East African
SEARCH, EXPLORE, DISCOVER

The August 9 election will slow down Kenya's economic growth, analysts at ICEA-Lion Group said in their 2022 outlook report. Election years in the country have largely been characterised by higher debt levels, reduced revenues, the slowdown in business capital expenditure, postponement of regulatory decisions as well as decreased lending activity.

This trend is likely to continue in the period around the 2022 elections, with the decline likely to be exacerbated by base effects and the pandemic, this is according to ICEA.

Kenya's GDP growth in the years 2002, 2008, 2013 and 2017 declined to 0.2 per cent, 0.5 per cent, 3.8 per cent and 3.8 per cent respectively.

ICEA now suggests the economy— as measured by gross domestic product (GDP) — will likely grow five per cent in 2022.

Although it is a significant cut from last year's which is estimated at about eight percent, it will be the fastest in an election year since the last single-party presidential elections in 1988.

“The economy is heavily laden with debt because of the huge infrastructure spending over the last eight years; it is still reeling from the effect of the Covid-19 pandemic,” Senior Portfolio manager at ICEA Esther Muchai said.

She added that the cost of living is quite high due to both internal and external factors and corruption is rife.

ICEA says elections will affect Kenya's economic growth due to the anticipated slowdown in economic activity as businesses postpone investment decisions.

In previous election years, businesses put off pivotal decisions since the change of government could lead to changes in priorities.

Slow down in economic activity and election campaign spending also lead to a reduction in lending activity by banks.

In December, World Bank projected Kenya's economy to rebound to five per cent, one of the faster recoveries among Sub-Saharan African countries.

even so, elections curse to haunt Kenya’s economic growth this year’s election will be met by unique prevailing conditions which will to a large extent impact the macroeconomic environment.

Even though Kenya has enjoyed a stable environment for the past five years, the performance of the financial markets will be affected since they are largely driven by investor sentiment beyond elections.

ICEA noted that the economic effects of the Covid 19 pandemic, debt pile, food deficiency due to poor rainfall and high commodity prices will likely result in the inflation rate rising sharply.

In the previous general election, in 2017, the inflation rate shoot high due to the sharp increase in food prices as a result of the drought.

This year, the existing geopolitics continues to experience a ripple effect on the country’s cost of living.

Kenya is among many countries feeling the economic heat of escalating crisis in Ukraine following Russia’s invasion which has further disrupted the global supply chain.

When Russia invaded Ukraine on February 24, global crude oil prices soared to a near 14-year high of $140 per barrel, before easing.

The impact has caught up with Kenyan motorists, industries and households as petrol and diesel prices increased by Sh5 in last month’s review. A litre of petrol is now retailing at an average of Sh134.72 in Nairobi, while diesel is Sh115.60 at the pump.

Kerosene, used by low-income households for cooking and lighting, is now Sh105.54 a liter.

Even though trends show that Kenya has an impressive resilience due to the sharp rebound witnessed in the following periods after the election, ICEA says the next leader must strongly focus on transformation to enable the linkage of infrastructure investments to the overall sustainability.

In order to power the economy of the election trough, the next government must enact laws that will foster political stability and social peace to unlock growth in the industrial sector that will create employment, attract foreign investors and reduce reliance on imports.

SOURCE: AGENCIES

Share this: