

Macro-Economic Highlights

August 2024



Kenya Economic update

World Bank: In 2023, Kenya experienced a notable acceleration in real GDP growth, reaching 5.6%, which exceeded the previous year's rate of 4.9%. However, projections for 2024 indicate a deceleration to 5.0%. This information is derived from the most recent Kenya Economic Update (KEU) released in June, which highlights that growth in 2023 was primarily fuelled by a rebound in the agriculture sector, attributable to favourable weather conditions. Plus, significant contributions from the services sector, particularly tourism and financial services. The challenges to the economy are from; persistent inflation, increasing debt service commitments, elevated borrowing costs. Despite these adverse conditions, the country's economic growth exhibited remarkable resilience, largely due to the government's strategic policy interventions aimed at enhancing overall macroeconomic stability.

Credit Rating

Fitch Ratings: "Fitch has lowered Kenya's sovereign credit rating from "B" to "B-", attributing this decision to increased risks associated with the country's public finances. This downgrade follows the Kenyan government's reversal on critical revenue initiatives in response to public protests. In June, the government rescinded its tax proposal for the fiscal year 2024/25,

which aimed to generate an additional \$2.7 billion in revenue. Fitch highlighted the ongoing threat of extended social unrest, which poses significant challenges to the country's efforts in fiscal consolidation. Furthermore, the agency anticipates difficulties for Kenya in obtaining external financing, exacerbated by elevated borrowing costs linked to dwindling foreign-exchange reserves."

Moody's: "Following weeks of nationwide protests and public dissent, Kenya's President William Ruto chose not to approve the Finance Bill 2024, leading to a recent downgrade of the country's credit sustainability by Moody's to CAA1. This negative assessment is primarily linked to the government's challenges in executing revenue-driven fiscal consolidation measures, which are essential for enhancing debt affordability and establishing a downward trajectory for national debt levels." Moody's has retained a negative credit outlook for Kenya, indicating a potential downgrade of the country's rating if it fails to adopt strategies to prevent default on its debt or to a restructure in its financial obligations.

Monetary Policy Committee Meeting (MPC)

The Committee met on August 6th, 2024; notable developments were:

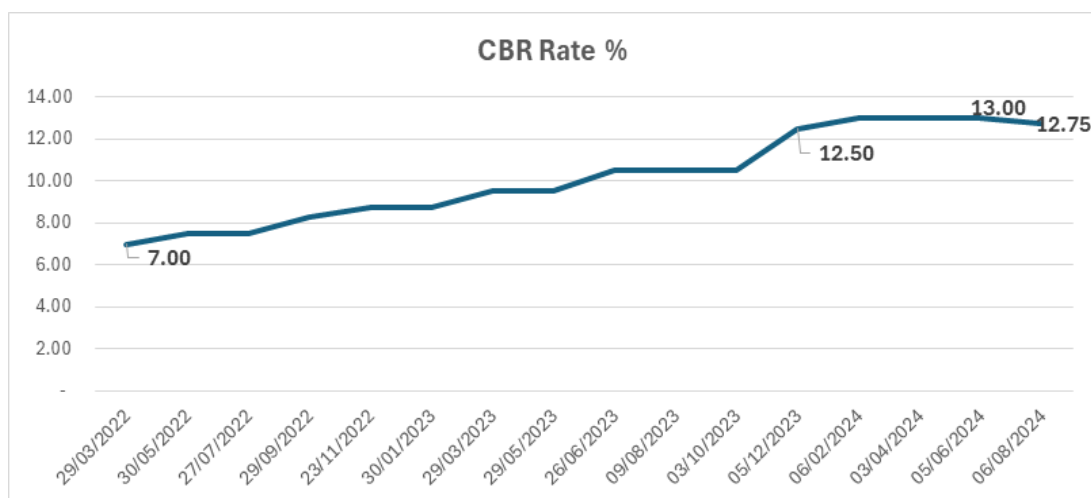
Global inflation has declined, and Central

Banks have begun easing interest rates.

Kenyan inflation is below the mid-point of 5%. July 2024 inflation declined to 4.3% from 4.6%. Inflation is expected to stay below the midpoint in the short-term supported by, exchange rate stability, stable oil prices and lower food prices. Forex reserves at 3.78 months of import cover are adequate for the country. Risks are likely to arise from Geopolitical tensions.

Banking sector has remained resilient though the Non -Performing Loans (NPL) ratio has increased slightly from 16.1% in April 2024 to 16.3% in June 2024. The rise is due to the 1.5% decline in gross loans that outpaced the 0.7% NPL decline. Credit growth remain positive at 4.05 in June.

In consideration of the reduction in non-food non-fuel (NFNF), Global Central banks easing stance and earlier success in managing local inflation and exchange rate stability, the MPC gradually eased the policy rate from 13.00% to 12.75%.



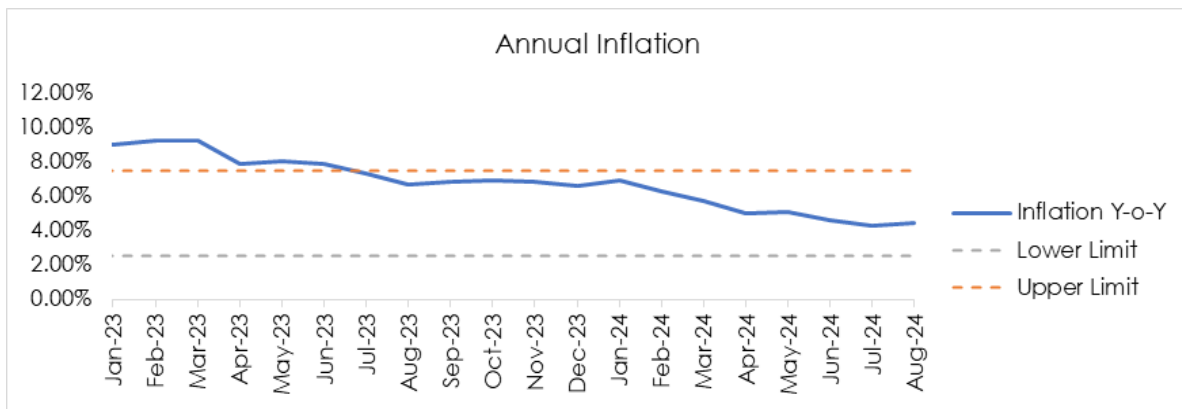
Source: Central Bank of Kenya

Inflation

Kenya's annual inflation rose marginally to 4.4% in August from the 4.3% in July, implying that the overall price level in August 2024 was 4.4% higher than in the same period last year. Year-on-year, inflation was down primarily due to base effects.

On a month-on-month basis, the food index, which constitutes roughly a third of the basket, fell by 0.7%, Housing, Water, Electricity, Gas and Other Fuels rose by 0.3% and Transport costs by 0.3%. The Food index was the only category that declined in the month.

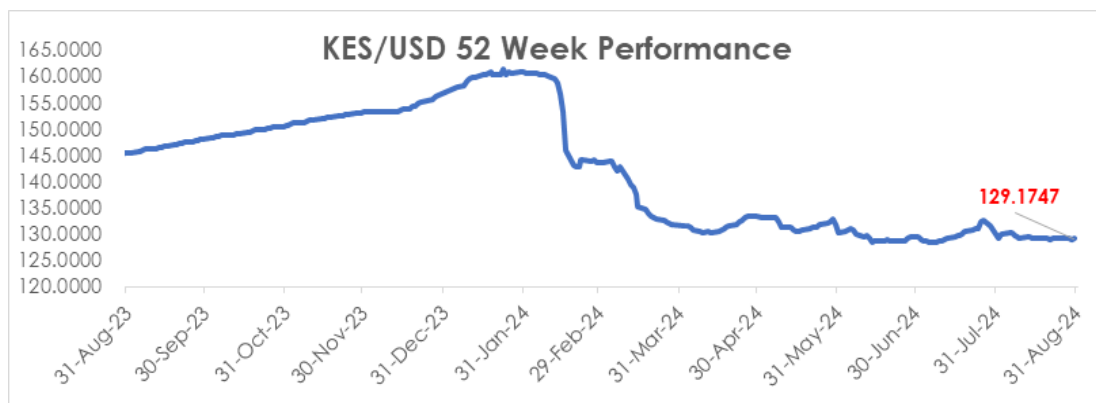
It is expected that inflation will remain within the CBK set limits of 7.5% - 2.5%.



(Source: KNBS, OMIG Research)

Foreign Exchange Market

The Shilling appreciated by 0.6% against the US Dollar in August, closing the month at KES 129.17 from KES 129.92 recorded at the end of July. Year to date, the Kenya Shilling has gained 17.4% on the US dollar. The shilling has shown considerable yet unexpected stability in the previous months despite the civil and economic turbulence experienced. The full year 2023 depreciation against the USD was 26.82%.



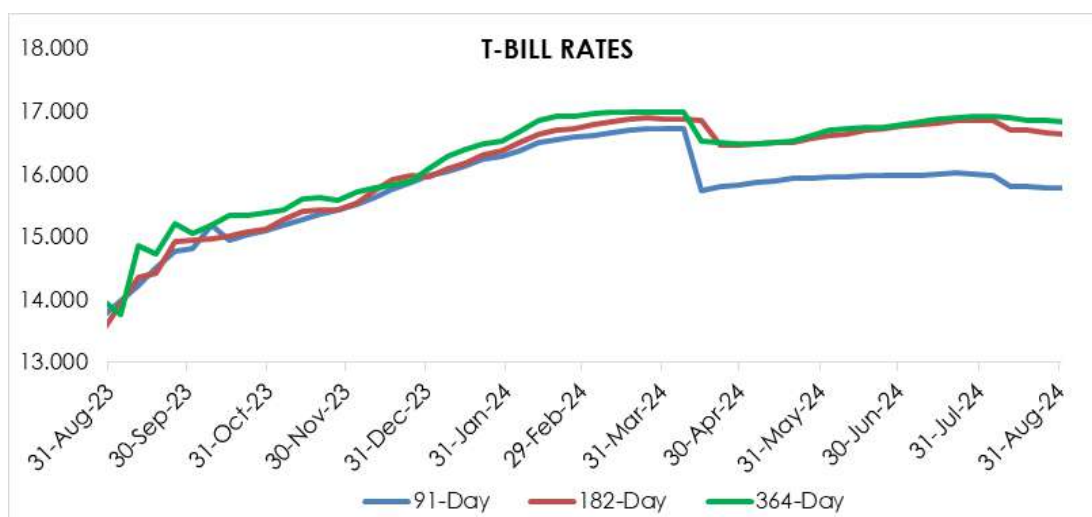
(Source: CBK, OMIG Research)

Yields and Yield Curve

T-Bills

In August, T-bills remained oversubscribed, with the subscription rate at 113%. The overall subscription rates for the 91-day, 182-day and 364-day papers were at 286.4%, 111.5% and 45.2%, respectively. The market's concentration remains geared toward the short-term papers, though there's been a general slowdown in subscription rates on all papers in the past few months.

The 91-day T-bill closed the month of August at 15.79%, the 182-day T-bill at 16.67% and the 364-day T-bill at 16.86% in August.

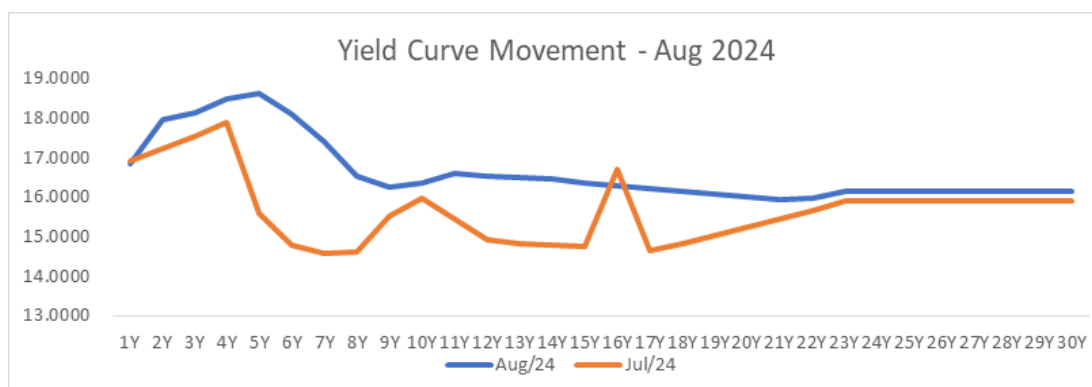


(Source: CBK, OMIG Research)

T-Bonds

All tenors above 1 year registered negative returns with the yield curve experiencing significant shifts across-board. The primary activity in the month of August played a significant role in driving this movement. The mid- and long-term bands experienced the most significant impact, with the 10-15 band facing the most severe shift.

On a YTD basis, the short- and long- term papers outperformed their peers.



(Source: NSE, OMIG Research)

S&P Kenya Sovereign Bond Index

- The index performed poorly in August with a performance of -0.43%. The YTD performance in 2024 as at end of August was 10.86%.
- The 2023 performance for the index was 1.54% while the full year performance in 2022 was 7.77%.

Aug 2024

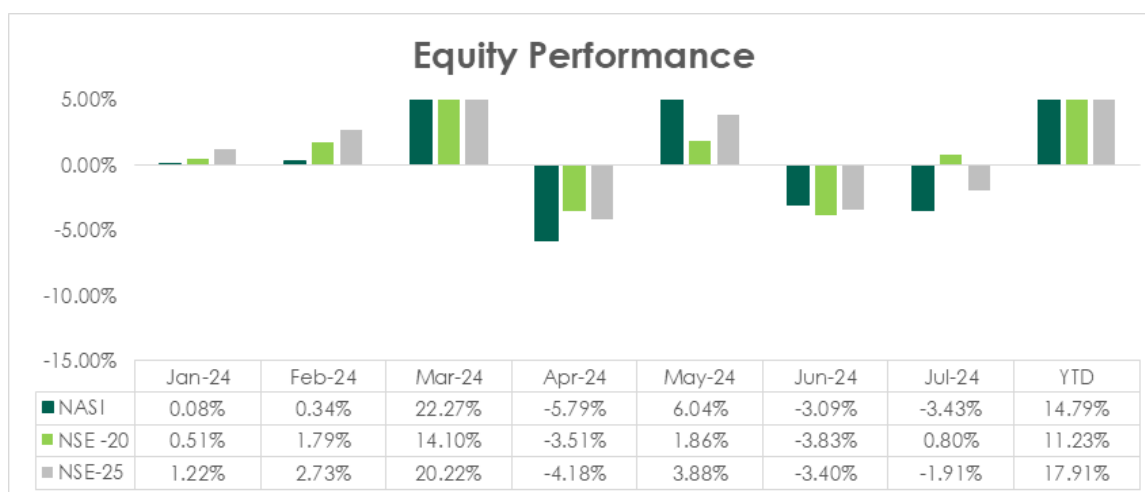
Tenor	Total Return	Price Return
0 - 1	1.39%	0.08%
1 - 5	-1.23%	-3.33%
5 - 10	-3.92%	-4.55%
10 - 15	-6.32%	-7.33%
> 15	-4.10%	-6.81%

YTD 2024

Tenor	Total Return	Price Return
0 - 1	11.00%	5.06%
1 - 5	10.37%	-0.15%
5 - 10	6.70%	-2.97%
10 - 15	6.14%	-3.25%
> 15	8.92%	-1.60%

Equities Market Performance

- The indices registered mixed performance in August, as shown below, with NASI clocking a performance of -1.95% driven by losses in large cap stocks such as Safaricom (-8.81%) & EABL (-3.96%).
- Banks have in general recorded significant gains in the month, which was diluted by the negative performance in other sectors.



(Source: NSE, OMIG Research)

Top & Bottom 5 equity stocks performance

Top 5 Stock	Aug Performance
Bamburi Cement Plc	25.00%
TotalEnergies Marketing Kenya Plc	21.39%
TPS Eastern Africa Ltd	14.47%
Kakuzi Plc	10.83%
Sameer Africa Plc	10.53%

Bottom 5 Stock	Aug Performance
B.O.C Kenya Plc	-15.56%
Eveready East Africa Ltd	-15.00%
Kapchorua Tea Co. Ltd	-14.96%
Nairobi Business Ventures Plc	-14.96%
Nation Media Group Plc	-14.66%

Top 20 (by market weight) returns

Top 5 Stock	Market Weight	August Performance
Safaricom Plc Ord 0.05	35.87%	-8.81%
Equity Group Holdings Plc Ord 0.50	9.56%	1.36%
East African Breweries Plc Ord 2.00	7.41%	-3.96%
KCB Group Plc Ord 1.00	6.30%	4.10%
The Co-operative Bank of Kenya Ltd Ord 1.00	4.91%	6.69%

Top 5 Stock	Market Weight	August Performance
ABSA Bank Kenya Plc Ord 0.50	4.80%	1.78%
Standard Chartered Bank Kenya Ltd Ord 5.00	4.72%	7.44%
NCBA Group Plc Ord 5.00	4.38%	7.63%
Stanbic Holdings Plc ord.5.00	2.92%	3.23%
I&M Group Plc Ord 1.00	2.25%	6.78%
British American Tobacco Kenya Plc Ord 10.00	2.19%	-0.28%
BK Group Plc Ord 0.80	1.75%	-2.17%
Bamburi Cement Plc Ord 5.00	1.74%	25.00%
Umeme Ltd Ord 0.50	1.63%	0.31%
Kenya Airways Ltd Ord 1.00	1.34%	0.00%
KenGen Co. Plc Ord. 2.50	1.04%	8.05%
Britam Holdings Plc Ord 0.10	0.86%	0.00%
Diamond Trust Bank Kenya Ltd Ord 4.00	0.78%	-2.27%
Jubilee Holdings Ltd Ord 5.00	0.67%	-8.94%
Kakuzi Plc Ord.5.00	0.48%	10.83%

(Source: NSE, OMIG Research)

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Source: Old Mutual Research



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