



## *Casa África -Business Opportunities*

### **Republic of Kenya**

The GDP grew by approximately 5.9% in 2019, a lower growth than the previous year mainly due to the unfavorable climate and the reduction of government investment. It was driven by household consumption and investment on the demand side, and services on the supply side (public administration, information technology, finance and insurance, transportation and storage). GDP growth of 6% and 6.2% respectively is projected for 2020 and 2021, and continued macroeconomic stability was expected before the arrival of the coronavirus. Inflation remains around 5% in 2019 and is expected to continue in the coming years. The exchange rate remained stable thanks to the reduction in the current account deficit, which stands at 4.9% of GDP by 2019. The fiscal deficit is estimated at 7.5% of GDP by 2019, a lower percentage than the previous year thanks to ongoing fiscal consolidation and greater domestic resource mobilization, and is expected to decline in the coming years.

Overall, the economic outlook for Kenya is positive, led mainly by the favourable climate and increased production and exports of crude oil, continued foreign direct investment, the benefits of the African Continental Free Trade Agreement and the government's commitment to the Big Four agenda aimed at industrialization in health, housing, agriculture and manufacturing. The main objectives of the agenda are to improve food security and transform agriculture from a subsistence and rain-fed economy to a market-oriented one, using special economic zones as a manufacturing base to expand exports and boost import substitution. However, the country's economic transformation faces challenges in manufacturing, agriculture, the labour market and macroeconomic stability; agriculture accounts for more than half of GDP, while manufacturing is less than 10 per cent, and informality and unemployment remain high.

With regard to the external sector, the country's trade balance is characterized by a deficit, with an increase in imports in recent years to meet the challenges caused by droughts. The country's main supplier is China, followed by the European Union and India, and the main imported products are mineral fuels and industrial, electrical machinery and equipment. Uganda, the United States and Pakistan were the main buyers for the country in 2018, and the main exported products are tea by far, cut flowers, mineral fuels and coffee. Due to the expansion of infrastructure in which the country is immersed, the sectors of consulting and engineering in the electrical sectors, as well as transport, water and solid waste treatment are of great interest to the Spanish company. The ICT sector and the technical and professional training sector also offer opportunities.

The structural change envisaged for the country depends on a rapid transition to growth led by the private sector, and in this regard reforms to make the investment climate conducive to domestic and foreign investment must be extended to the credit market, particularly to improve access for small and medium-sized enterprises.

AEO: <https://www.afdb.org/en/documents/african-economic-outlook-2020>

ICEX: <https://www.icex.es/icex/es/navegacion-principal/todos-nuestros-servicios/informacion-de-mercados/paises/navegacion-principal/exportar-a/sectores-de-oportunidad/index.html?idPais=KE>

MAEC: [http://www.exteriores.gob.es/Documents/FichasPais/KENIA\\_FICHA%20PAIS.pdf](http://www.exteriores.gob.es/Documents/FichasPais/KENIA_FICHA%20PAIS.pdf)