KENYA’S TRADE BALANCE 2004-09

VALUES IN US $ MILLIONS

YEAR

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Total Exports</th>
<th>Total Imports</th>
<th>Trade Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>2,709.30</td>
<td>4,593.91</td>
<td>(1,884.61)</td>
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<tr>
<td>2005</td>
<td>3,447.03</td>
<td>5,864.90</td>
<td>(2,417.87)</td>
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<tr>
<td>2006</td>
<td>3,481.19</td>
<td>7,232.77</td>
<td>(3,751.58)</td>
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<tr>
<td>2007</td>
<td>4,079.07</td>
<td>8,988.67</td>
<td>(4,909.60)</td>
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<tr>
<td>2008</td>
<td>4,986.22</td>
<td>11,139.79</td>
<td>(6,153.57)</td>
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<tr>
<td>2009</td>
<td>4,459.59</td>
<td>10,188.71</td>
<td>(5,729.13)</td>
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</tbody>
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…widened Kenya’s Balance of Trade.
Earnings from most of the Export Products…

…declined or stagnated.
Exports to major Destinations…

…decline or stagnated in real terms.
Response to the Crises
Crisis Management…

- The Government formed a taskforce to look into ways of cushioning the economy away from the effects of the global crisis.

- The Taskforce comprised of officials from Ministries of finance, Planning National Development and the Central Bank of Kenya.

…to bolster the economy from the risks of depression and restoring investor confidence
Government’s Policy Response…

- Budgetary cuts and freezing expenditure on non priority expenditure
- Subsequent expansionary fiscal policy (e.g. economic stimulus package to support Agriculture, Health, Water, Education and Infrastructure)
  - In Agriculture, interventions were:
    - Expanding area under irrigation,
    - Reducing cost of production (subsidizing farm inputs),
    - Reducing post harvest losses by building storage facilitates and;
    - Increase value addition.
- Increased expenditure on infrastructural development to improve competitiveness (roads, modernization of the Mombasa port, power generation, etc).

…to rejuvenate the economy.
The Central Bank of Kenya pursued …

- Stimulating private sector credit by lowering cash reserves for commercial banks from 6% to 4.5%
- Reduction of inter bank rates from 8.0% to 7.75% thereby lowering lending rates
- Reduction in foreign exchange reserves to less than 3 months import equivalent to ease pressure on the Kenya shilling vis-à-vis other hard currencies.

…a monetary policy aimed at maintaining price stability (single digit inflation rate of not more than 5.0%)
Other Policy Responses…

 Country promotion through branding, PR and tourism
 Boosting security
 Create conducive business environment through reduction of regulatory bottlenecks
 Enhanced consultative decision making by through PPP forums e.g.
  – National Economic & Social Council
  – Prime Ministers roundtable meetings
  – Exporters forum.

…to enhance Public Image and attract FDI
Government’s Policy Responses…

- **Water**
  - Construction of adequate dams in specific locations

- **Education Sector**
  - Recruit more teachers to reduce teacher pupil/student ratio
  - Continued investment in education infrastructure development

- **Health:**
  - Enhance implementation of reforms in the sector

- **Energy**
  - Rapid expansion of installed electricity capacity to power the economy
  - Development of new alternative sources of energy

- **Conservation of environment**
  - Enhance measures to mitigate Climate change.

…towards the achievement of the MDGs
Development Partners’ Support…

- The World Bank advanced Kenya US $ 427 million to finance infrastructure development and an additional US $ 30 million loan for strengthening Agricultural productivity.

- The IMF advanced Kenya US $ 209 loan to revamp the country’s foreign exchange reserves and provide import credit for strategic food requirements.

- Several foreign governments responded to the crisis.

- African Development Bank set up an emergency USD 1.5 billion liquidity facility to bridge financing gap as well as USD 1.0 billion to assist African countries to deal with the crisis.

…to finance crisis response initiatives.
Initiatives to Enhance Export Performance

...Export Promotion Council’s Response
EPC Strategic Orientation…

- EPC’s 2008-2012 Strategic Plan is aligned to key policies including;
  - Kenya Vision 2030- 10% Growth of the Economy up to 2030
  - The Private Sector Development Strategy- 20% growth in the export sector
  - Millenium Development Goals- Goal 1 on Alleviation of Poverty and Hunger:- (mainstreaming disadvantaged groups in the society into the export sector-working with the marginalised in slum areas - Ethical fashion)

- Further decentralisation of EPC’s services to all parts of the country.

...is in line with the Government’s broad policy guidelines.
Targeted Export Promotion Initiatives…

- Targeted marketing in new markets to reduce over dependence and vulnerability of the traditional markets

- Diversification and expansion of Kenya’s export offerings through product development and test-marketing

- Focus on regional markets and enhance the use of opportunities arising from the various Trade preferences such as EPA’s, AGOA, COMESA and EAC common market.

…in order to diversify Kenya’s export markets.