ECONOMIC CRISIS AND IMPACT ON KENYA’S EXPORT TRADE

A PRESENTATION MADE AT THE 2010 WTPO AWARDS, MEXICO

By:
MATANDA WABUYELE, OGW
CHIEF EXECUTIVE
EXPORT PROMOTION COUNCIL

14TH OCTOBER, 2010
Table of Contents

- Global Economic Crisis and Effects on Kenya Economy
- Government Response to the Crisis
- Initiatives to Enhance Export Performance
Global Economic Crisis
Global Economic Crisis…

- The global economic crisis manifested in August 2007 in the US financial and property markets and spread across to Europe and the rest of the world
- The USA GDP growth slowed to 1.4% in 2008, the lowest since 2001
- The global economy as a result recorded a negative growth of 0.8 % in 2009 compared to 3.0 % in 2008.
- Most economies in the OECD contracted with their combined growth in real GDP estimated at negative 3.5% in 2009 from 0.6% in 2008.

…has served to underpin the level of integration of global financial system and the risks posed to developing economies.
Africa Economic Prospects…

- The continent was mostly affected due to its reliance on primary commodity exports especially to OECD countries

- The crisis dampened earnings from on commodity exports due to falling prices

- As a result, the continent recorded a slowed real GDP growth of 1.9 % in 2009 compared to 5.2 % in 2008.

…was affected by its integration to the global economy through trade, foreign direct investments, ODI and remittances
Sub Saharan Africa and EAC …

- Just as in rest of the continent, the region is highly dependent on agricultural exports whose demand in the global market remained passive.
- The Sub-Saharan Africa’s GDP dropped from 6.1% in 2008 to 1.8% in 2009.
- East African Community (EAC) recorded a decline in its combined GDP growth from 5.8 % in 2008 to 4.5 % in 2009.

…registered low GDP growth rates greatly attributed to the subdued demand and low prices of commodity exports
Other Crises in Kenya
Other Recent Crises in Kenya

- Post election crisis in 2008 leading to;
  - Riots
  - Disruption of flow of goods and services
  - Destruction of both private and public property.

- The natural calamities that affected productivity and accessibility of Kenya’s key markets
  - The drought of 2008/9 affecting crop production and livestock
  - The volcano ash dust in Europe in early 2010

...did contribute to the amplification of the effects of the global financial crisis.
Impact of Crises on Kenya’s Economy
The Crises ....

- Economic performance registered a lower growth rate of 1.6% in 2008 compared to 7.0% in 2007. The economy recovered slightly in 2009 to register a 2.9% growth.
- The country was unable to achieve the projected revenue targets by US $ 159 million.
- Budget deficit of US $ 1.85 billion (5.3% of GDP) in the 2008/2009 financial year.
- The Government expenditure was reduced by US$ 323.3 million in 2008/09 financial year.

...caused the domestic economy to contract.
Growth of Kenya's Real GDP (2001 - 2009)…

… affected greatly by the financial crisis
Real Growth Rates for Select sectors...

...denotes under performance
Key sectors driving economic growth...

...contracted in 2008 and 2009