PRESS STATEMENT

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FOR IMMEDIATE RELEASE

HALF YEAR 2021 ECONOMIC PERFORMANCE REPORT

Following the successful publication of the national rebased and revised National Accounts in September, 2021, the National Treasury & Planning wishes to announce the release of the First Half of 2021 Economic Performance Report, by the Kenya National Bureau of Statistics.

The Report, which also contains the Quarter One and Two 2021 GDP Estimates is divided into two main sections: Macro-economic Environment and Economic Performance section and the second section highlighting the performance of seven key sectors: Agriculture, Forestry and Fishing; Manufacturing, Construction; Electricity Supply; Transport and Storage; Accommodation and Food Service Activities; Financial and Insurance Activities.

Macroeconomic Environment

Macroeconomic indicators pointed to the need to continue cushioning the economy from shocks related to the COVID-19 pandemic:
The Kenyan Shilling depreciated against major international currencies during the second quarter, though later gaining notably against all the regional currencies.

The Central Bank Rate (CBR) remained at 7.00 per cent in the first and second quarter of 2021.

Inflation increased from an average of 5.31 per cent in the second quarter of 2020 to 5.98 per cent in 2nd quarter of 2021 on account of significant surges in prices of agricultural produce due to the unfavourable weather conditions.

The current account deficit expanded by 28.2 per cent from KSh 85.9 billion in the second quarter of 2020 to KSh 110.1 billion in the corresponding quarter of 2021.

Economic Performance

Economic growth decelerated in the first quarter of 2021 to 0.7 per cent compared to 4.4 per cent in the corresponding quarter of 2020, mainly owing to the onset of COVID-19 pandemic in the country in March, 2020:

Real GDP grew by 10.1 per cent in the second quarter of 2021

The performance was supported by rebounds in most economic activities from significant contractions in the second quarter of 2020. The growth recorded was mainly as result of easing of COVID-19 containment measures that facilitated gradual resumption of economic activities.
Sectors that supported overall growth in the second quarter included Manufacturing (9.6%), Education (67.6%), Transportation and Storage (16.9%), Information and Communication (25.2%) and Other Services Activities (20.2%).

**Sectoral Performance**

*Agriculture, Forestry and Fishing*

There was a slowdown in performance of agriculture, forestry and fishing activities in the first and second quarters of 2021, with a contraction of 0.9 per cent in the second quarter of 2021, compared to a growth of 4.9 per cent in the corresponding quarter of 2020. The sector's performance was cushioned from a steeper slump by growth in milk production, horticultural exports and the production of sugarcane.

The volume of milk intake by processors increased by **37.9 per cent** to stand at 208.5 million litres in second quarter of 2021.

Cane deliveries increased from 1,666 thousand metric tonnes in the second quarter of 2021 to 1,907 thousand metric tonnes in the review period.

The volume of vegetables, cut flowers and fruit exports increased by **58.1 per cent**, **55.2 per cent** and **23.5 per cent**, respectively, in the second quarter of 2021.

The performance of the agricultural sector was further affected by a decline in tea production from 143,037 metric tonnes in the second
quarter of 2020 to 133,090 metric tonnes in the corresponding quarter of 2021.

Manufacturing

The manufacturing sector’s real GDP grew by 9.6 per cent in the second quarter of 2021 compared to a contraction of 4.7 per cent in the same period of 2020.

The food sub-sector expanded by 6.7 per cent during the review period.

The manufacture of dairy, bakery and tobacco products registered substantial growth, with the production of non-food products rose by 12.2 per cent in the second quarter of 2021.

The assembly of motor vehicle grew by 10.0 per cent.

The manufacture of galvanized iron sheets and paper and paper products grew by 34.5% and 13.5%, respectively.

The Credit advanced to enterprises in manufacturing declined by 0.9 per cent to stand at KSh 1,265.8 billion in the second quarter of 2021.

Construction

The performance of the construction sector was relatively slower in the second quarter of 2021 compared to the corresponding quarter of 2020.

The sector recorded a growth of 6.5 per cent in the second quarter of 2021 compared to 8.2 per cent growth in the second quarter of 2020.
Consumption of cement increased by 29.3 per cent to in the second quarter of 2021, pointing to a sustenance in performance of the sector.

Electricity Supply

The electricity and water supply sector grew by 5.2 per cent in the second quarter of 2021 compared to a 4.7 per cent contraction in the second quarter of 2020. Total electricity generation increased from 2,634.9 million kilowatt hour in the second quarter of 2020 to 2,975.8 million kilowatt hour in the quarter under review. This was from all sources except geothermal. Electricity generated from both thermal and wind expanded by about 69.0 per cent in the second quarter of 2021 compared to a contraction of 64.9% and 29.3 per cent, in the same quarter of 2020. Electricity generated from hydro sources increased by 4.6 per cent to stand at 994.9 million kilowatt hour in the second quarter of 2021.

Transportation and Storage

Transportation and storage sector reported a growth of 16.9 per cent in the second quarter of 2021 compared to a contraction of 16.8 per cent in the corresponding quarter of 2020. The accelerated growth was as a result of the lifting of restrictions on domestic and international movement which was in place in the
second quarter of 2020.
Freight movement through SGR increased by 25.9 per cent to stand at 1,326 thousand metric tonnes in the second quarter of 2021.
Visitor arrivals increased from 527 in the second quarter of 2020 to 113,307 in the quarter under review.
Passenger transport through SGR increased from 6,363 passengers in the second quarter of 2020 to 304,445 passengers in the second quarter of 2021.
Consumption of light diesel expanded by 27.4 per cent compared to a contraction of 22.4 per cent in the corresponding quarter of 2020.

Accommodation and Food Service Activities

Accommodation and food service activities recorded a gradual rebound from a contraction reported in the last three quarters of 2020.
The sector grew by 9.1 per cent in the second quarter of 2021 compared to 56.8 per cent contraction in the second quarter of 2020.
This sector was the most affected by the COVID-19 pandemic in 2020 registering significant decline in number of visitor arrivals by over 99 per cent, scaling down of hotel operations and in some cases closure of some facilities in the second quarter of 2020.
This improved tremendously in the review period after the relaxation of most of restrictions.
Financial and Insurance Activities

Financial & insurance activities accelerated in the quarter of 2021 growing by 9.9 per cent compared to 4.4 per cent in the same period in 2020.

Broad money supply (M3) expanded from KSh 3,890.0 billion as at end 30th June, 2020 to KSh 4,133.8 billion as at end 30th June, 2021. Net foreign assets reduced from KSh 837.4 billion as at end of June 2020 to KSh 781.9 billion as at end of June 2021.

This performance is encouraging and signals positive and progressive recovery from the effects of the COVID-19 Pandemic on the Kenyan economy.

Hon. (Amb.) Ukur Yatani, EGH

Cabinet Secretary, The National Treasury & Planning

NAIROBI, 11th November, 2021.

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