

Christopher Hugh Onyango\*, Tabitha Kiriti-Ng'ang'a and Thomas N. Ongoro (2017), "Global Food and Crude-Oil Price Shocks of 2007-2008: Welfare Effects in Kenya", *Asian-African Journal of Economics and Econometrics*, Vol. 17, No. 2, 2017: 217-237

**Abstract:**

Food and crude oil products constitute 60 per cent of commodities used to measure the consumer price index and Kenya is a net importer of both. However, there is very little hard information about the actual effects of the global price shocks of 2007-2008 on rural and urban households. The study used a CGE model which describes Kenya in 2007 and is integrated with the 2005/2006 Kenya Integrated Household Budget Survey data. The world price scenarios during the period are used for simulations in the CGE model. We show that global food and crude oil price shocks affected rural and urban households differently depending on whether they were net buyers or sellers as well as owners of factors of production. Generally, rising crude oil price depress urban and rural household incomes and are evenly spread. However, the food price shocks raise the rural households' incomes but reduce the incomes for urban households. Simultaneous price shocks raise the net incomes of rural households but reduce those for the urban households. The study recommends targeted removal of tariffs on staple foods and crude oil products and the enhancement of cash transfers to poor urban households, among others.

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