KENYA

A&T BANK

Economic Research

April 2020

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EXECUTIVE SUMMARY

As Kenya is experiencing a rapid transition from a mainly agricultural society to an increasingly urbanized one, the Kenyan Government faces many challenges in providing suitable mechanisms to guide this urbanization as well as finding the resources to further its growth.

On the other hand, Kenya has made significant political, structural and economic reforms that have largely driven sustained economic growth, social development and political gains over the past decade. However, its key development challenges still include poverty, inequality, climate change, continued weak private sector investment and the vulnerability of the economy to internal and external shocks.

Looking ahead, medium-term gross domestic product growth (GDP) is expected to rise to 6.05% in 2020 and 5.82% in 2021 underpinned by private consumption, a pick-up in industrial activity and still strong performance in the services sector. Inflation is expected to remain within the government's target range while the current account deficit is projected to remain manageable. Growth will also be driven by ongoing key investment to support implementation of the Big Four development agenda and improved business sentiment.

The president Uhuru Kenyatta who came to the government in 2013, promises for Big Four agenda. 1) Enhancing manufacturing from 9,2% to 20% of GDP by 2020. 2) Food security and nutrition. 3) Increasing health coverage. 4) 500.000 new affordable houses. The government's debt burden has seen steady growth over recent years, increasing from 40.9% of GDP in 2010 to 60% in 2018. It is expected that, this trend will continue through to 2021 and the debt burden will reach 64.5% of GDP on the back of an ambitious project pipeline aimed at developing the country's infrastructure network sustaining high levels of capital spending.

It was announced in March 2020 that talks between Kenya and the IMF regarding a potential new three-year Standby-By Credit Facility had begun, after the previous programme expired in 2018. The Kenyan government has also reached out for emergency funding of up to USD350 million from the IMF and USD750 million from the World Bank to support the economy amid the Covid-19 pandemic.

However, downside risks to growth are elevated. It remains uncertain how long the outbreak of Covid-19 both within Sub-Saharan Africa and beyond will persist and how damaging it will be to the global economy. A longer than expected global recession or the virus remaining pervasive in Sub-Saharan Africa would likely prevent a rebound in goods and services exports, while continued global risk-off sentiment would sustain depreciatory pressures on the shilling and fuel higher inflation. Kenya's agricultural production and food supplies also face downside risks due to its vulnerability to extreme weather and the prevalence of desert locusts across large areas of East Africa, which could exacerbate food price inflation and headwinds to consumption.

1. KENYA'S SWOT ANALYSIS

Strengths

- Kenya's relatively diversified economy reduces its vulnerability to commodity price shocks.
- A rapidly growing technology sector supports an internationally-competitive services sector.
- Robust long-term growth prospects will encourage investment.
- Kenya has a strategically advantageous location in the East African Community.
- The Kenyan state boasts relatively well-established institutions compared to regional peers, with multiparty electoral democracy now entrenched as the norm.
- Large elements of the population are keen participants in the civil society movement, maintaining pressure on the government to sustain the pace of anticorruption reform.

Weaknesses

- Entrenched perceptions of corruption undermine the business environment.
- Unemployment levels are high and educational quality is often lacking.
- The large role played by foreign investment in Kenya's economic growth leaves the country exposed to swings in investor sentiment.
- Widespread perceptions of corruption tarnish the government's image both domestically and abroad.
- Sharp ethnic divisions, often supported by political leaders, create a persistent threat of political instability, particularly around elections.
- Weak, inefficient security services struggle to contain the threat of terrorism stemming from the Somalia-based Al-Shabaab militant group.
- The government is prone to bouts of populism when looking to increase its support amongst the electorate.

Opportunities

- Being a relatively advanced economy, Kenya could serve as a springboard for international firms looking to enter Sub-Saharan Africa.
- Kenya can benefit from the increasing integration of the East African Community, primarily through growing intra-regional trade.
- Government efforts to combat corruption could improve investor perceptions in the coming years.
- Success in combating Al-Shabaab and stabilising Somalia could bolster Kenya's position as regional powerbroker and increase its reputation in the international arena.

Threats

- A failure to address large fiscal deficits and a growing debt burden could see investor sentiment begin to decline over the coming years.
- Drought associated with climate change poses risks to growth, inflation, the currency and the balance of payments position.
- Given its involvement in the African Union Mission in Somalia (AMISOM), Kenya is vulnerable to terrorist attacks by Al-Shabaab.
- Tensions between Muslims and Christians have increased since the onset of the Kenyan military operations in Somalia and could escalate.

2. ECONOMIC OUTLOOK

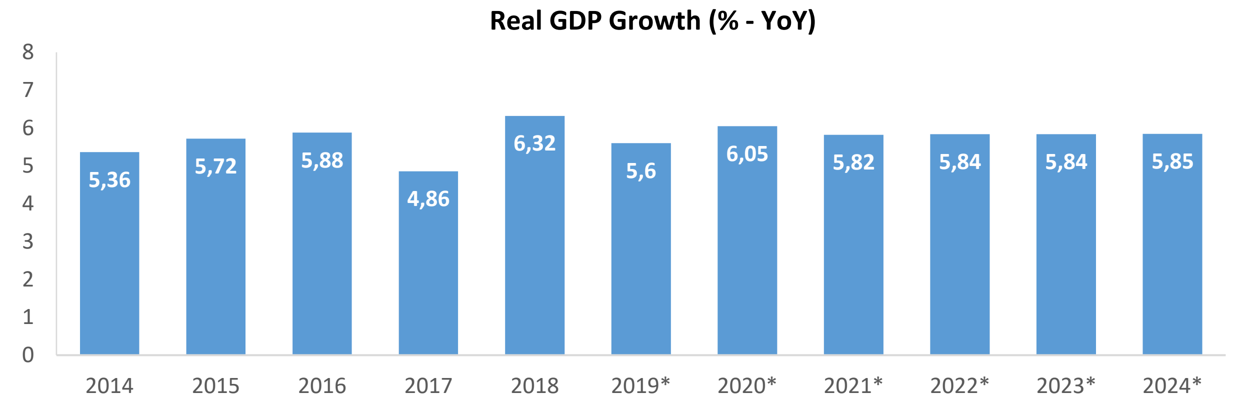
Main Economic Indicators				
	2015	2016	2017	2018
Nominal GDP, USD bn	64	69,1	78,7	87,9
Real GDP growth, % y-o-y	5,72	5,88	4,86	6,32
Consumer price inflation, % y-o-y, ave	6,58	6,30	8,01	4,69
Budget balance, % of GDP	-8,09	-8,47	-7,86	-7,36
Current account balance, % of GDP	-6,70	-5,34	-6,37	na

Source: World Bank na: not available

A&T Bank View: *While Kenya will remain a regional outperformer in economic growth over the short term, its expansion will face constraints relative to previous quarters. Kenya's real GDP growth rate stood at 5.1% y-o-y in Q319, continuing to surpass growth in the larger economies of South Africa. This was largely driven by a weaker expansion in the agricultural sector following delayed rains in 2019, with growth slowing from 6.9% in Q318 to 5.1% in Q319, signalling downside risks to expansion in 2020.*

CORE VIEWS

- Weakness in the agricultural sector caused by delayed rains constrained growth in 2019, which is expected to continue somewhat in 2020. In contrast, the construction sector will remain strong, supported by public investment and a rebound in lending following the removal of the interest rate-capping law.
- Inflation in Kenya is likely to rise over 2020. This is largely on the back of rising food prices. However, it is expected that the inflation to remain well within the Central Bank of Kenya (CBK)'s 2.5-7.5% target range. Following the removal of the cap on interest rates and the CBK cutting its policy rate from 9% to 8.5% in November 2019, it's expected that the central bank to hold a neutral policy stance over 2020 due to upside risks to price growth.
- It's expected that the Kenyan shilling will remain on a path of gradual depreciation in the short term given cautious investor sentiment. Depreciatory pressures expected to continue over the longer term given a deteriorating current account – driven by lower growth in remittances and higher interest payments to foreign investors – as well as rising fiscal vulnerabilities.
- While the National Treasury has announced plans to reduce the budget deficit, significant fiscal consolidation is unlikely given a continued increase in spending but limited tax increases. An increase in capital gains tax will have a moderate impact on revenues, but these are unlikely to offset the spending increases that will occur as part of implementing the Big Four Agenda public investment plan. Continued government deficits increasing borrowing, as well as the issuance of USD2.1 billion in Eurobond debt in May 2019, will increase risks to debt sustainability in the quarters ahead.
- Following a longstanding border dispute between Kenya and the government of Somalia, the agreement to normalise bilateral relations in November 2019 marks an improvement for Kenya's international outlook. However, the activities of the Somalia-based Islamist militant group Al-Shabaab will continue to pose security risks.



Source: World Bank *:estimate

Kenya's economy will see robust growth over the coming decade, driven by strong public investment in infrastructure, a dynamic services sector and favourable demographics. But, the global Covid-19 (coronavirus) pandemic has weakened GDP growth prospect of Kenya for the year 2019 from 5.6% to 3.3%. Growth over the last decade has been driven by private consumption, in particular the expansion of the services sector, which is among Sub-Saharan Africa's most innovative. Private consumption will remain the economy's dominant segment, as improvements in the business environment and infrastructure lower business costs and promote expansion.

It is expected that the agricultural sector to face further constraints over the short term, posing headwinds to exports and private consumption. Following drought conditions earlier in 2019, Kenya saw heavy rainfall, and in some areas flooding, cause damage to infrastructure and farmland in Q419. The adverse weather of 2019 will likely weigh on harvests of key crops over the coming quarters. From Q119 to Q319, the volume of exported tea – which accounted for an average of 21.5% of annual goods exports from 2014 to 2018 – declined by 7.5% compared to the year earlier period, and will have limited scope for a significant recovery over the short term. With Kenya remaining reliant on imports and of consumer and capital goods, it is expected that the net exports to overall weigh on the economy's rate of expansion over the short term. Weak crop production growth will also block incomes and consumption growth for the 57% of the labour force employed in the agricultural sector. Moreover, it is expected that the reduced food supplies to underpin an acceleration of inflation from an average of 5.2% y-o-y over 2019 to 5.9% over 2020 and 6.1% over 2021. While the rate of inflation expected to remain within the Central Bank of Kenya's 2.5% -7.5% target range, faster price growth will weigh on consumers' purchasing power and pose moderate headwinds to consumption.

The growth over the short term expected to be supported by the removal of a cap on commercial bank lending rates alongside monetary stimulus. Parliament implemented a limit on commercial bank lending rates relative to the central bank rate in September 2016, with the aim of improving credit access. However, the result was banks restricting credit issuance due to less room to adjust interest rates for lending to riskier borrowers, with average private sector credit growth of only 3.6% y-o-y from September 2016 to September 2019 (compared to a 2013-15 average of 18.9%) keeping economic growth below potential. The cap was removed in November 2019 with the intention of improving the effectiveness of monetary policy and bolstering loan issuance to households and firms, and was followed by the Central Bank of Kenya implementing a policy rate cut of 50 basis points to 8.5%.

Kenyan growth forecasts risks are mixed, but tilted more heavily towards the downside. The government's removal of the rate cap followed prolonged deadlock between policymakers and marks a positive shift in reform momentum, posing upside potential for loan growth as well as investor sentiment and capital inflows. However, there is a more salient risk of inflation exceeding the projections, due to Kenya's vulnerability to adverse weather and a recent locust outbreak in East Africa potentially weighing more heavily on crop production and raising food prices. Higher inflation or currency volatility could pressure the Central Bank of Kenya to raise its policy rate, reversing its latest stimulus and stymying private consumption and investment. There is also scope for revenue shortfalls and rising debt servicing costs to more heavily constrain government capital expenditure.

3. FOREIGN DIRECT INVESTMENT (FDI)

Foreign investments in Kenya remain relatively weak considering the size of its economy and its level of development. Nevertheless, Kenya is one of the largest recipients of FDI in Africa, with FDI inflows significantly increasing since 2010. The rise is related to investments, coming mainly from China, in the mining and hydrocarbon sectors. A Chinese investor positioned itself on a project to create a railroad connecting Rwanda, Uganda, South Sudan and Kenya, for a cost of nearly USD14 billion. The total stock of FDI stood at USD14.4 billion in 2018. In recent years, the ICT (Information and communication technology) sector has attracted the most FDI, thanks to the arrival of fibre optics in 2009-2010. The other sectors targeted by FDI are banking, tourism, infrastructure and extractive industries. The United Kingdom, the Netherlands, Belgium, China and South Africa are the main investors in Kenya.

The Kenyan government has been actively taking measures and implementing reforms to attract FDI. As a result, the country made progress in the Doing Business ranking published by the World Bank. The country was ranked 56th worldwide, for the ease of doing business in March 2020 Doing Business Report of the World Bank. This represents an improvement from March 2019 edition when the country was ranked 61st. The country has improved in making the dealing with construction permits more transparent. Kenya also improved the reliability of electricity supply by modernizing its existing infrastructure. Registering property, getting credit, protecting minority investors, tax payment and resolving insolvency are the other aspects where the country has made notable changes.

Kenya plays a pivotal role in the East African Community, acting as a regional economic hub. It benefits from a strategic geographic location with sea access, a growing entrepreneurial middle class, a diversified agriculture and expanding services sector and recently discovered hydrocarbons resources. Nevertheless, numerous obstacles to investment persist, notably the country's poor-quality infrastructures, skills shortages, instability related to terrorist risk and political, social and ethnic divisions, ineffective rule of law and corruption.

Public investment is expected to remain a major driver of growth over the short term. Construction industry growth in Kenya is expected to average 6.2% over 2020 and 2021, down from previous years in part due to a winding down of development on the Chinese-backed standard gauge railway (SGR). However, construction growth expected to continue to outperform the regional average. Although revenue generation is likely to undershoot government projections, the government is expected to remain committed to supporting the development of transport infrastructure as well as housing as part of its Big Four agenda.

The ongoing expansion of Kenya's non-hydro renewable energy sector will be the primary driver of growth in the wider energy and utilities infrastructure segment over the coming years, supported by strong investor interest in the market, a conducive regulatory environment and ongoing support from development banks and IFIs. There are also several projects underway in Kenya's water infrastructure sub-sector as the government works to improve the water supply in urban and rural areas.

Government efforts to boost the provision of affordable housing in the country, combined with rising household consumption, will help support growth in the residential construction sector in Kenya. Furthermore, Kenya’s plan to diversify the economy towards manufacturing, financial services and ICT will create investment opportunities across the industrial and commercial infrastructure segments.

Finally, in order to benefit from certain government incentives, foreign investors must invest a minimum of USD100,000. In 2013, the Government passed a law on public-private partnerships (PPP) in order to attract foreign investment in the infrastructure sector. The Government has put in place an extensive programme of privatisation in various sectors, such as food processing, construction, equipment, education and energy. The special economic zones and export processing zones benefit from targeted incentives. The Mining Law has recently been amended to limit foreign participation in the oil, gas and minerals mining sectors. However, in 2015, that law was amended in order to increase the attractiveness of the investment climate in the extractive industries.

A new Company Act, promulgated in 2015, was supposed to compel a foreign company to reserve at least 30% of its capital to Kenyan citizens. However, that clause was suspended. Despite these questions, which remain unresolved, the law modernises registration procedures and operations for companies. In 2015, the Business Registration Services (BRS) Act set up the Business Registration Service. This new law supervises company registration and assigns the registration of the name and concepts of a company, which cuts costs of registering a company. The Kenyan Government also introduced the Insolvency Act in 2015 in order to improve the legal framework in case of bankruptcy of a company. In 2017, the government announced the development of the project “Kenya Investment Policy” to strengthen the creation of an environment conducive to investment growth. The policy provides for the revision of legislation affecting the entire investment network.

In addition to an increasing labour force, Kenya's growth outlook will be sustained by increasing the country's logistics network. The government has spent considerable sums on developing the country's infrastructure in recent years. Capital spending has increased from 16% of total spending between 2000 and 2007 to 29% of spending between 2008 and 2015. Notable projects include a standard gauge railway that seeks to link Kenya with its regional neighbours and port expansions in Mombasa and Lamu. While the pace of infrastructure development will inevitably slow down over the coming years as major projects approach completion and the government struggles to continue financing new projects, they will continue to offer a long-term boost to growth by encouraging investment. Kenya has long been a base for those looking to do business in East Africa. While several other East African economies have begun to improve their logistics, the improvements in Kenya's capacity to export its goods and services – from an already higher base – will see the country remain a regional hub.

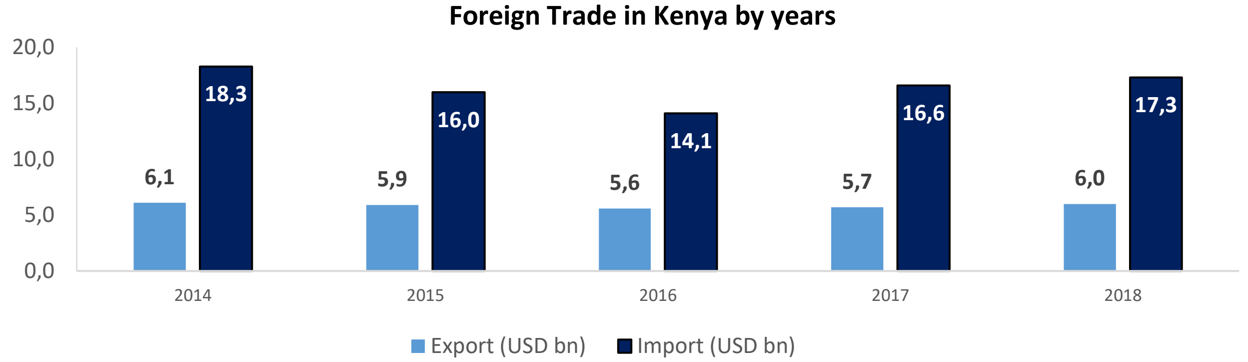
Foreign Direct Investment İn Kenya				
Indicator Name	**2015**	**2016**	**2017**	**2018**
FDI inflows, USDbn	0,6	0,3	0,6	1,6
FDI inflows, % of GDP	0,97	0,57	0,85	1,85
FDI outflows, USDbn	0,2	0,1	0,2	1,6
FDI outflows, % of GDP	0,4	0,2	0,3	1,85
Net portfolio investment, USDbn	0,2	0,1	0,4	-1,5
Net FDI, USDbn	-0,4	-0,2	-0,4	no info

Source: World Bank

4. FOREIGN TRADE OUTLOOK

In 2018, country’s exports rose by 5% in comparison to previous year and stood at USD6 billion, while imports increased by 4% to USD17.3 billion. Coffee/tea (26.7%), live trees and plants (10.3%), mineral fuels (6.4%), vegetables (4.1%) and fruit and nuts (3.8%) are the main exported products in Kenya. The major export partners of Kenya were Uganda (10%), Pakistan (10%), United States of America (8%), Netherlands (8%) and United Kingdom (8%). Main imported goods are mineral fuels (19.5%), machinery (9.6%), electrical equipment (7.1%), vehicles (6,9%) and cereals (5%). Main import partners are China (21%), India (10.5%), Saudi Arabia (9.8%), United Arab Emirates (8.3%) and Japan (5.6%).

Net exports will continue to act as a drag on growth in Kenya, as the country is expected to continue running current account deficits. The likelihood of further deficits being recorded on Kenya's current account means the economy will struggle to wean itself away from its dependence on foreign capital over the next decade.



Source : World Bank

While we believe the country's export capacity will improve with ongoing investment into the country's infrastructure network, a low national savings rate will necessitate substantial foreign imports, both of goods and of capital. Kenya's current account deficit will average 2.9% of GDP between 2020 and 2029 according to forecasts made, narrowing after the country becomes a net crude exporter from 2022. Exports revolve largely around the agricultural sector, with tea, flowers and vegetables. The growth of crude oil exports is expected to start from 2022. On the other hand limited manufacturing and refining capacity will sustain import demand in the long-term.

Indicator Name	2015	2016	2017	2018
Exports, USDbn	10,6	9,9	10,4	*11,5*
Exports, USDbn, % y-o-y	6,2	-2,2	-6,79	*4,04*
Exports, % of GDP	16,59	14,31	13,26	*13,18*
Imports, USDbn	17,6	16,1	19	*20,2*
Imports, USD, % y-o-y	1,17	-3,41	8,65	*2,62*
Imports, % of GDP	27,62	23,34	24,23	*23,01*
Net trade, USDbn	-7	-6,2	-8,6	-8,7
Balance of trade , USD, % y-o-y	-22	-11	38	1
Balance of trade, % of GDP	-11	-9	-12	-13

Source: Trademap

Import Partners 2018	Value (USD bn)	Share (%)
World	17,3	100
China	3,6	21
India	1,8	11
Saudi Arabia	1,7	10
United Arab Emirates	1,4	8
Japan	0,9	6
South Africa	0,6	4
United States of America	0,5	3
Uganda	0,5	3
Germany	0,4	3
Indonesia	0,4	2
Turkey	**0,1**	**1**

Export Partners 2018	Value (USD bn)	Share (%)
World	6,0	100
Uganda	0,6	10
Pakistan	0,6	10
United States of America	0,5	8
Netherlands	0,4	8
United Kingdom	0,4	7
United Arab Emirates	0,3	6
Tanzania	0,3	5
Egypt	0,2	3
Rwanda	0,2	3
Congo	0,1	2
Turkey	0,0	**0,40**

Source : Trademap

5. BANKING SECTOR OUTLOOK

Over the colonial period, banks from other British colonies set up operations in Kenya, particularly from India and South Africa. Under British colonial administration, the National Bank of India became the country's first bank. In 1916, the National Bank of South Africa set up operations, later becoming Barclays Bank after merging with Anglo-Egyptian Bank and Colonial Bank. The Central Bank of Kenya (CBK) identifies 41 commercial banks operating in the country as of January 2020, as well as one mortgage financing corporation and eight non-operating bank holding companies. The CBK notes that 15 of these banks are mainly foreign owned, while three are state owned.

The local banking sector has experienced a mixed last decade. There was rapid growth over the 2010-2015 period amid a robust economic backdrop and as Kenya saw the introduction of agency banking, which allows commercial banks to offer services through third parties. Increasing usage of this model increased access to finance and enabled banks to deliver specified financial services on their behalf. Banking sector growth was also bolstered by the introduction of new technologies, particularly mobile-based platforms, which expand reach into unbanked sectors of the population and boost profitability.

However, the aggressive pursuit of increasing the customer base was not always accompanied by sufficient risk mitigation, and vulnerabilities led to the collapse of three banks due to corporate governance and declining consumer confidence. The introduction of an interest rate cap in August 2016 has put further pressure on margins, resulting in lower credit growth at a time when non-performing loan ratios are rising.

The interest rate law capped lending rates at 400 basis points above the central bank rate, has hit banks' profits as institutions have become reluctant to lend money at home, while seeking growth opportunities abroad. Lawmakers voted in August 2018 to retain it despite pressure from the IMF, but in November 2019 parliament eventually voted to repeal the cap, months after a ruling the country's High Court that it was unconstitutional. The move is expected to provide a fresh boost to the bank lending.

The country's biggest 10 banks account for over two-thirds of the market, with the majority locally-owned entities. Although consolidation is expected within the Kenyan banking sector, there is high level of competition and innovation in the local entities. The country's largest entity, Kenya Commercial Bank (KCB) completed the takeover of National Bank Of Kenya in 2019, and has agreed to acquire a portion of assets of another failed entity, Imperial Bank.

Furthermore, the Commercial Bank of Africa and NIC Group, two top 10 entities, merged in 2019 after receiving approval from the Competition Authority in May and the central bank in September. The new entity - named NCBA Bank - is set to be a top tier entity in the country. The government also plans to create a new large development bank through the merger of three state financial institutions, the Industrial and Commercial Development Corporation, the Industrial Development Bank and the Tourism Finance Corporation.

The government is also pushing to launch a new bank to support lending to SMEs via the newly established Biashara Kenya Fund. There have been new entrants into the sector in the last two years, following the lifting of a two-year moratorium on licences in 2017. DIB Bank Kenya, owned by Dubai Islamic Bank of the UAE and the locally-owned Mayfair Bank, became Kenya's third biggest Islamic bank.

The State Bank of Mauritius (SBM), in which the Mauritian government has a total 70.4% stake, acquired Fidelity Commercial Bank in May 2017. In August 2018, SBM also completed the acquisition and rebranding of troubled lender Chase Bank, which collapsed in 2015. Most recently, in January 2020, leading Nigerian entity Access Bank acquired Transnational Bank.

Firstly, the banking sector's ratio of non-performing loans stood at 12.3% in October 2019, up from 8.7% in September 2016 when the cap was put in place, reflecting a riskier lending environment. In turn, it’s expected that the banks will still be comparatively cautious in providing credit to households and firms, limiting the gains from more aggressive central bank stimulus.

Moreover, with rising domestic food prices and inflation weighing on real interest rates, the CBK is expected to avoid further rate cuts that could risk exacerbating depreciatory pressures on the shilling and raising imported price pressures.

Kenya Commercial Banking Sector						
Indicator Name	2018	2019f	2020f	2021f	2022f	2023f
Total assets, USDmn	39.798	44.438	50.582	56.330	63.027	77.715
Total assets, KESmn	4.258.439	4.746.030	5.351.623	6.083.725	7.178.796	8.470.979
Total assets, % of GDP	48,7	49,9	49,7	50,5	53,4	56,4
Total assets, USD, % chg y-o-y	11,0	11,5	12,8	13,7	18,0	18,0
Client loans, KESmn	2.591.038	2.714.889	3.060.223	3.407.558	3.884.617	4.389.617
Client loans, USDmn	24.215	25.420	28.924	31.551	34.105	40.271
Client loans, % of GDP	29,6	28,2	28,4	28,3	28,9	29,2
Client loans, % y-o-y	3,8	4,8	12,7	11,4	14,0	13,0
Client deposits, KESmn	2.453.595	2.797.098	3.216.663	3.538.329	4.033.695	4.679.086
Client deposits, USDmn	22.930	26.190	30.403	32.762	35.414	42.927
Client deposits, % of GDP	28,1	29,0	29,9	29,4	30,0	31,2
Client deposits, % y-o-y	8,0	14,0	15,0	10,0	14,0	16,0
Loan/deposit ratio %	56,70	52,67	48,89	47,24	46,58	46,50
Loan/asset ratio %	38,88	35,91	33,22	32,27	31,60	31,32

Source: KCB, Fitch Solutions

Key Ratios (as of June 2019)				
Loan/deposit ratio	Loan/asset ratio	Corporate loans/GDP	GDP Per Capita, USD	Household debt/GDP
47,42%	30,20%	29%	2.845	6%

Source: Fitch, KBC

Top 10 commercial and retail banks by total assets (KESMN mn) As of 30.09.2019			
Bank name	Total Assets	Total weighted risks	Total common equity
KCB Bank Kenya	667.694	566.922	103.800
Equity Bank (Kenya)	511.829	454.188	78.492
Co-operation Bank of Kenya	440.765	419.521	75.363
Diamond Trust Bank Kenya	382.496	na	64.698
Barclays Bank of Kenya	359.765	na	43.998
Stanbic Bank Kenya	294.302	243.456	37.782
Standard Chartered Bank Kenya	290.564	na	47.904
I&M Bank	281.428	na	45.260
Commercial Bank of Africa	272.019	190.928	32.450
NIC Group PLC	214.140	180.634	37.695

Source: Company reports, Fitch Solutions na= not available

6. TURKEY & KENYA RELATIONS

Turkey's Embassy in Nairobi started activities in 1968, on the other hand Kenya's embassy in Ankara was opened in 2012. Turkish Airlines (THY) Nairobi flights started in 2009 and Mombasa flights started in 2012. These links have contributed to the development of trade and economic relations between Kenya and Turkey. The trade volume between the two countries started to increase in 2016, after the visit of Turkish president's visit to Kenya. In 2019 the trade volume between Turkey and Kenya reached to USD234 million. Turkish products have a strong image in Kenya. The perception of high quality and reasonable prices for Turkish products prevails. It is aimed to increase the trade volume to USD500 million in the short term.

When we look at foreign transactions, Turkey's exports to Kenya increased by 5% to USD218 million and imports decreased by 10% to USD17 million in 2019 in comparison to 2018. Kenya mainly imports tobacco, vegetable, sugar, oils from Turkey, while mainly exports coffee, tea, live trees, spices to Turkey. Foreign transactions are in favour of Turkey.

Turkish contracting companies have realized 11 projects worth a total of USD377 million in Kenya so far. The amount of investment made by the Turkish companies in Kenya is around USD25 million. So far, about 2 thousand Kenyan students studying in Turkey, the number of Kenyan students studying in Turkey in 2019 was 439.

Development is an important aspect of Turkey-Kenya relations, Turkish International Cooperation and Development Agency (TIKA) Nairobi Program Coordination Office has been operating in Kenya since 2012. In Kenya, capacity building programs are organized in various sectors under the coordination of TIKA, between 2012 and 2018, TIKA has implemented 200 projects worth approximately USD8.5 million across Kenya. Within the framework of the programs organized by TİKA, health camps and scans of Turkish health teams are organized in various cities of Kenya. Over 20 thousand Kenyan citizens have benefited from the recent health camps and over 3 thousand surgeries have been performed.

Kenya – Turkey foreign trade relationship				
Years	Export (USD mn)	Import (USD mn)	Trade Balance (USD mn)	Trade Volume (USD mn)
2012	138	18	120	156
2013	130	15	115	145
2014	118	16	102	134
2015	131	13	118	144
2016	128	13	115	141
2017	152	17	135	169
2018	208	19	189	226
2019	218	17	201	234
2020*	74	6	68	80

Source : Turkstat
*: January – April 2020