

# Kenya Business Forecast Report Q2 2011

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## Abstracts

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### Consumption, Finance And Infrastructure Hold The Keys For Kenya

Kenya shares many of the same challenges and opportunities with its Sub-Saharan African peers. It possesses a large (and growing), young and increasingly wealthy population meaning that consumer focussed industries such as pharmaceuticals, telecoms and food and drink will offer significant potential over the coming years. Kenya has the added advantage of being the economic hub of the Africa's most advanced trade bloc, the East African Community (EAC), which will open the door to opportunities in fellow EAC members. However, national infrastructure is inadequate and financial services are relatively underdeveloped: both of these issues will need to be addressed in order to facilitate the robust economic development of which Kenya is undoubtedly capable. In this report, we look at all of these industries in more depth.

A stable political environment will be necessary for these industries to flourish. Recent developments have been positive, especially the muted public reaction to the International Criminal Court's publication of the names of six individuals it believes are responsible for post-election violence. The announcement of the suspects had been much anticipated as there were concerns that it would strain relations in the government formed after disputed elections. There were also worries that if one ethnic group was perceived to be singled out by the ICC, this would lead to violent popular demonstrations.

The Kenyan economy continues to move from strength to strength with the latest available growth data from the National Bureau of Statistics showing that GDP came in at 6.1% y-o-y in real terms in the third quarter of 2010. With the political climate showing ongoing signs of improvement, boding well for investor sentiment, and the

macroeconomic climate looking favourable (low inflation, low interest rates and expansive fiscal policy), we believe the economy will continue to perform strongly. This being the case, we have revised up our growth forecasts to 6.0% for 2011 (from 5.4% previously) and 6.3% in 2012.

Much of this growth will come from gross fixed capital formation (GFCF ), with the government set to make significant investments in the country's infrastructure. The first half of calendar year 2011 will be the second half of the 2010/2011 budget, which made a significant allocation to the development of infrastructure. We believe the 2011/2012 budget, due to be announced in June, will be similarly infrastructure-focussed and this will have a positive impact on the country's business environment.

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