KNBS
KENYA NATIONAL BUREAU OF STATISTICS
Keeping you informed

Information on the REVISED NATIONAL ACCOUNTS

A. INTRODUCTION

Kenya National Bureau of Statistics (KNBS) initiated the process of rebasing and revision of the National Accounts Statistics in 2010. Specific tasks were to implement some of the recommendations contained in 2008 System of National Accounts (2008 SNA), change the base year from 2001 to 2009 and, revise the annual and quarterly national accounts statistics for the period 2006 to 2013. In addition, the revision was to include for the first time the development of Supply and Use Tables (SUT) as an integral part of the National Accounts Statistics. The Supply and Use Tables gives detailed information on the production processes, the interdependencies in production, the use of goods and services and the generation of income in production. The SUT was used as a framework for the revision process. This was published in the 2014 Economic Survey report. Also presented in the same report were the preliminary revised GDP estimates for 2009 and have since been firmed up.

Broadly, the revision process involved use of a wide range of information obtained from surveys, censuses and administrative records. This was done in a coherent and consistent manner to achieve the overall goal of improved National Accounts statistics.

B. UNDERSTANDING GROSS DOMESTIC PRODUCT

Q1. What is GDP and GDP growth and why are these statistics important?

Answer:

The Gross Domestic Product (GDP) is the monetary value of all the final goods and services produced within a country in a specific time. GDP is an indicator that is internationally recognized that gives the overall picture of the state of the economy.

While the GDP growth rate is a change that a nation's Gross Domestic Product (GDP) experiences from one year to another. It gives the direction and magnitude of economic growth.

Q2. Is there a difference between GDP growth and economic development?

Answer:

Yes. Economic development involves creation of economic wealth of countries, regions or communities for the well-being of their population. This is in an effort to improve the economic well-being and quality of life for a community. It measures human progress in a broader way than GDP growth. GDP growth is defined as the quantitative change in market value of all final goods and services produced in a country in a given year.

Q3. How is the GDP computed?

Answer:

There are three ways of computing GDP:

i. **The Expenditure Approach:**

This approach involves computing the sum of consumption expenditures by households (C), Investment by private and Government enterprises (I), and difference between exports (X) and imports (M). It is mathematically represented as:

$GDP = C + I + (X - M)$

ii. **The Income Approach:**

This approach measures the income earned by various factors of production. It is computed as: GDP = Wages (compensation of employees) +Taxes on production and imports - subsidies +consumption of fixed capital +Net operation surplus/mixed income

iii. **The Production or Value Added Approach:**

This method considers the value of sales of goods and services less the purchase of intermediate inputs used to produce the final products. Gross domestic product is derived as the net value of goods and services produced in an economy in a certain period of time (quarterly and annually in the case of Kenya).

It is compiled as:

GDP= Gross Output at basic prices

Minus Intermediate consumption

Plus Taxes **less** subsidies on product

C. RATIONALE FOR REBASING / RE-BENCHMARKING THE GDP ESTIMATES

Q4. What is the Rationale for Rebasing and Benchmarking?

Answer:

Rebasing

Rebasing of national accounts series means replacing the old base year used for compiling the constant price estimates to a new and more recent base year. It is essentially done to ensure that the principal measure of economic growth yields good estimates over the medium term following the base year. It is desirable to periodically rebase, to update the production structure; structural changes in relative prices of various products and; incorporate product changes due to developments and innovations. In addition, changes on the demand side like consumption patterns, utilization and acquisition of capital goods are all also updated through such a process. Rebasing is used to account for these changes, so as to give a more current snapshot of the economy

Benchmarking

Benchmarking of national accounts estimates is the process designed to improve the quality of the short-term national accounts by linking the high frequency information with the low frequency data into a consistent time series. For instance, annual estimates are based on relatively less comprehensive information compared to a five or ten years

estimates derived from comprehensive surveys/censuses such as household budget surveys and population census. Therefore, the process provides an opportunity to incorporate irregular and periodic datasets that become available since the previous benchmarks.

Q5. How often should a country rebase?

Answer:

The UN Statistical Commission (UNSC) recommends that countries rebase every 5 years, although some countries do to at intervals of less than 5 years whereas other take a little longer. This is dependent on the availability of comprehensive and up to date data and, any significant changes in the structure of the economy. This would ensure that changes in the patterns of economic activities are accounted for as well as updating the price structures to a more recent year.

Q6. How often has Kenya rebased its National accounts?

This is the sixth time that Kenya has revised the National Accounts Statistics. The first official estimates of domestic income were prepared in 1947. The first revision was carried out in 1957 after a number of surveys were conducted to fill in the data gaps. Subsequent revisions were carried out in 1967, 1976, 1985, 2005 and 2014.

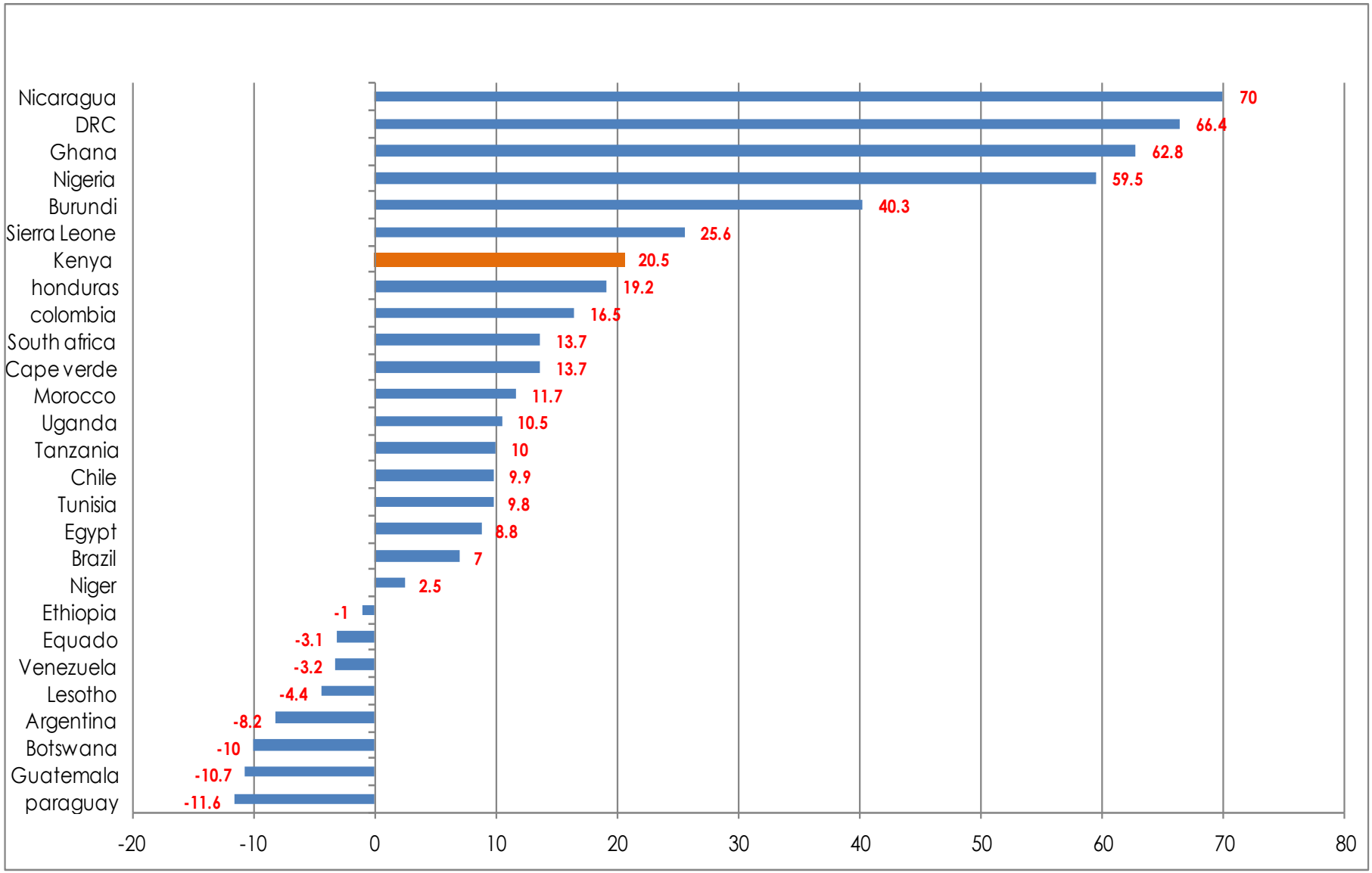
Q7. Which other countries have re-based their GDP recently and what was the magnitude?

A number of countries have rebased their GDP in the recent past. The base years and the magnitude of the changes are as tabulated.

Country (alphabetical order)	Old Base Year	New Base Year	Number of years between base years	% Diff between Old Base and New Base
Botswana	1993/1994	2006	13	-10

Country (alphabetical order)	Old Base Year	New Base Year	Number of years between base years	% Diff between Old Base and New Base
Burundi	1996	2005	9	40.3
Cape Verde	1980	2007	27	13.7
DRC	2000	2005	5	66.4
Egypt	2001/2002	2006/2007	6	8.9
Ethiopia	1999/2000	2010/2011	12	-1
Ghana	1993	2006	13	62.8
Kenya	2001	2009	8	20.5
Lesotho	1995	2004	9	-4.4
Morocco	1988	1998	10	11.7
Niger	1987	2006	19	2.5
Nigeria	1990	2010	20+	59.5
Sierra Leone	2001	2006	5	25.6
Tanzania	2001	2007	6	10
Tunisia	1990	1997	7	9.8
Uganda	1997/1998	2002	5	10.5
South Africa	1993	1998	5	13.7
Argentina	1986	1993	7	-8.2
Brazil	1985	2000	15	7.0
Chile	1986	1996	10	9.9
Colombia	1975	1994	19	16.5
Ecuador	1975	1994	19	-3.1
Guatemala	1958	2001	43	-10.7
Honduras	1978	2000	22	19.2
Nicaragua	1980	1994	14	70.0
Paraguay	1982	1994	12	-11.6
Venezuela	1984	1997	13	-3.2

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



Q8. What influenced the choice of the base year?

Answer:

The choice of base year is an essential component of rebasing the national accounts 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 a year is one for which data is readily available and with relative economic stability. The choice of the current base year was to a large extent arrived through elimination method. The years before 2009 were far from 2013 (which was expected date of release). Though a number of regions in the country suffered from poor rains many of the benchmark surveys and censuses were conducted around 2009. The surveys/censuses include; the Kenya Population and Housing Census; Foreign Investment survey 2010; Census of Industrial Production 2010; Study of Trade Margins 2010; and Integrated Survey of Services 2011. In addition, 2009 was somewhat a midpoint of comprehensive data and not far from the KIHBS 2005/06 and was therefore taken as the base year.

Q9. How long has it taken to complete this exercise?

Answer:

KNBS embarked on the revision of NAS in 2010 with a view of improving the quality of GDP estimates and implement recommendations of the 2008 System of National Accounts (2008 SNA). The revision process involved use of a wide range of information from surveys, censuses and administrative records done in a coherent and consistent manner to achieve the overall goal of improved National Accounts statistics. The process therefore involving and time consuming and therefore has taken over four years.

Q10. What does the process of rebasing and revising the NA entail?

Answer:

The rebasing process involved implementation of recommendations contained in the System of National Accounts (2008 SNA), changing the base year from 2001 to 2009 and revising the annual and quarterly national accounts statistics for the period 2006 to 2013. In addition, the revision included the development of Supply and Use Tables (SUT) as an integral part of the National Accounts Statistics. The

2009 SUT provides the basic data necessary for the construction of Input-Output Table (IOT) and Social Accounting Matrix (SAM). Input-Output Table and Social Accounting Matrix are analytical tools useful in assessing the impact of a change in the final demand of a given sector on all sectors of the economy. They provide valuable policy guidelines to potential induced linkage effects and can indicate likely supply bottlenecks that may occur in a growing economy.

Targeted output includes revised national accounts estimates for the period 2006 to 2013; balanced 2009 Supply and Use Tables; 2009 Input-Output Table (IOT) and 2009 Social Accounting Matrix (SAM). The IOT and SAM are still work in progress.

Two major methodological pillars were used to compile the rebased GDP estimates:

i. **The System of National Accounts (SNA 2008 version), and**
   - *The System of National Accounts (SNA) is the internationally agreed standard set of recommendations on how to compile measures of economic activity. The SNA describes a coherent, consistent and integrated set of macroeconomic accounts in the context of a set of internationally agreed concepts, definitions, classifications and accounting rules.*

ii. **The International Standard Industrial Classification (ISIC Revision 4)**
   - *ISIC is the United Nations International Standard Industrial Classification of All Economic Activities. This classification is the international standard for the classification of productive economic activities. Its main purpose is to provide a standard set of economic activities so that entities can be classified according to the activity they carry out. The previous estimates were based on ISIC rev 3.1.*

Q11. What are the significant features of the rebased GDP series?

Real estate, agriculture and manufacturing account for most of the change. Despite this, there are no dramatic differences in the structure of the economy in broadly defined categories. In contrast to many countries, the share of agriculture to GDP has remained relatively unchanged over the period.

Comparison between the Old and New GDP Series

	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 BY ACTIVITY

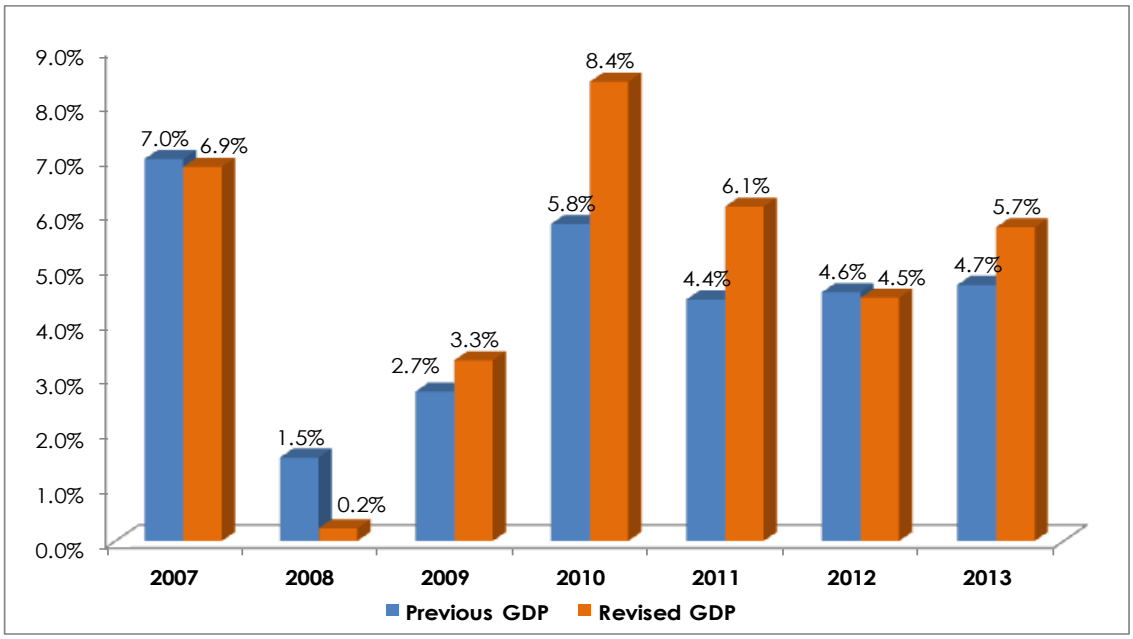
KSh Million

NEW ESTIMATES	2006	2007	2008	2009	2010	2011	2012	2013
Current Prices								
Agriculture, forestry and fishing	382,085	442,891	551,148	668,969	786,826	980,063	1,113,572	1,249,700
Mining and quarrying	10,027	13,770	16,785	18,134	26,027	32,506	46,576	38,680
Manufacturing	236,281	275,167	300,345	342,532	356,717	437,798	463,998	496,313
Electricity supply	17,744	17,527	29,590	39,162	33,077	36,055	48,024	50,579
Water supply; sewerage, waste management	22,669	22,374	21,703	24,869	29,406	33,420	37,806	41,232
Construction	74,219	86,419	92,998	112,220	142,668	164,622	190,852	212,103
Wholesale and retail trade; repairs	122,509	147,983	181,172	200,032	243,009	300,666	331,396	373,680
Transport and storage	112,563	136,346	172,046	205,774	217,000	266,181	329,346	351,209
Accommodation and food service activities	43,051	52,609	39,493	51,510	49,908	50,283	57,520	58,327
Information and communication	49,929	58,915	62,861	73,691	68,331	61,000	67,588	68,452
Financial and insurance activities	90,605	103,150	131,838	150,411	177,336	212,671	251,750	313,077
Real estate	188,031	209,240	224,439	246,546	262,652	300,396	342,876	375,330
Professional, scientific and technical activities	21,766	25,588	29,162	33,085	34,922	37,470	42,740	47,296
Administrative and support service activities	33,905	37,927	37,234	44,151	46,237	50,100	54,640	56,960
Public administration and defence	83,437	96,829	113,517	127,807	138,929	159,085	189,748	228,523
Education	118,459	130,803	163,456	177,993	174,480	199,110	228,761	258,406
Human health and social work activities	39,385	45,001	50,099	58,686	66,040	67,827	69,931	75,257
Arts, entertainment and recreation	3,105	3,292	3,559	4,326	5,076	5,740	6,167	6,877
Other service activities	16,644	17,443	18,361	20,885	22,116	22,808	25,967	29,262
Activities of households as employers;	14,273	15,446	17,390	17,383	18,605	21,027	24,138	25,462
FISIM	-30,692	-35,248	-45,749	-59,373	-71,891	-90,687	-111,631	-122,407
All economic activities	1,649,996	1,903,472	2,211,447	2,558,792	2,827,470	3,348,141	3,811,764	4,234,319
Taxes on products	212,044	247,878	271,611	304,896	341,865	377,910	443,008	523,214
GDP at market prices	**1,862,041**	**2,151,349**	**2,483,058**	**2,863,688**	**3,169,335**	**3,726,052**	**4,254,772**	**4,757,532**

GDP by Activity

NEW ESTIMATES	2006	2007	2008	2009	2010	2011	2012	2013
Constant prices(2009=100)								
Agriculture, forestry and fishing	685,710	720,612	684,702	668,969	736,195	753,598	775,799	815,087
Mining and quarrying	13,849	16,289	16,296	18,134	23,884	28,428	33,830	30,795
Manufacturing	327,918	342,267	346,177	342,532	357,958	383,891	381,942	404,502
Electricity supply	34,035	39,792	36,947	39,162	40,545	45,949	52,187	56,045
Water supply; sewerage, waste management	22,769	22,558	22,885	24,869	27,493	28,489	29,390	30,270
Construction	89,513	97,119	95,474	112,219	133,647	139,033	154,621	163,075
Wholesale and retail trade; repairs	172,625	186,328	189,326	200,032	219,221	237,516	254,231	277,699
Transport and storage	173,502	185,955	191,536	205,774	215,970	231,340	237,734	240,764
Hotels and restaurants	50,040	57,300	39,471	51,510	51,238	53,333	54,972	52,441
Information and communication	51,720	61,952	67,574	73,691	86,492	105,483	107,773	122,310
Financial and insurance activities	133,353	139,918	146,815	150,411	176,968	185,206	196,265	214,497
Real estate	214,219	224,439	235,102	246,546	258,953	272,055	283,061	294,747
Professional, scientific and technical activities	26,509	29,836	31,343	33,085	34,092	34,628	36,440	38,553
Administrative and support service activities	40,829	43,849	39,645	44,151	45,422	46,546	47,619	48,303
Public administration and defence	109,013	111,635	119,363	127,807	129,710	132,986	140,851	141,198
Education	145,223	154,720	168,955	177,993	196,171	210,958	235,476	251,650
Human health and social work activities	50,447	53,561	56,076	58,686	62,345	60,723	58,761	62,752
Arts, entertainment and recreation	3,887	3,951	3,945	4,326	4,853	5,026	4,892	5,076
Other service activities	20,144	20,703	21,004	20,885	21,618	21,853	22,732	24,294
Activities of households as employers;	16,623	16,873	17,126	17,383	17,643	17,908	18,177	18,449
FISIM	-49,597	-51,383	-53,675	-59,373	-68,827	-75,076	-82,648	-87,358
All economic activities	2,332,335	2,478,274	2,476,088	2,558,791	2,771,591	2,919,872	3,044,104	3,205,148
Taxes on products	255,944	287,322	295,931	304,896	332,810	374,582	397,028	433,613
GDP at market prices	**2,588,279**	**2,765,595**	**2,772,019**	**2,863,688**	**3,104,401**	**3,294,454**	**3,441,132**	**3,638,761**

Comparisons in GDP Growth rates



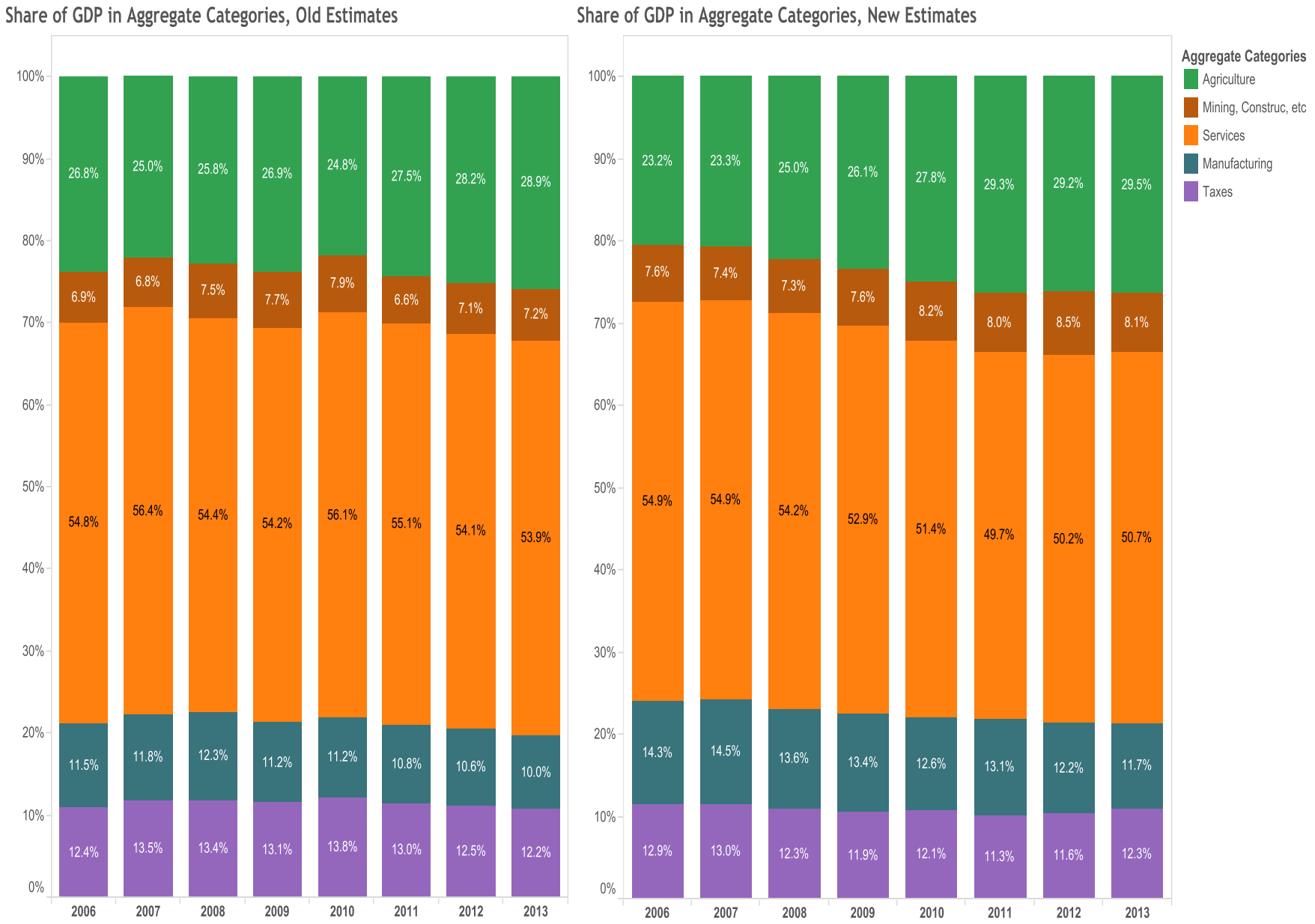
Contribution to growth (%)

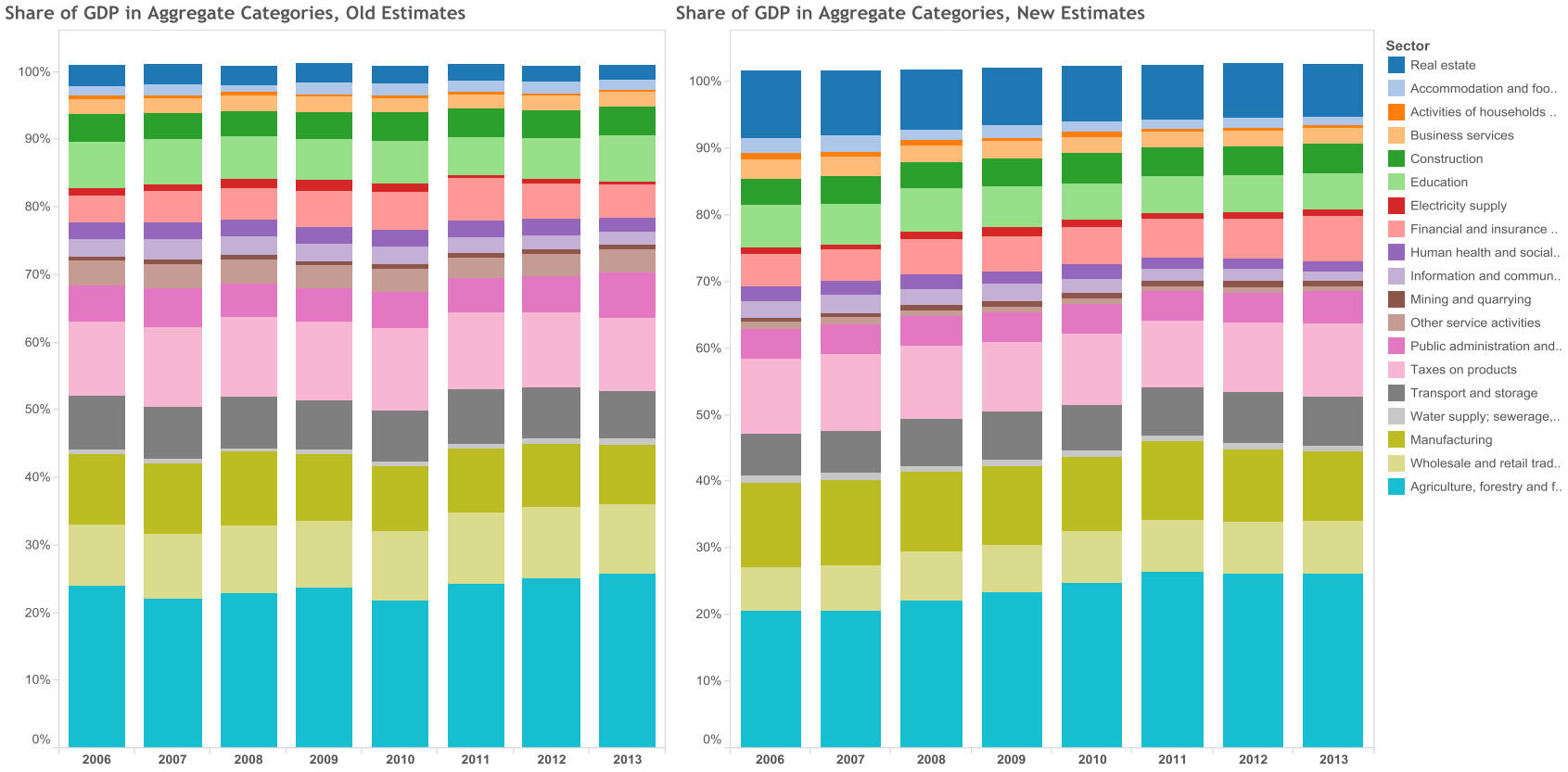
	2009	2010	2011	2012	2013
Agriculture, forestry and fishing	-17.2	27.9	9.2	15.1	19.9
Mining and quarrying	2.0	2.4	2.4	3.7	-1.5
Manufacturing	-4.0	6.4	13.6	-1.3	11.4
Electricity supply	2.4	0.6	2.8	4.3	2.0
Water supply; sewerage, waste management	2.2	1.1	0.5	0.6	0.4
Construction	18.4	8.9	2.8	10.7	4.3
Wholesale and retail trade; repairs	11.7	8.0	9.6	11.4	11.9
Transport and storage	15.6	4.2	8.1	4.4	1.5
Hotels and restaurants	13.2	-0.1	1.1	1.1	-1.3
Information and communication	6.7	5.3	10.0	1.6	7.4
Financial and insurance activities	3.7	11.1	4.2	7.5	9.2
Real estate	12.5	5.1	6.9	7.5	5.9
Professional, scientific and technical activities	1.8	0.5	0.3	1.2	1.1
Administrative and support service activities	4.9	0.5	0.6	0.7	0.3
Public administration and defence	9.3	0.8	1.7	5.4	0.2
Education	9.8	7.6	7.8	16.7	8.2
Human health and social work activities	2.9	1.5	-0.9	-1.3	2.0
Arts, entertainment and recreation	0.4	0.2	0.1	-0.1	0.1
Other service activities	-0.1	0.3	0.1	0.6	0.8
Activities of households as employers;	0.3	0.1	0.1	0.2	0.1
FISIM	-6.2	-3.9	-3.3	-5.2	-2.4
All economic activities	90.2	88.4	77.9	84.7	81.5
Taxes on products	9.8	11.6	22.1	15.3	18.5
GDP at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

GDP BY EXPENDITURE

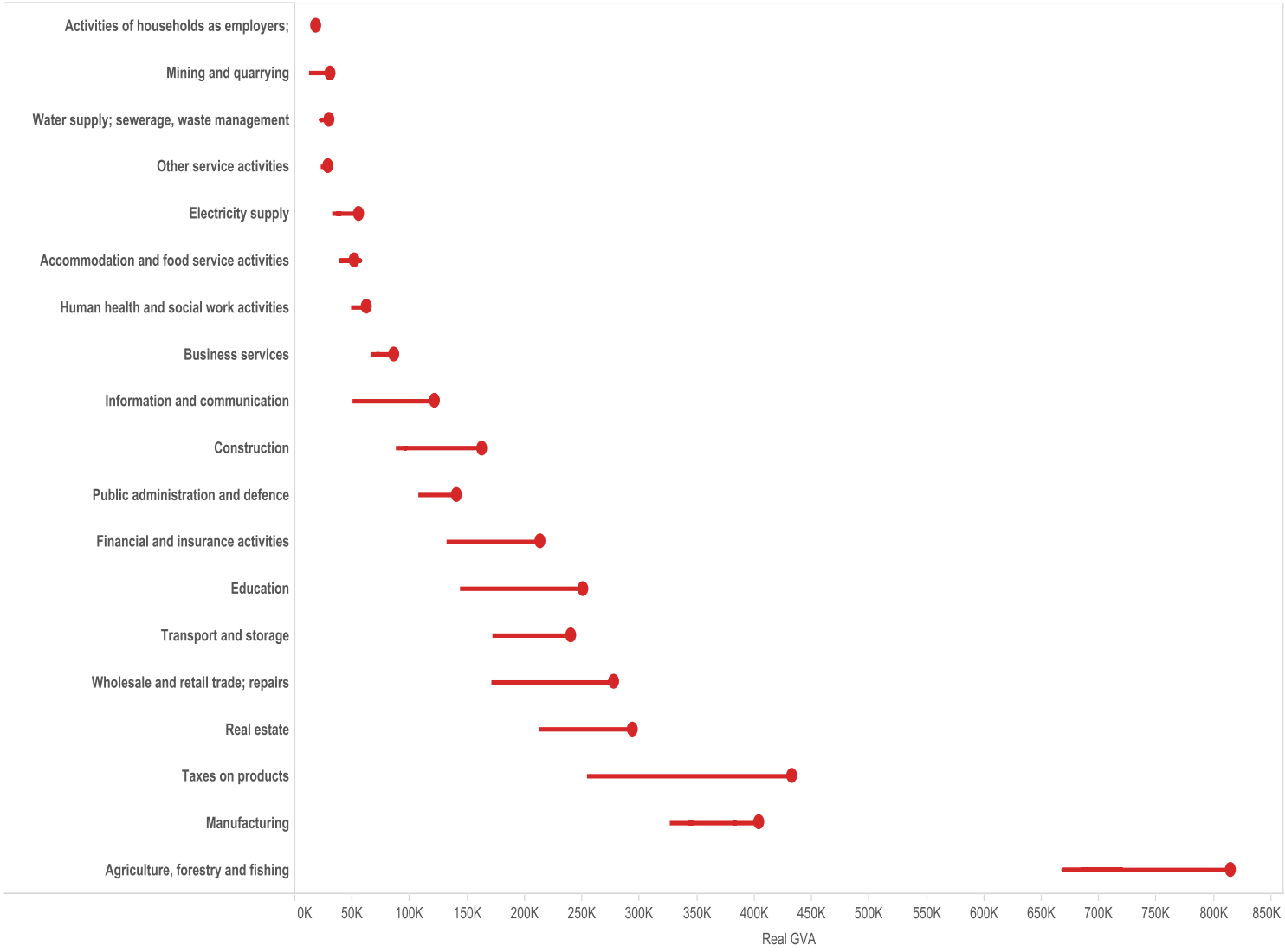
KSh million

NEW ESTIMATES	2006	2007	2008	2009	2010	2011	2012	2013
Current prices								
Government consumption	267,147	314,734	389,194	435,695	449,064	522,062	596,065	668,246
Private consumption	1,419,467	1,610,385	1,870,427	2,183,599	2,445,295	2,936,351	3,344,408	3,807,184
Gross fixed capital formation	361,691	429,511	468,427	529,927	645,647	759,746	903,740	971,203
Changes in inventories	-14,726	10,590	18,568	23,699	14,871	48,881	14,166	-23,414
Exports of goods and services	427,989	471,554	563,010	573,672	654,689	805,766	844,425	843,490
Imports of goods and services	-600,537	-687,911	-866,700	-882,904	-1,063,942	-1,446,502	-1,508,672	-1,577,905
GDP at market prices (expenditure)	**1,861,033**	**2,148,863**	**2,442,927**	**2,863,688**	**3,145,624**	**3,626,304**	**4,194,132**	**4,688,803**
GDP at market prices (activity)	**1,862,041**	**2,151,349**	**2,483,058**	**2,863,688**	**3,169,335**	**3,726,052**	**4,254,772**	**4,757,532**
Discrepancy	**1,008**	**2,486**	**40,131**	**0**	**23,711**	**99,748**	**60,639**	**68,729**
Constant prices (2009=100)								
Government consumption	341,551	369,375	400,957	435,695	451,598	470,188	504,667	510,295
Private consumption	2,013,367	2,119,993	2,087,789	2,183,599	2,347,125	2,494,487	2,636,608	2,852,823
Gross fixed capital formation	417,820	427,003	481,888	529,927	604,547	632,010	712,002	722,142
Changes in inventories	-14,132	9,620	16,457	23,699	12,037	25,063	8,968	-9,561
Exports of goods and services	556,944	591,238	605,261	573,672	623,836	681,289	679,828	674,266
Imports of goods and services	-692,272	-722,771	-814,880	-882,904	-954,537	-1,080,897	-1,138,899	-1,141,758
GDP at market prices (expenditure)	**2,623,278**	**2,794,457**	**2,777,471**	**2,863,688**	**3,084,606**	**3,222,140**	**3,403,174**	**3,608,206**
GDP at market prices (activity)	**2,588,279**	**2,765,595**	**2,772,019**	**2,863,688**	**3,104,401**	**3,294,454**	**3,441,132**	**3,638,761**
Discrepancy	**-35,000**	**-28,862**	**-5,453**	**0**	**19,795**	**72,314**	**37,958**	**30,554**

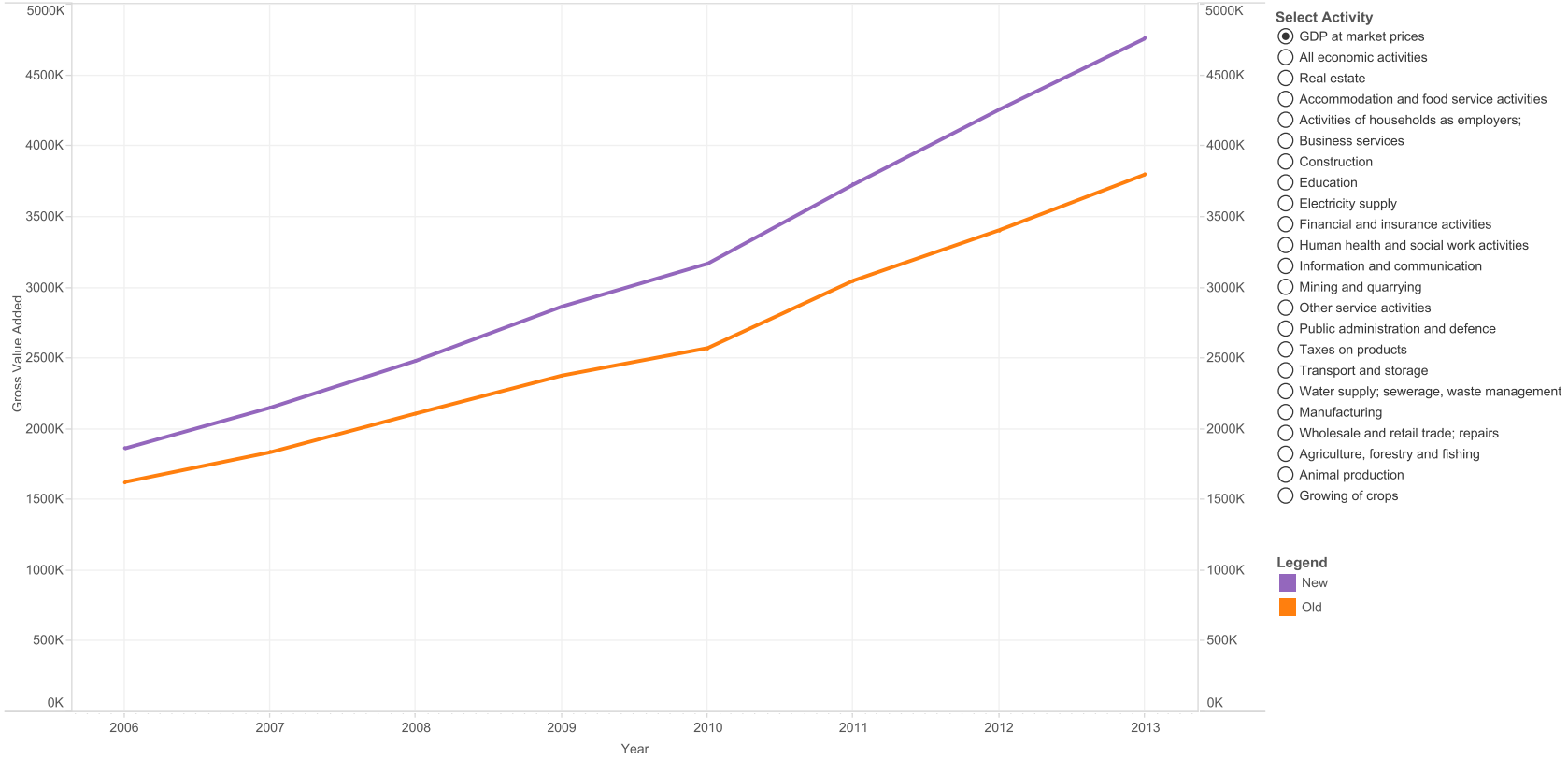

Share of GDP in Aggregate Categories, Old Estimates
Share of GDP in Aggregate Categories, New Estimates
Aggregate Categories
Agriculture
Mining, Construc, etc
Services
Manufacturing
Taxes
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2006
2007
2008
2009
2010
2011
2012
2013
26.8% 25.0% 25.8% 26.9% 24.8% 27.5% 28.2% 28.9%
6.9% 6.8% 7.5% 7.7% 7.9% 6.6% 7.1% 7.2%
54.8% 56.4% 54.4% 54.2% 56.1% 55.1% 54.1% 53.9%
11.5% 11.8% 12.3% 11.2% 11.2% 10.8% 10.6% 10.0%
12.4% 13.5% 13.4% 13.1% 13.8% 13.0% 12.5% 12.2%
23.2% 23.3% 25.0% 26.1% 27.8% 29.3% 29.2% 29.5%
7.6% 7.4% 7.3% 7.6% 8.2% 8.0% 8.5% 8.1%
54.9% 54.9% 54.2% 52.9% 51.4% 49.7% 50.2% 50.7%
14.3% 14.5% 13.6% 13.4% 12.6% 13.1% 12.2% 11.7%
12.9% 13.0% 12.3% 11.9% 12.1% 11.3% 11.6% 12.3%


Share of GDP in Aggregate Categories, Old Estimates
Share of GDP in Aggregate Categories, New Estimates
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2006
2007
2008
2009
2010
2011
2012
2013
Sector
Real estate
Accommodation and foo..
Activities of households ..
Business services
Construction
Education
Electricity supply
Financial and insurance ..
Human health and social..
Information and commun..
Mining and quarrying
Other service activities
Public administration and..
Taxes on products
Transport and storage
Water supply; sewerage,..
Manufacturing
Wholesale and retail trad..
Agriculture, forestry and f..

Real Gross Value Added Across Activities and Time (Constant Prices)



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



Q12. What were the main reasons for the changes observed between the old series and the rebased figures?

Answer:

The revised GDP estimate translates to 20.5 per cent increase in the level of 2009 GDP and rises to 25.3 percent in 2013. The main contributing factors included improved coverage and revised input-output production structures which were lower in a number of sectors compared to the revised estimates. The use of new data such as 2009 Kenya Population and Housing Census (KPHC) , 2005/06 Kenya Integrated Household Budget Survey (KIHBS) and 2010 Census of Industrial production (CIP) majorly contributed to the upward revisions.

D. GDP REBASING AND ITS IMPLICATIONS FOR SOCIAL DEVELOPMENT

Q13. Do the new GDP estimates imply that Kenya is now a richer country?

Answer:

No, Rebasing does not necessarily imply that country has become richer. Instead, it provides an up to date measurement of the economy putting into consideration the relevant fundamentals. The new estimates put Kenya among the lower middle income nations as its GDP per capita is above World Bank's benchmark of US Dollar 1,036.

Q14. Does the rebased GDP result into reduction of poverty and unemployment rates?

Answer:

No, rebasing does not change the challenges of poverty or unemployment but is rather a normal statistical exercise that measures the economy more accurately. This helps to inform better policy formulation in addition to generating public debate. Increasing adoption of technology may lead to expansion of output of

firms without the need to engage more labour. The main source of income for most households is employment. Higher unemployment rates may therefore result in many households remaining poor. Some of the key sectors that have contributed to the GDP growth after rebasing includes manufacturing and ICT which are capital-intensive rather than labour-intensive

Q15. Of what importance is the rebasing exercise to the "common man"?

Answer:

The exercise of rebasing the GDP does not imply the existing social economic challenges no longer exist. Instead the rebasing gives estimates that are a reflection of the current situation. It has the advantage of attracting investors which can result in more job creation thereby improving the social economic situation of the citizenry. Further, the outcome of the exercise is used by the government to formulate evidence based policy decisions that will eventually improve the living conditions for all.

Q16. What is the impact of the rebased numbers on the Kenyan economy?

Answer:

Rebasing gives accurate reflection of the structure and size of the Kenyan economy. In addition, the adoption of the latest statistical classification presents more accurate reflection of the current economic activities and their contribution. This will inform better investment choices which are expected to result in higher profitability. The new GDP estimates possibly will result to an improved international perception and rating for the country.

Q17. In view of the rebased estimates, does it mean that Kenya's GDP has been inaccurate?

Answer:

No. Rebasing is a widely used conventional way of ensuring that GDP estimates are a better reflection of the true size and structure of the economy. It is a common statistical practice that countries undertake to accommodate changes that have occurred since the last base year.

Q18. What is the implication of the rebased GDP estimates on the real and nominal GDP?

Answer:

Nominal GDP reflect the changes in total value of goods and services produced in the economy. These changes arise from price changes; and changes in the volume of economic activity. The removal of the price effect, results to real GDP growth which presents a better assessment of the economic growth. The real GDP estimates are essentially volume indices, which measure changes in the volume of economic activity while maintaining relative prices constant. The changes in the prices of goods and services subsequent to the base year will result in relative base-year price weights becoming less representative over time. The rebased GDP, base year 2009, therefore presents a better measure of the economy.

Q19. What are the implications of the new GDP estimates for the private sector?

Answer

Rebasing enhances the relevance of GDP to the underlying and changing economic conditions. Consequently, rebased estimates provide the private sector with a relatively accurate picture of the economy and can therefore help in determination of their investment options. Some sectors may undergo significant structural transformation, which may prompt investors to rethink their strategies and focus with sectors that attract better returns. For example, Transport and Communication (Telephony, ICT, etc) which were previously combined together are now separated and their detailed individual contribution given.

Q20. Does the result of the rebasing exercise mean the country is rich enough and it no longer qualifies to receive concessional donor funds?

Answer

International lenders use different criteria to determine whether a country qualifies for concessionary lending. Rebasing does not therefore necessarily lead a country in losing out on concessional donor funds. Rebased Kenya GDP does not pull Kenya from assessing concessional donor finances.

Q21. How does the rebased estimates affect government revenue base?

Answer:

Government revenue is mainly derived from taxes. Revenue to GDP ratio is an important indicator that measures the degree to which the government controls the economy's resource. The rebased series provides an opportunity for review the tax base and informs the policy makers on the sectors to target in revenue mobilization. In essence, revised estimates will provide better insights that eventually facilitate the expansion of the revenue base.

Q22. What is the implication of the rebased GDP for government's fiscal position?

Answer:

Fiscal deficit is a function of government revenue and expenditure and is not directly influenced by the GDP estimates. However, better GDP estimates enable the Government to put in place appropriate strategies for collecting revenue and determining the sustainable borrowing requirements. Notable however, the Government also uses other factors apart from fiscal space (flexibility of a government in its spending choices) in determining the level of deficit. This includes the size of the national sovereign debt and future debt servicing as well as debt restructuring costs, among others.

Q23. What government policies have been implemented in recent years, which may have been responsible for these levels and the trend of nominal GDP?

Answer:

Rebasing process is a normal statistical exercise and does not in itself reflect the effectiveness of public policy. The process results into a more up-to-date picture of the actual size and structure of a country's economy in nominal and real terms. Based on the revised estimates for the various sector of the economy, the government can evaluate the effectiveness of the past policies.

Q24. What are the implications of the GDP rebasing exercise for monetary policy?

Answer:

The rebased GDP gives the current levels of economic activities in the various sectors. The level of economic activities influences the formulation of monetary policy. Increased level of activities in the economy leads to increase in money supply. The rebased estimates assist the monetary authorities to review their policies.

Q25. How does the rebased GDP impact on the ability of Kenya to borrow?

Answer:

The rebased GDP implies that the ratio of current debt to GDP will become lower. This increases the allowance to borrow. In addition, having high quality data increases confidence hence lowers the risk premiums when the country accesses international capital markets.

Q26. Why has the share contribution to GDP of various economic sectors changed after rebasing?

Answer:

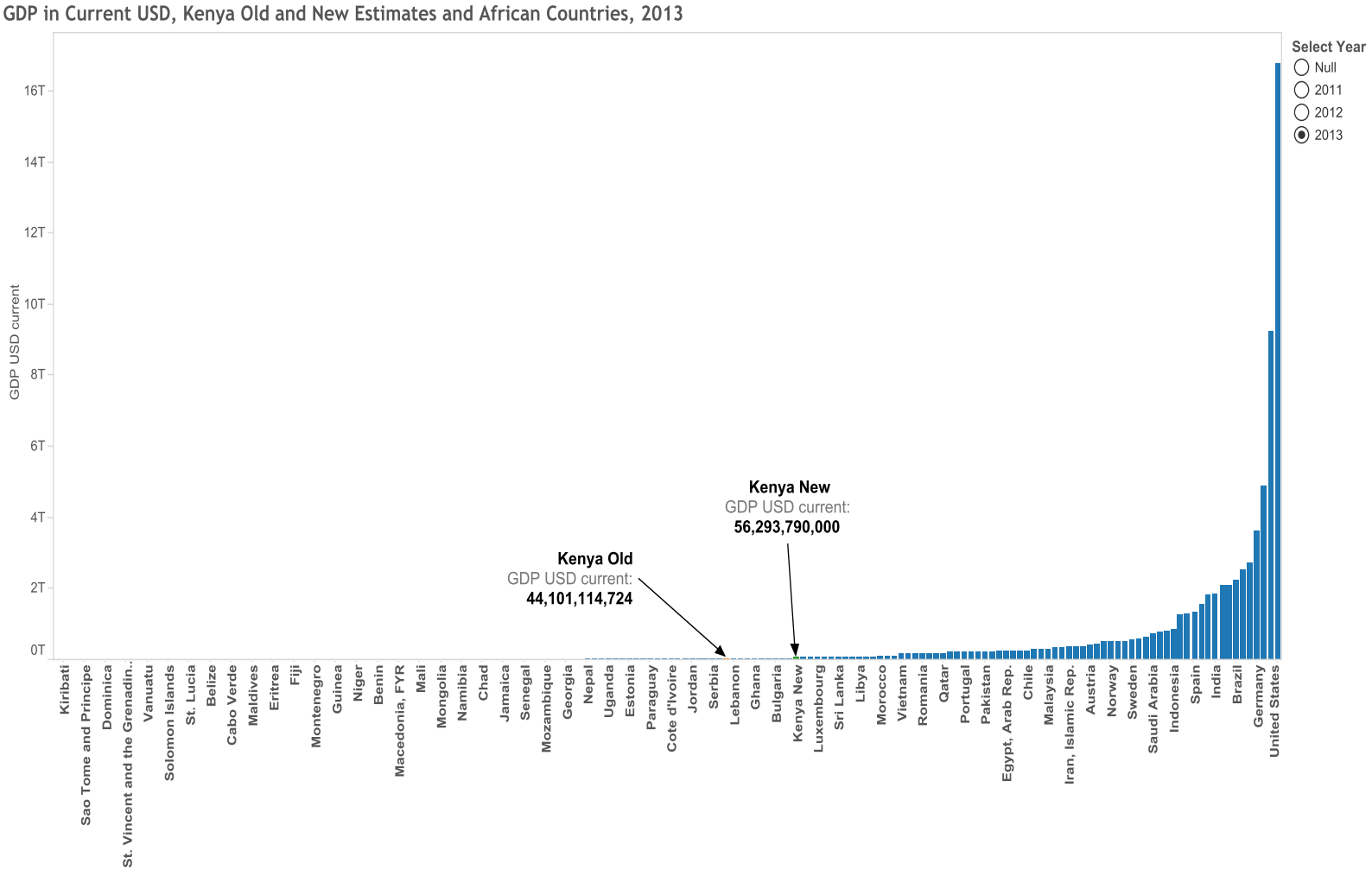
The rebasing exercise serves to show the current picture of the economy. Under normal circumstances, as the economy expands, the share of some traditional sectors may reduce. As the structure of the economy changes, other sectors also emerge. The rebasing exercise therefore brings on board the emerging sectors which affects the shares of the previously known sectors.

Q27. How does one become richer on paper as evidenced by the rebased GDP estimates (per capita basis) without real cash in one's bank account?

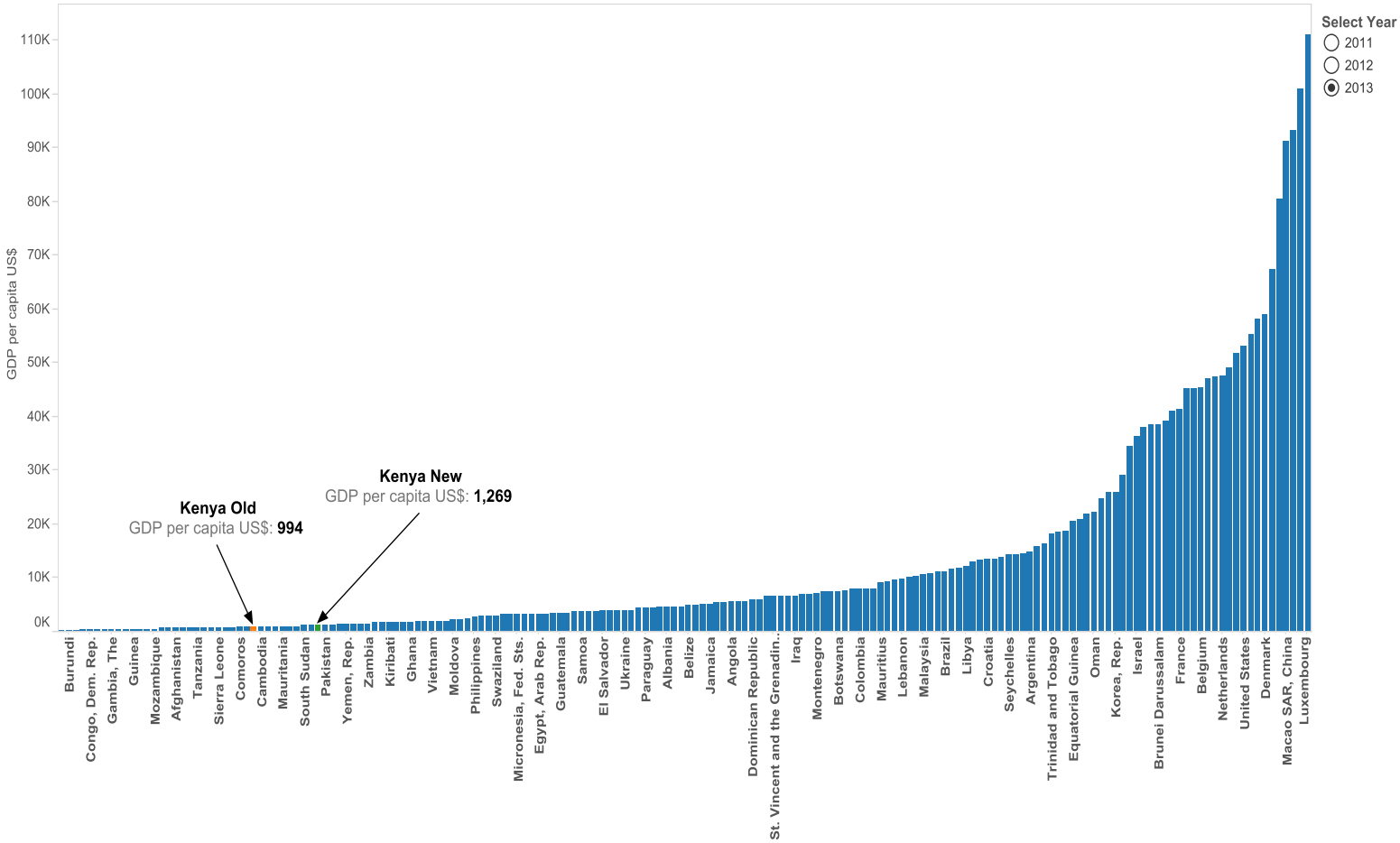
Answer:

An increase in GDP per capita does not necessarily mean that all Kenyans were/will be equally better off. All that the new GDP estimates tells us is that the economy is worth more than we thought. It tells us nothing about how the wealth is distributed. GDP per capita is simply an indicative average calculated by dividing the total worth of the economy by the number of people in the country, and does not take into account how national wealth is actually shared. This means that countries with the same GDP per capita may have radically different levels of poverty and inequality.

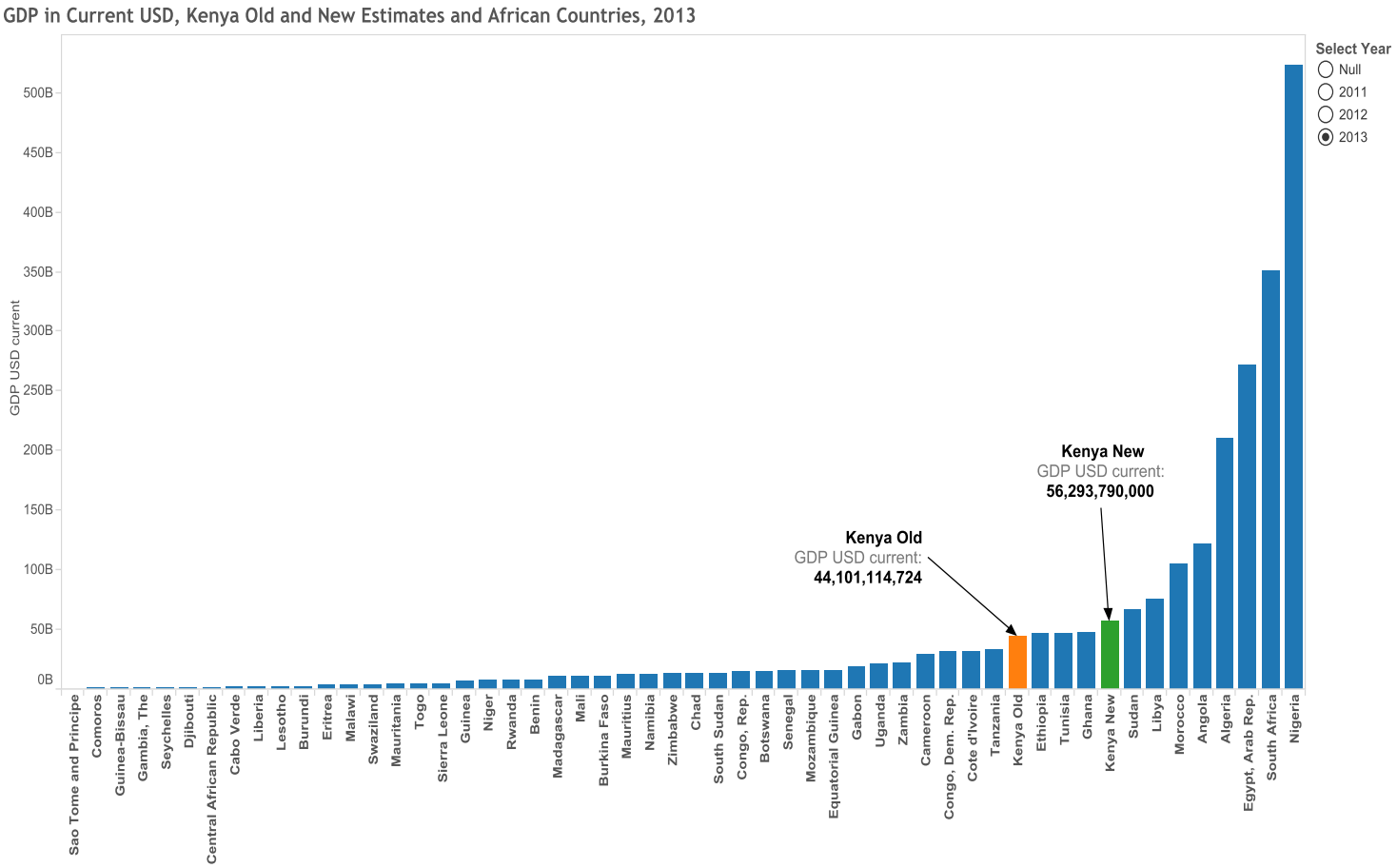
Q28. What will Kenya's international ranking become in terms of Nominal GDP and GDP per capita?

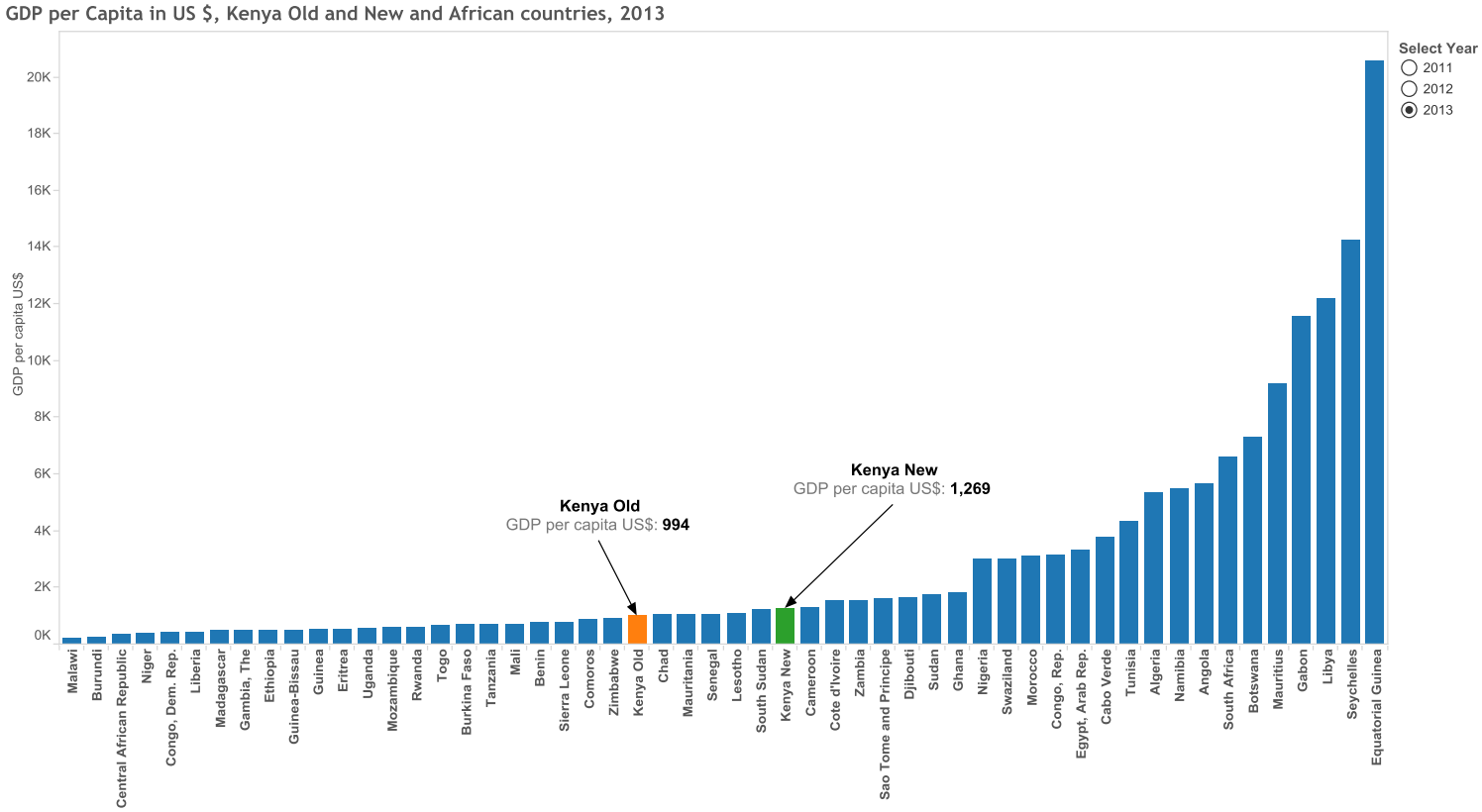


GDP per Capita in US $, Kenya Old and New and all countries, 2013



Q29. Given the rebased nominal estimates, how does Kenya Rank relative to other countries in its new economic bracket?




GDP per Capita in US $, Kenya Old and New and African countries, 2013
Select Year
2011
2012
2013
GDP per capita US$
20K
18K
16K
14K
12K
10K
8K
6K
4K
2K
0K
Kenya Old
GDP per capita US$: 994
Kenya New
GDP per capita US$: 1,269
Malawi
Burundi
Central African Republic
Niger
Congo, Dem. Rep.
Liberia
Madagascar
Gambia, The
Ethiopia
Guinea-Bissau
Guinea
Eritrea
Uganda
Mozambique
Rwanda
Togo
Burkina Faso
Tanzania
Mali
Benin
Sierra Leone
Comoros
Zimbabwe
Kenya Old
Chad
Mauritania
Senegal
Lesotho
South Sudan
Kenya New
Cameroon
Cote d'Ivoire
Zambia
Sao Tome and Principe
Djibouti
Sudan
Ghana
Nigeria
Swaziland
Morocco
Congo, Rep.
Egypt, Arab Rep.
Cabo Verde
Tunisia
Algeria
Namibia
Angola
South Africa
Botswana
Mauritius
Gabon
Libya
Seychelles
Equatorial Guinea

Q30. Does the rebasing of the GDP mean more Foreign Direct Investment?

Answer:

Foreign Direct Investment (FDI) is dependent on investors' perceptions on the performance of the economy. The rebased GDP estimates provides a better picture of the economy as it gives new information about the size, structure, composition and growth opportunities. This is likely to result to increased investor confidence which may result in higher FDI inflows.

Q31. What is the implication of the rebasing on County Governments?

Answer:

Currently, the Kenya National Bureau of Statistics computes the GDP estimates at the national level. It is therefore anticipated that policies developed based on the rebased GDP estimates will have developmental effects at the County level. However, KNBS will in future generate county specific estimates based on availability of data and resources.

E. STAKEHOLDER INVOLVEMENT IN THE REBASING EXERCISE

Q32. What agency is responsible for the rebasing exercise?

Answer:

Kenya National Bureau of Statistics (KNBS) is responsible for compiling official statistics for the country. It is therefore responsible for compiling GDP estimates.

Q33. What were the data sources for the exercise?

Answer:

KNBS obtained data from various sources. These included the censuses and surveys conducted by the Bureau and/or in collaboration with other stakeholders. These targeted both households and establishments. In addition, data from various Government Ministries, Departments and Agencies (MDAs) were used.

The detailed data sources were:

- 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 FAO

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;
- Employment and earnings statistics;
- Monetary and Financial Statistics and;
- Other relevant administrative records from various Ministries.

Q34. Which key stakeholders were involved in the exercise?

Answer:

Various experts participated in peer-reviewing and validating the methodologies used in the rebasing of the National accounts. These include experts from; Kenya's

Macro Working Group, the International Monetary Fund (IMF), the World Bank, African Development Bank (AfDB).

Q35. To what extent were the stakeholders in statistical production involved in the rebasing exercise?

Answer:

The process of rebasing Kenya's national accounts has been consultative all through from the inception stages. The process is highly technical and therefore the KNBS worked closely with international experts from International Monetary Fund African Development Bank, World Bank, and other National Statistical Offices. National accounts experts from National Statistics offices from Ghana, Zambia and The Gambia were also engaged in the validation of data process.

Q36. What is the implication of the rebased GDP estimates for the realization of the Vision 2030?

Answer:

The aim of the Vision 2030 long term development blue print is to transform the Kenyan into an industrialized middle income status by the year 2030. The rebased GDP estimates show that Kenya is a lower middle income country based on the internationally known thresholds. The policy makers will make of use the new estimates to formulate policies that will ensure that Kenya remains on course to realize the vision 2030.

Q37. How can the new numbers be used to support economic planning in Kenya?

Answer:

The new numbers therefore enable the planners to understand the nature and dynamics of structural changes occurring within the economy and thereby

facilitate the formulation of appropriate economic policies and sector strategies to achieve desired development objectives.

Q38. When are we going to rebase our GDP numbers again?

Answer:

The revision of National Accounts Statistics (NAS) is done preferably after every five years to generate estimates that are accurate to the extent possible in reflecting economic realities. Since the new base year is being set as 2009, it would be expected that a new base year would be required by 2014. However, the partner states in the East African Community have agreed to have a common base year of 2015 by 2017.

Key activities lined up to inform the revision will include:

- Expanding the scope of NAS; QGDP expenditure, Institutional sector accounts, Gross Fixed Capital Formation (GFCF) by activity, further disaggregation of consumption
- Coverage of the informal and illegal activities
- improving the quality of agriculture statistics
- Expanding Producer Price Index coverage
- Undertake Kenya Integrated Household budget Survey

Q39. Where can I obtain detailed information on the new rebased GDP?

Answer:

The relevant documents will be uploaded on the website (www.knbs.or.ke)or may be obtained from KNBS offices. A document detailing the methods and sources used in compiling the new numbers is also available.