

NAIROBI, Kenya, September 29 (Infosplusgabon) - The Kenyan economy slowed down to 5% in the second quarter of 2017 from 6.3% in 2016, the Kenya National Bureau of Statistics (KNBS) said on Friday.

The slowdown was a result of drought and weak growth in the agriculture sector.

The economic quarter was characterised by sharp increases in food prices triggered by the rising international oil prices and drought in parts of the East African region.

Rising international oil prices led to a surge in inflationary pressures with the average inflation rate increasing more than two-fold from 5.36 per cent in the second quarter of 2016 to 10.80 per cent in the review quarter, KNBS said.

The slow but robust growth was supported by activities of transport and storage, real estate, Information and Communication Technology, accommodation and food services and a slightly improved growth in wholesale and retail trade.

On the other hand, the growth was somewhat constrained by subdued performances in agriculture, forestry and fishing.

The sector grew by 1.4 per cent, while manufacturing grew 2.3 per cent, electricity (6.1 per cent) and financial intermediation (4.3 per cent).

"The performance of the agriculture sector was exacerbated by widespread drought experienced during the fourth quarter of 2016 and somewhat suppressed long rains in 2017 that considerably affected crop production and rearing of animals," KNBS said.

The slowdown in agriculture led to a notable slowdown in the manufacture of food as agro processing was negatively affected by constrained supply of food products.

Electricity generation was also greatly affected by reduced rains thereby necessitating increased use of thermal sources whose intermediate inputs are more expensive compared to other sources.

Growth in Financial Intermediation was also dampened by the effect of continued slow uptake of credit.

During the quarter, the Kenyan Shilling, the local currency, marginally depreciated against the US dollar but appreciated slightly against the sterling pound.

Performance of the Shilling against the Euro and the Japanese Yen remained largely unchanged during the quarter.

The Kenyan Shilling depreciated against the South African Rand and Tanzanian Shilling but appreciated slightly against the Ugandan Shilling.

Commercial bank lending rates dropped from an average of 18.15 per cent in the second quarter of 2016 to 13.63 per cent in the quarter under review.

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