Impact of the Crises…

- The affected sectors included;
  - Tourism
  - Manufacturing
  - Horticulture
  - Tea
  - Coffee
  - Textile and apparels
  - Financial and capital markets
  - Property industry

...was felt in a number of sectors in particular the key foreign exchange earners of the economy.
Impact of crises on Tourism

Tourists Arrivals in '000

Tourism Earnings (US$m)

Calender Year

Tourist Arrivals in '000

Tourism Earnings (US$m)

Calendar Year
The Crises(cont’d) …. 

- For a period, the country witnessed an unstable flow of remittances due to loss of jobs and reduction of incomes by Kenyans in the Diaspora.
- Reduced number of investments approved.
- Due to limited FDI inflows, planned projects were kept in abeyance.

… led to reduced transfers into the economy and cautious approach by the major FDI originating countries in the west leading to sluggish inflows.
The Crises (cont’d)…

…led to high FDI outflows from the stock market.
The Crisis (cont’d) …..

- A survey by Federation of Kenya Employers (FKE) indicated that 70% of its members were affected in one way or another
- Firms were forced to downsize in order to remain afloat. This disrupted the labour market
- Firms shelved any new Investments.

…impact on companies reported decline in sales turnover, profitability and decline in growth.
Kenya’s Financial sector …

- Kenya’s financial system is relatively detached from the international system
- Crisis induced speculations and panic retention of Foreign Exchange thereby inducing depreciation of the Kenya Shilling against major currencies
- The reserves declined from 4.94 months of import covers as at Jan 2008 to 3.26 months in Jan 2009
- High interest rates
- The foreign investor’s counter at the Nairobi stock Exchange (NSE) performed dismally.

…limited integration to the international financial system, cushioned it from the severe impact of the crisis.
… depicts a weakening of Kenya Shilling from 2007 to 2009
Investment in the Capital market declined with foreign sales exceeding foreign buys.
  - Shares prices dropped significantly
  - Reduced market capitalization
  - Difficulty by firms to raise funds through initial public offers (IPO) at stock exchange E.g. Cooperative bank of Kenya only managed 81% subscription

The property industry witnessed a recession. The interest rates for mortgages went up

...witnessed a slow down.
Official Development Assistance (ODA) to Kenya...

- Prior to the crisis, the ODA flows to Africa rose from $21 billion in 2002 to $38.7 billion in 2007.

- ODA accounts between 10% to 30% of Gross national Incomes in some African countries.

- Developed economies shifted their attention to provide support to their ailing sectors thereby reducing ODA flows to Africa.

- Kenya, however, is not ODA dependent. This accounts for less than 4% of the country’s national Incomes hence the crisis did not impact adversely.
Impact on Export Trade
Kenya’s Export Sector ….

- The traditional export markets are COMESA and European Union which account for over 58% of the export earnings.
- Exports to Africa/COMESA accounts for 47% of total exports and comprises mainly of the manufactured products.
- Six African countries are among Kenya's top ten export destinations.
- Exports to EU are predominantly non-value added agricultural commodities with horticultural produce increasingly becoming value added.
- Kenya’s export basket is dominated by primary commodities.

... contributes about 15.2% of the GDP thereby playing a significant role in Kenya’s economic development.
Kenya’s Export trade…

- In the 2008 – 2009 period there was a nominal increase of 0.3% in value of exports.

- However, in real terms, there was marginal decrease in value of exports from US $ 4.99 billion in 2008 to US $ 4.46 billion in 2009.

- Kenya's exports accounted for 0.03% of world total exports.

…grew by over 18% between 2003 and 2008
Kenya’s Export trade earnings…

…declined in real terms in 2009 due to reduced demand.