



Press release

NCBA projects GDP to drop to 2.3% in 2020 due to effects of Covid-19

April 3, 2020 ... NCBA Bank is projecting the country's Gross Domestic Product (GDP) to decelerate sharply to 2.3% in 2020, should the Covid-19 pandemic persist through the second quarter of 2020.

This is a sharp downgrade from its 5.7% projection in January 2020 prior to the outbreak of Covid-19 in the country.

The bank, in its quarterly economic outlook, titled "The 'Navigating Covid-19,' projects the budget deficit to widen to KES 1.118 Trillion, about 10.4% of GDP, should government maintain the KES 2.748 Trillion expenditure.

NCBA analysts are also projecting a bias towards domestic financing due to limited financing options for government.

NCBA Group Managing Director, Mr. John Gachora said: "Protecting the health of the public continues to take precedence at this point with the contingency measures that are in place to contain the virus will add to the economic vulnerabilities. Additional restrictions to personal mobility including self-distancing and quarantine will impact the economy further."

Betty Maina, CS Cabinet Secretary, Ministry of Industrialization, Trade and Enterprise Development said: "The priority for Government during the Covid-19 pandemic is to support businesses in essential services to continue production and to address reduction in consumption."

CS Maina added: "What is clear is that we need to prepare for new business delivery models post covid19. This disease has opened up new opportunity for SMEs to actively participate in sectors such as pharmaceuticals, logistics, ICT and processed foods space which are expected to emerge stronger post Covid-19. There is an urgent need for private sector to work much more closely with government to prepare for life during and after covid-19."

Highlights of the NCBA quarterly economic outlook report:

- Kenya's imports have dropped by over KES 60Bn so far this year, mostly in industrial supplies and goods for household use. NCBA analysts expect a further drop.
- NCBA projects over 20,000 formal jobs may be lost this year, with many more layoffs expected in the informal sector.
- Health and ICT may benefit from increased investments by the government and the shift in business operating models in favour of technology.
- Recent containment tax measures likely to cushion businesses but unlikely to spur demand in the period under review. NCBA projects businesses to enhance savings than boost capacity from the tax relief.



- NCBA anticipates concessional financing from the World Bank, AFDB, IMF in coordinated response to the economic crisis.
- NCBA sees sustained interruptions in import deliveries due prolonged plant shut down in China and emerging bottlenecks causing immense market dislocations and economic pain. The external sector may improve with slower imports. However, deteriorating export markets presents a bigger risk given the likely slow pace of recovery and the difficulties in sourcing for alternative markets.
- Prospects of lower interest rates may also weaken shilling appeal. Lower oil import bill may however help lower the ceiling for the shilling.

ABOUT NCBA

NCBA Bank is a universal bank providing a full range of financial products and services to corporate, institutional, SME and consumer banking customers.

The Bank commenced operations on 1st October 2019 following approval by The Central Bank of Kenya and the National Treasury of the merger of NIC Group PLC (NIC) and Commercial Bank of Africa Limited (CBA).

NCBA is Kenya's third largest bank by assets. NCBA operates a network of more than 100 branches in five countries including Kenya, Uganda, Tanzania, Rwanda and Ivory Coast. Serving over 40 million customers, the NCBA is the largest bank in Africa by customer numbers.

The Bank is set to play a key role in supporting Kenya's economic ambitions, specifically facilitating implementation of the Government's Big Four Agenda which focuses on food security, affordable housing, manufacturing and universal healthcare. The Bank is a market leader in Corporate Banking, Asset Finance and Digital Banking.

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