



ECONOMIC CRISIS AND IMPACT ON KENYA'S EXPORT TRADE

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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.

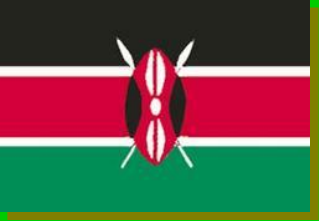
...was affected by its integration to the global economy through trade, foreign direct investments, ODI and remittances



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



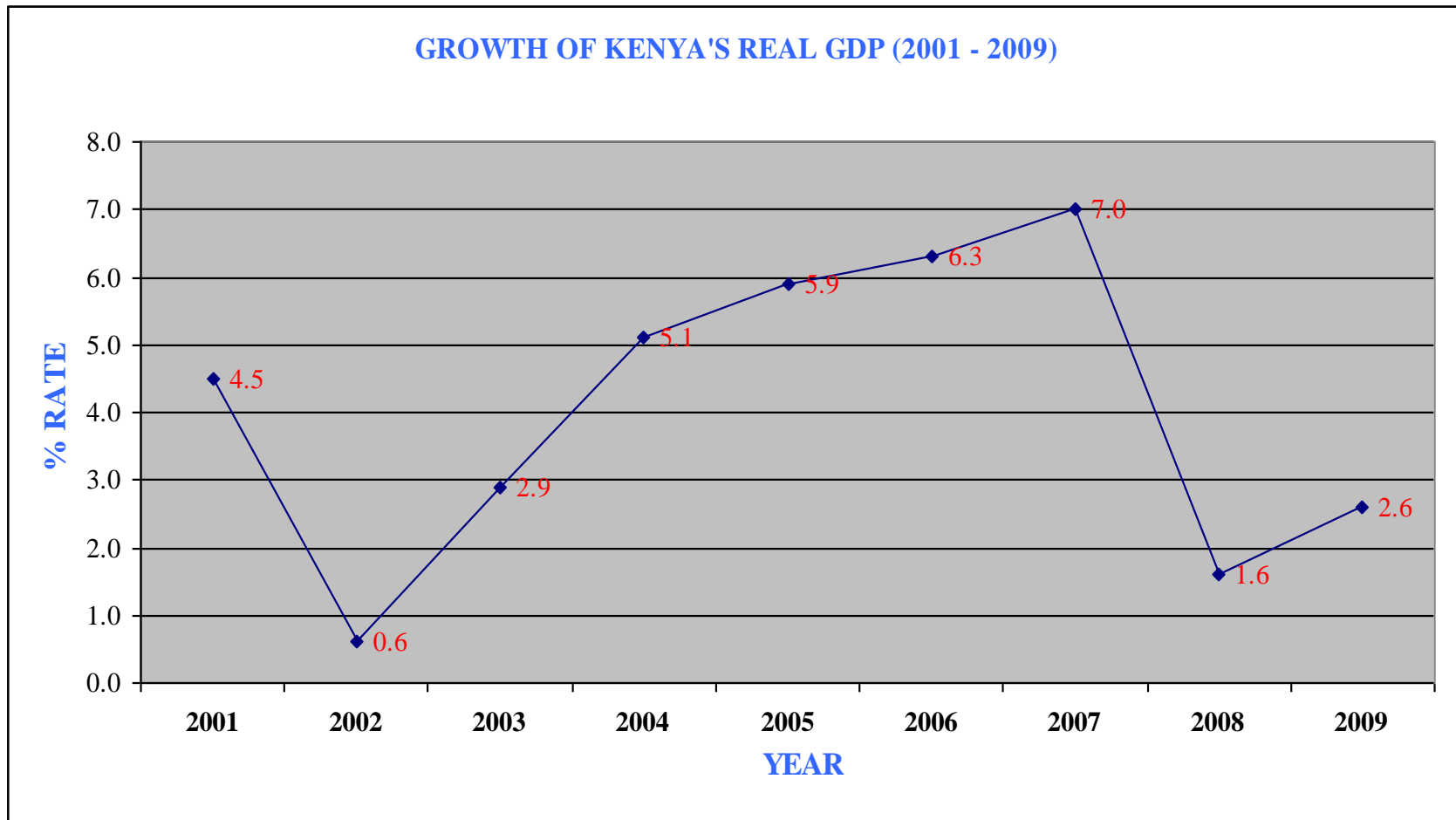
The Crises

- 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)....

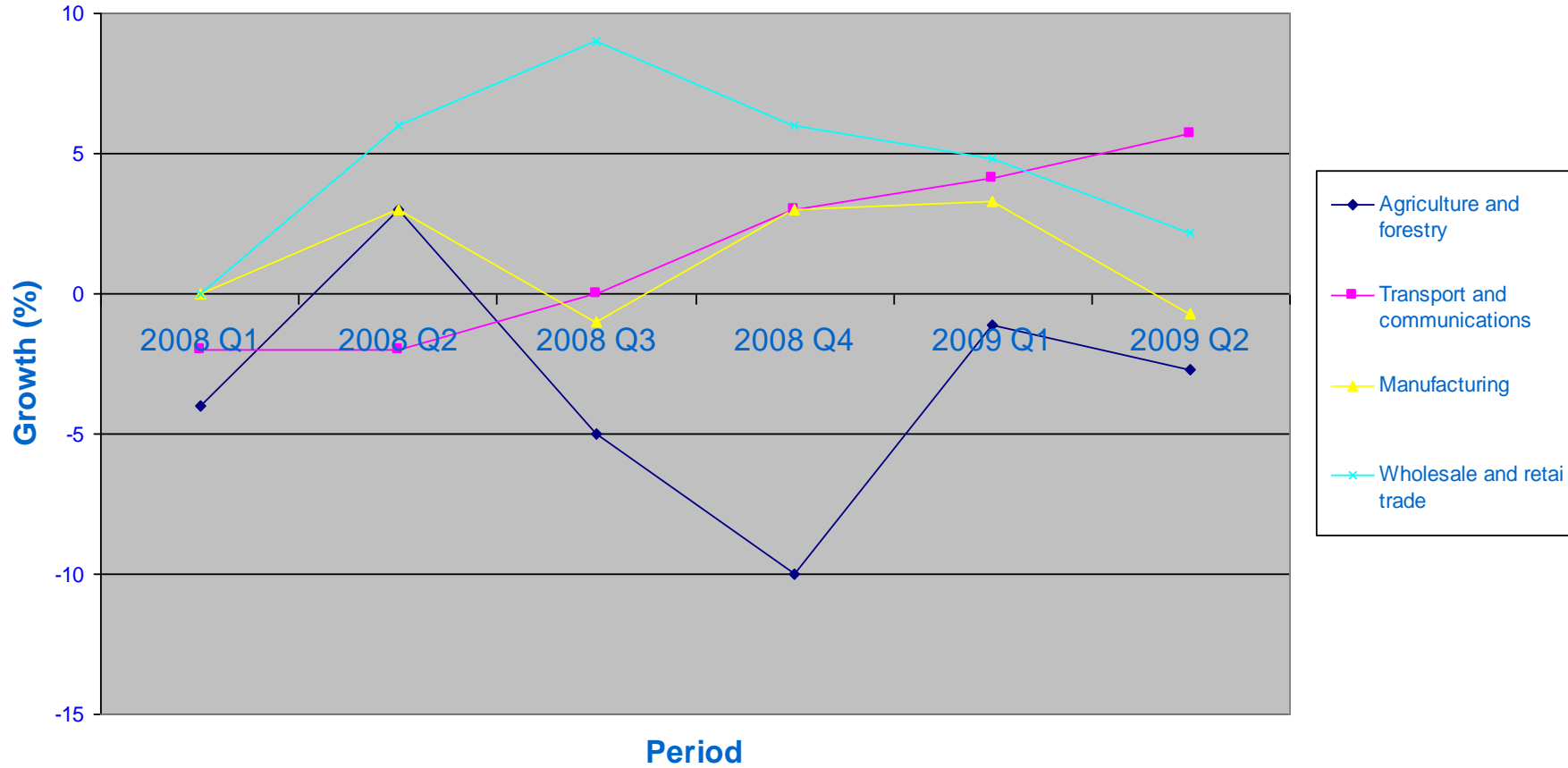


... affected greatly by the financial crisis



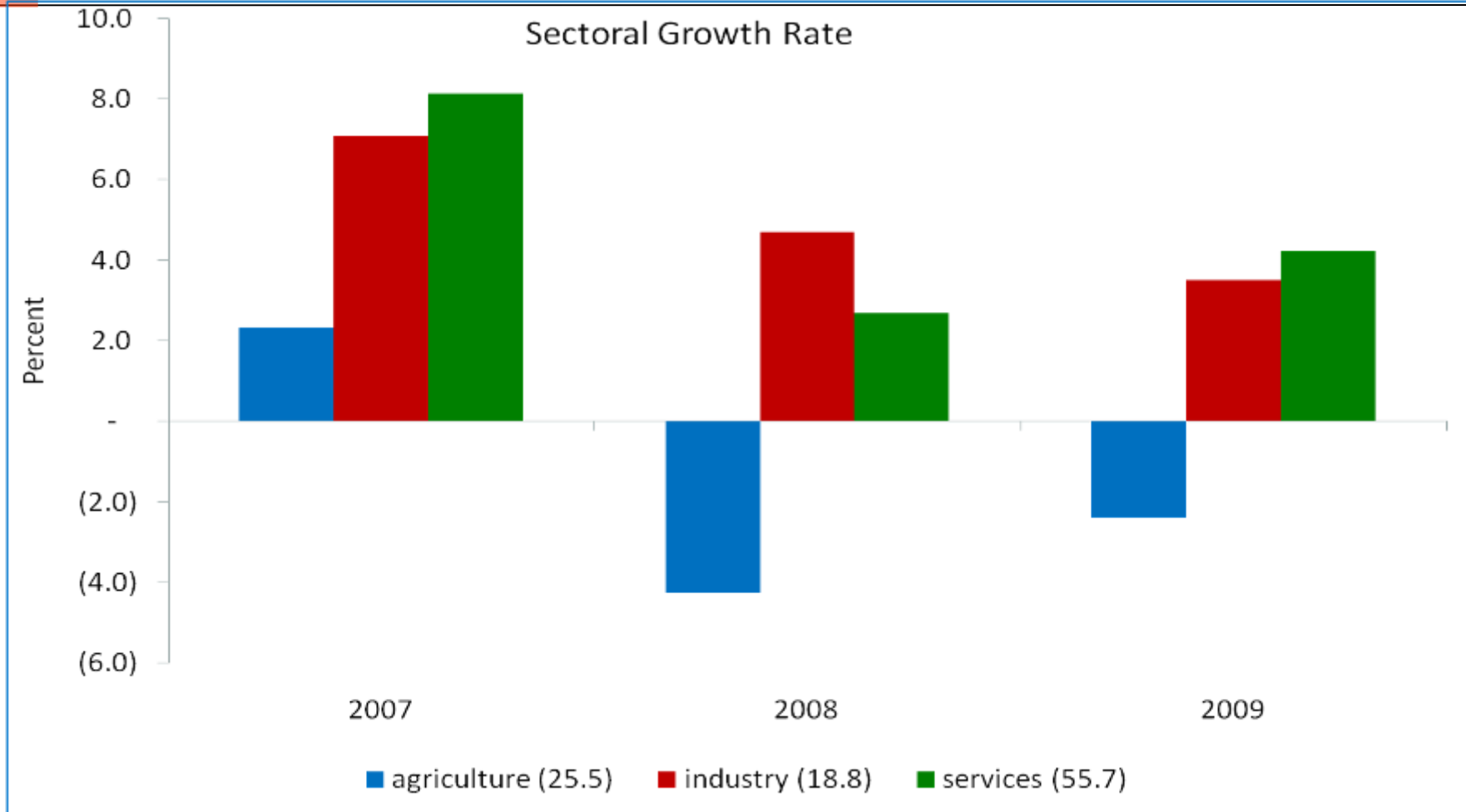
Real Growth Rates for Select sectors...

Real GDP Growth Rates by Select Sectors (2008 - 2009)



...denotes under performance

Key sectors driving economic growth...



...contracted in 2008 and 2009