Eyes on Kenya ahead of elections after turbulent year of politics and conflicts

IN SUMMARY

- The strengthening of the American economy would usually mean greater emphasis for Kenyan firms on export to the nation.
- However, the uncertainty surrounding President-elect Donald Trump dampens Kenyan expectations by possible repeal of AGOA or greater general tariffs on exports.

The year finally screeches to a halt this weekend as Kenyans wrap up what commentators the world over uniformly call the year of turbulence.

Here we saw multiple political showdowns and an exceptional reduction in bank interest rates, but otherwise a more stable year economically and with improved security.

Inasmuch, Kenya served as a bulwark of stability in a tumultuous world.


The European Union fought a renewed Greek debt bargain and the aftermath of the unprecedented migrant crisis, South Africa observed infighting within the African National Congress and President Jacob Zuma, while Australia continued its inhumane treatment of refugees.

The South China Sea and East China Sea witnessed stunning Chinese expansionism through territorial disputes with Vietnam, Philippines, Taiwan, Japan, Malaysia, and Brunei shockingly reminiscent of 19th century Europeans and Americans.

Turkey launched an unparalleled crackdown on its citizens following the attempted coup d’etat while South Koreans turned out in their millions to protest shady dealings by the inner circle of President Park Geun-hye.

The year marked a stark shift from the 2015 electoral hope brought in Nigeria, Myanmar, Tanzania, and Canada while 2016 voters on five continents stunned the world by bucking polling predictions or voting against their own interests through medieval opposition intimidation in Uganda’s election, vote against the FARC peace deal in Columbia, election of Philippines President Rodrigo Duterte who kills his own people without trials, Britain’s vote to leave the most stable trading bloc in the world, Americans’ election of a reactionary self-righteous provocable, even dishonest and ignorant political neophyte as president, and Italian voters decision to keep bureaucracy, giving ex-Prime Minister Matteo Renzi a stinging referendum rebuke.
All the above turbulence leads to economic uncertainty. Investors fear uncertainty whereby they cannot guarantee expected returns. Economically, the US saw the highest consumer confidence and lowest official unemployment in over 10 years.

Conversely, the year saw the inability of Chinese equity markets to recover from dramatic losses of 2015 with a 10 per cent drop in exports during the first nine months of 2016 alone.

Here at home, our gross domestic product growth continued to exceed five per cent by most estimates. Businesses and consumers benefited from continued record low oil prices.

We saw global glimmers of hope as Austrians vanquished the resurgence of the far right in presidential elections, while Ghana and the Gambia held elections with opposition candidates winning at the polls and Ecowas supporting the latter to implement the results.

Zambia held another peaceful and fair election.

South America pulled off its first Olympic Games in Rio de Janeiro whereby Kenya performed spectacularly.

What can Kenyans expect for 2017?

The reduction in lending from banks limiting credit to only the lowest risk corporate and wealthy individual clients may hinder our growth as entrepreneurs find it harder to start or expand businesses and consumers buy less products and services that would have previously been funded by loans.

The strengthening of the American economy would usually mean greater emphasis for Kenyan firms on export to the nation.

However, the uncertainty surrounding President-elect Donald Trump dampens Kenyan expectations by possible repeal of AGOA or greater general tariffs on exports.

In the event that Mr Trump in 2017 does create a trade war with President Xi Jinping of China, then Kenyans can expect a stark drop in prices of Chinese imports due to an excess supply of Chinese products and a surge in Chinese labourers seeking entrance to Kenya.

A trade war between China and the US could also yield greater Chinese investment in Kenya in infrastructure to extract natural resources from Kenya to ship to China as American natural resources become off limits to them.

Also commensurate with the US election outcome, official development aid to Kenya of Sh100 billion per year could reduce substantially. Most US aid goes towards our health sector.

While aid from the Americans has remained steady over the years, as Kenya’s GDP boomed year after year since 2003, US aid now only comprises two per cent of our GDP.

Inasmuch as aid reduction would hurt Kenyan jobs in the NGO sector and harm beneficiaries of the most vulnerable citizens, it would not result in a knock-out punch to our economy like it could have done 20 years ago.

Ironically, aid to Kenya historically under isolationist Republicans has actually increased, such as with PEPFAR under President George W. Bush. So the plausible downfall may not occur.

Polls globally during 2017 could showcase nascent nations that deserve statehood if peaceful elections and transfer of power in Somaliland, as an example, take hold as President Ahmed Mohamed Silanyo will not seek a second term.

Expect possible right-wing lurching protectionists winning in economic powerhouses France and Germany.

However, the big election event in Africa during 2017 will take place right here at home. The growing influence of Kenya on the global stage means that all eyes will fall on us in August to see if peaceful polls will match our reputation as a dynamo for entrepreneurship, real estate, education, accounting, agriculture, and professional services.

Domestic and foreign investors will be wary to invest here leading up to the elections due to jitters about peace and stability.

Investors flee uncertainty. If Kenya can deliver free and fair polls, then expect a flood of investment after August polls.

When the rest of the world exists in greater uncertainty and if Kenya proves more certain, then we will reap the benefits with a major economic boost in the last quarter of 2017 leading us strongly into 2018.

Also, the shifting to right wing governments in many developed nations could cause liberal citizens in those countries fed up with the disengagement of their governments towards Africa to ramp up their personal investments and donations to the continent.

Kenya, with our excellent official and citizenry public relations expertise, could greatly capitalise on such trends.
Discuss next year’s predictions on Twitter with other Business Daily users through #Kenya2017.

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