

## Kenya’s Services Output and Exports Are Among the Highest in Sub-Saharan Africa

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*Kenya is a leading sub-Saharan African (SSA) producer and exporter of services. It is a key services provider to the East African Community (EAC), which in addition to Kenya includes Burundi, Rwanda, Tanzania, and Uganda. As East Africa’s distribution hub, telecommunications axis, and financial center, Kenya has a broad array of well-developed services industries, with an abundance of services suppliers. These factors make Kenya a promising source of increased services exports. In addition, the government of Kenya is aiming to spur economic growth by promoting exports of services—including professional services, which are critical for Kenya’s economic development and also serve as key inputs for economic growth in East Africa.*

	GDP (billion \$)	GDP per capita (\$)	Services output (billion \$)	Services exports (million \$)
<b>KENYA</b>	<b>40.7</b>	<b>1,000</b>	<b>19.0</b>	<b>4,834</b>
Tanzania	28.4	650	12.2	2,632
Uganda	21.2	611	8.4	1,991
Rwanda	7.1	644	3.8	423
Burundi	2.4	271	0.96	103

Source: East African Community, “Facts and Figures,” 2013

### Kenya has the largest services economy in the EAC.

Kenya produced \$19 billion of services in 2012 (latest comparative data) (table 1), representing almost half of the nation’s gross domestic product (GDP) and accounting for an estimated 43% of total EAC services output. Services have been a major component of Kenya’s economic growth in recent years; they have expanded by 5% annually since the 2008 global recession, faster than the agriculture and manufacturing sectors during the same

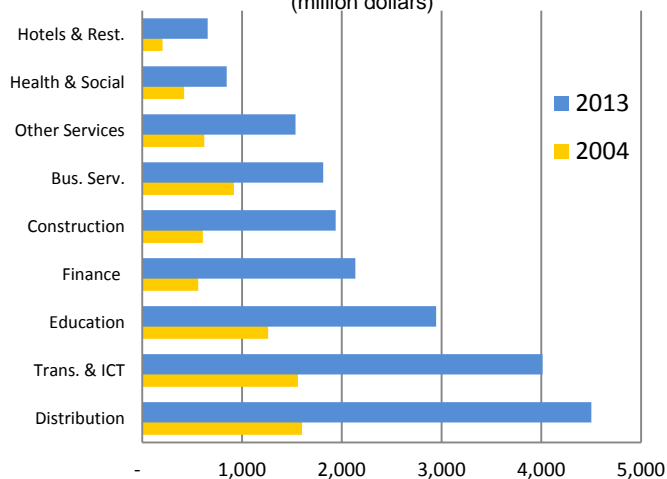
period. Chiefly composed of small and medium-sized enterprises, the sector accounted for the largest share of jobs in Kenya in 2012. According to the World Bank, Kenya has a comparative advantage in services production, and it exports a higher share of services than other countries with similar levels of development. Kenya also leads the EAC in the number of practicing professionals in certain services sectors, including accountants and lawyers.

### Kenya produces a broad array of services.

- As the distribution and transportation hub for East Africa, over half of Kenya’s services output in 2013 supported logistics services, primarily wholesaling and retailing (\$4.5 billion) and transportation and communication services (\$4.0 billion).
- Rising passenger numbers for Kenya Airways and increased air freight volumes in recent years have spurred transportation sector growth. On the shipping side, the port of Mombasa, the fifth largest in Africa, more than doubled its capacity during the last decade.
- Kenya’s financial services sector output (\$2.1 billion) saw robust growth during the decade. Kenya-based banks accounted for over half of the East Africa’s banks in 2013. Located in Kenya and neighboring countries, they are a catalyst for EAC financial integration. Kenya also is a global leader in mobile banking—two-thirds of the adult population can access financial services through the mobile banking service M-PESA, created by the dominant telecom provider Safaricom.
- Kenya’s information and communications technology (ICT) industry, very small in 2004, has developed into a leading economic sector. Kenya has some of the highest mobile and Internet penetration rates in SSA. According to study by McKinsey Global Institute, the Internet’s contribution to Kenya’s GDP was nearly 3% in 2012, exceeding most SSA nations and many other developing countries as well, including China.
- Business and professional services, including accounting, architectural, engineering, legal, and business process outsourcing (BPO), are strong emergent sectors. Kenya has a number of world-class professional services firms that produce high-value services such as accounting, tax services, consulting, and legal services.

**Figure 1**

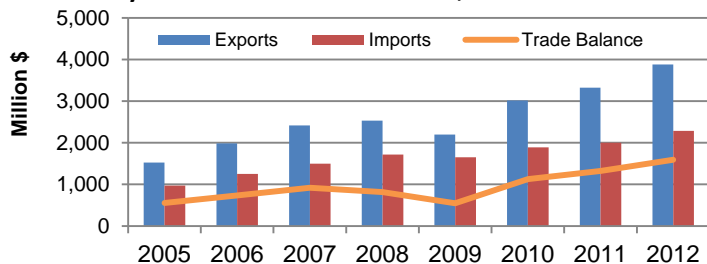
**Kenya: Services output by sector, 2004 and 2013**  
(million dollars)



Source: Kenyan Bureau of Statistics data converted to U.S. dollars

- Education services (\$2.9 billion), primarily produced by the public sector, supply the economy with an abundance of highly skilled professional services providers. For example, nearly two-thirds of the EAC’s accountants are Kenyan, as are a sizable share of its architects, engineers, and attorneys, among other professionals.

**Figure 2**  
Kenya: Commercial services trade, 2005–12



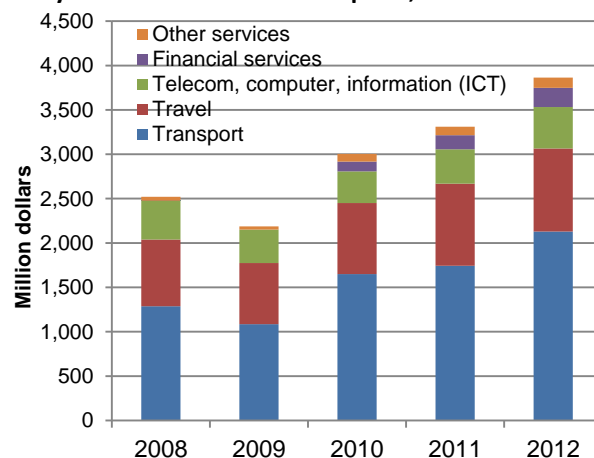
Source: World Bank, Development Indicators

**Like those of the United States and many other countries, Kenya’s services exports are concentrated in transport and travel services, but other services are also posting growth.**

- Transportation services (\$2.1 billion) and travel services (\$935 million) accounted for three-quarters of Kenya’s exports in 2012 (figure 3). These sectors benefited from increased demand for shipping and distribution services to meet expanding East African and international trade, and from increased demand for business and personal travel services, particularly from Asia and the Middle East.
- Exports of ICT services (\$468 million) and financial services (\$217 million) in 2012 were second only to those of South Africa in SSA, making Kenya a leading developing-country supplier in those sectors. The government is investing nearly \$3 billion in ICT to further develop broadband infrastructure and create ICT parks for exports of services, including high-value BPO.
- Kenya is the leading supplier of diverse business and professional services to East Africa. Leading exports to East African countries are insurance, accounting, financial, and engineering and architectural services, while the UK and the United States are emerging markets for BPO. Kenya has competitive advantages in the perceived high quality of its professional services and their lower costs relative to developed-country providers.
- To promote exports of professional and business services, the government and its EAC partners are concluding mutual recognition agreements (MRAs) that harmonize standards for academic and professional qualifications. Recent MRAs for accounting credentials (signed in 2011) and professional engineering certifications (2012) have led to increased Kenyan exports. The Kenyan Export Development Council also is promoting professional services by providing market information and workshops to help government officials, trade associations, and private firms take advantage of export opportunities.

**Kenya has a large and growing trade surplus in commercial services.** Kenya’s exports of services were valued at \$3.9 billion in 2012, having expanded by 154% from 2005 (figure 2). Services accounted for 44% of the nation’s total exports in 2012 (compared to 29% for the United States). Breakdowns of Kenyan services exports by trading partner are unavailable; however, the EAC reportedly accounts for a very large share of these exports.

**Figure 3**  
Kenya: Commercial services exports, 2008–12



Source: IMF Balance of Payment data

**Sources:** Dihel, Nora, “Can Kenya Become a Global Exporter of Business Services?” December 2011; East African Community, “East African Community Facts and Figures,” EAC Secretariat, July 2013; *Economist*, “Why Does Kenya Lead the World in Mobile Money?” May, 27, 2013; McKinsey Global Institute, “Lions Go Digital,” November 2013; Oxford Business Group, “Harnessing ICT for Development in Kenya,” March 27, 2014; UNCTAD, “International Trade in Services,” *Statistical Handbook 2013*; World Bank, “Kenya Economic Update,” June 2013; World Bank, “Special Focus: Deepening Kenya’s Integration with the East African Community,” June 2012; World Port Source, “Port of Mombasa,” worldportsource.com, n.d. (accessed October 2, 2014).