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Original Research Article

The Predictability of Macroeconomic Shifts: A Comparative Analysis of Policy Promises and Socio-economic Realities in Kenya

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Abstract: This research studies the predictability of macroeconomic shifts in Kenya, explaining why policy promises diverge from socio-economic realities between 2013 and 2024. The study uses desk-based methods and data from Central Bank of Kenya (CBK) reports, Economic Surveys from Kenya National Bureau of Statistics (KNBS), Economic Updates from World Bank Kenya and peer-reviewed literature. The study compares macroeconomic targets across three policy regimes: the Uhuru administration (2013 – 2017), the Uhuru Big Four Agenda (2018-2022) and Ruto's Bottom-up Economic Transformation Agenda (BETA) (2022-2024) against empirical outcomes in GDP growth, inflation and fiscal discussions. The findings show that Kenya's macroeconomic shifts are conditionally predictable in direction but highly unpredictable in magnitude. GDP growth averaged at 4.8% to ~5.6% against consistent 7% to ~10% promises, while inflation, debt-to-GDP, and exchange rate targets were constantly missed. This disparity is not a technical forecasting error but an equilibrium outcome driven by four reinforcing factors; Political budget cycles that incentivize strategic over-borrowing and populist spending during election years; Weak institutional protection that exposes the CBK, National Treasury, and KNBS to fiscal authority and executive capture; Low buffer capacity with forex reserves near statutory minimums and debt service reaching 69.6% of revenue by June 2024, forcing pro-cyclical fiscal control; Deep structural constraints where a consumption-driven, 83% informal economy fails to generate the formal jobs and manufacturing growth assumed in policy models.

In conclusion, improving macroeconomic predictability in Kenya requires shifting focus from econometric accuracy to policy credibility. Restructuring includes legislated fiscal rules to reduce electoral cycle manipulations, operational independence for the CBK and KNBS, rebuilding fiscal and external buffers, and restructuring in energy costs, taxation and manufacturing competitiveness. Until political subsidies and structural dualism are

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addressed, macroeconomic projections will continue to overshoot the cost-of-living reality faced by citizens.

Keywords: Kenya, Macroeconomic Forecasting, Policy Credibility, Fiscal Dominance, Political Budget Cycles, Structural Transformation, Predictability.

1. Introduction

According to Snowdon and Vane (2005), macroeconomics is essentially concerned with the structure, performance and behavior of an economy as a whole. In their view, macroeconomic analysis seeks to isolate the underlying determinants of aggregate trends, including Gross Domestic Product (GDP) output, unemployment, inflation and international transactions (Snowdon & Vane, 2025). In developing economies like Kenya, these combined metrics serve as the baseline for national planning and executive policy design. However, KIPPRA (2021) argues that a chronic disconnect exists between institutional projections and actual economic outcomes. In Kenya, every election and policy cycle since 2010 has been anchored on highly ambitious macroeconomic promises, including sustained double-digit GDP growth, rapid industrialization, mass formal job creation, and long-term debt sustainability (KIPPRA, 2021). However, despite these official frameworks, Kenya's macroeconomic trajectory has remained highly volatile and decoupled from institutional forecasts. Since 2013, real GDP growth has averaged approximately 4.8% to ~5.6%, failing to meet the state's consistent 7% to ~10% targets, while inflation, public debt, and exchange rate have repeatedly overshot sustainable limits (KIPPRA, 2021). The persistent divergence exposes a deep operational gap between top-line macroeconomic indicators and the microeconomic realities, such as stagnant real wages and escalating cost-of-living indices, which confront ordinary Kenyan citizens. While macro indicators occasionally signal stability, the domestic economy frequently experiences severe fiscal slippages and exogenous vulnerabilities (World Bank, 2025). This study addresses a critical foundational question: how predictable are macroeconomic shifts in Kenya, and why do official policy promises systematically diverge from empirical socio-economic realities?

2. Methods

This study utilizes a qualitative, desk-based research design to evaluate the predictive precision of Kenyan macroeconomic forecasting models and their core policy assumptions. To ensure data triangulation and empirical validity, secondary qualitative and quantitative data were collected from the following institutional sources; Government and statutory bodies- Empirical data and past target metrics were extracted from the Central Bank of Kenya (CBK) financial reports, the Kenya National Bureau of Statistics (KNBS) Economic Surveys, and the Kenya Institute of Public Policy Research and Analysis (KIPPRA) Kenya Economic Reports. Multilateral institutions -Latest macroeconomic performance assessments and structural reviews were drawn from World Bank Kenya Economic Updates (2025). Academic and literature review - Macroeconomic definitions, comparative international growth models, and high-frequency market tracking data were sourced from peer-reviewed journals (e.g., Snowdon & Vane, 2005), localized economic commentaries (Kipkemboi, 2026), and industry research reports (Cytonn Investments, 2026). The analysis applies a comparative framework across three distinct political and economic regimes spanning 2013 to 2024; the Uhuru Kenyatta Administration 2013-2017, the Uhuru Kenyatta 'Big Four Agenda' (2018–2022) and the William Ruto 'Bottom-Up Economic Transformation Agenda' (BETA) (2022–2024).

Projected targets for GDP growth, inflation management, exchange rate stability, and debt accumulation within these regimes were systematically mapped against verified empirical outcomes to isolate the underlying drivers of forecasting divergence.

An analysis of Kenyan economic policy from 2013 to 2024 reveals a persistent gap between ambitious growth targets and fiscal reality across three administrations, marked by rising debt levels and structural challenges. While growth rates fluctuated due to external shocks and sectoral underperformance, consistent challenges included high debt-servicing costs, currency depreciation, and low formal job creation. These reality and gaps are drawn from sources - World Bank. (2025, May); International Monetary Fund (2020); Kenya National Bureau of Statistics. (2014); Kenya National Bureau of Statistics. (2024); The National Treasury and Economic Planning (2023);

Table 1: Comparative Analysis of Policy Promises vs. Empirical Realized Outcomes by Economic Regime (2013–2024)

Dimension	Uhuru Regime (2013–2017)	Uhuru Big Four (2018–2022)	Ruto BETA Regime (2022–2024)
Economic Growth	**Promise**: 7–10% real GDP growth via mega-infrastructure. **Reality**: Growth averaged 5.5% (peaked at 5.7% in 2015). **Gap**: Low farm output; delayed project returns.	**Promise**: Growth via Manufacturing, UHC, Housing, Food Security. **Reality**: Dipped to -0.3% (COVID-19); rebounded to 7.5% (2021). **Gap**: Pandemic lockdowns; external shocks stalled targets.	**Promise**: 6%+ GDP growth via MSMEs and consumer demand. **Reality**: Growth stood at 5.6% (2023) and 5.0% (Q1 2024). **Gap**: Aggressive taxes; tight fiscal policy; low local demand.
Debt & Fiscal Position	**Promise**: Keep public debt under 50% of GDP; fiscal consolidation. **Reality**: Debt spiked from 42% to 57% of GDP (e.g., SGR loans).	**Promise**: Balance sheet stability; cap debt at KSh 9 trillion. **Reality**: Debt hit 62% of GDP; IMF marked "High Risk" of distress. **Gap**: Debt servicing	**Promise**: Zero commercial debt; wider tax base; debt reduction. **Reality**: Debt hit 65.7% of GDP; servicing took 69.6%

Dimension	Uhuru Regime (2013–2017)	Uhuru Big Four (2018–2022)	Ruto BETA Regime (2022–2024)
	Gap: Structural fiscal deficits widened to 7.5% of GDP.	consumed over 50% of regular tax revenues.	of revenue. **Gap**: Eurobond maturities; KSh crash forced IMF/WB bailouts.
Inflation & Forex	**Promise**: Maintain statutory inflation target band (5.0% ± 2.5%). **Reality**: Inflation averaged 6.7% (spiked to 8.0% in 2017). **Gap**: Severe droughts disrupted local food supplies.	**Promise**: Stable exchange rates; high forex buffers via exports. **Reality**: Inflation averaged ~5.8%; forex buffers dropped. **Gap**: Capital outflows triggered a gradual KSh depreciation.	**Promise**: Lower cost of living via fertilizer/input subsidies. **Reality**: Inflation hit 7.7% (2023) before dropping to 2.7% (2024). **Gap**: Central Bank rate hike to 13% squeezed private credit.

3. Results

The empirical data reveal that Kenya's macroeconomic shifts are conditionally predictable in direction but highly unpredictable in magnitude. While structural trends can be modeled, final outcomes consistently fail to meet executive targets.

3.1 Regime-Based Target vs Reality Mapping

An evaluation of the three policy regimes between 2013 and 2024 demonstrates a pattern of over-promising and under-delivery on core indicators:

Table 2: Comparison of Promised GDP Targets vs. Empirical Realized Averages by Policy Regime (2013–2024)

Policy Regime	Promised Target (GDP)	Empirical Realized Average
Uhuru Kenyatta (2013 – 2017)	7.0% - 10.0%	4.8%
Big Four Agenda (2018 – 2022)	Double – Digit Target	~5.0%
Ruto BETA (2022 – 2024)	Accelerated Growth	4.8% - 5.6%

Kenya's economy recorded 6.0% growth rate in Q3 2023, which slowed to 4.2% in Q3 2024, driven heavily by a 0.3% acceleration in mining and quarrying (Cytonn Investments, 2026)-they consistently fail to reach state benchmarks. Kenyan macroeconomic policy from 2013 to 2024 faced a structural disconnect, where attempts to control inflation through subsidies and tighten exchange rates often failed due to agricultural vulnerability and currency depreciation. Aggressive taxation on a small formal sector, combined with high inflation and a weakening shilling, suppressed disposable income and resulted in over 83% of the workforce remaining in the informal sector.

3.2. Macro Stability versus Fiscal Slippage

The period between 2022 and mid-2024 highlights a severe paradox between monetary tightening and fiscal vulnerability;

Monetary Intervention: Aggressive monetary regulations effectively stabilized the Kenya Shilling (KES), controlled inflation, and allowed the state to execute a 75% buyback of its February 2024 Eurobond.

Fiscal Collapse: Despite these monetary achievements, fiscal commitments collapsed. The withdrawal of the controversial finance bill of 2024, following widespread public protests, triggered massive fiscal slippage.

Domestic Crowding Out: Sovereign debt service consumed a staggering 69.6% of domestic revenues as of June 2024. The state reverted to heavy domestic borrowing to finance operations and accumulated pending bills totaling approximately 3% of GDP, severely crowding out private sector credit access (World Bank, 2025).

4. Discussion

The prolonged divergence between socio- economic realities and Kenyan policy models is not a forecasting error but a representation of a structural equilibrium driven by four deeply entrenched, reinforcing constraints.

4.1. Drivers of Divergence

1. **Political budget cycles:** electoral subsidies routinely disrupt macroeconomic planning. The executive branch shifts toward populist spending and strategic over-borrowing during election years, which undermines medium-term fiscal consolidation models (Alesina & Tabellini, 1990; Osoro, 2020; Owino, 2023).
2. **Weak institutional protection:** Key economic organs-specifically the National Treasury, the CBK, and the KNBS - suffer from fiscal dominance and executive capture. A clear historical manifestation of this was the 2016–2019 interest rate cap, which overrode central bank monetary autonomy and severely distorted commercial credit distribution (Alper et al, 2020; Cukierman, 1992).
3. **Low buffer capacity:** Kenya operates with remarkably narrow external cushions. Foreign exchange reserves consistently hover near statutory minimums. The state lost all counter-cyclical capacity when the debt service hit 69.6% of the revenue in 2024. The state had no option but to implement aggressive, pro-cyclical fiscal rules during economic slowdowns (Institute of Economic Affairs, 2023).
4. **Deep structural constraints and informality:** Policy models applied by state planners assume a formalized, responsive asset market. However, Kenya’s economy is fundamentally dualistic; 83% of the labor force operates within the informal sector, whose contribution to the national GDP is much lower historically, sitting at

18% of GDP. Growth in this sector is inherently consumption-driven rather than production-driven. Hence, robust GDP figures fail to generate corresponding formal employment or lift poor households out of poverty (Kipkemboi, 2026; KNBS Economic Surveys, 2023).

4.2 Comparative Global Growth Models

Historically, Kenya's emphasis on consumption-led growth contradicts successful international structural transformations:

The manufacturing path: South Asian model - Asian continent nations such as Bangladesh, Vietnam, and the Southern Asia continent comprising Indonesia achieved structural transformation by shifting labor from agriculture to high-productivity, labor-intensive manufacturing. This high productivity was facilitated by export processing zones (EPZs), predictable regulatory environments, and deeply integrated global value chains. In contrast, Kenya's manufacturing sector has chronically underperformed and shrunk relative to GDP (Kipkemboi, 2026).

The services-led path - Countries in Southern Asia, such as India, have proven that high-productivity transitions can occur via ICT-enabled services, tourism, and advanced transport logistics. These sectors copy manufacturing by offering tradability, economies of scale, and technological learning curves. There is a lot of potential in the manufacturing arena in Kenya, but its operation remains constrained by high domestic energy costs, erratic tax architectures, and a lack of integrated industrial policy (Kipkemboi, 2026).

5. Conclusion and Policy Recommendations

For Kenya to transit from volatile, unfulfilled forecasting to authentic policy credibility, it must pivot away from abstract econometric modelling and directly address its underlying political and structural distortions. The study proposes four critical interventions as solutions:

- **Enactment of established fiscal rules:** For Kenya to pivot, the introduction of binding constitutional caps on debt-to-GDP and deficit limits to insulate national budgets from election-year populist spending spikes would be necessary.
- **Guarantee institutional independence:** To protect monetary policy and national statistics from executive capture and fiscal dominance, CBK and KNBS must be granted full statutory and operational independence.
- **Aggressively restructure macro-buffers:** Prioritization of the aggressive accumulation of foreign exchange reserves and aggressive fiscal consolidation to reduce the sovereign debt-service to-revenue ratio below risky thresholds.
- **Executing sectoral reforms:** This can only be achieved by Kenya pivoting away from a consumption-led model by lowering industrial energy tariffs, streamlining the domestic tax regime, and improving supply-chain infrastructure to catalyze labor-intensive manufacturing and formal service growth.

Unless these structural transformations are actively pursued, approved macroeconomic predictions will continue to function as mere political instruments, constantly overshooting the real-world cost-of-living realities endured by Kenyan citizens.

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