



THE 9TH KENYA NATIONAL
M & E WEEK

VIRTUAL CONFERENCE

THEME:

**M&E IN THE CONTEXT OF
COVID-19 PANDEMIC:
PERSPECTIVES, PRACTICES
& EVIDENCE**

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Analysis of Economic Effect of COVID-19 Pandemic on the Kenyan Economy

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Introduction

The SARS-CoV-2 virus, a type of coronavirus that causes the disease COVID-19, was first detected in Wuhan City, Hubei Province, China in December 2019.

WHO STATISTICS

The situation in Kenya

1. The first case of COVID-19 was reported in Kenya on 12th March 2020. The cases have since escalated to:
2. **1,741, 604** cases(cumulative) confirmed **165,379**) with **3,001** deaths and **113,489** recoveries with positivity rate 6.0 per cent as at **15th May, 2021**.
3. Vaccination=**933,436**

Global Trend of COVID-19

- ▶ **Globally**, as of **3:02pm CEST, 15 May 2021**, there have been **161,513,458 confirmed cases** of COVID-19, including **3,352,109 deaths**, reported to WHO.
- ▶ As of **11 May 2021**, a total of **1,264,164,553 vaccine doses** have been administered.

Situation by WHO Region

Region	Confirmed COVID-19 cases	Percentage
Americas	64,546,221	39.96
Europe	53,479,810	33.11
South-East Asia	27,754,819	17.18
Eastern Mediterranean	9,627,397	5.96
Africa	3,394,246	2.10
Western Pacific	2,710,219	1.67
Total	161,513,458	

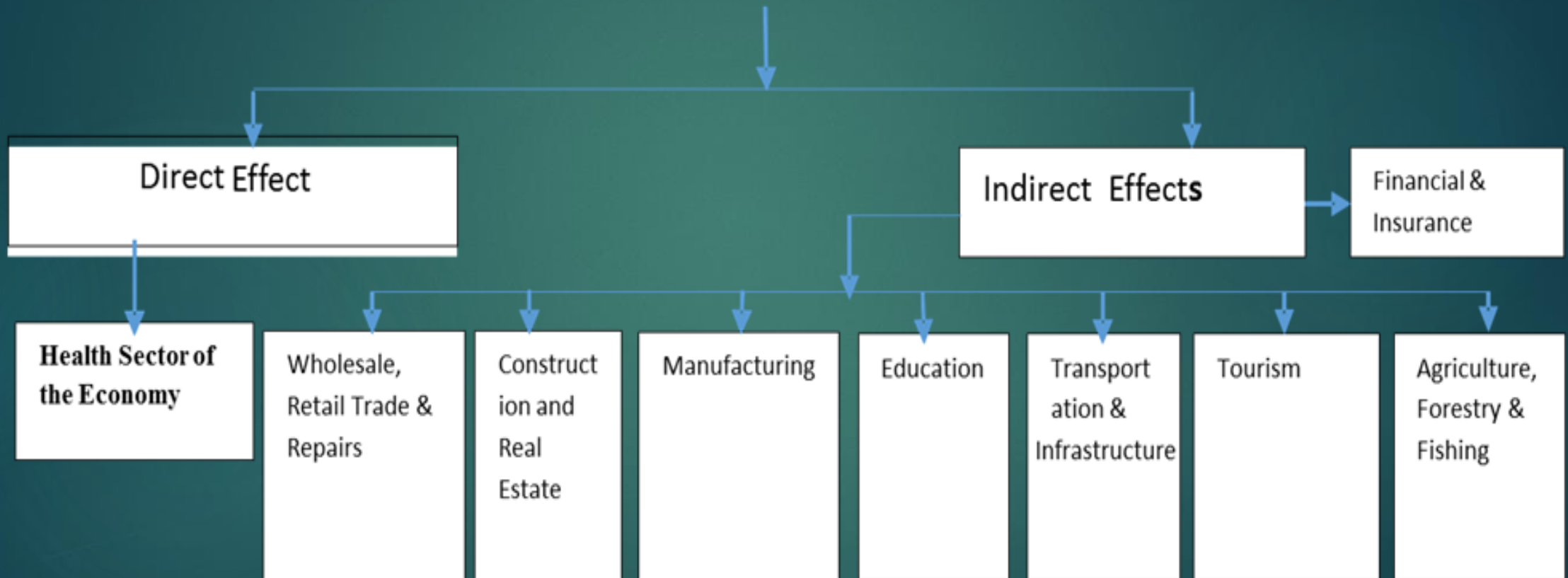
Source

What is the challenge?

- ▶ Significant human, economic and social costs- loss of jobs, livelihood affected.
- ▶ Burdening an already strained healthcare system in Kenya
- ▶ It weakens health systems, costs lives, and also poses great risks to the global economy and security (Zou, P et al, 2020)
- ▶ The shutdown measures to contain it have plunged the global economy into a severe contraction (World Bank, 2020).
- ▶ The pandemic has caused the greatest collapse in global economic activity due to lockdown (Christopher Adam, et al (2020)
- ▶ Many commodity exporting countries are experiencing a sharp fall in the prices of the commodities they export,
- ▶ Global financial shock. There is a global liquidity shock that entails massive portfolio shifts from riskier assets to safer liquid assets.

Conceptual Model

COVID-19 Effects on Kenyan Economy



Source: Modified from KNBS (2020). Economic Survey Report

Data and Methods

- ▶ This is a descriptive research study
- ▶ The Study rely on secondary data
- ▶ These include World Health Organization (WHO) on COVID-19 trends, European Union, Joint Research Centre (JRC), IMF, UNDP, Central Bank of Kenya (CBK), and KNBS among others.
- ▶ The Study adopt content analysis approach
- ▶ Content analysis is suitable for simple reporting of common issues mentioned in data (Green and Thorogood, 2004). By using content analysis, it is possible to analyse data qualitatively and quantitatively (Grbich 2006).
- ▶ The research results unveil new knowledge expected to inform policy, academia and also increase theory development.

Discussion of Study Results

- ▶ The study results reveal that COVID-19 poses an unprecedented shock disrupting economic activities in Kenya.
- ▶ The GDP in 2020 shrank to 1.1% from 5.7% (see fig.2)
- ▶ The country is also experiencing risk of collapse of health systems that is under pressure from spread of the virus;
- ▶ Households have fallen into poverty; and a huge number of losses of employment have been experienced across all sectors estimated to about 4.64 million.
- ▶ The fiscal deficit widened to 8.2 percent of gross domestic product (GDP), up from the pre-COVID budgeted target of 6.0 percent of GDP, and Kenya's debt to GDP ratio rose to 65.6 percent of GDP as by June 2020, up from 62.4 percent of GDP in June 2019 (World Bank, 2020).

Fig: 2: Kenya GDP Annual Growth Rate 2018-2020



SOURCE: TRADINGECONOMICS.COM | KENYA NATIONAL BUREAU OF STATISTICS

Effect of COVID-19 on key Economic Sectors

Key sectors	Performance
Travel and Tourism Industry	<ul style="list-style-type: none">✓ accommodation and catering units scaled down operations✓ majority (45%) of organizations lost over 2.5 Million Kenya shillings as a result of cancellations of bookings for the first half of year 2020✓ travel restrictions and cancellation of flights worldwide impacted negatively to Kenya's travel and tourist industry
Agriculture sector	<ul style="list-style-type: none">✓ Agriculture sector recorded a strong growth in the second quarter of 2020 of 6.4 percent, which was stronger than 4.9 percent in the previous quarter and 2.9 percent in a similar quarter of 2019.✓ This was supported by favourable weather conditions that was experienced in the country.
The Manufacturing sector	<ul style="list-style-type: none">✓ contracted by 3.9 percent during the quarter, compared to growth of 2.9 percent in the previous quarter and 4.0 percent in a similar first quarter of 2019.✓ The sector was adversely affected by the various COVID-19 containment measures, which significantly reduced activity in the sector.
Construction sector	<ul style="list-style-type: none">✓ Growth in the Construction sector was positive at 3.9 percent in the second quarter of 2020, though lower than 5.3 percent recorded in the previous quarter, and 7.2 percent in a similar quarter of 2019.

Key sectors	Performance
Education sector	<ul style="list-style-type: none"> ✓ The Education sector was severely affected by the COVID-19 pandemic. ✓ The sector contracted by 56.2 percent due to the closure of all learning institutions during the second quarter of 2020 to prevent the spread of the disease through physical contact.
Health sector	<ul style="list-style-type: none"> ✓ Health sector recorded strong growth of 10.3 percent during the quarter 2020. ✓ This was mainly due to increased activity aimed at controlling the spread of COVID-19 by the Government as well as other domestic and international stakeholders. ✓ Health services by the National Government rose by 50.9 per cent to KSh 115.8 billion in 2019/20 while that of County Governments grew by 24.6 per cent to Ksh. 114.7 billion in 2019/20. ✓ Total membership of the National Hospital Insurance Fund grew by 10.6 per cent to 8.5 million, while payouts increased by 36.8 per cent to KSh 53.4 billion in 2018/19.
Transport and Storage sector	<ul style="list-style-type: none"> ✓ Transport and Storage sector the study reveals that the growth contracted by 11.6 percent in the second quarter of 2020 compared to growth of 6.1 percent in the previous quarter and 7.6 percent in a similar quarter of 2019. ✓ The contraction was mainly occasioned by the COVID-19 containment measures which adversely affected travel, freight and warehousing activities.

Kenyan Government Stimuli Package Programme 2020

- ▶ The programme relied mainly on fiscal and monetary policy measures:
 - ✓ 100 % Tax Relief for persons earning gross monthly income of up to Ksh. 24,000;
 - ✓ reduction of Income Tax Rate (Pay-As-You-Earn) from 30% to 25%;
 - ✓ reduction of Resident Income Tax (Corporation Tax) from 30% to 25%;
 - ✓ reduction of the VAT from 16% to 14%, effective 1st April,2020; and
 - ✓ a reduction of the turnover tax rate from 3% to 1% for all Micro, Small and Medium Enterprises (MSMEs) (GOK, 2020).



▶ Central Bank of Kenya Monetary Measures (CBK):

- ✓ lowering Bank Rate from 8.25 percent to 7.25 percent
- ✓ affordable credit to MSMEs across the country;
- ✓ lowering Cash Reserve Ratio (CRR) to 4.25 percent from 5.25 percent
- ✓ loan classification and provisioning for loans that were nonperforming as at March 2, 2020;
- ✓ CBK extended the maximum tenor of Reverse Repurchase Agreements (REPOs) from 28 to 91 days
- ✓ CBK waived charges on low value mobile transactions in order to promote the use of cashless payments and contain the spread of COVID-19.

Way Forward

- ▶ COVID-19 virus can be described as one of the worst global pandemic ever experienced in the 21st Century.
- ▶ Whereas the Kenyan Government focuses on re-engineering the economy by implementing economic stimuli package of fiscal, monetary, wage, and social protection policies aimed at arresting the economic recession.
- ▶ The study recommends that the government may consider additional funding for health sector; support of small businesses/self-employed; sovereign debt restructurings; reallocate cash transfers funding toward humanitarian relief for the most vulnerable households; expansion of loan programs to firms; adopt tax deferral measures and sovereign guarantee fund for companies to access overdrafts in the banking system to promote recovery of the economy.



▶ Thank you

