Press release

NCBA projects economy to grow by 5.8% in 2021

November 29th, 2021: Kenya's Gross Domestic Product (GDP) is projected to grow by 5.80% in 2021, says NCBA Regional Economic Outlook Report.
The growth forecast which is an upward revision to the bank's initial baseline estimate of 5.3% in May 2021 is supported by a better-than-expected evolution of the public health crisis that continues to support quicker softening of mobility restrictions.

NCBA projects GDP growth to remain above trend at 5.2% in 2022 driven by the continued release of earlier pent-up demand.
According to the report, trade, real estate, health care and financial services are all expected to revert to historical growth trends. Manufacturing could also emerge stronger as companies rebuild inventory in response to growing demand.

The sectors hardest hit by the pandemic such as accommodation, education, trade, and transport are projected to maintain above trend growth as the economy "normalizes". These sectors now contribute more to GDP after the rebasing of national accounts.

Disruptions to agriculture from the pandemic, NCBA notes, has been moderate although harsh weather could keep growth below the historical average.

Economic growth sensitivity to agriculture has waned after the recent rebasing of the economy. The sector now contributes about 23% to Gross Domestic Product (GDP), a marked decline from 33%, prior to rebasing. Sectors hardest hit by the pandemic notably services are leading the rebound driven by low base effects and upside from easing of containment measures.
Speaking during the NCBA Economic Forum, Group Managing Director, John Gachora said the economic recovery will tightly track the path of the pandemic into 2022.

"The transition to normalcy that began in late 2020 will continue as public and business anxiety over the virus wanes and stringent containment measures begin to diminish," said Mr. Gachora.
NCBA is however warning that growth could quickly slide back to the pre-crisis trend beleaguered by high input costs, rising energy prices and the steep tax landscape. A weak exchange rate, NCBA notes, could cause significant price pressures with negative implications for purchasing power of consumers, and therefore demand.

NCBA in its analysis does not expect the upcoming 2022 elections to adversely affect the economy unlike in previous years. The bank is optimistic that investments could increase immediately post-the election, offsetting any pre-election lull.

"Concerns over the uncertainty presented by the 2022 elections cannot be gainsaid. However, recent election cycles suggests that sentiment around elections and investments could be overdone. However, confidence in institutional maturity and the Judiciary's ability to resolve election disputes has risen in recent years, providing the much-needed respite. This is anchoring confidence ahead of the transition," noted Mr. Gachora.

NCBA expects credit markets to continue to suffer from lagged effects of interest rate capping and increased credit risk resulting from the pandemic.
Additionally, the proliferation of unregulated mobile lenders is expected to challenge the conduct of monetary policy, as the market moves from the formal intermediation channels.
NCBA expects the economic recovery to allow for steady reduction in the fiscal deficit, consistent with the fiscal consolidation program by the government.
Meanwhile, as the private sector finds its footing, the government is expected to scale back spending to reduce the deficit and stabilize debt.
Ongoing reforms at state owned Enterprises could also present further strain on the sovereign which may have to accommodate some more debt and or inject some funding to stabilize them.
Whereas the progress has been encouraging, NCBA warns risks could still stem from the treatment of public guaranteed debts as well as the overall discipline in the administration of public finances.
This comes at a time when NCBA released its quarter three financial results recording a profit before tax of KES 11.1 billion in its quarter three results ending September 30th 2021 which is a three-fold increase compared to KES 3.8 billion reported during a similar period last year.
NCBA Economic Forum was launched in January 2018 with the aim of bringing together the government and industry stakeholders for candid conversations meant to spark economic growth.

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About NCBA Group

NCBA Group is a full-service banking group providing a broad range of financial products and services to corporate, institutional, SME and consumer banking customers. The Group was created on October 1 2019 following approval by Central Bank of Kenya and The National Treasury of the merger of NIC Group PLC (NIC) and Commercial Bank of Africa Limited (CBA). NCBA Group operates a network of more than 100 branches in five countries including Kenya, Uganda, Tanzania, Rwanda and Ivory Coast. Serving over 50 million customers, the NCBA Group is the largest banking group in Africa by customer numbers. NCBA Bank Kenya PLC is Kenya's third largest Bank by assets. The Bank is set to play a key role in supporting Kenya's economic ambitions, specifically facilitating *implementation of the Government's Big Four Agenda which focuses on food security, affordable housing, manufacturing and universal healthcare. The Bank is a market leader in Corporate Banking, Asset Finance and Digital Banking.*

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