

# Highlights of the revision of National accounts

*By*

**Mr. Zachary Mwangi  
Ag. Director General  
Kenya National Bureau of Statistics**

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# OUTLINE

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- Rationale for rebasing
- Process of current revision
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# Introduction

- National accounts are a set of macroeconomic statistics
- They provide information on the economic transactions between different economic agents in an economy and with the rest of the world
- Are key in understanding the workings of an economy hence useful for policy formulation and decision making.
- One key macroeconomic indicator is Gross Domestic Product (GDP)

# Introduction

- The KNBS uses the System of National Accounts (SNA) guidelines in compilation of the national accounts statistics
- SNA is used as a reference in the compilation of widely used economic information including GDP, Gross output, Gross Fixed Capital Formation (GFCF), Private consumption, Public consumption, national savings, net lending/borrowing

# Compilation of NA in Kenya

- The first official estimates of the domestic income and product of Kenya were prepared by the East African Statistical Department for the year 1947
  - The estimates essentially covered the monetary economy.
- The 1st revision was carried out in 1957 and followed the same methodology and data sources established for the 1947 estimates
- The 2<sup>nd</sup> revision was undertaken in 1967 and
  - The revision followed the recommendations of System of 1953 National Accounts (1953 SNA)
  - Estimates were produced at both current and constant prices

# Compilation of NA in Kenya cont'd

- The 3<sup>rd</sup> and 4<sup>th</sup> revisions were undertaken in 1976 and 1986 respectively
  - The revisions followed the recommendations of 1968 System of National Accounts (1968 SNA)
- The 5<sup>th</sup> revision was undertaken in 2005 followed the 1993 System of National Accounts (1993 SNA) guidelines.
- The current revision is the 6<sup>th</sup> revision of national accounts
  - Is based on the 2008 SNA
  - An improvement of the previous estimates/methodology and data sources



# Rationale for Rebasing of the GDP

- Rebasing is the process of replacing an old base year to compile volume measures of GDP with a new and more recent base year or price structure.
- Economies are dynamic in nature: they grow, they shrink, they add new sectors, new products and new technologies, and consumer behaviour and tastes change over time.
- Rebasing is used to account for these changes, so as to give a more current snapshot of the economy

# Base year

- The choice of base year is a very essential component since it provides the reference point to which future values of the GDP are compared. When picking a base year, it is essential that such base year is one for which data is readily available and one with relative economic stability.
- To minimize the huge fluctuations that may result from using really old base years, the UN Statistical Commission (UNSC) recommends that countries rebase their GDP every five years



# Why current revision/rebasing?

- Implement recommendations of 2008 System of National Accounts (2008 SNA)
- Change the base year from 2001 to more current base year to
  - Update the production structure;
  - Update the structural changes in relative prices of various products;
  - Incorporate product changes due to developments and innovations; and
  - Update consumption patterns, utilization and acquisition of capital goods
- Adopt the current classification of economic activities



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# Process of current revision

## 1<sup>st</sup> step

- Took stock of the available data and assessed their suitability
- Formulated a data collection strategy to fill the gaps.

## 2<sup>nd</sup> step

- Carried out various surveys
- Analyzed and validated the data
- Reviewed the available information to inform choice of the base year

# Surveys/Censuses undertaken

- Kenya Integrated Household Budget Survey 2005/06;
- Kenya Population and Housing Census 2009;
- Census of Industrial Production (CIP) 2010;
- Integrated Survey of Services (ISS) 2010);
- Survey of Trade Margins 2010
- Cost of Agricultural Production Survey (CAPS) 2011;
- Construction Survey (under International Comparison Program- ICP), 2011;
- National Education Accounts conducted by KNBS, MOE(Ministry of Education) and UNESCO, 2012 and;
- Livestock reports by IGAD and ILRI



# Other data sources (contd)

- In addition to the listed intermittent sources, the following administrative sources were also utilized:
  - Government Finance Statistics;
  - VAT turnover data from Kenya Revenue Authority
  - Balance of Payments;
  - Trade Statistics;
  - Labour Enumeration Survey;
  - Monetary and Financial Statistics from Central Bank of Kenya and;
  - Other relevant administrative records from various Ministries.

# Process of current revision

## 3<sup>rd</sup> step

- Rebased the estimates
- Invited stakeholders and other external experts to peer reviews the revised estimates
  - The peer reviewers were drawn from Statistical agencies through AfDB (Ghana, The Gambia and Zambia)
  - IMF, WB
- Reviewed the estimates based on the peer reviews by experts

# Outputs of the revision

- Revised annual and quarterly national accounts statistics for the period 2006 to 2013.
- Supply and Use Tables (SUT)

# Key results



# Comparison of GDP

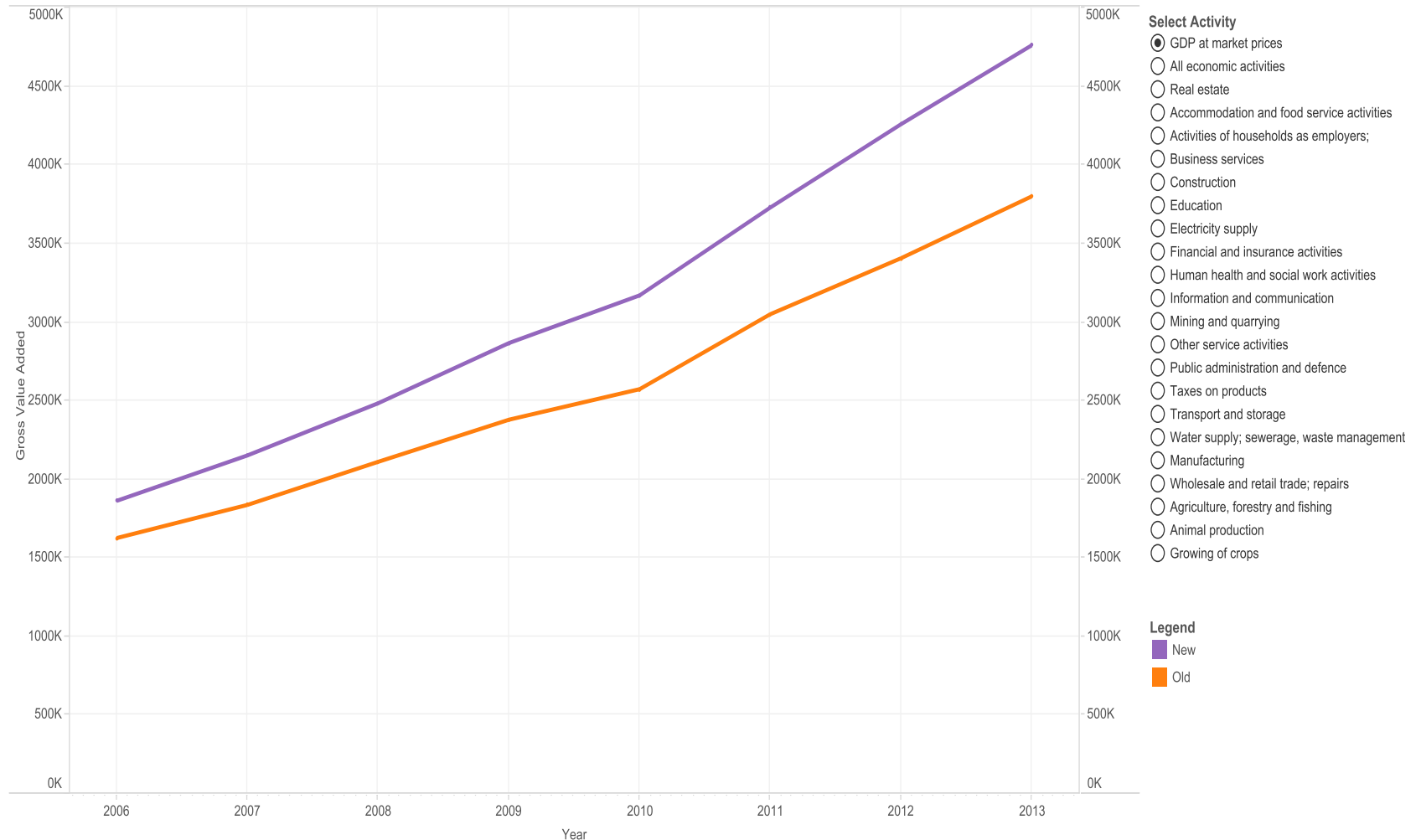
- In nominal terms

	2006	2007	2008	2009	2010	2011	2012	2013
GDP (old) KSh. Bn	1,622.6	1,833.5	2,107.6	2,376.0	2,570.3	3,047.4	3,403.5	3,798.0
GDP (new) KSh. Bn	1,862.0	2,151.3	2,483.1	2,863.7	3,169.3	3,726.1	4,254.8	4,757.5
% Change in level	14.8	17.3	17.8	20.5	23.3	22.3	25.0	25.3
Exchange rate (Average)	72.1	67.3	69.2	77.4	79.2	88.8	84.5	86.1
GDP (old) US\$ bn	22.5	27.2	30.5	30.7	32.4	34.3	40.3	44.1
GDP (new) US \$ bn	25.8	32.0	35.9	37.0	40.0	42.0	50.3	55.2



# GDP estimates

Comparison over Time of Gross Value Added in GDP at market prices  
New versus Old, Current Prices

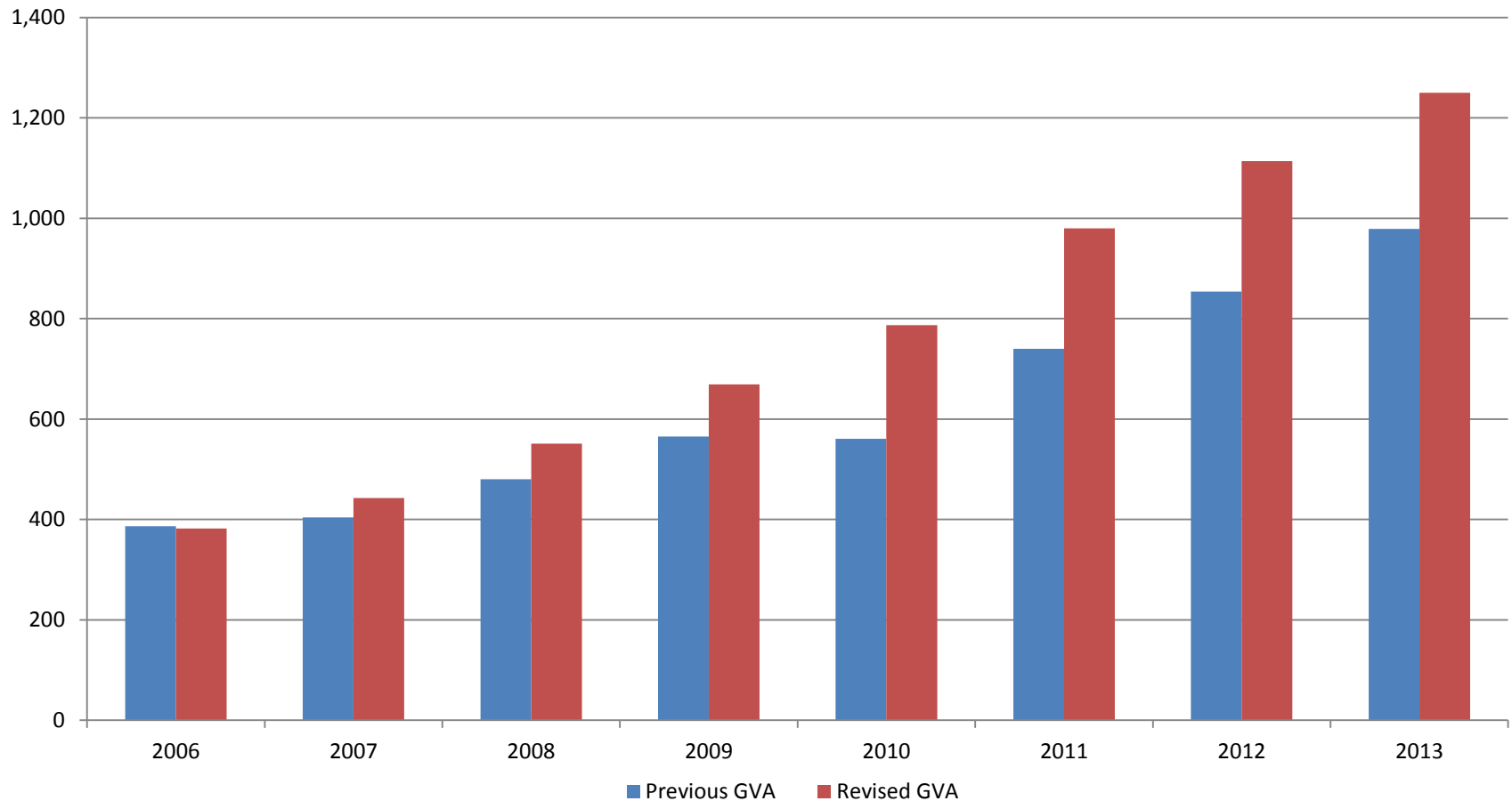


# Sectoral comparison

- There are no dramatic differences in the structure of the economy in broadly defined categories.
- Agriculture, Manufacturing and Real estate accounted for most of the change.
- ICT treated as a stand alone sector compared to the previous estimates

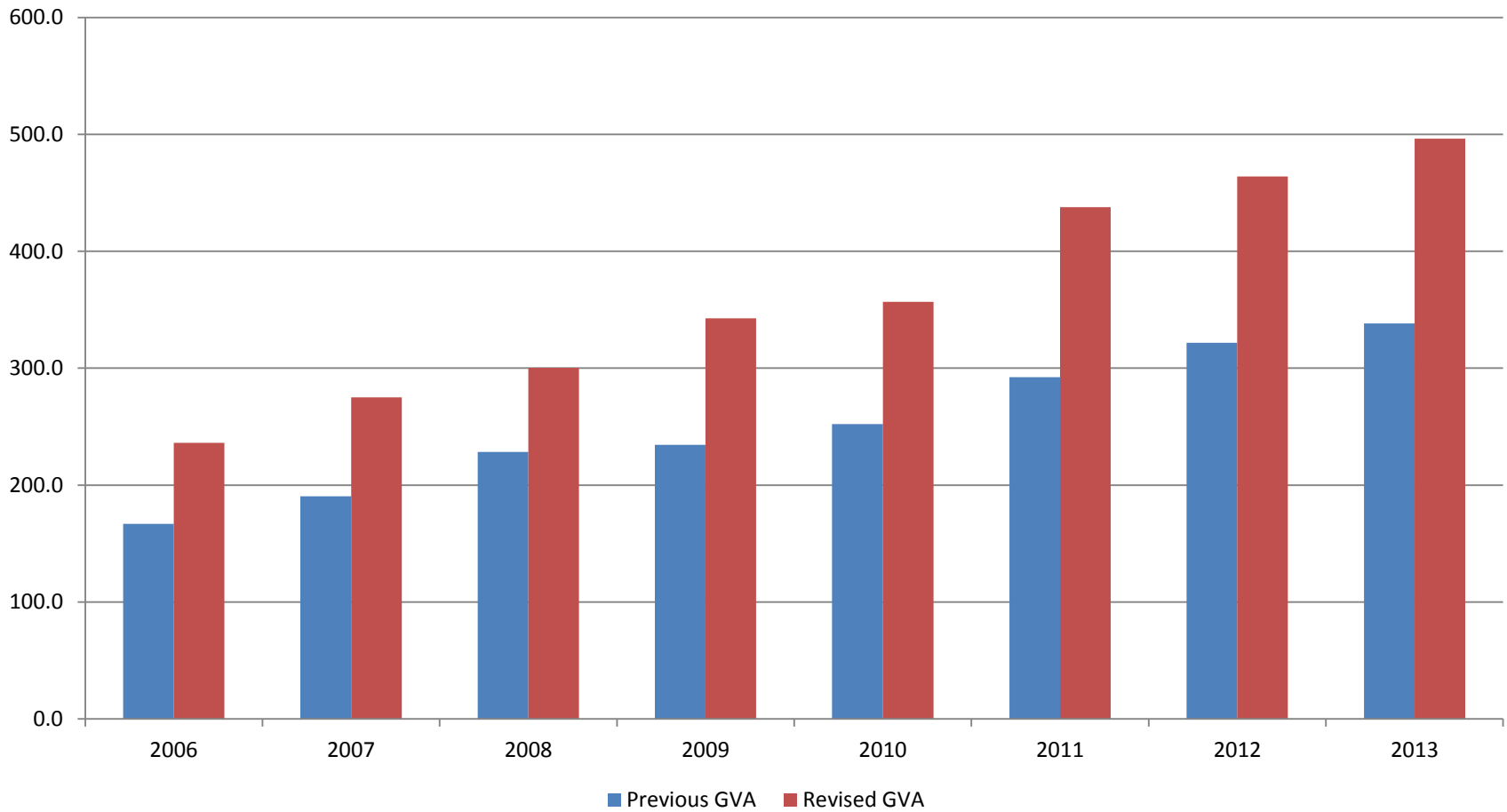
# Comparison of key Sectors

## 1. Agriculture



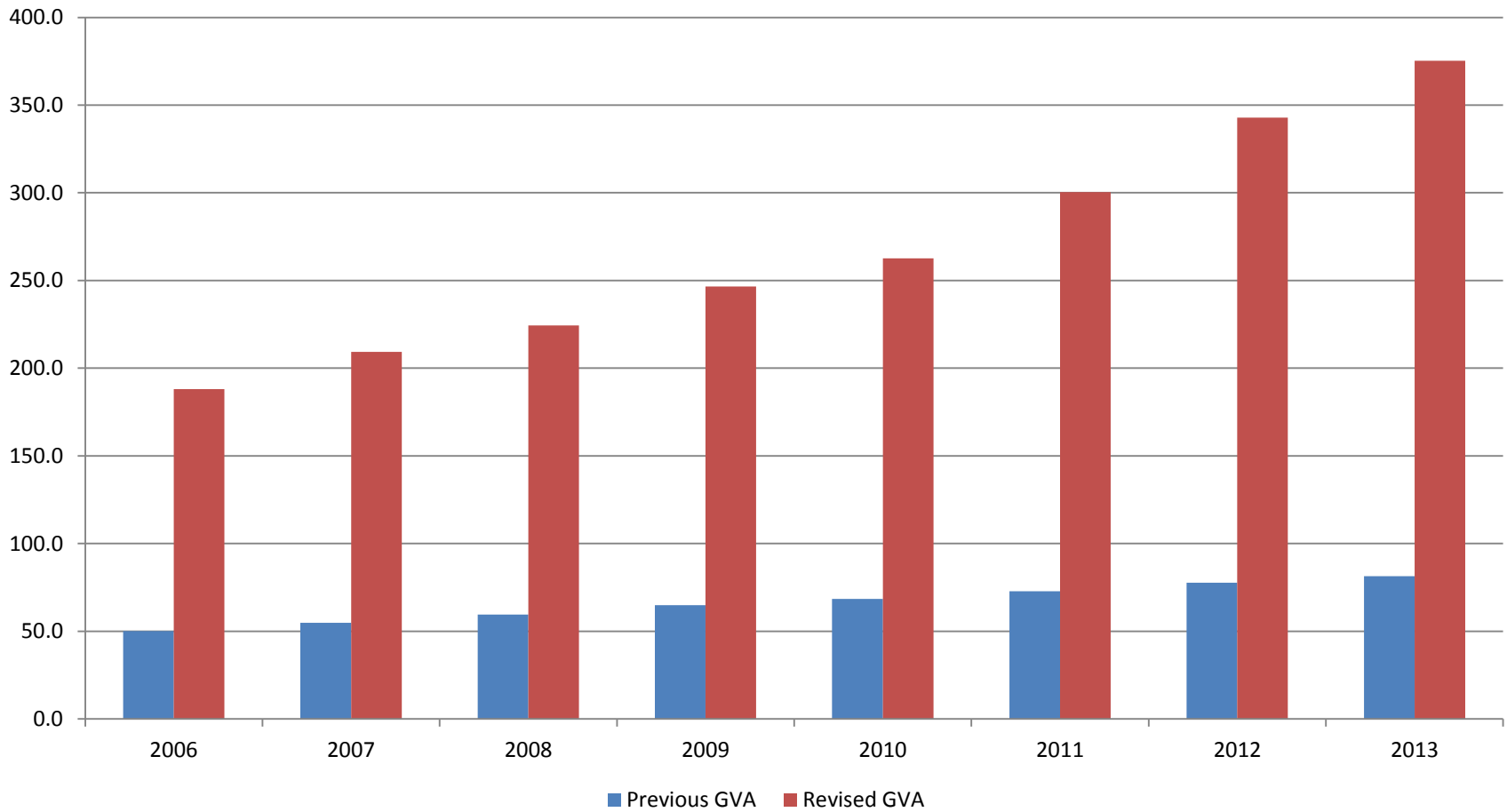
# Comparison of key Sectors

## 2. Manufacturing



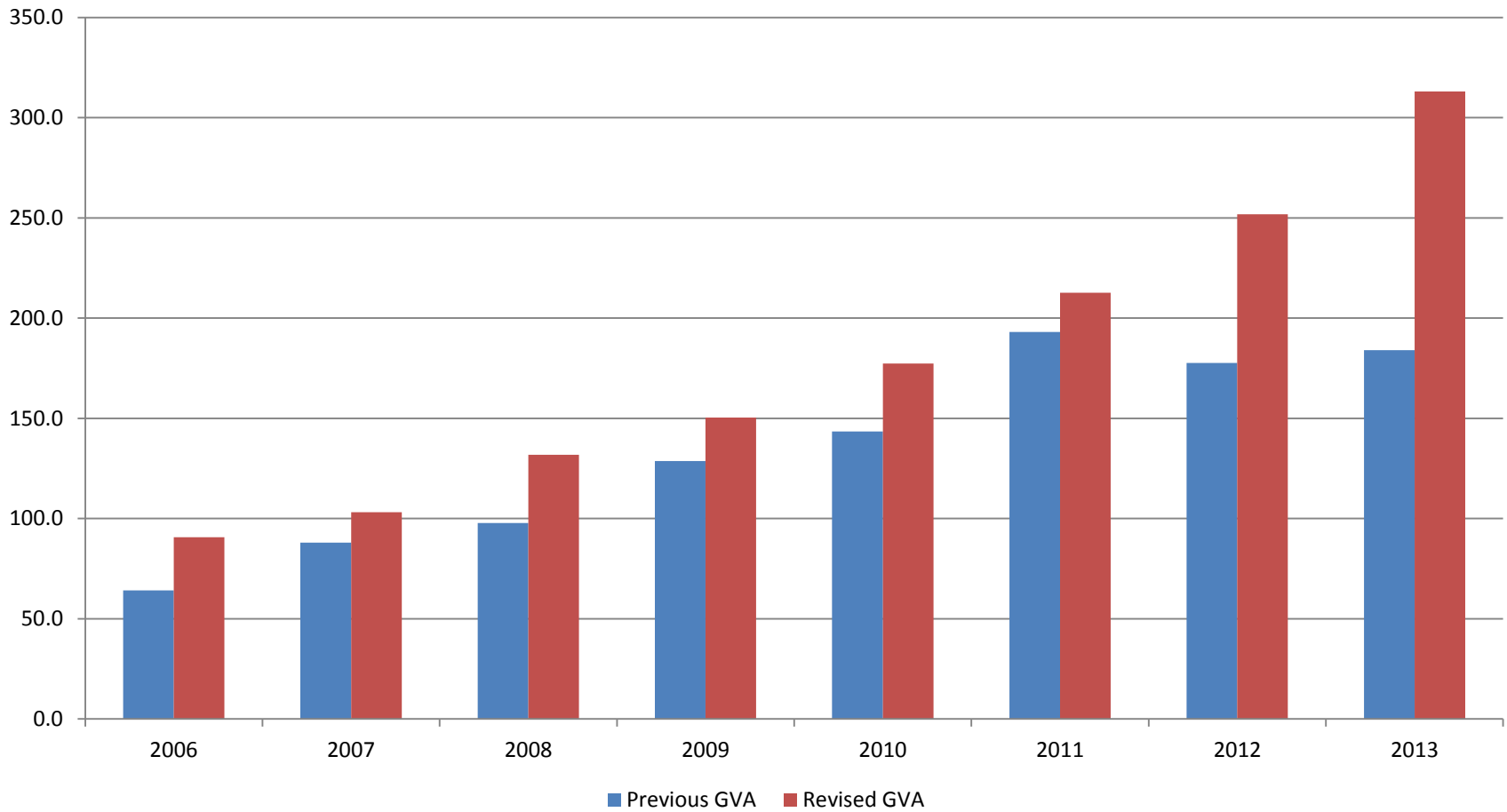
# Comparison of key Sectors

## 3. Real estate



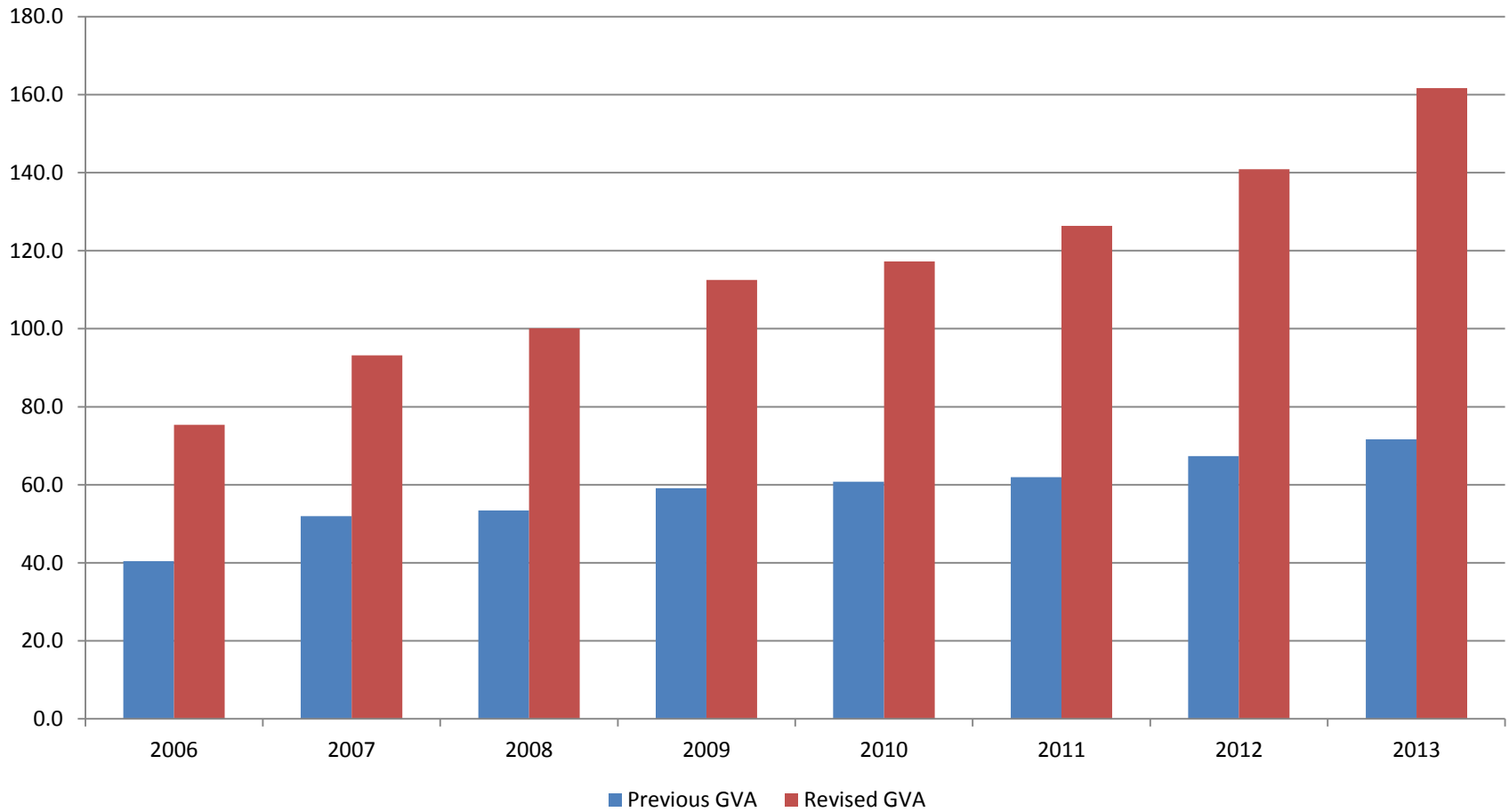
# Comparison of key Sectors

## 4. Financial and insurance services



# Comparison of key Sectors

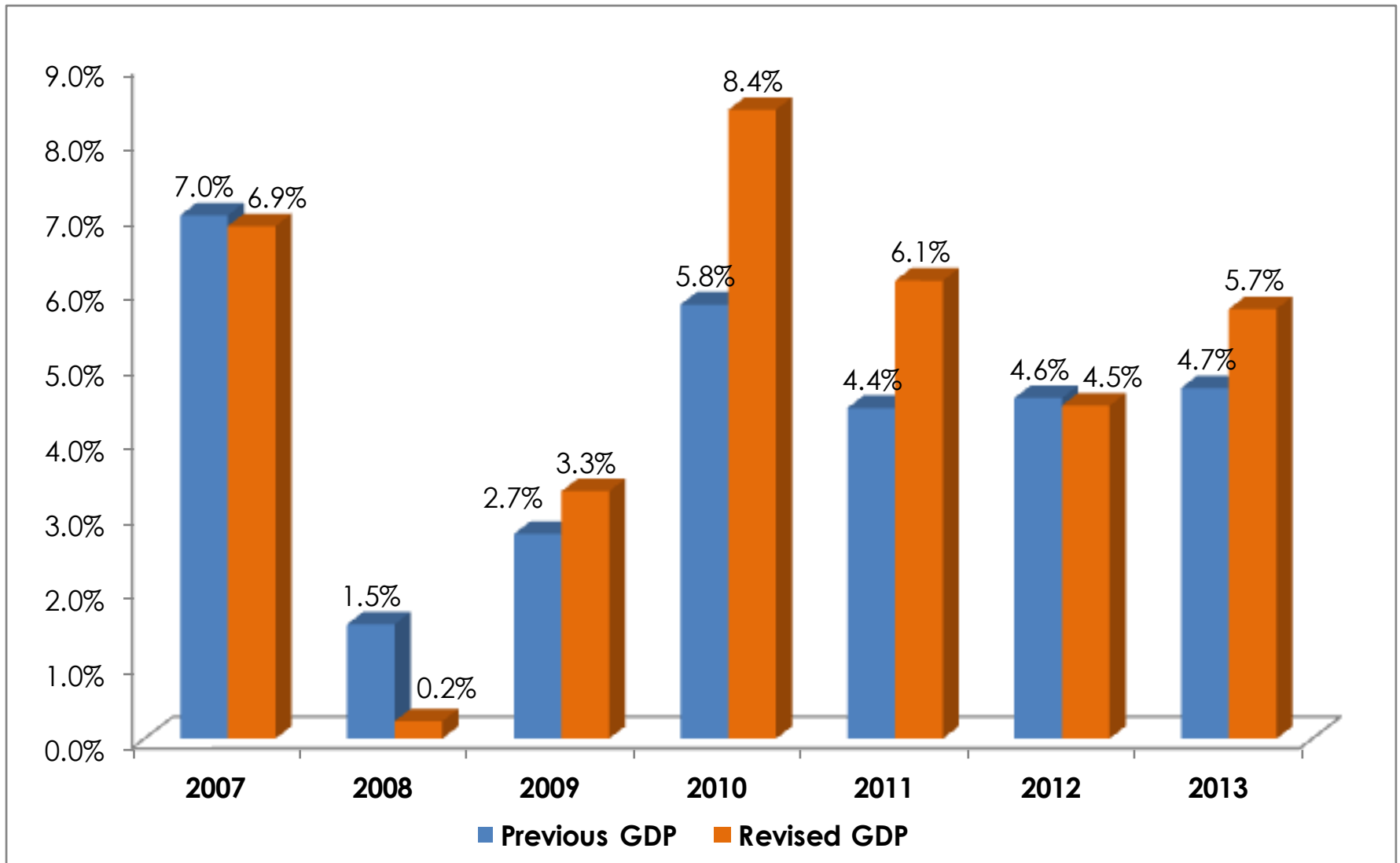
## 5. ICT



# Economic growth

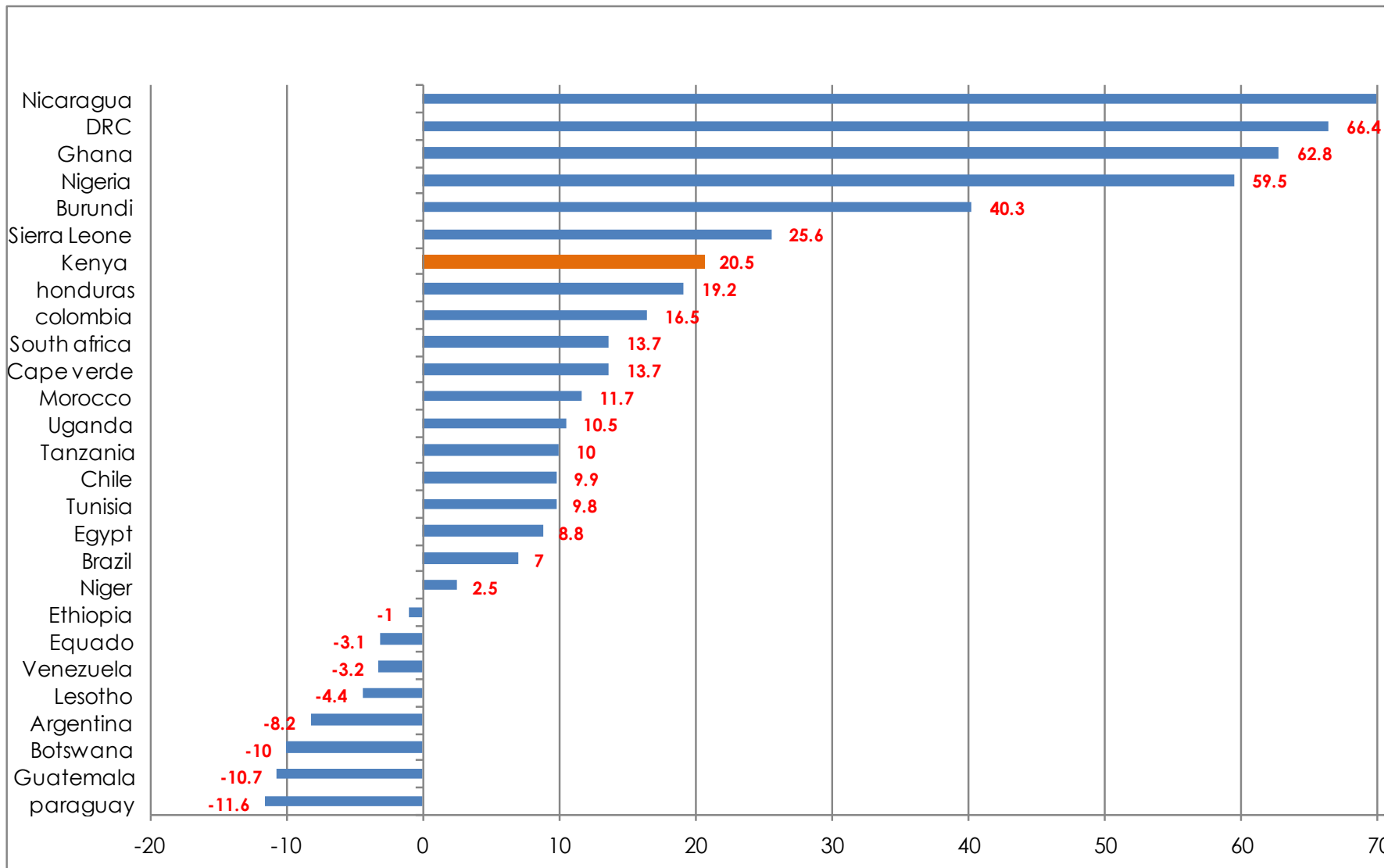


# Comparisons in GDP Growth rates



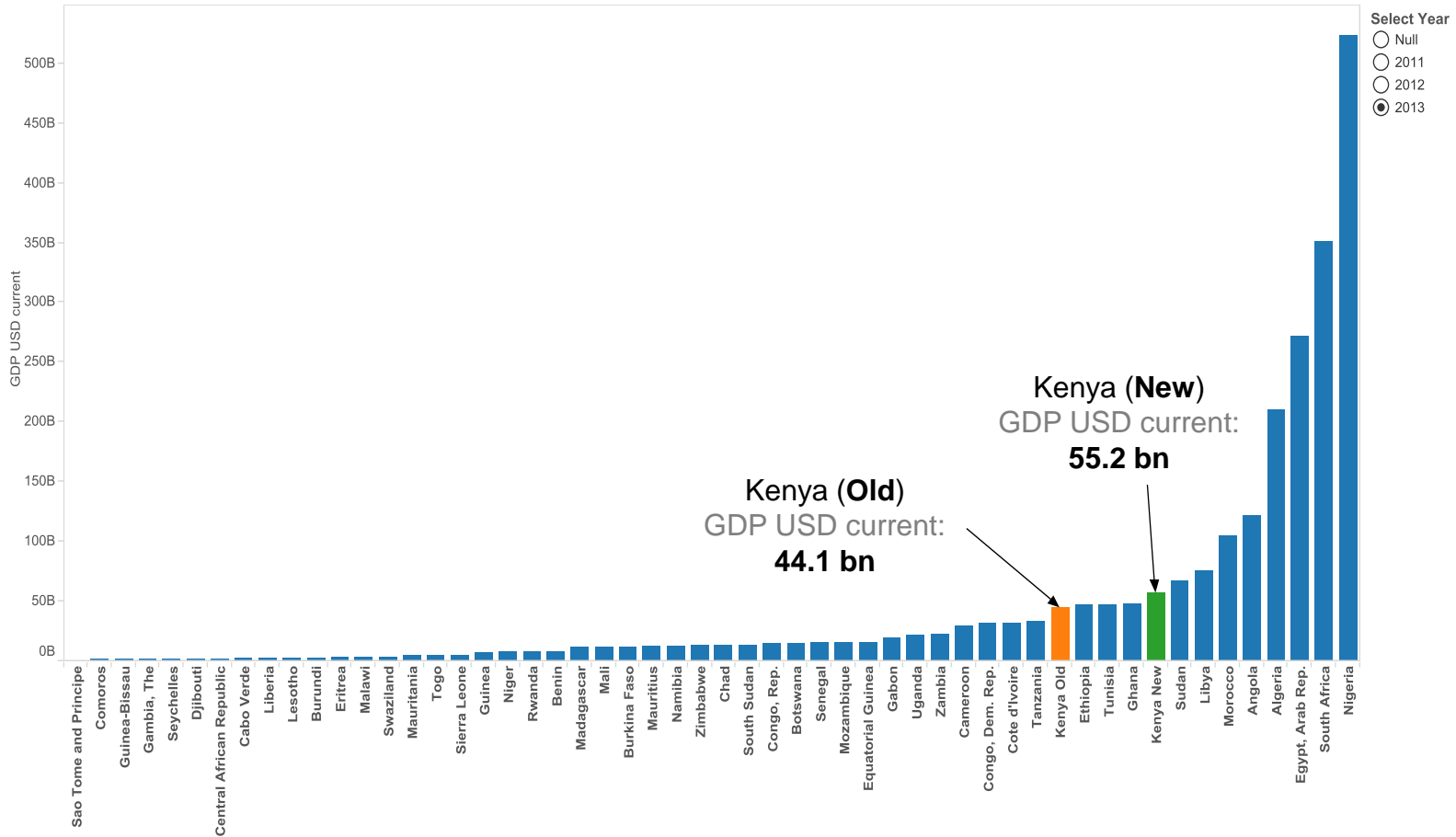
# International comparisons

# Percentage Change in the Level of GDP for selected countries after the revision and rebasing



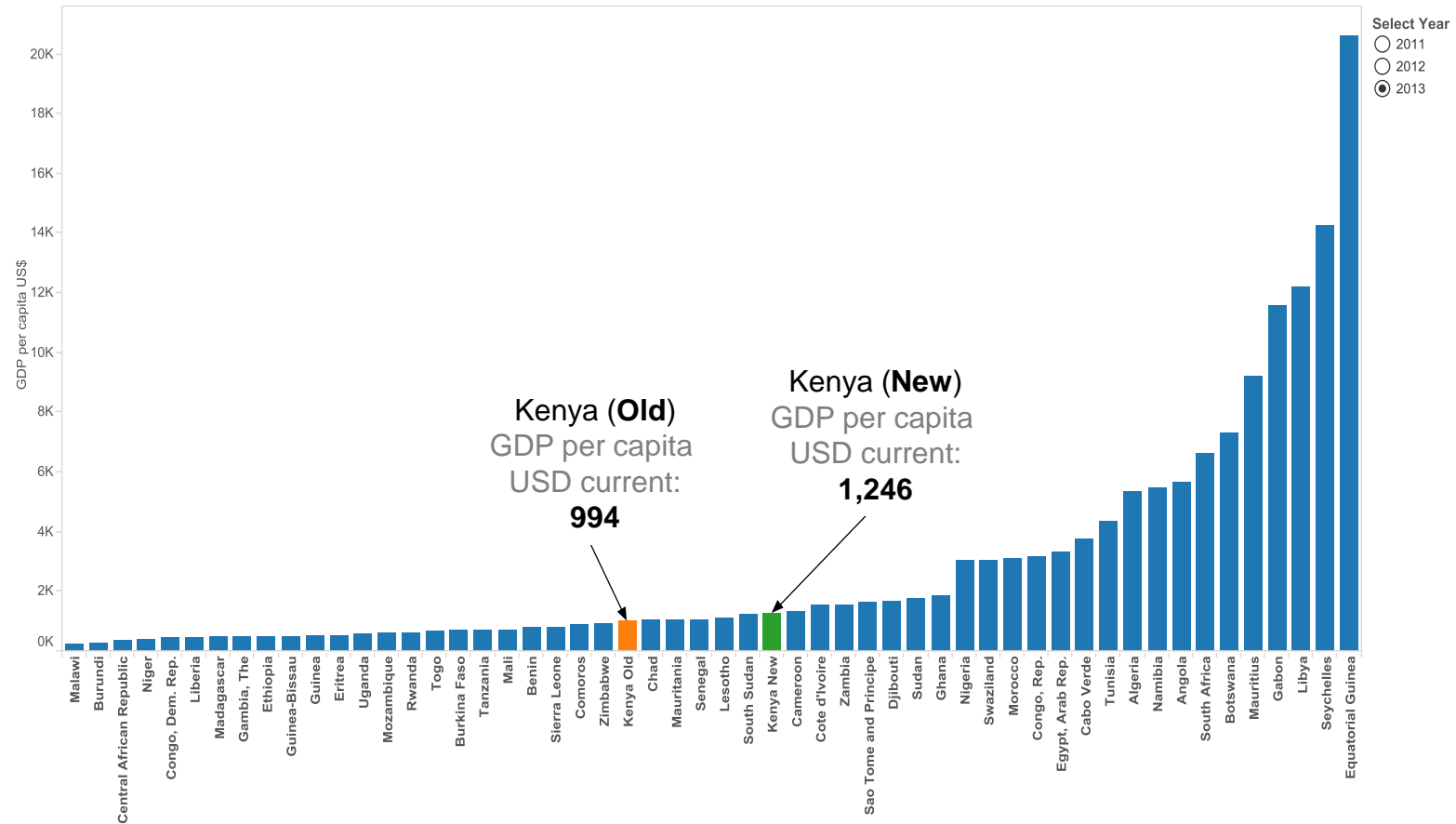
# Kenya position -old and new estimates (Africa)

GDP in Current USD, Kenya Old and New Estimates and African Countries, 2013



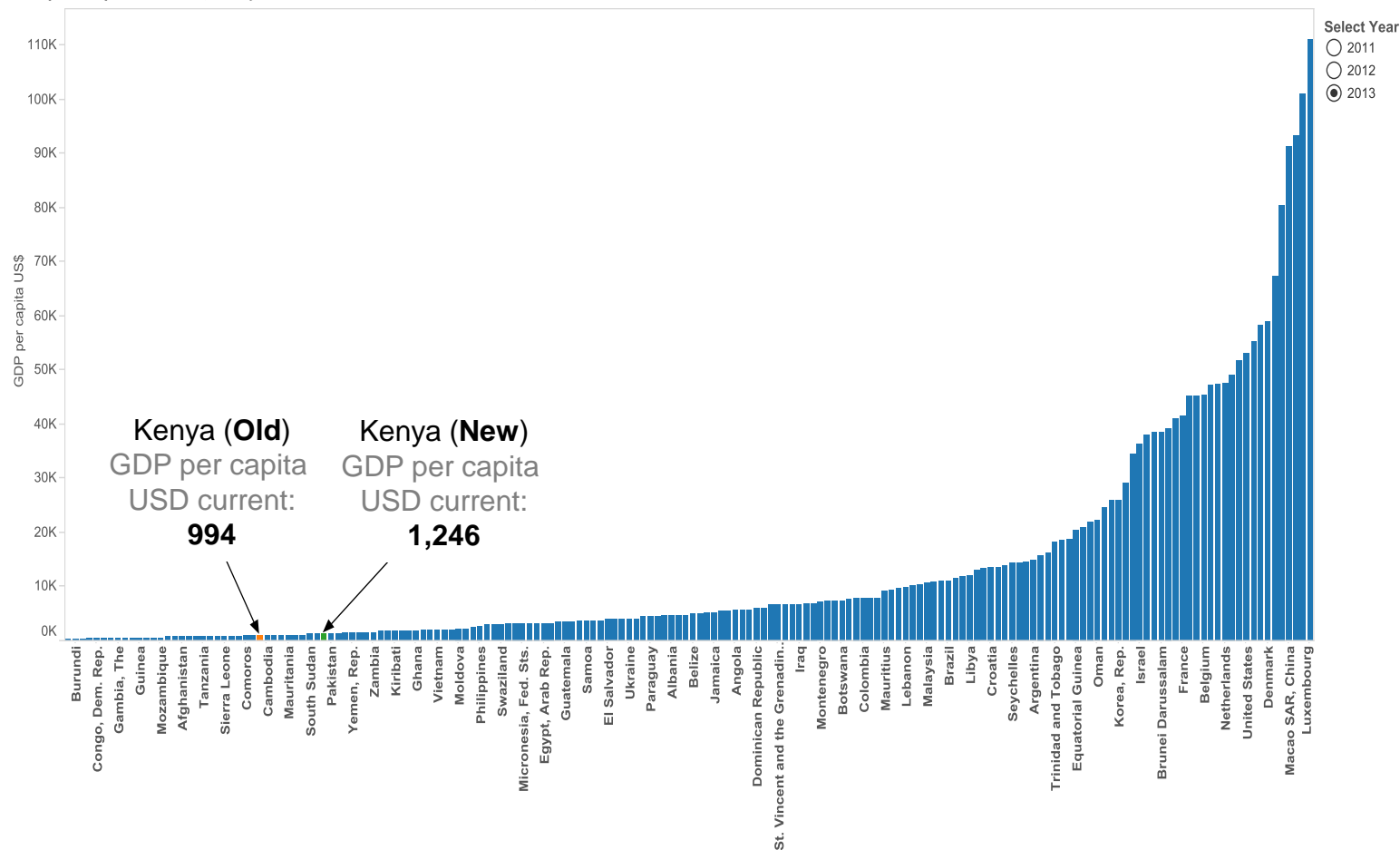
# Kenya Position-old and new estimates Per Capita GDP (Africa)

GDP per Capita in US \$, Kenya Old and New and African countries, 2013



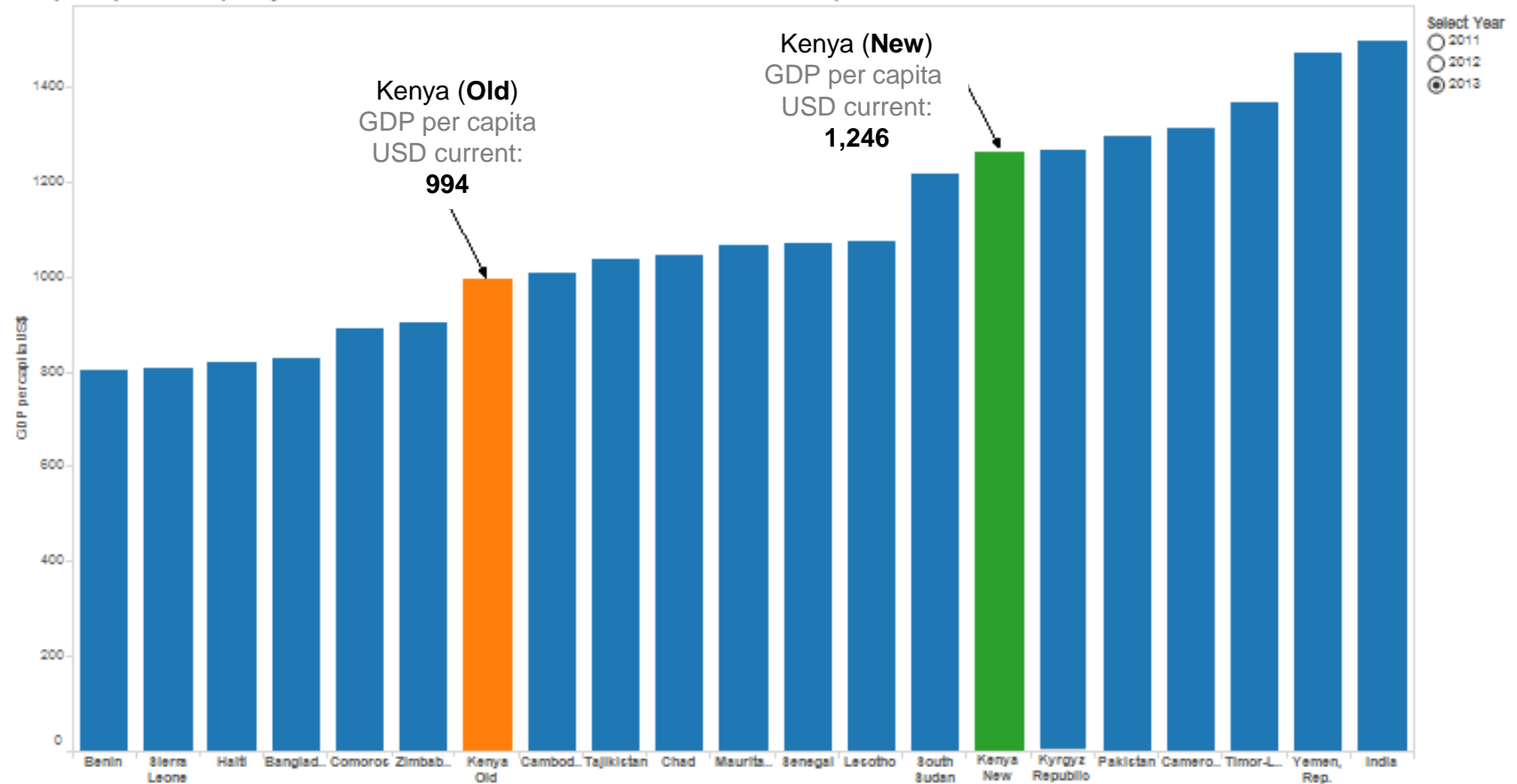
# Kenya Position-old and new estimates Per Capita GDP (World)

GDP per Capita in US \$, Kenya Old and New and all countries, 2013



# GDP per capita, Kenya old and new series compared with countries with similar level of GDP

GDP per Capita in US \$, Kenya Old and New and Countries at Similar Level of GDP in USD, 2013



# Next steps

- Rebasing the national accounts to fulfill the EAC requirement to have the new base year as 2015
- Develop data collection strategy and revision policy for NAS to inform the next revision (by 2017)
- The next rebasing will entail undertaking the censuses and surveys that will provide the requisite data for the next revision



# Challenges

- Undertaking of censuses/surveys is an expensive and extensive exercise
- The importance of high response rate by key business enterprises and households, (stand up and be counted)

# Key findings

- The revised GDP is higher by 25.3 per cent in 2013
- The revised GDP per capita is USD 1,246
- Emerging sectors gaining more significance in the economy (e.g. Real estate - 8.2% and ICT)
- Agriculture is still the backbone of the economy (5years average 2009 to 2013 share 24.1% to 25.4% )
- Manufacturing contribution to GDP has increased (9.5% to 11.3%)

# For Enquiries & clarification

Contact:

Director General  
Kenya National Bureau of Statistics  
P.O. Box 30266, 00100 -GPO  
Nairobi, Kenya

Website: [www.knbs.or.ke](http://www.knbs.or.ke)

Email: [directorgeneral@knbs.or.ke](mailto:directorgeneral@knbs.or.ke)

The End

