Employees and Value Added, 2008-2012

Current Prices - KSh Million

YEAR	Value of Output	Intermediate Consumption	Value Added	Compensation of Employees
2008	742,160	513,856	228,304	62,828
2009	770,370	535,815	234,556	74,988
2010	842,506	590,384	252,122	83,472
2011	1,015,542	723,141	292,401	95,780
2012*	1,042,181	725,498	316,683	111,377

* Provisional.

Quantity Index

11.7. As the structure of the industrial sector changes over time, it becomes necessary to revise the base year of the index periodically to capture the changing composition of industrial production and emergence of new products and services so as to measure the real growth of the industrial sector. The quantum index of manufacturing production captures fluctuation of actual quantities produced. The current index has been rebased from 1976 to a new base period of 2009. As shown in Table 11.2, the overall manufacturing quantum index dropped slightly by 0.4 per cent in 2012, after registering a 2.9 per cent growth in 2011. Sectors that registered improved performance were paper and paper products, rubber and plastic products and fabricated metal products which grew by 11.9, 7.0 and 2.6 per cent, respectively. However, there was a significant drop in the quantity of refined crude oil by 20.5 per cent and a decline of 3.5 per cent in the manufacture of basic metal products.

Table 11.2: Quantum Index of Manufacturing Production, 2008-2012

Base: 2009=100

Industry Divisions and Groups Descriptions	Weight	2008	2009	2010	2011	2012*	%age Change 2012/ 2011
Meat and meat products	0.8	79.2	100.0	108.4	130.6	146.8	12.3
Processing and preserving of fish	0.4	137.1	100.0	85.7	91.8	82.3	-10.4
Processing and preserving of fruits and vegetables	1.9	108.3	100.0	101.2	102.7	100.1	-2.5
Vegetables and animal oils and fats	4.3	90.9	100.0	100.8	97.4	104.7	7.5
Dairy products	1.8	73.8	100.0	122.4	129.4	111.6	-13.7
Grain Mill Products	7.2	95.1	100.0	102.7	101.5	108.0	6.4
Other food products	17.0	95.2	100.0	114.0	110.1	106.2	-3.5
Prepared animal feeds	1.2	84.6	100.0	103.3	110.0	119.2	8.3
Total food products	**34.5**	**95.3**	**100.0**	**107.5**	**105.8**	**105.5**	**-0.3**
Beverages	6.7	104.0	100.0	101.6	106.9	110.2	3.1
Tobacco products	1.3	110.5	100.0	101.9	107.8	115.9	7.5
Beverages and Tobacco	**7.9**	**104.8**	**100.0**	**101.7**	**107.1**	**111.1**	**3.8**
Textiles	2.4	84.3	100.0	106.9	109.5	120.6	10.0
Wearing apparel	2.3	109.6	100.0	104.2	103.0	106.5	3.4
Leather and related products	1.4	66.5	100.0	134.4	141.9	142.1	0.2
Wood and products wood and cork except furniture	1.8	116.9	100.0	95.8	103.2	98.9	-4.2
Paper and paper products	3.2	122.4	100.0	105.7	107.7	120.5	11.9
Printing and reproduction of recorded media	4.5	114.3	100.0	100.0	100.0	100.0	0.0
Coke and refined petroleum products	8.9	91.8	100.0	107.7	113.1	89.9	-20.5
Manufacture of chemicals and chemical products	6.0	103.0	100.0	110.1	119.6	118.1	-1.2
Pharmaceuticals,medicinal chemical and botanical products	0.7	94.1	100.0	108.7	135.6	150.3	10.8
Rubber	0.6	87.2	100.0	96.1	72.0	82.1	14.0
Plastic products	5.0	73.4	100.0	106.4	111.5	118.7	6.5
Rubber and plastics products	**5.6**	**85.5**	**100.0**	**105.3**	**107.2**	**114.7**	**7.0**
Other non-metallic mineral products	4.4	84.4	100.0	118.3	130.7	134.9	3.2
Basic Metals	6.7	103.8	100.0	109.6	126.5	122.0	-3.5
Fabricated metal products except machinery and	3.4	90.3	100.0	103.1	100.9	103.5	2.6
Electrical Equipment	0.9	104.2	100.0	103.4	99.5	108.0	8.6
Machinery and Equipment n.e.c	0.6	95.9	100.0	98.1	93.0	90.2	-3.0
Motor vehicles, trailers and semi-trailers	1.2	105.7	100.0	107.5	105.0	122.8	16.9
Manufacture of Furniture	2.6	94.5	100.0	101.0	101.7	104.1	2.4
Repair and installation of machinery and equipment	1.0	..	100.0	100.0	100.0	100.0	0.0
Total Manufacturing	**100.0**	**95.3**	**100.0**	**106.9**	**110.0**	**109.5**	**-0.4**

* Provisional

.. Data not available

11.8. Production of food products registered a 0.3 per cent decline in 2012 after experiencing a 1.6 per cent decline in 2011. During the review period, production of meat and meat products rose by 12.3 per cent. Vegetable oils and fats; and grain milling products went up by 7.5 and 6.4 per cent, respectively. Under grain milling, production of wheat flour increased by 9.7 per cent while maize flour rose by 2.0 per cent. Sugar production grew marginally from 490.2 thousand tonnes in 2011 to 493.9 thousand tonnes in 2012. This marginal increase is mainly attributed to an increase in sugarcane production recorded during the year. However, prepared and preserved fish, processed liquid milk, production of bakery products dropped by 10.4, 13.7, and 14.9 per cent, respectively during the review period. The quantity of processed tea dropped by 2.3 per cent in 2012 from 377.9 thousand tonnes recorded in 2011 to 369.4 thousand tonnes following reduced production of green leaf in the year.

11.9. The quantity of beverages produced in 2012 increased by 3.1 per cent compared to a 5.3 per cent growth in 2011. The production of beer rose by 5.0 per cent while the quantity

of soft drinks dropped by 3.3 per cent to stand at 364.4 million litres during the same period. Production of tobacco products went up by 7.5 per cent in 2012.

11.10. The textiles sub-sector grew by 10.0 per cent in 2012 with the made up textiles increasing by 50 per cent, while knitted and crocheted fabrics dropped by 24.8 per cent. Production of wearing apparel also increased by 3.4 per cent as a result of positive growths in shirts and t-shirts by 4.5 and 1.6 per cent, respectively in the year under review. Production of leather footwear went up by 14.5 per cent while tanned or dressed leather dropped by 7.3 per cent during the review period.

11.11. Manufacture of wood and wood products dropped by 4.2 per cent in 2012. However, production of paper and paper products increased by 11.9 per cent during the same period. The growth was supported by increase in manufacture of exercise books, cartons and toilet paper by 19.3, 11.2 and 1.5 per cent, respectively.

11.12. Production of refined petroleum products dropped by 20.5 per cent in 2012. The drop was as a result of teething problems associated with Kenya Petroleum Refinery Limited (KPRL) changing over from Tolling to a Merchant refinery. Major drops were recorded in production of gas oil, motor spirit and fuel oil which declined by 44.6, 34.4 and 12.7 per cent, respectively.

11.13. The chemical and chemical products sub-sector dropped marginally by 1.2 per cent in 2012. This was as a result of a reduction in production of soap, cleaning preparation, perfumes and toilet preparations by 6.6 per cent and paints and varnishes which dropped by 7.9 per cent. However, production of basic chemicals increased by 16.3 per cent. Pharmaceuticals sub-sector grew by 10.8 per cent during the review period. Production of rubber and plastic products registered a growth of 7.0 per cent in 2012. Manufacture of rubber tyres increased by 14.0 per cent while in the plastic category, the quantities of plastic pipes, plastic bags and plastic tanks produced rose by 21.6, 6.2 and 2.9 per cent, respectively.

11.14. Production of basic metals sub-sector dropped by 3.5 per cent in 2012 after registering remarkable growths in the last two years. This was as a result of reduced production of iron sheet by 10.7 per cent from 268.1 thousand metric tonnes to 244.3 thousand metric tonnes in 2012. However, production of iron bars went up by 23.0 per cent. Production of fabricated metal products went up by 2.6 per cent in 2012. Structural metal products registered a growth of 4.2 per cent while production of packaging metal containers declined by 2.6 per cent during the review period.

11.15. The production of Machinery and Equipment n.e.c, dropped further by 3.0 per cent in 2012. Production of Electrical Equipment grew by 8.6 per cent as the number of locally assembled vehicles increased by 16.9 per cent from 5,986 in 2011 to 6,215 in 2012. Manufacture of furniture went up by 2.4 per cent.

11.16. Production of other non-metallic mineral products rose by 3.2 per cent in 2012. Cement production, which forms the bulk of this sub-sector, increased substantially over the last five years. The increase in demand for cement in the construction industry has given rise to this growth. This demand has attracted new market players in the manufacture of cement. Table 11.3 shows information on cement production, imports, consumption and exports. Cement production registered a growth of 3.6 per cent to stand at 4,639.7 thousand tonnes in 2012

from 4,478.4 thousand tonnes in 2011. Similarly, cement consumption and stocks rose from 3,870.9 thousand tonnes in 2011 to 3,937.3 thousand tonnes in 2012. Imports of cement, which had been increasing in the past, recorded a 33.4 per cent decrease to 35.3 thousand tonnes in 2012. Cement exports to Uganda and Tanzania dropped by 3.7 per cent while exports to all other countries increased by 41.0 per cent.

Table 11.3: Cement Production and Utilization, 2008-2012

'000 Tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION AND STOCKS	EXPORTS TO	
				Uganda and Tanzania	All Other Countries
2008	2,829.6	18.7	2,155.8	626.5	66.0
2009	3,320.3	35.2	2,671.3	608.2	76.0
2010	3,709.8	27.1	3,085.2	548.3	103.4
2011	4,478.4	53.0	3,870.9	583.1	125.3
2012*	4,639.7	35.3	3,937.3	561.7	176.7

* Provisional.

Credit to the Manufacturing Sector

11.17. Table 11.4 presents the number of industrial projects and loans approved by selected industrial credit institutions from 2008 to 2012. The high interest rates experienced in the first few months of 2012 did not affect the overall value of manufacturing projects approved during the year. The credit institutions approved 122 manufacturing projects worth KSh 473.3 million in 2012, which was a 74.8 per cent increase from the amount approved in 2011.

Table 11.4: Industrial Projects Approved By Selected Government or Quasi-Government Institutions, 2008-2012

INSTITUTION	Number of Projects					Approved Loans (KSh Million)				
	2008	2009	2010	2011	2012*	2008	2009	2010	2011	2012*
IDB Capital Limited	2	1	3	2	3	47.8	55.0	175.0	112.6	95.5
Development Bank of Kenya (DBK)	-	2	4	3	5	-	28.6	116.0	120.0	182.3
Kenya Industrial Estates Limited (KIE)	39	32	56	116	112	11.7	9.0	15.3	38.2	69.5
Industrial and Commercial Development Corporation (ICDC)	1	3	-	-	2	221.0	21.2	-	-	126.0
TOTAL	**42.0**	**38.0**	**63.0**	**121.0**	**122.0**	**280.5**	**113.8**	**306.3**	**270.8**	**473.3**

* Provisional

11.18. During the year under review, Industrial Development Bank (IDB) Limited used its internally generated resources for short term and medium term lending mainly for machinery finance, working capital and bridging finance. The bank endorsed three manufacturing projects worth KSh 95.5 million in 2012 compared to two projects worth KSh 112.6 million in 2011. A total of 134 employment opportunities are expected to be generated from these projects.

11.19. The Development Bank of Kenya (DBK) recorded increased demand for loans and short term advances during the year under review. In the manufacturing sector, the bank approved 5 projects worth KSh 182.3 million in 2012 compared to 3 projects with a value of KSh 120 million in 2011. These projects' principal activities are: manufacture of industrial spares, heavy engineering services, processing of fruit juice concentrates and motor vehicle body building. The new projects were expected to create an estimated 200 new direct employment

opportunities. The Industrial and Commercial Development Corporation (ICDC), which had not approved loans for two consecutive years, awarded two debt facilities totaling KSh 126 million for expansion of two manufacturing projects in the period under review.

11.20. In support of enterprises engaged in manufacturing activities, Kenya Industrial Estates (KIE) almost doubled disbursements to the sector from KSh 38.2 million in 2011 to KSh 69.5 million in 2012. However, the number of projects approved reduced slightly from 116 in 2011 to 112 in 2012. Most of the projects endorsed were small with an average value of KSh 300 thousand mainly targeting grain milling and tailoring activities. The projects approved in 2012 are expected to generate 936 new jobs.

11.21. In 2012, the Kenya Investment Authority (Ken-Invest) continued with its role of facilitating the implementation of new investment projects, and providing aftercare services as well as organizing investment promotion activities. The number of projects approved in 2012 reduced to 32 from 37 in 2011. Most of the projects approved were not capital intensive which led to a significant reduction in new investments from KSh 26.3 billion in 2011 to KSh 10.3 billion in 2012. Similarly, the employment opportunities created by the investments decreased from 4,197 in 2011 to 2,890 in 2012.

Export Processing Zones

11.22. The Export Processing Zones (EPZ) programme reported improved performance in most of its indicators in 2012. The businesses within the zones were however adversely affected by high cost of doing business in the country. Furthermore, under EAC union requirements, EPZ firms are now allowed to sell only 20 per cent of their annual output to East African Community (EAC) market. This has affected companies that were set up targeting this market.

11.23. As illustrated in Table 11.5, the EPZ programme recorded positive growth in almost all the indicators such as sales, purchases, imports, employment, local purchases of goods and services, and investments in 2012. The number of enterprises operating under the EPZ increased from 79 in 2011 to 81 in 2012.

Table 11.5: Selected EPZ Performance Indicators, 2008-2012

Indicator	Unit	2008	2009	2010	2011	2012*
Gazetted Zones	Number	38	41	42	44	45
Enterprises Operating	"	77	83	75	79	81
Employment - Locals	"	30,187	30,115	31,026	32,043	32,516
- Expatriates	"	471	508	476	421	401
Total Workers		**30,658**	**30,623**	**31,502**	**32,464**	**32,917**
Export Sales	KSh Million	28,094	23,948	28,998	39,067	41,406
Domestic Sales[1]	"	3,168	2,850	3,350	3,375	6,065
Total Sales		**31,262**	**26,798**	**32,348**	**42,442**	**47,471**
Imports	"	16,348	12,672	16,518	21,443	22,559
Local Purchases of Goods and	"					
Services	"	4,476	3,942	4,661	6,297	7,261
Investment	"	21,701	21,507	23,563	26,464	34,064

Source: Export Processing Zones Authority (EPZA)

* Provisional

[1] Includes sales to duty free shops and agencies

11.24. During the year under review, the number of gazetted zones increased by one to stand at 45, with only 2 zones being public while the others are owned and operated privately. According to locations, 21 zones are in Mombasa, 9 in Nairobi, 3 in Athi River, 3 in Kilifi, one each in Voi, Kerio Valley, Thika, Isinya, Ruiru, Malindi, Eldoret, Muranga and Nandi.

11.25. The value of sales from the EPZ enterprises increased to KSh 47,471 million in 2012 from KSh 42,442 million in 2011. Value of exports from the EPZ increased from KSh 39,067 million in 2011 to KSh 41,406 million in 2012. Domestic sales accounted for 12.8 per cent of the total sales in the year under review to stand at KSh 6,065 million. In 2012 the Shilling exchange rate remained stable against the major international currencies. This partly explains the marginal increase of imports value from KSh 21,443 million in 2011 to KSh 22,559 million in 2012. During the review year, local purchases of goods and services increased to KSh 7,261 million from KSh 6,297 million recorded in 2011. This upward trend has been observed in the local purchases since 2009.

11.26. The cumulative capital investment in the form of equipment, machinery and other funds invested by the 81 operational EPZ enterprises increased by 28.7 per cent to KSh 34,064 million in 2012. Over the same period, the number of Kenyans who were directly employed in the EPZ expanded by 1.5 per cent to stand at 32,516. Garment/apparel enterprises continued to dominate in generating employment opportunities in 2012, with a share of 73.2 per cent of the total.

Impact of African Growth and Opportunity Act

11.27. Table 11.6 shows selected indicators for the EPZ garment/apparel sub-sector under African Growth and Opportunity Act (AGOA) initiative. The value of exported apparel increased from a revised figure of KSh 20,948 million in 2011 to KSh 22,308 million in 2012. As a result of delay in the extension of the third country fabric requirement in September 2012, direct employment in this sub-sector contracted by 5.4 per cent. For the second consecutive year, there was a decrease in the value of capital investment in the garment/apparel sub-sector.

Table 11.6: Selected EPZ Garment/Apparel Performance Indicators under AGOA, 2008-2012

	2008	2009	2010	2011	2012*	% Growth
Number of Enterprises	18	19	16	18	19	5.6
Number of Employees	25,766	24,359	24,114	25,169	23,811	-5.4
Capital Investment (KSh Million)	7,578	5,490	6,959	6,858	6,211	-9.4
Exports (KSh Million)	15,811	12,699	16,190	20,948	22,308	6.5

Source: EPZA

*Provisional

Chapter 12

Building and Construction

Overview

Development of infrastructure is a prerequisite in creating and supporting business environment that facilitates private sector investment, growth and job creation. This would enhance the country's competitiveness at national, regional and global levels to achieve vision 2030. The Building and Construction sector achieved improved performance in 2012 with a growth of 4.8 per cent in the review period, an improvement from the growth of 4.3 per cent recorded in 2011. The housing subsector, both private and public, recorded increases in the value of building plans approved and completed buildings in the review period. This is partly explained by increased demand for housing due to the rapid population growth in urban areas. Total wage employment in the sector increased by 9.9 per cent in 2012 over the same period. Cement consumption rose by 1.7 per cent from 3,870.9 thousand tonnes in 2011 to 3,937.3 thousand tonnes in 2012. The Government budgetary allocation to Ministry of Roads is expected to rise by 28.5 per cent to stand at KSh 117.6 billion in the financial year 2012/13 to finance the various ongoing road projects in the country.

12.2. The total estimated cost of new private and public buildings completed went up by 9.6 per cent from KSh 46,367 million in 2011 to KSh 50,808.8 million in 2012. Similarly, the total value of building plans approved grew by 15.4 per cent from KSh 156,456.1 million in 2011 to KSh 180,605.9 million in 2012. The National Housing Corporation (NHC) completed 488 residential units in Nairobi at a cost of KSh 1,979.0 million. Department of Housing in the Ministry of Public Works completed the construction of 526 residential houses, shopping centre and a nursery school in Ngara Estate, Nairobi. These houses were completed through the Civil Servant Housing Scheme Fund under Tenant Purchase terms at a cost of KSh 2,000.0 million. Total wage employment in the sector increased by 9.9 per cent from 107,245 persons in 2011 to 117,877 persons in 2012.

12.3. In 2011/2012, the Ministry of Road's overall expenditure was KSh 91,530.2 million. This is expected to rise by 28.5 per cent to KSh 117,642.5 million in the 2012/13 financial year. The Government expenditure index on roads rose from 397.0 in 2011 to 447.3 in 2012. Commercial banks loans and advances to the building and construction sector amounted to KSh 69,183 million in 2012 compared to KSh 50,805 in 2011, reflecting 36.2 per cent increase compared to 55.7 per cent increase in 2011. Cement consumption rose by 1.7 per cent from 3,870.9 thousand tonnes in 2011 to 3,937.3 thousand tonnes in 2012. Disbursements to the various road agencies by the Kenya Roads Board (KRB) is expected to rise to KSh 24.5 billion in 2012/2013 from KSh 24.1 billion in 2011/2012.

Key Economic Indicators

12.4. Table 12.1 shows that Government expenditure on roads index increased from 397.0 in 2011 to 447.3 in 2012 mainly due to major projects undertaken in 2012 which include; Nairobi South bypass, North and Eastern bypass and the expansion of international airports. The index of reported private building works completed in major towns rose to 401.4 in 2011 from 330.3 recorded in 2010. Similarly, the index of reported public building works completed in main towns increased from 14.2 in 2010 to 18.3 in 2011 as a result of several housing projects completed by National Housing Corporation (NHC) and Ministry of Public Works across the country. Cement consumption, a key indicator in the building and construction sector, increased by 1.7 per cent in 2012 to 3,937.3 thousand tonnes driven by increased construction projects undertaken during the year under review.

Table 12.1 Selected Key Economic Indicators in Building and Construction[1], 2008 – 2012

1982=100

Indicator/Year	2008+	2009+	2010	2011	2012*
Index of reported private building work completed in major towns[2]	142.2	210.8	330.3	401.4	..
Index of reported public building work completed in major towns[2]	6.7	9.2	14.2	18.3	..
Index of government expenditure on roads	223.8	312.9	265.4	397.0	447.3
Index of Cement consumption	380.7	461.0	535.9	668.1	679.5
Index of Employment	140.4	154.6	167.7	180.5	
Cement consumption ('000 tonnes)	2,205.8	2,671.2	3,104.8	3,870.9	3,937.3
Private Employment ('000)	64'6	73.2	81.6	89.1	99.1
Public Employment ('000)	19.5	19.6	19.2	18.2	18.7
Loans and Advances from Commercial Banks to the sector (KSh mn)	29,247.0	30,414.0	32,637.0	50,805.0	69,183.0

* Provisional.

+Revised

[1] Actual deflated by various building or construction cost indices.

[2] The average of the actual of two consecutive years is taken in each case for reported completion of buildings

12.5. During the review period, wage employment in the building and construction sector increased by 9.9 per cent from 107,245 persons in 2011 to 117,877 persons in 2012. Private sector employment sector increased by 11.3 per cent from 89,093 persons in 2011 to 99,140 persons in 2012. Similarly, employment level in the public sector rose by 3.2 per cent from 18,152 in 2011 to 18,737 persons in 2012. Commercial bank loans and advances to building and construction sector increased by 36.2 per cent mainly due to increased financing of real estate development.

12.6. The annual percentage changes in building and construction cost indices for the years 2010 to 2012 are presented in Table 12.2. The growth in the overall total cost index decelerated from 6.8 per cent in 2011 to 5.6 per cent in 2012. The rate of change of the cost index of residential buildings dropped to 4.9 per cent in 2012 compared to 6.5 per cent in 2011. Similarly, the overall cost index of materials decelerated from a growth of 5.4 per cent in 2011 to 4.3 per cent in 2012. The rate of change in the cost index of 'Other Construction' materials increased slightly by 4.6 per cent in 2012 compared to 5.5 per cent in 2011. The difference in material prices for residential and non residential buildings is mainly due to difference in weighting applied to them in respect to the base year 1972.

Table 12.2: Annual Percentage change in Building and Construction Cost Indices[1], 2010 – 2012

	Materials			Labour			Total Cost		
	2010	2011	2012*	2010	2011	2012*	2010	2011	2012*
Residential Buildings	3.3	5.7	3.9	6.9	9.4	7.9	4.1	6.5	4.9
Non-Residential Buildings	1.7	5.1	4.5	6.9	9.4	7.9	3.2	6.3	5.5
All Buildings	2.6	5.4	4.2	6.9	9.4	7.9	3.6	6.4	5.2
Other Construction[2]	4.9	5.5	4.6	6.9	9.4	7.9	5.9	7.4	6.2
Overall Cost Index	3.2	5.4	4.3	6.9	9.4	7.9	4.4	6.8	5.6

* Provisional.

[1] From December to December.

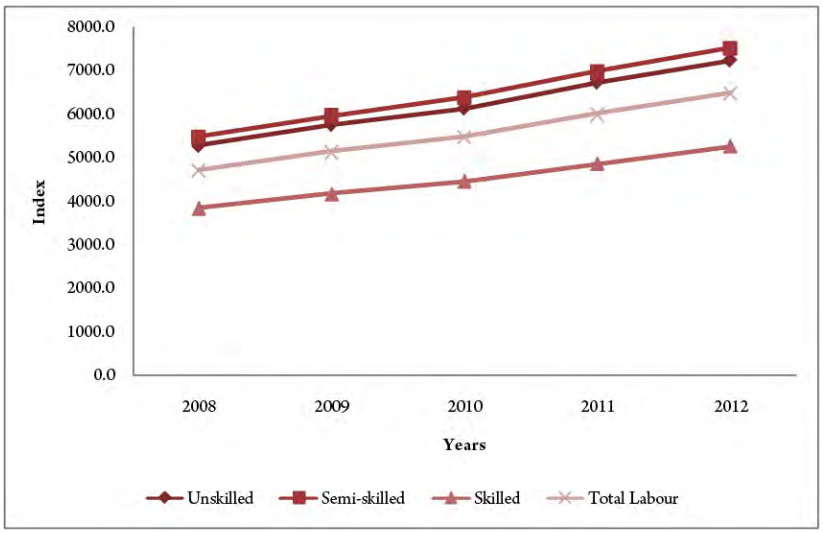
[2] Refers mainly to road construction and includes bridges, dams etc

Note: Labour cost numbers sourced from Ministry of Labour

12.7. Figure 12.1 shows the trends in the overall labour construction cost indices for the last

five years. The wage increases witnessed over the years is driven by the collective bargaining by Kenya Association of Building, Construction and Civil Engineering Contractors and Kenya Building, Construction, Timber, Furniture and Allied Industrial Employees union.

Figure 12.1: Trend in Overall Labour Construction Cost Indices, 2008 – 2012 (Base 1982 = 100)



12.8. The annual percentage changes in building and construction average wages for the last five years are presented in Table 12.3. In 2012, wages for unskilled, semi-skilled and skilled labour grew at decelerated rates of 7.6, 7.9 and 8.3 per cent, respectively.

Table 12.3: Annual Percentage Change in Building and Construction Average Wages, 2008-2012

Year	Unskilled	Semi-skilled	Skilled
2008	5.8	6.1	6.4
2009	9.1	8.9	8.6
2010	5.8	6.2	6.4
2011	10.6	10	9.8
2012	7.6	7.9	8.3

Source: Ministry of Labour and Human Resource Development

12.9. Table 12.4 presents a five year analysis of the value of building plans approved by City Council of Nairobi and other towns. The value of building plans approved in Nairobi increased to KSh 135,128.2 million in 2012 from KSh 112,842.8 million in 2011, an increase of 19.8 per cent. The value of building plans for other towns also increased by 4.3 per cent, from KSh 43,614.3 million to KSh 45,477.8 million in the review period.

Table 12.4: Value of Building Plans Approved By Nairobi and Other Towns, 2008– 2012

KSh Million

Year	Nairobi	Other Towns	Total
2008	52,073.0	17,248.7	69,321.7
2009	78,303.7	15,888.4	94,192.1
2010	96,100.0	35,730.0	131,830.2
2011	112,842.8	43,614.3	156,456.1
2012*	135,128.2	45,477.8	180,605.9

Source: Local Authorities

*Provisional.

12.10. The total value of reported private building works completed in selected towns for the period 2008 to 2012 is shown in Table 12.5. The total value of works completed increased to KSh 47,986.3 million in 2012 from KSh 44,161.5 million in 2011, a rise of 8.7 per cent. Kisumu city recorded a significant growth of 20.7 per cent from KSh 601.6 million in 2011 to KSh 729.9 million in 2012 mainly due to the completion of Kisumu International Airport. Nairobi, Mombasa, Nakuru and Malindi towns also recorded increases in the value of reported private buildings works completed.

Table 12.5: Value of Reported Private Building[1] Works Completed in Selected Towns, 2008 – 2012

KSh million

Year	Nairobi	Mombasa	Kisumu	Nakuru	Malindi	Total
2008	11,018.2	787.0	42.1	332.1	143.8	12,323.2
2009	20,600.5	530.8	124.5	289.6	206.7	21,752.0
2010	36,548.5	725.2	481.7	350.2	268.2	38,373.7
2011	41,854.1	935.2	601.6	417.8	352.8	44,161.5
2012*	45,388.6	1,027.9	725.9	458.2	385.7	47,986.3

Source: Local Authorities

* Provisional.

[1] Including the value of extensions

12.11. Reported completions of new private buildings in selected towns from 2008 to 2012 are presented in Table 12.6. The total number of Public and Private Buildings completed rose by 28.3 per cent from 6,024 units in 2011 to 7,729 units in 2012. Non-residential buildings increased from 525 units in 2011 to 639 units in 2012 while number of residential units increased from 4,912 units in 2011 to 5,016 units in 2012.

Table 12.6: Reported completions of New Private and Public Buildings[1] in Selected Major Towns[2], 2008 – 2012

Number

	Private			Public			Grand Total
Year	Residential	Non-Residential	Total	Residential	Non-Residential	Total	
2008	2,401	55	2,456	88	73	161	2,617
2009	3,557	103	3,660	116	24	140	3,800
2010	4,715	421	5,136	390	..	390	5,526
2011	4,912	525	5,437	587	..	587	6,024
2012*	5,016	639	5,658	2051	20	2071	7,729

Source: Local Authorities

* Provisional

[1] Excluding the value of extensions

[2] Nairobi, Mombasa, Kisumu, Nakuru, Malindi

12.12. The reported value of new private and public buildings in selected towns from 2008 to 2012 is shown in Table 12.7. During the year under review, the total value of public and private buildings completed rose by 9.6 per cent from KSh 46,367.0 in 2011 to KSh 50,808.8 in 2012. The value of public buildings increased from KSh 2,614.2 million in 2011 to KSh

4,699.5 million in 2012 attributable to completion of 546 units for Ngara Housing Project under the Civil Servant Housing Scheme and Development Fund, 488 units completed by National Housing Corporation and 1,037 units from Public Works.

Table 12.7: Reported Value of New Private and Public Buildings[1] in Selected Main Towns[2], 2008 – 2012

KSh Million

	Private			Public			Grand Total
Year	Residential	Non-Residential	Total	Residential	Non-Residential	Total	
2008	4,923.7	1,374.5	6,298.1	210.2	232.8	443	6,741.1
2009	13,435.3	3,107.2	16,542.5	938.5	108.5	1,047.0	17,589.5
2010	31,023.5	5,682.9	36,706.4	1,041.0	..	1,041.0	37,747.4
2011	37,246.3	6,506.4	43,752.7	2,614.2	..	2,614.2	46,366.9
2012*	39,458.6	6,650.7	46.109.3	4,629.5	70.0	4,699.5	50,808.8

Source: Local Authorities

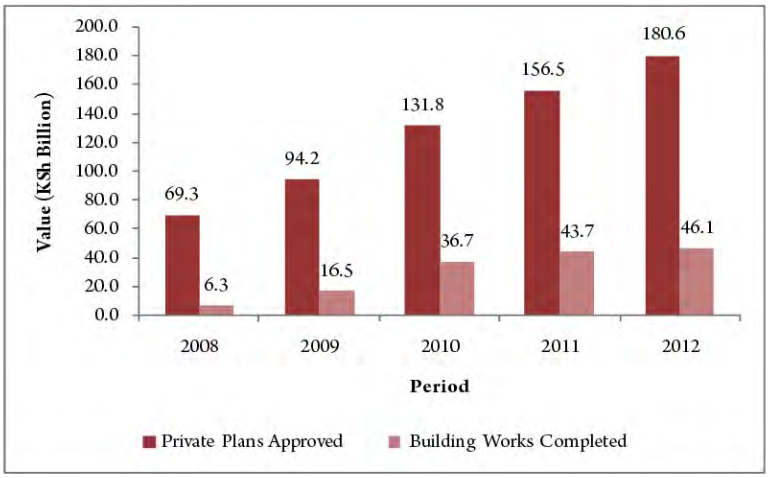
* Provisional

[1] Excluding the value of extensions

[2] Nairobi, Mombasa, Kisumu, Nakuru, Malindi

12.13. There has been a general increase in private plans approved and reported new private buildings completed as shown in Figure 12.2. Value of private plans approved also expanded during the period under review. In 2011, the value of new buildings completed and plans approved were KSh 46.4 billion and KSh 156.5 billion, respectively, compared to KSh 50.8 billion and KSh 180.6 billion, respectively, in 2012.

Figure 12.2: Comparison of Value of Private Plans Approved and Reported New Private Buildings Works Completed in Main Urban Towns, 2008-2012



Housing

12.14. The National Housing Corporation (NHC) continued to pursue its mandate of providing and facilitating access to decent and affordable shelter. In 2012, the NHC completed 488 residential units in Nairobi at a cost of KSh 1,979.02 million compared to 255 units at a total cost of KSh 1,282.7 million in 2011. The ongoing projects as at 31st December 2012 were; 45 bungalows in Nyeri, 344 flats in Nairobi and 48 flats in Mombasa at an estimated cost

of KSh 1,799.8 million. The Ministry of Housing and Public Works developed 526 residential houses, shopping centre and nursery school in Ngara. These houses were completed through the Civil Servant Housing Scheme Fund under Tenant Purchase terms at a cost of KSh. 2,000.0 million. A total of 122 Rural and Peri-Urban Housing Loans amounting to KSh 209.6 million were disbursed to 19 counties during the 2011/12 financial year as presented in Table 12.8.

Table 12.8: NHC Housing Loans Advanced by County, 2011/2012

County	Number of Loans	Amount (KSh `000)
Bungoma	6	8,160.0
Busia	1	3,000.0
Uasin Gishu	5	5,270.0
Embu	7	15,245.0
Isiolo	1	1,500.0
Kajiado	37	62,307.5
Kakamega	3	4,360.0
Kiambu	10	20,300.0
Kisii	7	12,430.0
Kisumu	2	2,150.0
Trans Nzoia	3	7,900.0
Kitui	1	420.0
Machakos	2	2,240.0
Meru	1	1,400.0
Mombasa	1	750.0
Nairobi	27	49,130.0
Nakuru	6	9,505.0
Nyamira	1	2,700.0
Vihiga	1	810.0
Total	**122**	**209,577.5**

Source: National Housing Corporation

12.15. Approved and actual Central Government expenditure on housing for the financial years 2008/09 to 2012/13 are indicated in Table 12.9. Actual expenditure on housing increased from KSh 2,829.5 million in 2010/11 to KSh 3,191.0 million in 2011/12 partly due to introduction of Civil Servant Housing Mortgage scheme and improved provision of financial resources for housing development through Civil Servant Housing Scheme and Development Fund. In 2011/12, actual expenditure stood at KSh 3,191.0 million compared to approved expenditure of KSh 3,875.8 million. In 2012/13 the approved expenditure on housing is expected to rise to KSh 4,791.5 million.

Table 12.9: Approved and Actual Central Government Expenditure on Housing, 2008/09 – 2012/13

	Expenditure in KSh Million		Actual Expenditure as Percentage
Year	Approved	Actual	of Approved Expenditure
2008/09	3,781.6	3,333.8	88.2
2009/10	2,082.0	1,863.6	89.5
2010/11	2,840.9	2,829.5	99.6
2011/12*	3,875.8	3,191.0	82.3
2012/13**	4,791.5	..	..

Source: Ministry of Housing

* Provisional

**Estimates

Roads

12.16. The principal mandate of Kenya Roads Board (KRB) is to oversee the road network and coordinate its maintenance, rehabilitation and development through funding by the Roads Maintenance Levy Fund (RMLF). In the financial year 2012/13, the disbursement of funds by KRB to the various road agencies is expected to increase by 1.7 per cent from KSh 24.1 billion in 2011/12 to KSh 24.5 billion in 2012/2013.

12.17. Table 12.10 presents development and recurrent expenditure on roads for the financial years 2008/09 to 2012/13. The total development expenditure on roads for the financial year 2012/13 is expected to rise by 34.8 per cent to stand at KSh 99,433.1 million due to the following planned road projects: Lapsset Highway (Isiolo-Marsabit-Moyale), Athi river-Namanga, Nyahururu-Wiyumiririe-Nyeri-Marua, Kisian-Busia, Gilgil-Nyahururu, Mtito Andei – Voi, Spot Narok-Masai Mara, among others. Recurrent expenditure on roads is expected to increase by 2.4 per cent to KSh 18,209.4 million in 2012/13. The overall expenditure is expected to rise by 28.5 per cent from KSh 91,530.2 million in 2011/12 to 117,642.5 KSh million in 2012/13. The allocation for construction/rehabilitation of trunk roads is expected to reach KSh 63,126.0 million.

Table 12.10: Total Expenditure on Roads, 2008/09 - 2012/13

KSh Million

	2008/09	2009/10	2010/11	2011/12*	2012/13**
Development:					
Trunk Roads	20,126.6	28,514.6	16,243.7	36,666.9	63,126.0
Primary Roads	7,433.8	11,579.1	19,503.7	8,283.1	7,430.9
Secondary Roads	7,770.7	7,877.6	8,636.3	14,032.3	20,000.0
Miscellaneous Roads[1]	948.4	4,730.0	4,253.7	14,761.6	8,876.2
Total	**36,279.6**	**52,701.3**	**48,637.4**	**73,743.9**	**99,433.1**
Recurrent (maint. & repair)	10,163.8	15,446.2	12,550.5	17,786.3	18,209.4
Grand Total	**46,443.3**	**68,147.4**	**61,187.9**	**91,530.2**	**117,642.5**

Source: Ministry of Roads

*Provisional

**Estimates

[1]Also incudes urban roads

12.18. The Roads 2000 Programme is the principal implementation strategy for road maintenance. The status of Roads 2000 Programme as at June 2012 by region is depicted in Table 12.11. Projects under the programme for Central / Rift Valley and Western regions were still ongoing except for Eastern region that had been completed as at December 2012.

Table 12.11: Status of Roads 2000 Programme as at June 2012

Region	Planned (Km)	Status in 2011/12 (Km)	Percentage completed	2011/12 (KSh Million)	Status
Central/Rift Valley	300	6.05	2.1	19	Ongoing
Western	70	42	60	26	Ongoing
Eastern	35.1	71	201.7	100.3	Complete
Total	405.10	118.90		145.3	

12.19. Classification of kilometres of road network by type as at 1st July 2008 and 1st July 2012 is presented in Table 12.12. The kilometres of road under bitumen increased to 9.7 thousand kilometres in 2012 from 9.1 thousand kilometres in 2008 supported by increased Government budgetary allocation to road construction and rehabilitation. However, minor roads under earth/graved decreased by 0.5 per cent to 26.13 thousand kilometres in 2012.

The total kilometres of road under earth/ gravel decreased from 54.4 thousand kilometres in 2008 to 53.2 thousand kilometres in 2012 due to ongoing road upgrading. The upgraded roads include Isiolo-Merile, Kendubay-Homabay, Marsabit-Turbi, Lanet-Mau Narok, Ruiri- Isiolo and Meru-Maua, Kindu-Homabay roads, among others.

Table 12.12: Kilometres of Road as at 1st July, 2008 and 1st July, 2012 by Type and Classification

'000 Km

Type of Road	2008		2012*	
	Bitumen	Earth/ Gravel	Bitumen	Earth/ Gravel
A - International Trunk	2.81	0.81	2.97	0.82
B - National Trunk	1.52	1.17	1.53	1.16
C – Primary	2.77	5.23	3.18	5.14
D – Secondary	1.26	9.79	1.28	9.49
E – Minor	0.64	26.26	0.66	26.13
F - Special Purpose[1]	0.14	11.18	0.15	10.41
TOTAL	**9.14**	**54.44**	**9.77**	**53.15**

Source: Ministry of Roads

*Provisional

[1]Special purpose roads include Government access, settlement, rural access, sugar, tea and wheat roads

12.20. Table 12.13 presents information on major road works being constructed, maintained, improved and rehabilitated during the financial year 2012/13. Overall, a total of KSh 189,729.72 million is expected to be utilised on road works covering a total distance of 3,202.15 kilometres during the financial year. A total of KSh 59,358.62 million is expected to be used to rehabilitate 1,205 kilometres of roads, while KSh 130,371.1 million is earmarked for the construction of 1,997 kilometres of roads.

Table 12.13: Major Road Works in Progress[1] in 2012/13

Activity	Length(Km)	Contract Amount (KSh Million)
Roads constructed		
Bungoma – Bokoli – Kimilili	38.3	17,167.7
Chebilat – Ikonge – Chabera	43	12,061.5
Chepterit – Kimondi (Baraton)	25.4	9,277.4
Chiakariga – Meru	38.4	5,709.9
Embu - Mutunduri - Kianjokoma	66.0	4,667.6
Enjinja-Bumala	43.0	4,456.4
Farm Kawiru - Mutuati - Kachilu	6.3	3,502.8
Gambogi - Serem Road	40.0	3,388.3
George Padmore Road/Lane	40.0	3,359.6
Giakanja - Tetu Mission Road	74.1	3,232.4
Improvement of Blue Valley Road	63.0	3,149.2
Improvement of Bombolulu - Mbugoni Bakaani Road	15.0	3,109.8
Improvement of Bus Park - Fair Deal Hospital Road	29.5	2,996.2
Improvement of Eldoret Lions School and Eldoret State Lodge Road	67.0	2,843.9
Improvement of Kiboko/Banda Roads	37.0	2,699.6
Improvement of Link Road.Airport North to Airport South	62.0	2,468.8
Improvement of Posta Road	123.0	2,453.1
Iten - Kapsowar	38.0	2,167.4
Kabati - Kanguduini	12.0	2,074.2
Kagio - Baricho - Kerugoya	28.6	1,950.6
Kaloleni – Kilifi	55.0	1,910.0
Kamagambo - Kenyenya - Mogonga	37.7	1,885.7
Kangema – Gacharage	46.0	1,843.0
Karima - Kiandu - Nyeri	38.0	1,840.2
KCC (Sotik) - Ndanai - Gorgor	23.0	1,809.7
Kimilili - Misikhu Road	28.7	1,803.2
Kimutwa – Makutano – Kikima – Tawa	12.0	1,735.8
LaikipiaAirforce Base Army Barracks	52.0	1,724.7
Lanet - Elementaita - Mau Narok	38.1	1,667.6
Limuru Footbridge	50.0	1,651.9
Link Road A2-Junction C4 foot paths	32.4	1,593.1
Loruk-Barpelo	35.0	1,508.2
Marsabit-Turbi (A2)	25.0	1,448.3
Meru - Mikinduri - Maua	28.8	1,372.0
Mihang'o by-pass Loop,(Kibiku Road)	25	1,341.3
Mihuti - Kayu - Wanjerere - Rwathia	13.7	1,100.8
Modika – Nuno	47	1,090.2
Mosoriot - Chepterwai - Kipkaren River	17.5	1,042.9
Mukurueini – Gakonya	33.4	1,034.4
Mukurueini – Gakonya	24.8	974.9
Muranga - Gitugi	60	967.8
Mwingi - Kandwia - Tseikuru Road	35	889.9
Nairobi Link Road: Waiyaki Way - RedHill Road	12	815.7
Nairobi Southern Bypass	30	812.2
Nairobi Western Ring Roads (Missing Links No. 3,6&7)	22	743.7

Table 12.13 Contd

Activity	Length(Km)	Contract Amount (KSh Million)
Nambengele - Mundere - Rwambwa - Port Victoria	21	656.5
Narumoru - Munyu - Karisheni	40	597.8
Ndumberi - Limuru - Kiawaroga	70	502.0
Ngorongo - Githunguri	8.98	412.1
Northern and Eastern Bypasses - Nairobi	5	224.6
Nyakinywa Road (Kinyanjui Link Road)	2.5	104.6
Off Kwarara Road	0.3	94.3
Othaya - Konyu	0.97	83.7
Rehabilitation of Kauria Close (Muthangari - Othaya Road)	1.3	67.8
Ridgeways (Part),Kigwa Road (Part),Ridgeways and Garden Estat	0.7	56.4
Rukenya - Kimunye	4	48.8
Sigalagala - Musoli - Sabatia - Butere	1	47.8
Sotik - Cheborge - Roret - Kebenet	1.5	43.8
St. Mary's Nyakahura - Gitugi	1.8	39.5
Thogoto – Gikambura – Mutarakwa	0.7	20.0
Tirap - Embobut Bridge - Chesegon	2.7	17.8
Turbi-Moyale	123	10.0
Sub-Total	**1,997.15**	**130,371.1**
Roads rehabilitated		
Eldoret - Webuye	60	6,199.74
Webuye - Malaba	60	5,788.20
Voi - Mwatate	26	4,797.26
Lanet - Dundori	15	3,858.54
Nyamasaria - Kisian	24	3,383.39
Sultan Hamud - Machakos Turnoff Road	55	3,363.85
Timboroa - Eldoret	73	3,113.87
Lanet - Njoro Turnoff Road	16.5	2,671.23
Gatundu - Karinga - Flyover PHASE 1	45	2,523.50
Wamwangi - Karatu - Wanugu PHASE 1	14	2,269.96
Wamwangi - Karatu - Wanugu PHASE 2	14	2,000.29
International School - Gathiga Road	4	1,784.94
Zambezi - Karai	4	1,651.91
Eldoret - Ziwa - Kachibora and Kachibora - Moi's Bridge	80	1,555.50
MailiTatu - Laare - Mutuate and KK - Njoune Link Roads	23	1,497.38
El Wak - Lafey - Fino	160	1,435.21
Gede - Watamu	14	1,384.20
Mumbuni - Kathiani Thwake River	20	1,375.70
EkonayaNgare - Kiango - Riobonyo	8.3	999.38
Kapsowar - Arror Road	24	887.10
Chesoi - Chesongoch Road PHASE 1	13	818.45
Mathaithi - Munaini & Kagiri -Gatitu	54	799.09
Kiserian - Oloitikoish	22	742.30
Oloitikoish - Hope - Isinya	17	637.19
Ukunda - Diani	14	328.35
Ngong - Kiserian	12	249.93
Kima - Emusutswi	13	204.73
Gatundu - Karinga - Flyover PHASE 2	45	197.52

Table 12.13 Contd

Activity	Length(Km)	Contract Amount (KSh Million)
Kasoiyo - Tenges Society	70	179.45
Mgotio - Mugurin - Lake Bogoria	56	174.27
Chesoi - Chesongoch Road PHASE 2	14	173.89
Kaharati - Njiris- Mairi	38	173.36
Lanet - Elementaita - Mau Narok	20	171.15
Langata Road (KWS Gate to Bomas Section) in Nairobi County	2.9	167.01
Syokimau - Katani Road (Phase 1)	2.1	161.60
Upper Hill Roads, Phase 1	5.5	144.70
Kapsoya Roads in Eldoret	13	135.15
South C Roads	5.5	125.80
Kasarani - Mwiki - Githurai Link Road (Phase 1)	1	124.69
First Avenue Eastleigh and General Waruinge Roads	5.5	114.71
Kayole Spine Road	5	88.17
Kenyatta Avenue	0.4	73.81
Itesyo Road	0.3	69.50
Kolobot	0.7	68.86
Park Road	1.5	68.75
Rose Avenue	1.34	68.55
Harambee Estate Roads	1	67.71
Rehabilitation of Ngecha Road	5.1	65.99
Rehabilitation of East Church Road	1	63.88
Rehabilitation of Jogoo Road	7.5	60.04
Rehabilitation of Strabag - Gitwamba Road	4	49.54
Rehabilitation of Karanja-Makina - Kibera Law Courts roads	1.3	46.29
Improvement of Walkways along Argwings Kodhek Road	2.2	44.54
Reahbilitation of Gandhi Avenue,Muthaiti Avenue & Biringo Squa	0.66	42.41
Rehabilitation of Mai Mahiu Road	1	39.54
Improvement of Eastleigh Second Avenue and Adjoining Roads	2	38.49
Periodic maintenance of Elgon View Estate Roads	6.7	38.09
Sub-Total	**1,205.00**	**59,358.62**
Total	**3,202.15**	**189,729.72**

Source: Ministry of Roads

[1] Includes works Completed

Chapter 13

Tourism

Overview

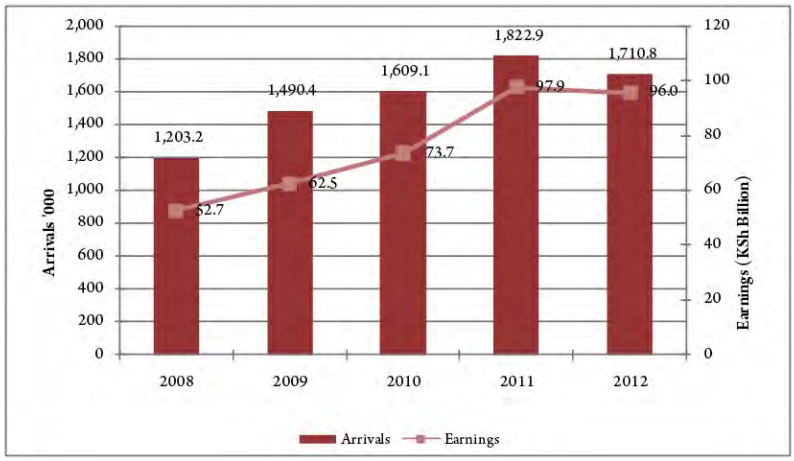
Kenya's tourism industry remained resilient inspite of the Euro zone crisis, insecurity fears and uncertainties related to the 2013 general elections to post a marginal decline in tourism earnings. Receipts accruing to the tourism sector decreased by 1.9 per cent to stand at KSh 96.0 billion in 2012. International visitor arrivals decreased from 1,822.9 thousand in 2011 to 1,710.8 thousand in 2012 due to a slow-down in the global economy, especially in the Euro zone, coupled with negative travel advisories following security concerns.

13.2. The number of hotel bed-nights occupied decreased by 2.2 per cent from 7,015.2 thousand in 2011 to 6,860.8 thousand in 2012. The number of visitors to national parks and game reserves decreased from 2,664.1 thousand in 2011 to 2,492.2 thousand in 2012. Similarly, the number of visitors to museums, snake parks and other historical sites registered a 2.2 per cent decline to stand at 824.6 thousand in 2012. However, the number of local and international conferences held in Kenya increased by 11.5 and 6.1 per cent, respectively in 2012.

Arrivals and Departures

13.3. As shown in Figure 13.1, the number of international visitor arrivals decreased by 6.1 per cent from 1,822.9 thousand in 2011 to 1,710.8 thousand in 2012. Similarly, tourism earnings in this sector declined by 1.9 per cent from KSh 97.9 billion in 2011 to KSh 96.0 billion in 2012.

Figure 13.1: Trends in Visitor Arrivals and Tourism Earnings, 2008 – 2012



13.4. During the year under review, Moi International Airport (MIA) in Mombasa registered a 22.7 per cent drop in visitor arrivals from 242.3 thousand in 2011 to 187.2 thousand in 2012, mainly attributable to security concerns in the coastal region. However, the number of tourist arrivals through Jomo Kenyatta International Airport (JKIA) in Nairobi grew by 1.7 per cent from 1,030.6 thousand in 2011 to 1,048.4 thousand in 2012. Figures 13.2(a) and 13.2(b) show the monthly international visitor arrivals through the country's major international airports for 2011 and 2012. In 2012, arrivals at JKIA as usual peaked in the

month of July while the least number of arrivals were recorded in May. The least number of arrivals at MIA was recorded in the month of May.

Figure 13.2(a): Number of Visitor Arrivals through MIA, 2011 -2012

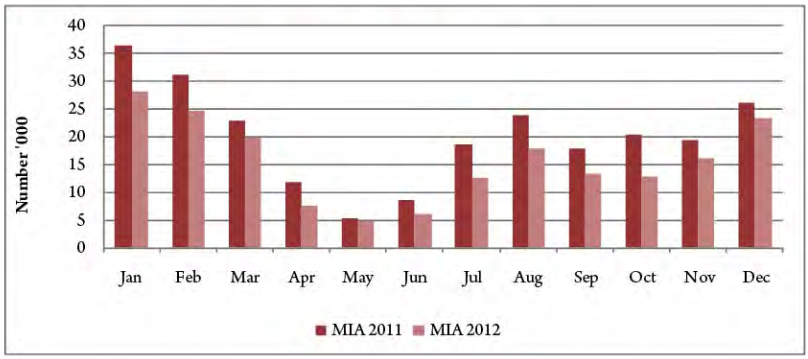
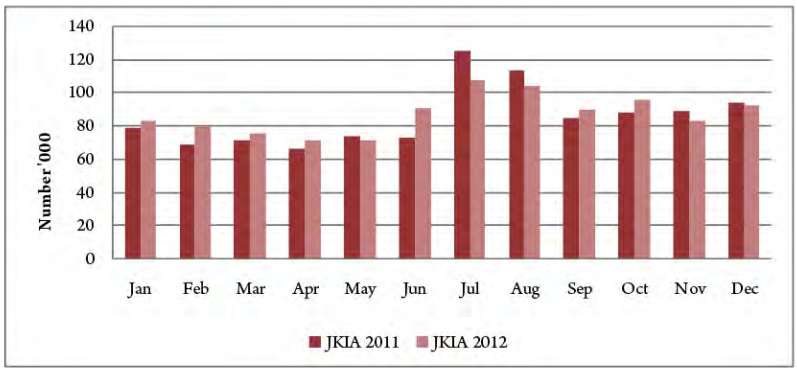


Figure 13.2(b): Number of Visitor Arrivals through JKIA, 2011 -2012



13.5. Table 13.1 shows the quarterly International visitor arrivals by purpose of visit for the period 2008 to 2012. The year under review started on a positive note with the sector recording a 3.5 per cent growth in visitor arrivals during the first quarter. This was followed by declines in visitor arrivals in the subsequent quarters of 2012, resulting in an overall drop of 6.1 per cent from 1,822.9 thousand in 2011 to 1,710.8 thousand in 2012. The number of international visitor arrivals on holiday decreased by 7.6 per cent from 1,319.9 thousand in 2011 to 1,219.1 thousand in 2012. This may be attributed to uncertainties associated with the 2013 general elections, security concerns and the on-going crisis in the Euro zone. In contrast, the number of international visitor arrivals on business travel increased by 1.7 per cent from 232.1 thousand in 2011 to 236.1 thousand in 2012. Similarly, visitor arrivals on transit rose by 26.0 per cent from 72.9 thousand in 2011 to 91.8 thousand in 2012.

Table 13.1: Quarterly International Visitor Arrivals by Purpose of Visit, 2008 - 2012

'000

Quarter	Purpose	2008	2009	2010	2011	2012*
1st Qtr.	Holiday	201.6	248.6	261.2	302.8	317.0
	Business	20.4	44.1	59.7	63.6	68.4
	Transit	5.8	21.8	34.2	22.2	21.4
	Other	6.9	37.8	33.5	38.5	35.4
	TOTAL	**234.7**	**352.4**	**388.6**	**427.1**	**442.2**
2nd Qtr.	Holiday	205.6	211.6	228.7	235.5	240.1
	Business	18.6	46.4	48.6	56.0	58.8
	Transit	13.5	23.8	32.2	21.1	22.6
	Other	20.2	34.6	25.9	64.7	45.0
	TOTAL	**257.9**	**316.4**	**335.5**	**377.4**	**366.5**
3rd Qtr.	Holiday	243.7	294.7	302.6	411.9	323.6
	Business	33.1	46.4	62.0	50.1	55.7
	Transit	20.8	29.3	40.0	15.3	27.0
	Other	44.0	50.2	49.8	50.1	52.8
	TOTAL	**341.6**	**420.7**	**454.4**	**527.4**	**459.1**
4th Qtr.	Holiday	285.2	306.3	308.2	369.7	338.5
	Business	37.2	43.6	58.6	62.4	53.2
	Transit	21.8	23.4	33.2	14.2	20.9
	Other	24.7	27.7	30.7	44.6	30.6
	TOTAL	**369.0**	**401.0**	**430.7**	**491.0**	**443.1**
Annual	Holiday	936.1	1,061.2	1,100.7	1,319.9	1,219.1
	Business	109.4	180.6	228.9	232.1	236.1
	Transit	62.0	98.4	139.5	72.9	91.8
	Other	95.8	150.2	140.0	198.0	163.8
	TOTAL	**1,203.2**	**1,490.4**	**1,609.1**	**1,822.9**	**1,710.8**

*Provisional

13.6. The number of departing visitors by purpose of visit and by quarter is shown in Table 13.2. There was mixed performance across the quarters in 2012 resulting in an overall marginal decline from 1,528.4 thousand in 2011 to 1,515.7 thousand in 2012. Holiday departures declined by 3.1 per cent from 1,119.5 thousand in 2011 to 1,084.6 thousand in 2012. Similarly, departures of those on 'Other' purposes dropped by 3.0 per cent from 149.1 thousand in 2011 to 144.6 thousand in 2012. However, departures of visitors on business increased by 1.6 per cent from 198.3 thousand in 2011 to 201.5 thousand in 2012. Transit departures rose by 38.1 per cent from 61.6 thousand in 2011 to 85.1 thousand in 2012, consistent with arrival levels in those categories.

Table 13.2: Quarterly International Visitor Departures by Purpose of Visit, 2008-2012

'000

Quarter	Purpose	2008	2009	2010	2011	2012*
1st Qtr.	Holiday	210.1	258.7	265.6	277.6	281.7
	Business	18.9	38.0	40.0	56.9	54.1
	Transit	10.1	22.9	25.5	20.4	25.2
	Other	11.9	39.4	42.3	36.6	29.2
	TOTAL	**251.0**	**359.0**	**373.3**	**391.5**	**390.1**
2nd Qtr.	Holiday	193.4	217.5	220.2	204.9	216.0
	Business	19.9	44.4	45.3	52.4	53.7
	Transit	14.1	17.2	17.6	17.2	18.4
	Other	21.6	23.3	24.5	31.9	37.0
	TOTAL	**249.1**	**302.5**	**307.6**	**306.2**	**325.1**
3rd Qtr.	Holiday	251.5	282.0	290.3	322.8	297.6
	Business	31.9	40.1	41.6	31.4	46.0
	Transit	17.7	32.1	34.6	12.0	23.0
	Other	15.5	44.0	45.9	47.1	49.9
	TOTAL	**316.7**	**398.1**	**412.5**	**413.3**	**416.4**
4th Qtr.	Holiday	236.6	306.7	309.0	314.2	289.4
	Business	38.1	46.8	46.2	57.5	47.8
	Transit	23.3	25.3	24.5	12.1	18.4
	Other	28.3	29.9	29.2	33.4	28.5
	TOTAL	**326.3**	**408.6**	**408.9**	**417.3**	**384.1**
Annual	Holiday	891.7	1,064.9	1,085.1	1,119.5	1,084.6
	Business	108.9	169.3	173.1	198.3	201.5
	Transit	65.2	97.4	102.2	61.6	85.1
	Other	77.3	136.6	141.9	149.1	144.6
	TOTAL	**1,143.1**	**1,468.2**	**1,502.4**	**1,528.4**	**1,515.7**

*Provisional

13.7. Table 13.3 depicts the number of visitors departing by country of residence and purpose of visit. The number of visitors departing reduced from 1,379.4 thousand in 2011 to 1,371.2 thousand in 2012. European residents accounted for 57.9 per cent of all departing visitors, an increase of 0.9 percentage points from the 2011 level. Departures of the residents of Switzerland and United States of America (USA) decreased by 4.2 and 2.0 per cent, respectively in 2012. However, departing visitors from Germany increased by 6.0 per cent from 157.2 thousand in 2011 to 166.7 thousand in 2012. The number of departing residents from Italy went up by 5.0 per cent from 113.6 thousand in 2011 to 119.3 thousand in 2012. There was no significant change in the number of departing residents of North America and Africa.

Table 13.3: Departing Visitors by Country of Residence and Purpose of Visit[1], 2010-2012

'000

Country of Residence	Holiday			Business			Transit			Total		
	2010	2011	2012*	2010	2011	2012*	2010	2011	2012*	2010	2011	2012*
Germany	125.1	129.1	133.2	20.5	22.0	22.9	9.2	6.1	10.6	154.8	157.2	166.7
United Kingdom	205.0	206.1	198.0	30.5	32.1	34.2	11.6	8.2	9.6	247.1	246.5	241.7
Switzerland	37.2	39.1	37.1	3.4	4.1	3.8	3.5	2.5	3.0	44.1	45.8	43.8
Italy	85.8	87.4	87.3	23.0	24.3	25.7	3.8	2.0	6.4	112.6	113.6	119.3
France	39.2	39.7	39.7	9.4	10.5	10.5	3.3	3.0	2.7	52.0	53.1	52.9
Scandinavia	34.7	36.1	33.9	4.9	5.1	5.5	3.5	3.0	2.3	43.1	44.3	41.6
Other Europe	103.9	107.0	105.8	14.4	16.9	16.1	6.8	1.5	5.3	125.1	125.3	127.2
TOTAL EUROPE	**630.8**	**644.5**	**634.8**	**106.1**	**115.0**	**118.6**	**41.8**	**26.3**	**39.8**	**778.8**	**785.8**	**793.3**
USA	111.1	113.5	109.1	13.8	16.0	15.4	6.6	3.1	7.8	131.5	132.6	132.4
Canada	23.5	25.2	23.4	2.7	3.0	3.1	2.6	1.5	2.4	28.9	29.7	28.9
TOTAL NORTH AMERICA	**134.6**	**138.6**	**132.5**	**16.5**	**19.0**	**18.5**	**9.2**	**4.6**	**10.3**	**160.4**	**162.3**	**161.3**
Uganda	32.8	34.2	33.2	6.0	7.2	6.7	4.6	2.5	4.3	43.4	43.9	44.1
Tanzania	33.8	35.0	34.3	6.8	8.1	7.6	6.0	3.1	3.7	46.6	46.2	45.6
Other Africa	114.0	114.1	113.7	11.9	14.9	13.4	23.8	15.0	14.6	149.8	144.0	141.6
TOTAL AFRICA	**180.7**	**183.3**	**181.3**	**24.7**	**30.3**	**27.6**	**34.3**	**20.6**	**22.5**	**239.7**	**234.2**	**231.4**
India	31.8	33.0	29.8	5.7	6.1	8.4	3.6	2.5	3.0	41.2	41.6	41.2
Japan	13.7	15.6	13.7	5.0	7.7	7.6	1.3	1.0	1.1	20.1	24.3	22.4
Israel	8.2	10.3	7.5	2.5	2.6	4.8	1.4	1.1	0.7	12.0	14.0	13.0
Other Asia	47.4	50.6	48.2	7.1	9.1	10.0	4.4	2.5	2.4	58.9	62.1	60.5
TOTAL ASIA	**101.2**	**109.5**	**99.2**	**20.3**	**25.5**	**30.7**	**10.7**	**7.0**	**7.3**	**132.2**	**142.0**	**137.2**
Australia and New Zealand	18.4	21.0	18.0	3.6	5.2	4.0	2.0	1.0	1.6	24.0	27.3	23.5
All Other Countries	19.3	22.5	18.8	1.9	3.3	2.1	4.0	2.0	3.6	25.3	27.9	24.5
TOTAL	**1,085.1**	**1,119.5**	**1,084.6**	**173.1**	**198.3**	**201.5**	**102.2**	**61.6**	**85.1**	**1,360.4**	**1,379.4**	**1,371.2**

* Provisional

[1]Excludes visitor whose purpose of visit is "Other"

13.8. The number of days spent by visitors categorised by purpose of visit and by the average length of stay is presented in Table 13.4. The total number of days stayed declined by 2.1 per cent from 18,511.9 thousand days in 2011 to 18,124.2 thousand days in 2012, mainly as a result of a decrease in visitors on holiday. On the contrary, the average length of stay per visitor increased from 13.4 days in 2011 to 14.5 days in 2012.

Table 13.4: Number of Visitor-Days Stayed[1] by Purpose of Visit, 2008-2012

'000

Purpose	2008	2009	2010	2011	2012*
Holiday	9,721.9	13,563.0	15,237.4	15,719.8	15,229.7
Business	1,182.8	1,845.5	2,303.6	2,637.6	2,681.1
Transit	135.1	208.0	256.3	154.5	213.4
TOTAL	**11,039.8**	**15,616.5**	**17,797.3**	**18,511.9**	**18,124.2**
Average length of stay in days	10.4	11.7	13.1	13.4	14.5

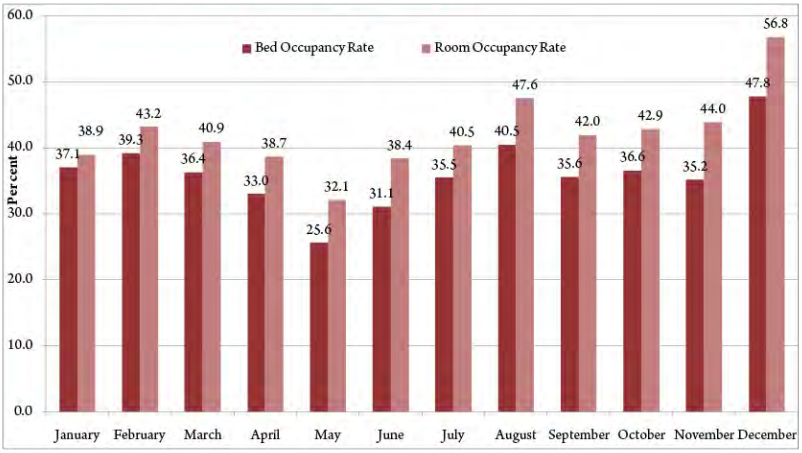
* Provisional

[1]Excludes days stayed by "Other Visitors" Category

Hotel Occupancy by Country of Residence

13.9. As shown in Figure 13.3, the mean occupancy rates for beds and rooms occupied decreased to 36.4 and 42.3 per cent, respectively in 2012. The highest bed and room occupancy rates during the year were recorded in December, mainly due to improved performance of domestic tourism.

Figure 13.3: Monthly Bed and Room Occupancy Rates, 2012



13.10. Details of the number of hotel bed-nights occupancy by country of residence is as shown in Table 13.5. The hotel bed-nights available expanded by 8.2 per cent from 17,419.6 thousand in 2011 to 18,849.6 thousand in 2012, partly due to the opening of new hotels. However, the number of hotel bed-nights occupied declined by 2.2 per cent from 7,015.2 thousand in 2011 to 6,860.8 thousand in 2012. Bed-nights occupied by residents from Europe went down from 2,870.6 thousand in 2011 to 2,547.2 thousand in 2012, reflecting a 11.3 per cent decrease. This was mainly due to the decrease in the number of bed-nights occupied by residents from United Kingdom, France and Italy. Hotel bed-nights by visitors from Africa increased by 5.9 per cent from 3,082.7 thousand in 2011 to 3,263.3 thousand in 2012 with the highest increase of 14.2 per cent recorded by residents of East and Central Africa. The occupancy by residents from Asia grew by 13.3 per cent from 339.3 thousand in 2011 to 384.5 thousand in 2012 with that of residents of China increasing by 27.2 per cent due to economic and business interests in the country.

Table 13.5: Hotel Bed - Nights Occupancy by Country of Residence, 2008-2012

Country of Residence	2008	2009	2010	2011	2012*
Permanent Occupants[1]	52.4	29.7	52.9	58.5	46.3
Germany	339.5	685.6	563.2	677.0	748.9
Switzerland	66.8	127.5	83.1	95.8	98.2
United Kingdom	486.6	909.7	964.7	765.9	521.6
Italy	158.2	383.2	651.0	495.3	415.5
France	63.8	231.8	222.7	239.5	160.0
Scandinavia	48.7	97.3	84.1	113.2	154.5
Other Europe	160.0	363.0	364.6	484.0	448.5
EUROPE	**1,323.7**	**2,798.1**	**2,933.4**	**2,870.6**	**2,547.2**
Kenya Residents	1,566.6	2,150.9	2,348.9	2,603.4	2,787.7
Uganda	43.2	103.0	67.9	76.2	81.8
Tanzania	43.1	71.1	61.5	68.5	69.2
East and Central Africa	41.5	87.1	84.6	101.5	115.9
West Africa	26.3	45.4	55.1	63.1	55.9
North Africa	17.0	25.4	28.3	30.9	23.9
South Africa	52.6	87.8	88.1	88.4	88.2
Other Africa	59.9	65.9	66.2	50.8	40.7
AFRICA	**1,850.1**	**2,636.6**	**2,800.6**	**3,082.7**	**3,263.3**
USA	148.1	233.8	254.2	283.8	291.5
Canada	32.2	58.5	59.8	64.7	55.9
Other America	16.7	33.4	33.1	38.4	40.1
AMERICA	**196.9**	**325.7**	**347.2**	**386.9**	**387.5**
Japan	18.2	37.8	40.8	43.0	41.9
India	51.2	83.3	91.1	110.1	110.3
Middle East	20.0	37.5	36.6	43.6	50.2
China	20.7	33.2	50.7	89.6	114.0
Other Asia	26.4	41.0	42.9	53.0	68.2
ASIA	**136.5**	**232.8**	**262.3**	**339.3**	**384.4**
Australia and New Zealand	42.3	54.9	60.2	63.0	56.9
All Other Countries	97.1	165.2	205.6	214.1	175.2
TOTAL-OCCUPIED	**3,699.0**	**6,243.0**	**6,662.3**	**7,015.2**	**6,860.8**
TOTAL-AVAILABLE	**14,233.6**	**17,125.3**	**17,161.8**	**17,419.6**	**18,849.6**
Occupancy rate %	**26.0**	**36.5**	**38.8**	**40.3**	**36.4**

*Provisional

[1]Persons staying one month or more in one hotel, including some block bookings for air crew

13.11. Table 13.6 shows the number of hotel bed-nights stayed by visitors and by zones. The coastal beach accounted for 45.7 per cent of the total bed-nights as most tourists are attracted by the warm beaches along the coast and historical sites in the region. The occupancy in the Coastal-Other zone decreased by 8.4 per cent from 283.8 thousand in 2011 to 260.0 thousand in 2012, partly evidenced by a decline in arrivals from United Kingdom and Italy due to negative travel advisories. Similarly, bed-nights occupied in the Nairobi-High Class went down from 1,155.7 thousand in 2011 to 1,145.0 thousand in 2012. Coastal Hinterland, Masailand, Northern and Western Kenya recorded increases in hotel bed-nights in 2012.

Table 13.6: Hotel Bed-Nights by Zone, 2008-2012

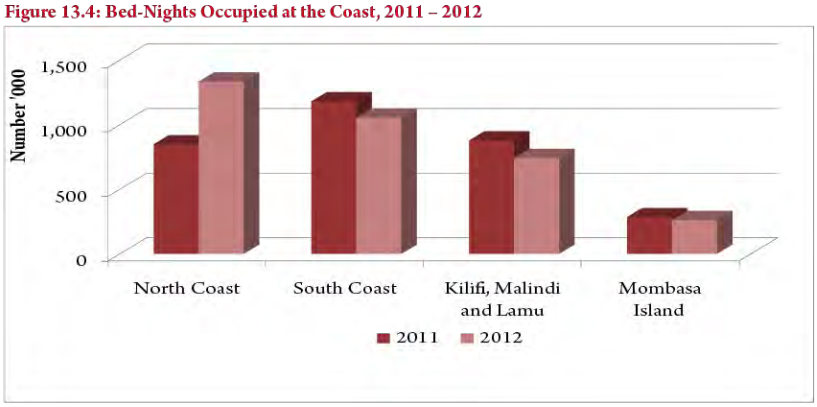
000

Zone	2008	2009	2010	2011	2012*
Coastal-Beach	1,643.7	3,011.4	3,243.0	3,144.6	3,132.6
Coastal-Other	118.1	152.5	151.1	283.8	260.0
Coastal Hinterland	93.9	210.9	119.6	82.3	88.7
Nairobi-High Class	716.2	1,164.1	1,123.6	1,155.7	1,145.0
Nairobi-Other	224.5	498.1	410.7	526.2	490.5
Central	255.1	347.5	463.5	683.3	526.0
Masailand	231.8	312.8	472.6	418.6	443.7
Nyanza Basin	185.4	213.2	301.2	301.9	252.1
Western	224.6	319.0	364.1	374.9	464.3
Northern	5.7	13.3	12.9	43.9	57.8
TOTAL-OCCUPIED	**3,699.0**	**6,242.8**	**6,662.3**	**7,015.2**	**6,860.8**
TOTAL-AVAILABLE	**14,233.6**	**17,125.3**	**17,161.8**	**17,419.6**	**18,849.6**

*Provisional

13.12. The number of bed-nights occupied at the coast by area in 2011 and 2012 is depicted in Figure 13.4. In the North Coast, bed-nights occupancy increased while South Coast, Mombasa Island, Kilifi, Malindi and Lamu registered notable declines in 2012 due to reduced number of visitor arrivals.

Figure 13.4: Bed-Nights Occupied at the Coast, 2011 – 2012



13.13. The number of bed-nights occupied by area and country of residence is shown in Table 13.7. Most of the visitors preferred to stay at the coastal region which accounted for 50.7 per cent of the total bed-nights occupied in 2012 compared to 50.0 per cent in 2011. The share of bed-nights occupied in Nairobi went down from 24.0 per cent in 2011 to 23.8 per cent in 2012. Despite the decline in the number of visitors to National Parks and Game Reserves, the share of bed-nights in lodges increased from 6.6 per cent in 2011 to 7.3 per cent in 2012. Residents of Kenya, USA and China occupied most of the bed-nights in lodges. The bed-nights occupied at the coast by residents of Germany increased by 11.5 per cent to stand at 665.7 thousand in 2012.

Table 13.7: Hotel Bed-Nights Occupied by Area and Country of Residence, 2011-2012

'000

Country of Residence	Nairobi		Coast		Lodges		Others		Total	
	2011	2012*	2011	2012*	2011	2012*	2011	2012*	2011	2012*
Permanent Occupants[1]	8.7	8.2	36.5	24.6	2.5	0.8	10.9	12.7	58.5	46.3
Germany	38.5	48.3	597.0	665.7	26.4	23.6	15.2	11.3	677.0	748.9
Switzerland	13.6	11.0	73.4	76.3	6.5	8.9	2.4	2.1	95.8	98.2
United Kingdom	109.7	89.6	569.6	375.9	50.5	38.1	36.1	17.9	765.9	521.6
Italy	16.3	12.7	464.3	388.8	9.9	9.5	4.8	4.5	495.3	415.5
France	34.1	27.1	168.8	105.5	24.4	19.6	12.2	7.8	239.5	160.0
Scandinavia	30.8	30.7	61.3	94.0	15.3	24.1	5.7	5.6	113.2	154.5
Other Europe	81.9	74.9	329.4	318.4	41.3	39.8	31.4	15.5	484.0	448.5
Kenya	503.3	532.8	902.7	1,106.5	100.8	95.1	1,096.7	1,053.3	2,603.4	2,787.7
Uganda	44.7	42.0	22.5	26.3	0.6	0.4	8.5	13.2	76.2	81.8
Tanzania	48.5	47.0	15.8	17.9	0.9	0.6	3.3	3.7	68.5	69.2
East & Central Africa	80.3	95.1	18.5	16.4	0.6	0.6	2.1	3.9	101.5	115.9
West Africa	52.9	44.7	8.7	8.9	0.4	1.0	1.1	1.3	63.1	55.9
North Africa	23.6	17.0	6.1	5.1	0.7	1.0	0.5	0.8	30.9	23.9
South Africa	58.6	51.9	23.0	30.2	4.2	4.4	2.6	1.7	88.4	88.2
Other Africa	28.3	24.8	18.4	13.3	0.9	1.3	3.2	1.3	50.8	40.7
USA	142.2	157.7	39.6	38.3	64.1	67.9	37.9	27.6	283.8	291.5
Canada	29.9	24.7	15.4	10.3	12.0	16.2	7.4	4.8	64.7	55.9
Other America	15.6	14.9	12.6	14.0	6.4	9.2	3.8	2.0	38.4	40.1
Japan	20.0	16.5	3.7	4.1	12.4	15.6	6.9	5.7	43.0	41.9
India	56.9	50.5	17.7	23.6	19.9	27.3	15.6	8.8	110.1	110.3
Middle East	27.9	26.8	7.8	11.4	5.9	10.1	2.0	1.8	43.6	50.2
China	33.5	37.5	6.0	9.3	29.1	51.7	21.0	15.5	89.6	114.0
Other Asia	29.6	41.1	10.3	11.3	6.5	9.9	6.7	5.9	53.0	68.2
Australia & New Zealand	30.7	26.5	10.8	11.1	12.8	14.7	8.7	4.6	63.0	56.9
All Other Countries	122.0	81.6	70.9	74.3	7.6	10.1	13.6	9.2	214.1	175.2
TOTAL	**1,681.9**	**1,635.6**	**3,510.7**	**3,481.4**	**462.6**	**501.5**	**1,360.1**	**1,242.4**	**7,015.2**	**6,860.8**
PERCENTAGE SHARE	**24.0**	**23.8**	**50.0**	**50.7**	**6.6**	**7.3**	**19.4**	**18.1**	**100.0**	**100.0**

* Provisional

[1]Persons staying one month or more in one hotel, including some block bookings for air crew

13.14. The number of bed-nights occupied in national parks and game reserves, and type of catering offered to foreign and East African residents is shown in Table 13.8. There was increased activity in the facilities situated in national parks and game reserves in 2012 compared to 2011. Bed-nights occupied by foreign residents increased by 12.4 per cent from 360.3 thousand in 2011 to 404.9 thousand in 2012. Bed-nights occupied by East Africa residents dropped by 5.6 per cent to stand at 96.5 thousand in 2012. The share of foreign residents who opted for full-catering went up from 326.0 thousand in 2011 to 355.7 thousand in 2012.

Table 13.8: Game Lodges[1] Occupied, 2010 – 2012

'000

	Bed-Nights Occupied					
	Foreign Residents			E.A. Residents		
	2010	2011	2012*	2010	2011	2012*
Game Reserves	105.5	113.5	91.8	24.0	31.1	36.9
National Parks	280.5	246.8	313.1	75.4	71.1	59.6
TOTAL	**386.1**	**360.3**	**404.9**	**99.4**	**102.2**	**96.5**
Of which full Catering	357.4	326.0	355.7	60.2	87.3	81.0
Self Service	28.7	34.3	49.2	39.1	14.9	15.5

*Provisional

[1]Lodges in National Parks and Game Reserves

National Parks and Game Reserves

13.15. There was a marginal decline in activities in national parks and game reserves in 2012 as evidenced by a drop in the number of visitors, as shown in Table 13.9. The total number of visitors to these tourist attractions went down from 2,664.1 thousand in 2011 to 2,492.2 thousand in 2012, partly due to security concerns and travel advisories. Tourist sites that experienced decreases include Tsavo East, Amboseli and Nairobi Safari Walk national parks whereas those to Nairobi National Park increased from 135.1 thousand visitors in 2011 to 151.1 thousand visitors in 2012. As shown in Figure 13.5, adult non-residents and citizens, and children citizens continued to account for the majority of visitors to parks and reserves in 2012. The number of Kenyan citizens visiting these protected areas remained high due to vigorous marketing domestic tourism and other incentives.

Table 13.9: Number of Visitors to National Parks and Game Reserves, 2008-2012

'000

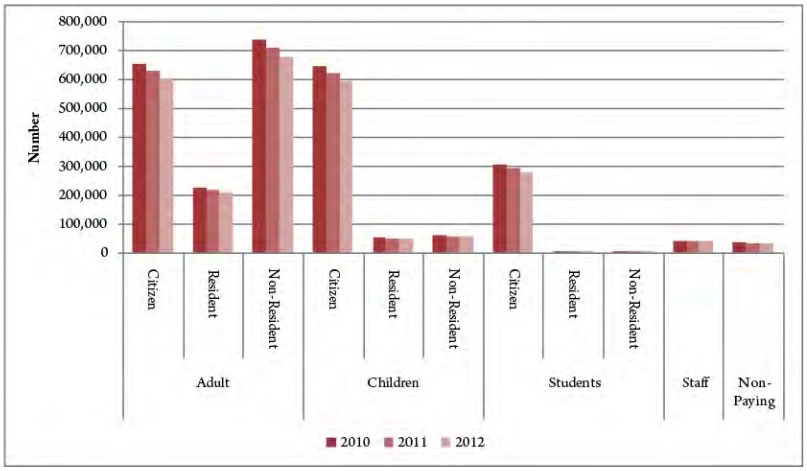
Park/Reserve	2008	2009	2010	2011	2012*
Nairobi	91.8	102.7	120.8	135.1	151.1
Nairobi Safari Walk	202.1	258.5	201.1	176.3	147.2
Nairobi Mini Orphanage	284.5	450.4	490.2	403.0	474.6
Amboseli	84.7	133.0	209.0	176.2	141.4
Tsavo (West)	71.2	102.7	138.1	98.9	70.9
Tsavo (East)	110.9	203.8	264.2	268.0	176.7
Aberdare	26.2	36.7	42.8	45.8	44.3
Lake Nakuru	137.7	189.3	241.2	245.0	253.5
Maasai Mara	59.6	157.9	187.3	138.2	102.0
Haller's Park	135.2	137.3	120.4	149.8	125.5
Malindi Marine	29.7	43.4	46.9	49.5	40.8
Lake Bogoria	50.8	79.5	94.4	108.3	114.6
Meru	15.9	15.2	20.4	20.2	17.8
Shimba Hills	13.5	19.4	21.2	29.4	26.1
Mt. Kenya	21.7	25.0	29.2	33.3	27.5
Samburu	17.1	18.9	13.1	14.2	15.0
Kisite/Mpunguti	28.1	40.0	50.6	59.5	48.4
Mombasa Marine	26.6	27.9	37.9	38.3	34.6
Watamu Marine	17.4	16.5	25.4	37.3	36.3
Hell's Gate	80.0	87.4	121.8	133.1	95.4
Impala Sanctuary(Kisumu)	79.8	174.6	195.2	201.6	247.0
Mt. Longonot	27.8	30.8	39.1	43.2	44.1
Other[1]	21.5	34.4	54.8	60.1	57.5
TOTAL	**1,633.9**	**2,385.1**	**2,764.9**	**2,664.1**	**2,492.2**

Source: Kenya Wildlife Service

* Provisional

[1]Other include Arabuko Sokoke, Ol-Donyo Sabuk, Marsabit, Saiwa swamp, Sibiloi, Bamburi, Chyulu, Ruma National Park, Mwea National Reserve, Central Island National Park, Kiunga, Mt.Elgon, Nasolot, Ndere and Kakamega.

Figure 13.5: Visitors to National Parks and Game Reserves, 2010-2012



Museums, Snake Parks and Historical Sites

13.16. There was a decline in the number of visitors to museums, snake parks and historical sites as presented in Table 13.10. The total number of visitors went down by 2.2 per cent from 843.4 thousand in 2011 to 824.6 thousand in 2012. The numbers of visitors to Fort Jesus dropped by 24.4 per cent from 168.8 thousand in 2011 to 127.6 thousand in 2012 while those to Gedi dropped by 20.2 per cent to 43.1 thousand. Visitors to Kisumu Museum rose from 110.9 thousand in 2011 to 144.9 thousand in 2012 while those to Kitale Museum increased to 41.8 thousand in 2012. The highest number of visitors to these attractions were registered in August 2012 as illustrated in Figure 13.6.

Table 13.10: Number of Visitors to Museums, Snake Parks and Historical Sites, 2008-2012

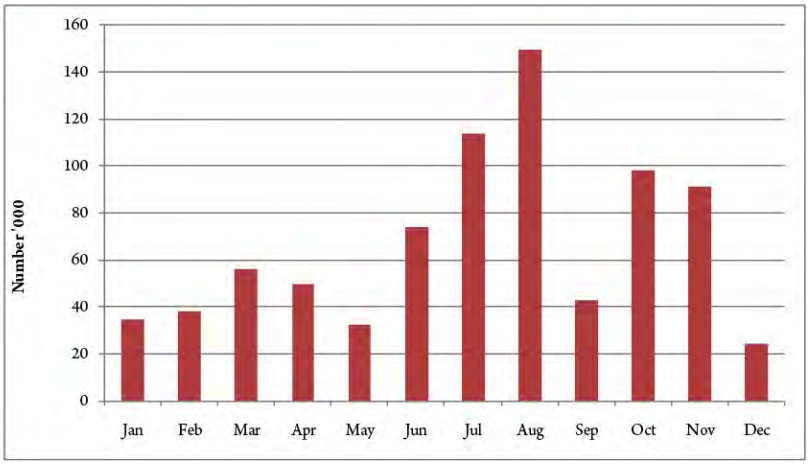
'000

Name of Museums	2008	2009	2010	2011	2012*
National Museum: (Main Gate)	164.1	232.7	284.4	170.6	184.7
National Museum: (Snake Park)	12.9	69.1	154.7	138.6	146.4
Fort Jesus	115.5	167.7	184.5	168.8	127.6
Kisumu Museum	75.3	89.7	104.1	110.9	144.9
Kitale Museum	23.5	30.6	32.0	38.7	41.8
Gedi	31.0	44.5	47.6	54.0	43.1
Meru Museum	14.3	19.2	28.9	21.8	24.2
Lamu	3.3	4.2	4.5	4.9	2.6
Jumba la Mtwana	7.0	9.8	8.8	8.4	5.7
Olorgessaile	1.5	1.1	..	4.6	..
Kariandusi	7.9	10.9	12.4	12.9	10.2
Hyrax Hill	5.0	7.7	2.1	11.2	8.9
Karen Blixen	13.5	40.2	46.7	54.5	54.9
Malindi Museum	9.9	22.9	21.4	30.2	17.9
Kilifi Mnarani	0.8	1.8	1.2	2.4	1.6
Kabarnet	1.5	2.3	1.2	1.7	1.3
Kapenguria	3.8	5.8	5.0	6.6	7.6
Pete Sites	0.1	0.1	0.1	0.0	0.0
Swahili House	0.4	0.6	0.6	0.6	0.3
Narok Museum	0.5	0.8	0.3	0.4	0.2
German Post	0.1	0.1	0.1	0.1	0.1
Takwa Ruins	1.3	1.5	1.4	1.3	0.7
Koobi Fora	..	..	0.1	0.1	..
TOTAL	**493.2**	**763.1**	**942.0**	**843.4**	**824.6**

Source: National Museums of Kenya

* Provisional

Figure 13.6: Number of Visitors to the Museums, Snake Parks and Historical Sites by Month in 2012



Conference Tourism

13.17. Local and international conferences held in Kenya increased by 11.5 and 6.1 per cent to 3,338 and 328 respectively, in 2012. Likewise, the number of delegates attending local and international conferences grew by 1.1 and 6.2 per cent, respectively during this period. The total percentage occupancy grew from 6.3 per cent in 2011 to 6.8 per cent in 2012 due to the high increase in the number of delegate days in 2012.

Table 13.11: Number of Conferences, 2010-2012

Number

	2010		2011		2012*	
	Local	International	Local	International	Local	International
No.of conferences	2,529	254	2,995	309	3,338	328
No.of delegates	383,441	30,554	408,596	33,566	413,037	35,663
No.of delegate days	467,781	153,081	497,523	197,562	554,443	209,910
No.of delegate days available	5,368,174	5,368,174	5,520,344	5,520,344	5,652,611	5,652,611
Percentage Occupancy	8.7	2.9	9.0	3.6	9.8	3.7

*Provisional

Training

13.19. The Kenya Utalii College (KUC) continued to play an important role in training personnel in various courses related to the tourism industry as shown in Table 13.12. The number of graduates completing training was 2,970 in 2012. There was an increase in demand for in-service refresher courses resulting in an increase in graduates from 1,494 in 2011 to 1,644 in 2012. Graduates of Management Development Programmes (MDP) decreased by 15.2 per cent from 264 in 2011 to 224 in 2011. The number of graduates in pioneer course also decreased by 18.4 per cent in 2012 while those for service advance professional courses reduced from 30 in 2011 to 17 in 2012. It is noteworthy that other institutions are now offering hospitality related training.

Table 13.12: Kenya Utalii College Graduates, 2008-2012

Number

Year	Pioneer Course[1]	In- Service		Professional Courses			Grand Total
		Refresher	MDP[2]	Ordinary	Service Advance	Sub-Total	
2008	720	1,119	166	371	40	411	2,416
2009	722	1,818	191	469	28	497	3,228
2010	1,052	1,178	192	533	30	563	2,985
2011	561	1,494	264	613	30	643	2,962
2012*	458	1,644	224	627	17	644	2,970

Source: Kenya Utalii College

* Provisional

[1]Pioneer is a 3 month course

[2]MDP - Management Development Programmes

Chapter 14

Transport and Communication

Overview

The Transport and Communication sector posted a slower performance during the period under review. The sector's total output value grew by 4.4 per cent to KSh 736.6 billion in 2012. Road transport sub-sector accounted for 54.6 per cent of the total value of output. The Port of Mombasa recorded 9.9 per cent growth in total throughput handled. Similarly, the pipeline performance improved notably to register a 14.1 per cent increase in 2012 in total throughput of white petroleum products. The total commercial passenger traffic and cargo handled at the two major airports dropped by 1.6 and 3.0 per cent, respectively in the year under review as a result of a slow-down in global economy especially in the Eurozone.

14.2. The railway transport sub-sector exhibited mixed performance. The Cargo traffic handled increased by 1.4 per cent in 2012. Likewise, revenue earned from freight stream rose by 22.4 per cent. Although passenger journeys increased by 17.5 per cent, revenue from passenger traffic dropped by 23.5 per cent. The communication sub-sector remained vibrant over the review period buoyed by considerable growth in mobile telephony. The number of mobile telephone subscribers rose from 25.3 million as at 30th June 2011 to 29.7 million as at 30th June 2012, while mobile money transfer subscriptions expanded by 12.1 per cent in the same period.

Value of Output

14.3. Table 14.1 presents the value of output for various Transport and Communication sub-sectors during the period 2008 to 2012. The sector's total output value increased from KSh 705.6 billion in 2011 to KSh 736.6 billion in 2012, representing a growth of 4.4 per cent. The output value for Road Transport recorded a growth of 4.1 per cent in 2012 while value of output for water transport rose by 5.9 per cent. During the review period, the value of output for Air Transport registered a slowed growth of 5.0 per cent to KSh 104.1 billion compared to a growth of 17.7 per cent in 2011. The value of output of Pipeline Transport grew by 9.5 per cent to stand at KSh 17.2 billion in 2012 up from KSh 15.7 billion recorded in 2011. Similarly, the output value of Communications sub-sector expanded by 6.5 per cent in the review period. Whereas the output value of the Railway Transport sub-sector increased by 1.1 per cent during the review period, that of Services Incidental to Transport dropped marginally in the same period.

Table 14.1: Transport and Communication - Value of Output, 2008 - 2012

KSh Million

	2008+	2009+	2010+	2011	2012*
Road Transport	273,044	285,262	326,318	386,636	402,452
Railway Transport	4,449	4,747	5,591	5,985	6,048
Water Transport	21,868	21,039	23,847	28,059	29,705
Air Transport	83,010	81,609	84,257	99,173	104,137
Services Incidental to Transport	38,822	40,019	48,342	60,077	59,947
Pipeline Transport	9,222	11,837	13,906	15,668	17,162
Communications	93,466	100,009	106,467	109,987	117,179
Total	**523,881**	**544,522**	**608,728**	**705,585**	**736,630**

* Provisional.

+ Revised

Road Transport

14.4. Funds disbursed from the Roads Maintenance Levy Fund (RMLF) to road agencies have been increasing over time as presented in Table 14.2. A total of KSh 24.5 billion was approved by the Kenya Roads Board (KRB) for maintenance and rehabilitation of the national roads during 2012/13 financial year compared to KSh 24.1 billion disbursed in 2011/12. Fuel levy collections are projected to increase to KSh 24.1 billion during 2012/13 from KSh 23.8 billion

realized in the preceding year. Transit toll collections are expected to expand by 14.3 per cent in the review period compared to a growth of 12.8 per cent in 2011/12.

Table 14.2: Roads Maintenance Funds, 2008/09 - 2012/13

KSh Million

	2008/09	2009/10	2010/11	2011/12	2012/13*
Fuel Levy	19,000	22,180	23,086	23,757	24,098
Transit Toll	357	425	304	343	392
Total	**19,357**	**22,605**	**23,390**	**24,100**	**24,490**

Source: Kenya Roads Board

* Provisional.

14.5. Earnings from the Road Transport sub-sector are presented in Table 14.3. The total earnings rose by 4.1 per cent to KSh 402.5 billion in 2012 from KSh 386.6 billion in 2011. While earnings from passenger traffic recorded a slowed growth of 8.9 per cent in 2012 compared to 12.7 per cent in 2011, earnings from freight traffic dropped by 0.5 per cent to KSh 197.1 billion in 2012.

Table 14.3: Earnings from Road Traffic, 2008 – 2012

KSh Million

	2008	2009	2010	2011	2012*
Passenger Traffic	146,072	155,909	167,320	188,562	205,384
Freight Traffic	126,972	129,353	158,997	198,073	197,068
Total Road Traffic Earnings	**273,044**	**285,262**	**326,317**	**386,635**	**402,452**

* Provisional.

New Registration of Motor Vehicles

14.6. Table 14.4 shows the number of newly registered motor vehicles over the last five years. The total number of units registered declined by 15.9 per cent from 205,841 in 2011 to 173,044 in 2012. The decline may partly be attributed to a drop in the registration of motor and auto cycles. Similarly, the registration of three wheelers dropped by 13.8 per cent partly as a result of decreased demand by commercial operators.

14.7. The number of newly registered saloon cars and station wagons increased by 17.8 and 27.8 per cent, respectively in 2012. This increase could be attributed to pent-up-demand that was occasioned by disruptions in supply caused by the effects of tsunami experienced in Japan in 2011. The number of lorries/trucks registered in 2012 grew by 49.1 per cent to 7,821 from 5,247 in 2011. The growth may have been triggered by the on-going road construction activities in the country that have necessitated the importation of heavy trucks and lorries. The registration of mini-buses/*matatu* dropped substantially to stand at 78 units in 2012 compared to 451 units in 2011 as a result of suspension of (Transport Licensing Board) TLB licenses of 14-seater Public Service Vehicles (PSVs) popularly known as *Nissan matatus*. The number of motor and auto cycles dropped to 93,970 in 2012 after rising steadily since 2008.

Table 14.4: New Registration of Road Motor Vehicles, 2008- 2012

Number

Type of Vehicle	2008	2009	2010	2011	2012*
Saloon Cars	18,686	16,930	16,165	11,026	12,985
Station Wagons	24,747	27,599	37,553	31,199	39,862
Panel Vans, Pick-ups, etc	8,983	7,120	6,975	7,442	7,945
Lorries/Trucks	6,691	6,037	4,924	5,247	7,821
Buses and Coaches	1,243	1,057	1,264	1,662	1,638
Mini Buses/*Matatu*	5,206	4,483	3,600	451	78
Trailers	2,100	2,883	2,379	2,556	3,761
Wheeled Tractors	1,262	1,115	1,161	1,179	1,386
Motor and Auto Cycles	51,412	91,151	117,266	140,215	93,970
Three Wheelers	704	863	1,521	2,140	1,845
Other vehicles	797	2,575	3,648	2,724	1,753
Total Units Registered	**121,831**	**161,813**	**196,456**	**205,841**	**173,044**

Source: Kenya Revenue Authority

* Provisional.

Figure 14.1: Percentage Share of New Vehicle Registration, 2012

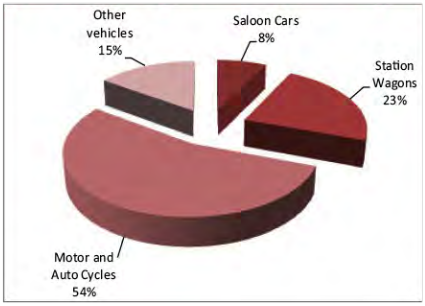
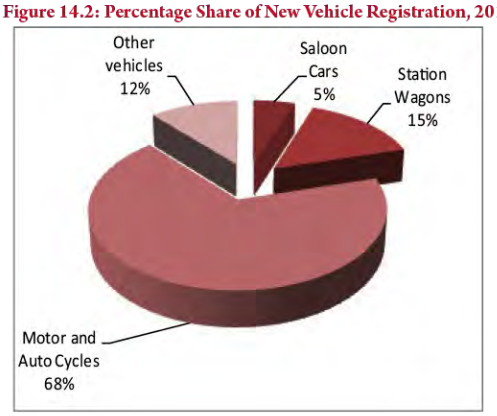


Figure 14.2: Percentage Share of New Vehicle Registration, 2011



Road Licenses

14.8. The number of TLB and driving licenses issued are shown in Table 14.5. The total number of licenses issued by the Board declined by 6.9 per cent to 22,052 in 2012 from 23,680 in 2011. The number of TLB licenses issued to *matatus* increased by 1.3 per cent partly due to the Government's decision to put on hold the policy of phasing out of 14-seater PSVs. Licenses

issued to buses and mini-buses dropped by 26.8 and 10.8 per cent, respectively.

14.9. The total number of driving licenses issued dropped by 19.1 per cent from 237,921 in 2011 to 192,552 in 2012. Likewise, the number of licenses issued for the three categories of driving licenses (original, duplicate and foreign) decreased by 17.8, 25.8 and 14.5 per cent, respectively. The decrease was, to a large extent, attributed to a delay in acquisition of printing materials during the review period as a result of which most of the pending applications were not processed. Further, the Government introduced the option of renewing driving licenses after a period of three years besides the annual requirement. The three-year option means that drivers stay longer before renewing their licenses, hence, resulting in reduced number of driving licenses issued annually.

Table 14.5: Road Transport Licenses Issued, 2008 – 2012

Number

	2008	2009	2010	2011	2012*
TLB Licenses					
PSV *Matatus*	55,042	11,668	16,199	15,198	15,394
PSV Buses	10,219	1,826	6,676	5,692	4,169
Freight Transport Vehicles[1]	33,407	..	..	..	..
PSV Mini-Buses	..	2,341	5,965	2,790	2,489
Total	**98,668**	**15,835**	**28,840**	**23,680**	**22,052**
Driving Licenses					
Original	166,715	164,299	131,556	195,536	160,719
Duplicate	34,500	31,529	34,514	39,146	29,065
Foreign	1,625	2,725	2,121	3,239	2,768
Total	**202,840**	**198,553**	**168,191**	**237,921**	**192,552**

Source: Kenya Revenue Authority

* Provisional

[1] Issuance of TLB licenses to Freight Transport Vehicles stopped from 2009

.. Data not available

Road Traffic Accidents

14.10. Table14.6 presents the number of reported road traffic accidents from 2008 to 2012. The total number of reported accidents decreased from 8,193 in 2011 to 6,917 in 2012, representing a 15.6 per cent decline. The number of casualties also dropped by 18.2 per cent during the referenced period. The number of persons killed dropped from 3,302 in 2011 to 3,141 in 2012. Those seriously injured recorded a decline of 14.0 per cent while the number of those who were slightly injured was 5,037 in 2012. The sustained decrease in reported road traffic accidents may be attributed to several initiatives taken by the Government and stakeholders to address road traffic accident-related causes which include speeding and ignorance of traffic laws.

Table 14.6: Road Traffic Accidents, 2008 – 2012

Number

	2008	2009	2010	2011	2012*
Total Number of reported Traffic Accidents	**9,093**	**12,369**	**9,771**	**8,193**	**6,917**
Persons Killed or Injured					
Killed	2,463	4,072	3,055	3,302	3,141
Seriously Injured	9,481	10,644	9,327	8,647	7,434
Slightly Injured	9,476	11,906	9,739	7,144	5,037
Total	**21,420**	**26,622**	**22,121**	**19,093**	**15,612**

Source: Kenya Police

*Provisional.

Railway Transport

14.11. Details of the performance of the railway transport sub-sector for the last five years are presented in Table 14.7. Freight traffic increased by 1.4 per cent to 1,619 thousand tonnes in the review period. Similarly, revenue earned increased to KSh 6,098 million in 2012 from KSh 4,983 million in 2011, a growth of 22.4 per cent, mainly attributed to increased tariffs levied on transported cargo. Passenger journeys increased by 17.5 per cent, from 6,004 thousand in 2011 to 7,057 thousand in 2012. However, revenue earned dropped from KSh 264 million in 2011 to KSh 202 million in the review period, a decline of 23.5 per cent.

Table 14.7: Railway Traffic, 2008 – 2012

	Unit	2008	2009	2010	2011	2012*
Freight:						
Tonnes	000	1,628	1,532	1,572	1,596	1,619
Tonne-Km	Million	1,109	1,060	1,105	1,135	1,139
Revenue	KSh Million	4,266	4,317	4,353	4,983	6,098
Revenue per tonne-Km.	KSh	385	407	394	439	535
Passenger+:						
Journeys	000	3,226	8,861	3,411	6,004	7,057
Passenger-Km	Million	105	389	270	283	221
Revenue	KSh Million	76	251	252	264	202
Revenue per passenger-Km.	KSh	72	65	93	93	91

Source: Kenya Railways Corporation/Rift Valley Railways

* Provisional.

Water Transport

14.12. Table 14.8 shows port traffic handled at the Port of Mombasa. Container traffic improved notably to post a total of 903,463 Twenty-foot Equivalent Units (TEUs) in 2012 from 770,804 TEUs handled in 2011. The number of ships that docked rose by 4.7 per cent to stand at 1,763 during the review period. Total throughput rose by 1,967 thousand tonnes to stand at 21,920 thousand tonnes in 2012 mainly due to increased import of dry bulk and dry general cargo, and export of dry general cargo.

14.13. Total imports handled rose by 10.6 per cent to 18,731 thousand tonnes in 2012 compared to a growth of 4.3 per cent in 2011. Total exports handled maintained an upward trend, expanding by 9.2 per cent to 3,045 thousand tonnes in 2012 from 2,788 thousand tonnes in 2011. Dry general cargo handled for exports grew by 10.8 per cent in 2012 compared to 4.1 per cent recorded in 2011. Whereas bulk liquids exported increased marginally in 2012, dry bulk exports declined by 13.1 per cent in the same period.

Table 14.8: Traffic handled at Mombasa Port, 2008 – 2012

	Unit	2008	2009	2010	2011	2012*
Containers Traffic	TEUs	615,733	618,816	695,600	770,804	903,463
Ships Docking	No.	1,686	1,748	1,579	1,684	1,763
Imports	000' DWT					
Dry General	"	4,979	5,435	5,987	6,524	7,256
Dry Bulk	"	2,891	4,641	3,871	3,807	4,811
Bulk Liquids	"	5,441	6,432	6,386	6,607	6,665
Total Imports	"	**13,311**	**16,508**	**16,244**	**16,938**	**18,732**
Of which Transit In	"	4,471	4,612	5,004	5,166	6,201
Motor Vehicles landed	No.	87,284	95,798	95,604	105,048	120,268
Exports	000' DWT					
Dry General	"	2,295	2,220	2,410	2,508	2,779
Dry Bulk	"	200	62	70	122	106
Bulk Liquids	"	190	167	95	158	160
Total Exports	"	**2,685**	**2,449**	**2,575**	**2,788**	**3,045**
Of which Transit Out	"	404	368	377	430	425
Total Imports and Exports	"	**15,996**	**18,957**	**18,819**	**19,726**	**21,777**
Transhipment	"	419	105	158	227	143
Grand Total	"	**16,415**	**19,062**	**18,977**	**19,953**	**21,920**

Source: Kenya Ports Authority

* Provisional.

DWT - Deadweight Tonnes

Pipeline Transport

14.14. Details of pipeline throughput of white petroleum products for the last five years are presented in Table 14.9. Total pipeline throughput of white petroleum products rose by 14.2 per cent from 4,257.4 thousand cubic metres in 2011 to 4,855.6 thousand cubic metres in 2012. Exports of petroleum products throughput rose to 1,821.4 thousand cubic metres in 2012 from 1,172.8 cubic metres in 2011, the highest over five years period. This may have been occasioned by increased demand for white petroleum products in the region coupled with enhanced pipeline capacity. However, transport of domestic consumption of products via the pipeline recorded a marginal decrease of 1.6 per cent to record 3,034.2 thousand cubic metres in 2012.

Table 14.9: Pipeline Throughput of White Petroleum Products, 2008 – 2012

'000 Cubic Metres

	2008	2009	2010	2011	2012*
Exports					
Motor Spirit (Premium)..	417.1	419.0	387.4	429.0	626.3
Kerosene Illuminating Oil..	110.0	103.8	99.0	84.7	89.3
Light Diesel Oil..	534.7	485.5	505.8	516.8	899.4
Jet Fuel..	153.2	161.2	161.0	142.3	206.4
Sub-Total	**1,215.0**	**1,169.5**	**1,153.2**	**1.172.8**	**1,821.4**
Domestic Absorption[1]					
Motor Spirit (Premium)..	456.5	601.4	689.9	782.6	785.9
Motor Spirit (Regular)..	66.0	60.9	69.7	43.3	14.2
Kerosene Illuminating Oil..	218.8	248.5	264.8	250.5	304.8
Light Diesel Oil..	1,178.6	1,479.4	1,252.9	1,129.8	1,079.0
Jet Fuel..	713.7	766.5	773.2	878.4	850.3
Sub-Total	**2,633.6**	**3,156.7**	**3,050.5**	**3,084.6**	**3,034.2**
Grand Total	**3,848.6**	**4,326.2**	**4,203.7**	**4,257.4**	**4,855.6**

Source: Kenya Pipeline Company

* Provisional.

[1]Figures do not include volume carried by Kenya Railways or consumed in the Coastal area

Air Transport

14.15. **Passenger Traffic:** Table 14.10 presents details of commercial traffic handled at the main airports. Total commercial passenger traffic handled dropped by 1.6 per cent from 8,721.7 thousand passengers in 2011 to 8,583.8 thousand passengers in 2012. Passengers handled at Jomo Kenyatta International Airport (JKIA) dropped marginally from 6,291.2 thousand in 2011 to 6,271.9 in 2012. Passenger arrivals at both JKIA and Moi International Airport (MIA) declined by 1.3 and 9.1 per cent, respectively in the review period. The aviation industry was negatively affected by sluggish global economic recovery especially in the on-going Euro zone crisis.

Table 14.10: Commercial Traffic at Main Airports, 2008 - 2012

000

			2008	2009	2010	2011	2012*
Passengers	JKIA	Arrivals	2,390.2	2,555.7	2,793.3	3,169.1	3,129.2
(No)	**Nairobi**	Departures	1,378.4	1,516.2	1,596.6	1,876.1	1,916.2
		In Transit	982.6	1,006.2	1,095.9	1,246.0	1,226.5
		Sub-Total	4,751.2	5,078.1	5,485.8	6,291.2	6,271.9
	MIA	Arrivals	401.6	502.1	578.4	666.3	605.4
	Mombasa	Departures	404.3	512.2	584.7	681.7	627.7
		In Transit	80.8	99.6	108.0	123.9	114.8
		Sub-Total	886.8	1,113.9	1,271.1	1,471.9	1,347.9
		Arrivals	349.0	325.7	354,0	427.1	428.3
	Other Airports	Departures	349.6	316.5	342,9	422.0	419.6
		In Transit	39.4	54.0	62,6	109.5	116.1
		Sub-Total	738.0	696.2	759,5	958.6	964.0
	Total Passenger Traffic		**6,376.0**	**6,888.2**	**7,516,4**	**8,721.7**	**8,583.8**
Cargo	JKIA	Landed	59,218.6	46,949.4	31,416,3	59,837.6	59,982.0
(Tonnes)	**Nairobi**	Loaded	240,091.6	214,583.9	196,854.1	226,630.0	219,009.3
		Sub-Total	299,310.2	261,533.3	228,270.4	286,467.6	278,991.3
	MIA	Landed	1047.0	1,489.2	1,260.3	1,866.0	1,536.7
	Mombasa	Loaded	5,065.3	4,943.2	6,877.9	6,066.4	2,702.6
		Sub-Total	6,112.3	6,432.4	8,138.2	7,932.4	4,239.3
	Other Airports	Landed	9,079.8	7,472.7	3,640.2	6,164.3	6,928.1
		Loaded	5,837.9	5,649.0	7,125.7	3,565.3	4,895.7
		Sub-Total	14,917.7	13,121.7	10,765.9	9,729.6	11,823.8
	Total Cargo Traffic		**320,340.2**	**281,087.4**	**247,174.5**	**304,129.6**	**295,054.4**
Mail	JKIA	Landed	907.8	966.0	1,392.8	1,663.0	1,144.8
(Tonnes)	**Nairobi**	Loaded	519.0	570.0	187.1	160.0	173.0
		Sub-Total	1,426.77	1,536.8	1,579.9	1,823.0	1,317.8
	MIA	Landed	23.2	18.2	10.0	15.9	4.7
	Mombasa	Loaded	25.2	25.7	19.9	18.1	18.8
		Sub-Total	48.4	43.9	29.9	34.0	23.5
	Total Mail Traffic		**1,475.2**	**1,580.7**	**1,609.8**	**1,857.0**	**1,341.0**

Source: Kenya Airports Authority

*Provisional

14.16. **Cargo and Mail Traffic:** Total cargo tonnage handled registered a decline of 3.0 per cent in 2012 compared with a growth of 23.0 per cent in 2011. Whereas landed cargo at JKIA increased marginally in the review period, loaded cargo dropped by 3.4 per cent. The decline in cargo traffic was as a result of reduced demand for fresh produce and flower exports from major European market. Total mail traffic handled decreased from 1,857.0 thousand tonnes in 2011 to 1,341.0 thousand tonnes in 2012.

Information and Communication

14.17. **Postal Services:** Performance of the postal services sub-sector for the last five years is shown in Table 14.11. The number of post offices dropped by 9.0 per cent to 634 in 2012 mainly occasioned by closure of some non-performing post offices. The number of private courier operator outlets increased by 6.7 per cent from 635 in 2011 to 683 in 2012 while additional 14 courier operators were licensed by Communications Commission of Kenya (CCK).

14.18. The use of private letter boxes for delivery of postal articles grew by 4.4 per cent as reflected in the increase of privately rented letter boxes from 366 thousand in 2011 to 382 thousand in 2012. The number of private bags rented remained the same in the review period. Total Expedited Mail Service (EMS) items handled declined by 7.8 per cent from 1,681 thousand in 2011 to 1,550 thousand in 2012.

14.19. The total unregistered correspondence and parcels handled declined by 21.9 and 21.2 per cent, respectively in 2012. Money orders issued also dropped from 385 thousand in 2011 to 346 thousand in 2012, representing a 10.1 per cent decline. These declines were partly attributed to the adoption of alternative and faster mobile telephony technology, such as mobile money transfers, internet and Short Messaging Service (SMS).

Table 14.11: Postal Services, 2008- 2012

Item	Unit	2002	2008	2009	2010	2011	2012*
Post Offices..	No.	869	707	701	698	697	634
Private Courier Operator Outlets..	No.	320	606	622	601	635	683
Licensed Courier Operators..	No.	52	148	180	159	176	190
Total Private Letter Boxes:							
Installed	'000	396	414	412	415	428	431
Rented..	'000	325	339	350	351	366	382
Private Bags Rented..	No.	916	892	846	846	846	846
Total EMS Items Handled:	**'000**	**713**	**1345**	**1,589**	**1,524**	**1,681**	**1,550**
Accepted	'000	301	803	859	772	776	802
Delivered	'000	412	542	730	752	905	748
Total Registered and Insured Items Posted:	**'000**	**3,336**	**1,736**	1,368	**1,317**	**1,427**	**1,254**
Domestic	'000	1,816	1,646	1,259	1,227	1,333	1,169
International	'000	1,520	90	109	90	91	85
Unregistered correspondence handled :	**Millions**	**173**	**96**	**89**	**115**	**96**	**75**
Domestic	Millions	149	85	80	108	88	68
International	Millions	24	11	9	7	8	7
Parcels handled :	**'000**	**187**	**136**	**69**	**52**	**52**	**51**
Domestic	'000	99	61	25	25	26	26
International	'000	88	75	44	27	26	25
Money Orders Issued:	**'000**	**1,487**	**1,733**	**838**	**625**	**385**	**346**
Ordinary	'000	717	439	318	377	284	281
Express	'000	-	172	54	28	12	10
EFT/PostaPay	'000	768	1,121	466	203	87	55
Interstate (E.A.)	'000	2	1	0.4	17	2	0.2
Postal Orders Issued:	**No.**	29	130	20	40	3	5

*Provisional.

Telecom-munications

14.20. **Fixed Line and Wireless Telephone:** Details on the telecommunications indicators are presented in Table 14.12. The total number of fixed line subscriptions, including wireless, declined for the third consecutive year while the total fixed line, including wireless connections dropped to 263 thousand as at 30th June 2012. The fixed wireline connections declined from 188 thousand recorded in June 2011 to 75 thousand in June 2012. Similarly, the fixed wireline capacity declined by 5.0 per cent mainly as a result of increased mobile service coverage which stood at 75.4 per cent by June 2012. Frequent interruptions due to cable vandalism also impacted negatively on the use of landline service.

14.21. Outgoing calls for fixed international voice traffic rose by 8.6 million minutes to record 20.1 million minutes in 2012 compared to 11.5 million minutes in 2011. This was due to reduced tariffs for calls to certain zones around the world including United States, India, China and Canada. However, fixed line voice incoming international traffic declined by 44.2 per cent in the review period partly due to competition from mobile cellular telephony and the reduction in fixed connections.

14.22. **Mobile Telephony:** The mobile market segment remained vibrant as shown in Table

14.12. Mobile connections rose by 17.4 per cent to stand 29.7 million as at 30th June 2012 consequently pushing the mobile penetration rate to 75.4 per cent.

14.23. **Mobile Money Transfer Service:** The total number of mobile money transfer service subscribers rose to 19.5 million as at 30th June 2012 from 17.4 million recorded during the same period in 2011. The increase in subscribers represents a growth of 12.1 per cent, much lower than the 64.2 per cent attained in 2011.

Table 14.12: Telecommunications Indicators, 2008 – 2012

	Unit	2008	2009	2010	2011	2012*
Fixed Lines, CDMA, and other Wireless						
Capacity	'000	612	731	422	400	380
Wireline Connections..	000	253	248	234	188	75
Wireless Connections..	'000	274	448	226	191	188
Total Wireline and Wireless Connections..	'000	527	696	460	379	263
International outgoing traffic(Minutes).. ..	'000	15,582	14,472	14,761	11,456	20,059
International incoming traffic(Minutes).. ..	'000	83,148	88,538	35,550	31,867	17,796
Mobile Telephony						
Mobile Telephone Capacity	'000	25,965	29,000	46,629	47,350	49,977
Connections	000	12,934	17,362	20,119	25,280	29,703
Mobile Money Transfer Service Subscribers[1]	'000	..	..	10,615	17,396	19,506

Source: Communications Commission of Kenya

* Provisional

[1] As at 30th June

CDMA - Code Division Multiple Access

..Data not available

14.24. **Internet Services:** Demand for internet and data services in the country has been on the rise as evidenced by the total internet subscriptions presented in Table 14.13. In 2012, additional 75 ISPs were licensed bringing the number to 165 up from 90 in 2011. The total internet subscriptions rose by 37.1 per cent to 8.5 million in 2012 from 6.2 million in 2011. The largest contributor to this growth was the terrestrial mobile data users that accounted for 99.2 per cent of the total subscriptions. The growth in subscriptions may be attributed to affordability of internet devices including Smart Phones, reduction in mobile data bundle rates and increased access to social networking sites especially among the youth. However, the terrestrial wireless data subscriptions dropped by 20.0 per cent from 26,615 subscriptions in 2011 to 21,288 in 2012. The high speed fixed fibre optic data/internet subscriptions grew by 1.9 per cent in 2012, an indication that the country is gradually embracing fibre optic technology.

Table 14.13: Licensed Internet Service Providers and Internet Subscriptions, 2008 – 2012

Number

ISPs and Subscriptions	2008	2009	2010	2011	2012*
Licensed Internet Service Providers (ISPs)	56	52	57	90	165
Terrestrial mobile data/ Internet subscriptions	..	1,562,065	3,059,906	6,076,444	8,436,578
Terrestrial wireless data/ Internet subscriptions	..	8,602	22,134	26,615	21,288
Satellite data/ Internet subscriptions	..	26	953	960	531
Fixed Digital Subscriber Lines data/ internet subscriptions	..	7,822	9,631	11,422	10,098
Fixed fibre optic data/Internet subscriptions	..	851	4,303	37,514	38,228
Fixed cable modem (Dial Up) data/ Internet subscriptions	..	21	25	25	25
Total Internet Subscriptions		**1,579,387**	**3,096,952**	**6,152,980**	**8,506,748**

Source: Communications Commission of Kenya

* Provisional

.. Data not available

Information and Mass Media

14.25. **Broadcasting**: Table 14.14 shows the number of Television (TV) and Frequency Modulation (FM) radio frequencies utilized for the period 2008 to 2012. The number of broadcasting frequencies increased by 18.7 per cent from 91 in 2011 to 108 in 2012 while 41 additional FM radio frequencies were utilized.

Table 14.14: Radio and TV Frequencies Utilized, 2008 – 2012

Number

Frequencies	2002	2008	2009	2010	2011	2012*
TV Frequencies.		81	81	83	91	108
FM Frequencies.	92	268	303	314	346	387

Source: Communications Commission of Kenya

* Provisional

14.26. **Print Media:** The daily and weekly newspapers in circulation in the country have been increasing over the years as presented in Table 14.15. During the review period, the number of English and Swahili daily newspapers in circulation increased by 2.4 and 5.1 per cent, respectively. The English weeklies increased by 7.4 million copies to 34.4 million in 2012 from 27 million copies in 2011. The Swahili weeklies circulated grew by 11.9 per cent in 2012.

Table 14.15: Local Daily/Weekly Newspapers in Circulation, 2008 – 2012

'000 Copies

Newspapers	2008	2009	2010	2011	2012*
Daily Newspapers-					
English	99,369	101,853	105,300	108,000	110,592
Swahili	7,852	8,190	8,550	9,000	9,459
Weekly Newspapers-					
English..	12,601	16,282	21,200	27,000	34,398
Swahili	1,060	1,223	1,422	1,600	1,790

* Provisional

Developments in the Transport and Communication sector

Traffic (Amendment) Act, 2012

14.27 In November 2012, the Government enacted and gazetted the Traffic (Amendment) Act, 2012. The new Act spells out traffic rules and provides for stiffer penalties for road traffic offenders, while at the same time mandates all police officers to be responsible for traffic matters in order to enhance enforcement of the traffic rules.

Kenya Ports Authority

14.28. A number of activities were undertaken at the Port of Mombasa to improve navigation and transform it into a regional maritime hub. In view of this, the Government, in collaboration with development partners, has been carrying out dredging works to increase the depth of access channels in order to allow larger vessels into the port and enable two-way traffic through the channel. The dredging work was completed in 2012 and since then, the Port has been able to receive large vessels into the channels.

14.29. The growth in container traffic has put a strain on the existing facilities and surpassed the existing container terminal capacity at the Port. To address the situation and further expand its container handling facilities, the Government through KPA commissioned the construction of a second container terminal west of the Kipevu Oil Terminal on 5th December 2012. Once completed, the terminal is expected to have annual handling capacity of 1.2 million TEUs. The project involves the construction of Berth 19 which is expected to add a further 240 metres of quay length to the existing terminal upon completion. The project is expected to be completed by the end of 2013.

Railway Transport

14.30. Kenya Railways launched the first phase of Nairobi Commuter Rail (NCR) Transport in November 2012.The rail service caters for commuters between Syokimau and Nairobi Central Business District (CBD).

Information and Communication

14.31. In order to enhance competition in the provision of digital TV signal distribution services in the country, the CCK licensed one additional national signal distributor, Pan Africa Network Group (Kenya) Company Limited. The Pan Africa Network Group is expected to facilitate faster infrastructure roll out for digital terrestrial television as the country prepares for the analog television switch-off.

14.32. The availability of the undersea fibre optic cables expanded the choice of bandwidth to downstream players and customers, and resulted in reduction in wholesale prices for bandwidth. This reduction motivated most operators to migrate from costly satellite to fibre for their international connectivity.

14.33. In September 2012, the CCK switched off all counterfeit phones. The switch off of counterfeit handsets was done to protect customers and to safeguard the gains made so far in the mobile telecoms industry. The Government issued a directive requiring that all mobile phone subscribers register their Subscriber Identity Module (SIM) cards by 31st December 2012. Those subscribers who failed to do so had their SIM cards switched off. The SIM card registration is important as it helps reduce SIM related crimes which include hate messages, kidnappings and fraud.

Chapter 15

Governance

Overview

The Government continued with the implementation of reforms agenda as stipulated in the Constitution of Kenya, 2010. In 2012, National Police Service Commission (NPSC) appointed the first Inspector General of Police and two deputies, one to take charge of the Kenya Police Service (KPS) and another the Administration Police Service (APS). A Director of Criminal Investigation Department was also appointed. In addition, Independent Electoral and Boundaries Commission (IEBC) conducted voter registration in readiness for the 2013 General elections in line with the new Constitution and the devolved system of Government. In the new system, the Public would be expected to elect a President and a Deputy President at the National level while electing Governors, Senators, Members of Parliament, County Representatives and Women Representatives at the County level. Reforms in the Judiciary included appointment of High Court Judges and vetting of Judges and Magistrates who were in office before the promulgation of the new constitution. In addition, the Government put in place a Transition Authority (TA), which is a statutory body with a constitutional mandate of facilitating and coordinating the transition to the devolved system of government in Kenya, pursuant to the provisions of the Transition to Devolved Government Act, 2012 and Section 15 of the Sixth Schedule of the Constitution of Kenya, 2010.

15.2. The total number of crimes reported to the Police increased by 2.8 per cent from 75,733 in 2011 to 77,852 in 2012. Overall, the number of reported offenders went up from 82,052 in 2011 to 83,853 in 2012. Males accounted for 83.0 per cent of the number of persons reported to the Police to have committed offences. The number of persons who committed offences against morality and other offences against persons declined by 8.7 per cent from 28,270 in 2011 to 25,809 in 2012. The total number of persons reported to have committed homicide increased by 25.3 per cent from 2,494 in 2011 to 3,124 in 2012 while those reported to have committed murder accounted for 64.3 per cent of the total reported homicide offenders. The number of persons reported to have committed robbery and other thefts increased by 7.9 per cent from 32,595 in 2011 to 35,168 in 2012. The total number of persons involved in offences related to drugs, criminal damage, economic crime and corruption in 2012 declined by 12.1 per cent to stand at 11,097. However, this decrease was brought about by a 17.8 per cent decrease in male offenders compared to female offenders whose cases increased by 38.8 per cent. There was a substantial reduction in the number of cases reported to the Ethics and Anti-Corruption Commission (EACC) by about 51 per cent from 7,326 in 2011 to 3,592 in 2012.

Public Safety, Law and Order

15.3. Provision of safety, law and order is a constitutional requirement necessary for national development and prosperity of the country. This is important as it forms the cornerstone for economic growth and leads to the improvement of quality of life of the citizens as spelt out in Kenya's Vision 2030. The number of crimes reported to the Police Department in the last five years is presented in Table 15.1. Criminal incidences increased by 2.8 per cent from 75,733 in 2011 to 77,852 in 2012, with crimes grouped under 'other offences against persons' accounting for 26.6 per cent of the total crimes. Crimes related to dangerous drugs had the largest decline of 468 from 4,649 in 2011 to 4,181 in 2012 accounting for a 10.1 per cent decline. Notable increases in crime were observed under categories of criminal damage (12.7 per cent), economic crimes (11.0 per cent), theft of stock (4.8 per cent) and homicide crimes

which increased by 4.5 per cent from 2,641 in 2011 to 2,761 in 2012.

Table 15.1: Number of Crimes Reported to Police Stations, 2008-2012

Number

Crimes[1]	2008	2009	2010	2011	2012*
Homicide	2,037	2,214	2,239	2,641	2,761
Offences against morality	3,116	4,068	4,817	4,703	4,806
Other offences against persons	16496	20,539	20,012	20,144	20,698
Robbery	3,401	2,938	2,843	3,262	3,262
Breakings	6,626	7,053	6,453	7,325	7,578
Theft of stock	2,269	2,876	2,244	2,269	2,377
Stealing	11,435	11,972	11,986	13,797	14,111
Theft by servant	2,387	2,732	2,591	2,889	2,984
Vehicles and other thefts	1,387	1,439	1,365	1,768	1,663
Dangerous drugs	4,407	5,541	5,081	4,649	4,181
Traffic offences	120	59	103	100	66
Criminal damage	3,760	3,417	3,327	3,345	3,769
Economic crimes	1,898	2,324	2,662	3,036	3,369
Corruption	133	158	62	52	49
Offences involving police officers	33	56	37	27	69
Offences involving tourists	6	5	1	0	0
Other penal code offences	3,994	4,864	4,956	5,726	6,109
Total	**63,505**	**72,255**	**70,779**	**75,733**	**77,852**

Source: Kenya Police Department

* Provisional

[1] Refer to the classification of the crimes in Appendix 15.1

15.5. Table 15.2 shows the distribution of crimes by region. Rift Valley still accounts for majority of crimes reported in the country. In absolute numbers the region registered the highest increase in the number of crimes reported to the police. For this region, the number of crimes rose from 19,262 in 2011 to 20,302 in 2012, accounting for 26.1 per cent of all the crimes reported in the period under review. It was followed by Central, whose number rose from 10,016 in 2011 to 10,948 in 2012, representing the highest increase of 9.3 per cent. Nairobi (8.6 per cent) and Eastern (8.2 per cent) also recorded significant increases in criminal activity. The regions that recorded reduction in crime were Western (6.8 per cent), Coast (5.3 per cent), North Eastern (4.3 per cent) and Nyanza (0.4 per cent) as well as Railways Unit (38.7 per cent) and Kenya Airports Police Unit (KAPU) (29.4 per cent).

Table 15.2: Number of Crimes Reported to Police by Province, 2008-2012

Number

Region	2008	2009	2010	2011	2012*
Nairobi	4,667	4,712	6,102	8,528	9,259
Rift Valley	9,945	19,716	19,056	19,262	20,302
Central	12,130	9,929	9,215	10,016	10,948
Eastern	9,704	10,003	9,203	9,356	10,123
Nyanza	8,739	8,721	7,859	8,723	8,692
Coast	9,639	9,291	9,458	9,240	8,752
Western	7,402	8,610	8,305	8,658	8,071
North Eastern	849	1,020	1,216	1,439	1,377
Railways[1]	279	149	140	351	215
KAPU[2]	122	104	225	160	113
Total	**63,476**	**72,255**	**70,779**	**75,733**	**77,852**

Source: Kenya Police Department

* Provisional

[1] Kenya Police Service considers KAPU and Railways as provinces

[2] KAPU - Kenya Airports Police Unit

15.6. A lot of criminal activities perpetrated in the country involve the use of firearms and ammunition held by criminals. There has been a continued effort by the Government to recover illegal firearms by offering amnesty to people who surrender firearms voluntarily. Table 15.3 presents the number of ammunition recovered or surrendered during the last five years. The total number of firearms recovered declined by 22.4 per cent from 304 in 2011 to 236 in 2012 while firearms surrendered also reduced from 64 to 11 over the same period. The total number of ammunition recovered or surrendered registered a decline of 21.7 per cent from 16,388 in 2011 to 12,824 in 2012. There has been a gradual decline in the number of ammunition recoveries and surrenders since 2009.

Table 15.3: Firearms and Ammunition Recovered or Surrendered, 2008-2012

Number

Firearms/Ammunition	2008	2009	2010	2011	2012*
Firearms					
Recovered					
Rifles	238	121	162	164	122
Pistols	252	128	80	102	97
Toy Pistols	226	174	10	38	17
Total	**716**	**423**	**252**	**304**	**236**
Surrendered					
Rifles	334	163	1,064	26	11
Toy Pistols	-	-	-	38	0
Total	**334**	**163**	**1,064**	**64**	**11**
Ammunition					
Recovered[1]	8,081	110,047	38,127	16,288	12,768
Surrendered	1,540	4,480	3,373	100	56
Total	**9,621**	**114,527**	**41,500**	**16,388**	**12,824**

Source: Kenya Police Department

* Provisional

[1] The figure for 2009 includes over 100,000 ammunition recovered in Narok during a Police operation.

15.7. Table 15.4 shows the number of persons reported to Police for having committed various offences for the period 2008 to 2012. The number of reported offenders went up from 82,052 in 2011 to 83,853 in 2012. Males accounted for 82.7 per cent of the total cases. The number of persons reported to police having committed offences went up in five regions. These include Central (64.8 per cent), Nairobi (29.1 per cent), Western (26.0 per cent), North Eastern (17.7 per cent) and Eastern (13.7 per cent). Nyanza registered the largest decline of 45.1 per cent in the number of reported offenders from 12,742 in 2011 to 6,991 in 2012. Other regions that recorded a decline in the number of persons reported to the Police to have committed offences include Coast (13.1 per cent) and Rift Valley (5.7 per cent). Whereas the number of female offenders almost doubled from 7,837 in 2011 to 14,518 in 2012, that of their male counterparts recorded a 6.6 per cent decline from 74,215 to 69,335 in the same period. Major increases among female offenders were noted in Eastern, Rift Valley and Central regions.

Table 15.4: Number of Persons Reported to Police to have Committed Offences by Sex, 2008-2012

Number

Year	Sex	Nairobi	Central	Coast	North Eastern	Eastern	Nyanza	R/Valley	Western	KAPU	Railways	Total
2008	Male	3,016	8,930	8,579	9,387	787	8,303	7,068	6,084	142	310	52,606
	Female	1,119	1,436	937	1,706	109	1,195	1,032	1,273	9	16	8,832
	Total	4,135	10,366	9,516	11,093	896	9,498	8,100	7,357	151	326	61,438
2009	Male	8,673	7,886	8,123	10,605	886	8,443	11,741	8,078	132	215	64,782
	Female	1,667	1,894	1,577	1,817	88	1,114	1,484	1,032	8	18	10,719
	Total	10,360	9,780	9,700	12,422	974	9,557	13,225	9,110	140	233	75,501
2010	Male	4,788	10,077	5,916	6,340	923	5,550	11,388	5,810	137	201	51,130
	Female	5,189	4,373	1,116	1,014	218	1,095	2,091	1,109	18	9	16,232
	Total	9,977	14,450	7,032	7,354	1,141	6,645	13,479	6,919	155	210	67,362
2011	Male	8,162	5,847	9,042	8,760	976	11,561	21,462	7,379	759	267	74,215
	Female	1,515	794	967	864	178	1,181	1,173	1,069	60	36	7,837
	Total	9,677	6,641	10,009	9,624	1,154	12,742	22,635	8,448	819	303	82,052
2012*	Male	10599	8,812	7,685	7,064	1,222	6,197	18,124	9,215	138	279	69,335
	Female	1,898	2,130	1,011	3,878	136	794	3,217	1,432	20	2	14,518
	Total	12,497	10,942	8,696	10,942	1,358	6,991	21,341	10,647	158	281	83,853

Source: Kenya Police Department

* Provisional

Note: The number of persons reported to have committed offences may differ with that of crimes reported to the Police (Table 15.1) because a person may commit more than one crime or a crime may be committed by more than one person

15.8. The number of persons reported to have committed offences against morality and other offences against persons declined by 8.7 per cent from 28,270 in 2011 to 25,809 in 2012 as shown in Table 15.5. The total number of females who committed the various offences against morality and other offences against persons increased by 61.4 per cent while that of males declined by 17.8 per cent in the period under review. The number of persons who committed offences related to defilement declined from 3,352 in 2011 to 3,217 in 2012. Similarly, the number of persons reported to have committed rape related offences reduced by 16 per cent during the year. However, an increase was recorded in the number of persons accused of indecent assault where the number almost doubled from 137 in 2011 to 255 in 2012. The number of persons who committed offences against morality declined slightly by 0.7 per cent from 5,033 in 2011 to 5,000 in 2012, while the number of persons who committed offences against other persons also declined by 10.4 per cent from 23,237 in 2011 to 20,809 in 2012. There was an increase in the number of people who committed bestiality, bigamy, indecent assault, abduction and incest in 2012. Declines were registered among persons who committed offences related to sodomy, creating disturbance, assault and scuffle. Overall, there was general increase among females who were involved in criminal activities.

Table 15.5: Number of Persons Reported to have Committed Offences against Morality and Other Offences against Persons by Sex, 2008-2012

Number

Offences	2008			2009			2010			2011			2012*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Against morality															
Rape	812	222	1,034	939	4	943	561	138	699	1,024	27	1,051	839	44	883
Defilement	1,396	232	1,628	2,234	51	2,285	2,202	606	2,808	3,272	80	3,352	3,082	135	3,217
Incest	85	15	100	181	4	185	326	37	363	241	6	247	286	22	308
Unnatural/sodomy	113	8	121	126	0	126	88	4	92	127	3	130	111	3	114
Bestiality	21	1	22	9	0	9	17	32	49	10	0	10	47	3	50
Indecent assault	133	19	152	120	3	123	101	11	112	135	2	137	173	82	255
Abduction	49	12	61	87	6	93	71	33	104	72	13	85	102	12	114
Bigamy	4	4	8	12	1	13	6	3	9	21	0	21	3	56	59
Sub-total	**2,613**	**513**	**3,126**	**3,708**	**69**	**3,777**	**3,372**	**864**	**4,236**	**4,902**	**131**	**5,033**	**4,643**	**357**	**5,000**
Other offences against persons															
Assault	9,414	2,518	11,931	11,700	3,093	14,793	8,710	3,074	11,784	13,929	2,210	16,139	11,182	3,292	14,474
Creating disturbance	3,921	827	4,748	5,024	1,102	6,126	5,014	2,107	7,121	5,593	732	6,325	4,253	1,367	5,620
Affray(scuffle)	298	138	436	306	228	534	1000	325	1,325	596	177	773	484	231	715
Sub-total	**13,633**	**3,483**	**17,115**	**17,030**	**4,423**	**21,453**	**14,724**	**5,506**	**20,230**	**20,118**	**3,119**	**23,237**	**15,919**	**4,890**	**20,809**
Total	**16,246**	**3,996**	**20,241**	**20,738**	**4,492**	**25,230**	**18,096**	**6,370**	**24,466**	**25,020**	**3,250**	**28,270**	**20,562**	**5,247**	**25,809**

Source: Kenya Police Department

*Provisional

Note: The number of persons reported to have committed offences may differ with that of crimes reported to the Police (Table 15.1) because a person may commit more than one crime or one crime may be committed by more than one person.

15.9. Table 15.6 presents data on persons reported to police to have committed homicide by sex for the period 2008 to 2012. The homicide offences are on an upward trend for the last three years and this is mainly driven by murder offences. Traffic offences went down in 2012 and this could be attributed to the new traffic regulations that were put in place. Consequently, those reported to have caused death by dangerous driving decreased from 543 in 2011 to 357 in 2012. The total number of persons reported to have committed homicide increased by 25.3 per cent from 2,494 in 2011 to 3,124 in 2012. Persons reported to have committed murder accounted for 64.3 per cent of the total reported homicide offenders. Those who committed murder increased by 26.1 per cent between 2011 and 2012. Offences related to manslaughter increased more than three times from 74 in 2011 to 258 in 2012. Increases were also observed among persons reported to have committed infanticide, suicide, abortion and concealing birth.

Table 15.6: Persons Reported to Police to have Committed Homicide by Sex, 2008-2012

Number

Offences	2008			2009			2010			2011			2012*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Murder	1,346	170	1,516	1,304	142	1,446	819	184	1,003	1,460	133	1,593	1,711	297	2,008
Manslaughter	51	10	61	54	14	68	249	19	268	69	5	74	217	41	258
Infanticide	2	17	19	0	31	31	8	19	27	3	16	19	7	35	42
Procuring abortion	9	36	45	2	32	34	5	25	30	3	24	27	7	31	38
Concealing birth	24	68	92	7	69	76	14	1	15	6	69	75	13	85	98
Suicide	234	33	267	212	41	253	11	64	75	124	39	163	219	104	323
Causing death by dangerous driving	271	16	287	372	30	402	215	4	219	506	37	543	338	19	357
Total	**1,937**	**350**	**2,287**	**1,951**	**359**	**2,310**	**1,321**	**316**	**1,637**	**2,171**	**323**	**2,494**	**2,512**	**612**	**3,124**

Source: Kenya Police Department

*Provisional

Note: The number of persons reported to have committed offences may differ with that of crimes reported to the Police (Table 15.1) because a person may commit more than one crime or a crime may be committed by more than one person

15.10. The number of persons reported to have committed robbery and theft increased by 7.9 per cent from 32,595 in 2011 to 35,168 persons in 2012 as shown in Table 15.7. The number of offenders under the category of stealing constituted 38.7 per cent of the total offenders. There was an increase in offences related to robbery which rose by 22.1 per cent, while theft of stock more than doubled from 1,754 in 2011 to 4,297 in 2012. Similarly, theft of vehicles and other theft increased by 23.9 per cent to 2,046 in 2012. Decreases were reported in offences related to breakings, stealing and theft by servant. The number of males reported to have committed theft of stock rose significantly from 1,622 in 2011 to 4,130 in 2012, while similar increases were reported for females involved in stealing and theft by servant.

Table 15.7: Persons Reported to Police to have Committed Robbery and Theft by Sex, 2008-2012

Number

Offences	2008			2009			2010			2011			2012*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Robbery	2,975	201	3,176	2,973	128	3,101	2,396	902	3,298	3,358	171	3,529	4,044	265	4,309
Breakings	6,416	359	6,775	6,703	278	6,981	4,533	1,437	5,970	7,747	344	8,091	7,228	521	7,749
Theft of stock	1,854	52	1,906	2,772	83	2,855	1,762	327	2,089	1,622	132	1,754	4,130	167	4,297
Stealing	9,018	1,292	10,310	10,716	1,862	12,578	8,254	2,374	10,628	13,024	1,268	14,292	11,372	2,237	13,609
Theft by servant	1,427	461	1,888	2,010	1,031	3,041	2,157	828	2,985	2,794	484	3,278	2,305	853	3,158
Vehicle and other thefts	1,049	187	1,236	1,179	24	1,203	1,184	394	1,578	1,590	61	1,651	1,984	62	2,046
Total	**22,739**	**2,552**	**25,291**	**26,353**	**3,406**	**29,759**	**20,286**	**6,262**	**26,548**	**30,135**	**2,460**	**32,595**	**31,063**	**4,105**	**35,168**

Source: Kenya Police Department

*Provisional

Note: The number of persons reported to have committed offences may differ with that of crimes reported to the Police (Table 15.1) because a person may commit more than one crime or one crime may be committed by more than one person

15.11. Information on the number of persons reported to have committed offences related to drugs and criminal damage, corruption and economic crime is presented in Table 15.8. The total number of persons involved in these offences in 2012 declined by 12.1 per cent to stand at 11,097. A decline of 17.8 per cent was recorded among male offenders, while a significant increase of 38.8 per cent was recorded among female offenders. All the categories of offences reported a decrease in number of offenders except for those involving police officers which rose slightly from 22 in 2011 to 27 in 2012. The number of women reported to have committed criminal damage increased from 382 in 2011 to 824 in 2012. The number of women who committed economic crimes, corruption and offences involving police officers increased by 13.0 per cent, 25.0 per cent and 50.0 per cent, respectively.

Table 15.8: Persons Reported to have Committed Offences Related to Drugs, Criminal Damage, Economic crime and Corruption by Sex, 2008-2012

Number

Offences	2008			2009			2010			2011			2012*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Dangerous Drugs	3,833	435	4,268	5,527	507	6,034	3,491	412	3,903	4,777	422	5,199	3,759	406	4,165
Criminal Damage	2,668	427	3,095	3,353	637	3,990	2,091	470	2,561	3,669	382	4,051	2,826	824	3,650
Economic crimes	1,223	292	1,515	2,255	321	2,576	3,384	1,062	4,446	2,775	432	3,207	2,636	488	3,124
Corruption	32	11	43	205	5	210	53	11	64	128	20	148	106	25	131
Offences involving Police officers	37	21	58	124	16	140	45	4	49	18	4	22	21	6	27
Total	**7,793**	**1,186**	**8,979**	**11,464**	**1,486**	**12,950**	**9,064**	**1,959**	**11,023**	**11,367**	**1,260**	**12,627**	**9,348**	**1,749**	**11,097**

Source: Kenya Police Department

*Provisional

Note: The number of persons reported to have committed offences may differ with that of crimes reported to the Police (Table 15.1) because a person may commit more than one crime or one crime may be committed by more than one person

Ethics and Anti-Corruption Commission (EACC)

15.12. The Ethics and Anti-Corruption Commission (EACC) continued with the implementation of corruption prevention programmes by conducting public education and awareness campaigns; offering advisory services; enhancing integrity in the public service; promoting standards and best practices; building partnerships, coalitions against corruption and undertaking research on corruption and governance related issues. Table 15.9(a) shows the number of cases handled by EACC by action taken from 2008 to 2012. The total number of cases handled declined by 51.0 per cent from 7,326 in 2011 to 3,592 in 2012. The number of cases where complainants were advised to seek civil redress reduced by 65.8 per cent while criminal cases referred to other investigative agencies reduced by 64.3 per cent. Table 15.9(b) shows the total number of cases forwarded to Director of Public Prosecution (DPP) and action taken. The total number of cases forwarded to DPP declined by 49.3 per cent from 138 in 2011 to 70 in 2012. Over 54.3 per cent of all the cases recommended for prosecution were accepted.

Table 15.9(a): Number of Cases Handled by EACC by Action Taken, 2008-2012

Number

Action taken	2008	2009	2010	2011	2012*
No. of corruption cases for investigation	1,038	1,395	1,796	2,816	1,486
Criminal cases referred to other investigative agencies	171	170	196	314	112
Cases referred to public service organizations for administrative intervention					534
Pending more information	61	84	59	43	24
Complainants advised on the right authority to report	1,576	1,558	2,025	2,050	1,021
Complainants advised to seek civil redress	473	537	950	869	297
No further action	104	124	179	247	118
Total	**3,868**	**4,473**	**6,018**	**7,326**	**3,592**

Table 15.9(b): Number of Cases Forwarded to DPP and action taken by DPP, 2008-2012

Number

Action Taken	2008	2009	2010	2011	2012*
Recommendation to prosecute accepted	74	63	52	102	38
Recommendation to prosecute not accepted	3	1	2	3	4
Recommendation for administrative or other action accepted	1	4	2	2	5
Recommendation for administrative or other action not accepted	0	0	1	0	0
Recommendation for closure accepted	12	11	2	16	15
Recommendation for closure not accepted	0	0	1	2	0
Files returned for further investigations	6	7	5	6	6
Files awaiting DPP's action	30	5	6	7	2
Total	**126**	**91**	**71**	**138**	**70**

Source: Ethics and Anti- Corruption Commission (EACC)

* Provisional

Department of Public Prosecution

15.13. The office of the Director of Public Prosecutions (DPP) is an independent constitutional office mandated to direct the Police to conduct investigations of criminal allegations, and to undertake criminal prosecutions in Kenyan courts. The DPP may also discontinue any criminal proceedings with permission from the court if it deems necessary. Murder cases constitute a major part of the proceedings managed by the DPP. Table 15.10 presents the murder cases that were registered and the convictions made from 2008 to 2012. Murder cases registered

increased by 35.8 per cent from 992 in 2011 to 1,347 in 2012. In the same period, convictions made declined from 120 in 2011 to 66 in 2012. Kisii high court registered 15.7 per cent of total murder cases, followed by Eldoret high court which registered 11.1 per cent. Busia high court registered 12 murder cases (0.9 per cent) followed by Malindi which registered 30 murder cases (2.2 per cent). Bungoma registered 14 murder convictions followed by Eldoret with 9 convictions. Mombasa, Kisumu, Embu and Malindi did not register convictions in 2012.

Table 15.10: Registered Murder Cases and Convictions obtained by Station, 2008-2012

Number

High court Station	2008		2009		2010		2011		2012*	
	R	C	R	C	R	C	R	C	R	C
Nairobi	111	8	111	34	108	38	99	9	109	5
Mombasa	35	1	54	1	37	4	33	0	74	0
Kisumu	54	9	48	11	52	6	75	8	121	0
Eldoret	46	7	63	12	80	26	88	16	149	9
Kitale	41	18	44	19	67	10	65	1	55	5
Kakamega	51	3	60	6	42	8	54	9	70	5
Bungoma	52	3	22	10	46	24	31	5	123	14
Meru	88	7	92	44	81	45	70	38	85	1
Machakos	112	15	72	12	90	9	77	6	41	4
Kericho	50	23	37	14	28	0	56	1	48	2
Nyeri	70	21	62	7	45	8	37	1	50	6
Kisii	59	3	78	2	123	10	122	10	212	4
Embu	12	3	24	1	41	9	25	2	33	0
Malindi	26	1	21	4	36	10	32	2	30	0
Nakuru	132	19	105	27	133	13	91	12	135	8
Busia	-	-	-	-	16	0	37	0	12	3
Total	**939**	**141**	**893**	**204**	**1,025**	**220**	**992**	**120**	**1,347**	**66**

Source: Department of Public Prosecutions

* Provisional

R - Registered murder cases

C - Murder convictions obtained

Judiciary

15.14. The Judiciary has an important role in protecting personal and property rights in order to create a cohesive society governed by the rule of law. The Judiciary upholds the Kenyan Constitution and ensures that the rule of law prevails by protecting each person's constitutional, human, civil and legal rights. Details of the cases handled by the Kenyan courts are as shown in Table 15.11. There has been a continued decline in the number of pending cases since 2009. This may be attributed to the judicial reforms that have been put in place. The number of filed cases has also been declining since 2009 as well as the cases being disposed off since 2010. This generally indicates that there are fewer disputes finding their way to the courts. The overall filed cases reduced slightly by 0.6 per cent as compared to the pending cases which declined by 3.5 per cent, while disposed off cases declined by 5.5 per cent. Since 2008, the number of cases disposed off has remained higher than the number of filed cases except in 2012. The filed cases in the high court increased by 7.0 per cent while the pending cases more than doubled in 2012. The filed Kadhi cases increased by 17.8 per cent from 2,055 in 2011 to 2,421 in 2012.

Table 15.11: Cases Handled by Various Courts, 2008-2012

Number

Year	Status of Case	Magistrate's Courts	High Courts	Kadhi's Court	Total
2008	Filed	351,181	..	..	351,181
	Pending	796,987	..	..	796,987
	Disposed of	360,952	..	..	360,952
2009	Filed	415,378	27,440	1,086	443,904
	Pending	732,482	106,898	2,150	841,530
	Disposed of	433,079	21,251	792	455,122
2010	Filed	371,697	20,428	2,432	394,557
	Pending	615,526	42,059	2,796	660,381
	Disposed of	488,653	85,267	1,786	575,706
2011	Filed	319,469	25,798	2,055	347,322
	Pending	596,283	50,462	3,265	650,010
	Disposed of	338,712	17,395	1,586	357,693
2012*	Filed	315,206	27,614	2,421	345,241
	Pending	510,107	114,826	2,437	627,370
	Disposed of	313,457	21,290	3,123	337,870

Source: Judiciary

* Provisional

.. Data not available

Notes:

Filed refers to all cases brought before the magistrates' courts during the year under review

Pending cases refer to the cases which had not been arbitrated by 31st December during the year under review

Disposed of cases refer to cases that judgement was entered by 31st December during the year under review

15.15. Table 15.12 presents the distribution of Magistrates and Judges from 2008 to 2012. The number of Magistrates and Judges went up by 33.6 per cent from 425 in 2011 to 568 in 2012. The number of Magistrates increased by 34.6 per cent to stand at 455 in 2012, while that of Judges increased by 29.9 per cent to stand at 113 in 2012. This is attributed to the reforms being implemented in Judiciary that has witnessed an increase in the number of Court of Appeal Judges from 10 to 27 in the period under review and Puisne Judges from 70 to 80. Similarly, other categories of Magistrates also increased in the period under review in conformity with the reform agenda. These included the number of Chief Magistrates which increased from 15 in 2011 to 33 in 2012, Senior Principal Magistrates from 22 in 2011 to 49 in 2012, Principal Magistrates from 69 in 2011 to 81 in 2012 and Resident Magistrates from 74 in 2011 to 214 in 2012. During the period under review, the post of District Magistrates II was abolished.

Table 15.12: Distribution of Magistrates and Judges in Law Courts by Cadre, 2008-2012

Number

Category of Magistrates	2008	2009	2010	2011	2012*
Chief Magistrates	14	22	22	15	33
Senior Principal Magistrates	17	25	26	22	49
Principal Magistrates	35	52	69	69	81
Senior Resident Magistrates	100	87	93	89	78
Resident Magistrates	116	95	74	74	214
District Magistrate (II)	5	0	74	69	0
Sub-total	**287**	**281**	**358**	**338**	**455**
Category of Judges					
Supreme Court Judges	0	0	0	7	6
Court of Appeal Judges	10	11	11	10	27
Puisne Judges	48	46	45	70	80
Sub-total	**58**	**57**	**56**	**87**	**113**
Grand Total	**345**	**338**	**414**	**425**	**568**

Source: Judiciary

* Provisional

NB. The Puisne judge number is inclusive of 15 Land & Environment Court and 12 Industrial Court Judges

Prisons Service Statistics

15.16. Table 15.13 presents details of prison population by sentence duration from 2008 to 2012. The number of prisoners per 100,000 population recorded a drop from 625.0 in 2011 to stand at 480.2 in 2012. The total number of prison population declined by 20.3 per cent from 247,166 in 2011 to 196,911 in 2012. Both the population of convicted prisoners and that of remandees also declined with the convicted prisoners declining by 17.3 per cent from 76,991 in 2011 to 63,691 in 2012 while those kept for safe custody declined by 17.2 per cent from 170,175 in 2011 to 140,860 in 2012. The population of those committed for debt drastically declined by 79.9 per cent from 675 in 2011 to 136 in 2012 followed by those sentenced to 2 years or more which declined by 34.6 per cent. The number of females sentenced to 2 or more years increased from 317 in 2011 to 582 in 2012.

Table 15.13: Prison Population by Sentence Duration, 2008-2012

Number

	2008		2009		2010		2011		2012*	
	M	F	M	F	M	F	M	F	M	F
Sentenced to 2 yrs or more	4,447	156	6,248	251	5,700	333	5,474	317	3,208	582
Sentenced to 1 Month - 2yrs	56,832	5,885	67,533	7,941	53,367	7,069	48,169	5,584	41896	4201
Less than 1 Month	17,549	2,800	22,123	3,073	18,556	2,858	15,116	1,656	12,294	1,374
Committed for debt	621	124	858	5	739	9	655	20	118	18
Total Convicted Prisoners	**79,449**	**8,965**	**96,762**	**11,270**	**78,362**	**10,269**	**69,414**	**7,577**	**57,516**	**6,175**
Total Convicted	**88,414**		**108,032**		**88,631**		**76,991**		**63,691**	
Committed for safe custody (remand)	59,595	11,816	178,171	13,535	151,688	13,205	157,891	12,284	129,348	11,512
Total Remand	**71,411**		**191,706**		**164,893**		**170,175**		**140,860**	
Total Prison Population (sex)	**138,758**	**20,895**	**274,933**	**24,805**	**230,050**	**23,474**	**227,305**	**19,861**	**179,572**	**17,339**
Total Prison Population	**159,653**		**299,738**		**253,524**		**247,166**		**196,911**	
Number Previously convicted	24,656	1,780	24,906	1,025	28,058	2,489	20,620	1,966	11,446	1,503
Deaths (Excluding Executions)	751	12	328	2	194	8	210	10	217	19
Prison population (per 100,000 population)	**434.4**		**794.5**		**658.9**		**625.0**		**480.2**	

Source: Kenya Prisons Service Department

* Provisional

M: Male

F: Female

15.17. The Daily Average Population (DAP) of prisoners increased from 43,041 in 2011 to 52,011 in 2012 as shown in Table 15.14. The DAP of convicted and remanded prisoners increased by 11.8 per cent and 42.6 per cent in 2012, respectively. The DAP of males convicted increased by 8.8 per cent from 29,309 in 2011 to 31,877 in 2012 while that of the remanded males increased by 42.6 per cent from 11,554 in 2011 to 16,472 in 2012. The data further shows that the DAP of convicted females increased from 1,130 in 2011 to 2,165 in 2012 while that of remanded women increased by 42.9 per cent from 1,048 in 2011 to 1,497 in 2012. This indicates that more women engaged in criminal activities than previously.

Table 15.14: Daily Average Population of Prisoners by Sex, 2008-2012

Number

	2008	2009	2010	2011	2012*
Convicted Prisoners:					
Males	24,420	29,002	30,674	29,309	31,877
Females	1,009	1,429	1,320	1,130	2,165
Sub-Total	**25,429**	**30,431**	**31,994**	**30,439**	**34,042**
Remanded Prisoners:					
Males	20,231	20,619	16,467	11,554	16,472
Females	943	1,092	1,087	1,048	1,497
Sub-Total	**21,174**	**21,711**	**17,555**	**12,602**	**17,969**
Total	**46,603**	**52,142**	**49,549**	**43,041**	**52,011**

Source: Kenya Prison Service Department

* Provisional

15.18 Table 15.15 shows the number of convicted prisoners by age and sex from 2008 to 2012. The total prison population declined by 17.3 per cent from 76,991 in 2011 to 63,691 in 2012. This may be attributed to the presidential amnesty and increase in non custodial sentences given to the prisoners. During the same period, both female and male prisoners declined by 18.5 per cent and 17.1 per cent, respectively. About 50.0 per cent of all prisoners are in the age bracket of 18-25 years. All categories of ages for both sexes recorded a decline in prison population with exception of males aged under 16 which had a 15.0 per cent increase.

Table 15.15: Convicted Prison Population by Age and Sex, 2008-2012

Number

Year	Sex	Under 16 Yrs	16-17 Yrs	18-20 Yrs	21-25 Yrs	26-50 Yrs	51+ Yrs	Total
	Male	154	1,959	16,225	20,471	29,339	11,301	79,449
	Female	-	263	2,690	2,472	3,257	283	8,965
2008	Total	154	2,222	18,915	22,943	32,596	11,584	88,414
	Male	24	2,890	21,770	30,822	32,970	8,286	96,762
	Female	25	207	2,453	4,247	3,856	482	11,270
2009	Total	49	3,097	24,223	35,069	36,826	8,768	108,032
	Male	43	2,139	17,605	24,499	27,519	6,557	78,362
	Female	17	413	1,784	3,526	3,901	628	10,269
2010	Total	60	2,552	19,389	28,025	31,420	7,185	88,631
	Male	160	2,551	13,739	21,923	26,509	4,532	69,414
	Female	4	185	1,238	2,344	3,412	394	7,577
2011	Total	164	2,736	14,977	24,267	29,921	4,926	76,991
	Male	184	2,462	11,537	17,188	21,864	4,281	57,516
	Female	1	120	878	2,010	2,849	317	6,175
2012*	Total	185	2,582	12,415	19,198	24,713	4,598	63,691

Source: Kenya Prison Service Department

* Provisional

15.19. Details on the number of convicted prisoners by type of offence are presented in Table 15.16. Notable from the table is the general decline of convicted prisoners in all types of offences since 2009. However, offences involving attempts and conspiracies recorded the highest decline from 3,241 in 2011 to 1,300 in 2012. The total number of convicted prisoners for various types of offences declined by 17.3 per cent from 76,991 in 2011 to 63,691 in 2012.

Table 15.16: Convicted Prisoners by Type of Offences 2008-2012

Number

Type of Offences[1]	2008		2009		2010		2011		2012*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Order & administration of lawful authority	9,387	726	12,318	1,023	8,980	652	7,984	297	6,858	295
Injurious to public	2,792	190	3,654	180	3,026	216	2,670	167	2,484	163
Against person	4,678	612	5,683	630	4,977	555	4,085	561	3,586	348
Related to property	10,466	423	11,355	505	8,975	566	8,822	492	8,651	406
Attempts & conspiracies	3,643	73	3,816	100	3,354	229	3,134	107	1,214	86
Employment Act	1,304	1,172	2,451	1,301	2,138	1,142	2,840	919	2,215	813
Liquor Act	19,373	2,957	23,287	4,095	13,295	4,007	10,798	2,515	9,871	2,458
Drugs related	4,552	1,187	5,447	159	4,365	152	3,793	121	3,281	82
Various cases	23,254	1,625	28,751	3,277	29,252	2,750	25,288	2,398	19,356	1,524
Total	**79,449**	**8,965**	**96,762**	**11,270**	**78,362**	**10,269**	**69,414**	**7,577**	**57,516**	**6,175**
Total Convicted	**88,414**		**108,032**		**88,631**		**76,991**		**63,691**	

Source: Kenya Prison Service Department

* Provisional

[1] Type of offences are discussed in Appendix 15.1

Police, Prison and Probation Personnel

15.20. Table 15.17 presents the number of Police, Prison and Probation Officers by sex from 2008 to 2012. The Police Department had a total workforce of 42,586 officers in 2012 which was an increase of 7.2 per cent from the number recorded in 2011. The Police hired over 2,800 officers in preparation for the 2013 General Elections. Female Police officers increased by 25.6 per cent compared to only 5.3 per cent of their male counterparts. The Prisons Department registered an increase in the number of officers by 0.7 per cent, while the number of the probation officers declined by 27.7 per cent from 863 in 2011 to 624 in 2012.

Table 15.17: The Number of Police, Prison and Probation Officers by Sex, 2008-2012

Number

Year	Type of Sex	Police Officers	Prison Officers	Probation Officers
2008	Male	41,727	14,450	286
	Female	3,330	2,805	179
	Total	**45,057**	**17,255**	**465**
2009	Male	37,342	15,569	357
	Female	3,910	2,952	260
	Total	**41,252**	**18,521**	**617**
2010	Male	36,792	16,966	390
	Female	3,916	3,027	234
	Total	**40,708**	**19,993**	**624**
2011	Male	35,964	16,796	493
	Female	3,755	2,941	370
	Total	**39,719**	**19,737**	**863**
2012*	Male	37,868	16,688	349
	Female	4,718	3,190	275
	Total	**42,586**	**19,878**	**624**

Source: Kenya Police, Prisons Service and Probation and Aftercare Departments

* Provisional

Probation and Aftercare Statistics

15.21. Probation and Aftercare Department implements the Aftercare Support Programme which facilitates resettling and reintegrating ex-offenders into the society. The Probation Service also helps courts in making informed decisions on sentencing, protection of victims, bail, and provision of penal release assessment. It also makes community service placements by identifying workplaces for persons who are placed under community service orders. The Probation Service also provides an after-care service for ex-Borstal inmates. Aftercare services include dealing with offenders who have psychological problems, supervision of offenders under community service order and supervision of the reintegration of violent offenders back into the community. Table15.18 presents data on the number of offenders serving probation sentence, community service and aftercare by sex and type of offence, from 2011 to 2012. The number of offenders serving community service increased by 8.5 per cent from 38,840 in 2011 to 42,131 in 2012. Offenders serving aftercare also increased by 13.6 per cent from 882 in 2011 to 1,002 in 2012. However, offenders serving probation sentences decreased by 9.0 per cent from 12,276 in 2011 to 11,169 in 2012. Most of the increase among persons serving community service (22.2 per cent) and aftercare rehabilitation (63.6 per cent) was registered among the females.

Table 15.18: Number of Offenders Serving Probation Sentence, Community Service and Aftercare by Sex and Type of offence, 2011-2012

Number

Offence	Offenders Serving Probation Sentence						Offenders Serving Community Service						Offenders Serving Aftercare					
	2011			2012*			2011			2012*			2011			2012*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Murder (including attempt)	51	9	60	12	7	19	3	0	3	0	0	0	23	1	24	9	0	9
Manslaughter	77	21	98	55	11	66	41	8	49	11	0	11	19	2	21	9	2	11
Rape (including attempt)	205	0	205	69	3	72	84	23	107	13	0	13	47	0	47	47	0	47
Assault	638	554	1,192	1,162	505	1,667	1,713	383	2,096	1,632	299	1,931	15	0	15	37	0	37
Other offences against the person	954	294	1,248	914	287	1,201	959	321	1,280	1,201	230	1,431	49	0	49	52	0	52
Robbery and Allied offences	105	4	109	94	12	106	71	18	89	339	0	339	7	0	7	16	0	16
Breakings	828	41	869	764	40	804	849	58	907	1,092	27	1,119	207	0	207	215	0	215
Theft of Stock	298	15	313	301	10	311	367	8	375	638	2	640	33	2	35	23	2	25
General stealing	1,690	282	1,972	1,633	302	1,935	4,328	599	4,927	4,321	564	4,885	163	2	165	198	2	200
Theft of M/vehicle	38	2	40	25	0	25	37	3	40	16	0	16	1	0	1	2	0	2
Theft of M/vehicles parts	32	2	34	53	3	56	246	0	246	557	5	562	0	0	0	2	0	2
Theft from M/ vehicles	15	0	15	22	2	24	7	2	9	329	17	346	6	0	6	8	0	8
Theft of bicycles	28	6	34	32	0	32	57	3	60	365	0	365	2	0	2	5	2	7
Theft by servant	321	130	451	405	210	615	839	329	1,168	1,154	230	1,384	2	2	4	9	2	11
Dangerous drugs	724	145	869	725	212	937	1,612	316	1,928	2,229	434	2,663	64	0	64	102	0	102
Handling stolen property	227	74	301	220	83	303	979	53	1,032	1,279	164	1,443	12	0	12	12	0	12
Corruption	2	1	3	3	1	4	13	2	15	21	0	21	0	0	0	0	0	0
Causing death by dangerous driving	30	0	30	11	0	11	8	0	8	2	0	2	0	0	0	0	0	0
Other offences against property	668	529	1,197	640	137	777	1,860	319	2,179	2,679	673	3,352	82	2	84	92	6	98
All other penal code offences	2,491	745	3,236	1,458	746	2,204	19,351	2,971	22,322	17,637	3,971	21,608	139	0	139	146	2	148
TOTAL	**9,422**	**2,854**	**12,276**	**8,598**	**2,571**	**11,169**	**33,424**	**5,416**	**38,840**	**35,515**	**6,616**	**42,131**	**871**	**11**	**882**	**984**	**18**	**1,002**

Source: Probation and Aftercare Department

* Provisional

Children Services Statistics

15.22. The Department of Children Services draws its mandate from the Children's Act, 2001 which makes provision for parental responsibility, fostering, adoption, custody, maintenance, guardianship, care and protection of children. Children are a vulnerable group within the society and are likely to be victims of the many negative socio-economic factors that are manifested in the form of child abuse, neglect and abandonment. Table 15.19 shows the number of children cases handled by the department in 2011 and 2012. The number of children cases handled increased by 19.1 per cent from 16,047 in 2011 to 19,118 in 2012. The data shows that 68.1 per cent of the cases handled refer to neglected children. Cases regarding abduction, assault/ physical abuse, orphans, drug abuse and abandonment increased by 69.0, 63.2, 37.2, 33.0 and 26.5 per cent, respectively.

Table 15.19: Number of Children Cases Handled, 2011-2012

Children Situation	2011	2012*
Child in conflict with law	432	346
Street children	1,020	969
Neglected children	10,512	13,012
Orphaned	312	428
Destitute children	464	482
Abandoned child	930	1,176
Lost child	111	126
Drugs abuse	420	560
Unspecified	1,020	730
Assaulted/Physical abuse	315	514
Abducted	213	360
Defiled	96	105
Child labour	202	310
Total	**16,047**	**19,118**

Source: Department of Children Services

* Provisional

Immigration Statistics

15.23. One of the core functions of the Immigration Department is to facilitate international travel of Kenyans by providing travel documents which include Kenya and East Africa passports; temporary permits; certificate of identity and Nationality and United Nations travel documents (for refugees). A Kenyan who intends to acquire a passport can make an application in any of the five passport control offices; i.e. Nairobi, Mombasa, Eldoret, Kisumu and Garissa. Entry/work permits are issued to non-Kenyan citizens before they can take up employment in Kenya, whether paid or unpaid. Any visitor to Kenya who is over 18 years and whose stay in Kenya exceeds 90 days from the date of entry must register as an alien. Table 15.20 presents the number of aliens registered and passports and entry permits issued from 2008 to 2012. Entry permits issued increased by 13.8 per cent from 9,233 in 2011 to 10,511 in 2012. On the other hand, passports issued, entry permits renewed and the number of aliens registered reduced by 6.4, 14.6 and 6.5 per cent, respectively.

Table 15.20: Number of Aliens Registered and Passports and Entry Permits Issued, 2008-2012

Number

Category	2008	2009	2010	2011	2012*
Entry Permits Issued	11,530	11,096	18,862	9,233	10,511
Passports Issued	128,345	153,266	167,528	182,313	170,686
Entry Permits Renewed	3,302	5,953	20,521	9,820	8,391
Aliens Registered	17,451	18,751	17,944	27,225	25,455

Source: Department of Immigration

* Provisional

National Identity Cards Statistics

15.24. Under Kenya's Registration of Persons Act, citizens aged 18 or over must register with the National Registration Bureau and obtain a national identity card (ID). Table 15.21 shows applications of new IDs made, processed and collected from 2010 to 2012. The number of applications made to obtain identity cards (IDs) doubled from 1,190,570 in 2011 to 2,475,183 in 2012. The increase could be attributed to the demand for IDs due to registration as voters for the March, 2013 General Elections. The data also shows that IDs processed went up by 61.4 per cent from 1,413,842 in 2011 to 2,282,378 in 2012. Similarly, number of IDs collected from stations increased more than threefold from 645,516 in 2011 to 2,183,520 in 2012.

Table 15.21: Applications, Processing and Collection of New Identity Cards by Province, 2010-2012

Number

	Application Made			Applications Processed			Identity Cards collected		
Province	2010	2011	2012*	2010	2011	2012*	2010	2011	2012*
Central	112,699	156,505	288,641	87,989	212,234	292,579	82,212	87,792	289,187
Coast	62,960	106,129	230,560	41,205	112,667	226,062	40,024	42,846	220,101
Eastern	178,881	160,387	364,968	104,985	225,622	291,087	96,927	101,511	295,269
Nairobi	69,950	168,604	326,766	65,204	201,468	346,643	55,878	99,945	336,095
N/eastern	17,745	14,681	65,107	7,669	39,516	64,649	6,254	16,948	52,527
Nyanza	162,588	184,808	434,829	104,765	189,410	317,400	103,306	84,829	362,905
Rift valley	240,768	261,896	501,648	149,273	292,286	512,547	175,205	140,915	424,040
Western	131,380	137,560	262,664	71,129	140,639	231,411	79,538	70,730	203,396
Total.	**976,971**	**1,190,570**	**2,475,183**	**632,219**	**1,413,842**	**2,282,378**	**639,344**	**645,516**	**2,183,520**

Source: National Registration Bureau

* Provisional

Appendix 15.1: Kenya Police Service reclassified offences reported to Police in view of new legislations such as the Economic Crimes

CODE	OFFENCES	CATEGORY OF OFFENCES	CODE	OFFENCES	CATEGORY OF OFFENCES
1	HOMICIDE	a) Murder	8	THEFT BY SERVANT	a) Stealing by Directors
		b) Manslaughter			b) Stealing by employee/servant
		c) Infanticide	9	VEHICLE AND OTHER THEFTS	a) Theft of M/V
		d) Procuring Abortion			b) Theft from M/V
		e) Concealing Birth			c) Theft of M/V part
		f) Suicide			d) Theft of M/Cycle
		g) Causing Death by dangerous Driving	10	DANGEROUS DRUGS	a) Possession
					b) Handling
					c) Trafficking
2	OFFENCES AGAINST MORALITY	a) Rape			d) Cultivating
		b) Defilement			e) Usage
		c) Incest	11	TRAFFIC OFFENCES	a) Taking and Driving Motor Vehicle without Authorlty
		d) Unnatural Offences(Sodomy)			
		e) Bestiality			b) Driving under influence of alcohol
		f) Indecent assault			
		g) Abduction			
		h) Bigamy	12	CRIMINAL DAMAGE	a) Malicious Damage
					b) Arson
3	OTHER OFFENCES AGAINST PERSONS	a) Assault			c) Negligent Acts
		b) Creating Disturbance			
		c) Affray	13	ECONOMIC CRIMES	a) Obtaining by False Pretence
					b) Currency Forgery
4	ROBBERY	a) Robbery			c) Other Fraud/Forgery Offences
		b) Robbery with Violance			
		c) Carjacking	14	CORRUPTION	a) Soliciting for Bribe
		d) Robbed of M/V			b) Accepting Bribe
		e) Cattle Rustling			c) Accept Free Gifts
					d) Demanding by false pretence
5	BREAKING	a) House Breaking			e) Other Corruption Offences
		b) Burglary			
		c) Other Breakings	15	OFFENCES INVOLVING POLICE OFFICERS	a) Soliciting for Bribe
					b) Accepting Bribe
6	THEFT OF STOCK				c) Accept Free Gifts
7	STEALING	a) Handling Stolen Property			d) Demanding by false pretence
		b) Stealing from Person			e) Other Criminal Offences
		c) Stealing by Tenants/lodgers	16	OFFENCES INVOLVING TOURIST	a) Bag Snatching
		d) Stealing from a building			b) Other offences Against Tourists
		e) General Stealing			c) Other Offences involving Tourist

Chapter 16

Highlights of the Census of Industrial Production

Introduction

The 2010 Census of Industrial Production (CIP) was conducted between November 2010 to April 2011, to provide comprehensive information on the structure of the industrial activities for 2009. The unit of enquiry was any formal establishment that was engaged in mining and quarrying, manufacturing, electricity, gas, steam, air conditioning supply; water supply, sewerage, waste management and remediation activities.[1] The 2010 CIP focused on various characteristics of formal establishments that include production value and quantity, the number of employees, sales, expenses, salaries and wages among others.

16.2. Currently, data from Monthly Survey of Industrial Production (MSIP) is the main source for compilation of industrial statistics compiled under the, which is based on a countrywide sample of 600 establishments. The statistics derived from MSIP are however limited to manufacturing sector and performance indicators of value and quantity of production. Thus, the 2010 CIP was conducted as a primary statistical inquiry that aimed at covering all industrial establishments in Kenya.

Objectives

16.3. The main objectives of the 2010 CIP were to provide baseline data on industrial structure; basic information for policy formulation; reliable primary data for the compilation of the input-output tables and national accounts statistics; weights for calculation of production indices and producer price indices; and to update the sampling frame for industrial statistical surveys.

Methodology and Coverage

16.4. The 2010 CIP covered only the formal establishments. A total of 1,814 firms/ establishments responded to the industrial activities enquiry. Data from 438 additional establishments were imputed based on other regular surveys such as MSIP and administration sources. Coverage in the mining and quarrying sector was rather low as most of these activities are carried out by informal units which were excluded in the 2010 CIP.

Type of ownership

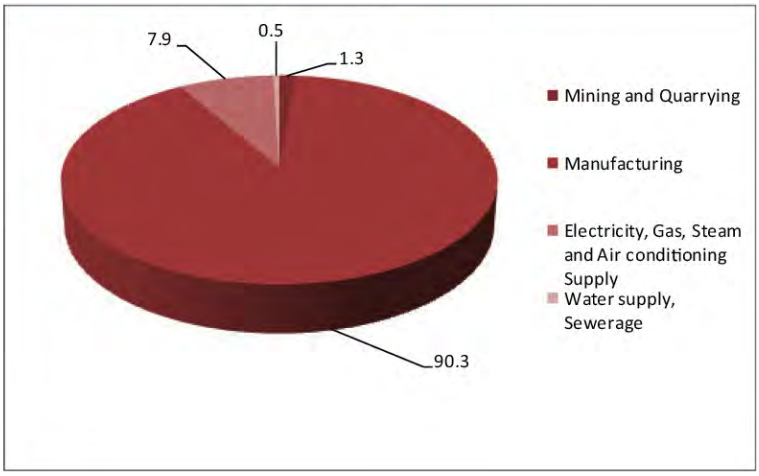
16.5. One form of industrial classification is distinction between public and private ownership, and also the various forms of legal ownership. The distinction is based on whether control of the establishment rests with public authorities or private parties. Details on the types of ownership are as reflected in Table 16.1 below. Majority of the establishments across all industries were private limited companies. Within this category, the manufacturing sector accounted 93.7 per cent of the total. Nearly all establishments owned by the cooperatives were engaged in manufacturing.

Industrial Production

16.6. Overall, the total value of industrial production was KSh 1,009.2 billion in 2009. Manufacturing activities accounted for 90.3 per cent of the total value of industrial output. Electricity, gas, steam and air conditioning supply accounted for 7.9 per cent of the total output.

1 This classification is informed by the international standards of industrial classifications of all economic activities (ISIC) rev 4

Figure 16.1: Percentage share of production by industry, in 2009



Capacity Utilization

16.7. Capacity utilization refers to the current level of production compared to what would have been produced if all the machinery and equipment were fully engaged in production activities, per the installed capacity. The level of capacity utilization by industries has a significant bearing on the level of labour productivity, employment, compensation of employees and the overall profitability of industrial activities. The main determinants of the level of capacity utilization include the supply of skilled manpower, supply of raw materials and the mechanical condition of machinery in use. Table 16.1 provides a breakdown of the level of capacity utilization across the four industrial activities.

16.8. Overall, 13.4 per cent of establishments covered had a capacity utilization of below 30 per cent, while 11.4 per cent reported utilization levels above 90 per cent. Establishments in the Electricity, Gas, Steam and Air conditioning supply sector with above 50 per cent level of capacity utilization accounted for 84.0 per cent of the total. Establishments that reported capacity utilization of below 50 per cent accounted for 29.9 per cent of the total establishments. More than half of the total establishments reported an average capacity utilization ranging from 50 to 100 per cent.

16.9. Number of establishments in relation to reasons given for low capacity utilization is depicted in Figure 16.2. More than half of the establishments reported cost of materials, fuels and electricity as the main reasons for low capacity utilization. Loss of products due to strikes and stoppages were the reasons that least affected capacity utilization. High cost of labour and poor transportation was reported by 25.8 per cent and 27.0 per cent of the establishments as the cause of low capacity utilization. One third of establishments indicated limited access and high cost of credit as the cause for sub-optimal production levels. Over 26.0 per cent of affected establishments reported unreliable electricity supply and shortage of domestic material inputs as major impediments to capacity utilization.

Figure 16.2: Number of Establishments by reason for low capacity utilization

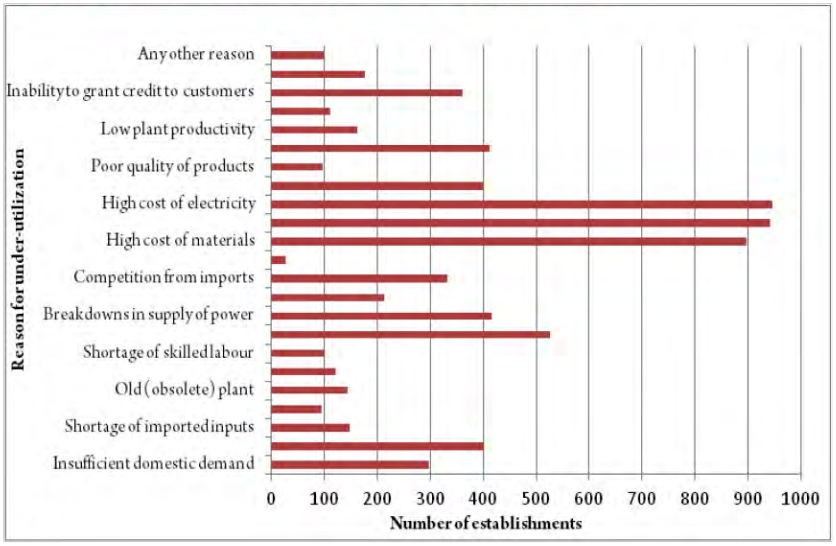


Table 16.1: Number of establishments, type of ownership,and production value and capacity utilization by productio industryand capacity utilization by industry

Activity	Mining and Quarrying	Manufacturing	Electricity,Gas, Steam and Air Conditioning Supply	Water Supply, Sewerage	Total
Total Number of Firms/Establishments					
That Responded	48	1,679	12	75	1,814
Imputed	10	417	5	6	438
Firms covered in the Census	58	2,096	17	81	2,252
Type of ownership					
Sole proprietorship	2	140	-	2	144
Partnership	5	79	-	3	87
Private limited company	51	1,417	9	35	1,512
Public limited company	-	78	3	29	110
Cooperative	-	343	-	2	345
Parastatal	-	26	5	6	37
Local authorities	-	1	-	2	3
Other type	-	12	-	2	14
Total	58	2,096	17	81	2,252
Production Value by Industry					
Total Value of Production (KSh Bn)	13	911	80	5	1,009
Percentage Share	1	90	8	1	100
Capacity Utilization (per cent)					
0-9	2.5	2.7	-	1.4	2.6
10-19	10.7	3.7	-	4.3	3.9
20-29	6.6	7.0	8.0	4.3	6.9
30-39	5.8	6.5	4.0	7.2	6.5
40-49	9.1	10.1	4.0	7.2	10.0
50-59	15.7	11.3	20.0	14.5	11.5
60-69	12.4	17.4	20.0	8.7	17.2
70-79	14.9	16.1	12.0	11.6	16.0
80-89	14.0	14.2	4.0	10.1	14.1
90-100	8.3	11.1	28.0	30.4	11.4

Employment and Citizenship

16.10. As at 30th June 2009, the industrial sector employed 324,841 persons as indicated in Table 16.2. The categories of workers included working proprietors, active business partners and unpaid family workers or paid employees. Majority of these were Kenyan citizens accounting for 99.5 per cent of all employees. The manufacturing sector accounted for 93.9 per cent of total employment within the industrial sector. Analysis of the manufacturing sector showed that manufacture of food products subsector accounted for 39.4 per cent of manufacturing employment while that of textiles accounted for 10.5 per cent. Manufacture of basic metals accounted for 3.1 per cent of the total employment in manufacturing sector.

16.11. An analysis of regular and casual employment by industry and sex is presented in Table 16.2. The total number of regular and casual employees as at 30th June 2009 was 266,583. This excludes unpaid family workers, contract employees and business proprietors. Male regular

employees accounted for 53.1 per cent while female regular employees accounted for 16.0 per cent of the total regular and casual employees. Male casual employees accounted for 24.2 per cent while female casual employees accounted for 6.7 per cent of the total regular and casual employees. Majority of regular female employees in the manufacturing sector were engaged in the manufacture of food products and wearing apparel industries constituting 60 per cent of the total regular female employees in the manufacturing sector.

Table 16.2: Number of employees by citizenship and employment status by industry

Activity	Employment						
	Number	Per cent citizens	Regular males	Regular Females	Casual Males	Casual Females	Total Regular and Casual
Mining and Quarrying	4,180	98.9	2,011	195	1,136	14	3,356
Mining of metal ores	60	100.0	60	-	-	-	60
Other mining and quarrying	4,116	98.9	1,949	193	1,136	14	3,292
Mining support service activities	4	100.0	2	2	-	-	4
Manufacturing	305,078	99.5	130,307	39,886	61,393	17,475	249,061
Manufacture of food products	120,055	99.8	45,512	13,729	28,286	10,643	98,170
Manufacture of beverages	7,733	99.6	3,559	939	1,346	941	6,785
Manufacture of tobacco products	1,050	97.5	736	155	-	-	891
Manufacture of textiles	31,921	99.7	13,215	6,581	5,145	2,621	27,562
Manufacture of wearing apparel	23,434	99.6	7,194	10,217	1,524	607	19,542
Manufacture of leather and related products	6,364	99.5	2,575	333	1,344	752	5,004
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting	11,384	99.4	7,946	1,055	1,499	122	10,622
Manufacture of paper and paper products	7,878	99.3	3,650	511	1,610	136	5,907
Printing and reproduction of recorded media	9,253	99.4	4,792	1,430	1,440	519	8,181
Manufacture of coke and refined petroleum products	431	98.8	241	49	24	14	328
Manufacture of chemicals and chemical products	16,941	99.1	9,427	1,173	1,588	286	12,474
Manufacture of basic pharmaceutical products and pharmaceutical preparations	3,535	98.9	1,523	508	513	185	2,729
Manufacture of rubber and plastics products	16,227	99.4	7,057	577	3,618	193	11,445
Manufacture of other nonmetallic mineral products	7,157	99.2	3,238	227	1,773	183	5,421
Manufacture of basic metals	9,535	99.0	5,057	224	3,604	20	8,905
Manufacture of fabricated metal products, except machinery and equipment	10,341	98.9	5,043	271	3,958	99	9,371
Manufacture of computer, electronic and optical products	36	100.0	-	-	-	-	-
Manufacture of electrical equipment	2,036	99.6	1,384	149	133	9	1,675
Manufacture of machinery and equipment nec	1,799	99.7	476	34	649	34	1,193
Manufacture of motor vehicles, trailers and semitrailers	3,432	98.3	1,925	146	909	12	2,992
Manufacture of other transport equipment	294	99.0	134	27	56	7	224
Manufacture of furniture	4,704	99.6	2,372	336	1,128	41	3,877
Other manufacturing	6,880	99.5	1,388	914	953	47	3,302
Repair and installation of machinery and equipment	2,658	97.5	1,863	301	293	4	2,461
Electricity			5,261	1,156	1,147	308	7,872
Electricity, gas, steam and air conditioning supply	8,157	99.9	5,261	1,156	1,147	308	7,872
Water and Sewerage	7,426	100.0	3,955	1,439	748	152	6,294
Water collection, treatment and supply	7,003	100.0	3,731	1,329	713	149	5,922
Sewerage	70	100.0	51	12	7	-	70
Waste collection, treatment and disposal activities; materials recovery	353	100.0	173	98	28	3	302
Total	324,841	99.5	141,534	42,676	64,424	17,949	266,583

Production by industry

16.12. Table 16.3 shows value of production by industry. Manufacture of food products contributed 29.8 per cent of the overall output value. Other notable activities were the manufacture of coke and refined petroleum products (7.7 %); manufacture of beverages (6.0 %), manufacture of chemicals and chemical products (5.1 %), and printing and reproduction of recorded media (5.2 %). Electricity, water supply and related activities jointly contributed 8.4 per cent of the total output value reflecting their key role in supporting other economic activities.

Inputs in industrial production

16.13. Table 16.3 shows the share of inputs into the sector's production process which constituted raw materials, 'electricity water and fuel' and 'other intermediate expenses'. Cost of raw materials constituted 81.2 per cent of the inputs into the process of production activities of sectors. Energy and water accounted for 8.1 per cent of the input costs while expenditure on other type of inputs amounted to 10.6 per cent.

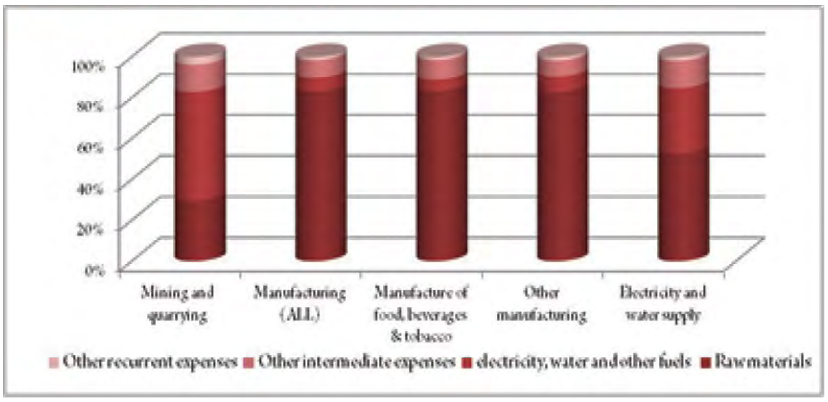
16.14. Comparison across activities indicated that production expenses in manufacturing are mostly on raw materials. When manufacturing activities are disaggregated into processing of food, beverages & tobacco and, "other manufacturing activity", the later recorded a lower expenditure share of 41.6 per cent compared to 58.4 per cent for food processing industries. Mining & Quarrying and Electricity & Water supply incurred low expenses on raw materials recording expenditure shares of 0.3 per cent and 3.5 per cent, respectively.

16.15. Electricity and water supply activities registered the largest share of intermediate consumption on "electricity, water and fuel". Seventy six per cent of the purchases were spent on this category. High expenditure on petroleum products by Electricity supply sub-sector accounted for the observed outcome. The electricity supply sub-sector spent 79 per cent on "electricity, water and fuel", while water supply sub-sector recorded 24 per cent.

Table 16.3: Value of production and share of intermediate consumption by industry

Activity	Economic Activity		Intermediate consumption by activity		
	Production (KSh Bn)	Percentage Share	Raw material	Electricity, water and fuel	Other intermediate expenses
Mining and Quarrying	13.3	1.3	29.7	53.1	17.1
Mining of metal ores	1.2	0.1	37.8	62.2	0.0
Other mining and quarrying	12.1	1.2	28.9	52.4	14.5
Mining support service activities	0.0	0.0	71.0	23.7	3.0
Manufacturing	910.8	90.3	83.0	6.7	10.3
Manufacture of food products	300.3	29.8	84.7	5.5	8.3
Manufacture of beverages	60.4	6.0	72.2	6.5	19.2
Manufacture of tobacco products	12.2	1.2	92.5	5.0	1.3
Manufacture of textiles	30.8	3.1	82.4	8.6	6.9
Manufacture of wearing apparel	16.0	1.6	83.4	5.2	9.0
Manufacture of leather and related products	13.5	1.3	79.1	8.6	7.5
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting	19.7	2.0	79.5	12.7	6.4
Manufacture of paper and paper products	26.4	2.6	72.6	16.6	6.9
Printing and reproduction of recorded media	52.3	5.2	80.8	4.5	10.8
Manufacture of coke and refined petroleum products	77.3	7.7	97.1	1.0	1.8
Manufacture of chemicals and chemical products	51.6	5.1	81.6	5.4	10.8
Manufacture of basic pharmaceutical products and	7.7	0.8	76.5	3.8	17.0
Manufacture of rubber and plastics products	48.5	4.8	82.0	8.6	7.4
Manufacture of other nonmetallic mineral products	40.2	4.0	67.6	22.3	9.2
Manufacture of basic metals	41.4	4.1	88.4	5.0	5.3
Manufacture of fabricated metal products, except machinery	43.1	4.3	83.5	4.5	9.2
Manufacture of computer, electronic and optical products	1.0	0.1	92.3	0.8	6.5
Manufacture of electrical equipment	8.7	0.9	86.0	5.4	7.5
Manufacture of machinery and equipment nec	13.4	1.3	79.0	6.3	13.8
Manufacture of motor vehicles, trailers and semitrailers	10.2	1.0	89.1	2.0	7.6
Manufacture of other transport equipment	0.8	0.1	65.2	28.3	5.4
Manufacture of furniture	13.4	1.3	86.3	2.8	10.0
Other manufacturing	9.6	1.0	73.9	15.8	8.8
Repair and installation of machinery and equipment	12.3	1.2	61.9	15.5	16.1
Electricity	79.7	7.9	52.7	32.9	14.4
Electricity, gas, steam and air conditioning supply	79.7	7.9	52.7	32.9	12.6
Water and Sewerage	5.3	0.5	53.8	18.4	27.8
Water collection, treatment and supply	4.5	0.4	53.1	16.0	24.6
Sewerage	0.0	0.0	12.6	21.1	52.2
Waste collection, treatment and disposal activities; materials recovery	0.7	0.1	57.5	29.1	12.1
Total	**1,009.2**	**100.0**	**80.9**	**8.5**	**10.6**

Figure 16.3: Components of material expenditures by broad economic activity



Expenditure on raw materials

16.16. Raw materials are substances or components that are transformed by establishments and are products of other establishments as well as establishments, similar to the producing units. The materials may be purchased directly from producers, obtained through customary trade channels, or secured by transferring the product from one establishment to another, under the same ownership. Table 16.4 presents the annual expenditure on raw materials by source at detailed activity level. In 2009, the industrial and construction establishments purchased raw materials worth KSh 570.1 billion. Domestic materials purchased accounted for 52.4 per cent while imported materials accounted for 47.6 per cent of the total purchases.

16.17. Manufacture of wearing apparel, leather and related products, pharmaceuticals, rubber & plastic products and, fabricated metals recorded import shares of at least three quarters of the total supply. Nearly all manufacture of coke and refined petroleum products depend on imports while water collection, treatment and supply depend on locally procured materials.

Table 16.4: Value of Imported and Domestic materials by industry

Activity	Imported Materials	Domestic Materials	Total Materials	Percentage share of imports
Mining of non-ferrous metals ores	96.5	89.8	186.3	51.8
Other mining and quarrying	33.4	1,579.0	1,612.4	2.1
Mining support service activities	2.9	2.7	5.6	51.8
Manufacture of food products	40,185.9	162,683.2	202,869.1	19.8
Manufacture of beverages	14,385.0	12,201.6	26,586.6	54.1
Manufacture of tobacco products	5,257.8	2,214.6	7,472.4	70.4
Manufacture of textiles	7,797.3	9,994.7	17,792.1	43.8
Manufacture of wearing apparel	4,659.3	2,506.3	7,165.6	65.0
Manufacture of leather and related products	2,411.1	3,725.8	6,136.9	39.3
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	878.0	12,621.9	13,499.9	6.5
Manufacture of paper and paper products	8,116.7	6,295.5	14,412.2	56.3
Printing and reproduction of recorded media	8,531.1	13,768.9	22,300.0	38.3
Manufacture of coke and refined petroleum products	55,071.8	555.1	55,626.9	99.0
Manufacture of chemicals and chemical products	16,268.2	13,729.5	29,997.7	54.2
Manufacture of pharmaceuticals, medicinal chemical and botanical products	2,977.8	1,863.5	4,841.3	61.5
Manufacture of rubber and plastics products	26,146.6	5,009.5	31,156.1	83.9
Manufacture of other non-metallic mineral products	16,179.5	3,715.6	19,895.1	81.3
Manufacture of basic metals	17,194.6	7,278.4	24,473.0	70.3
Manufacture of fabricated metal products, except machinery and equipment	17,332.7	6,413.3	23,746.0	73.0
Manufacture of computer, electronic and optical products	335.9	312.5	648.4	51.8
Manufacture of electrical equipment	4,009.9	1,442.2	5,452.1	73.5
Manufacture of machinery and equipment n.e.c.	1,429.3	7,517.8	8,947.1	16.0
Manufacture of motor vehicles, trailers and semi-trailers	2,544.6	3,469.6	6,014.1	42.3
Manufacture of other transport equipment	0.0	586.6	586.6	0.0
Manufacture of furniture	5,944.0	4,896.0	10,840.0	54.8
Other manufacturing	1,682.1	3,204.5	4,886.6	34.4
Repair and installation of machinery and equipment	1,996.7	834.6	2,831.2	70.5
Electricity, gas, steam and air conditioning supply	9,742.2	8,993.3	18,735.4	52.0
Water collection, treatment and supply	0.1	1,146.3	1,146.3	0.0
Sewerage	0.5	0.5	1.1	51.8
Waste collection, treatment and disposal activities; materials recovery	11.2	266.1	277.3	4.0
Remediation activities and other waste management	0.0	0.0	0.0	0.0
Total	**271,222.5**	**298,918.9**	**570,141.5**	**47.6**

Marketing of Industrial Products

16.18. Table 16.5 shows value of sales of industrial products in Kenya, East African community as well as the rest of the world. All the sectors realized a total of KSh 1,015.4 billion in sales during the year 2009. Manufacturing activities reported KSh 890.1 billion, electricity, gas, steam and air conditioning supply was the second at KSh 94.5 billion. Water and Sewerage Services had the lowest level of sales at KSh 10.4 billion. Goods produced and sold within the country accounted for 83.5 per cent of all sales.

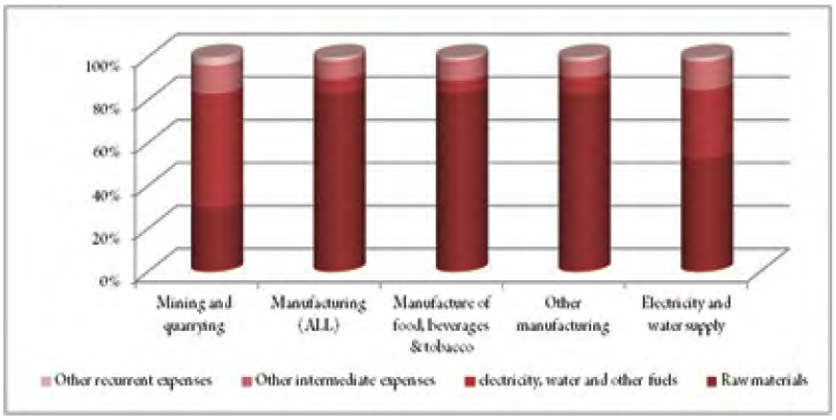
Table 16.5: Annual expenditures on raw materials and value of sales to various regions by activity and source

	Annual expenditures on raw materials by activity and source, Ksh.'				Value of Sales to Various Regions, KSh Million			
Activity	Imported Materials	Domestic Materials	Total Materials	Percentage share of	Kenya	EAC	Rest of World	Total
Mining and Quarrying	**132.9**	**1,671.5**	**1,804.3**	**7.4**	**6,997.3**	**277.4**	**5,949.3**	**13,224.0**
Mining of non-ferrous metals ores	96.5	89.8	186.3	51.8	1,225.7	0.0	0.0	1,225.7
Other mining and quarrying	33.4	1,579.0	1,612.4	2.1	5,771.6	277.4	5,933.8	11,982.7
Mining support service activities	2.9	2.7	5.6	51.8	0.0	0.0	15.6	15.6
Manufacturing	**261,335.7**	**286,841.4**	**548,177.0**	**47.7**	**728,778.1**	**54,597.6**	**106,741.8**	**890,117.6**
Manufacture of food products	40,185.9	162,683.2	202,869.1	19.8	241,011.6	9,330.2	74,497.0	324,838.8
Manufacture of beverages	14,385.0	12,201.6	26,586.6	54.1	53,554.8	2,252.0	522.6	56,329.3
Manufacture of tobacco products	5,257.8	2,214.6	7,472.4	70.4	7,929.4	5,498.5	1,000.1	14,428.0
Manufacture of textiles	7,797.3	9,994.7	17,792.1	43.8	20,603.1	619.3	5,807.7	27,030.1
Manufacture of wearing apparel	4,659.3	2,506.3	7,165.6	65.0	12,412.9	260.7	2,302.8	14,976.5
Manufacture of leather and related products	2,411.1	3,725.8	6,136.9	39.3	10,085.8	2,650.4	2,225.8	14,962.0
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	878.0	12,621.9	13,499.9	6.5	24,342.8	594.9	34.5	24,972.3
Manufacture of paper and paper products	8,116.7	6,295.5	14,412.2	56.3	25,084.8	2,309.2	1,316.1	28,710.2
Printing and reproduction of recorded media	8,531.1	13,768.9	22,300.0	38.3	50,845.0	223.8	2,442.3	53,511.1
Manufacture of coke and refined petroleum products	55,071.8	555.1	55,626.9	99.0	4,515.2	181.5	0.0	4,696.8
Manufacture of chemicals and chemical products	16,268.2	13,729.5	29,997.7	54.2	55,456.2	5,446.7	2,685.8	63,588.7
Manufacture of pharmaceuticals, medicinal chemical and botanical products	2,977.8	1,863.5	4,841.3	61.5	7,941.7	2,144.8	6,906.9	16,993.4
Manufacture of rubber and plastics products	26,146.6	5,009.5	31,156.1	83.9	45,551.6	3,674.6	1,104.1	50,330.3
Manufacture of other non-metallic mineral products	16,179.5	3,715.6	19,895.1	81.3	44,650.6	6,358.6	1,242.4	52,401.1
Manufacture of basic metals	17,194.6	7,278.4	24,473.0	70.3	32,049.0	4,211.5	1,708.8	37,969.3
Manufacture of fabricated metal products, except machinery and equipment	17,332.7	6,413.3	23,746.0	73.0	33,965.4	4,457.6	892.9	39,315.8
Manufacture of computer, electronic and optical products	335.9	312.5	648.4	51.8	911.3	19.3	0.0	930.6
Manufacture of electrical equipment	4,009.9	1,442.2	5,452.1	73.5	8,857.2	1,972.1	153.9	10,983.3
Manufacture of machinery and equipment n.e.c.	1,429.3	7,517.8	8,947.1	16.0	3,980.3	740.4	147.0	4,867.6
Manufacture of motor vehicles, trailers and semi-trailers	2,544.6	3,469.6	6,014.1	42.3	14,026.4	1,234.9	0.0	15,261.3
Manufacture of other transport equipment	0.0	586.6	586.6	0.0	304.7	0.0	0.0	304.7
Manufacture of furniture	5,944.0	4,896.0	10,840.0	54.8	13,927.6	55.8	4.7	13,988.1
Other manufacturing	1,682.1	3,204.5	4,886.6	34.4	5,908.6	148.9	852.4	6,910.0
Repair and installation of machinery and equipment	1,996.7	834.6	2,831.2	70.5	10,711.7	211.8	894.0	11,817.5
Electricity, gas, steam and air conditioning supply	9,742.2	8,993.3	18,735.4	52.0	94,488.5	4.1	0.0	94,492.6
	11.8	**1,412.9**	**1,424.7**	**0.8**	**10,075.3**	**36.0**	**244.8**	**10,356.1**
Water collection, treatment and supply	0.1	1,146.3	1,146.3	0.0	9,308.7	36.0	0.0	9,344.7
Sewerage	0.5	0.5	1.1	51.8	25.1	0.0	0.0	25.1
Waste collection, treatment and disposal activities; materials recovery	11.2	266.1	277.3	4.0	741.4	0.0	244.8	986.3
Remediation activities and other waste management services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**271,222.5**	**298,918.9**	**570,141.5**	**47.6**	**847,546.8**	**54,915.2**	**112,935.9**	**1,015,398.0**

Expenditure on electricity, water and fuel

16.19. Expenditure on electricity, water and fuel by the various industrial sub-sectors is depicted in Figure 16.4. Petroleum products category consisted of expenses on gas oil, fuel oils, grease, kerosene and lubricating oil. Electricity and water were grouped together with most expenditure being on electricity. Expenses on wood-fuel, coke and coal were categorized as "coal and other fuels". Most of the expenditure in mining and quarrying was on petroleum products with minor expenditure on coal and other fuels. "Other manufacturing" activity (excluding manufacture of food, beverages and tobacco) recorded the least share of expenditure on petroleum products. Mining and quarrying, and electricity supply activities were heavily dependent on petroleum products. However, manufacture of food, beverages and tobacco spent more on electricity.

Figure 16.4: Annual expenditure shares on petroleum products, electricity and water, and other fuels by activity



16.20. Annual expenditures at detailed activity level are presented in Table 16.6. Total expenditure on "electricity, water and fuel" for all industries amounted to KSh 59.9 billion out of which 55.7 per cent was on petroleum products. Total expenditure on "electricity and water" and "coal and other fuels" were 36.9 per cent and 7.4 per cent, respectively. Electricity supply and manufacturing of food products activities were the largest consumers of petroleum products accounting for 48.4 per cent of the total petroleum consumption in the industry.

Table 16.6: Annual expenditures on petroleum products, electricity and water and other fuels by activity

KSh Million

Activity	Petroleum Products	Electricty and water	Coal and other fuels	Total
Mining of non-ferrous metals ores	164.2	140.4	1.9	306.4
Other mining and quarrying	1,978.1	899.9	42.8	2,920.9
Mining support service activities	1.0	0.9	0.0	1.9
Manufacture of food products	4,631.0	7,148.8	1,435.3	13,215.0
Manufacture of beverages	1,383.8	1,007.7	1.9	2,393.4
Manufacture of tobacco products	81.3	320.5	-	401.8
Manufacture of textiles	717.6	1,009.5	127.8	1,854.9
Manufacture of wearing apparel	140.9	298.1	8.5	447.5
Manufacture of leather and related products	168.3	495.2	-	663.5
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	1,903.5	248.5	0.2	2,152.2
Manufacture of paper and paper products	1,470.5	1,173.7	644.5	3,288.7
Printing and reproduction of recorded media	691.2	514.0	26.4	1,231.6
Manufacture of coke and refined petroleum products	121.7	477.4	-	599.1
Manufacture of chemicals and chemical products	1,177.2	626.0	191.0	1,994.2
Manufacture of pharmaceuticals, medicinal chemical and botanical products	101.5	135.3	5.4	242.2
Manufacture of rubber and plastics products	664.3	2,604.0	-	3,268.2
Manufacture of other non-metallic mineral products	3,155.5	1,471.3	1,936.2	6,562.9
Manufacture of basic metals	654.2	722.4	-	1,376.6
Manufacture of fabricated metal products, except machinery and equipment	888.5	390.0	0.1	1,278.6
Manufacture of computer, electronic and optical products	5.4	0.5	-	5.9
Manufacture of electrical equipment	125.7	208.9	8.4	343.0
Manufacture of machinery and equipment n.e.c.	51.4	644.2	13.7	709.3
Manufacture of motor vehicles, trailers and semi-trailers	56.5	78.4	0.5	135.4
Manufacture of other transport equipment	0.3	254.0	-	254.3
Manufacture of furniture	214.0	134.4	-	348.4
Other manufacturing	729.7	317.7	0.5	1,047.9
Repair and installation of machinery and equipment	413.3	277.0	16.3	706.6
Electricity, gas, steam and air conditioning supply	11,546.0	168.8	-	11,714.8
Water collection, treatment and supply	134.8	205.9	4.6	345.3
Sewerage	1.6	0.2	-	1.8
Waste collection, treatment and disposal activities; materials recovery	7.6	132.5	-	140.1
Remediation activities and other waste management services	-	-	-	-
Total	**33,380.4**	**22,106.1**	**4,465.9**	**59,952.4**

Industrial Investments

16.21. Results from the census indicate that machinery, equipment and land were the most significant assets the sector invested in 2009. The bulk of the investment was in the manufacture of other non-metallic mineral products, repair and installation of machinery and equipment, manufacture of fabricated metal products, manufacture of food products, and water collection, treatment and disposal activities. The rest of the activities accounted for 21.8 per cent of the investment in fixed assets.

Table 16.7: Activities by Fixed Assets

KSh Million

Activity	Land	Land Development/ improvements	Buildings	Other Construction/structures	ICT Equipment	Machinery and equipment	Intangible Assets	Other	Total
Mining of non-ferrous metals ores	-	-	-	-	-	-	-	-	-
Other mining and quarrying	5.1	9.1	46.3	11.7	33.4	622.8	179.5	14.2	922.1
Mining support service activities	-	-	-	-	-	-	-	-	-
Manufacture of food products	106.0	274.7	900.7	314.2	240.1	4,553.1	18.1	323.6	6,730.5
Manufacture of beverages	247.8	27.0	94.5	(499.9)	11.3	2,277.7	10.8	(489.0)	1,680.2
Manufacture of tobacco products	-	164.0	-	-	-	817.3	148.0	148.0	1,277.3
Manufacture of textiles	165.9	0.7	21.3	4.6	5.3	235.7	1.4	6.0	440.9
Manufacture of wearing apparel	-	-	(22.4)	0.1	1.0	29.6	0.8	0.9	10.1
Manufacture of leather and related products	12.3	14.2	247.7	825.2	10.5	187.2	-	825.2	2,122.3
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	34.1	152.6	29.1	-	0.2	190.5	0.5	0.5	407.5
Manufacture of paper and paper products	4.8	23.7	6.2	7.6	8.2	311.2	2.0	7.6	371.3
Printing and reproduction of recorded media	14.1	(13.4)	(7.7)	(0.2)	14.7	193.9	4.2	1.1	206.7
Manufacture of coke and refined petroleum products	-	-	-	0.4	(0.0)	1.0	-	0.4	1.8
Manufacture of chemicals and chemical products	132.5	4.9	101.3	3.9	46.4	545.5	12.4	21.9	868.8
Manufacture of pharmaceuticals, medicinal chemical and botanical products	2.0	-	6.5	2.8	4.4	359.1	2.7	4.7	382.3
Manufacture of rubber and plastics products	116.6	1.2	10.3	20.5	128.0	1,126.9	4.6	25.1	1,433.1
Manufacture of other non-metallic mineral products	17,780.4	-	53.1	246.3	74.2	1,410.9	95.1	341.5	20,001.5
Manufacture of basic metals	0.4	12.2	132.5	-	8.1	1,123.5	0.3	0.3	1,277.4
Manufacture of fabricated metal products, except machinery and equipment	3.9	18.7	45.4	1.8	2.0	15,380.1	142.0	143.0	15,736.8
Manufacture of computer, electronic and optical products	-	-	-	-	-	-	-	-	-
Manufacture of electrical equipment	20.1	-	27.8	-	3.9	352.4	0.3	0.3	404.8
Manufacture of machinery and equipment n.e.c.	4.4	-	4.2	31.1	0.7	9.5	-	31.2	81.2
Manufacture of motor vehicles, trailers and semi-trailers	1.9	-	11.3	8.7	1.2	36.4	0.5	8.9	68.8
Manufacture of other transport equipment	-	-	-	-	-	-	-	-	-
Manufacture of furniture	(0.1)	-	0.1	0.0	1.0	1.8	-	0.0	2.9
Other manufacturing	-	1.0	0.0	-	0.3	115.2	-	-	116.6
Repair and installation of machinery and equipment	11,264.7	30.4	383.3	12.6	134.1	5,808.2	1.8	14.4	17,649.5
Electricity, gas, steam and air conditioning supply	-	-	17.0	12.6	-	409.1	0.0	12.6	451.4
Water collection, treatment and supply	3.8	2.9	4.3	3,031.5	45.8	344.5	0.6	3,032.7	6,466.1
Sewerage	-	-	-	-	-	-	-	-	-
Waste collection, treatment and disposal activities; materials recovery	-	-	0.4	0.0	0.3	3.1	-	0.0	3.8
Remediation activities and other waste management services	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Total	29,920.7	723.8	2,113.2	4,035.6	775.3	36,446.2	625.7	4,475.1	79,115.5

16.22. Table 16.8 shows investments by type for the various activities of the industrial sector. While the sector invested an equivalent of KSh 79.1 billion in fixed assets, the sector's inventories were depleted by KSh 902.6 billion. Consequently, the total investments (gross capital formation) amounted to KSh 78.2 billion in 2009. The data suggests that the bulk of the gross fixed capital formation was on account of additions to fixed assets.

Contribution of Industrial Sector to the GDP in 2009

16.23. Details of gross output, intermediate consumption, and value added are presented in Table 16.7. Total gross output of all the industrial activities was valued at KSh 1,009.2 billion while intermediate consumption totaled to KSh 689.8 billion. The contribution of the industrial sector to the country's GDP was KSh 319.8 billion in absolute terms.

16.24. Overall, ratio of the intermediate consumption to the gross output was 68.3 per cent. However, this ratio varied widely across the different activities of the industrial sector. Manufacture of furniture reported the highest value of intermediate consumption at 93.2 per cent while repair and installation of machinery and equipment recorded the lowest ratio of intermediate consumption to gross output at 34.7 per cent. This is because repair activities are labour intensive and are not considered as part of intermediate consumption.

Table 16.8: Value of Investment and Contribution of the Industrial Sector to GDP in 2009, KSh million

Activity	Gross Fixed Capital Formation	Changes in Inventories	Gross Capital Formation	Gross output	Intermediate Consumption	Gross Value Added
Mining of non-ferrous metals ores	0.0	0.0	0.0	1,225.7	492.8	732.9
Other mining and quarrying	922.1	679.5	1,601.5	12,092.6	5,230.5	6,862.1
Mining support service activities	0.0	-13.6	-13.6	15.6	7.7	7.9
Manufacture of food products	6,730.5	3,737.1	10,467.6	300,306.5	235,958.3	64,348.3
Manufacture of beverages	1,680.2	5.6	1,685.8	60,449.6	36,031.0	24,418.5
Manufacture of tobacco products	1,277.3	213.9	1,491.2	12,238.8	7,977.6	4,261.2
Manufacture of textiles	440.9	463.9	904.8	30,842.1	21,035.4	9,806.6
Manufacture of wearing apparel	10.1	36.3	46.3	15,994.1	8,365.2	7,628.9
Manufacture of leather and related products	2,122.3	219.9	2,342.2	13,529.5	7,381.1	6,148.4
Manufacture of wood and of products of wood and cork, except furniture; manufacture of	407.5	103.2	510.7	19,709.7	15,587.6	4,122.1
Manufacture of paper and paper products	371.3	123.7	495.0	26,352.3	19,049.0	7,303.4
Printing and reproduction of recorded media	206.7	-559.6	-352.9	52,310.3	26,506.7	25,803.7
Manufacture of coke and refined petroleum products	1.8	0.0	1.8	77,259.7	57,284.0	19,975.6
Manufacture of chemicals and chemical products	868.8	-299.6	569.2	51,605.8	35,949.2	15,656.6
Manufacture of pharmaceuticals, medicinal chemical and botanical products	382.3	-53.6	328.6	7,689.6	6,151.7	1,537.9
Manufacture of rubber and plastics products	1,433.1	-212.1	1,221.0	48,477.5	37,282.6	11,194.9
Manufacture of other non-metallic mineral products	20,001.5	814.3	20,815.8	40,169.5	28,606.5	11,563.0
Manufacture of basic metals	1,277.4	-2,531.8	-1,254.4	41,382.4	27,311.3	14,071.1
Manufacture of fabricated metal products, except machinery and equipment	15,736.8	-950.3	14,786.5	43,101.5	27,652.8	15,448.7
Manufacture of computer, electronic and optical products	0.0	-2.6	-2.6	1,013.1	699.7	313.3
Manufacture of electrical equipment	404.8	389.2	794.0	8,695.7	6,370.6	2,325.1
Manufacture of machinery and equipment n.e.c.	81.2	59.1	140.3	13,402.2	11,221.1	2,181.1
Manufacture of motor vehicles, trailers and semi-trailers	68.8	-922.5	-853.7	10,210.5	6,663.2	3,547.3
Manufacture of other transport equipment	0.0	0.0	0.0	832.0	708.5	123.5
Manufacture of furniture	2.9	-507.2	-504.3	13,359.4	12,445.3	914.1
Other manufacturing	116.6	-48.7	67.8	9,602.8	5,659.1	3,943.7
Repair and installation of machinery and equipment	17,649.5	-1,744.6	15,905.0	12,311.9	4,274.0	8,037.9
Electricity, gas, steam and air conditioning supply	451.4	143.8	595.2	79,682.5	34,934.1	44,748.3
Water collection, treatment and supply	6,466.1	-41.8	6,424.3	4,540.0	2,022.5	2,517.5
Sewerage	0.0	0.0	0.0	10.6	7.2	3.4
Waste collection, treatment and disposal activities; materials recovery	3.8	-4.0	-0.2	739.5	475.7	263.8
Remediation activities and other waste management services	0.0	0.0	0.0	0.0	0.0	0.0
Total	79,115.5	-902.6	78,212.9	1,009,152.8	689,341.9	319,810.9

Chapter 17

Producer Price Index

Overview

Producer Price Index (PPI) measures the average change in the price of goods and services over time either as they leave the place of production (using output prices) or as they enter the production process (input prices). The index is one of the four principle price indices in the system of economic statistics. The others being Consumer Price Index (CPI), Export Price Index (XPI) and Import Price Index (MPI). PPI measures price change from the perspective of the producer and contrasts with CPI that measures price change from the purchaser's perspective. The producer's price may differ from purchasers' price due to government subsidies, sales and excise taxes, and distribution costs.

17.2. Kenya's PPI is measured using the output prices. The output prices measure the price of products as they are sold to the next stage in the production chain which could be the wholesaler, retailer or another production enterprise at basic prices. Basic price is the amount receivable by the producer from the purchaser for a unit of a good or service produced as output minus any tax payable, and plus any subsidy receivable. On the other hand, input prices measure the prices of products purchased for use in the production process at purchasers' prices.

17.3. Input PPI measures potential inflation, by indicating the price pressures that producers are facing. Given that the producer faces many other costs such as labour and capital costs and also considering how much of any overall price change the market will bear, it is unusual to see the full effect of an immediate input price rise being transmitted directly to the output price. Input prices also include import prices for import goods that are used in the manufacturing process. On the other hand, output prices measure the price change that actually takes place and are therefore a more direct measure of inflation. Output prices can also be an input along the production process, a measure of potential inflation in further stages of production.

17.4. The weighting structure of PPI was based on the data collected during the Census of Industrial Production (CIP) 2010. The producer prices are collected every 15th of the quarters mid month with April-June 2011 quarter being the base period.

17.5. The PPI provides a weighted average of the price changes of selected products at different points in time. PPI does not attempt to measure the actual level of prices but is limited to the measurement of the average change in prices from one period to another. PPI does not measure the value of production or cost of production, but it can be used to measure the change in output prices owing to changes in the basic prices received by producers. Globally, PPI are used as a short-term indicator of inflationary trends, adjusting prices changes (Gross Domestic Product deflator); escalating purchase and sale contracts, economic monitoring and comparison; forecasting and as an analytical tool for businesses / researchers.

Methodology

Weighting

17.6. The primary source of weights information for the PPI was the CIP 2010 whose reference period was 2009. The index structure and preliminary weighting pattern were derived from an analysis of detailed preliminary 2009 gross output data, using a top down approach, i.e. selecting industries followed by the corresponding products. In terms of coverage, PPI is

limited to mining and quarrying, manufacturing, electricity and gas; water and sewerage industrial activities based on the United Nations recommended International Standard Industrial Classification (ISIC) rev.4 for all economic activities.

17.7. From the structure of the industries, establishments (institutional units from which data on products was collected) were sampled, from which products were selected and weights assigned. Each product selected for inclusion in the PPI was assigned a Central Product Classification (CPC) code for purposes of international comparison and internal consistency. CPC is a UN classification based on physical characteristics of goods or the nature of services and covers products that are an output of economic activities.

17.8. The final PPI weights were examined and, at a broad level, their credibility was confirmed through a comparison with corresponding national accounts aggregates, and drawing on local industry knowledge. A sample of 35 ISIC classes, 159 establishments and 70 products were drawn using the iterative process to collect about 500 price quotations. From the CIP 2010, structure of industrial sector is as shown in Table 17.1. Manufacturing accounted for the bulk of the industrial sector output with a share of 90.1 per cent. Details are shown in Appendices 17.1 to 17.4.

Table 17.1 Value Proportions at 1-Digit Level of ISIC in the Industrial Sector

Activity	%
Manufacturing	90.140
Electricity and gas	7.950
Mining and quarrying	1.480
Water and sewerage	0.420
Total	100.0

17.9. Under manufacturing sector, manufacture of food products division constituted the largest proportion (34.62 %) as shown in Table 17.2.

Table 17.2: Proportions in Manufacturing (2-Digit ISIC)

Industry Divisions	Weights(%)
Food products	34.616
Beverages	6.678
Tobacco products	1.406
Textiles	2.317
Wearing apparel	2.981
Leather and related products	1.255
Wood and of products of wood and cork except furniture	2.237
Paper and paper products	3.161
Printing and reproduction of recorded media	5.802
Coke and refined petroleum products	8.904
Chemicals and chemical products	6.054
Rubber and plastics products	5.596
Other non-metallic mineral products	4.433
Basic metals	6.671
Fabricated metal products except machinery and equipment	3.369
Motor vehicles	1.191
Manufacture of Furniture	1.878
Repair and installation of machinery and equipment	1.451
Total	**100.00**

17.10. Table 17.3 shows the groups under manufacture of food products. Other food products category had the highest weight of 11.86 per cent influenced by high production values for tea.

Table 17.3: Manufacture of Food Products (3-Digit ISIC)

Group	**Weight**
Processing and preserving of fruit and vegetables	2.197
Vegetable and animal oils and fats	4.284
Dairy products	2.111
Grain mill products	6.956
Bakery products	2.416
Manufacture of sugar	3.451
Other food products n.e.c.	11.862
Prepared animal feeds	1.338
Total	**34.616**

17.11. As shown in Table 17.4, under the manufacture of dairy products, the processed milk and powdered milk were chosen based on their weights. These two products prices were monitored on quarterly basis and their indices computed to represent the dairy sub-sector.

Table 17.4: Manufacture of Dairy Products (4-Digit ISIC)

Class	**Weight**
Processed milk	1.835
Powder Milk	0.276
Total	**2.111**

Prices 17.12. For each product selected at least two establishments were chosen to report on the prices. Prices for selected products are collected from the sampled establishments every quarter, beginning with April-June 2011.

17.13. PPI is computed as an average of price relatives of the products for which the prices are collected. The geometric mean approach of the price relatives is used.The average is weighted to reflect the importance of each priced product in terms of its share of total output of the establishment. The Jevons index formula was used for the computation of price indices at elementary level (no weighting is done). The Jevons index has the following properties

Proportionality- Jevons indices move in proportion to prices. They are hence preferred since they have no upward or downward bias.

Transitivity- The index from 0 to 1 multiplied (chained) by an index from 1 to 2 should equal a direct index from 0 to 2

Time reversal- The index from period 0 to period t should equal the reciprocal of the index from t to 0.

Commensurability- Jevons index is invariant compared to the unit in which prices are collected/recorded i.e. changes in units of measurement have no effect.

17.14. In the computation of PPI using weights, the modified Laspeyres formula was used. The index at time t is defined and computed as,

$$I_t = \sum_{i=1}^{n} W_{0i} * \left[\frac{p_{ti}}{P_{0i}} \right] = \sum_{i=1}^{n} W_{t-1,i} * \frac{p_{t,i}}{p_{t-1,i}}$$

Where I_t is the index at time t, P_{ti} is the price of the i^{th} product at time t, p_{0i} is its price at the base period and W_i is its weight.

Although the modified Laspeyres formula uses short-term price relatives ($\frac{p_{t,i}}{p_{t-1,i}}$), it is algebraically equivalent to the standard Laspeyres formula which uses long term price relatives, $\frac{p_{ti}}{p_{t0}}$ (p_{t0}). However, the chaining process facilitates the introduction of replacement transactions, the introduction of new varieties and new products as need arise. Each product's short-term price relative $\frac{p_{t,i}}{p_{t-1,i}}$ is weighted by its weight share, W_i.

Results 17.15. Table 17.5 shows details of quarterly Producer Price Indices from June 2011 to December 2012 grouped according to the ISIC rev 4. The overall PPI increased from 100.00 in April-June 2011 quarter to 106.03 in October-December 2012 quarter. PPI was highest in October-December 2011 quarter at 108.82. This rise was mainly due to the high exchange rate that prevailed during that period. In the fourth quarter (October to December) of 2012, the overall PPI increased by 0.7 per cent from 105.28 to 106.03 compared to an increase of 3.6 per cent over the same period in 2011.

Table 17.5: Producer Price Indices at Division level, Base Period June 2011=100

2-Digit ISIC	Descriptions	Weights	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
08	Mining and Quarrying	1.48	100.00	101.51	110.42	106.85	112.24	107.51	103.93
10	Manufacture of food products	31.20	100.00	106.43	114.43	108.42	110.79	109.68	111.45
11	Manufacture of beverages	6.02	100.00	109.53	110.56	107.62	108.33	106.52	107.16
12	Manufacture of tobacco products	1.27	100.00	116.11	115.35	113.52	113.80	116.06	116.53
13	Manufacture of textiles	2.09	100.00	101.76	105.93	104.37	107.16	107.48	106.70
14	Manufacture of wearing apparel	2.69	100.00	100.98	101.12	99.56	99.71	99.71	99.71
15	Manufacture of leather and related products	1.13	100.00	103.46	104.72	103.02	101.78	101.58	101.73
16	Manufacture of wood and of products of wood and cork except furniture	2.02	100.00	100.00	101.52	102.09	102.66	102.66	104.20
17	Manufacture of paper and paper products	2.85	100.00	106.08	108.90	107.46	104.62	103.44	103.27
18	Printing and reproduction of recorded media	5.23	100.00	100.00	100.00	100.00	100.00	100.00	100.00
19	Manufacture of coke and refined petroleum products	8.03	100.00	101.32	103.30	97.02	102.85	102.85	105.74
20	Manufacture of chemicals and chemical products	5.46	100.00	104.24	106.51	107.73	105.79	106.70	107.71
22	Manufacture of rubber and plastics products	5.04	100.00	104.71	107.11	103.33	106.73	104.40	100.75
23	Manufacture of other non-metallic mineral products	4.00	100.00	104.87	113.16	109.47	111.76	111.76	112.49
24	Manufacture of basic metals	6.01	100.00	105.55	104.41	104.41	104.41	100.71	98.50
25	Manufacture of fabricated metal products except machinery and equipment	3.04	100.00	105.30	108.62	103.46	103.15	99.52	98.30
29	Manufacture of motor vehicles	1.07	100.00	104.73	105.68	110.69	103.38	104.90	112.24
31	Manufacture of Furniture	1.69	100.00	102.45	102.45	102.45	102.45	102.45	102.45
33	Repair and installation of machinery and equipment	1.31	100.00	100.00	100.00	100.00	100.00	100.00	100.00
35	Electricity	7.95	100.00	107.90	108.86	96.32	97.51	97.49	99.46
36	Water	0.42	100.00	100.00	100.00	100.00	102.51	104.90	104.90

Appendix 17.1: Selection at Division level for manufacturing sector

Description	Division	Value (KSh Million)	%
Manufacture of food products	10	311,583.9	34.6
Manufacture of beverages	11	60,114.6	6.7
Manufacture of tobacco products	12	12,659.3	1.4
Manufacture of textiles	13	20,856.8	2.3
Manufacture of wearing apparel	14	26,830.0	3.0
Manufacture of leather and related products	15	11,295.3	1.3
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	16	20,138.1	2.2
Manufacture of paper and paper products	17	28,457.5	3.2
Printing and reproduction of recorded media	18	52,222.2	5.8
products	19	80,150.8	8.9
Manufacture of chemicals and chemical products	20	54,496.1	6.1
Manufacture of rubber and plastics products	22	50,371.5	5.6
Manufacture of other non-metallic mineral	23	39,903.7	4.4
Manufacture of basic metals	24	60,044.3	6.7
Manufacture of fabricated metal products, except machinery and equipment	25	30,322.8	3.4
Manufacture of motor vehicles	29	10,716.8	1.2
Manufacture of furniture	31	16,907.4	1.9
Repair, maintenance and installation of machinery and equipment	33	13,056.5	1.5

Appendix 17.2: Selection at Group level for manufacturing sector

3 Digit	Description	Value (KSh Million)	%
103	Processing and preserving of fruit and vegetables	19,133.41	2.126
104	Manufacture of vegetable and animal oils and fats	37,308.46	4.145
105	Manufacture of dairy products	18,386.66	2.043
106	Manufacture of grain mill products, starches and starch products	62,092.03	6.898
107	Manufacture of other food products	163,013.66	18.11
108	Manufacture of prepared animal feeds	11,649.66	1.294
110	Manufacture of beverages	60,114.60	6.678
120	Manufacture of tobacco products	12,659.26	1.406
139	Manufacture of other textiles	20,856.77	2.317
141	Manufacture of wearing apparel, except fur apparel	26,830.00	2.981
151	Manufacture of footwear	11,295.29	1.255
161	Sawmilling and planing of wood	20,138.05	2.237
170	Manufacture of paper and paper products	28,457.47	3.161
181	Printing and service activities related to printing	52,222.22	5.802
192	Manufacture of refined petroleum products	80,150.83	8.904
202	Manufacture of other chemical products	54,496.06	6.054
222	Manufacture of plastics products	50,371.46	5.596
239	Manufacture of non-metallic mineral products n.e.c.	39,903.71	4.433
241	Manufacture of basic iron and steel	60,044.30	6.671
251	Manufacture of structural metal products, tanks, reservoirs and steam generators	11,286.25	1.254
259	Manufacture of other fabricated metal products; metalworking service activities	19,036.59	2.115
291	Manufacture of motor vehicles	10,716.78	1.191
310	Manufacture of furniture	16,907.38	1.878
331	Repair of fabricated metal products, machinery and equipment	13,056.46	1.451

Appendix 17.3: Selection at Class level for Manufacturing Sector

4 Digit	Description	Values (KSh Million)	%
1030	Processing and preserving of fruit and vegetables	19,776.80	2.197
1040	Manufacture of vegetable and animal oils and fats	38,563.00	4.284
1050	Manufacture of dairy products	19,004.90	2.111
1061	Manufacture of grain mill products	62,611.20	6.956
1071	Manufacture of bakery products	21,747.40	2.416
1072	Manufacture of sugar	31,066.90	3.451
1079	Manufacture of other food products n.e.c.	106,772.40	11.862
1080	Manufacture of prepared animal feeds	12,041.40	1.338
1103	Manufacture of malt liquors and malt	43,846.40	4.871
1104	Manufacture of soft drinks; production of mineral waters and other bottled waters	16,268.20	1.807
1200	Manufacture of tobacco products	12,659.30	1.406
1312	Weaving of textiles	4,970.90	0.552
1391	Manufacture of knitted and crocheted fabrics	7,907.50	0.878
1392	Manufacture of made-up textile articles, except apparel	7,978.30	0.886
1410	Manufacture of wearing apparel, except fur apparel	26,830.00	2.981
1511	Tanning and dressing of leather; dressing and dyeing of fur	6,222.70	0.691
1520	Manufacture of footwear	5,072.60	0.564
1610	Sawmilling and planing of wood	20,138.10	2.237
1701	Manufacture of pulp, paper and paperboard	7,152.60	0.795
1702	Manufacture of corrugated paper and paperboard and of containers of paper and paper boards	9,811.30	1.09
1709	Manufacture of other articles of paper and paperboard	11,493.60	1.277
1811	Printing	52,222.20	5.802
1920	Manufacture of refined petroleum products	80,150.80	8.904
2011	Manufacture of basic chemicals	10,649.60	1.183
2022	Manufacture of paints, varnishes and similar coatings, printing ink and mastics	12,404.60	1.378
2023	Manufacture of soap and detergents, cleaning and polishing preparations, perfumes and toilet preparations	31,441.80	3.493
2220	Manufacture of plastics products	50,371.50	5.596
2394	Manufacture of cement, lime and plaster	39,903.70	4.433
2410	Manufacture of basic iron and steel	60,044.30	6.671
2511	Manufacture of structural metal products	11,101.20	1.233
2599	Manufacture of other fabricated metal products n.e.c.	19,221.70	2.135
2910	Manufacture of motor vehicles	5,179.00	0.575
2920	Manufacture of bodies (coachwork) for motor vehicles; manufacture of trailers	5,537.80	0.615
3100	Manufacture of furniture	16,907.40	1.878
3315	Repair of transport equipment, except motor vehicles	13,056.50	1.451

Appendix 17.4: CPC selection, adjusted values and percentage contributions

Products	ISIC	CPC	Value(KSh. Million)	%
Pineapples, otherwise prepared or preserved	1030	21491	11,870.5	1.3
Fruits and nuts, uncooked or cooked, frozen	1030	21493	7,906.3	0.9
Palm oil, refined	1040	21545	12,822.6	1.4
Coconut oil, refined	1040	21546	9,329.9	1.0
Other animal and vegetable oils and fats, refined, n.e.c.	1040	21590	16,410.4	1.8
Processed liquid milk	1050	22110	16,520.5	1.8
Whole milk powder	1050	22211	2,484.4	0.3
Wheat and meslin flour	1061	23110	38,205.9	4.2
Other cereal flours	1061	23120	24,405.3	2.7
Preparations used in animal feeding n.e.c.	1080	23319	12,041.4	1.3
Pastry goods and cakes	1071	23430	4,106.0	0.5
Bread and other bakers' wares	1071	23490	17,641.4	2.0
Cane sugar	1072	23511	13,060.5	1.5
Refined sugar	1072	23520	18,006.3	2.0
Green tea (not fermented), black tea (fermented) and partly fermented tea, in immediate packings of a content not exceeding 3 kg	1079	23913	106,772.4	11.9
Beer made from malt	1103	24310	43,846.4	4.9
Bottled waters, not sweetened or flavoured	1104	24410	2,883.1	0.3
Other non-alcoholic caloric beverages	1104	24490	13,385.0	1.5
Cigars, cheroots, cigarillos and cigarettes of tobacco or tobacco substitutes	1200	25020	12,659.3	1.4
Woven fabrics of silk or of silk waste	1312	26510	2,586.2	0.3
Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres	1312	26630	1,283.4	0.1
Other woven fabrics of cotton	1312	26690	1,101.4	0.1
Curtains (including drapes) and interior blinds; curtain or bed valances	1392	27130	5,169.7	0.6
Other furnishing articles n.e.c.; sets of woven fabric and yarn for making up into rugs, tapestries, embroidered table cloths or serviettes, or similar textile articles, put up in packings for retail sale	1392	27140	2,808.6	0.3
Other knitted or crocheted fabrics	1391	28190	7,907.5	0.9
Women's or girls' suits, coats, jackets, dresses, skirts, trousers, shorts and the like, of textile fabric, not knitted or crocheted	1410	28222	17,966.3	2.0
T-shirts, singlets and other vests, knitted or crocheted	1410	28225	8,863.7	1.0
Other leather, of bovine or equine animals, without hair on	1511	29120	6,222.7	0.7
Footwear with outer soles and uppers of rubber or plastics, other than waterproof footwear or sports footwear	1520	29320	1,403.7	0.2
Footwear with uppers of leather, other than sports footwear, footwear incorporating a protective metal toe-cap and miscellaneous special footwear	1520	29330	3,668.8	0.4
Wood, sawn or chipped lengthwise, sliced or peeled, of a thickness exceeding 6 mm; railway or tramway sleepers (cross-ties) of wood, not impregnated	1610	31100	20,138.1	2.2
Toilet or facial tissue stock, towel or napkin stock and similar paper, cellulose wadding and webs of cellulose fibres	1701	32129	1,778.1	0.2
Other uncoated kraft paper and paperboard; sack kraft paper, creped or crinkled	1701	32133	4,025.8	0.4
Fluting paper, including straw and semi-chemical	1701	32134	1,348.7	0.1

Appendix 17.4: CPC selection, adjusted values and percentage contributions cont'd

Products	ISIC	CPC	Value(KSh. Million)	%
Cartons, boxes, cases, record sleeves and other packing containers (except bags) of paper, paperboard, cellulose wadding or webs of cellulose fibres; box files, letter trays, and similar articles, of paper or paperboard of a kind used in offices, shops or	1702	32153	9,811.3	1.1
Cartons, boxes, cases, record sleeves and other packing containers (except bags) of paper, paperboard, cellulose wadding or webs of cellulose fibres; box files, letter trays, and similar articles, of paper or paperboard of a kind used in offices, shops or	1702	32153	9,811.3	1.1
Toilet paper, handkerchiefs, towels, serviettes, napkins for babies, tampons, and similar household, sanitary or hospital articles, and articles of apparel, of paper pulp, paper, cellulose wadding or webs of cellulose fibres	1709	32193	2,619.1	0.3
Other paper, paperboard, cellulose wadding and webs of cellulose fibres, cut to size or shape; cigarette paper, in booklets or tubes, or in rolls of a width not exceeding 5 cm; other articles of paper pulp, paper, paperboard, cellulose wadding or webs of	1709	32199	2,692.2	0.3
Other printed matter	1811	32690	52,222.2	5.8
Registers, account books, notebooks, letter pads, diaries and similar articles, blotting-pads, binders, file covers, forms and other articles of stationery, of paper or paperboard	1709	32700	6,182.3	0.7
Other light petroleum oils and light oils obtained from bituminous minerals (other than crude); light preparations n.e.c. containing not less than 70% by weight of petroleum oils or oils obtained from bituminous minerals (other than crude), these oils bei	1920	33330	11,134.9	1.2
Gas oils	1920	33360	20,472.2	2.3
Fuel oils n.e.c.	1920	33370	25,112.7	2.8
Lubricating petroleum oils and oils obtained from bituminous minerals, other heavy petroleum oils and heavy oils obtained from bituminous minerals (other than crude), and heavy preparations n.e.c. containing not less than 70% by weight of petroleum oils o	1920	33380	23,431.1	2.6
Phosphates of triammonium; salts and peroxysalts of inorganic acids and metals n.e.c.	2011	34231	8,132.0	0.9
Cyanides, cyanide oxides and complex cyanides; fulminates, cyanates and thiocyanates; silicates; borates; perborates	2011	34270	2,517.6	0.3
Paints and varnishes and related products	2022	35110	7,114.7	0.8
Printing ink	2022	35130	5,290.0	0.6
Organic surface active agents, except soap	2023	35310	2,745.1	0.3
Soap; organic surface-active products and preparations for use as soap; paper, wadding, felt and nonwovens, impregnated, coated or covered with soap or detergent	2023	35321	9,530.2	1.1
Detergents and washing preparations	2023	35322	7,654.9	0.9
Perfume and toilet preparations	2023	35323	5,618.0	0.6
Polishes and creams, for footwear, furniture, floors, coachwork, glass or metal	2023	35333	2,964.3	0.3
Scouring pastes and powders and other scouring preparations	2023	35334	2,929.4	0.3
Sacks and bags, of plastics	2220	36410	19,536.8	2.2
Other articles for the conveyance or packing of goods, of plastics; stoppers, lids, caps and other closures, of plastics	2220	36490	22,079.7	2.5
Builders' ware of plastics n.e.c.	2220	36990	8,754.9	1.0
Portland cement, aluminous cement, slag cement and similar hydraulic cements, except in the form of clinkers	2394	37440	39,903.7	4.4
Other furniture n.e.c	3100	38140	11,866.5	1.3
Mattress supports; mattresses, fitted with springs or stuffed or internally fitted with any material or of cellular rubber or plastics, whether or not covered	3100	38150	5,040.9	0.6
Flat-rolled products of non-alloy steel, not further worked than hot-rolled, of a width of 600 mm or more				

Appendix 17.4: CPC selection, adjusted values and percentage contributions cont'd

Products	ISIC	CPC	Value(KSh	%
Cartons, boxes, cases, record sleeves and other packing containers (except bags) of paper, paperboard, cellulose wadding or webs of cellulose fibres; box files, letter trays, and similar articles, of paper or paperboard of a kind used in offices, shops or	1702	32153	9,811.3	1.1
Cartons, boxes, cases, record sleeves and other packing containers (except bags) of paper, paperboard, cellulose wadding or webs of cellulose fibres; box files, letter trays, and similar articles, of paper or paperboard of a kind used in offices, shops or	1702	32153	9,811.3	1.1
Toilet paper, handkerchiefs, towels, serviettes, napkins for babies, tampons, and similar household, sanitary or hospital articles, and articles of apparel, of paper pulp, paper, cellulose wadding or webs of cellulose fibres	1709	32193	2,619.1	0.3
Other paper, paperboard, cellulose wadding and webs of cellulose fibres, cut to size or shape; cigarette paper, in booklets or tubes, or in rolls of a width not exceeding 5 cm; other articles of paper pulp, paper, paperboard, cellulose wadding or webs of	1709	32199	2,692.2	0.3
Other printed matter	1811	32690	52,222.2	5.8
Registers, account books, notebooks, letter pads, diaries and similar articles, blotting-pads, binders, file covers, forms and other articles of stationery, of paper or paperboard	1709	32700	6,182.3	0.7
Other light petroleum oils and light oils obtained from bituminous minerals (other than crude); light preparations n.e.c. containing not less than 70% by weight of petroleum oils or oils obtained from bituminous minerals (other than crude), these oils bei	1920	33330	11,134.9	1.2
Gas oils	1920	33360	20,472.2	2.3
Fuel oils n.e.c.	1920	33370	25,112.7	2.8
Lubricating petroleum oils and oils obtained from bituminous minerals, other heavy petroleum oils and heavy oils obtained from bituminous minerals (other than crude), and heavy preparations n.e.c. containing not less than 70% by weight of petroleum oils o	1920	33380	23,431.1	2.6
Phosphates of triammonium; salts and peroxysalts of inorganic acids and metals n.e.c.	2011	34231	8,132.0	0.9
Cyanides, cyanide oxides and complex cyanides; fulminates, cyanates and thiocyanates; silicates; borates; perborates	2011	34270	2,517.6	0.3
Paints and varnishes and related products	2022	35110	7,114.7	0.8
Printing ink	2022	35130	5,290.0	0.6
Organic surface active agents, except soap	2023	35310	2,745.1	0.3
Soap; organic surface-active products and preparations for use as soap; paper, wadding, felt and nonwovens, impregnated, coated or covered with soap or detergent	2023	35321	9,530.2	1.1
Detergents and washing preparations	2023	35322	7,654.9	0.9
Perfume and toilet preparations	2023	35323	5,618.0	0.6
Polishes and creams, for footwear, furniture, floors, coachwork, glass or metal	2023	35333	2,964.3	0.3
Scouring pastes and powders and other scouring preparations	2023	35334	2,929.4	0.3
Sacks and bags, of plastics	2220	36410	19,536.8	2.2
Other articles for the conveyance or packing of goods, of plastics; stoppers, lids, caps and other closures, of plastics	2220	36490	22,079.7	2.5
Builders' ware of plastics n.e.c.	2220	36990	8,754.9	1.0
Portland cement, aluminous cement, slag cement and similar hydraulic cements, except in the form of clinkers	2394	37440	39,903.7	4.4
Other furniture n.e.c	3100	38140	11,866.5	1.3
Mattress supports; mattresses, fitted with springs or stuffed or internally fitted with any material or of cellular rubber or plastics, whether or not covered	3100	38150	5,040.9	0.6
Flat-rolled products of non-alloy steel, not further worked than hot-rolled, of a width of 600 mm or more	2410	41211	24,823.6	2.8

Appendix 17.4: CPC selection, adjusted values and percentage contributions cont'd

Products	ISIC	CPC	Value(KSh.	%
Flat-rolled products of non-alloy steel, clad, plated, coated or otherwise further worked	2410	41231	25,477.8	2.8
Flat-rolled products of non-alloy steel, clad, plated, coated or otherwise further worked	2410	41232	9,742.9	1.1
Other structures (except prefabricated buildings) and parts of structures, of iron, steel or aluminium; plates, rods, angles, shapes, sections, profiles, tubes and the like, prepared for use in structures, of iron, steel or aluminium; props and similar eq	2511	42190	11,101.2	1.2
Public-transport type passenger motor vehicles	2599	42912	7,028.1	0.8
Flat-rolled products of non-alloy steel, clad, plated, coated or otherwise further worked	2599	42931	8,911.6	1.0
Metal goods n.e.c.	2599	42999	3,282.0	0.4
Public-transport type passenger motor vehicles	2910	49112	5,179.0	0.6
Bodies for motor vehicles	2920	49210	4,315.1	0.5
Other trailers and semi-trailers (including trailers and semi-trailers for the transport of goods), except self-loading or self-unloading trailers or semi-trailers for agricultural purposes	2920	49229	1,222.7	0.1
Maintenance and repair services of other transport equipment	3315	87149	13,056.5	1.5

Chapter 18

Supply and Use Tables

Introduction

The Supply and Use Table (SUT) is a core table in the System of National Accounts (2008 SNA)[1] that serves both statistical and analytical purposes. The SUT presents a powerful tool with which to compare and contrast data from various sources and improve the coherence of the economic information system. They permit analyses of markets and industries and allow productivity to be studied at more disaggregated level. Furthermore, supply and use tables are a necessary first step in development of satellite accounts and input-output tables (IOT), which Kenya plans to develop for use in economic analysis. Therefore the proposed SUT will be instrumental during such developments.

18.2. The SUT framework specifically has two tables: the *supply table* and the *use table* that are closely linked together. The "supply table" shows both the value of different products at basic prices produced in every industry and the total supply of every product in both basic and purchasers' prices. The "use table" shows both the cost of production in every industry, and the use of every product at purchasers' prices in the economy. The use table also shows how the components of value added (compensation of employees, other net taxes on production, consumption of fixed capital, net operating surplus) are generated by industries in the domestic economy. Thus, supply and use tables give detailed information on the production processes, the interdependencies in production, the use of goods and services and generation of income generated in production. After balancing, supply and use table provide coherent data linking industries, products and institutional sectors.

18.3. The 2009 SUT for Kenya will be the first to be published since 1970s. Compilation of SUT dates back to 1960s when the then Central Bureau of Statistics prepared Input - Output Tables for Kenya for 1967 and published them in 1971. Later, a more versatile SUT and Input -Output Tables for Kenya for 1972 were compiled and published in 1976. It is envisaged that the 2009 SUT will serve as an anchor for future projections, an audit of the national statistical program and support and improve annual GDP estimates.

18.4. This chapter provides a description of the SUT framework, its relevance in national accounts compilation, data sources and the preliminary SUT results. The elaborate SUT compiled has 149 products by 79 industries but in this chapter they have been aggregated to 19 products by 18 industries, for presentational purpose. Further refinements of the preliminary estimates are expected and will be based on inputs and comments from stakeholders.

Framework of Supply and Use Tables

18.5. The supply and use framework is distinctively made up of two tables: the supply table and the use table. The framework enables detailed analysis of industries and products through a breakdown of the production account, the goods and services account and the generation of income account. Condition for supply and use of products as highlighted in the *product balance* shows "total supply" on the left hand side as equal to "total uses" on the right hand side.

1 The *System of National Accounts, 2008* (2008 SNA) is a statistical framework that provides a comprehensive, consistent and flexible set of macroeconomic accounts for policymaking, analysis and research purposes.

Output + imports = intermediate consumption + final consumption + capital formation + exports.

With a complete set of product balances, supply and use tables can be created at any given level of disaggregation as long as the required data is available.

The Supply Table

18.6. A simplified supply table is shown in Table 18.1. The supply table is a product by industry based table with products in the rows and industries and imports in the columns. The table shows the supply of goods and services by product and by type of supplier (industry), distinguishing supply by domestic industries and imports from other countries. The basis for grouping products is an aggregation of CPA (Classification of Products by Activity). The producing units are grouped using International Standard Industrial Classification (ISIC) of all economic activities and the resulting units are referred to as industries.

Table 18.1: Simplified Supply Table

Industry / Product	Industry			Imports	Total supply at basic prices	Trade and transport margins	Taxes less subsidies on products	Total supply at purchasers ' prices
	Agriculture	Industry	Services					
Agricultural products								
Industrial products	*Output by products and by industry (at basic prices)*			*Imports by products (CIF)*	*Total supply by products (at basic prices)*	*Margins*	*Taxes*	*Total supply by products (at purchasers' prices)*
Services								
Total	Total output by industry			Total imports	Total supply (basic prices)		Total taxes	Total supply (purchasers 'prices)

18.7. The last row of the supply table shows total output by industry, total imports and total supply. In the last column of the supply table, total supply by product is reported consisting of domestic and imported products. Outputs of industries are valued at *basic prices* - prices that provide an approximate measure of what the producers actually receive when they sell their products. Therefore, output at basic price exclude trade and transport margins and taxes less subsidies on products, all of which do not accrue to the producer. Import c.i.f (cost of freight and insurance) which exclude import duties and trade and transport margins are treated as equivalent to basic prices. Output/products at purchasers' prices are derived by adding trade and transport margins as well as taxes less subsidies on products to output at basic prices.

18.8. The supply table shown is highly simplified because it does not specify the classification of industries and products, it does not distinguish between market producers and producers for own final use and other non-market producers. However, it specifies the valuation of domestic output and imports and includes adjustment items reflecting trade and transport margins and taxes and subsidies on products.

The Use Table

18.9. The use table is a product by industry based table with products and components of value added in the rows and industry, categories of final uses and exports in the columns. A use table shows the use of goods and services by product and by type of use, i.e. as intermediate consumption by industry, final consumption, gross capital formation or exports. In addition, the table shows the components of value added by industry, i.e. compensation of employees,

other taxes less subsidies on production, consumption of fixed capital and net operating surplus. The use table as shown in Table 18.2 can be subdivided into three parts namely: table of intermediate use (quadrant 1); table of final uses (quadrant 2) and; table of value added (quadrant 3).

Industry / Product	Industries			Final uses			Total
	Agriculture	Industry	services	Final consumption	GCF	Export	
Agricultural products							
Industrial products	*Intermediate consumption by products and by industry (quadrant 1)*			*Final uses by products and by category (quadrant 2)*			*Total use by product*
Services							
Value added	*Value added by components and by activity*						*Value added*
Total	**Total output by industry**			**Total final uses by category**			

18.10. The table of intermediate use shows the intermediate consumption by products and by industry, the table of final uses shows the uses of products for final consumption, gross capital formation and exports, and the table of value added shows the components of value added by industry. Sum over the columns of intermediate and final uses show total use by products, sum over the rows of the intermediate table and the value added table identify total inputs by industries (equivalent to total output by industry). All the uses are measured in *purchaser's prices*[2] though the measurements could be transformed to *basic price* measurements.

18.11. The columns of industries in the use table reflect the cost structure of each specific industry. The intermediate consumption table thus identifies goods and services that are necessary to produce the primary and secondary outputs of the industries.

Role of SUT in compilation of national accounts

18.12. The compilation of supply and use tables provides the ideal framework guaranteeing the consistency of supply and demand in the system at current and constant prices and the overall quality of the national accounts. This main function of supply and use tables in the balancing process of national accounts is independent of the decision whether input-output tables are compiled or not. Therefore, supply and use tables are suppose to be compiled as an integral part in the calculation of national accounts.

18.13. The role of SUT as an integral part in the production of national accounts can be broadly highlighted as follows:

- National accounts compilation requires a mixture of administrative records and statistical surveys as sources for use in derivation of estimates. Supply and use tables provide the most efficient way to incorporate all the basic data – aggregated or detailed – into the national accounts framework in a systematic way;
- Supply and use tables effectively ensure the consistency of results at a detailed level and thereby improve the overall quality of the national accounts;
- The SUTs framework provides the natural statistical framework to include the components of the production, income and expenditure approaches to measuring

2 The purchaser's price is the price that the buyer has to actually pay for the product unit.

GDP, thereby enabling a coherent and balanced estimate of GDP both in current prices and constant prices to be achieved;

- The balanced SUTs provide consistency and coherency between the first three accounts of the National Accounts framework namely: Goods and Services Account; Production Accounts by industry and sector; and Generation of Income Accounts by industry and sector; and
- Balanced macroeconomic data can be derived on a more aggregate level by applying the production, income and expenditure approaches. However, the better option is to balance the system at a much deeper level of products and industries of which the supply and use tables proves very useful.

Application of SUT in the derivation of GDP estimates

Table 18.3: Illustrative Supply and Use Tables

SUPPLY TABLE						USE TABLE				
Products	Output at basic prices	Import	Taxes	Margins	Supply at purchasers price	Products	Intermediate consumption	Final use	Exports	Uses at purchaser price
P1	0	600			600	P1	600			600
P2	1000				1000	P2	1000			1000
P3	1800		100	200	2100	P3		1700	400	2100
P4	200			-200	0	P4				0
Total	**3000**	**600**	**100**	0	3700	Total	**1600**	**1700**	**400**	3700
						VA	**1400**			1400
						Total	3000			3000

18.14. Using the above simplified supply and use tables, GDP estimates can be derived using the three approaches - production, income and expenditure approaches.

- GDP Production approach provides measure of GDP as the sum of all industry value added plus taxes on products less subsidies, where industry value added is calculated as the difference between industry's output and its intermediate consumption. The formulation is presented as follows:

GDP	= Total industry output at basic prices	((3000) from the supply table)
	- Total industry intermediate consumption in purchasers' prices	((1600) from the use table)
	+taxes less subsidies on products	((100) from the supply table)
GDP	= 3000-1600+100	
GDP	1500	

- GDP Expenditure approach: GDP is estimated as the sum of all final uses of goods and services less imports. These categories are estimated from a wide variety of sources including expenditure surveys, the government accounts, surveys of traders and administrative records such as customs information on imports and exports.

GDP	= Final uses (1700 from the use table)
	+ Exports (400 from the use table)
	- Imports (600 from the supply table)
"Final uses" include: Household final consumption; Government final consumption; Final consumption of Non-Profit Institutions serving households and; Gross Capital Formation.	
GDP	= 1700 + 400 - 600
GDP	=1500

- GDP income approach involves estimation as the sum of taxes less subsidies on

products and the different components of value added, namely compensation of employees, other net taxes on production and gross operating surplus. Compensation of employees is estimated by industry using business survey and administrative data as appropriate. Taxes and subsidies are based on government information and then disaggregated by industries. Gross operating surplus is estimated at industry level and is derived as a residual variable (output less intermediate expenditures).

GDP	= Value added (VA)	(1400 from the Use table)
	+ Taxes less subsidies on products	(100 from the Supply table)
GDP	= 1400 + 100	
GDP	= 1500	
Where components of *value added are* : Compensation of Employees; Other net taxes on production and Gross operating surplus		
GDP	= Compensation of employees	
	+ Other taxes less subsidies on production	
	+ Gross operating surplus	
	+ Taxes less subsidies on products	

Compilation of SUT and data sources

18.15. The process of compiling a SUT generally requires large amount of relevant economic statistics and administrative datasets. Unlike the previous national accounts revision and rebasing (2002 to 2004), there has been significant improvement in source data which has enabled a more exhaustive analysis this time round.

18.16. The current SUT is a culmination of an exercise that started in March 2010 with a view of rebasing and revising the national accounts to improve their reliability. The main objectives of the revision and rebasing are; to make the conceptual changes from the 1993 SNA to 2008 SNA; and to improve the scope, detail and quality of the national accounts and supporting economic statistics. In addition, there are strong user demands for a supply and use table (SUT). A SUT is also needed for the development of a social accounting matrix (SAM).

18.17. The revision and rebasing exercise started with examination and finalization of the necessary source data. The compilation of the SUT benefited from administrative data which included the VAT records, Kenya Revenue Authority (KRA) data on imports and exports and the Government Finance Statistics (GFS) data. Data on household consumption, unincorporated household enterprise (informal sector), housing conditions, water, sanitation and energy use, and agriculture holdings were available from the Kenya Integrated Household Budget Survey (KIHBS) 2005/06 and came in handy during the revision. The Kenya Population and Housing Census 2009 also provided crucial data on housing, livestock and population and its projections.

18.18. The KIHBS results provided indicative benchmarks for 2006, the first year of the detailed revisions, for; household consumption expenditure by product and Classification Of Individual Consumption by Purpose (COICOP); production and generation of income accounts for household enterprises by economic activity; and structure of the output of crops and related costs. In addition, data from KIHBS were useful in combination with results of the Population Census for estimates of: output of owner-occupied dwellings and rented dwellings, consumption and output of firewood and charcoal and data for the estimates of own collection of water and output of water vendors

18.19. The process also necessitated collection of the requisite data where gaps existed. In light

of this, specialized surveys and censuses were conducted among them Census of Industrial Production (CIP) in 2011, a study of trade margins in 2010, Integrated Survey of Services (ISS) in 2011 and Cost of Agricultural Production Survey (CAPS) in 2012. The CIP provided detailed data on output and inputs from establishments dealing with activities of mining and quarrying, manufacturing, electricity, gas, steam and air conditioning supply, water supply; sewerage, waste management and remediation and construction. The ISS was dedicated to collecting detailed data on inputs and outputs of the services sector while the CAPS mainly focused on detailed data on inputs, output and the crop calendar from the agriculture, forestry and fishing activities. For education, the exercise made use of Annual Schools Data on expenditure, number of teachers and student enrolment collected by the ministries of educations to supplement data from the GFS.

18.20. Other datasets that were used in the revision and rebasing are Monthly Survey of Industrial Production (MSIP); the Labour Enumeration Survey (LES); the Consumer Price Indices (CPI) and the Building Cost Index (BCI), foreign trade statistics and the Balance Of Payments (BOP); and data on the financial sector.

18.21. The revision and rebasing exercise also benefited from specialized studies and expert opinions from the Bureau and outside. For instance, livestock work-in-progress model relied on information from an IGAD report on "Contribution of Livestock to the Kenyan Economy" and inputs from the Ministry of Livestock staff while crops work-in-progress model benefited from the Ministry of Agriculture experts' inputs.

Classification scheme

Preliminary results of 2009 Supply and Use Tables

18.22. A derived national version of International Standard Industrial Classification for all economic activities (ISIC rev 4) is used to classify industries while products classification is based on the "Classification of Products by Activity". These classifications are fully aligned to each other such that at each level of aggregation, the CPA shows the principal products of the industries according to ISIC. The detailed classification of products and activities are provided in appendix 18.3 and 18.4, respectively.

18.23. The proposed classification has 149 products and 79 industries. This provides a more detailed product classification of products than industries leading to a rectangular supply and use system. An aggregated classification of industries is presented in Table 18.4.

Table 18.4: Economic activities (industries) by broad category

Activities	Number of sub-activities
Agriculture, Forestry and Fishing	5
Mining and quarrying	1
Food Manufactures	13
Non-food Manufactures	17
Electricity and water supply	3
Construction	1
Wholesale and retail trade	2
Transport and storage	12
Accommodation and food service activities	1
Information and Communication	3
Financial and insurance activities	5
Real estate activities	1
Professional, scientific and technical activities	1
Administrative and support services	3
Public administration and defence; compulsory social security	1
Education	3
Human health and social work	2
Arts, entertainment and recreation	1
Other service activities	4

The 2009 Supply Table results

18.24. The proposed Supply table is made up of 149 products and 79 industries which show the goods and services supplied to the economy in 2009. The table is composed of three sub-matrices namely; Production matrix (149 products by 79 industries), Import matrix (a vector of 149 products) and valuation adjustment matrix. The valuation matrix, which includes trade and transport margins and taxes less subsidies on products, is useful in transforming the basic price output to purchasers' prices.

18.25. Table 18.5 highlights the preliminary results of the supply table in a condensed form. In the production matrix the domestic output of industries is reported in a disaggregated form where output include market output, output for own final use and other non-market output. In 2009, market output had a share of 82 percent of total output. Education, Health and Public Administration activities accounted for most of the non-market output while Agriculture, Fishing and Forestry were the main sources of output for own final use. A relatively more detailed production matrix is provided in Appendix 18.1. The matrix shows in the rows the products and in the columns the industry that produce each type of product. Each column includes the output of primary and secondary productions. The principal activities of industries are reported on the diagonal of the production matrix while the secondary activities are listed off the diagonal of the production matrix.

The 2009 Use Table results

18.26. The Use Table presented in Table 6 provides a summarized version of the 149 products, 79 industries and 5 categories of final use. It distinctively reveals by column the input structure of each industry and describes in the rows the use of different products and primary inputs (labour and capital). The condensed version has 19 products, industries broadly grouped into 3 and 5 categories of final expenditure.

18.27. The costs of production are shown in the columns of "intermediate use by industries"; a condensed version of 19 products by 3 industries. However, a more elaborate input matrix of 19 products by 18 industries is presented in Appendix 18.2. In the sub-matrix, total output of an industry at basic prices corresponds to the total output of an industry as reported in the output matrix of supply table (check last row in Table 18.5 and last row in Appendix 18.1). Therefore given industry output (from supply Table) and the intermediate consumption of products determined in the use table, value added of an industry can be estimated as a residual variable. In the use table, total output and value added are recorded at basic prices. The aggregate share of intermediate consumption (KSh 2,081 billion) in production to total output (KSh 4,606 billion) was estimated at 45 percent.

18.28. Final use expenditures were estimated at Kshs 3,686.9 billion out of which 59 percent was for private consumption. Exports recorded 16 percent share while government consumption expenditure and gross capital formation registered same proportions. The value added components by industry as presented at the bottom of the table include compensation of employees, other taxes less subsidies on production, and gross operating surplus. A large proportion of value added was attributed to operating surplus which registered a share of 65 percent.

18.29. A combined Supply and Use Tables is presented in Table 18.7. The content in the table is identical to what is presented in Tables 18.5 and 18.6 on supply and use respectively. However, Table 18.7 shows the consistency that result from a balanced supply and use table. The column on total supply at purchasers' price is equal to the column on total use at purchasers' prices which highlights the identity that:
Output + imports (all adjusted to purchasers' prices) = Intermediate Consumption + Final use (all at purchasers' prices).

Table 18.5: Supply Table (in KSh millions)

Products	Market output	Output for own final use	Non-market output	Total output at basic prices	Imports	Taxes on products	Margins	Total Supply at purchasers' prices
Agriculture, forestry and fishing products	587,892	162,023	13,661	763,575	74,443	8,068	52,791	898,877
Mining and quarrying products	16,038	0	0	16,038	59,691	275	3,472	79,476
Manufactured food products	464,270	13,262	0	477,533	63,102	78,610	84,859	704,103
Other manufactured products	637,146	0	0	637,146	603,919	156,632	210,962	1,608,658
Electricity and water	76,737	10,831	5,877	93,445	34	4,925	0	98,404
Construction	248,395	5,727	18,462	272,584	0	0	0	272,584
Wholesale and retail trade; repairs	310,423	0	0	310,423	1,061	336	-290,502	21,318
Transport and storage	491,834	0	0	491,834	22,613	1,160	-65,443	450,164
Accommodation and catering services	104,894	0	0	104,894	1,905	8,852	0	115,651
Information and communication	181,830	0	536	182,367	18,614	10,978	3,861	215,820
Financial and insurance services	207,030	0	6,943	213,973	2,652	1,359	0	217,984
Real estate services	202,711	104,700	0	307,411	0	0	0	307,411
Professional and support services	98,142	0	1,422	99,563	18,097	975	0	118,635
Public administration	10,850	0	252,097	262,947	0	0	0	262,947
Education	53,119	0	159,975	213,094	0	0	0	213,094
Health and social work	44,929	0	54,415	99,344	0	0	0	99,344
Other services	34,658	17,383	6,986	59,026	0	1,893	0	60,919
Direct purchases abroad by residents	0	0	0	0	22,603	0	0	22,603
Direct purchases in Kenya by non-residents	0	0	0	0	0	0	0	0
Total	**3,770,897**	**313,926**	**520,373**	**4,605,195**	**888,733**	**274,063**	**0**	**5,767,991**

Table 18.6: Use Table at purchasers' prices (in KSh millions)

Products	Intermediate use by industries			Total Intermediate Consumption	Final use					Total Use
	Agriculture, forestry, fishing	Industrial activities	Service Activities		Government consumption	Private consumption	GFCF	Changes in inventories	Exports	
Agriculture, forestry and fishing products	31,596	230,417	2,789	264,802	13,661	546,986	-5,906	-8,706	88,041	898,877
Mining and quarrying products	0	74,332	0	74,332	0	0	0	0	5,144	79,476
Manufactured food products	11,311	46,615	29,119	87,044	0	494,121	0	-3,055	125,993	704,103
Other manufactured products	41,225	507,310	321,126	869,661	0	303,026	257,786	9,113	169,072	1,608,658
Electricity and water	2,596	14,174	30,180	46,949	4,207	42,418	0	0	4,830	98,404
Construction	2,300	5,024	29,003	36,328	18,247	0	211,922	0	6,087	272,584
Wholesale and retail trade; repairs	146	651	16,475	17,272	0	2,387	0	0	1,660	21,318
Transport and storage	8,682	55,431	126,219	190,332	0	181,038	0	0	78,794	450,164
Accommodation and catering services	1,177	1,814	33,891	36,882	0	30,221	0	0	48,548	115,651
Information and communication	4,591	25,147	83,890	113,628	536	79,491	0	0	22,165	215,820
Financial and insurance services	231	18,169	127,761	146,161	3,668	63,740	0	0	4,415	217,984
Real estate services	190	6,799	70,083	77,072	0	227,572	0	0	2,767	307,411
Professional and support services	1,507	16,133	63,381	81,021	1,422	6,644	16,974	0	12,575	118,635
Public administration	211	2,254	8,855	11,320	248,811	2,816	0	0	0	262,947
Education	0	0	0	0	122,601	90,493	0	0	0	213,094
Health and social work	0	0	0	0	37,505	61,839	0	0	0	99,344
Other services	67	81	14,353	14,500	2,231	40,966	0	0	3,222	60,919
Direct purchases abroad by residents	102	1,029	12,685	13,816	0	8,786	0	0	0	22,603
Direct purchases in Kenya by non-residents	0	0	0	0	0	0	0	0	0	0
Total	105,931	1,005,379	969,809	2,081,119	452,889	2,182,543	480,775	-2,649	573,312	5,767,991
Value added, gross	677,265	471,746	1,375,066	2,524,077						
Compensation of employees	90,580	133,746	658,457	882,783						
Other taxes on production	0	0	0	0						
Other subsidies on production	0	0	-800	-800						
Operating surplus / Mixed income	586,685	338,000	717,409	1,642,094						
Output	783,196	1,477,124	2,344,875	4,605,195						

Supply and Use Tables

Table 18.7: Supply and Use Tables (in KSh millions)

	SUPPLY TABLE								USE TABLE									
									Intermediate use by industries				Final use					
Products	Market output	Output for own final use	Non-market output	Total output at basic prices	Imports	Taxes on products	Margins	Total Supply at purchasers' prices	Agric, forestry, fishing	Industrial activities	Service Activities	Total Intermediate Consumption	Government consumption	Private consumption	GFCF	Changes in inventories	Exports	Total Use at purchasers' prices
Agriculture, forestry and fishing products	587,892	162,023	13,661	763,575	74,443	8,068	52,791	898,877	31,596	230,417	2,789	264,802	13,661	546,986	-5,906	-8,706	88,041	898,877
Mining and quarrying products	16,038	0	0	16,038	59,691	275	3,472	79,476	0	74,332	0	74,332	0	0	0	0	5,144	79,476
Manufactured food products	464,270	13,262	0	477,533	63,102	78,610	84,859	704,103	11,311	46,615	29,119	87,044	0	494,121	0	-3,055	125,993	704,103
Other manufactured products	637,146	0	0	637,146	603,919	156,632	210,962	1,608,658	41,225	507,310	321,126	869,661	0	303,026	257,786	9,113	169,072	1,608,658
Electricity and water	76,737	10,831	5,877	93,445	34	4,926	0	98,404	2,596	14,174	30,180	46,949	4,207	42,418	0	0	4,830	98,404
Construction	248,395	5,727	18,462	272,584	0	0	0	272,584	2,300	5,024	29,003	36,328	18,247	0	211,922	0	6,087	272,584
Wholesale and retail trade; repairs	310,423	0	0	310,423	1,061	336	-290,502	21,318	146	651	16,475	17,272	0	2,387	0	0	1,660	21,318
Transport and storage	491,834	0	0	491,834	22,613	1,160	-65,443	450,164	8,682	55,431	126,219	190,332	0	181,038	0	0	78,794	450,164
Accommodation and catering services	104,894	0	0	104,894	1,905	8,852	0	115,651	1,177	1,814	33,891	36,882	0	30,221	0	0	48,548	115,651
Information and communication	181,830	0	536	182,367	18,614	10,978	3,861	215,820	4,591	25,147	83,890	113,628	536	79,491	0	0	22,165	215,820
Financial and insurance services	207,080	0	6,943	213,973	2,652	1,399	0	217,984	231	18,169	127,761	146,161	3,668	63,740	0	0	4,415	217,984
Real estate services	202,711	104,700	0	307,411	0	0	0	307,411	190	6,799	70,083	77,072	0	227,572	0	0	2,767	307,411
Professional and support services	98,142	0	1,422	99,563	18,097	975	0	118,635	1,507	16,133	63,381	81,021	1,422	6,644	16,974	0	12,575	118,635
Public administration	10,890	0	252,057	262,947	0	0	0	262,947	211	2,254	8,865	11,330	248,811	2,816	0	0	0	262,947
Education	53,119	0	159,975	213,094	0	0	0	213,094	0	0	0	0	122,601	90,493	0	0	0	213,094
Health and social work	44,929	0	54,415	99,344	0	0	0	99,344	0	0	0	0	37,505	61,839	0	0	0	99,344
Other services	34,668	17,383	6,986	59,026	0	1,893	0	60,919	67	81	14,353	14,500	2,231	40,966	0	0	3,222	60,919
Direct purchases abroad by residents	0	0	0	0	22,603	0	0	22,603	102	1,029	12,685	13,816	0	8,786	0	0	0	22,603
Direct purchases in Kenya by non-residents	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	3,770,897	313,926	520,373	4,605,195	888,733	274,063	0	5,767,991	105,931	1,005,379	969,809	2,081,119	452,889	2,182,543	480,775	-2,649	573,312	5,767,991
Value added, gross									677,285	471,746	1,375,066	2,524,077						
Compensation of employees									90,580	133,746	658,457	882,783						
Other taxes on production									0	0	0	0						
Other subsidies on production									0	0	-800	-800						
Operating surplus / Mixed income									586,685	338,000	717,409	1,642,094						
Output									783,196	1,477,124	2,344,875	4,605,195						

Way Forward

18.31. As mentioned earlier, the current SUT is a preliminary and further work is on-going with a view to improving the reliability of the benchmark estimates. The Bureau plans to publish the revised national accounts and a complete and detailed SUT by October 2013. Further, the Bureau plans to provide long time series of the national accounts to take care of those interested in doing economic modelling. Therefore, the revised estimates of GDP will be retropolated by linking them to the previous estimates and released by February 2014.

18.32. The quarterly GDP estimates by activity will also be aligned with the revised annual national accounts. The estimates will then be released in December 2013 during the publication of the third quarter 2013 GDP estimates. For the first time, the revised estimates are expected to include current prices quarterly GDP estimates by activity. The Bureau also intends to develop quarterly estimates of GDP by expenditure at both current and constant prices and publish them by June 2014.

18.33. After finalizing the SUT, the Bureau will embark on developing an Input Output Tables and a Social Accounting Matrix (SAM) for Kenya. Input Output tables are symmetric product by product matrix that are constructed by transforming the SUT. Input-output analysis specifically shows how industries are linked together through supplying inputs to each other for production to take place in an economy. A product by product input-output table shows how much of each product is being used as input for the production of another product. It also shows how much of each product is consumed as an intermediate input, final use, investment and export. A SAM captures flows of all economic transactions, including transfers that take place within an economy.

Appendix 18.1: Output Matrix

Industry/ Output	Agriculture, forestry, fishin	Mining & quarryin	Manufact.of food produc	Other manufacturin	Supply of electricity, wate	Con-structior	Whole-sale and reta	Transport and storag	Hotels and restaurant	Inform. & communicatio	Finance and insuranc	Real estat	Prof. & support activitie	Public admin	Education	Health & social wor	Other service activities	
Agric, forestry and fishing	763,575	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining and quarrying	-	16,038	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufactured food	19,620	-	450,944	6,968	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Manufacture	-	1,665	9,757	625,723	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity and water	-	-	-	-	93,445	-	-	-	-	-	-	-	-	-	-	-	-	-
onstruction	-	-	-	-	-	272,584	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale and retail trade; repairs	-	-	-	-	-	-	310,423	-	-	-	-	-	-	-	-	-	-	-
Transport and storage	-	-	-	-	-	-	-	491,834	-	-	-	-	-	-	-	-	-	-
Accommodation and catering	-	-	-	-	-	-	-	-	100,642	-	-	-	-	-	4,252	-	-	-
Information and communication	-	-	-	-	-	-	-	-	-	182,367	-	-	-	-	-	-	-	-
Financial and insurance services	-	-	-	-	-	-	-	-	-	-	213,973	-	-	-	-	-	-	-
Real estate services	-	-	-	-	-	-	1,110	1,388	936	-	2,136	301,546	-	-	-	295	-	-
Professional and support services	-	-	-	-	-	-	7,549	-	1,976	-	-	-	85,590	-	4,448	-	-	-
Public administration	-	-	-	-	-	-	-	-	-	-	-	-	-	262,947	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-	-	-	-	-	213,094	-	-	-
Health and social work	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	99,344	-	-
Other services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59,026	-
Total	783,196	17,703	460,701	632,691	93,445	272,584	319,082	493,222	103,554	182,367	216,109	301,546	85,590	262,947	221,795	99,639	59,026	-

Appendix 18.2: Input Matrix

Products	Agric, forestry, fishing	Mining & quarrying	Manufact of food products	Other manufacturing	Supp/prod electricity& water	Construction	Whole-sale and retail	Transport and storage	Hotels and restaurant.	Inform. & communication	Finance and insurance	Real estate	Prof. & support activities	Public admin.	Education	Health & social work	Other service activities	FISIM	Total
Agriculture, forestry and fishing products	31,596	67	223,662	6,365	3	0	0	0	2,531	0	0	0	0	200	17	39	2	0	264,802
Mining and quarrying products	0	1,291	463	55,970	17	16,591	0	0	0	0	0	0	0	0	0	0	0	0	74,332
Manufactured food products	11,311	94	41,108	5,413	0	0	0	0	24,874	5	0	0	0	2,005	1,806	423	7	0	87,044
Other manufactured products	41,225	2,909	50,252	301,775	34,095	118,279	23,122	131,594	6,201	52,748	6,199	4,465	2,569	30,688	30,060	26,530	6,731	0	869,661
Electricity and water	2,596	389	4,482	7,198	1,274	882	9,077	3,237	2,755	524	846	4,498	143	1,769	5,283	782	1,266	0	46,949
Construction	2,300	0	726	1,021	451	2,627	3,987	4,555	1,553	1,531	619	9,556	181	4,699	1,581	218	524	0	36,328
Wholesale and retail trade; repairs	146	0	0	0	150	500	1,254	10,243	89	1,721	37	78	93	1,866	818	132	153	0	17,272
Transport and storage	8,682	338	23,707	22,523	1,479	7,394	28,030	64,337	2,822	3,916	3,543	1,915	3,364	7,532	5,862	1,516	3,383	0	190,332
Accommodation and catering services	1,177	16	278	358	496	666	4,512	8,250	185	1,400	1,244	650	1,759	7,396	7,020	776	697	0	36,882
Information and communication	4,591	1,603	6,533	11,133	931	4,947	16,439	9,410	1,945	2,760	18,177	3,033	2,839	15,936	8,648	3,430	1,274	0	113,628
Financial and insurance services	231	174	2,695	6,630	782	7,668	11,668	11,982	1,131	1,779	14,200	3,880	1,655	18,047	3,939	637	2,865	56,877	146,161
Real estate services	190	150	808	3,156	385	2,200	30,316	7,234	4,868	7,012	6,764	1,969	2,116	2,340	3,414	1,320	2,729	0	77,072
Professional and support services	1,507	62	8,626	4,574	895	2,586	17,632	18,022	2,045	9,454	2,500	2,885	1,507	5,131	2,560	1,034	521	0	81,021
Public administration	211	9	1,121	639	124	361	2,463	2,518	286	1,321	349	403	211	717	370	145	73	0	11,320
Education	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Health and social work	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other services	67	0	0	0	81	0	676	2,678	1,036	1,026	300	2,891	168	2,592	2,351	305	330	0	14,500
Direct purchases abroad by residents	102	9	292	357	371	0	2,129	1,917	195	1,282	881	366	1,050	2,687	1,370	454	355	0	13,816
Direct purchases in Kenya by non-residents	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	105,931	7,121	364,473	427,082	41,524	165,179	151,245	275,096	52,516	86,419	55,660	36,588	17,656	103,895	75,188	37,740	20,930	56,877	2,081,119
Value added, gross	677,265	10,583	96,228	205,680	59,021	107,405	167,837	218,126	53,038	95,948	160,449	264,958	67,934	159,052	146,607	61,869	38,066	-56,877	2,524,077
Compensation of employees	90,580	2,580	31,834	39,828	20,363	39,141	86,541	57,473	22,955	31,464	58,359	23,859	32,333	131,578	129,984	55,855	28,907	0	882,783
Other taxes on production	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other subsidies on production	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-800	0	-800
Operating surplus / Mixed income	586,685	8,002	64,394	165,852	31,558	68,264	81,296	160,652	29,083	64,544	102,090	241,099	35,601	27,475	16,613	6,045	10,789	-56,877	1,642,064
Output	783,196	17,703	460,701	632,681	93,445	272,584	319,082	493,222	103,554	182,367	216,109	301,546	85,590	262,947	221,795	99,609	59,026	0	4,665,985

Appendix 18.3: Product classification

Code	Description
0111-1	Maize
0111-2	Other cereals
0111-3	Beans, other leguminous crops and oil seeds
0112	Rice
0113-1	Potatoes and other root crops
0113-2	Vegetables
0114	Sugar cane
0115	Tobacco
0116	Fibre crops (sisal, cotton)
0119	Pyrethrum and other non-perennial crops
0121	Fruit and nuts; spice crops
0127-1	Coffee
0127-2	Tea
0129	Other perennial crops (wattle, khat)
0131	Cut flowers
0139	Plantation developments, land improvement
0141	Cattle
0143	Camels
0144-1	Sheep and goats
0144-2	Wool
0145	Pigs
0146-1	Poultry
0146-2	Eggs
0147	Raw milk
0148	Manure
0149-1	Other animals
0149-2	Other animal products
0160	Support services to agriculture
0220-1	Hardwood and soft wood
0220-2	Firewood and charcoal
0230	Non-wood forest products
0240	Support services to forestry
0300	Fish and other fishing products
0500	Coal and lignite
0600	Crude petroleum and natural gas
0701	Metal ores (excl gold)
0702	Gold
0810	Stone, sand and clay
0891-1	Fluorspar
0891-2	Soda and soda ash
0899	Other minerals
1011	Meat and meat products
1012	Hides and skins
1020	Processed and preserved fish, crustaceans and molluscs

1030	Processed and preserved fruit and vegetables
1040	Vegetable and animal oils and fats
1050	Dairy products
1061	Grain mill products, starches and starch products
1069	Milling services
1071	Bakery products
1072	Sugar and molasses
1073	Confectionery and chocolate
1076	Coffee
1077	Tea
1079	Other food products
1080	Prepared animal feed
1101	Spirits and wine
1103	Beer
1104	Non-alcoholic beverages
1200	Tobacco products
1300	Textiles
1400	Wearing apparel
1510	Leather and leather products
1520	Footwear
1600	Wood and of products of wood and cork, except furniture
1700	Paper products
1800	Printing and recording services
1900	Refined petroleum products
2011	Basic chemicals
2012	Fertilizers and pesticides
2022	Paints and varnishes
2023	Soaps, detergents, cleaning preparations, toiletries
2029	Other chemical products n.e.c.
2030	Man-made fibres
2100	Pharmaceutical products
2210	Rubber and rubber products
2220	Plastics products
2310	Glass and glass products
2390	Non-metallic mineral products n.e.c.
2400	Basic metals
2500	Fabricated metal products
2600	Computer, electronic and optical products
2700	Electrical equipment
2800	Machinery and equipment n.e.c.
2910	Motor vehicles and bodies for motor vehicles; trailers
2930	Parts and accessories for motor vehicles
3000	Other transport equipment
3100	Furniture
3200	Other manufactured products
3300	Repair and installation of machinery and equipment
3510	Electricity

3600	Water
3700	Sewerage
3800	Waste collection and treatment
4100	Buildings and structures (including repair services)
4520	Repair services, motor vehicles
4701	Trade services (trade margins)
4702	Various other trade services (e.g. commissions)
4910	Transport via railways
4921	Passenger road transport
4923	Freight transport by road
4930	Transport via pipeline
5000	Water transport
5100	Air transport
5210	Warehousing and storage
5222	Service incidental to water transport
5223	Service incidental to air transport
5229	Cargo handling; other transportation support services
5310	Postal services
5320	Courier services
5500	Accommodation services
5600	Food and beverage serving services
5800	Publishing
5900	Motion picture, video and television programme production; music
6000	Television programming and broadcasting
6110	Wired telecommunications services
6120	Wireless telecommunications services
6130	Satellite TV
6200	IT and other information services
6411	Central bank services
6419-1	FISIM
6419-2	Other financial intermediation services
6490	Other financial services
6501	Life insurance
6502	Non-life insurance
6503	Reinsurance
6600	Auxilliary services to finance and insurance
6801	Dwellings
6802	Real estate services except dwellings
6900	Professional, scientific and technical services
7500	Veterinary services
7700	Renting and leasing services
7900	Travel agency, tour operator and reservation services
8200	Other administrative and support services
8410	Public administration and defence services
8430	Compulsory social security services
8501	Primary and general secondary education
8502	Specialized secondary and tertiary education

8503	Other education
8600	Human health services
8700	Social work
9000	Arts, entertainment and recreation
9400	Services of membership organizations
9500	Repair of computers and personal and household goods
9600	Other personal services
9700	Domestic services
9910	Direct purchases abroad by residents
9920	Direct purchases in Kenya by non-residents

Appendix 18.4: Activity classification (based on ISIC rev 4)

Code	Description
A0110	Growing of crops
A0140	Animal production
A0160	Support activities to agriculture
A0200	Forestry and logging
A0300	Fishing and aquaculture
B0800	Mining and quarrying
C1010	Processing and preservation of meat
C1020	Processing and preserving of fish, crustaceans and molluscs
C1030	Processing and preserving of fruit and vegetables
C1040	Manufacture of vegetable and animal oils and fats
C1050	Manufacture of dairy products
C1060	Manufacture of grain mill products; starch and starch products; and prepared animal
C1071	Manufacture of bakery products
C1072	Manufacture of sugar
C1076	Processing of coffee
C1077	Processing of tea
C1079	Manufacture of other food products
C1100	Manufacture of beverages
C1200	Manufacture of tobacco products
C1300	Manufacture of textiles and clothing
C1500	Manufacture of leather and related products incl. footwear
C1600	Manufacture of wood and of products of wood and cork, except furniture
C1700	Manufacture of paper and paper products
C1800	Printing and reproduction of recorded media
C1900	Manufacture of refined petroleum products
C2010	Manufacture of basic chemicals, fertilizers, primary plastics
C2020	Manufacture of other chemical products
C2100	Manufacture of pharmaceutical products and preparations
C2200	Manufacture of rubber and plastics products
C2300	Manufacture of other non-metallic mineral products
C2500	Manufacture of basic metals and fabricated metal products, ex. machinery and equip
C2800	Manufacture of machinery and equipment
C2900	Manufacture of transport equipment
C3100	Manufacture of furniture
C3200	Other manufacturing
C3300	Repair and installation of machinery and equipment
D3510	Electric power generation, transmission and distribution
E3600	Water supply and sewerage
E3800	Waste collection and treatment
F4100	Construction
G4500	Wholesale and retail trade and repair of motor vehicles and motorcycles
G4700	Wholesale and retail trade
H4910	Transport via railways
H4921	Passenger road transport
H4923	Freight transport by road
H4930	Transport via pipeline
H5000	Water transport
H5100	Air transport
H5210	Warehousing and storage

H5222	Service activities incidental to water transport
H5223	Service activities incidental to air transport
H5229	Cargo handling; other transportation support activities
H5310	Postal activities
H5320	Courier activities
I5500	Accommodation and food service activities
J5800	Publishing, audiovisual and broadcasting activities; recording and publishing of mus
J6100	Telecommunications
J6200	IT and other information service activities
K6411	Central banking
K6419	Other monetary intermediation
K6490	Other financial service activities
K6500	Insurance, reinsurance and pension funding
K6600	Activities auxiliary to financial service and insurance activities
L6800	Real estate activities
M6900	Professional, scientific and technical activities
N7700	Renting and leasing activities
N7900	Travel agency, tour operator, reservation service and related activities
N8200	Other administrative and support service activities
O8400	Public administration and defence; compulsory social security
P8501	Primary and general secondary education
P8502	Specialised secondary and tertiary education
P8503	Other education
Q8600	Human health activities
Q8700	Social work activities
R9000	Arts, entertainment and recreation
S9400	Activities of membership organizations
S9500	Repair of computers and personal and household goods
S9600	Other personal service activities
T9700	Activities of households as employers of domestic personnel

Appendix 18.5: Concepts and definitions

Industry: "An industry consists of a group of establishments engaged in the same, or similar, kinds of activity. At the most detailed level of classification, an industry consists of all the establishments falling within a single Class of (ISIC) and which are therefore all engaged on the same activity as defined in the ISIC. The ISIC is the United Nations *International Standard Industrial Classification of All Economic Activities* and the basis of these classifications is the establishment (the statistical unit).

Product: "Products" are used interchangeably with "goods and services" and are classified according to the United Nations *Central Product Classification* (CPC). However, a domesticated classification has been developed where products are classified by activity, an approach which links products with the main industry source.

Industry output: Industry output is the total value of all products produced by an industry including both primary and secondary products.

Product output: Product output is the total value of a product produced by all industries, i.e. all resident producers in the economy.

Market, own final use and other non-market producers: Industries in the SNA are grouped into three broad categories: Market, own final use and other non-market producers.

> "A market producer is an establishment or enterprise all or most of whose output is marketed.
>
> "Own-account producers" consist of establishments engaged in gross fixed capital formation for the enterprises of which they form part or unincorporated enterprises owned by households all or most of whose output is intended for final consumption or gross fixed capital formation by those households: for example, owner-occupiers or subsistence farmers who sell none, or only a small fraction, of their output.
>
> "Other non-market producers" consist of establishments owned by government units or non-profit institutions serving households (NPISHs) that supply goods or services free, or at prices that are not economically significant, to households or the community as a whole.

Valuation of outputs: The preferred method of valuation of goods and services produced for sale in the market at economically significant prices is *basic price*. "Basic price" is a the amount receivable by the producer from the purchaser for a unit of a good or service produced as output minus any tax payable, and plus any subsidy receivable, on that unit as a consequence of its production or sale. It excludes any transport charges invoiced separately by the producer.

"Value added" measures the value created by production process which is derived as the difference between the industry output at basic prices and the intermediate consumption of the industry at purchasers' prices. It is represented as a balancing item in the production account for an institutional unit or sector, or establishment or industry.

"**Operating surplus**" is a balancing item, which is equal to value added minus compensation of employees, minus taxes less subsidies on production and imports. Operating surplus that includes consumption of fixed capital is called *gross operating surplus*; without consumption of capital, it is called *net operating surplus*.

"**Compensation of employees**" is defined as the total remuneration, in cash or in kind, payable

by an enterprise to an employee in return for work done by the latter during the accounting period.

"**Taxes on production and imports**" include taxes on products and other taxes on production.

> "**Taxes on products**" are "payable on goods and services when they are produced, delivered, sold, transferred or otherwise disposed of by their producers; they include taxes and duties on imports that become payable when goods enter the economic territory by crossing the frontier or when services are delivered to resident units by non-resident units.
>
> "**Other taxes on production**" consist "mainly of taxes on the ownership or use of land, buildings or other assets used in production or on the labour employed, or compensation of employees paid. These taxes are not proportional to the value of goods and services produced.

Subsidies on production and imports: "Subsidies are current unrequited payments that government units, including non-resident government units, make to enterprises on the basis of the levels of their production activities or the quantities or values of the goods or services which they produce, sell or imports. Subsidies on production and imports are divided into two distinct items:

> **Subsidies on products**: "A subsidy on a product is a subsidy payable per unit of a good or service.
>
> **Other subsidies on production**: These "consist of subsidies except subsidies on products which resident enterprises may receive as a consequence of engaging in production."

Gross mixed income: Mixed income is the term reserved for the balancing item in the generation of income account for "unincorporated enterprises owned by members of households either individually or in partnership with others in which the owners, or other members of their households, may work without receiving a wage or salary. It contains an unknown element of remuneration for work done by the owner of the enterprise, or other members of the same household, as well as the operating surplus accruing from production.

"**Use table**" at purchasers' prices consists of a set of product balances covering all products available in an economy arranged in the form of a rectangular matrix with the products, valued at purchasers' prices, appearing in the rows and the columns indicating the disposition of the products to various types of uses.

"**Supplytable**" at purchasers' prices consists of a rectangular matrix with the rows corresponding to the same groups of products as the matching use tables and columns corresponding to the supply from domestic production valued at basic prices plus columns for imports and the valuation adjustments necessary to have total supply of each.

"**Product balance**" for any product recognizes that the sum of output at basic prices plus imports plus trade and transport margins plus taxes on products less subsidies on products is equal to the sum of intermediate consumption, final consumption and capital formation, all expressed at purchasers' prices, plus exports.

Kenya National Bureau of Statistics
P.O. Box 30266, 00100
Nairobi, Kenya
Tel: +254-020-317615
Fax: +254-020-315977
Email: info@knbs.or.ke
DirectorGeneral@knbs.or.ke

ISBN: 9966-767-43-6