Economic paradox in Kenya: More favourable perceptions amidst economic insecurity

Afrobarometer Dispatch No. 169 | Paul Kamau

Summary

Kenya and the other member states of the East African Community (EAC) are doing considerably better economically than most countries in sub-Saharan Africa (IMF, 2017). Kenya continues to be rated among the best-performing sub-Saharan economies, with a gross domestic product (GDP) growth rate of 5.8% in 2016. This impressive performance is attributed to lower oil prices, improved tea and horticulture exports, infrastructure growth, and increased remittance inflows (Kenya National Bureau of Statistics, 2017; Kerry, 2017). However, the government's decision to put a ceiling on lending rates at 4 percentage points above the central bank rate continues to be criticized because of its possible effect of a credit squeeze (Kenya Institute of Public Policy Research and Analysis, 2017).

Based on Afrobarometer survey responses in 2016, Kenyans were more optimistic about the national economic situation and (at least before the 2017 election crisis) the country's overall direction. Perceptions of personal living conditions were the most positive of the past decade.

Even so, a majority of citizens still saw economic conditions as bad and said the government was performing poorly in keeping prices stable, creating jobs, and managing the economy, reflecting continued economic insecurity amidst impressive economic performance.

Afrobarometer survey

Afrobarometer is a pan-African, non-partisan research network that conducts public attitude surveys on democracy, governance, economic conditions, and related issues across more than 35 countries in Africa. Six rounds of surveys were conducted between 1999 and 2015, and Round 7 surveys (2016/2018) are currently underway. Afrobarometer conducts face-to-face interviews in the language of the respondent's choice with nationally representative samples.

The Afrobarometer team in Kenya, led by the Institute for Development Studies at the University of Nairobi, interviewed 1,599 adult Kenyans in September-October 2016. A sample of this size yields country-level results with a margin of error of +/-3% at a 95% confidence level. Previous surveys were conducted in Kenya in 2003, 2005, 2008, 2011, and 2014.

Key findings

- Last September-October, about half (48%) of Kenyans said the country was going in the right direction – a 5-percentage-point improvement since 2014 and double the optimistic response in 2011.

- However, a majority (55%) of citizens still described the economic condition of the country as "fairly bad" or "very bad" – only a slight improvement from 2014.
- Almost half (47%) of Kenyans went without enough food at least once during the previous year, and the proportion of citizens experiencing a repeated lack of basic necessities increased compared to 2014.
- Half of Kenyans (50%) expected economic conditions in the country to be "better" or "much better" within 12 months' time.
- Remittances from abroad are not a source of economic security for most Kenyans: A majority (63%) said they do not receive any remittances, while 6% receive them at least once a month.
- A majority of Kenyans said the government had performed poorly in keeping prices stable (76%), creating jobs (69%), and managing the economy (55%).

Kenya's high-performing economy

Kenya ranks among the best-performing sub-Saharan African economies, which on average have seen a drop in economic expansion to 1.4%, the slowest rate in more than 20 years (IMF, 2017). However, the IMF 2017 report offered a much sunnier assessment of the EAC countries – Kenya, Rwanda, Tanzania, and Uganda – which are all expected to sustain annual growth rates of 5% or higher. The comparative strength of the EAC members is due in large measure to public spending and investments in infrastructure (IMF, 2017; Kerry, 2017).

According to the Kenya National Bureau of Statistics (2017), economic performance indicators demonstrated steady improvement between 2012 and 2016 (Table 1). For instance, the GDP growth rate rose from 4.5% in 2012 to 5.8% in 2016, alongside improvement in GDP per capita. Most sectors of the economy also recorded improved growth between 2012 and 2016.

Table 1: Economic growth indicators | Kenya | 2012-2016

	2012	2013	2014	2015	2016
GDP growth (%)	4.5	5.9	5.4	5.7	5.8
Population (million)	40.7	41.8	43.0	44.2	45.4
GDP per capita (Kshs '000)	104.8	113.2	125.6	141.6	157.7
Agriculture (% growth)	14.8	20.3	14.5	12.2	15.2
Manufacturing (% growth)	-1.49	10.9	7.1	6.7	6.3
Wholesale and retail (% growth)	11.1	11.0	9.8	7.9	5.0
Transport and communication (% growth)	2.8	4.2	7.3	9.3	9.7

Source: Kenya National Bureau of Statistics (2017, 2014)

However, while Kenya has the potential to be one of Africa's best-performing economies, the country has been following, not spearheading, Africa's growth momentum (United Nations

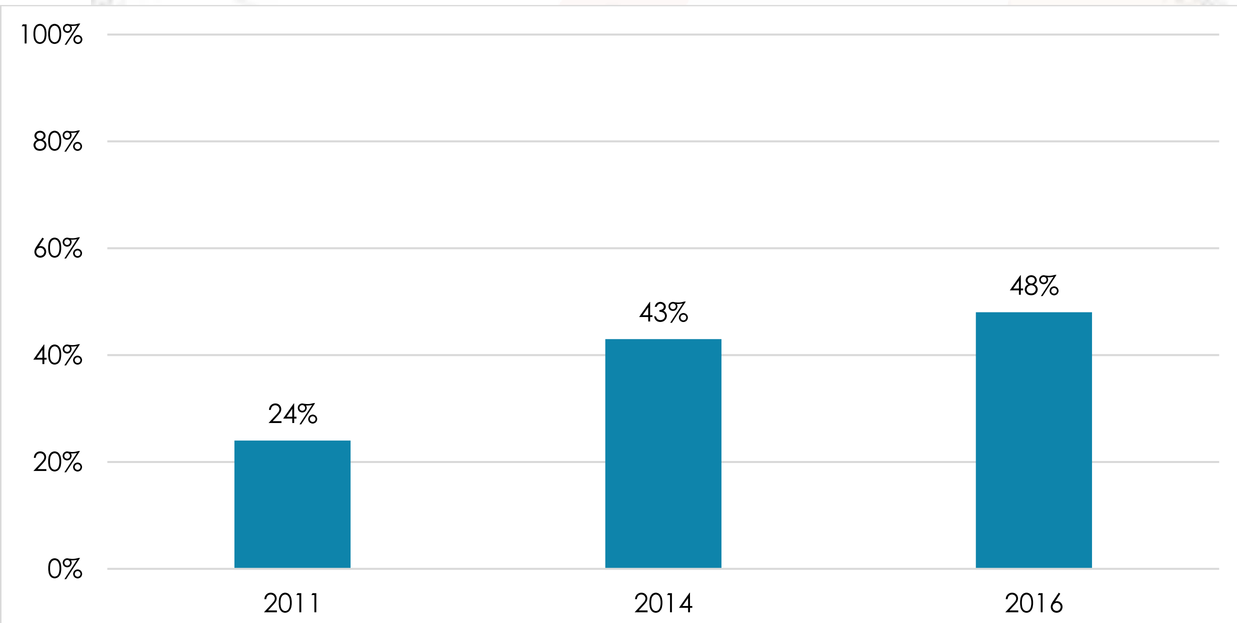
Economic Commission for Africa, 2015). At about U.S. $1,450 (2014), Kenya's per-capita income is only gradually catching up with the continental average of U.S. $1,790.

Challenges that have undermined economic growth include persistent droughts, high poverty levels, deteriorating terms of trade, high unemployment (especially among youth), and political instability. Despite these challenges, Kenya's prospects for economic development remain promising, supported by implementation of the constitution's devolution approach and adherence to the government's Vision 2030 plan.

Citizen perceptions of national economic conditions

Almost half (48%) of the Kenyan population saw the country as headed in the right direction last September-October – twice the proportion who shared this view in 2011 (Figure 1). This is in line with the country's promising macroeconomic performance over the period.

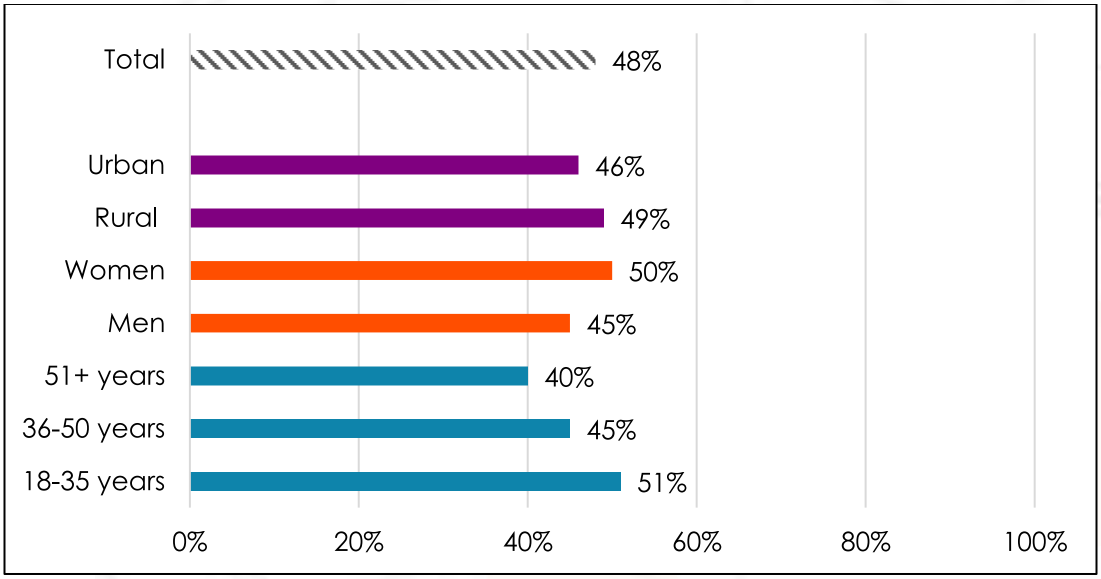
Figure 1: Country going in the right direction | Kenya | 2011-2016



Respondents were asked: *Let's start with your general view about the current direction of our country. Some people might think the country is going in the wrong direction. Others may feel it is going in the right direction. So let me ask YOU about the overall direction of the country: Would you say that the country is going in the wrong direction or going in the right direction? (% who said "right direction")*

Younger people were more optimistic about the general direction of the country than their elders: 51% of those aged 18-35 said it was headed in the right direction, compared to 45% of those aged 36-50 and 40% of those over 50 (Figure 2). Women were somewhat more positive than men (50% vs. 45% who said "right direction"). The rural population was slightly more optimistic than urban residents (49% vs. 46%), perhaps in response to infrastructure projects and social services being implemented by devolved governments and having a direct positive impact in rural areas.

Figure 2: Country going in the right direction | by socio-demographic group | Kenya | 2016



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Similarly, Kenyans' assessment of the country's economic situation, though still fairly negative, continued to improve (Table 2). A majority (55%) of respondents described economic conditions as "fairly bad" or "very bad" – a significant improvement from 2008 (78%), 2011 (84%), and 2014 (59%). The proportion of citizens who considered the country's economic condition "fairly good" or "very good" increased threefold from 2011, from 10% to 30% – again likely a response to the country's improved economic performance (Kamau 2016, 2012).

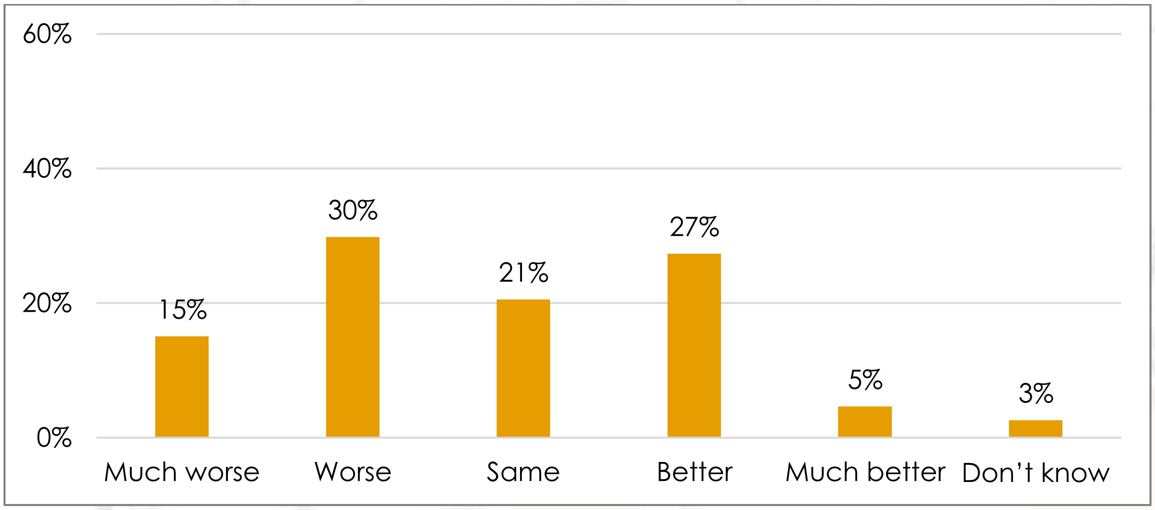
Table 2: Country's economic condition | Kenya | 2005-2016

	2005	2008	2011	2014	2016
Very good/Fairly good	28%	12%	10%	27%	30%
Very bad/Fairly bad	54%	78%	84%	59%	55%
Neither good nor bad	16%	10%	6%	14%	14%
Don't know	1%	0	1%	0%	1%

Respondents were asked: *In general, how would you describe the present economic condition of this country?*

But compared to 12 months earlier, only one-third (32%) of Kenyans felt that economic conditions were "better" or "much better," while 21% said they were the same and 45% considered them "worse" or "much worse" (Figure 3).

Figure 3: Country's economic condition compared to 12 months ago | Kenya | 2016

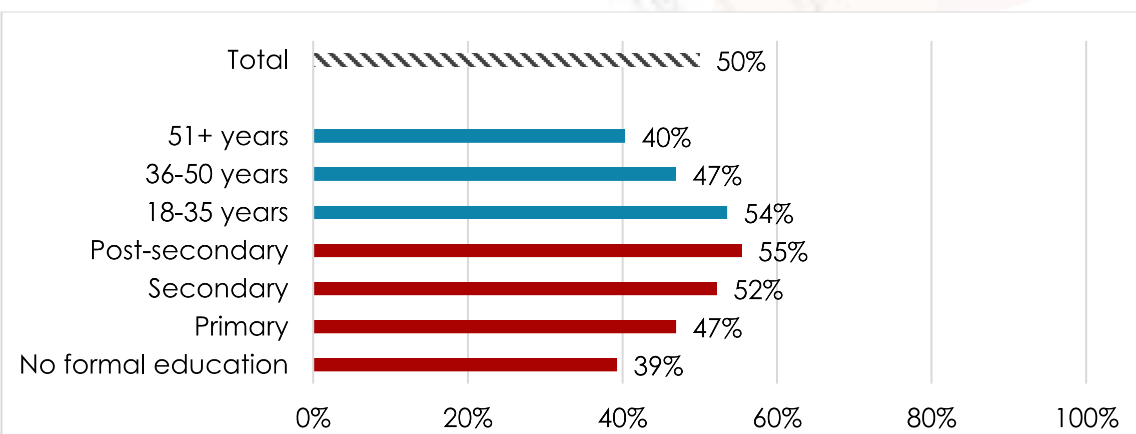


Respondents were asked: *Looking back, how do you rate economic conditions in this country compared to 12 months ago?*

Looking ahead, respondents were divided in their outlook for the national economy: Half (50%) said they thought conditions would be "better" or "much better" in 12 months' time, while 11% said they would remain unchanged, 26% predicted they would be "worse" or "much worse," and 14% said they didn't know.

Again the younger generation was more optimistic, with 54% saying better/much better compared to 47% of middle-aged and 40% of elders (Figure 4). Positive expectations also increased with respondents' education level: Among those with post-secondary qualifications, 55% said the economy would be better/much better a year hence, compared to only 39% of those with no formal education.

Figure 4: Country's economic condition in 12 months' time | Kenya | 2016



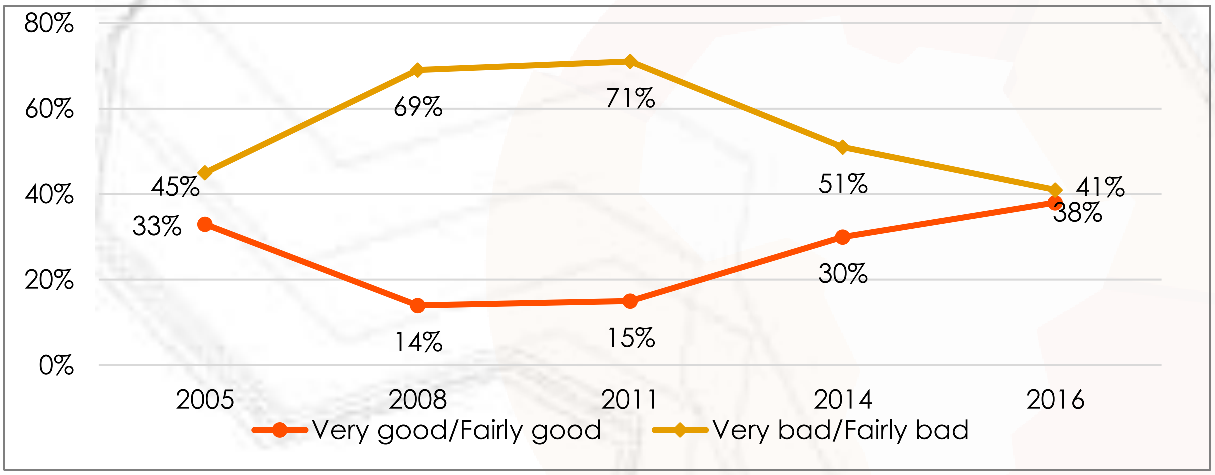
Respondents were asked: *Looking ahead, do you expect economic conditions in this country to be better or worse in 12 months' time? (% who said "better" or "much better")*

Perceptions of personal living conditions

When asked about their personal living conditions, 38% of Kenyans described them as "fairly good" or "very good" – the highest score over the past decade (Figure 5). Compared to 2011, the proportion of those who saw their living conditions as good more than doubled, from 15%. Still, four in 10 (41%) said their living conditions were "fairly bad" or "very bad," though this represents a significant drop from a high of 71% in 2011.

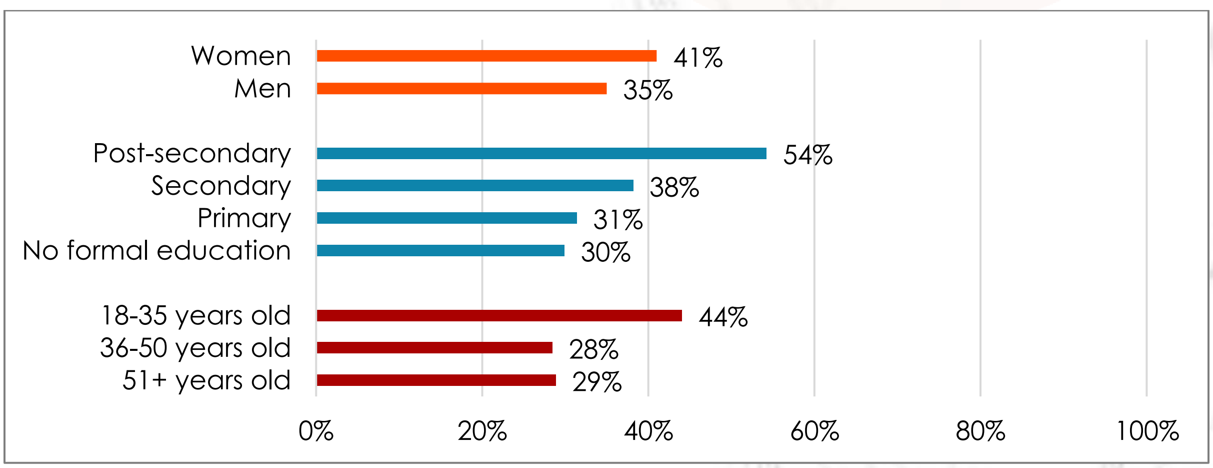
Positive assessments of personal living conditions were more frequent among women (41%) than men (35%), among better-educated respondents (54% among those with post-secondary qualifications vs. 30% of those with no formal education), and among younger citizens (44% among ages 18-35 vs. 28%-29% among their elders) (Figure 6).

Figure 5: Personal living conditions | Kenya | 2005-2016



Respondents were asked: *In general, how would you describe your own present living conditions?*

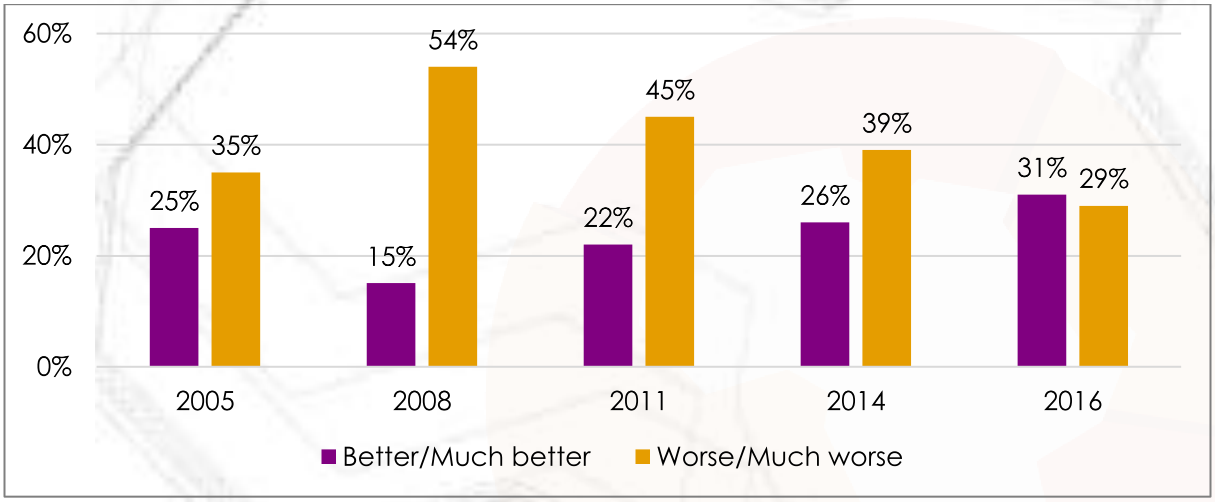
Figure 6: Good personal living conditions | by gender, education level, and age | Kenya | 2016



Respondents were asked: *In general, how would you describe your own present living conditions? (% who said "fairly good" or "very good")*

More Kenyans also saw themselves as being economically better off than other citizens, an indication of improved individual well-being. The proportion of respondents who said their living conditions were "better" or "much better" than those of other Kenyans continued its steady increase, from 15% in 2008 and 22% in 2011 to 31% in 2016 (Figure 7). Over the same period, the proportion of Kenyans who reported their living conditions as being worse/much worse than those of their compatriots declined from a high of 54% in 2008 to 29%.

Figure 7: Personal living conditions compared to those of other Kenyans | Kenya | 2005-2016



Respondents were asked: *In general, how do you rate your living conditions compared to those of other Kenyans?*

Economic insecurity

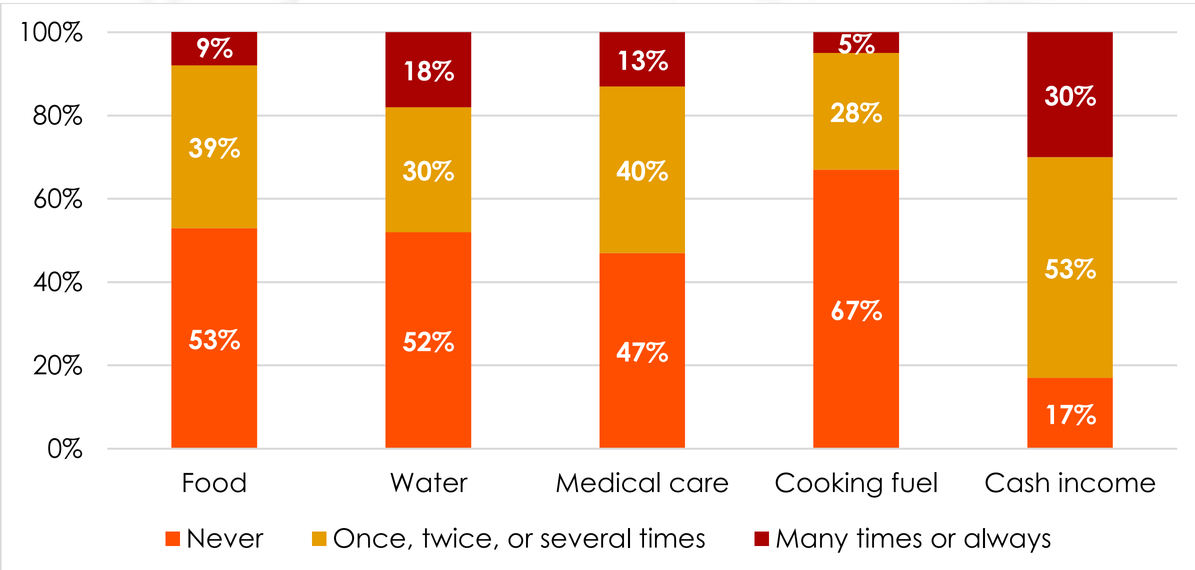
Despite more positive popular assessments of the country's economic situation and personal living conditions, the proportion of the population who experienced economic insecurity actually increased between 2014 and 2016. Considering economic insecurity as vulnerability to economic shocks (Sharma, 2009), Afrobarometer asks respondents how often, during the previous year, they or their families went without basic necessities such as enough food, enough clean water for home use, medicines or medical treatment, enough fuel for cooking, and a cash income.

According to 2016 survey results, only about half of Kenyans were economically secure enough to avoid suffering a shortage of food (53%), clean water (52%), and medical care (47%) during the preceding year (Figure 8). Two-thirds (67%) always had enough cooking fuel, while fewer than one in five (17%) always had a cash income.

Compared to 2014, the proportion of Kenyans who never went without basic necessities declined by 6 percentage point for clean water, 5 points for medical care, 3 points for cooking fuel, and 9 points for cash income, while holding steady for food (see Kamau, 2016).

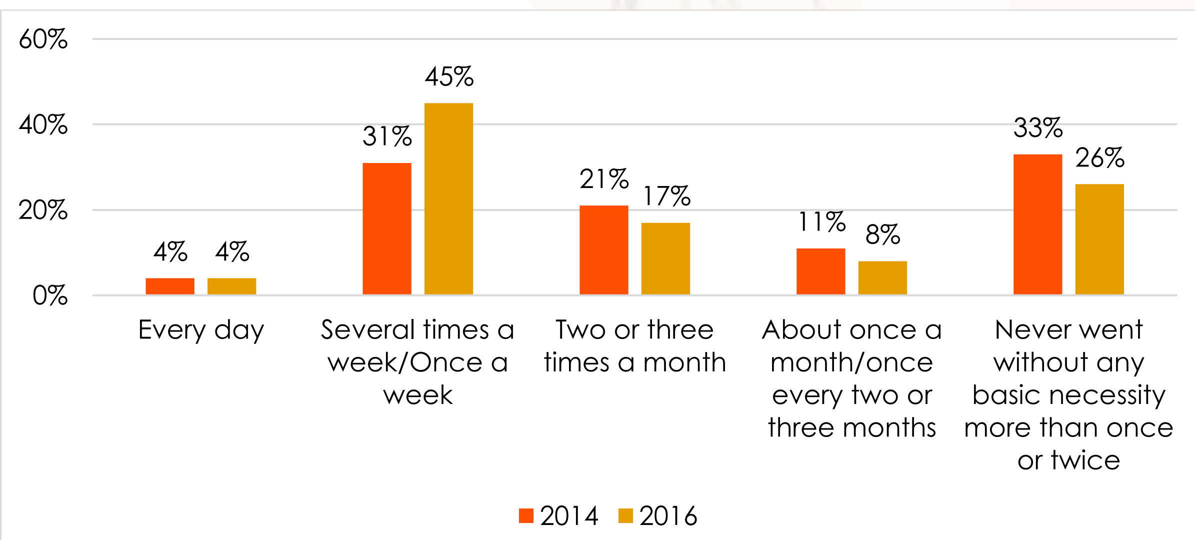
A follow-up question measured the severity of economic insecurity by asking respondents who reported deprivation more than "once or twice" about the frequency with which they lacked a basic necessity. As Figure 9 shows, the proportion of respondents who went without a necessity fairly often (once or several times a week) increased from 31% in 2014 to 45% in 2016, while the proportion who suffered deprivation less frequently or not at all decreased.

Figure 8: Going without basic necessities | Kenya | 2016



Respondents were asked: *Over the past year, how often, if ever, have you or anyone in your family gone without: Enough food to eat? Enough clean water for home use? Medicines or medical treatment? Enough fuel to cook your food? A cash income?*

Figure 9: Frequency of going without basic necessities | Kenya | 2014-2016



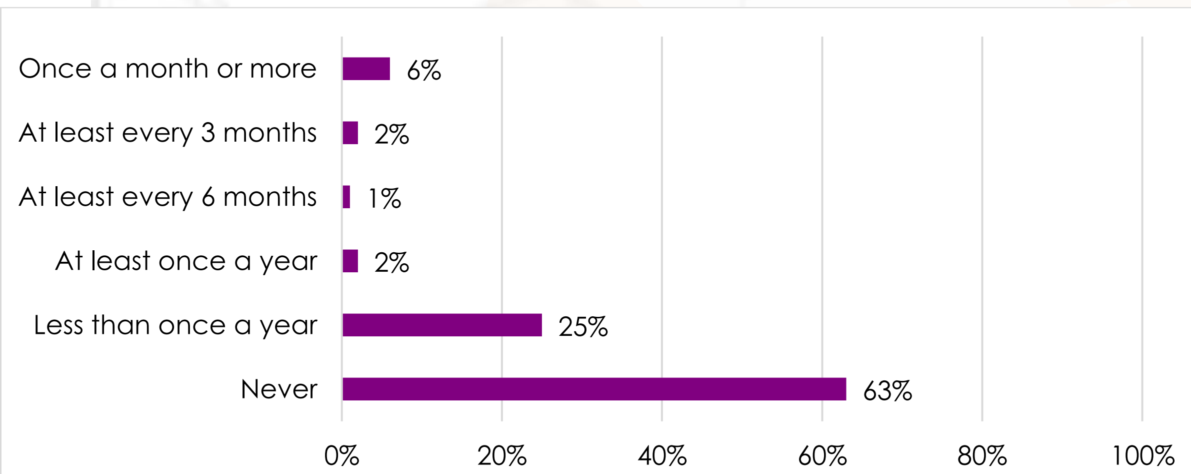
Respondents who went without one of five basic necessities more than once or twice in the previous year were asked: *When you say you went without [respondent's most frequent unmet basic need], would you say this occurred about once every two or three months, about once a month, two or three times a month, about once a week, several times a week, or every day?*

Remittances

The economics literature suggests that remittances, or money sent home by foreign workers, can be a source of cash inflow that can significantly increase individual and national income in developing countries (Mwangi & Mwenda, 2015; Sharma, 2009). Remittances by migrants and expatriates compete with international aid and foreign direct investment as one of the largest financial inflows to developing countries. At a macroeconomic level, they can provide a relatively stable and countercyclical source of capital, alleviate problems relating to conflict and natural disasters, and even improve a country's access to external financing (Sharma, 2009). At the individual and family levels, they can cushion citizens against economic insecurity and impact poverty-related problems (Mwangi & Mwenda, 2015).

In its Round 7 survey, Afrobarometer for the first time assessed the level of international remittances in Kenya. Findings suggest that while not negligible, remittances are not a major or consistent source of income for most Kenyans: 63% said they do not receive money from friends and relatives living outside the country, and only 6% said they receive such remittances once a month or more often (Figure 10). One in four respondents (25%) said they receive remittances less than once a year.

Figure 10: Receive remittances from abroad | Kenya | 2016



Respondents were asked: *How often, if at all, do you or anyone in your household receive money remittances from friends or relatives living outside of the country?*

Government performance in handling economic issues

Economic issues take a prominent place among problems that Kenyans want their government to address. When survey respondents were asked to cite "the most important problems facing this country" and allowed up to three responses, corruption took the top spot, cited by 34% of respondents. But unemployment (No. 2, with 27%), management of the economy (23%), food shortage (17%), and poverty (14%) all ranked among the top 10 problems (Table 3).

The list of the 10 most important problems that Kenyans would like to be addressed has remained fairly constant across time, with some changes in the ranking, such as significant increases in popular concern about corruption and water supply and decreasing priority to the problem of food shortage (Kamau 2012).

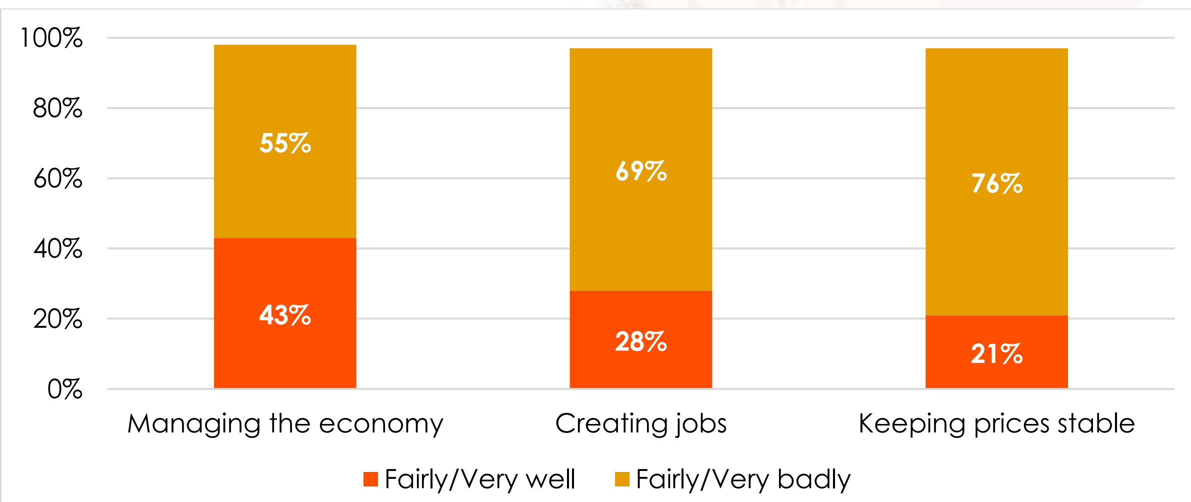
Table 3: Most important problems that government should address | Kenya | 2011-2016

	2011	2014	2016
Corruption	17%	15%	34%
Unemployment	29%	31%	27%
Health	21%	22%	26%
Water supply	16%	20%	26%
Crime and security	16%	40%	25%
Management of the economy	33%	20%	23%
Education	21%	25%	20%
Food shortage/famine	30%	20%	17%
Infrastructure/roads	19%	23%	16%
Poverty/destitution	17%	15%	14%

Respondents were asked*: In your opinion, what are the most important problems facing this country that government should address? (Note: Respondents could give up to three responses. The table shows the % of respondents who cited each problem among their three responses.)*

When asked how well they think the government has handled economic issues, Kenyans are highly critical. Three-fourths (76%) said the government is performing "fairly badly" or "very badly" on keeping prices stable; majorities offer the same assessment on creating jobs (69%) and management of the economy (55%) (Figure 11).

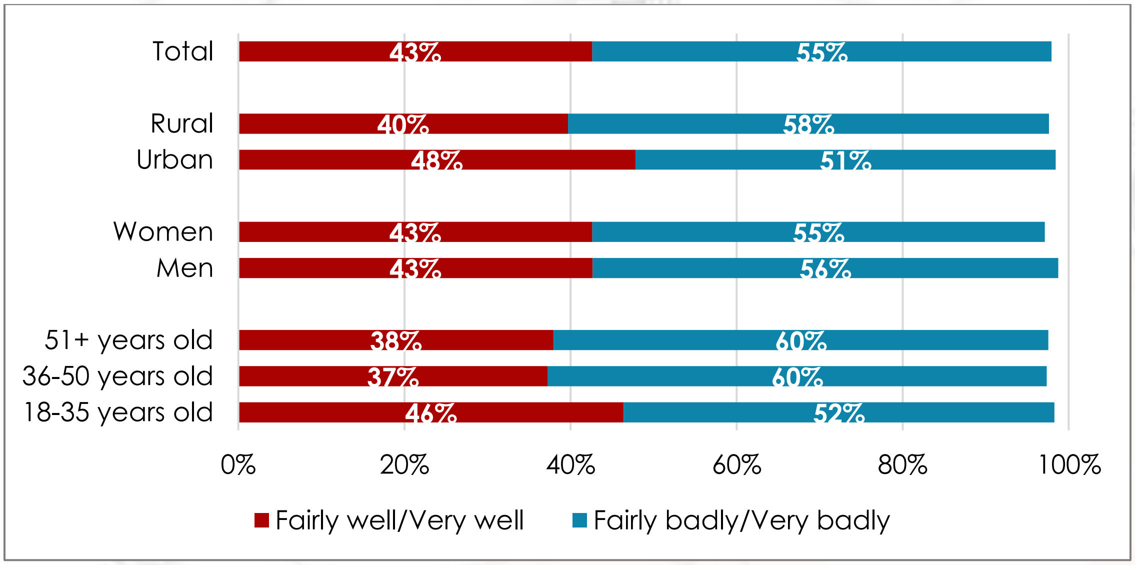
Figure 11: Government handling of economic issues | Kenya | 2016



Respondents were asked: *How well or badly would you say the current government is handling the following matters, or haven't you heard enough to say?*

Rural residents were less likely than urbanites to approve of the government's management of the economy (40% vs. 48%), while younger respondents were more approving than their elders (Figure 12).

Figure 12: Government performance in managing the economy | Kenya | 2016



Respondents were asked: *How well or badly would you say the current government is handling the following matters, or haven't you heard enough to say: Managing the economy?*

Bank account ownership

Financial inclusion, meaning people's access to affordable financial services, is an important factor in moving toward a number of the United Nations Sustainable Development Goals, including the eradication of poverty. For example, a study in Kenya found that giving people a safe place to store money increased health spending by 66%, while a government effort in India to open banks in rural areas was shown to help reduce rural poverty by up to 17% (World Bank, 2014).

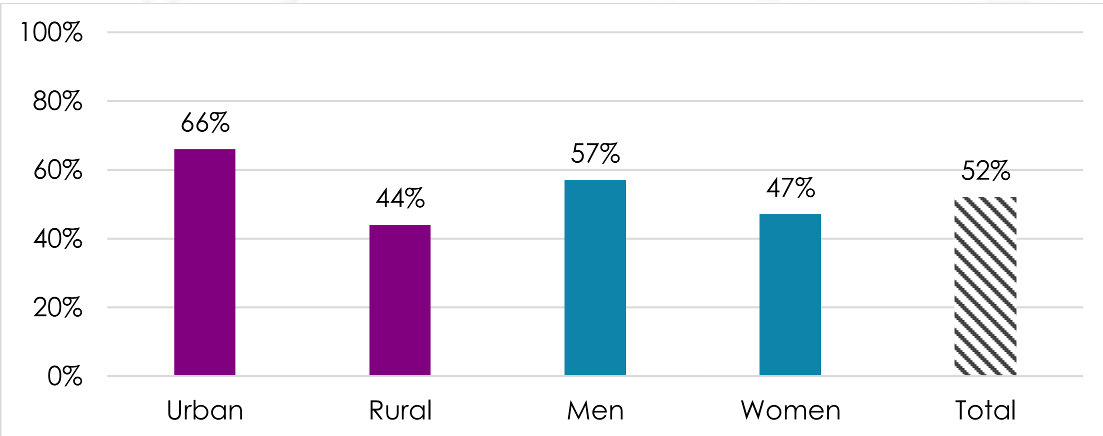
Financial inclusion provides low-income households, vulnerable groups, and informal enterprises with an opportunity to undertake financial transactions, generate income, accumulate assets, and manage risks, thereby enabling their participation in inclusive and sustainable development (Mugo & Kilonzo, 2017).

One indicator of financial inclusion is the proportion of adults who have opened a basic transaction bank account. In sub-Saharan Africa, only 34% of adults have an account at a formal financial institution, compared to 94% in the United States and 99% in Germany (World Bank, 2014). A World Bank analysis reports that in Kenya, 55% of adults have access to formal accounts at financial institutions (Demirguç-Kunt, Klapper, Singer, & Van Oudheusden, 2015).

The Afrobarometer survey found a similar result: 52% of Kenyan respondents said they had bank accounts – well above the sub-Saharan Africa average reported by the World Bank (2014). Kenya's place at the higher end among African countries may reflect financial innovation that has generated products aimed at various market segments in the country. Rural Kenyans (44%)

are considerably less likely than urban residents (66%) to have bank accounts, and women trail men on this indicator, 47% vs. 57% (Figure 13).

Figure 13: Own a bank account | Kenya | 2016



Respondents were asked: *Which of these things do you or anyone in your household own: A bank account? (% who said "yes")*

Conclusion

Kenyans' experiences and perceptions reflect a paradox of credible economic growth and continued – even worsening – economic insecurity. Though still a minority, the proportion of Kenyans who see economic conditions as good and are optimistic about the future has grown. Yet more Kenyans are going without basic necessities than in 2014, and a majority of citizens rate the government's performance on economic issues as bad. Moreover, the gains reflected in the 2016 survey data may be affected by the political turmoil witnessed in 2017.

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Afrobarometer is produced collaboratively by social scientists from more than 30 African countries. Coordination is provided by the Center for Democratic Development (CDD) in Ghana, the Institute for Justice and Reconciliation (IJR) in South Africa, the Institute for Development Studies (IDS) at the University of Nairobi in Kenya, and the Institute for Empirical Research in Political Economy (IREEP) in Benin. Michigan State University (MSU) and the University of Cape Town (UCT) provide technical support to the network.

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