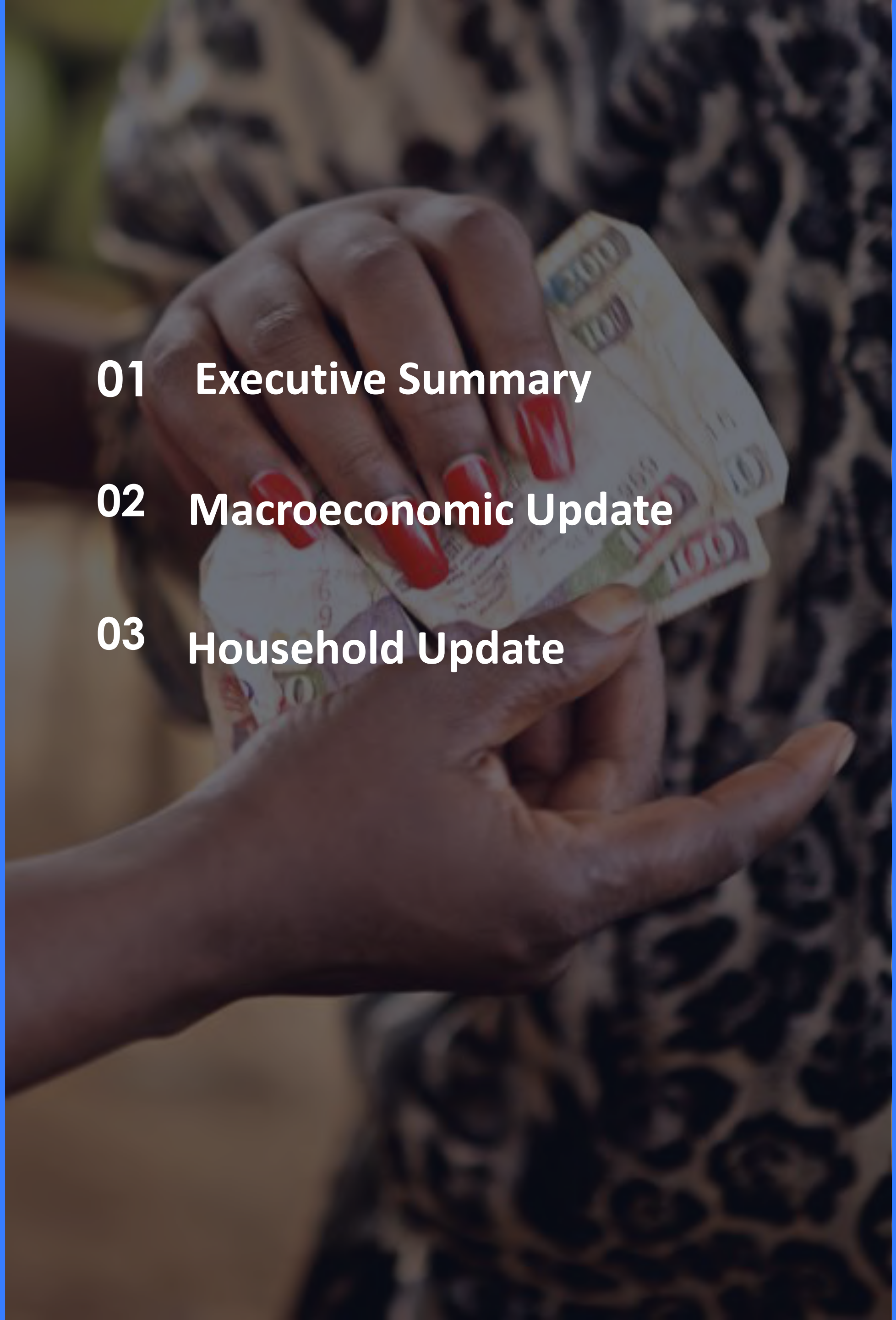
State of the Economy: Q2 and Q3 Data Brief

1

November 2021

FSD Kenya Creating value through inclusive finance

Contents



Executive Summary: Weakening macroeconomic resilience and deepening divergent recovery

- The COVID-19 pandemic led to an **economic contraction of -0.3% in Kenya** in 2020, the first in almost 20 years (since 2002). The contraction was more pronounced in the services sector, particularly hospitality and accommodation, education, transport and storage, and wholesale and retail trade.
- The services sector has been the biggest contributor to GDP growth since 2003 and approximately 84% of businesses in the country are in the sector. Thus, the disproportionate impact of COVID-19 on the sector has had broad impacts in term of income and job losses. A full rebound of the activities of the services sector will determine the pace of economic recovery.
- **COVID-19 has sharply increased poverty**, the pandemic pushed an estimated two million Kenyans into poverty in 2020, raising the poverty rate by four percentage points and created a 'new poor'.
- **The 'New Poor' are young, better educated and urban**, and are engaged in manufacturing and services. This signals that previously economically productive and financially independent young people may go back to relying on others for their upkeep and thus increase dependency ratios on already strained households.
- Yet, **household vulnerability is increasing**, with signs of increasing food insecurity, increased reliance on coping mechanisms to meet daily needs, increased assets sales and depleted savings. Further, median income was higher during the June 2020 lockdown than in May 2021, despite indications of recovery in earning opportunities.
- COVID-19 **brought total employment down to 17.4 million, down from 18.1 million** in 2019, with the informal sector, women and young people disproportionally affected by job loss. Informal sector employment contracted to 14.5 million jobs from15.05 million in 2019.

Executive Summary: Weakening macroeconomic resilience and deepening divergent recovery

- The pandemic **dampened most drivers of demand**: Private consumption, the usual driver of domestic demand in Kenya, accounting for roughly 3/4 of output growth in 2019, slowed markedly in 2020 as households reduced spending amid job and earning losses.
- The deceleration in private consumption was only partially off set by a higher contribution from government consumption, driven by increased spending to mitigate the impact of COVID-19.
- Yet, **government does not have the fiscal space to continue cushioning growth** through supplementing consumption due to fiscal stress. However, **private consumption will recover slowly** due to income reduction/loss, job loss, precautionary approaches to spending, a slowdown in the consumption of non-core items, all of which will dampen overall economic recovery.
- **Inflation has become a point of concern**, approaching the upper band of the target range increasing from 4.2% in September 2020 to 6.6% in August 2021.
- **Key bright spots are diaspora remittances and mobile money**: The total monthly value of remittances hit a new high in July 2021 of over USD336 million; in August 2021 the cumulative value of remittances was up 19% from the same month in 2020. Remittance growth is being driven mainly by increases from the USA and UK.
- **Mobile money performance remains strong**, particularly in business-to-business transfers suggesting increased use of digital financial services for transfers occasioned by the pandemic could be long-term.
- However, **fiscal weaknesses persist** defined by subdued revenue generation; elevated debt-related risks and debt stress; and under-expenditure coupled with poor quality spending.
- Going forward, economic recovery will be slow, anchored in deeper inequality and more economically fragile populations. The largest challenges will be how fast the **vaccination rollout** will be done, the **management of election related tensions** and the **speed of business recovery** (particularly the services sector) in the context of collapsed consumption.

Covid-19 Vaccination Rates in Kenya

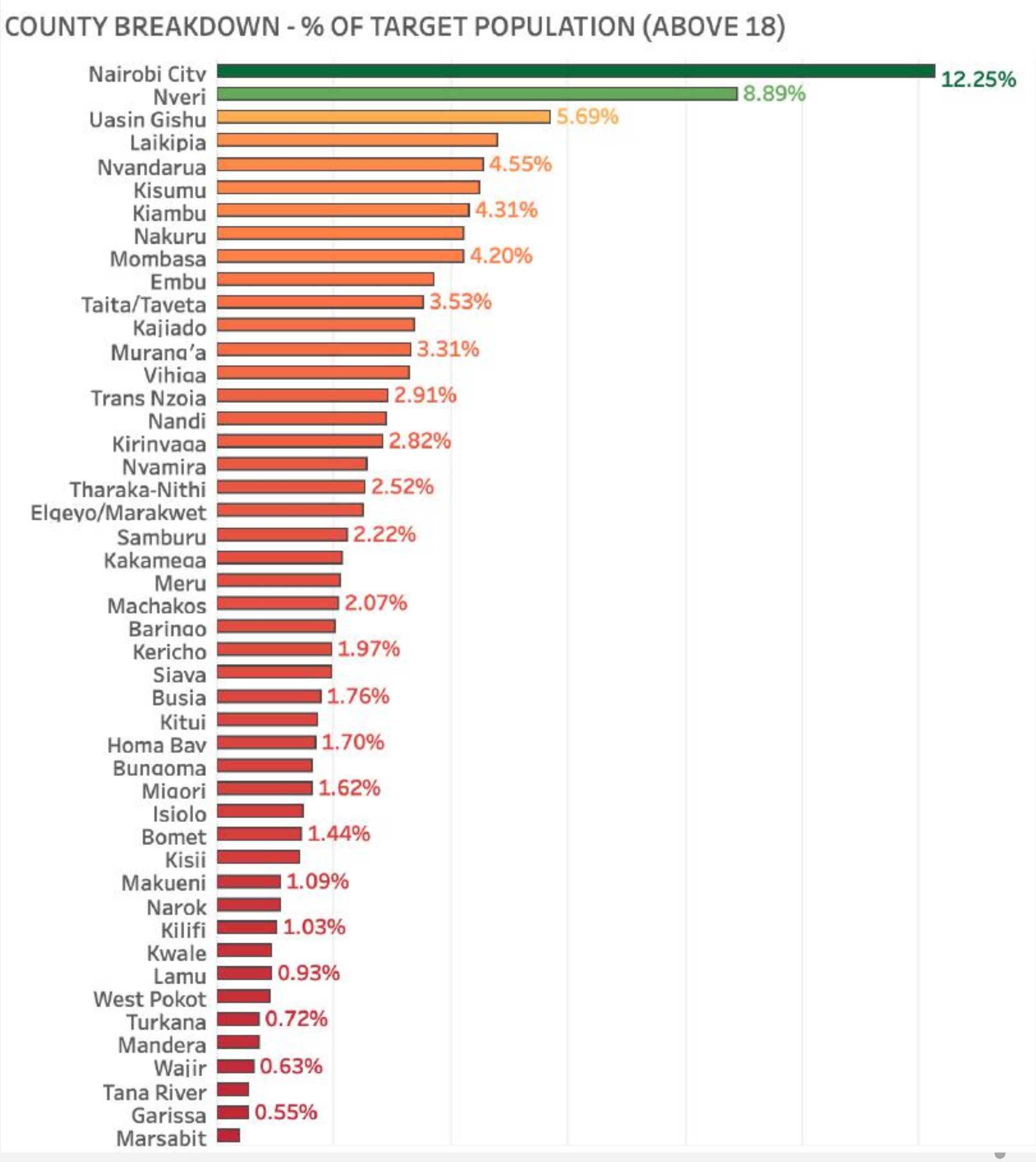
As of October 7, 2021:

- **Nationally 3.74%** of the target population (over 18) have been fully vaccinated
- Distribution of vaccines is uneven.
    - **Nairobi** has the highest % fully vaccinated **ta**rget population at **12%**
    - In **Marsabit** the lowest % of fully vaccinated is **0.4%**

Google location Data from September shows that the number of visits and time spent from the pre-COVID baseline is as follows:

- **Workplaces** was up 18%
- **Retail and recreation** locations was up 37%
- **Transit stations** was up 51%

This suggests that Kenyans, at least those with smartphones, are returning to workplaces and shops.



Macroeconomic Highlights

- Global Snapshot
- Africa Snapshot
- East Africa Snapshot
- Kenya GDP Growth and Outlook
- Job loss and Poverty
- Spotlight on Youth and Children
- Inflation
- Fiscal Highlights
- Key macroeconomic tensions to manage

Global Snapshot: Divergent recovery continues

- The global growth projection for 2021 is 5.9% and 4.9% for 2022- a downgrade from IMF's July forecast.
- The **outlook for low-income countries has darkened considerably** due to worsening pandemic dynamics; and there are more difficult near-term prospects for the advanced economy group, in part due to supply disruptions.
- The **dangerous divergence in economic prospects** across countries remains a major concern: Aggregate output for the advanced economy group is expected to regain its pre-pandemic trend path in 2022 and exceed it by 0.9% in 2024.
- By contrast, aggregate output for the emerging market and developing economy group (excluding China) is expected to **remain 5.5% below the pre-pandemic forecast in 2024,** resulting in a larger setback to improvements in their living standards.
- Divergence is informed by large disparities in vaccine access and in policy support; differences in debt stress; and the partial withdrawal of macroeconomic support in low-income countries.

Overview of the *World Economic Outlook* Projections

(real GDP, annual percent change)	2020	PROJECTIONS 2021	PROJECTIONS 2022
World Output	**-3.1**	**5.9**	**4.9**
Advanced Economies	**-4.5**	**5.2**	**4.5**
United States	-3.4	6.0	5.2
Euro Area	-6.3	5.0	4.3
Germany	-4.6	3.1	4.6
France	-8.0	6.3	3.9
Italy	-8.9	5.8	4.2
Spain	-10.8	5.7	6.4
Japan	-4.6	2.4	3.2
United Kingdom	-9.8	6.8	5.0
Canada	-5.3	5.7	4.9
Other Advanced Economies	-1.9	4.6	3.7
Emerging Market and Developing Economies	**-2.1**	**6.4**	**5.1**
Emerging and Developing Asia	-0.8	7.2	6.3
China	2.3	8.0	5.6
India	-7.3	9.5	8.5
ASEAN-5	-3.4	2.9	5.8
Emerging and Developing Europe	-2.0	6.0	3.6
Russia	-3.0	4.7	2.9
Latin America and the Caribbean	-7.0	6.3	3.0
Brazil	-4.1	5.2	1.5
Mexico	-8.3	6.2	4.0
Middle East and Central Asia	-2.8	4.1	4.1
Saudi Arabia	-4.1	2.8	4.8
Sub-Saharan Africa	-1.7	3.7	3.8
Nigeria	-1.8	2.6	2.7
South Africa	-6.4	5.0	2.2
Memorandum			
Emerging Market and Middle-Income Economies	-2.3	6.7	5.1
Low-Income Developing Countries	0.1	3.0	5.3

Source: IMF

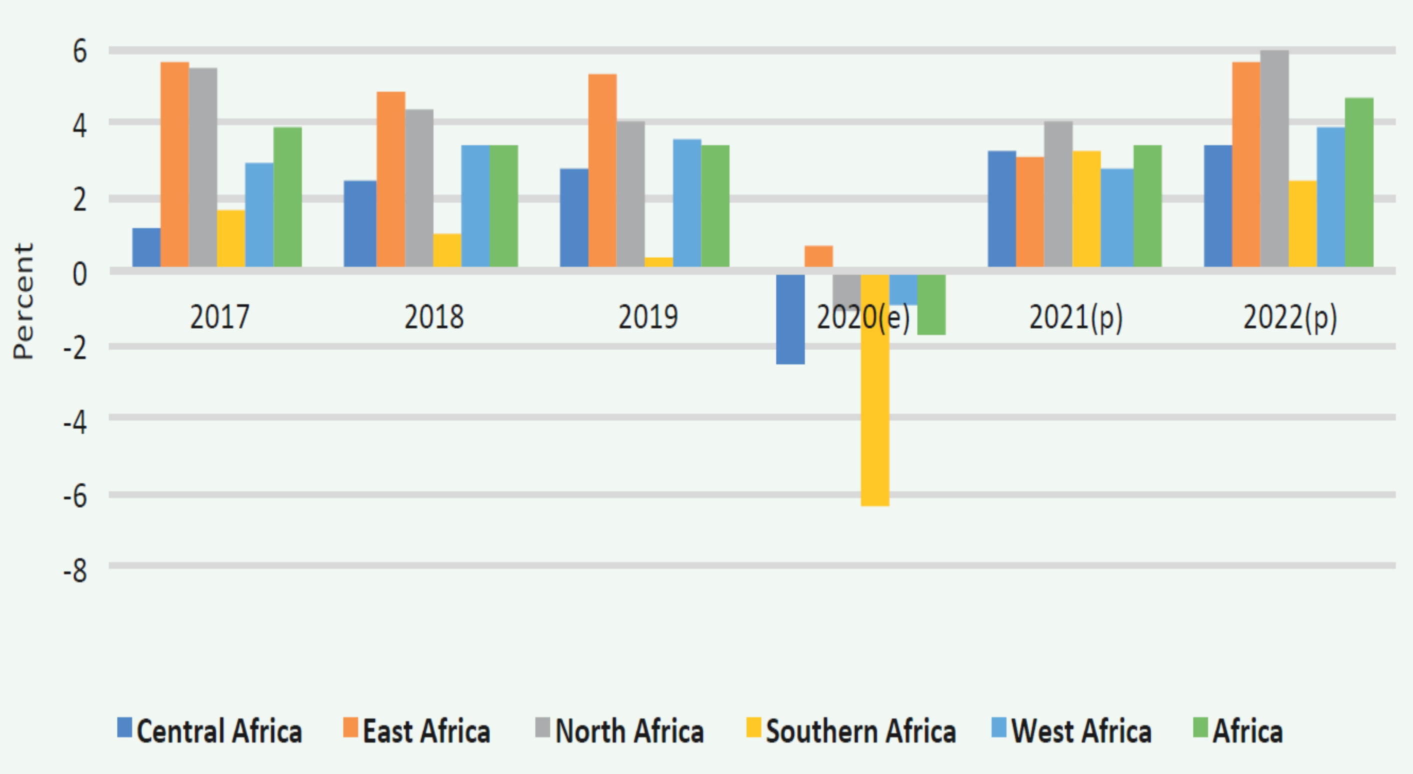
Global Snapshot: Divergent recovery continues

- **Food prices have increased the most in low-income countries** where food insecurity is most acute, adding to the burdens of poorer households and raising the risk of social unrest.
- Rising inflation reflects pandemic-related supply-demand mismatches and higher commodity prices compared to their low base from a year ago; price pressures are expected to subside in 2022 but in some emerging market and developing economies, **price pressures are expected to persist because of elevated food prices, lagged effects of higher oil prices, and exchange rate depreciation** lifting the prices of imported goods.
- A double hit to emerging market and developing economies from worsening pandemic dynamics and tighter external financial conditions would severely set back their recovery and drag global growth.
- IMF analysis indicates that low-income **developing countries will require close to $200 billion in spending to combat the pandemic and $250 billion to regain the convergence paths** they were on prior to the pandemic.
- Labour market prospects for low-skilled workers and youth continue to be relatively bleak compared to other demographic groups, pointing to increasing inequality and higher vulnerability to incomes falling below extreme poverty thresholds within countries in this group.
- About **65–75 million additional people are estimated to be in extreme poverty in 2021** compared to pre-pandemic projections.
- The dual shock of rising food prices and falling incomes will exacerbate inequality especially in low-income countries where food makes up about 40% of the consumption basket (people in sub-Saharan Africa with consumption below $2.97 a day spend **about 58% of their income on food**).

Africa Snapshot: Divergent impact and recovery prospects

- The continent **went into a recession in 2020**, with real GDP growth contracting -1.8% down from 3.3% in 2019, mainly due to disruptions in global supply networks, falling revenues, and increased social spending to mitigate the impacts of COVID-19.
- Southern Africa, went into a deep recession mainly due to spillovers from South Africa, which was severely affected by the pandemic and instituted long lockdowns, weakening its growth to -7% in 2020 (down from 0.2% 2019).
- Africa's oil-importing countries experienced a steeper recession of -2.5% in 2020 compared with oil-exporting countries' -1.2%; **rising oil prices helped oil exporters** recover some revenues lost in services.
- Tourism-dependent countries experienced a contraction of –11.5% in 2020 as travel restrictions took a toll across the continent, with Mauritius (–15%), Seychelles (-12%), and Cabo Verde (–8.9%) experiencing the sharpest declines.

GDP growth in Africa and its regions, 2017–22



Source: AfDB, 2021

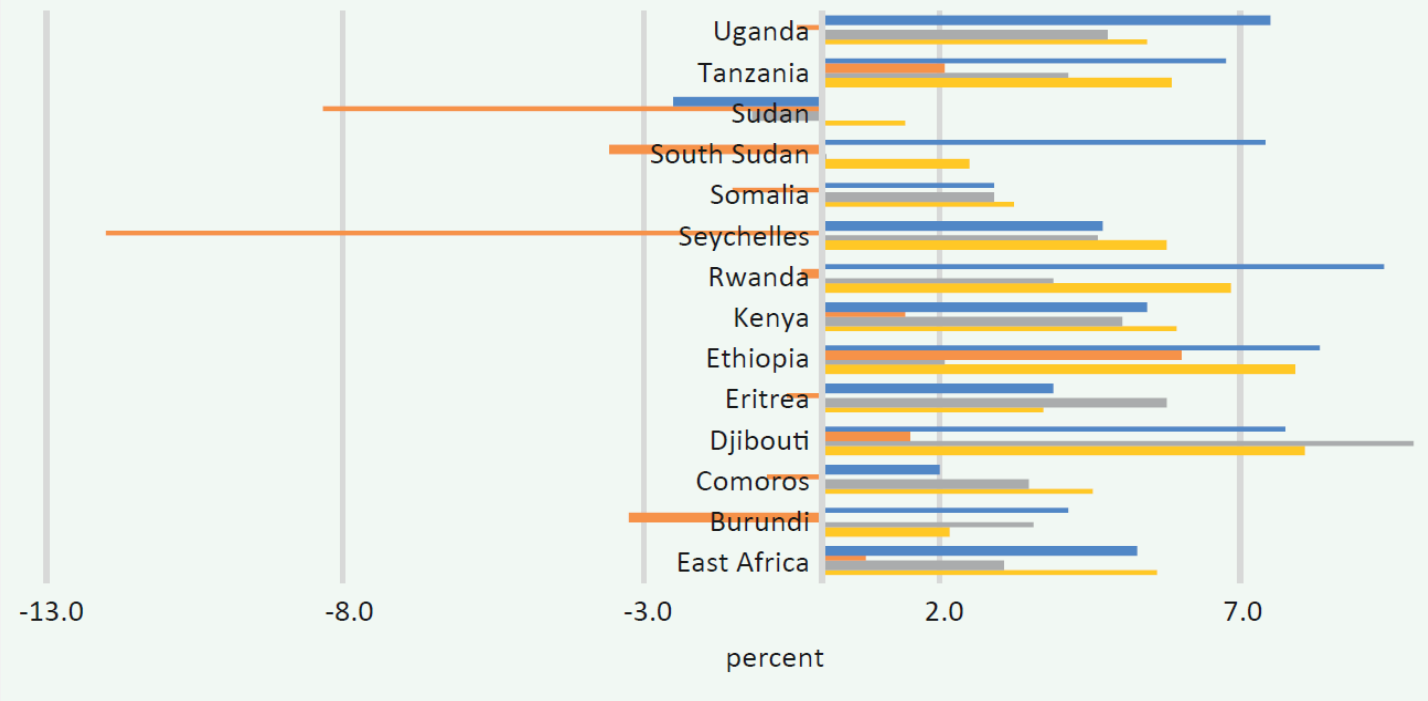
Africa Snapshot: COVID-19 Impact on SMEs

- Africa's economy (SSA) is projected to grow at a rate of 3.7% in 2021, from the -1.7% contraction recorded in 2020 but worsening pandemic developments in SSA are expected to weigh on the region's recovery where food prices have increased significantly amid shortages; currency depreciation which has lifted prices of imported goods, further adding to overall inflation; and rising internal tensions and conflicts.
- The COVID-19 pandemic has had a disparate impact on SME-dominant sectors, specifically in tourism, trade, and services. SMEs current **capacity utilization rates** range between 40% and 50%.
- AfDB estimates that 25 to 30 million jobs in Africa could be lost as a fallout of the pandemic
- **Financing Gap:** The pandemic is also likely to increase the previously estimated **USD 421 billion financing gap for SMEs** in Africa given the intensified demand for liquidity support due to limited cash reserves of SMEs.
- In SSA, it is estimated that more than 60% of MSMEs need a loan and can't access one, as opposed to less than 40% in Latin America and 20% in North America and Europe.
- In Kenya, MSMEs constitute over 90% of private sector, yet in 2020 the proportion of the MSME loan portfolio to the total banking sector loan book stood at **20.9%**.
- Highlight of AfDB Recommendations:
  - Direct support and procurement from Government
  - Wage and income support measures including cash transfers
  - Moratorium on debt payments by SMEs
  - Tax relief and lowering transaction costs(i.e. on mobile money)
  - Fostering the adoption of digital technologies

East Africa Snapshot: Resilience to Covid-19 but slower recovery

- East Africa is the **only region in Africa that avoided a recession in 2020**, due to better performance in agriculture, sustained public spending on large infrastructure projects, and increased regional economic integration.
- **Political fragility** in some countries and limited economic diversification in others were major impediments to growth.
- **East Africa's GDP growth is projected to recover to 3% in 2021** from 0.7% in 2020, supported by the global economic recovery. However, the slow rollout of COVID-19 vaccines and risks of spikes in infections could dampen that outlook.
- COVID-19 has had **diverse impacts across the region;** countries highly dependent on tourism (like Seychelles) have been hit hardest. Countries that are more diversified (like Kenya) have experienced fewer adverse impacts. Commodity exporters (like Tanzania) have been slightly more resilient due to rising prices for commodities, particularly gold.

GDP growth in East Africa by country, 2019–22 (Percent)



Source: AfDB, 2021

East Africa will **cede its position as Africa's leader on growth to North, Central, and Southern Africa in 2021 and to North Africa in 2022** due to the strong recoveries expected in those regions, supported by rising oil prices and rebounds in tourism arrivals in tourism-dependent countries

East Africa Snapshot: Fiscal and monetary policy dynamics

- East Africa's fiscal deficits widened in 2020 as a result of increased public spending in response to COVID-19 amid falling domestic revenues, as domestic containment measures and disruptions in global supply chains took a toll on the region's economies; yet **fiscal deficits were lower than in other regions** of the continent (except Central Africa).
- **Public debt in East Africa rose from 40% of GDP in 2011 to 73% of GDP in 2020;** the spike in 2020 was amid substantial nominal exchange rate depreciation in economies with large foreign currency debt, reduced commodity revenue inflows, and borrowing to finance emergency public spending due to Covid-19.
- Among all regions in Africa, **East Africa had the highest prevalence of countries in external or public debt distress** (Eritrea, Somalia, Sudan) or at high risk of it (Burundi, Djibouti, Ethiopia, **Kenya**, South Sudan)
- East African countries' **external public debt has become more market –based and less concessional**, with the grant element of new external commitments reduced by almost half over the past two decades.
- This change **increases rollover risks** as reduced foreign currency reserves, high interest expenditures relative to revenues, and limited access to refinancing in international markets exacerbate debt vulnerabilities.
- Declining growth, deteriorating primary deficits, rising bond yields, and depreciating currencies affected countries in East Africa more than in other African regions due to **already high existing stock of accumulated public debt and risks of debt distress**.
- Many East African economies have already required **emergency external financing** from multilateral lenders, as well as short-run debt relief; of the 13 East African economies, 9 received emergency IMF financing in the form of Rapid Credit Facility or Rapid Financial Instrument disbursements and 6 received immediate grants for debt relief under its Catastrophe Containment and Relief Trust.
- **Monetary policy in the region was accommodative** to support the economic recovery and inflation remained stable and in single digits in 10 of the region's 13 countries—reflecting moderating food inflation and lower energy inflation.

East Africa Snapshot: Poverty trends

- COVID-19 **could hold back progress on reducing poverty in East Africa**. The pandemic has had sharper impacts on the poor, with the number of people falling below the poverty line projected to increase.
- COVID-related shocks increased poverty in the region with **the share of people living in extreme poverty rising to 35% in 2021**, or 134.3 million people.
- Bear in mind, before the pandemic, **East African countries were already slow in their progress** of achieving the Sustainable Development Goals target of lowering extreme poverty to less than 3% percent of the population by 2030 despite the robust decadelong growth in the region.
- The increase in poverty in 2019–21 was **exacerbated by floods and an invasion of desert locusts** in the Horn of Africa.
- Generally, poverty persistence in East Africa is perpetuated by, among other things, **lack of economic diversification and competitiveness, low productivity, weak economic governance, and pockets of fragility**

Estimated impacts of COVID-19 on poverty in East Africa by country, 2019–21

Country	% of population living in extreme poverty, 2019	% of population living in extreme poverty, 2021	Poverty trend, 2019-21 (% of population)	Poverty trend, 2019-21 (number of people)	Poverty relative to Sustainable Development Goal target
Burundi	78	80	Rising	Rising	Rising
Comoros	21	22	Rising	Rising	Off track
Djibouti	14	13	Falling	Constant	Off track
Eritrea	72	71	Falling	Rising	Rising
Ethiopia	22	23	Rising	Rising	Off track
Kenya	16	16	Constant	Rising	Off track
Rwanda	47	45	Falling	Rising	Off track
Seychelles	0	0	N/A	N/A	Achieved
Somalia	58	61	Rising	Rising	Rising
South Sudan	83	85	Rising	Rising	Rising
Sudan	16	22	Rising	Rising	Rising
Tanzania	45	45	Constant	Rising	Off track
Uganda	37	38	Rising	Rising	Off track
East Africa	33	35	Rising	Rising	Off track

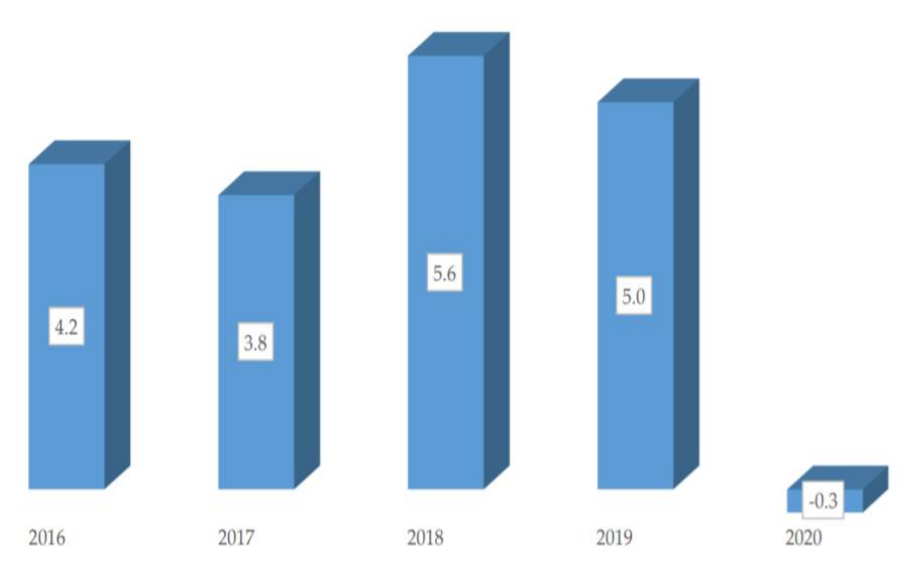
Source: AfDB, 2021

COVID-19 caused 12.3 million people in the region or 3.4% of the 2019 population, to fall into extreme poverty.

Kenya: GDP Growth 2020

- Real GDP **contracted by -0.3%** in 2020 compared to a growth of 5.0% in 2019.
- The contraction was spread across the economy but more pronounced in accommodation & food serving activities, education, transport and storage, whole and retail trade, education, and professional & administrative service activities.
- Accommodation and Food Services suffered significantly more than any other sector dropping by 48% year on year. This was followed by a 24% drop in Other Service Activities.
- In **value** terms, Transport and Storage suffered the biggest year on year drop of over KShs 70 billion; taxes on Products suffered the second highest year on year loss of over KShs 61 billion followed by Accommodation and Food Services and Education.
- The economy was supported by accelerated growths in agricultural production (4.8%), construction activities (11.8%), financial and insurance activities (5.6%) and health services activities (6.7%).
- In **value** terms In value terms, growth was driven mainly by Agriculture and Construction which grew year on year by KShs 78 and 55 billion respectively.

GDP Growth rates 2016-2020 (%)



Source: KNBS

Buoyant remittance inflows, government support measures, favorable agricultural harvests, and a rebound in economic activities (from Q3 2020) buffered the intensity of the economic contraction in 2020.

Kenya: GDP Outlook

- The economy is projected to grow at an **average of 5.3%** in 2021.
- The AfDB anticipates Kenya to be a top performer on growth in 2021 based on the assumption that **economic activity resumes and the economy fully reopens**, backed by strong inflows of remittances and implementation of the economic stimulus program and the post-COVID-19 economic recovery strategy
- The National Treasury expects growth to be driven by a stable macroeconomic environment, improved domestic consumption and improved external demand as global vaccination expands.
- But to some extent this **growth is due to a base effect given the 2020 dip in growth** and does not necessarily reflect a significant increase in economic activity; the challenge will be how to sustain this growth especially as the **country enters an electioneering period** which has historically been a dampening factor on growth.
- Thus, 2021 growth is likely to be more **'statistical' than 'real' growth** and is unlikely to be reflected in improved living standards for Kenyans/growth in household incomes.
- **A full rebound of the services sector will determine the pace of economic recovery** has been the biggest contributor to GDP growth since 2003; yet **the services sector has been among the most deeply affected** by COVID-19 especially in terms of income and job losses.
- Further, **heightened election uncertainty** tends to limit investor confidence, and this may further dampen economic activity.

Updated GDP projections

Organization	2021 Projections
IMF	7.6%
National Treasury	6.2%
AfDB	5.0%
World Bank	4.5%
S&P Global	4.4%
Cytonn Investments Management PLC	4.0%
Average	**5.3%**

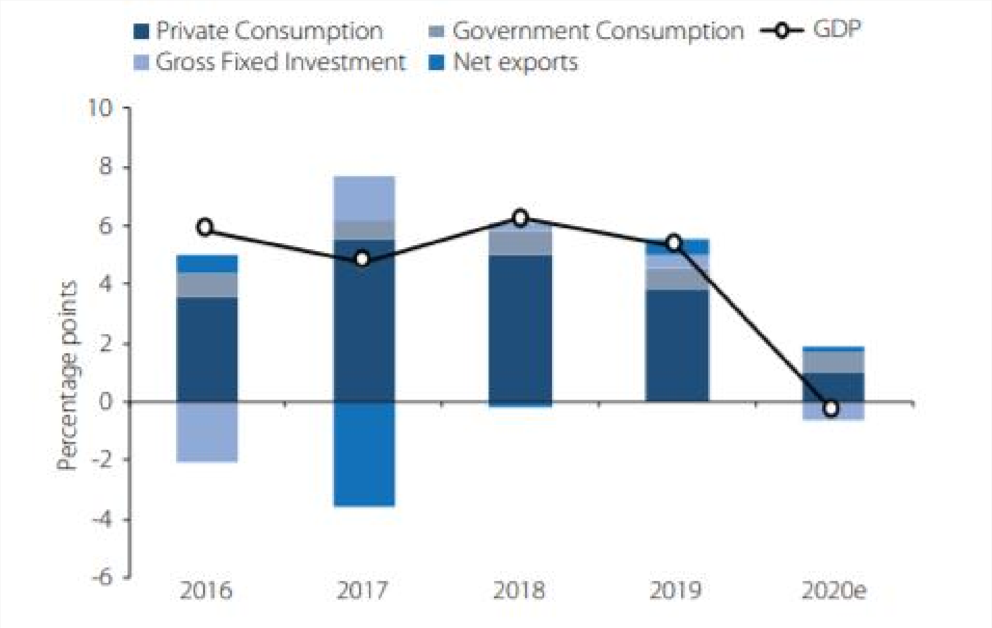
Source: Cytonn, 2021

The services sector contributes:
- **42.2% to GDP growth**
- **39- 42% of total employment (2019)**
- **Approximately 84% of businesses in the country are in the sector**

Collapse in Consumption

- The pandemic **dampened most drivers of demand**.
- Private consumption, the usual driver of domestic demand in Kenya, accounting for roughly 3/4 of output growth in 2019, slowed markedly in 2020 as households **reduced spending amid job and earning losses.**
- Buoyant remittance inflows, government support measures, favorable agricultural harvests, and a rebound in economic activities (from Q3 2020) cushioned the drop in disposable incomes, averting a strong contraction in private consumption.
- The **deceleration in private consumption** was only partially offset by a higher contribution from government consumption, driven by increased spending to mitigate the impact of COVID-19.
- **Government does not have the fiscal space to continue cushioning growth** through supplementing consumption due to fiscal stress.
- Private consumption, a key engine of growth, will recover very slowly due to income reduction/loss, job loss and precautionary approaches to spending, slow down consumption particularly of non-core items; this will dampen overall economic recovery.

Sources of Growth in Kenya



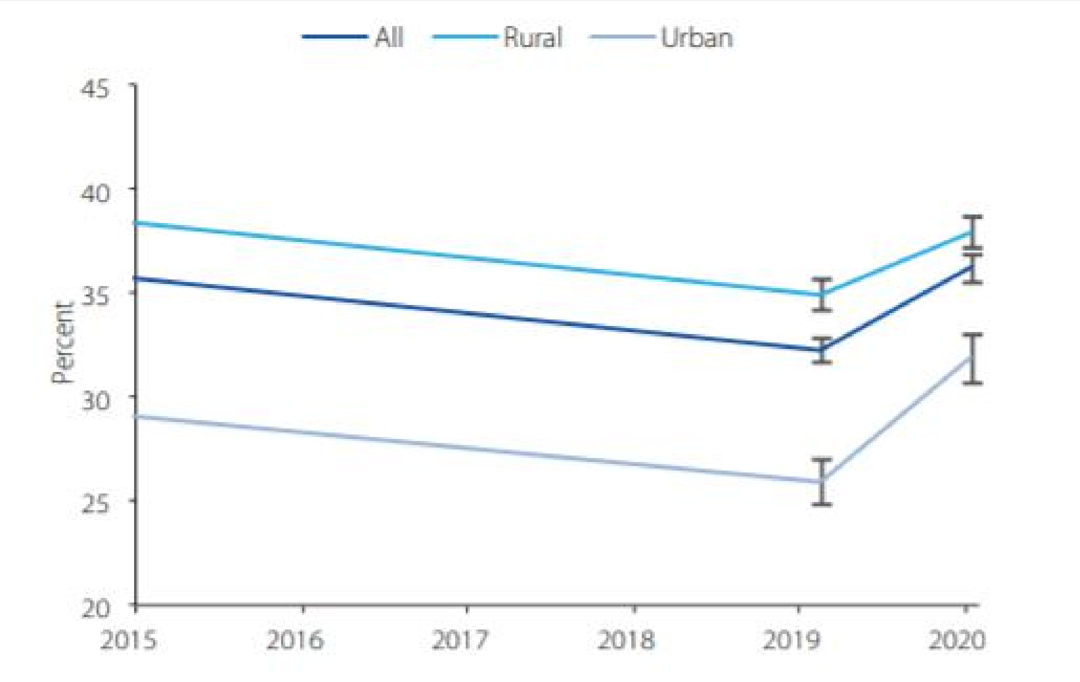
Source: World Bank, 2021

Given the likelihood of continued under-performance of the services sector consumer spending is likely to remain subdued due to eroded household incomes.

Poverty and the 'New Poor': Young, urban and educated

- COVID-19 has sharply increased poverty; the pandemic pushed an estimated two million Kenyans into poverty in 2020, raising the poverty rate by four percentage points and crating a 'new poor'.
- **New Poor:** Are **young, better educated and urban**
  - The existing poor are predominantly rural, working in agriculture and have low or no educational attainment.
  - The new poor often live in urban areas, are engaged in manufacturing and services, have higher levels of education, and are younger.
  - This may lead to **increased dependency ratios** in households as previously economically active and financially independent young people go back to relying on others for their upkeep.
- Part of the increase in poverty is likely to be transitory, but some households may be left behind and left fragile which will **deepen divergent recovery**.

Poverty increased sharply in 2020 due to the pandemic



Source: World Bank

Job Loss and Unemployment in 2020: Women most affected

- **Job loss**: In 2020, total employment stood at **17.4 million, down from 18.1 million** in 2019.
- Wage employment in the **private sector declined by 10%**
- Informal sector employment contracted to 14.5 million jobs from15.05 million in 2019.

Waged Employment

- **10% decrease** in women employed in **any kind** of waged work
- **4% decrease** in men employed in any kind of waged work

Formal Employment

- **6% decrease** in women regularly employed in waged work
- **8% increase** in men regularly employed in waged work

Casual Employment

- **27% decrease** in women casually employed in waged work
- **40% decrease** in men casually employed in waged work

- **Education Sector:** 6% drop in those employed in education; **female employment dropped by 13%** compared to 0.5% for males.
  This could indicate female teachers moving out of the sector during the pandemic; some may have set up businesses which could pose a challenge if they do not return to teaching when the sector stabilises.
- **Trade Sector: 11% drop** in women employed in wholesale and retail trade, compared to a 4.9% drop for men.
  Women's assets were the first to be liquidated during the economic shock caused by Covid-19; this could indicate assets and capital being wiped out in small, female owned, retail businesses.
- **Health and Social Work: 7.5% drop in women** working in the sector compared to a drop of 2.5% for men.
  The sector is dominated by female workers and also saw one of the **highest drops in average wage earnings** for any sector at 8.5% in the private sector and 10.9% in the public sector.
- **Professional, scientific and technical activities:** Overall, a 10% decline: **27% decline** for women vs 1.5% decline for men.

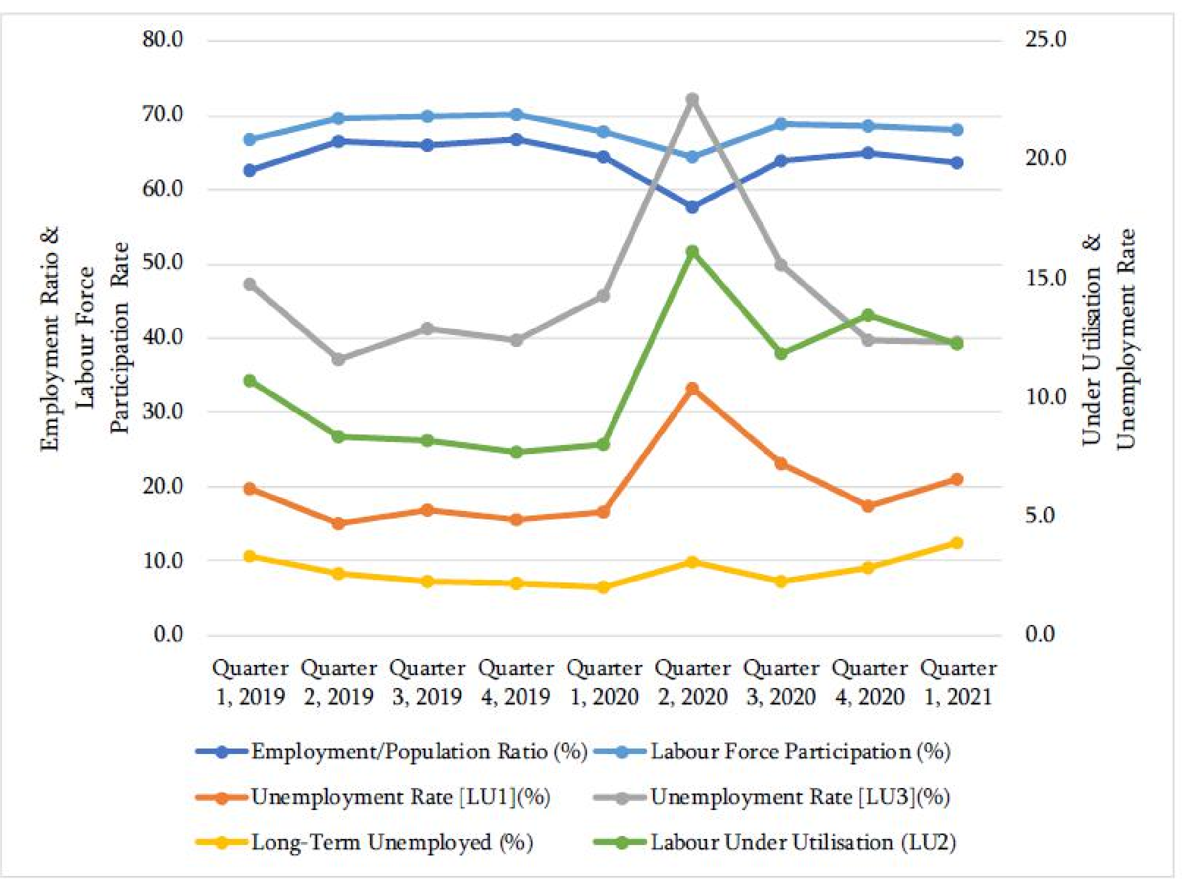
Unemployment trends into 2021

- **Unemployment Rate** (defined as not working, seeking work in the last four weeks and available to work)
  - **6.6% in the Q1 2021**, compared to 5.2% in the Q1 2020 and 5.4% in Q4 2020.

- **Unemployment and Time Related Under-employment** (defined as employed persons willing and available to increase their working time but worked fewer hours)
  - Time-related underemployment and unemployment decreased from 13.5% Q4 2020 to 12.3% in Q1 2021.

- **Long Term Unemployment Rate** (defined as persons unemployed for 1 year or longer as a percentage of the labour force)
  - **The long-term unemployment rate was 3.9% in Q1 2021**, an increase from the 2.8% in Q4 2020
  - The **youth aged 20 - 24 continued to have the highest rate of long-term unemployment** which stood at 13.5 per cent.

Quarterly Trends of Selected Key Indicators of the Labour Market



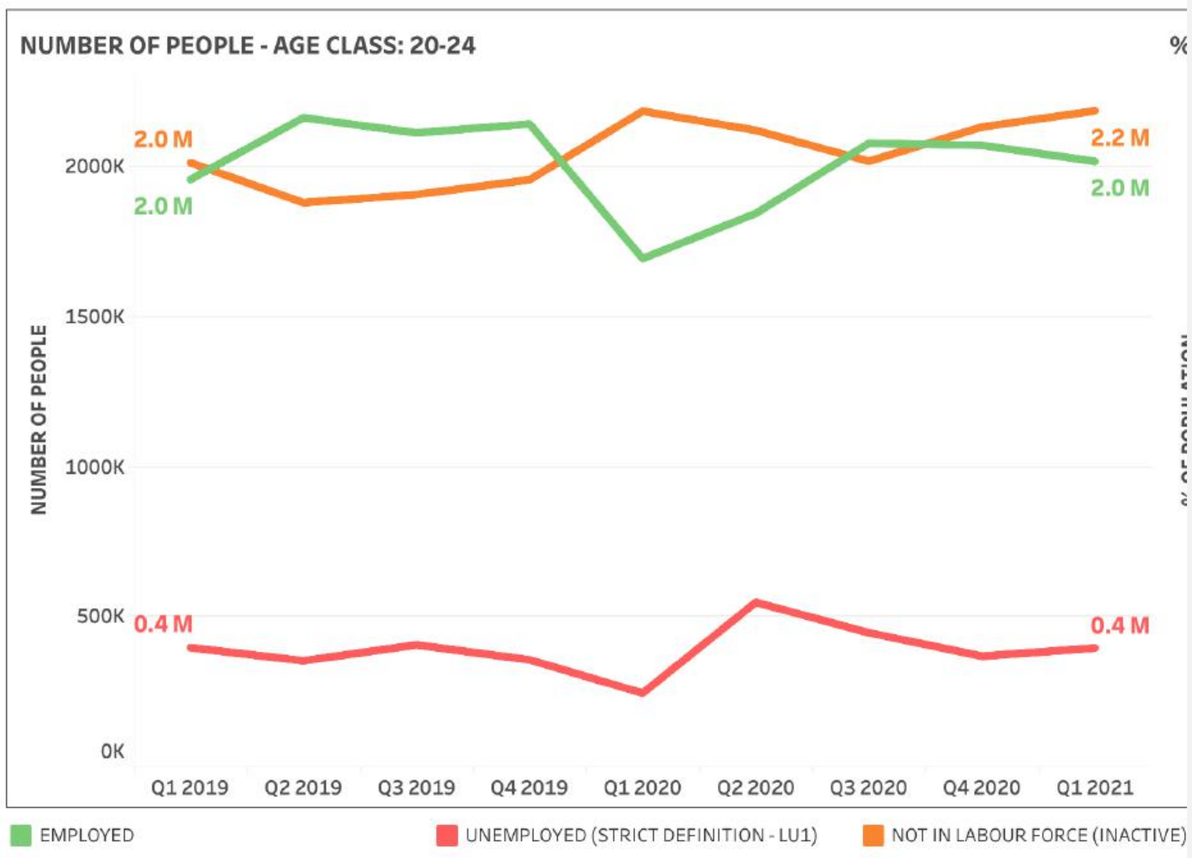
Source: KNBS

Increase in Economically Inactive Youth 20-24

- Between Q3 2020 and Q1 2021 the number of **20-24 year olds** classified as economically inactive increased by over **168,000 or 8%.**

- The **economically inactive** population covers persons who did not work or hold a job and did not seek work because they were:
  - Full time students
  - Infirm/incapacitated
  - Retired or did not need work due to unspecified reasons
  - Persons who reported that they were **retrenched or declared redundant**
  - Persons whose **businesses closed and had not taken steps towards looking for alternative jobs** or starting other businesses

- Whilst it is possible that this increase could be caused by students returning to education, it is also possible that this demographic is responsible for a disproportionate number of business closures.

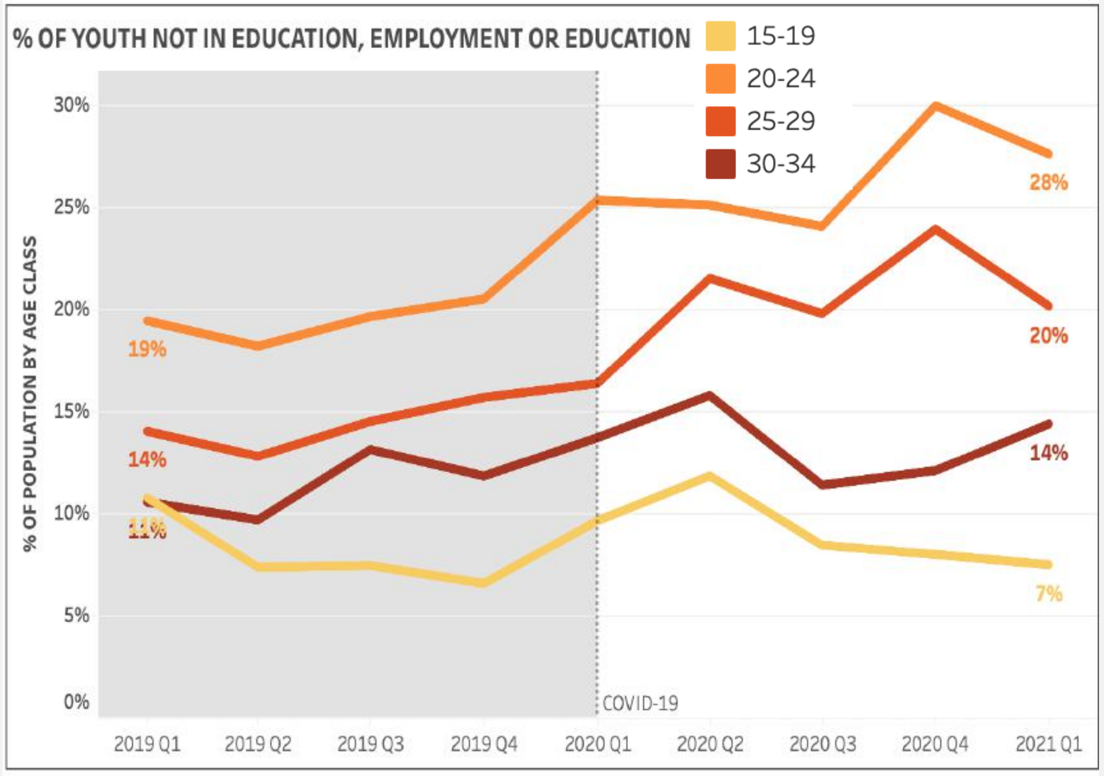


Source: KNBS

Dramatic increase in violence against children, and youth not in education, employment or training

- Between Q1 2020 and Q1 2021 the number of youth (15-34) not in education, employment or training increased by over **450,000** an increase of **18%.**
- The worst impacted group are **20-24 year olds** of whom **28% or 1.3 million** were not in education, employment or training in Q1 2021.
- The number of 15-19 years not in education, employment or training decreased by 20% between Q1 2020 and Q1 2021. This could indicate that they are returning to school and training.
- **Increase in crimes against children**: The number of violent, sexual and exploitive crimes reported involving children increased worryingly in 2020:

- Reports of **infanticide** increased by 44% from 2019, with 83% of those reported as the perpetrators being women
- Reports of **defilement** increased by 26% from 2019
- Cases of **child pregnanc**y increased by 52% from 2019
- Cases of **child trafficking** increased by 55% from 2019
- Cases of **female genital mutilation** increased by 88% from 2019
- Cases of **physical abuse/ violence against children** increased by 77% from 2019

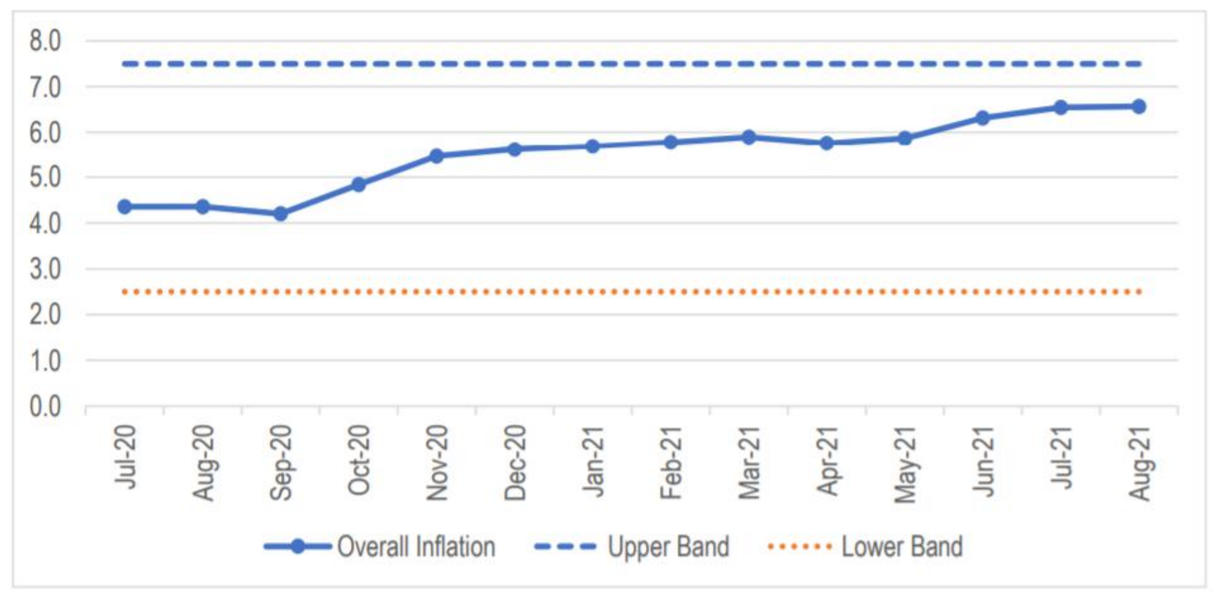


SOURCE: KENYA NATIONAL BUREAU OF STATISTICS - QUARTERLY LABOUR FORCE REPORT

Growing concerns with inflation

- Inflation is approaching the upper band of the target range, increasing from 4.2% in September 2020 to 6.6% in August 2021.
- The increasing overall inflation is mainly due to cost-push factors on headline inflation such as **increase in food prices due to delays in imports** as a result of Covid-19 related restrictions and **weather-related shocks** affecting crop production; and **increase in fuel prices**.
- The Central Bank's inflation targeting regime is likely to anchor inflation expectations within the target range.
- The macroeconomic framework underpinning the budget for FY 2021/22 and the medium term assumes that inflation will remain stable and within the target range of 5 (±2.5) percent.
- The assumption is based on an **accommodative monetary policy stance by the Central Bank aimed at targeting a stable-inflation regime** by mopping up excess liquidity.

Trend in overall inflation

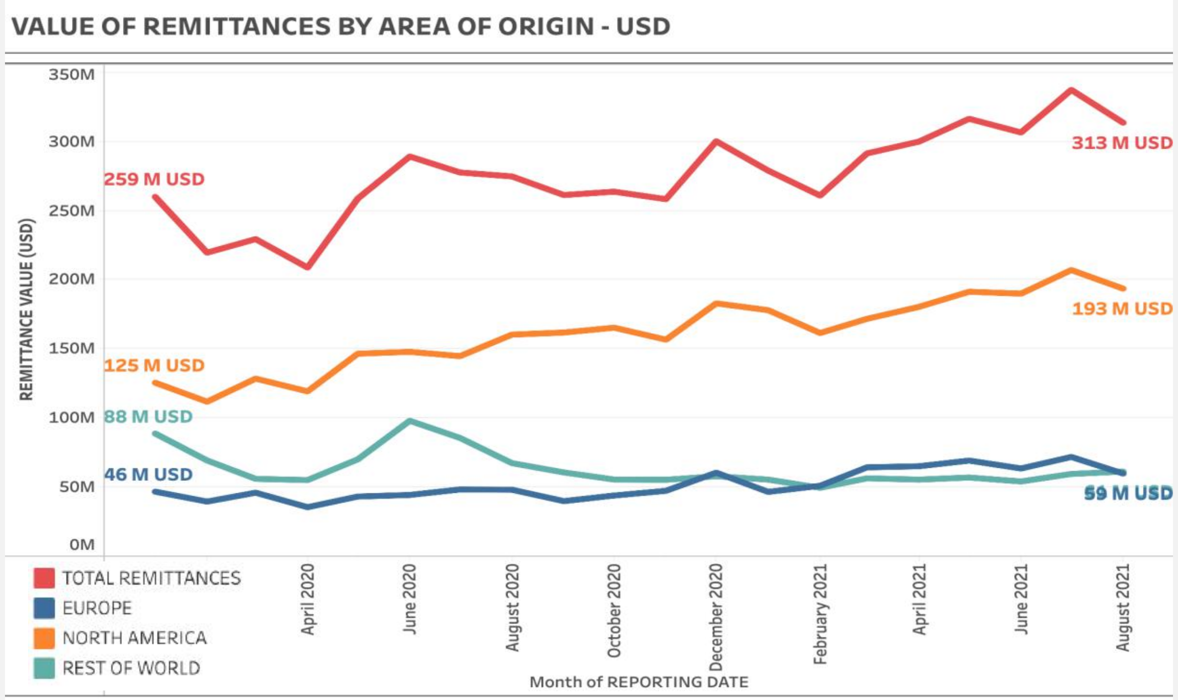


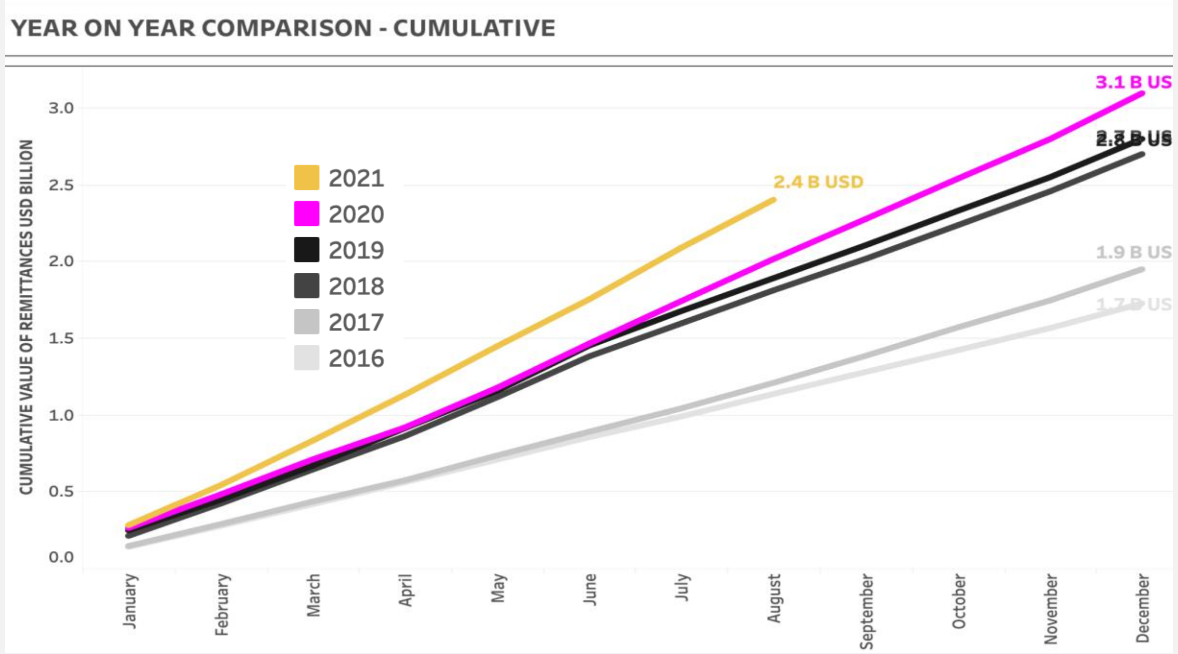
Source: Parliamentary Budget Office, 2021

- The fact that Kenya is under an **IMF programme** is likely to keep the inflation expectations within the target range.
- However, a review of the past trend of inflation indicates that the upper target of 7.5% of overall inflation has been breached typically when the country has experienced **double digit food inflation.**
- Risks to **food security** may put pressure on inflation to breach the upper band in 2022.

Strong Remittances

- The total monthly value of remittances hit a new high in July 2021 of over **USD 336 million.**
- The cumulative value of remittances during 2020 was **USD 3.1 billion.**
- This is equivalent to approximately **3% of GDP** at current prices.
- In August 2021, the cumulative value of remittances was up **19%** from the same month in 2020.
- Growth is being driven mainly by increases from the USA and the UK.





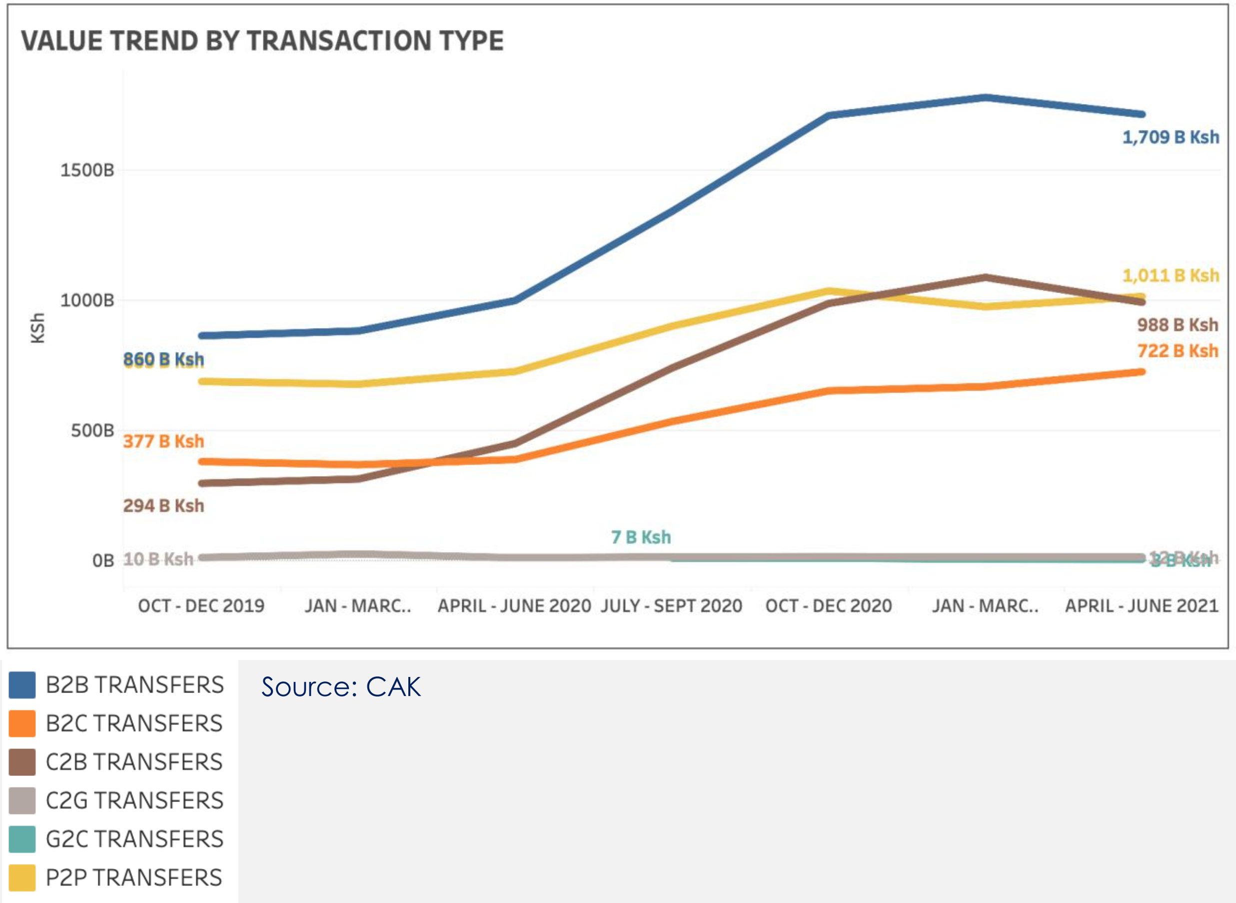
Mobile Payments and Transfers

- Person to person transfers dropped slightly in the January – March 2021 period, probably due to the reinstatement of fees for low value transfers.

- This decline was reversed in the period April – June 2021; this could suggest that the increased use of digital financial services for personal transfers occasioned by the pandemic could be a long-term increase.

- In terms of value, the largest increase and major use of mobile money transfers is **business to business** transfers.

- These transfers account for **38% of the total value** of mobile money transactions in the period April - June 2021 this is equivalent to **KShs 1.7 trillion.** These transfers are mainly businesses using mobile money to transfer funds to and from bank accounts.

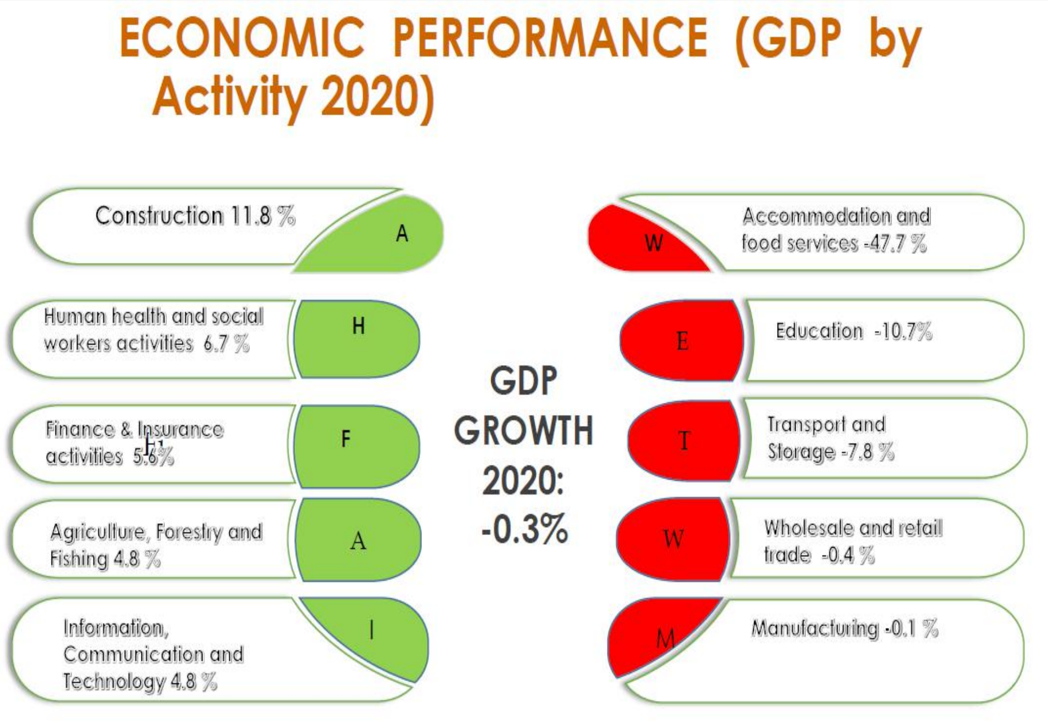


Source: CAK

The divergent impact of COVID-19 continues…

Deepened Economic Dualism: Fragile resilience in the thinning middle-and upper-income layers juxtaposed with an increasingly vulnerable and growing swathe at the bottom of the income pyramid

- **Sectoral Divergence**: Some sectors more deeply impacted than others especially tourism; transportation and storage; education; wholesale and retail trade; and manufacturing.
- **Job loss Divergence**: Deeper job loss in informal firms, and for women and youth.
- **Digital Divergence:** Digitisation trends continue where internet usage during COVID is strongly correlated with income level.
- **Firm-level Divergence**: 3 firm paths: 1) Businesses that shut down and have not re-opened; 2) Businesses operating at a revenue less than of pre-COVID-19 levels; and 3) Businesses that have recovered fully.
- **Income Divergence** Lower-middle-and lower-income populations face longer term vulnerabilities due to eroded assets, savings and social networks; heightened social and economic insecurity including food insecurity; thinning layer of upper and upper-middle income Kenyans able to retain jobs and business activity.



Source: KNBS, 2021

Divergent recovery from COVID-19 continues…

- **Between richer and poorer economies:** Due to inequality in vaccine distribution; differences in debt stress; partial withdrawal of macroeconomic support in low-income countries.
- **Between Sectors**: Shifts in consumer behavior, household financial health & capabilities, firm coping strategies and the features of the sector (i.e., high-contact versus remote; drought prone etc.) inform sector recovery to pre-COVID levels.
- **Between Men and Women**: Deep income informality, being targets of domestic violence, earning a living in high-contact sectors, and the limited reach of policy response will mean women will continue to be left behind.
- **Within Households**: Initially 2021 saw a reduction in use of coping strategies at household level but by September 2021 there has been a significant increase in households turning to credit and shopkeeper credit and cutting down on food spending. The percentage of households cutting food expenses stands at its highest level at 68%.
- **Between Income groups**: More resilient salaried employees at the higher end of the economy juxtaposed with grim opportunities for informal/casual work at the lower end.

- **In Business capacity**: Closed businessess signals a risk of a significant destruction of productive capital and the permanent closure of thousands of small businesses which are a key source of employment.
- **In employment type and quality**: Reduction in number of hours worked; deeper shift to self-employment and 'gig' income earning activities; shifts from salaried to casual jobs; shifts from owning a stall to selling on the road-side etc.
- **In leveraging digitisation**:
  - Kenya ranks among the top in probability of increasing digital platforms but this skews towards **formal & larger firms**
  - Quality of Digital access: Only 43% of mobile data subscriptions (~10 million) are 4G connections that provide enough bandwidth to support activities beyond basic browsing and messaging.
  - Spread of Digital access: More affluent users have multiple active 4G devices in areas covered by higher speed mobile internet which leads to double triple or quadruple counting of the same individuals.
  - Digital Capabilities: Accelerated digitisation may exacerbate income inequality and an uneven accrual of benefits along a spectrum of access to digital tools, financial bandwidth and digital skills to engage with the interface.

Fiscal Highlights: GDP Rebasing

- Rationale: Periodical rebasing is due every 5-10 years, last rebase was in 2014
- Updates made: Change the base year from 2009 to a base year of 2016; update the production structure of the economy; update the structural changes in relative prices of various products and; update consumption patterns, utilization and acquisition of capital goods
- **Change in GDP Size**

- Total GDP at market prices (2019) increased to KShs 10.25 tn from 9.74tn.
- Total GDP for 2020 is estimated at **KShs. 10.753 tn** (USD $97.72 billion).
- The most significant structural change due to the rebasing was the considerable reduction in the contribution of agriculture to Kenya's GDP.

Highlights of Sector Rebasing

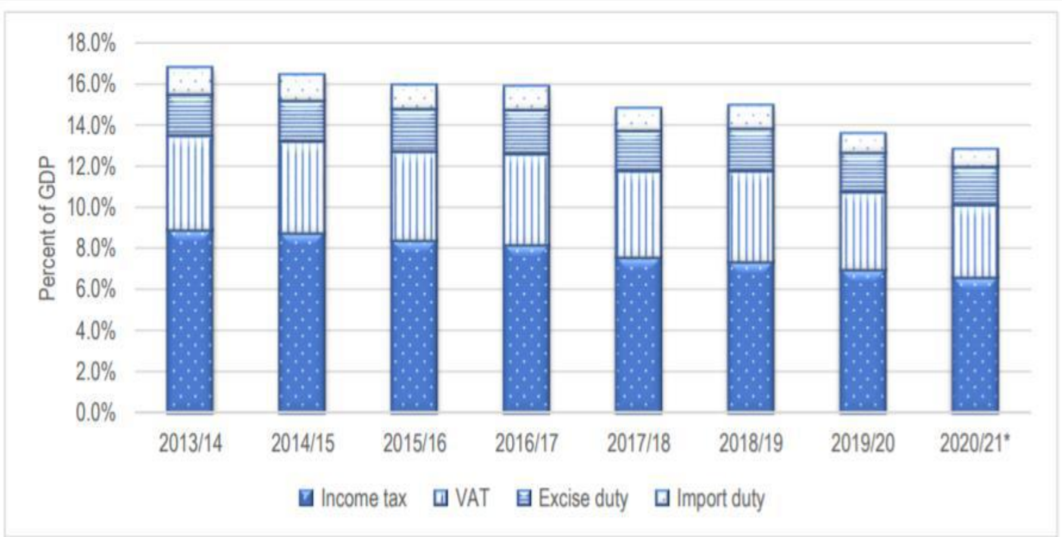
Sector	Current estimated contribution to GDP (%)	Previous estimated contribution to GDP (%)	Direction
Agriculture, forestry and fishing	20.4	32.9	Down
Mining and Quarrying	0.9	0.8	Up
Manufacturing	8.9	8.4	Up
Construction	5.5	5.3	Up
Electricity supply	1.8	1.7	Up
Water supply, sewerage and waste management	0.7	0.7	Unchanged
Wholesale and Retail Trade	8.3	7.4	Up
Transportation and Storage	10.8	8.0	Up
Accommodation and food services	1.0	0.7	Up
ICT	2.6	1.4	Up
Financial and insurance services	7.1	6.6	Up
Public administration and defence	5.4	3.7	Up
Professional, scientific and technical services	1.8	0.8	Up
Education	4.4	4.4	Unchanged
Human, health and social work services	2.0	1.6	Up
Art, entertainment and recreation	0.3	0.1	Up
Activities of households as employers	0.7	0.4	Up

Source: KNBS, 2021

Fiscal Highlights: Continued Subdued Revenue Generation

- The National Government's cumulative revenue collection for the period between July 2020-June 2021 amounted to **KShs. 1,783.7 billion** (16% of GDP) against a target of KShs. 1,837.8 billion.
- The **revenue was below target by KShs. 54.1 billion** mainly due to underperformance in ministerial A-I-A, other revenue, corporate income tax and excise duty.
- Tax collection as a share of economic activity has been on a **steady decline over the past 8 years**.
- The underperformance of revenue relative to economic growth has been one of the main drivers of the expanding fiscal deficit.
- Revenue collection as a share of GDP is projected to remain relatively low in the FY 2021/22 FY.
- The National Treasury **projects a total revenue collection of KShs. 2,039 billion (16.4% of GDP) in 2021/22** of which, ordinary revenue will be KShs. 1,776 billion (14.3% of GDP).
- The target to reduce the fiscal deficit as a share of GDP and expanding the fiscal space to address challenges faced by poor Kenyans cannot be attained if the efficiency of collecting revenue within the existing tax structure is not improved.

Tax Revenue as a Share of GDP



Source: Parliamentary Budget Office, 2021

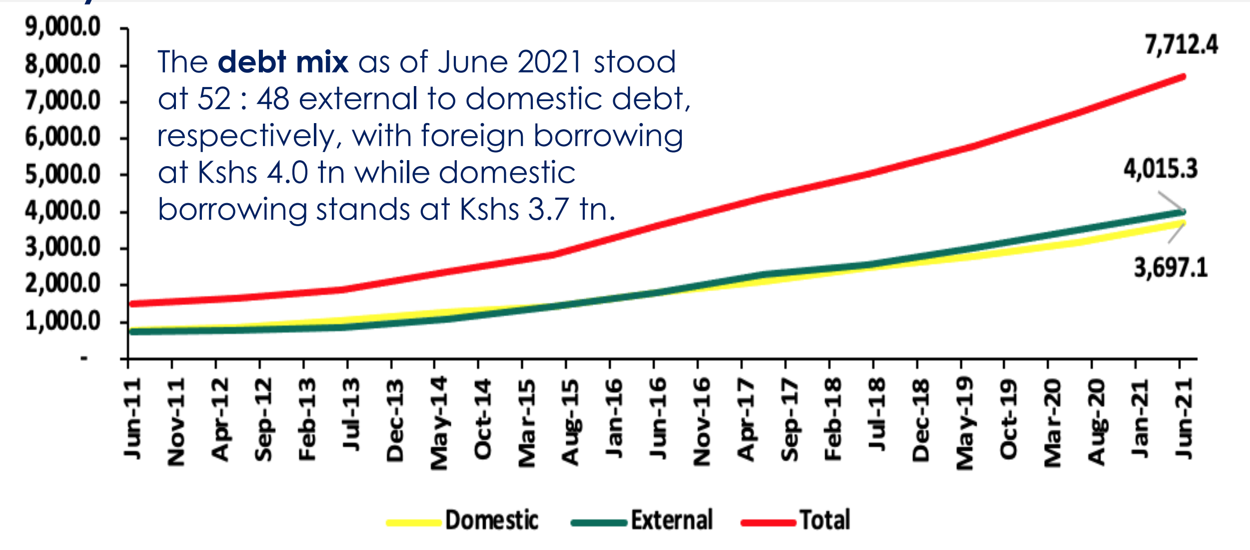
Fiscal Highlights: Under-expenditure and poor-quality spending

- Total expenditure and net lending for the period ending 30th June, 2021 amounted **to KShs. 2,755.8 billion**, against a target of KShs. 2,886.9 billion. The under expenditure of KShs. 131.1 billion is due to lower absorption recorded in recurrent and development expenditure by the National Government and below target transfers to County Governments.
- **Pending Bills**: Total outstanding national government pending bills (as of 30/6/2021) amounted to **KShs. 359.5 billion** as follows: KShs. 323.2 billion (89.9%) for the State Corporations (SC) and KShs. 36.4 billion (10.1%) for Ministries/State Departments/other government entities.
- The **highest percentage of the SCs pending bills (69.9%) belong to Contractor/Projects and Suppliers**; Ministries/State Departments and other government entities pending bills constitutes mainly of historical pending bills as at the end of the 2020/21 Financial Year.
- A report from the Commission on Revenue Allocation in April 2021 indicates that **County Assemblies had pending bills totaling Kshs 980 million.**
- There are major accountability issues reported in the Auditor General reports regarding both the National Government and County Government expenditure.
- For county governments these concerns include: Unbudgeted expenditure where expenditures are incurred on goods and services which were not included in the budget; uncompleted or stalled projects where projects are started but abandoned before completion resulting in wasted public resources; and inefficiency and inadequate capacity of oversight committees of County Assemblies.
- The Controller of Budget report for the 1st three months of financial year 2020/21 observed that some counties **failed to budget for pending bills in the 2020/21** and therefore could not settle them within the budget during that period.

Fiscal Highlights: Debt Stock

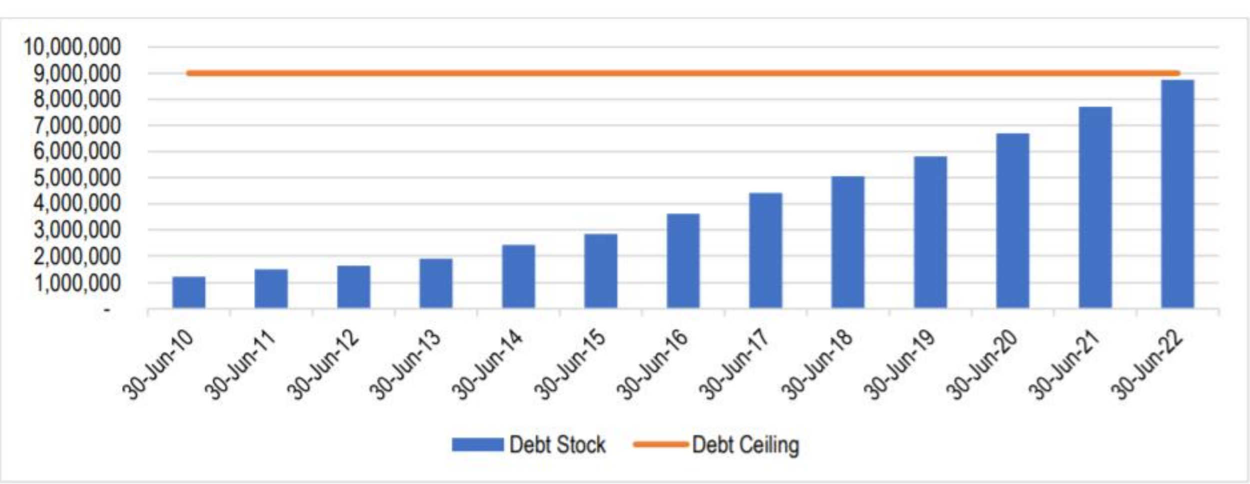
- The stock of debt has grown annually at a rate of 18% for the past 10 years to reach **KShs. 7.71 trillion by June 2021** and accounts for **69% of GDP**
- Debt is projected to reach **KShs. 8.7 trillion in FY 2021/22**, due to the forecasted fiscal deficit of KShs. 1.014 trillion; **this brings it to KShs. 300 billion short of the KShs. 9 trillion debt ceiling** indicating lack of borrowing space for the medium to long term expenditures if appropriate measures are not taken.
- The current economic conditions of subdued growth, increased unemployment and poverty levels, increased uncertainty (election and COVID related), are unfavourable for maintenance of such a high debt stock and increasing debt servicing expenditures are likely to result in liquidity constraints that could impact fiscal policy implementation.

Kenya Public Debt Stock



Source: Cytonn, 2021

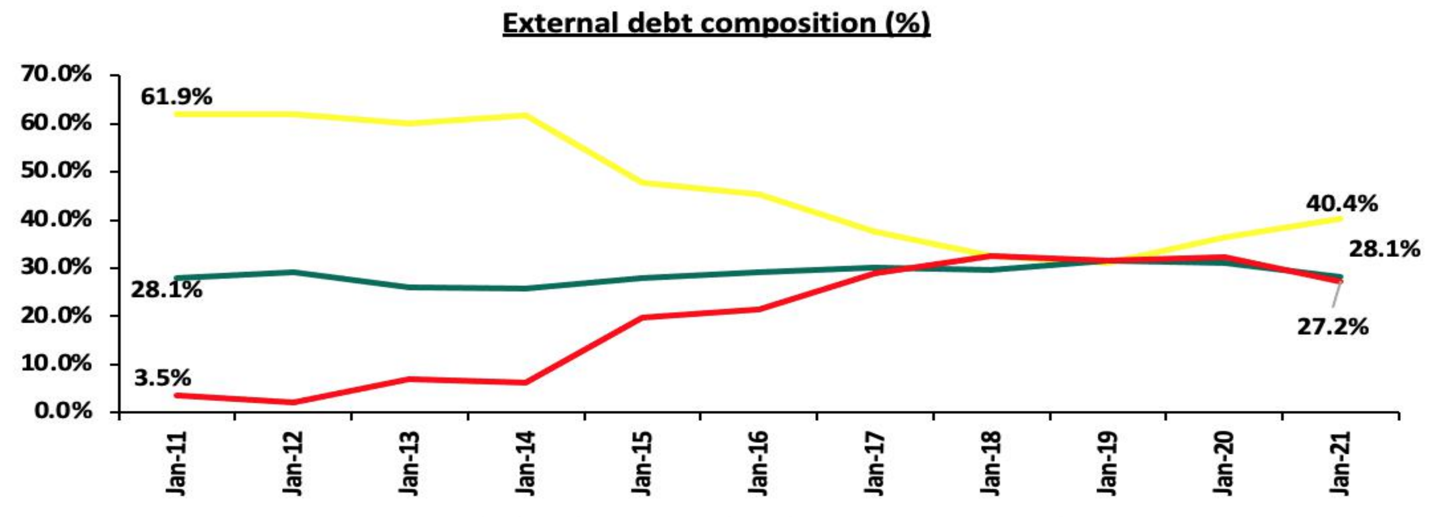
National Debt Stock, June 2010 – June 2022 (KShs. Millions)



Source: Parliamentary Budget Office, 2021

Fiscal Highlights: Debt Composition

- **Banking institutions** account for the highest percentage of domestic debt in terms of government securities holdings at **50.8%**, but this has been reducing as the exposure by pensions schemes have been on the rise.
- **Multilateral debt increased to 40.2%, from 33.0% of total external debt in March 2020** due to loans received from the IMF and the World Bank during the period.
- In the same period, Bilateral debt decreased to 28.2% from 31.0% in March 2020, and,
- Since Kenya's first Eurobond issue in June 2014, **commercial debt has cumulatively increased by 19.4% points to 27.3%** of total external debt in May 2021, from 7.9% in May 2014, mainly attributable to the issue of Eurobonds within the period.



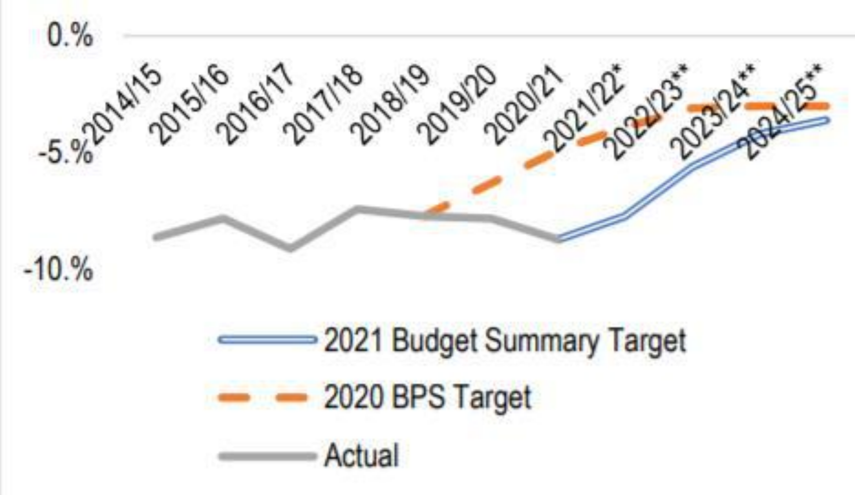
Source: Cytonn, 2021

- The **increasing commercial debt stock is informed by Kenya's change of status in 2014, from a low-income country to a lower middle-income country** after Revising and rebasing National accounts.
- This resulted in the country being locked out of concessional borrowing for low-income countries and pushed to commercial borrowing.
- Though more expensive, the flexibility in the timing and freedom in the use of commercial funds seems to be preferred by government as opposed multi/bilateral borrowing which has conditions and is sometimes released in tranches over a period.

Fiscal Highlights: Debt Dynamics

- Since the first reported case of COVID-19 **the total public debt has grown by 22.8%** to KShs 7.7 tn from KShs 6.3 tn.
- The fiscal deficit is likely to persist over the medium term, delaying debt stabilization efforts and an **upward debt trajectory** is expected also informed by the upcoming election financing requirements, economic uncertainty and *post-2022 fiscal policy uncertainty*.
- Public Debt servicing (PDS) is expected to considerably constrain the availability of budgetary finance; at KShs. 1.17 trillion (or 9% of GDP), **PDS accounts for over 66% of ordinary revenues (rising from 44% in FY 2019/20)** and will make a substantial contribution to the fiscal deficit.
- The increase in debt servicing expenses has outpaced allocations for development expenditure (for which debt is meant to finance) by up to 189% pointing to an **over-leveraged fiscal framework** where borrowing is no longer productive.
- The reduction of debt servicing would yield higher benefits to the fiscal framework than reduction of any other expenditure item, but this would require abroad/multiple approach to debt reorganization i.e., a mix of debt suspension, conversion, forgiveness.

Fiscal Deficit (Incl. Grants)

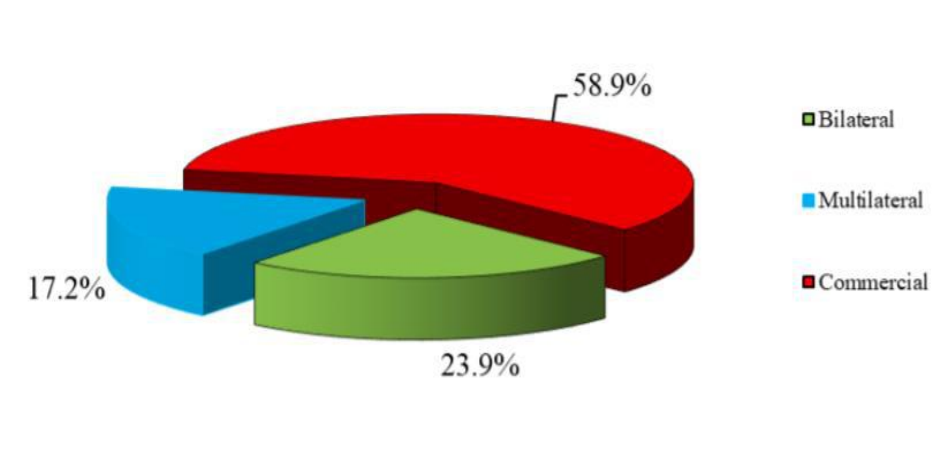


Source: Parliamentary Budget Office, 2021

Fiscal Highlights: Debt Risks and Stress

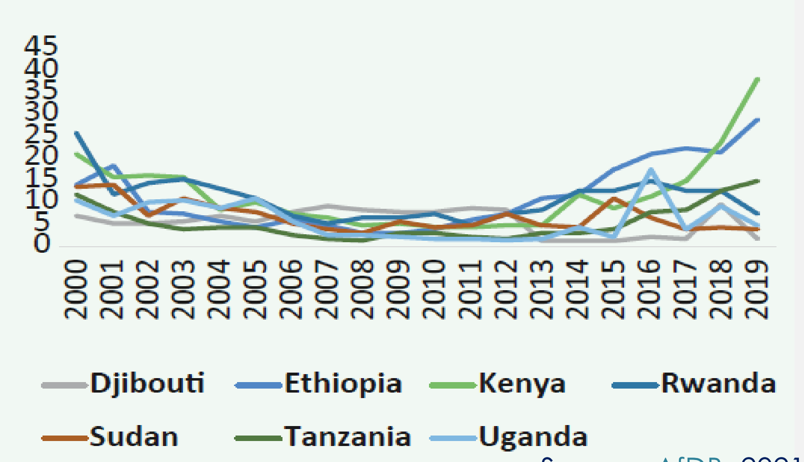
- **Debt related risks are on the upside**: In May 2020 Kenya was assessed as being at high risk of debt distress. The impact of the Covid-19 shock (and related response measures) on the fiscal framework, GDP growth rate and related uncertainty, exacerbated this fiscal position evidenced in deteriorating debt sustainability indicators.
- As such, **Kenya's debt carrying capacity has been revised from strong to medium** and the Public debt benchmark (PV of Debt to GDP ratio) reduced from 70% to 55% indicating that the public debt to GDP (at 62.4%) is **above indicative sustainability** threshold and expected to remain so into the medium term.
- Domestic debt risk remains elevated and the increase in external debt risk will be of concern. Refinancing risk is likely to increase over the medium-term due to:
  - **Eurobond debt** servicing in 2024 (KShs. 265.68 billion) and 2028
  - **Debt Servicing Suspension Initiative** whose aim is to reduce the debt servicing burden in the medium-term, **might pile up debt servicing expenses in the long-term** by ~KShs. 25 billion to KShs. 35 billion annually
  - DSSI concern is that it requires frequent and lengthy renegotiations and could be costly if not matched with improvement in macroeconomic indicators.

External Debt Service by Creditors at end of June 2021



Source: National Treasury, 2021

Debt service to exports (%)



Source: AfDB, 2021

Macroeconomic tensions to manage

MACROECONOMIC RESILIENCE VERSUS INCREASED INEQUALITIES

- On one hand, the economy is recovering, inflation has remained manageable (though increasing); export performance has been relatively strong (especially relative to other African countries); diaspora remittances have been robust; and the mobile money sector has demonstrated sustained resilience and growth.
- On the other hand, key economic sectors continue to be impacted; inflation continues to disproportionately affect low-income groups; job and income recovery has been weak and COVID-19 pushed an estimated **two million Kenyans into poverty** in 2020 creating a profile of 'new poor'.

FISCAL SURVIVAL VERSUS ECONOMIC REVOVERY

- As government continues to face sustained debt stress and revenue generation pressure, suboptimal policies aimed at fostering **fiscal survival will likely continue to be prioritized over economic recovery**.
- This is evidenced in the return to large and expensive commercial debt in the form of the Eurobond and Infrastructure bonds even though debt servicing costs are already unsustainable. This is also seen in aggressive tax policy measures such as the Digital Service Tax, the imposition of the 16% VAT levy on LPG gas and the introduction of a Minimum Tax Rate (which was declared unconstitutional) in a bid to bolster revenue collection to meet expenditure obligations.
- The net result is that tax policies will mute macroeconomic recovery by imposing costs on firms and households, and the addition of expensive commercial debt will deepen fiscal stress.

Macroeconomic tensions to manage

PUBLIC VERSUS PRIVATE CONSUMPTION IN DRIVING GROWTH

- Private consumption has been a key sources of growth with government consumption playing a supplemental role; however, in 2020 private consumption collapsed.
- The deceleration in private consumption was only partially offset by a higher contribution from government consumption, driven by increased spending to mitigate the impact of COVID-19.
- Government does not have the fiscal space to continue cushioning growth through supplementing consumption due to fiscal stress; yet a key engine of growth, private consumption, will recover very slowly.

INCREASED FINANCING REQUIREMENTS IN THE CONTEXT OF DEBT STRESS

- Government financing support was required to address the health and socio-economic impact of COVID; AFDB estimates African governments need additional gross financing of about $154 billion to respond to the crisis
- Yet this comes at a time when fiscal stress is high, particularly debt stress where Kenya's debt position is on a path to severe unsustainability defined by high debt servicing costs and highly priced debt.

INCREASED BORROWING IN THE CONTEXT OF POOR REVENUE GENERATION PROSPECTS

- In addition to debt moratoriums, the government has increased borrowing in the context of poor revenue generation prospects due muted demand which will inform sluggish private sector recovery and legacy issues in revenue generation.

Macroeconomic tensions to manage

THE COST OF SPENDING MORE VERSUS THE COST OF LIMITING SPENDING

- There is a lack of clarity on the fiscal costs versus multiplier effects of more spending (in the form of expanded cash transfers to key households) to provide critical income support.
- There is also a lack of clarity on the economic and welfare costs linked to raised poverty levels and reduction in firm and household welfare if more spending is NOT directed to households.

RECOVERY FROM COVID-19 VS ELECTION SEASON

- 2022 sees the risks of Kenya's political economy volatility being far above the usual due to the upcoming election; this will further dissuade business activity, and mute economic recovery.
- Sadly, as the economy starts to stand a chance to fully recover from COVID-19, this will likely be countered by the negative economic effects of election activity in 2022.

How government action can address divergent recovery

Relieve	Support
• Households in the **extreme poor** and **poor** income bands (including new entrants) • **Deep** deterioration in household welfare due to COVID-19 • **Deep reliance** on coping mechanisms for survival • Low capacity for income recovery without external support • **Potential government support:** Direct cash transfers • **Focus impact level:** Households (micro) • **Timeframe:** Short term, immediate action	• Households in the **poor** and **lower middle-income** bands (including new entrants) • **Moderate** deterioration in household welfare due to COVID-19 • **Continued use** of coping mechanism to maintain welfare • Low capacity for income recovery without external support • **Potential government support**: Direct cash transfers • **Focus impact level:** Households (micro) • **Timeframe:** Short term, immediate action
Sustain	**Catalyse**
• Households just **above the lower middle-income** bands • **Low to moderate** deterioration in household welfare due to COVID-19 • **Limited use** of coping mechanism to maintain welfare • Capacity for income recovery without extensive external support • **Potential government support**: firm level support such as tax incentives/ relief/deferrals; guarantee schemes; loan restructuring provisions etc • **Focus impact level**: Firms and supply chains (meso) • **Timeframe**: Medium term action over 1-3 years	• Households in the **middle and upper-income** bands • Household welfare improved/ did not deteriorate due to COVID-19 • **Scarce/no use** of coping mechanisms to maintain welfare • Demonstrated capacity for independent income growth • **Potential government support**: Sector-specific policies to support growth drivers; strategic focus on building manufacturing capacity; economic transformation • **Focus impact level**: Economic sectors (macro) • **Timeframe**: Medium to long-term action over 3-5 years

Household update

- Income and Work
- Sources of Income
- Coping Mechanisms
- Use of Credit
- Household Resilience
- Household Vulnerability
- Health Dynamics

Income and work

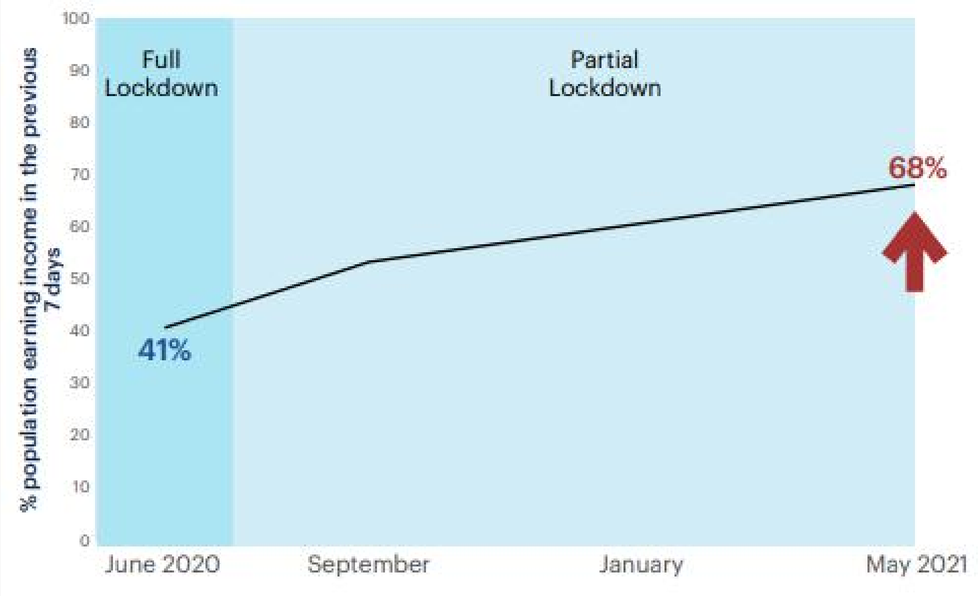
Median income has declined in the year between June 2020 and May 2021

- Median income was higher during the June 2020 lockdown than in May 2021, despite indications of recovery in earning opportunities. One explanation is that only higher income earners were able to retain jobs during the lockdown period last year. The decline in median income may also indicate a race to the bottom in labour markets in the context of suppressed growth across key sectors.

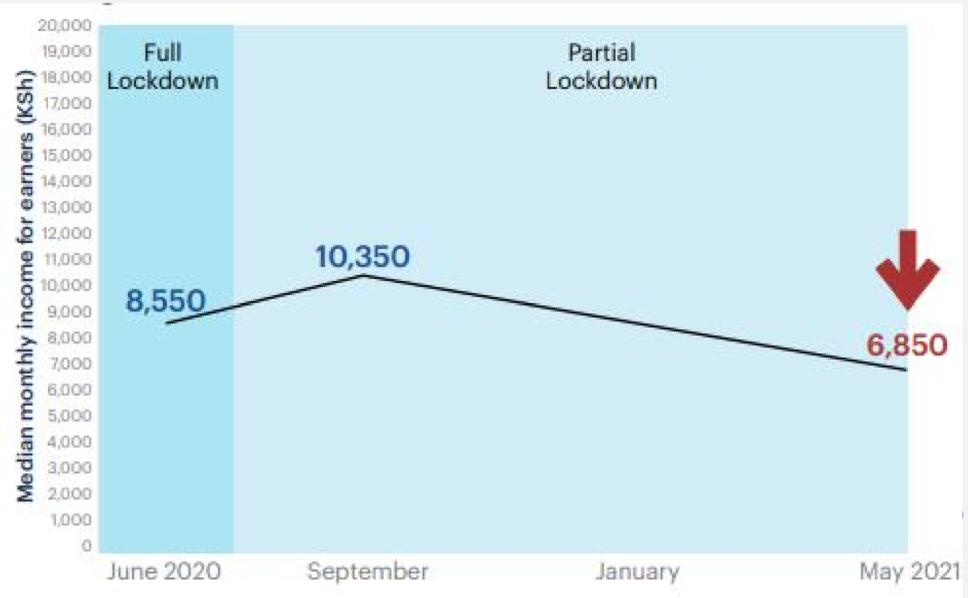
- **The percentage of people earning income rose substantially to 68% by May 2021** following a low point in June 2020 when only 41% of the population reported earning some form of income in the previous 7 days.
- Median income was KShs 8550 in June 2020 during the height of the 2020 government-imposed economic restrictions. This rose to KSh10,350 in September 2020 as the economy was opening up. However, **by May 2021, median income earned by earners had declined to KShs 6,850, likely reflecting suppressed growth in key sectors.**

FSD Kenya/FMT COVID-19 Tracker

% of adults earning income (June 2020 - May 2021)



Median income for earners (June 2020 - May 2021)



Income and work by gender

Women earn on average only 50% of what men earn

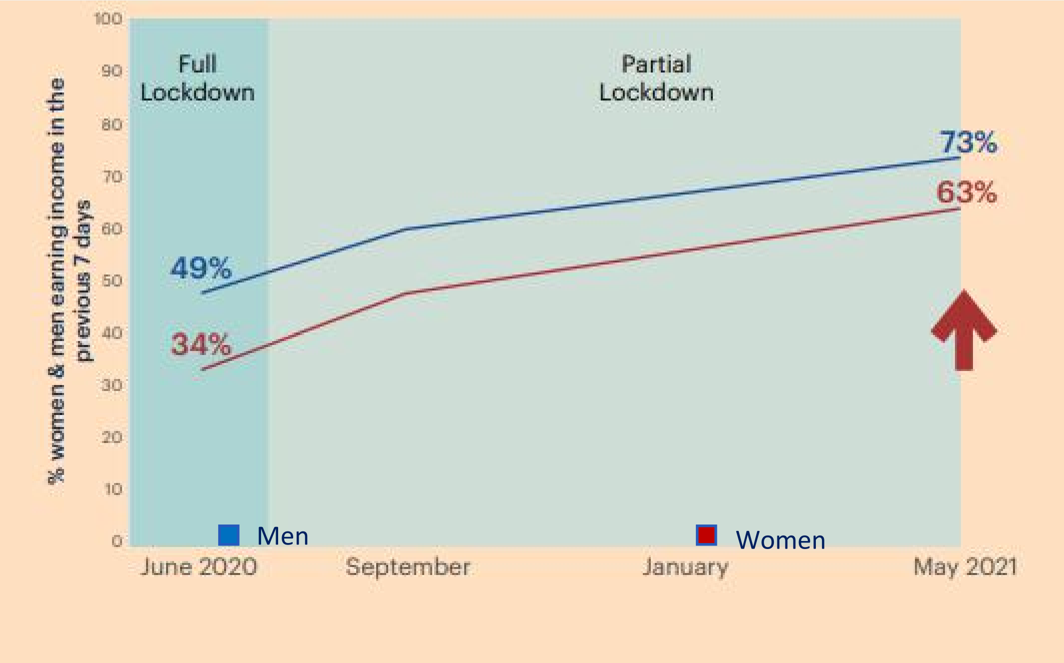
- **The gap between women and men earning income narrowed between June 2020 and May 2021, with more women seeking work.** This was partly a result of weakened earning opportunities for men at the height of the economic restrictions, leading to more dependence on women's income for household survival.

- However, despite a rise in the proportion of women earning, **women's median incomes are only 50% of men's** (KShs 5150 vs KShs 10,300). This has implications for household resilience for households many of whom depend on women's earning power to meet their daily needs.

- The gap in earnings between women and men is substantial for farming, casual labour and salaried employment; but **the gender gap in earning narrows for business** where businesswomen earn approximately 80% of the amount earned by businessmen.

FSD Kenya /FMT COVID-19 Tracker

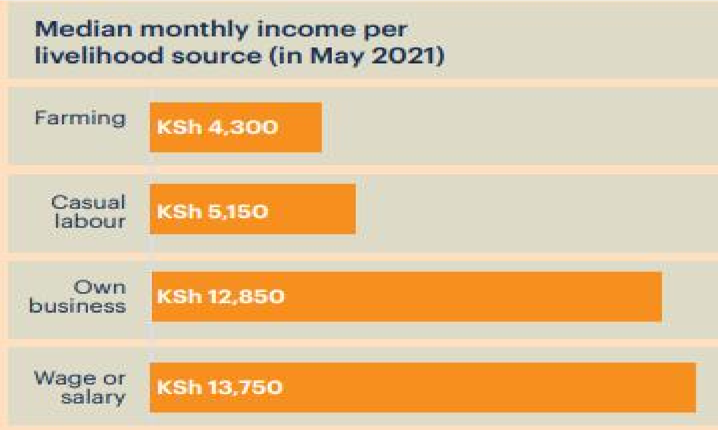
% of men and women earning income (June 2020 - May 2021)

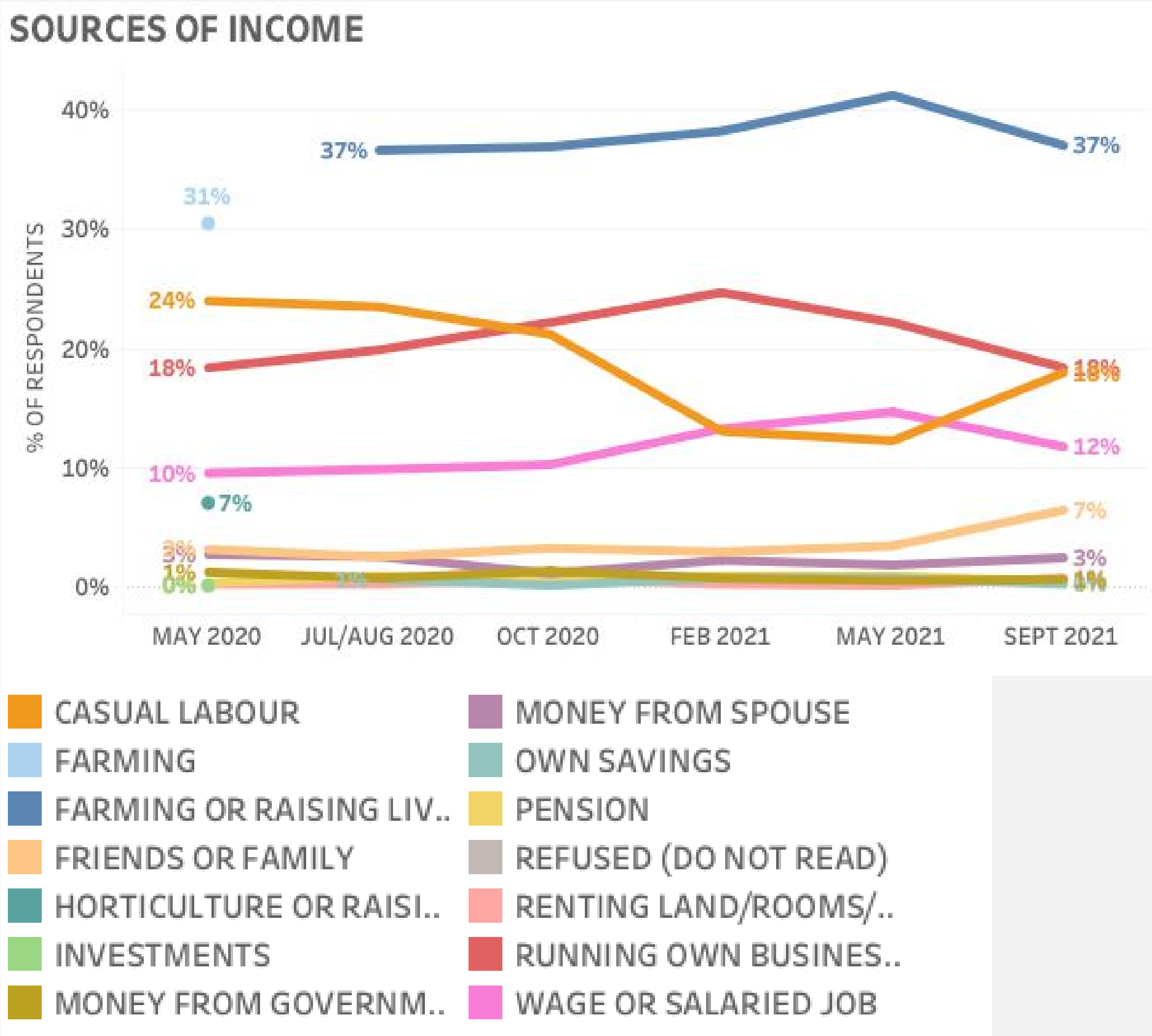


Median income for women vs men (May 2021)

Sources of income

- The % of **people reliant on support from friends and family** as main source of income has more than doubled since May 2020
- **Drop in people running own business. Small businesses falling?** - % of respondents running own business or self-employed has been falling steadily since Feb 2021, when it was 25% to 18% in Sept 2021
- **Drop in people farming. Possible result of drought?** - % of respondents farming or raising livestock fell from 41% in May 2021 to 37% in Sept 2021
- **More people reliant on casual labour** - Increase in people reliant on casual labour - up to 18% in Sept 2021 from 12% in February 2021



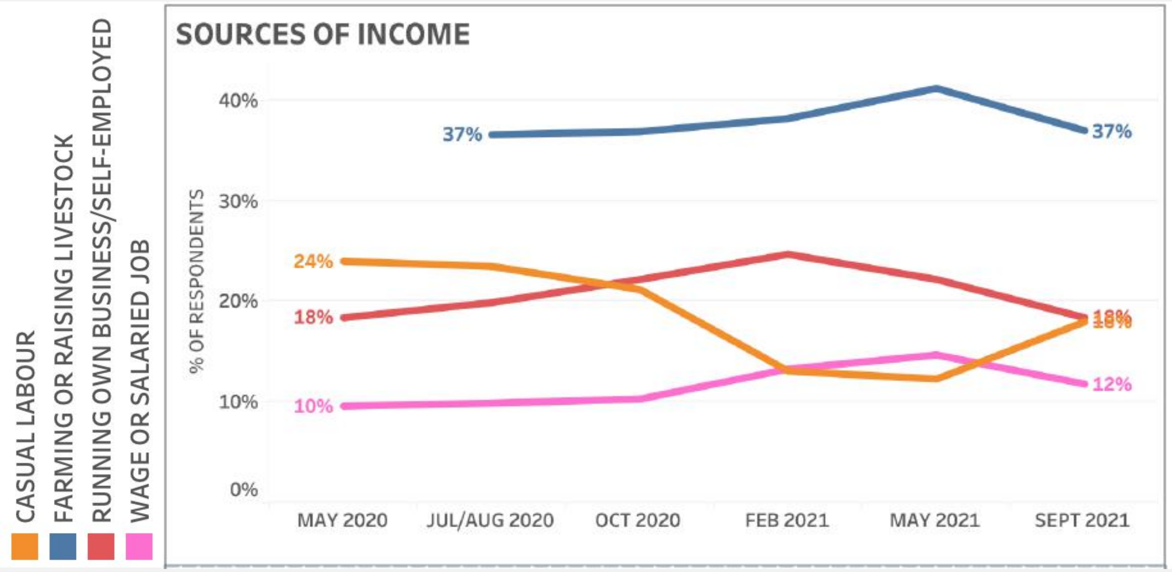


Sources of income

The story on sources of income is complex:

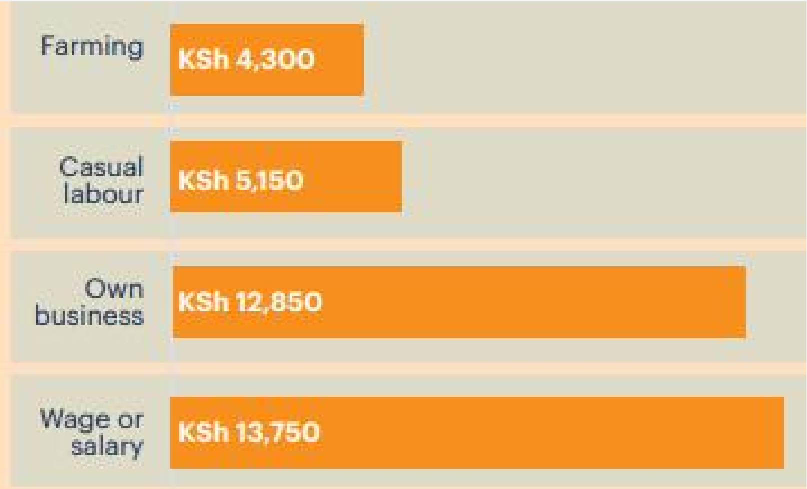
- The % of **people reliant on support from friends and family** as main source of income has more than doubled since May 2020. This is both an indication of recovery at the top end of the economy leading to an increase in remittances; as well as being an indication of increased levels of dependence.
- **Drop in people running own business;** Following a rise in % of people relying on business (25%) for their main source of income in February 2021, there has been a subsequent drop to 18%. Closure of businesses during this period is also an indication of lost investment in this sector of the economy and erosion of business assets.
- There are **substantial inequalities in earning across the population**, with those in salaried employment and business earning more than double those in farming and casual labour.
- Over half (55%) of the population are dependent on casual labour and farming for their livelihood. Median income in these sectors is well below the average for the population as a whole.

Changes in main source of income (May 2020 – Sept 2021)



FSD Kenya/Kantar COVID-19 Tracker

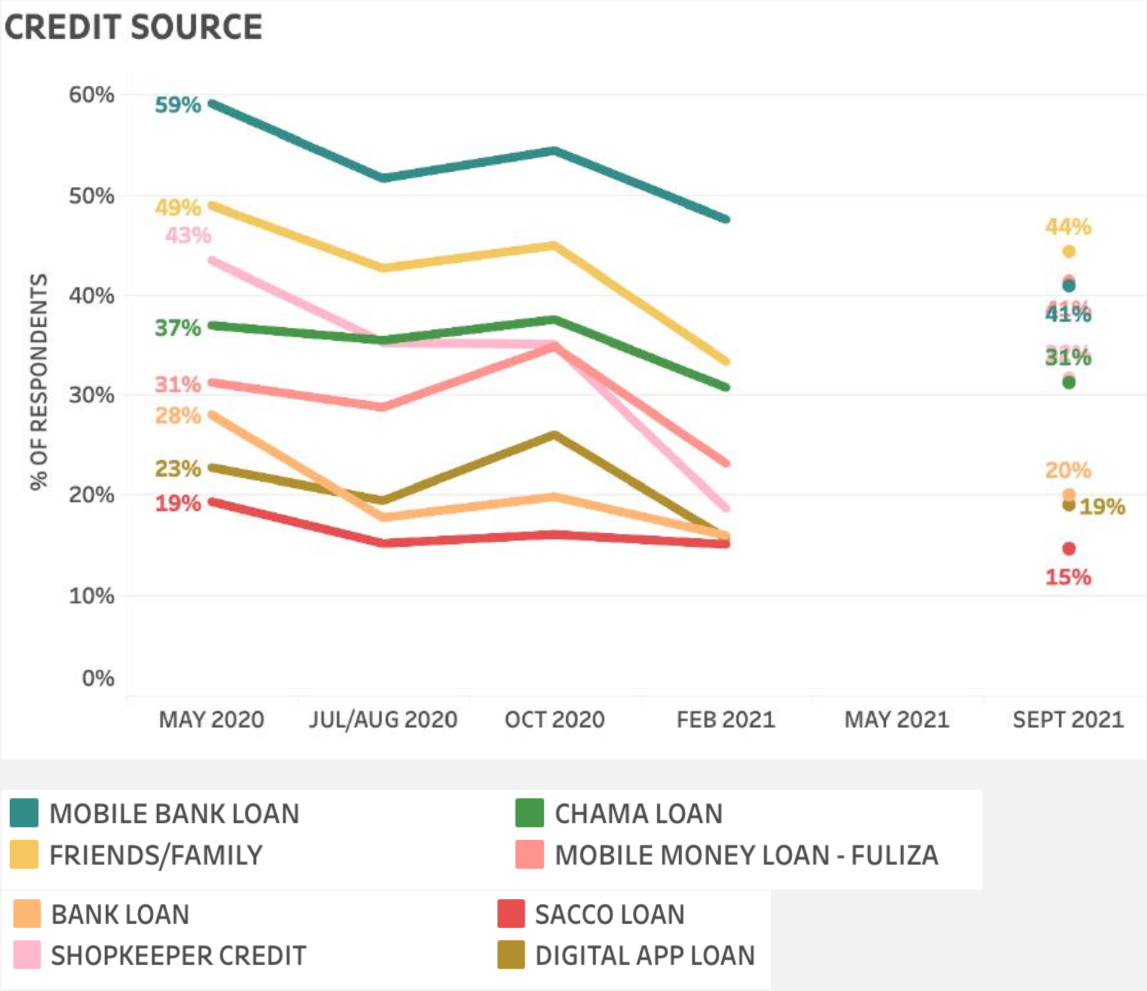
Median monthly income by livelihood source (May 2021)



FSD Kenya/FMT COVID-19 Tracker

Use of Credit

- **Significant increase in respondents reporting 'Late, missed or under payments in the past month'** - up to 77% in Sept 2021 from 65% in Feb 2021
- **Loans from friends and family up significantly** - supporting idea of dual recovery. Up to 44% in Sept 2021 from 33% in Feb 2021
- **Fuliza loans up significantly, mobile bank loans down.** Supporting idea of mobile bank loans being restricted and Fuliza taking larger share of low value credit market - Fuliza up to 41% in Sept 2021 from 19% in Feb 2021. Also evidence to suggest women are less able to access mobile bank loans
- **Shopkeeper credit up significantly** - up to 31% in Sept 2021 from 19% in Feb 2021



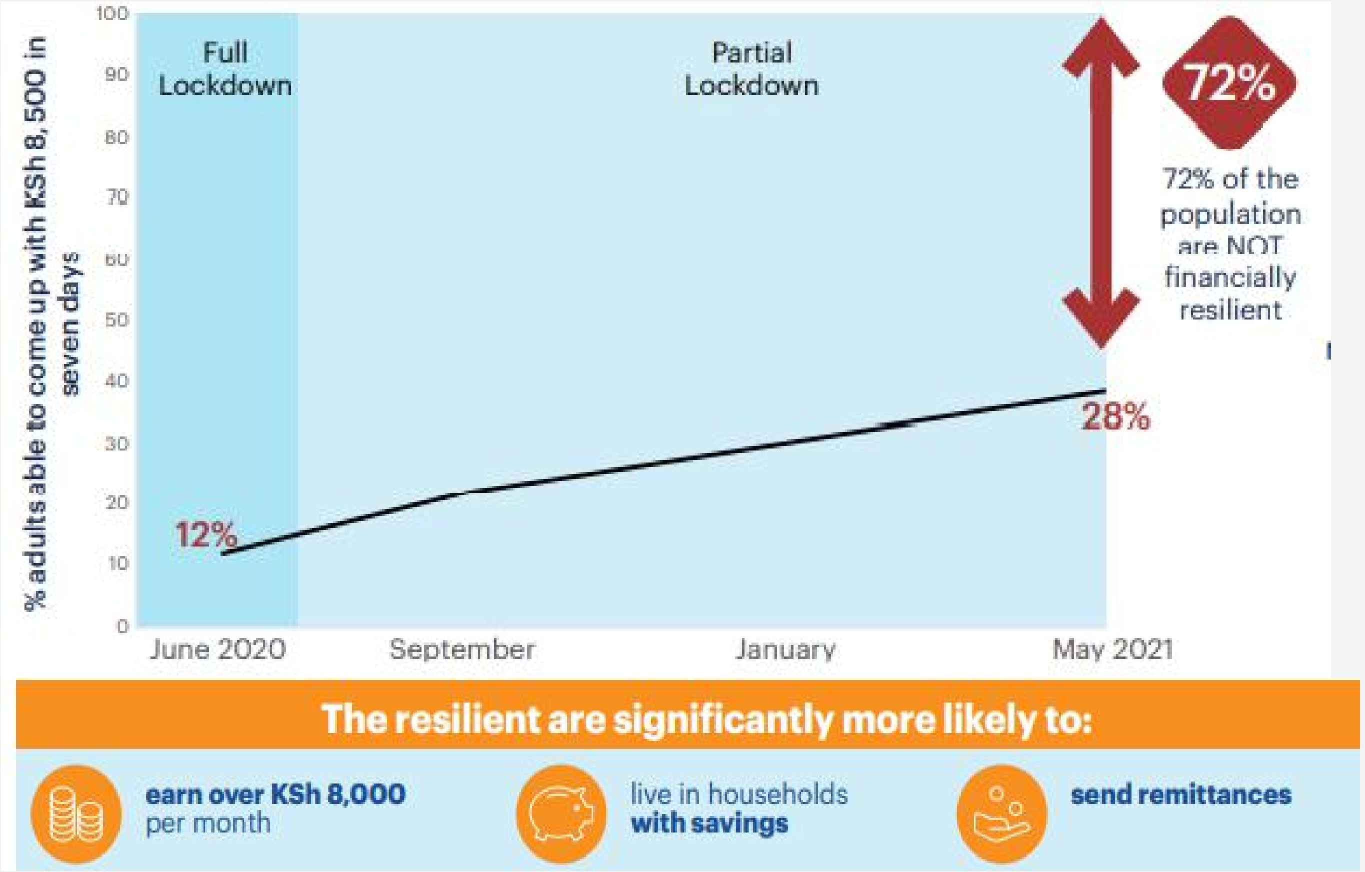
Household Resilience

The majority of the population are not financially resilient- able to access a lump sum in times of need. This reflects the depletion of assets and savings following the economic slowdown in 2020, reduced median income, a hit to social networks, as well as reports of rising cost of living.

- With more people earning between June 2020 and May 2021, there has been a rise in the population who are financially resilient.
- However, **72% of the population still are NOT financially resilient, with worrying implications for household recovery.**
- Characteristics of resilient households: Resilient households are significantly more likely to earn above KShs 8000 per month, have savings and send remittances.
- **85% of the population reported that increased cost of living was a major financial shock to household finances in 2021**

FSD Kenya/FMT COVID-19 Tracker

% of adults who are financially resilient



Cost of Living

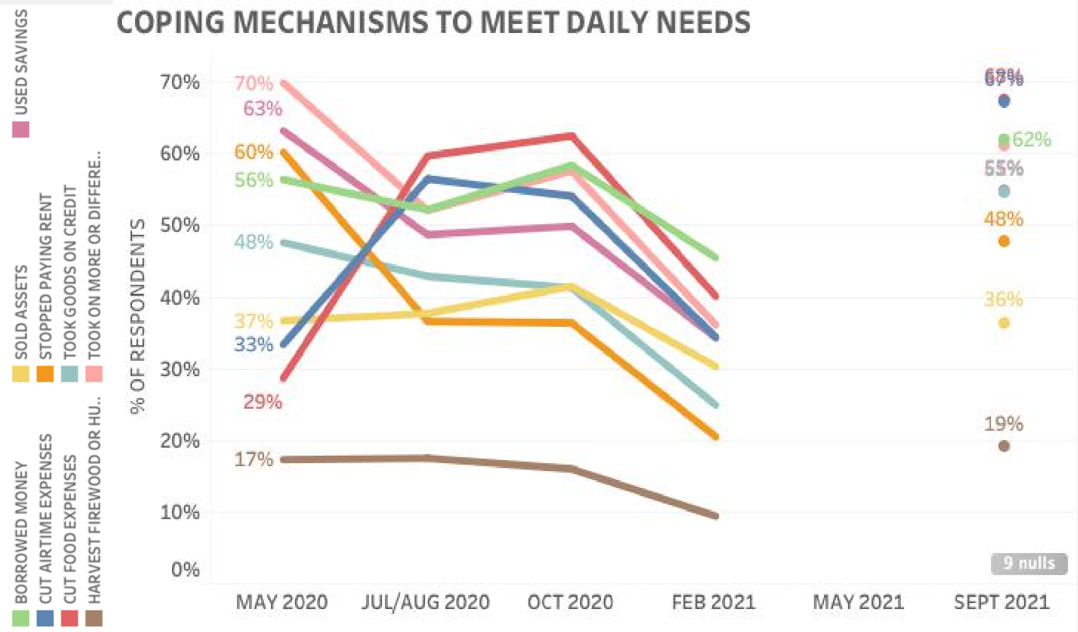
85%

85% of the population cited increased cost of living as a major shock to household finances between January and May 2021

Household Vulnerability

Household vulnerability is increasing, with signs of increasing food insecurity, increased reliance on coping mechanisms to meet daily needs, increased assets sales and depleted savings

- **2021 has seen a steep rise in reliance on coping mechanisms to meet daily needs.**
  - In Sept 2021, the % of households cutting food expenses to meet daily needs now stands at its highest level of 68%, up from 34% in Feb 2021.
  - Data from May 2021 shows a **significant rise in the % of people missing meals in** comparison to Sept 2020, with urban areas being particularly hard hit.
  - In May 2021, **6.5M adults and 3.9M children had reportedly gone without food for at least one entire day** in the previous 2 weeks, raising concerns over rising food insecurity.
  - Other signs of vulnerability include an **increase in asset sales** between September 2020 and May 2021; and a **substantial reduction in the % of the population with savings**, from 58% pre-pandemic down to 21% of households reporting to have savings in May 2021. Given that savings and assets are a major source of household resilience, these declines present worrying signals for recovery.
  - Meanwhile, in May 2021 **48% of the population stated that they were 'extremely worried' about the safety of themselves and their families,** up from 38% in Sept 2020



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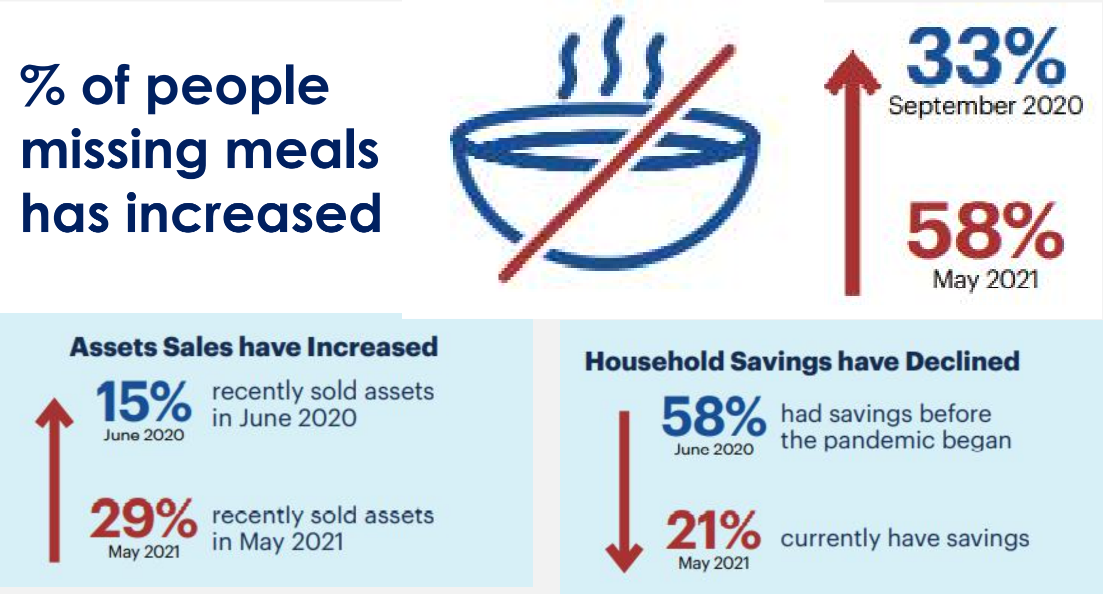

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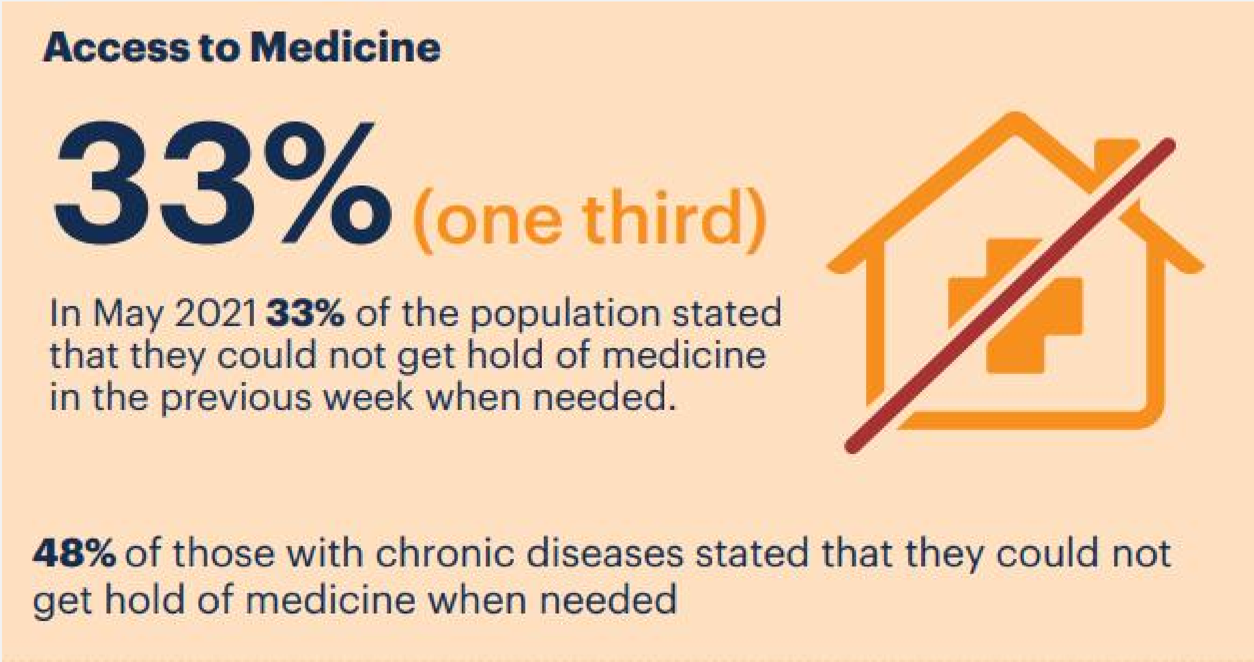
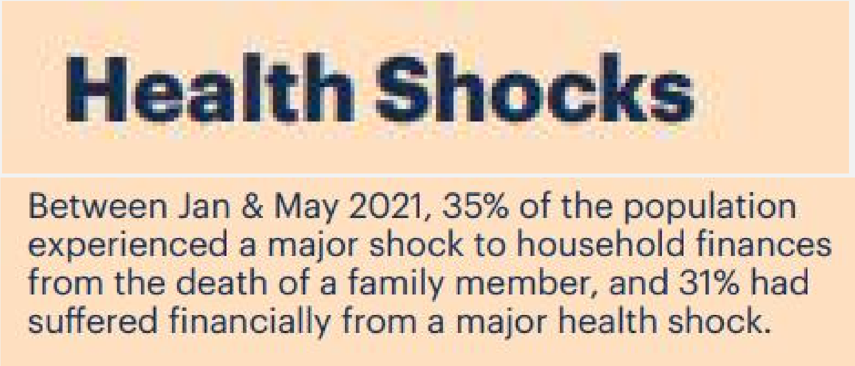
Health Dynamics

With growing pressures on household economies, financing health care is of increasing concern. This particularly salient in the context of a global pandemic.

Equally, health represents a major shock to household finances. Thus, efforts to improve access to, and affordability of healthcare will also ease the economic pressures on households.

- **33% of the population stated that they could not get hold of medicine** in the previous week when needed. Of these **90% said that they could not afford medicine.**
- Nearly half of those with chronic diseases (48%) were not able to access medicine when needed
- **Nearly a third of the population experienced a health shock with a major financial implication for their households**, and over a third experienced a major financial shock due to a death in the family





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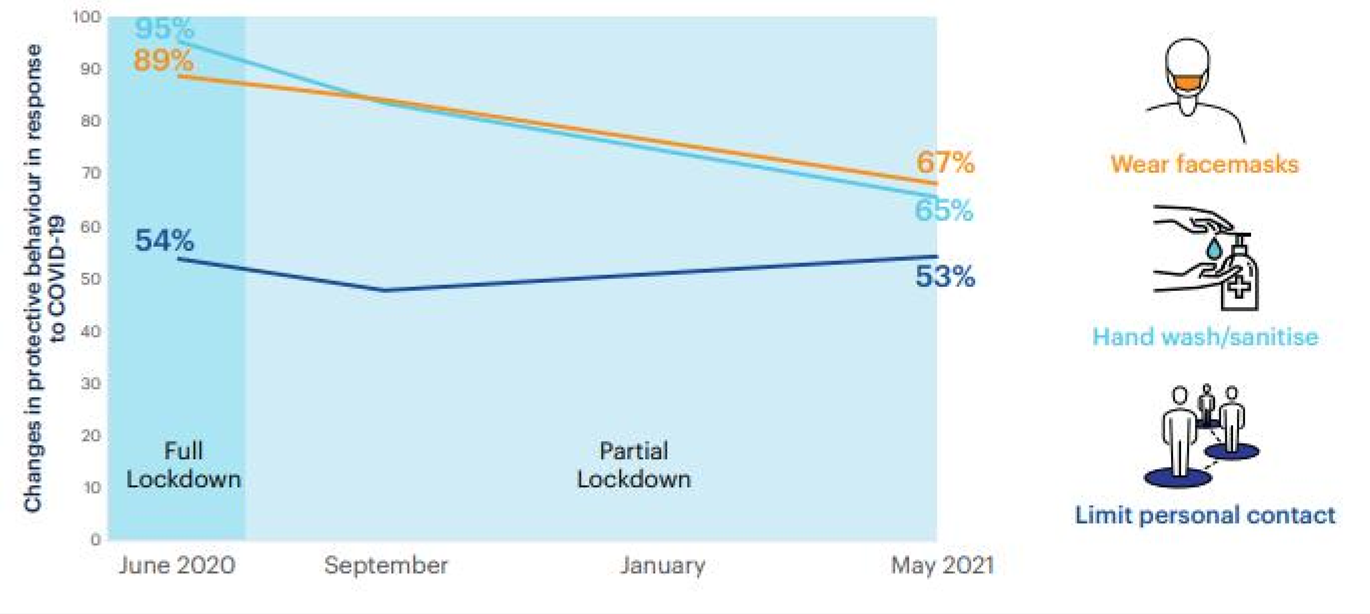
COVID-19

There is a high level of concern over the impacts of COVID-19, with nearly two thirds of the population **(63%) stating that they are extremely concerned about the impacts of the pandemic on their families.**

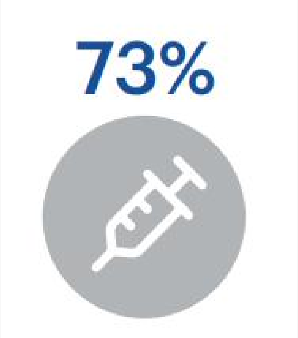
- Despite high levels of concern, adoption of protective behaviours declined between June 2020 and May 2021, particularly wearing facemasks and hand washing.
- Willingness to be vaccinated was relatively high, with 73% of the population stating that they were willing to be vaccinated. 25-44 year olds were the least willing to be vaccinated, possibly because of their greater exposure to social media.

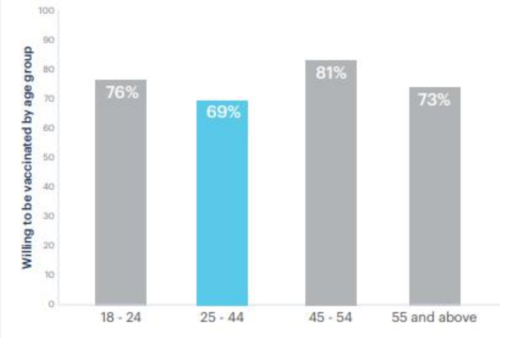
Implementation of Protective behaviours



Willingness to be Vaccinated

73% willing to be vaccinated





63%

63% stated that they are **'extremely worried'** about the impacts of the virus on their families.

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