



Macroeconomic Environment

By: CPA Willy Siundu
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The better the question. The better the answer.
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**Global Economic
Outlook**



Global Economic Outlook

Year	Global output growth rate
FY 16-17	3.1%
FY 17-18	3.7%

- ▶ The improved performance was mainly supported by a rebound in private and public investments
- ▶ Growth in international trade partly as a result of favourable financing costs & rising profits
- ▶ Improved business and consumer confidence
- ▶ Waning effects of the fall in oil and commodity prices during 2014 - 2016



Global Economic Outlook

World trade increased by 4.8% in FY17

- Key drivers include: growing external demand in Europe, increased trade in electronics in Asia, shift in composition of global demand towards investments

Global inflation rose to 3.1% in FY17

- This is in comparison to 2.8% in FY16. This was largely occasioned by rise in global oil prices



Global Economic Outlook

United States of America

- Recorded a growth of 2.2% in FY17 as compared to 1.5% in FY16
- Mainly as a result of improved private consumption, increased production in energy sector & stable oil prices
- Inflation rose to 1.8% from 1.3%, however, this remained within the 2% target rate

United Kingdom

- Real GDP decelerated to 1.5% in FY17 from 1.8% in FY16
- Slow growth attributed to uncertainty surrounding Brexit negotiations
- Inflation rose by 0.1% to 2.1% in FY17



Global Economic Outlook

Japan

- Japanese economy grew by 1.5% in FY17 as compared to 1% in FY16
- This was mainly supported by increased domestic investment and decline in unemployment which boosted domestic consumption
- Japan experienced a deflation of 0.3% in FY17

Germany

- Real GDP expanded by 0.6% to 2.5% in FY17 as compared to FY16
- Key contributor to the 0.6% growth – increased external demand and private investments



Global Economic Outlook

Emerging economies

- This comprises Brazil, Russia, India, Indonesia, China & South Africa (BRIICS)
- They posted an average real GDP growth of 3.7% in FY17 compared to 2.5% in FY16
- The growth was supported by recovery in economic performance, stable oil prices & increased domestic demand



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**Africa Economic
Outlook**



Africa Economic Outlook

Year	Africa economic growth
FY 17-18	2.6%
FY 18-19 estimate	3.4%

- ▶ The growth is partly supported by a recovery in growth of larger commodity exporters such as Nigeria and South Africa
- ▶ Favourable external environment
- ▶ The easing of drought conditions in the Eastern and Southern Africa
- ▶ Inflation pressure eased by 0.3% to 11% in FY17 due to low food prices

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EAC Economic Outlook





EAC Economic Outlook

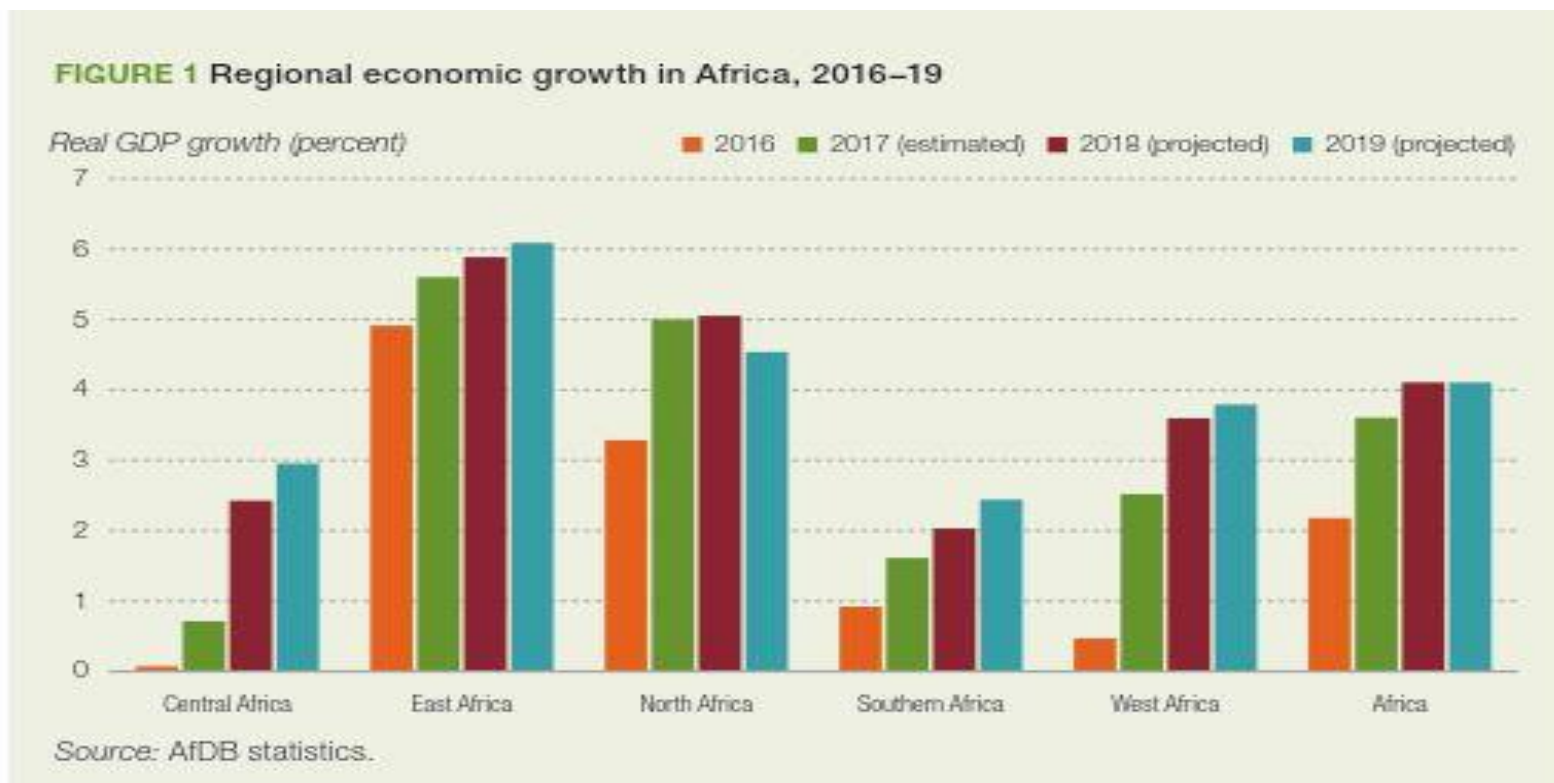
Year	EAC economic growth
FY 17-18	5.9%
FY 16-17	5.4%

- ▶ The growth is supported by stable macroeconomic environment, ongoing infrastructure developments & strong private consumption
- ▶ EAC inflation rates surged to 6.7% in FY17 as compared to 5.7% in FY16 mainly as a result of increased food prices & oil prices
- ▶ Key constrain to the economy being insecurity and political tensions



EAC Economic Outlook

EAC economic growth in comparison to other African economies





EAC Economic Outlook

EAC Economic Forecast

	Kenya	Tanzania	Uganda	Rwanda	Burundi
Population (Millions)	49.7	55.5	42	12	10.5
Real GDP growth (%)	4.9	6.4	4.0	6.1	0.5
Inflation (%)	8.0	4.0	5.8	5.6	5.5
Current account balance (% of GDP)	-6.7	-4.24	-3.1	-14.4	-11.7



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Kenya Economic Outlook



Kenya Economic Outlook

Kenya Economic Forecast

	FY16	FY17	FY18	FY19	FY20
Population (Millions)	48.5	49.7	51	52.2	53.5
Nominal GDP (\$ bn)	70.88	74.94	83.59	89.05	93.63
Real GDP growth (%)	5.9	4.9	5.4	5.6	5.9
Inflation (%)	6.3	8.0	5.8	5.6	5.5
Current account balance (% of GDP)	-5.2	-6.7	-7.6	-7.5	-7.5



Kenya Economic Outlook

Why the decline in growth in FY17?

- Drought which affected agricultural sector
- Disappointing manufacturing sector performance
- Political instability
- Slow down in credit growth in private sector

How will FY18 growth be achieved?

- The Big 4 Agenda
- Expected agricultural output increase following the rains
- Strong momentum in services sector (transport, telecommunication, real estate)
- Infrastructural developments (SGR, roads)



Kenya Economic Outlook

Selected macroeconomic indicators

Inflation

- Average overall annual inflation rose from 6.3% in 2016 to 8.0% in 2017 slightly outside CBK's target inflation rate of between 2.5% and 7.5%

Exchange rate

- The Shilling consistently weakened against the Sterling Pound and the Euro, recorded a levelled performance against the yen and appreciated against the US Dollar
- Within the EAC, the Kenya Shilling displayed a robust average performance against the Tanzanian and Ugandan Shilling



Kenya Economic Outlook

Interest rates

- Short term interest rates remain low due to the capping of interest rates pegged on the central bank rate (CBR)
- The interbank rate fluctuated at an increasing level over the run up to December 2017 while the 91-day treasury bill rate has declined from a 3-month moving average of 8.65% at the start of the year to 8.01% at the end of the year.
- There is a proposal to rescind CBK's power to enforce interest rate ceiling (repeal of section 33B of the Banking Act)



Kenya Economic Outlook

Capital markets activities - NSE

	FY16	FY17
NSE 20-share index	3,186	3,712
Total number of shares traded (bn)	5.8	7.1
Total value of shares traded (KES bn)	147	172
Total bond turnover (KES bn)	433	429
Market capitalization (KES bn)	1,932	2,522



Kenya Economic Outlook

Debt

- Kenya's public debt to GDP was estimated at 56% in 2017 (rising from 44.0% 5-years ago, and 38.4% 10-years ago)
- Of the 56% of debt to GDP ratio, 31% is external and 25% domestic
- The largest proportion of the external debt came from multilateral sources (38%), bilateral (33%) and commercial (29%) debt
- The World Bank (64%) and the AfDB (23%) are the two largest multinational lenders
- China is the largest bilateral lender, accounting for about 66% of all bilateral lending
- Commercial banks are the largest domestic lenders; their share increased recently to 54%
- We will use approx. 40% of our revenue raised from tax collection to finance debt payments in the fiscal year 2017/18.



Kenya Economic Outlook

Sectoral analysis

Sector contribution to GDP	FY16	FY17
Agriculture, Forestry & Fishing	32.1%	31.5%
Manufacturing	9.1%	8.4%
Wholesale & retail trade	7.3%	7.6%
Information & Communication	1.4%	1.4%
Real Estate	7.4%	7.4%
Financial & Insurance activities	5.5%	6.0%



Kenya Economic Outlook

Highlights of Kenya sectoral performance

Agriculture, Forestry & Fishing

- Agriculture posted a decelerated growth of 1.6% in FY17 as compared to the revised growth of 4.7% in FY16
- Mainly attributable to unfavorable weather conditions

Manufacturing

- Had a marginal growth of 0.2% in FY17 compared to revised growth of 2.7% in FY16.
- Slow growth due to high cost of inputs, stiff competition from cheap imports & political uncertainty



Kenya Economic Outlook

Highlights of Kenya sectoral performance

Wholesale, retail trade: repairs

- Agriculture posted a decelerated growth of 1.6% in FY17 as compared to the revised growth of 4.7% in FY16
- Mainly attributable to unfavorable weather conditions

Information & communication

- Sector growth from 9.7% in FY16 to 11% in FY17
- Key contributor to the growth is the expansion of digital economy (e-commerce, mobile telephony, money transfer, short message service)



Kenya Economic Outlook

Q & A



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