

Kenya

Stuff about their oil consumption over the last decade

May 2018

#FiveThings

We thought to say five quick and not-so-random-ish things about Kenya's oil demand.

In this briefing

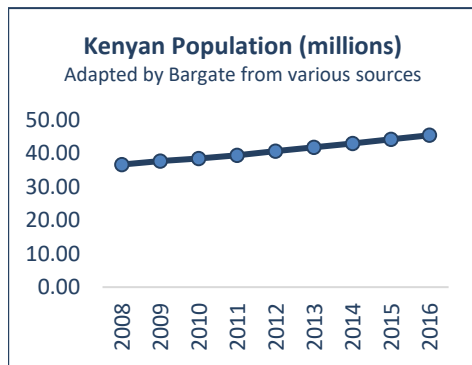
#FiveThings	This page
#1: Significant growth	This page too
#2: Two-product dominance	Next page
#3: Opportunity in aviation	The page after
#4: Profitable February?	Keep going
#5: Direction of travel	Penultimate page



Kenya at a glance

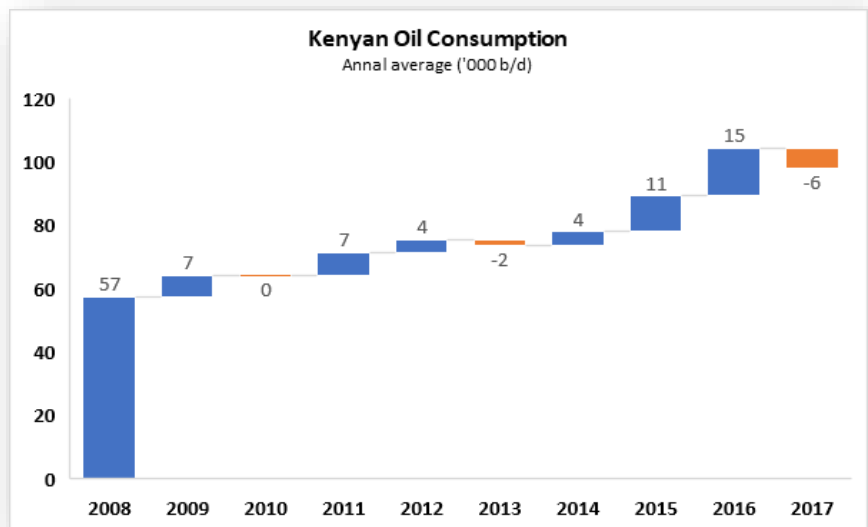
Population: 45.45m (2016 est.)
GDP (2016 est.): US\$70.53 bn

Daily consumption of refined petroleum products: 98,000 bbls (2017 est.)



#1: It has grown quite significantly over the last decade

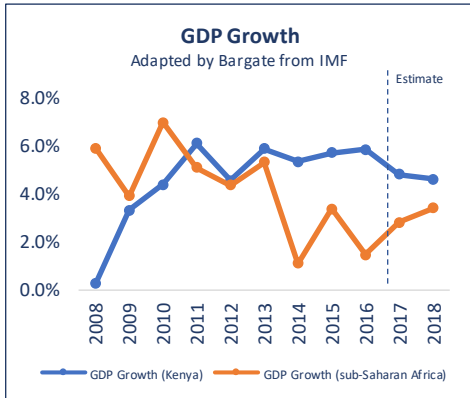
Yup, significantly enough to talk about it a little. It's nearly doubled from 57 kb/d (thousand barrels a day) of oil equivalent in 2008 to 98 kb/d for last year. It even crossed the 100 kb/d mark for sustained periods in 2016.



Did you know? Apparently, before marriage Kenyans still pay a dowry to the bride's family, which starts at 10 cows. The great part of this is we all get to feast on *nyama choma* at the wedding, but US\$2,000 (or a lot more) worth of cow? That's love.

Kenyan economic output has gently outperformed the sub-Saharan African average over the last 5 years

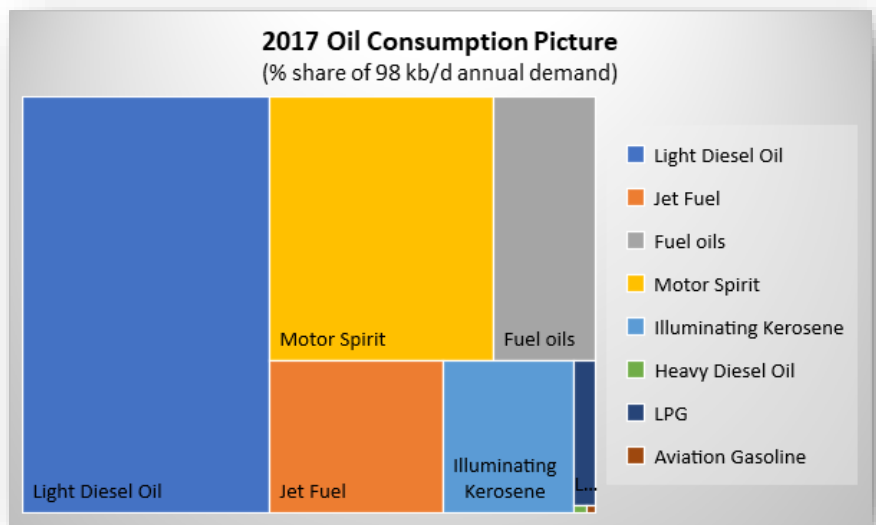
Average annual oil demand growth during this period has been about 6%, which takes some doing. So what's been responsible for this growth? Well, the usual suspects really. For starters, the economy has not been in bad shape, having averaged 4.6% annual GDP growth and investments averaging 19.5% of GDP over the last decade. That's strong. They're also multiplying quite fast too, having added some 10 million people to their 2008 population of 36.7 million, according to estimates. The forecast is that, at this rate, they'll hit 50 million by 2020.



#2. The growth is dominated by two products

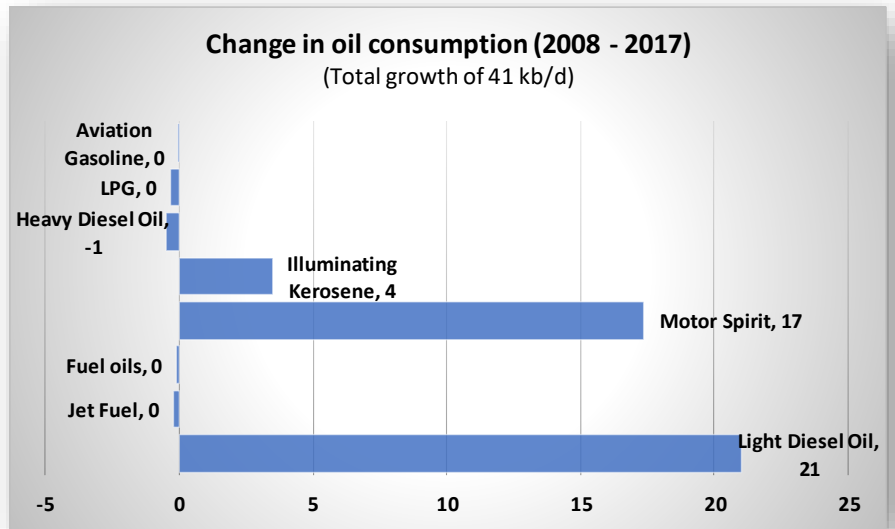
The main oil consumption slate for Kenya consists of diesel (light for transport and some domestic and industrial power generation; heavy for mostly industrial power generation), jet fuel, fuel oils, motor spirit (or gasoline), illuminating kerosene, liquefied petroleum gas (LPG), and aviation gasoline.

Light diesel oil consumption alone accounts for a big chunk of East African oil consumption



Nearly all of the oil demand growth in the last decade has come from transportation and (residential) power generation. Light diesel and motor spirit have accounted for 51% and 43% of this growth respectively. It must be real niche playing the jet fuel, illuminating kerosene and fuel oils game. It must also be fairly lonely playing aviation gasoline. Those piston engine light aircrafts need love too, we suppose.

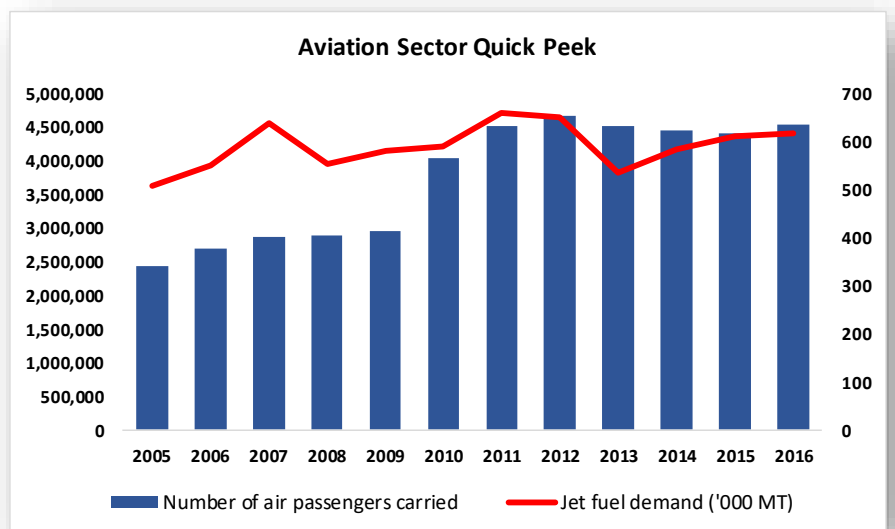
According to the Kenya Revenue Authority, they've averaged 240,400 new vehicle registrations every year since 2014



#3. There's an opportunity missed in aviation

Window for jet fuel storage capacity increments?

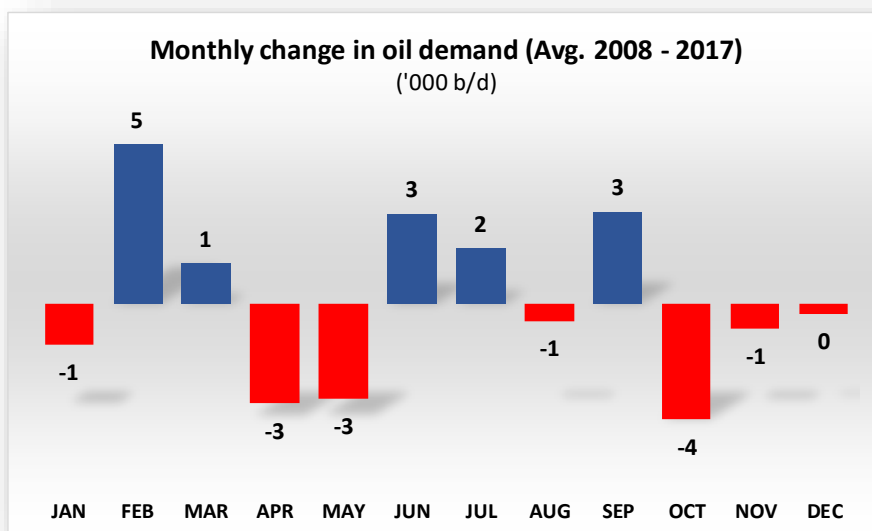
Speaking of aviation, not a lot has changed in jet fuel demand over the last decade. It's averaged 12 kb/d over the period and has almost always been about 15% of total oil consumption in Kenya. That said, air traffic has been quite the story, growing from about 2.4 million passengers carried in 2005 to a peak of 4.6 million in 2012 and current figures of around 4.5 million. That's more flights. That's also more planes. There doesn't seem to be a lot of refuelling going on in Jomo Kenyatta and Mombasa International Airports then. This is an opportunity missed, we think.



Remember, remember the fifth of...
February?

#4. February is a very good month for diesel suppliers

On average, the month of February has been the busiest over the last decade, showing the largest growth in demand. This is not highly unusual (some countries have their spikes a little earlier in the year when normalcy starts to return to working life after the end of year holidays – but this is not the only reason; there's more). June, July and September are also good months.



Management of stocks & supply base would be quite fun

In February 2016, there was a 22,000 metric tonne increase in diesel consumed and an additional 4,000 metric tonnes in the same period for 2017. These demand increases were also encouraging for suppliers, especially considering the corresponding 6% increase in average prices at the pump for 2017. That said, stock management efficiency will be a useful skill to have (we can help with that, by the way); imagine turning up for February supplies in 2016 and discovering that the Kenyan Energy Regulatory Commission has published prices at 11% less than the January prices. Yikes. Kenya's fuel pricing system is expected to undergo some deregulation (talk had started on the issue last October. Slow burner. We have views on it too).

Kenyan oil demand forecast to 2023, and then to 2043

#5. We have views on where oil (and energy) demand is going in Kenya and in the East African region...

Analysis of regulatory landscape and outlook

... in the short, medium and long term, especially for diesel and gasoline. We'd love to discuss them with you.

Infrastructure developments & opportunities

East African oil demand & supply analysis & outlook

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