



**The KENYA INSTITUTE for PUBLIC
POLICY RESEARCH and ANALYSIS**

Thinking Policy Together

QUARTERLY MARKET ANALYSIS REPORT

JANUARY– MARCH 2022

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1. PERFORMANCE IN THE REAL SECTOR

The global economy is projected to continue rebounding in 2022. The World Economic Outlook April 2022 projects that the global economy will grow by 3.6 per cent in 2022, the growth having been revised downwards from earlier projections of 4.4 per cent in January 2022. Sub-Saharan Africa and Emerging and Developing Economies are projected to grow by 3.8 per cent in 2022, with Emerging and Developing Economies growth projection revised downward from 4.8 per cent in January 2022 as contraction is projected due to the Russia-Ukraine war.

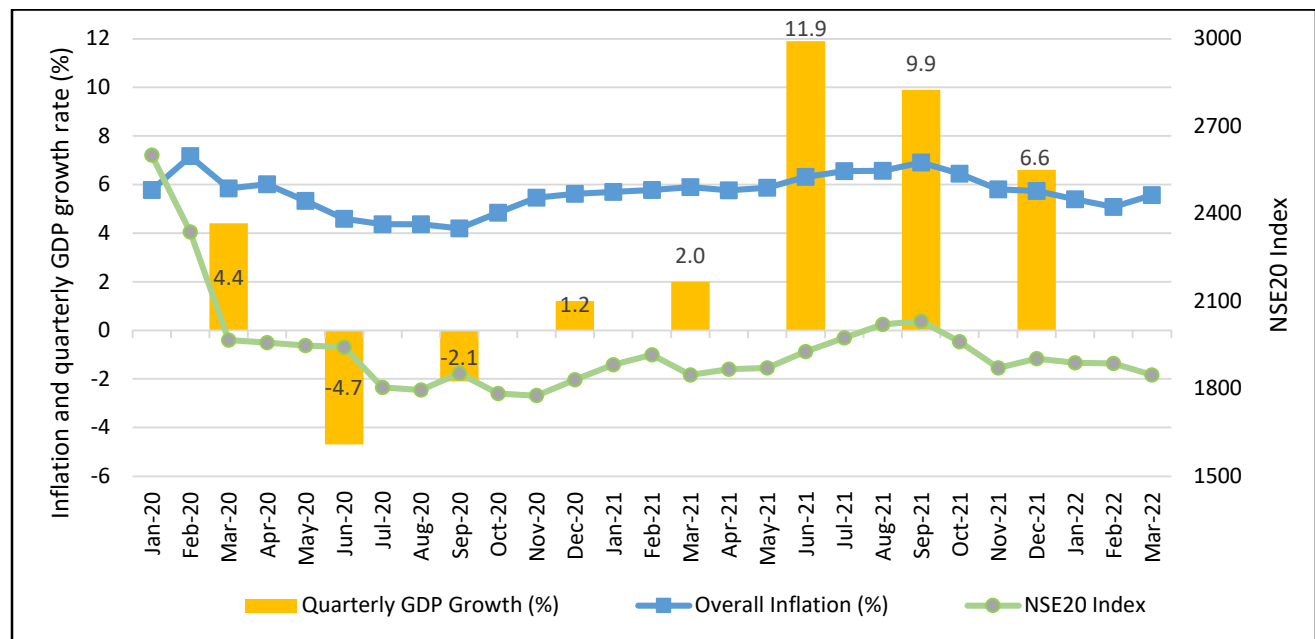
Kenya's economy is on a recovery path. It experienced an annual economic growth rate of 7.6 per cent in 2021, and it is projected to grow by 6.0 per cent in 2022. The rebound is attributed to easing of COVID-19 restrictions, which has seen recovery in various sectors of the economy such as manufacturing, construction, transport, education, information and communication, wholesale, and retail trade. However, the drought condition is slowing the agricultural sector. The declining in NSE 20 Index from 2,031.17 in September 2021 to 1,889.0 in January 2022 to 1,846.74 in March 2022 indicates that the stock market is yet to get back to its pre-COVID-19 performance levels. With the unfolding political environment, and as the country approaches the general elections later in the year, investors are becoming cautious about their investment decisions.

The construction sector is picking with the opening of the economy and removal of restrictions due to COVID-19 pandemic. Cement production and consumption increased by 31.0 per cent and 30.0 per cent, respectively, in January 2022 compared to January 2021. The value of building plans has recently grown rapidly due to reforms brought about by automation of the processes and approvals of building plans, which is shortening the time between application and approval.

The overall inflation remained within the government target band. In Q1 2022, inflation averaged 5.34 per cent compared to 5.79 per cent in 2021. In January 2022, inflation rate was 5.39 per cent, easing to 5.08 per cent in February 2022. The easing of inflation in February 2022 was occasioned by a drop in prices of food and non-alcoholic beverages, fuel and housing and its related utilities. However, in March 2022, overall inflation rose to a three-month high of 5.56 per cent with the upward pressure coming from food and non-alcoholic beverages following the Russia-Ukraine war that saw the price of cooking oil and wheat flour increase. The wholesale agricultural price index of main commodities such as cereals, legumes, kales, fruit and vegetables increased marginally between January and March 2022. The OPEC basket crude oil prices rose from US dollars 85.41 per barrel in January 2022 to US dollars 113.48 in March 2022. The rise in oil prices is partly attributed to the Russia-Ukraine War, which is affecting global oil supply dynamics and a key in pricing of oil.

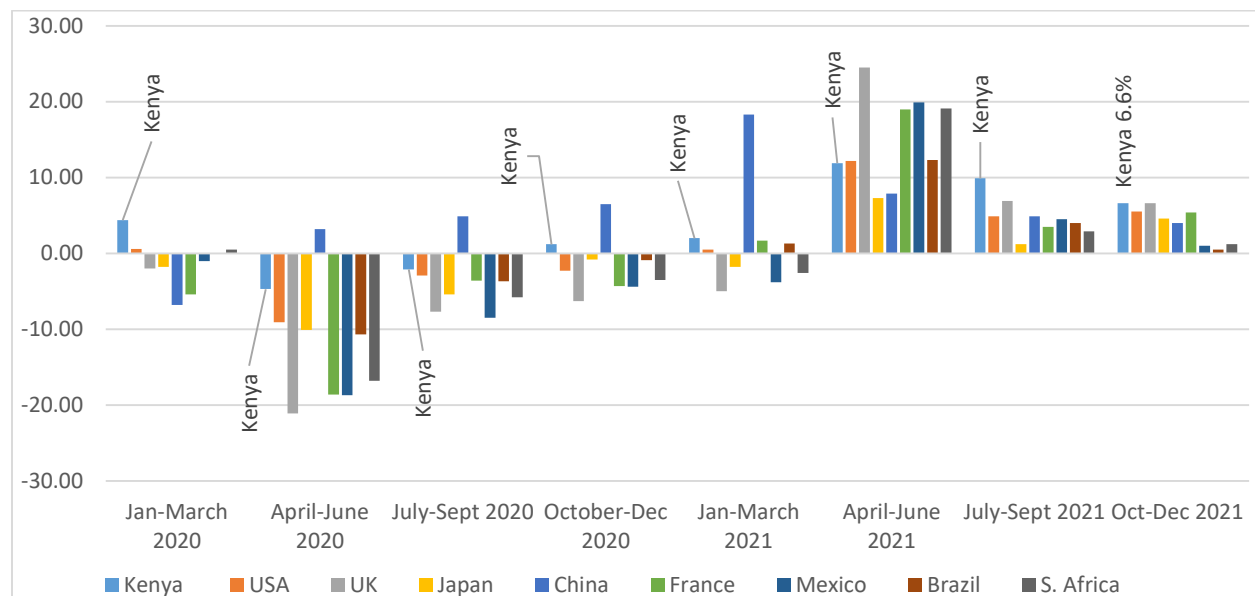
a) GDP performance

Figure 1: GDP growth, inflation, and stock market performance



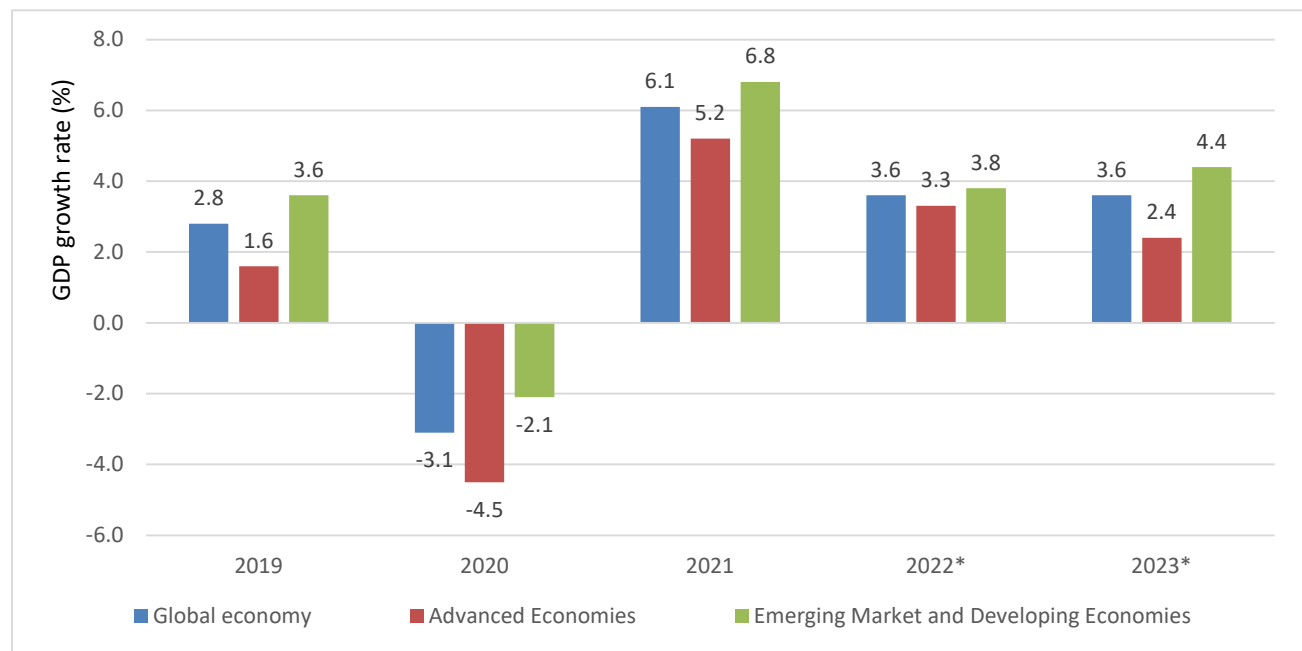
Data Source: Central Bank of Kenya; Kenya National Bureau of Statistics; The National Treasury figures for December 2021 are calculated assuming 2021 growth rate of 7.6 per cent as per Budget Policy Statement 2022/23

Figure 2: Economic performance of selected advanced and emerging markets



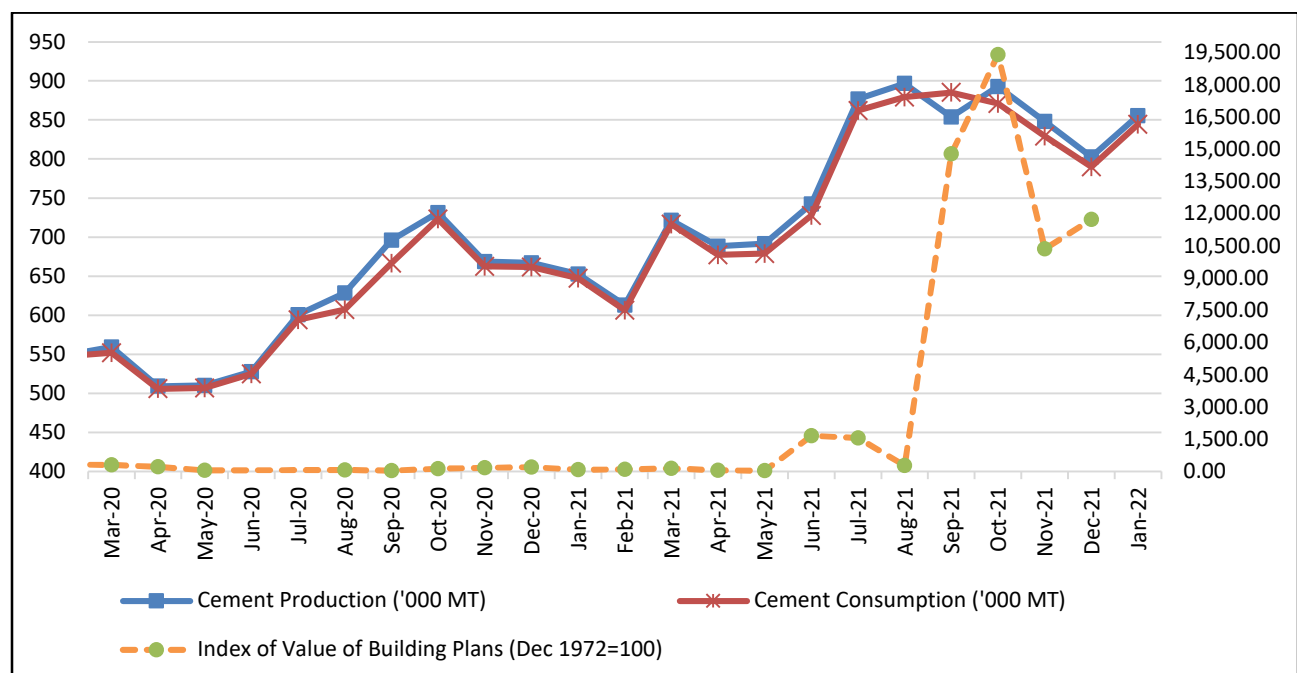
Data Source: Country statistical offices; <https://tradingeconomics.com/>, IMF, <https://www.imf.org/-/media/Files/Publications/WEO/2022/April/English/text.ashx> https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/ISR?year=2021

Figure 3: Global growth projections



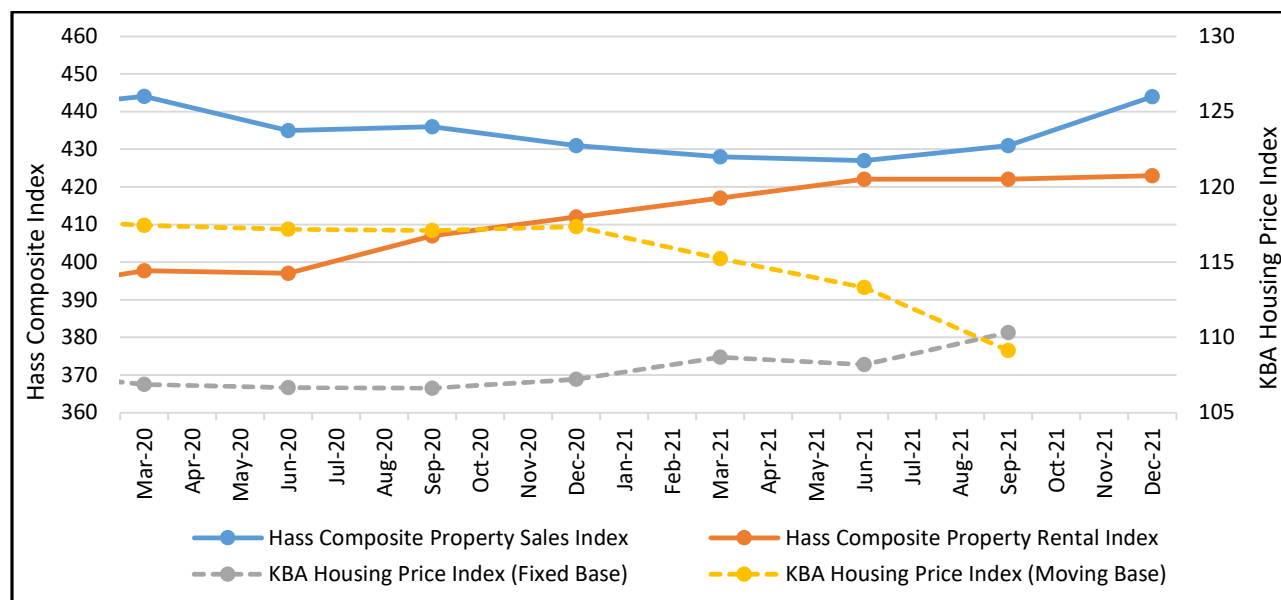
Data Source: International Monetary Fund, World Economic Outlook, April 2022
<https://www.imf.org/-/media/Files/Publications/WEO/2022/April/English/text.ashx>
 *2022 and 2023 figures are projections

Figure 4: Cement production and consumption ('000 MT) and index of value of building plans



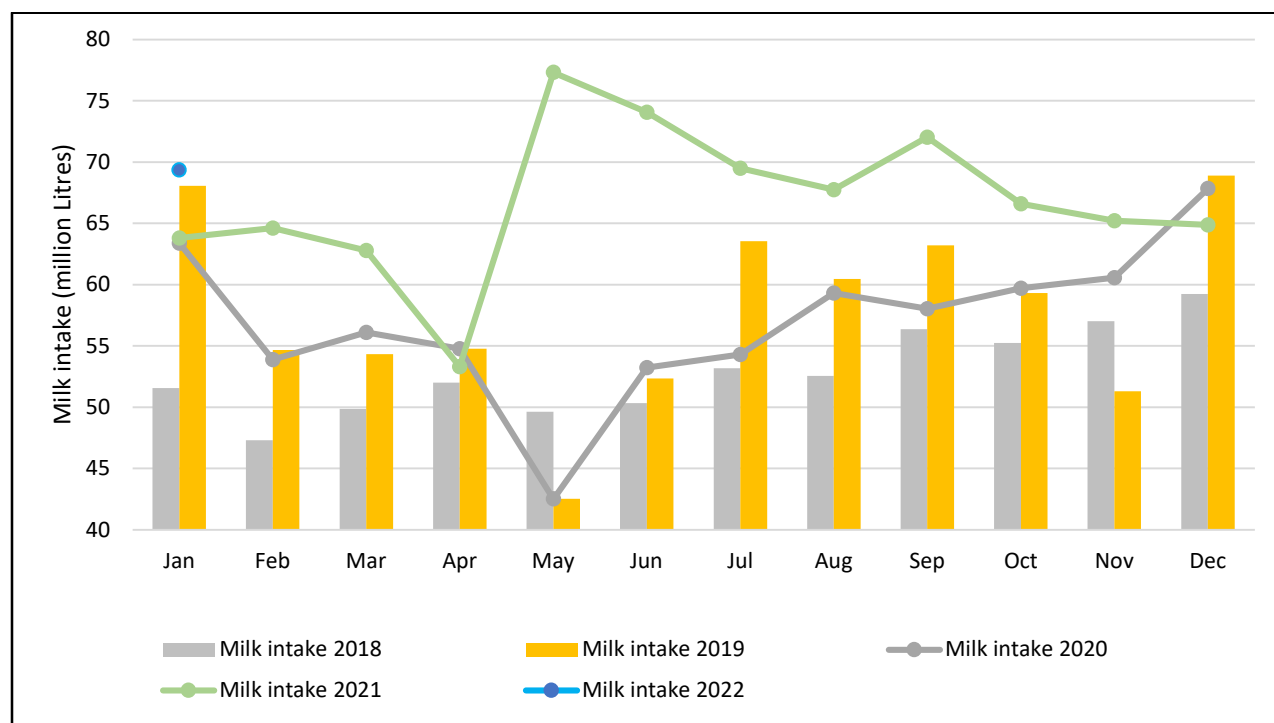
Data Source: Kenya National Bureau of Statistics

Figure 5: Kenya Housing and Property Indices



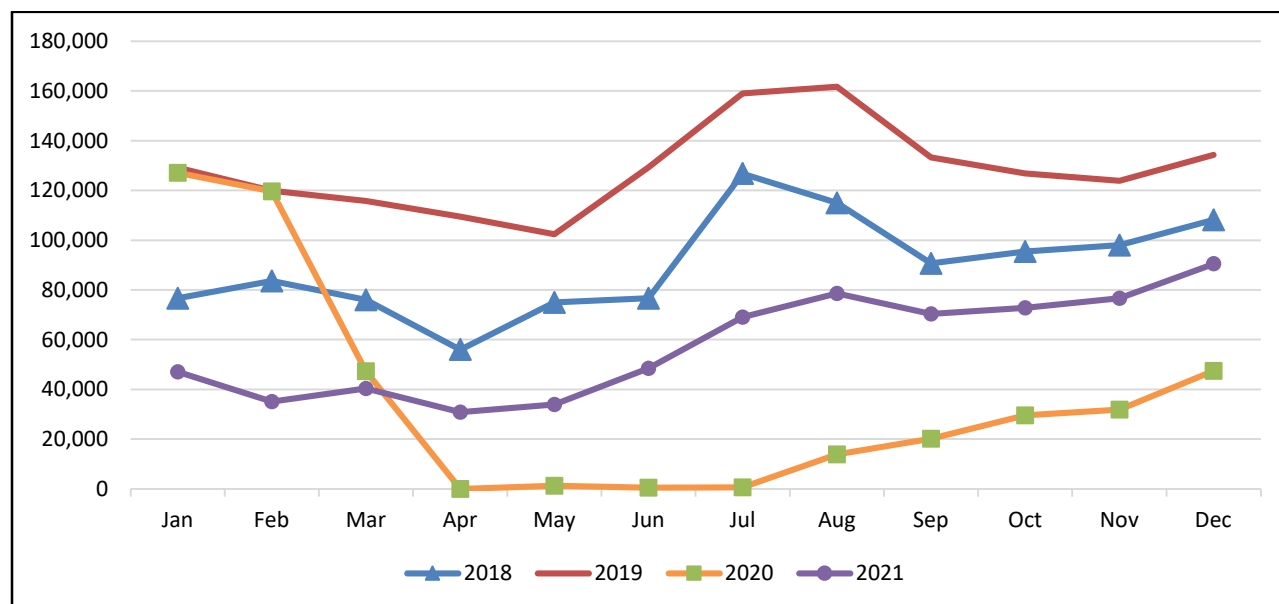
Hass Composite Property Sales Index: Year 2000 = 100; KBA Housing Price Index (fixed base): Q1 – 2013 = 100. Data Source: Hass Property Index (<http://hassconsult.co.ke/real-estate/hass-index/>) Kenya Bankers Association (https://www.kba.co.ke/house_price.php) *Data for KBA Housing Indices and Hass composite indices are available up to Sep 2021 and Dec 2021 respectively.

Figure 6: Intake of processed milk in the formal sector (million litres)



Data Source: Kenya National Bureau of Statistics. *Data for February and March not available

Figure 7: Monthly tourist arrivals (number)

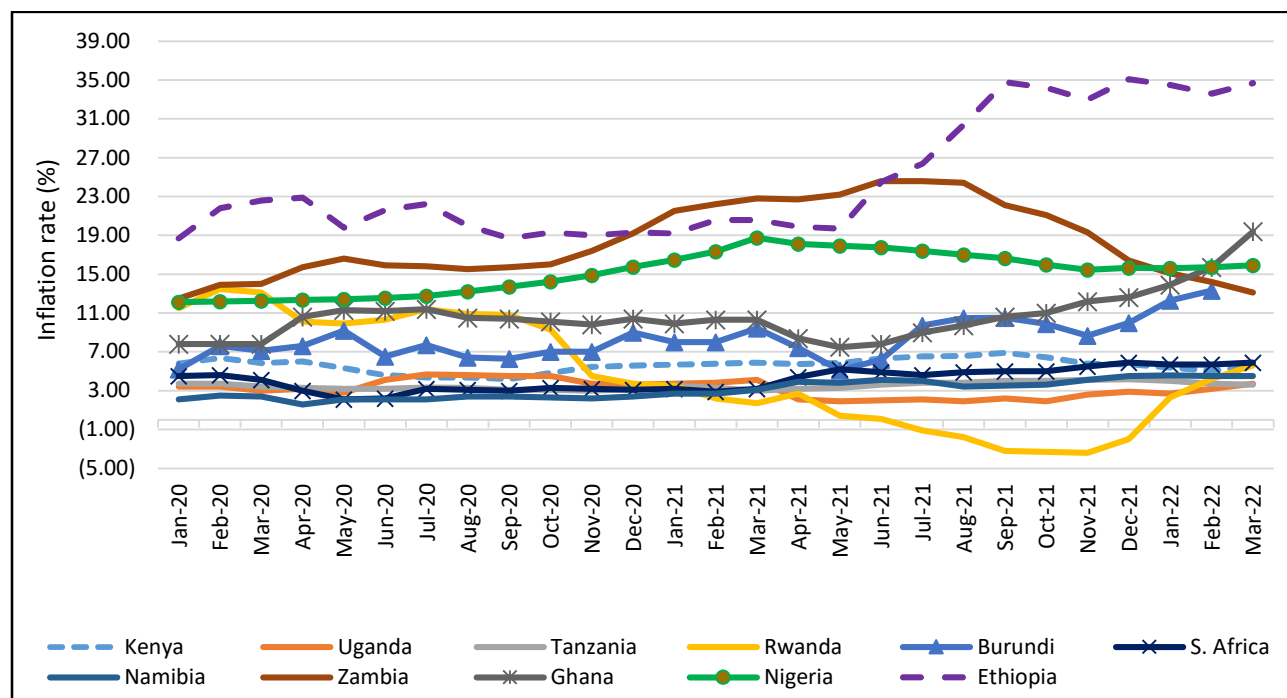


Data Source: Kenya National Bureau of Statistics, Economic Surveys (Various).

*January- March data not available

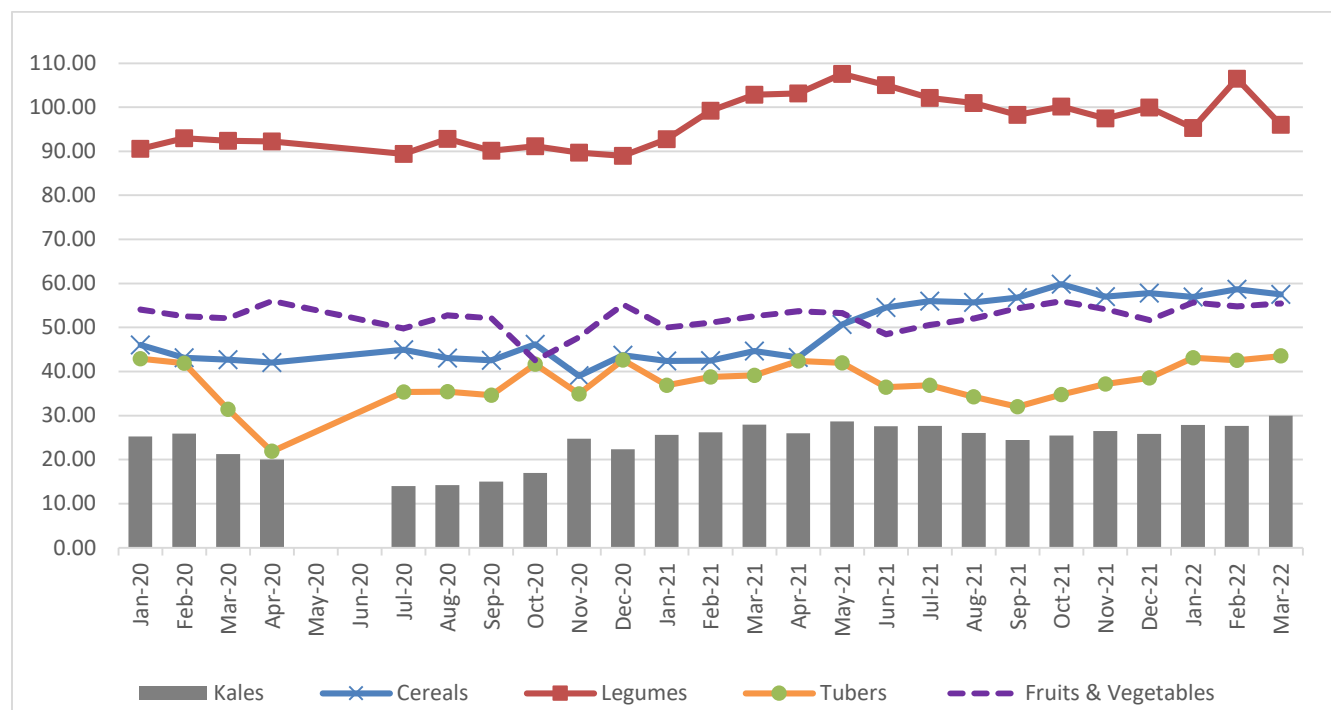
b) Price movement

Figure 8: Comparative inflation for selected countries in Africa



Data Source: Country statistical offices; <https://tradingeconomics.com>

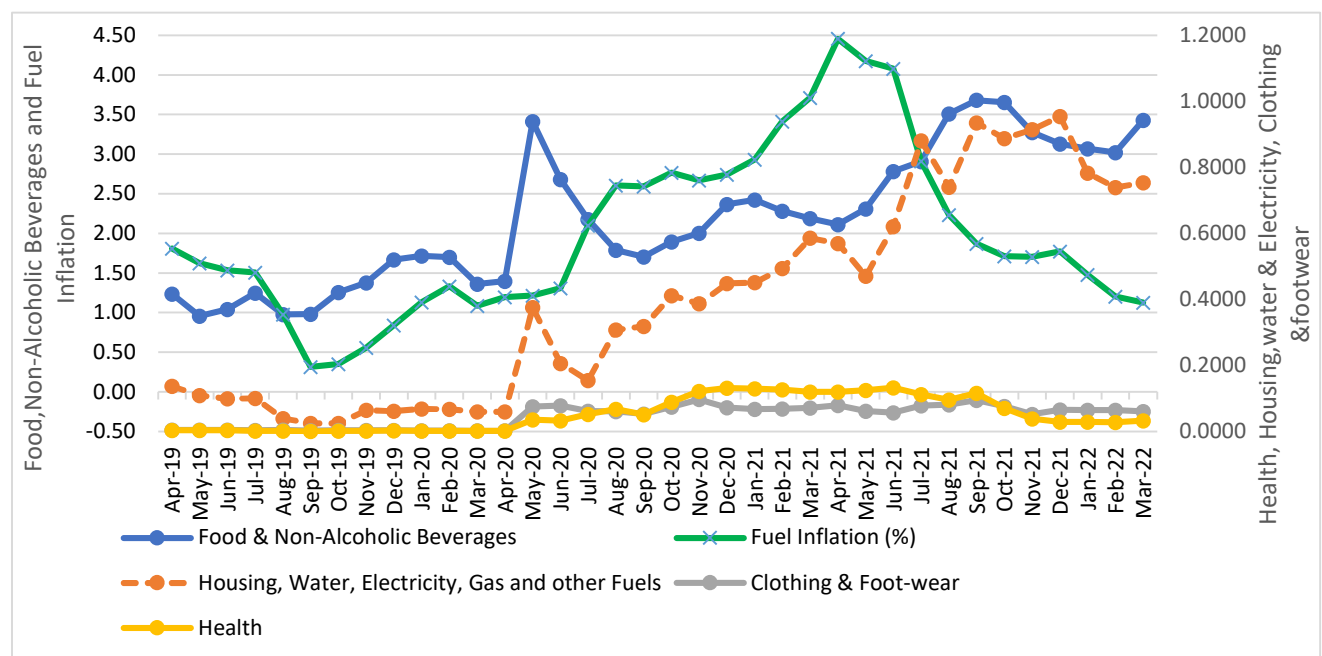
Figure 9: Domestic wholesale agriculture commodity prices (Ksh/Kg)



Data Source: Calculated by KIPPRA using data from Ministry of Agriculture

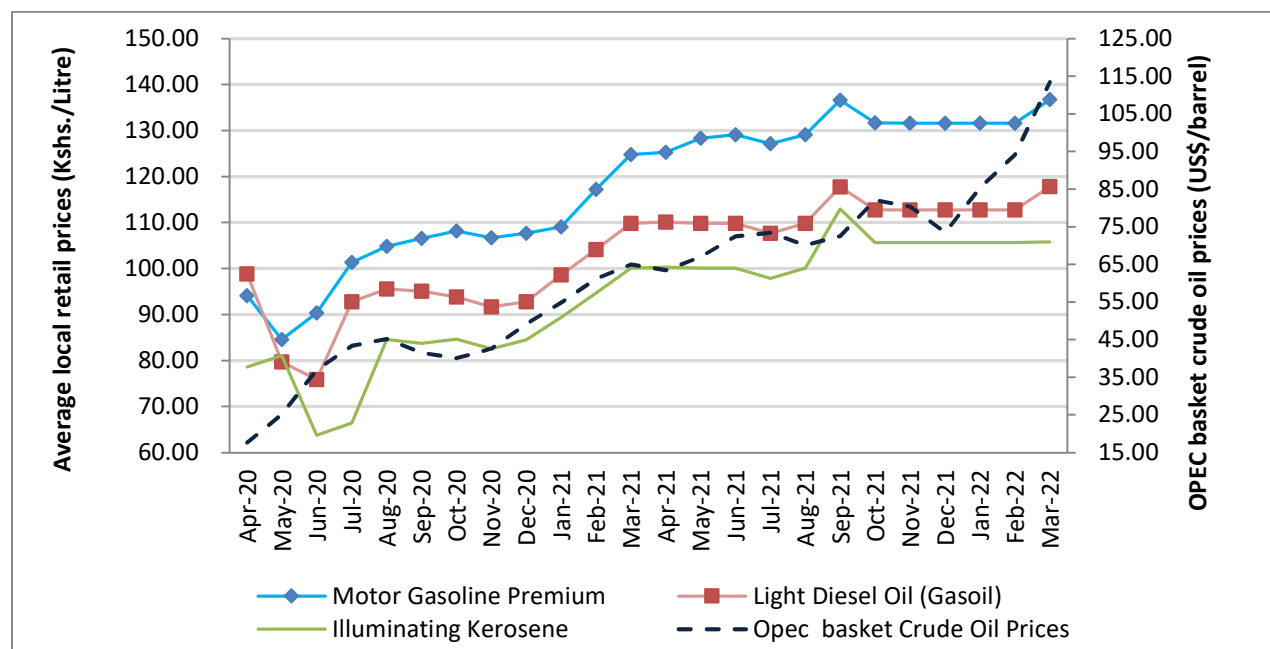
*There was no data from the Ministry of Agriculture for May and June 2020

Figure 10: Contribution of selected CPI baskets to overall Inflation (%)



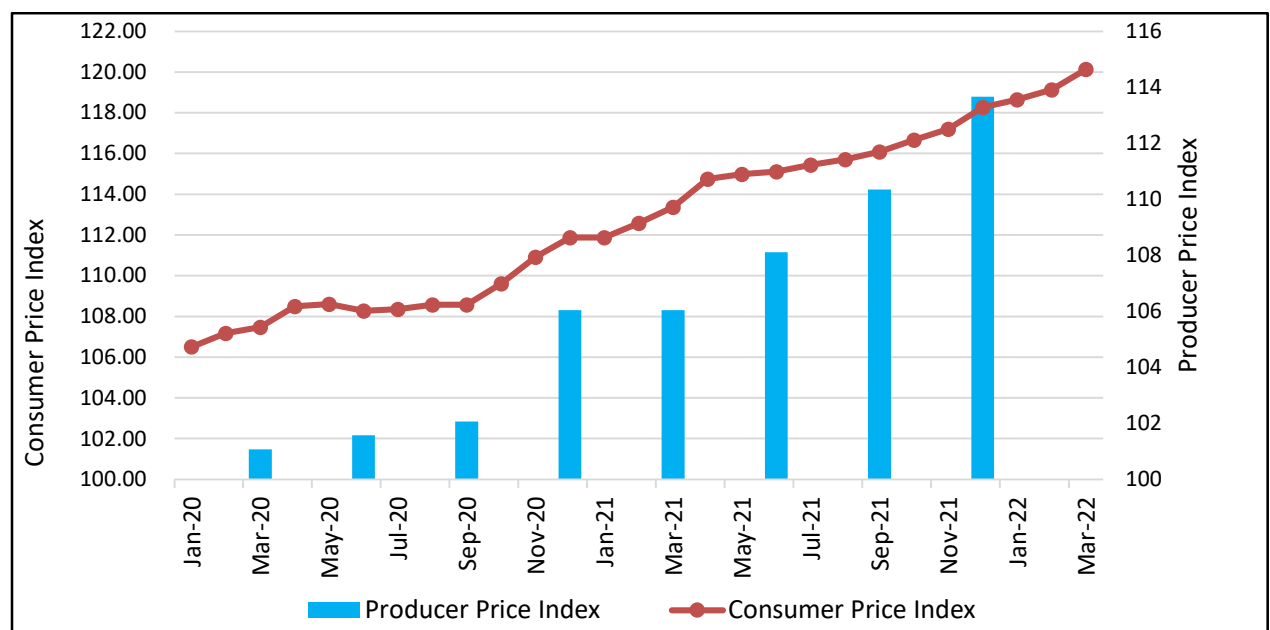
Data Source: Kenya National Bureau of Statistics and Central Bank of Kenya

Figure 11: Average domestic pump prices and global crude oil prices



Data Source: Kenya National Bureau of Statistics; Energy and Petroleum Regulatory Authority;
<https://oilprice.com/oil-price-charts/block/50>

Figure 12: Consumer Price Index and Producer Price Index



Data Source: Kenya National Bureau of Statistics. CPI base year: February 2019 = 100; PPI base year: March 2019 = 100 *Producer Price Index data for Jan-Mar not available

2. INTERNATIONAL MARKETS

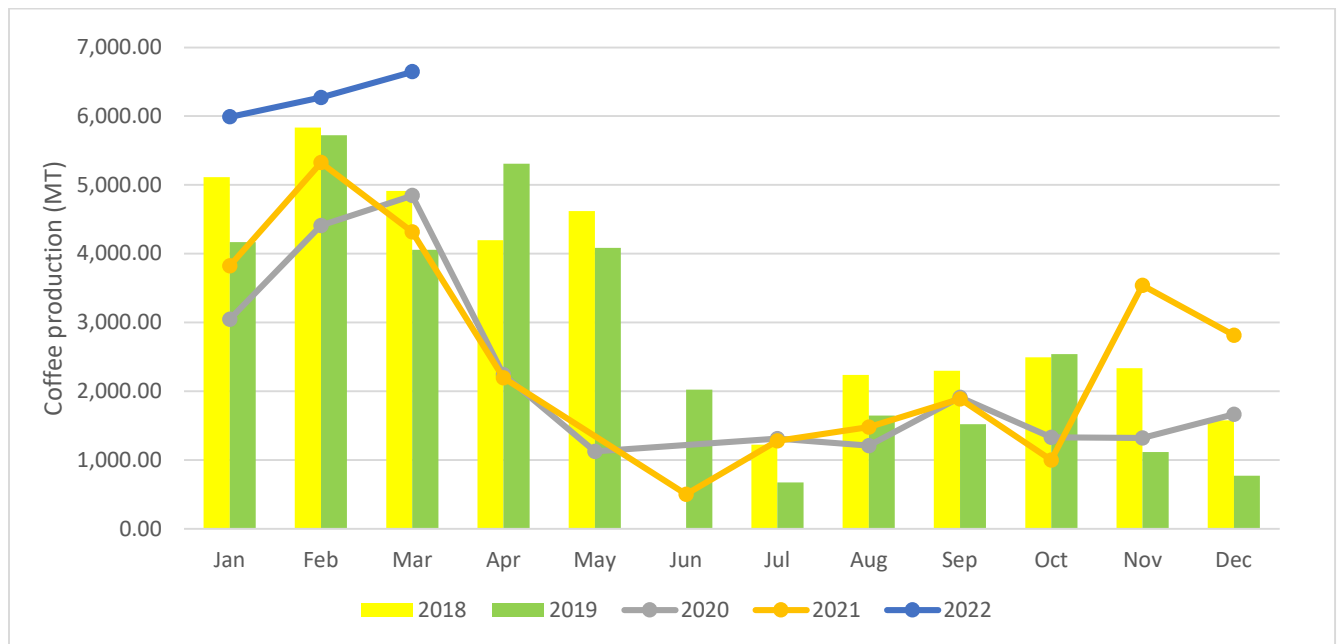
The coffee exports from Kenya continued to grow as the international trade picks up with the easing of COVID-19 effects. In January 2022, Kenya coffee exports as a percentage of global exports was 0.5 per cent, which was an increase from the same period in 2021 when Kenya coffee exports was 0.35 per cent of the global coffee exports. The value of coffee exports increased to Ksh 2.63 billion in January 2022 from Ksh 1.67 billion in December 2021 and Ksh 1.34 billion in January 2021. This growth in value of coffee exports can be attributed to increase in coffee production to 5,990.2 metric tons in January 2022 from 3,824.3 metric tons in January 2021. Coffee production further increased in the quarter to 6,270.9 and 6,645.5 metric tons in February and March, respectively. The value of tea exports in January 2022 slightly declined to Ksh 12.63 billion from Ksh 12.72 billion in December 2021 but increased from Ksh 11.38 billion in January 2021.

The first quarter of 2022 saw mixed results in the strength of the Kenya shilling against major foreign currencies. The Kenya shilling depreciated against US\$ by 1.60 per cent and appreciated by 0.79 per cent and 0.22 per cent against the Sterling Pound, and Euro, respectively, between 3rd January 2022 and 31st March 2022. Over a period of one year, between March 2021 and March 2022, the Kenya shilling depreciated against the US\$ by 6.6 per cent. Although as of 31st March 2022, the US\$ Index was 98.31, implying that the US\$ has depreciated by 1.69 per cent against the basket of six currencies in the index, the US\$ index has gained strength since May 2021. The depreciation of the Kenyan shilling to the dollar is reflective of global market developments.

Remittances show a seasonal effect in Q1 2022. The remittances to Kenya declined from US\$ 338.7 million in January 2022 to US\$ 321.5 million in February 2022 before rising again in March 2022 to US\$ 363.5 million. Similar decline was witnessed in 2021 from US\$ 278.4 million in January to US\$ 260.3 million in February and further rising to US\$ 290.8 million in March. The same seasonal pattern is observed in the same period in 2020. Foreign reserves remained within the statutory requirement of at least 4 months of imports cover. In terms of months of import cover, foreign reserves declined from 5.3 months in January 2022 to 5.2 months in February 2022. The foreign reserves remain adequate to provide cover and a buffer against short-term shocks in the foreign exchange market.

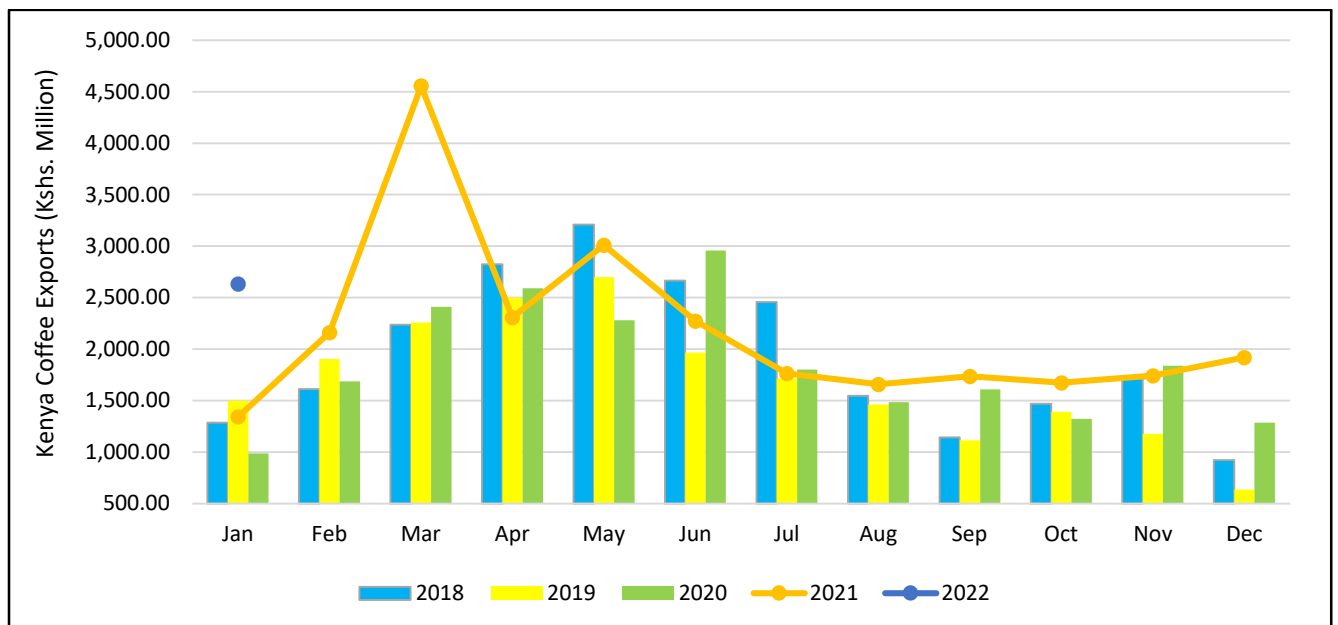
Figure 13: Trends in coffee and tea production (MT), exports (Ksh millions) and auction prices (Ksh/Kg)

Figure 13(a): Monthly coffee production (MT)



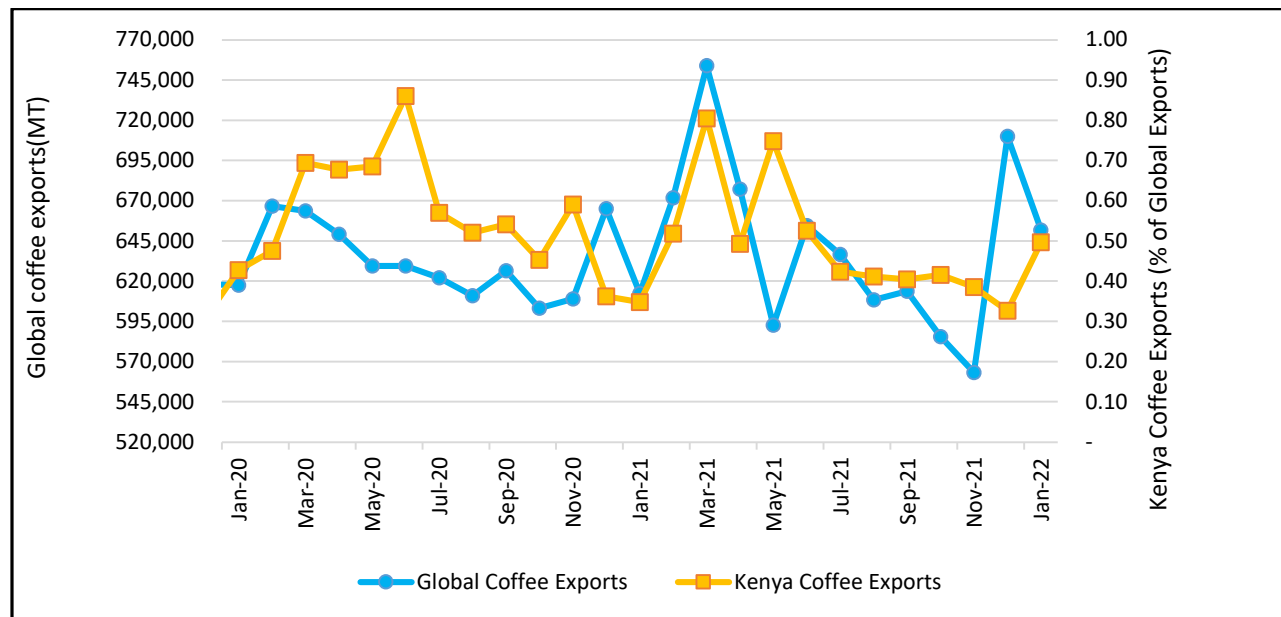
Data source: Kenya National Bureau of Statistics; Nairobi Coffee Exchange (<http://nairobicoffeexchange.co.ke/>)

Figure 13(b): Monthly coffee exports (Ksh million)



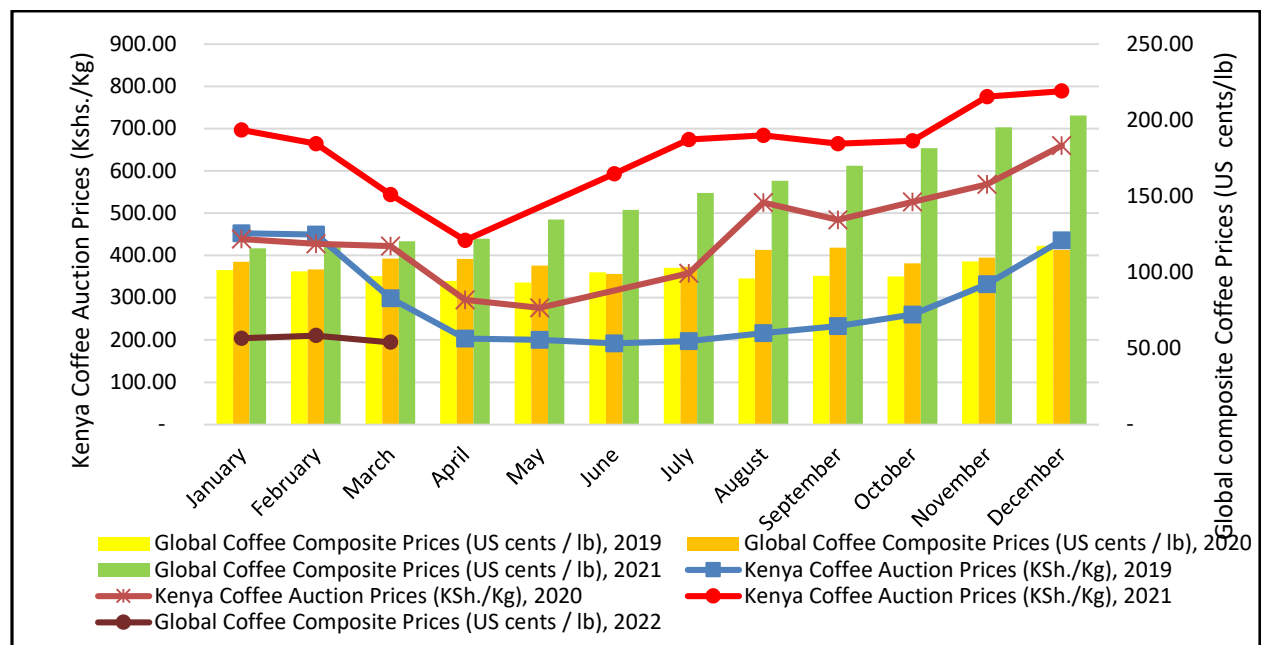
Data source: Kenya National Bureau of Statistics; Nairobi Coffee Exchange (<http://nairobicoffeexchange.co.ke/>). February and March 2022 data not available

Figure 13(c): Comparison between global coffee exports (MT) and Kenya coffee exports (% of global total exports)



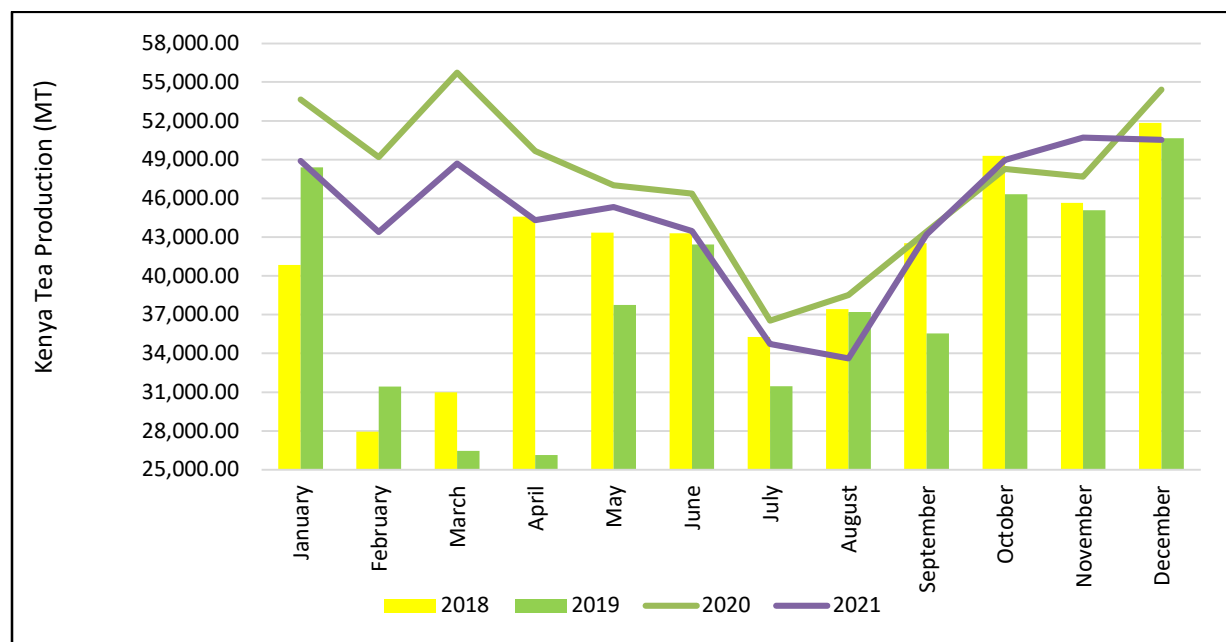
Data source: Kenya National Bureau of Statistics; Nairobi Coffee Exchange (<http://nairobicoffeexchange.co.ke/>); International Coffee Organization (http://www.ico.org/coffee_prices.asp) *Data available up to January 2022

Figure 13(d): Monthly Kenya coffee auction prices (Ksh/Kg) and global composite prices (US cents/lb)



Data source: Kenya National Bureau of Statistics; Nairobi Coffee Exchange (<http://nairobicoffeexchange.co.ke/>); International Coffee Organization (http://www.ico.org/coffee_prices.asp)

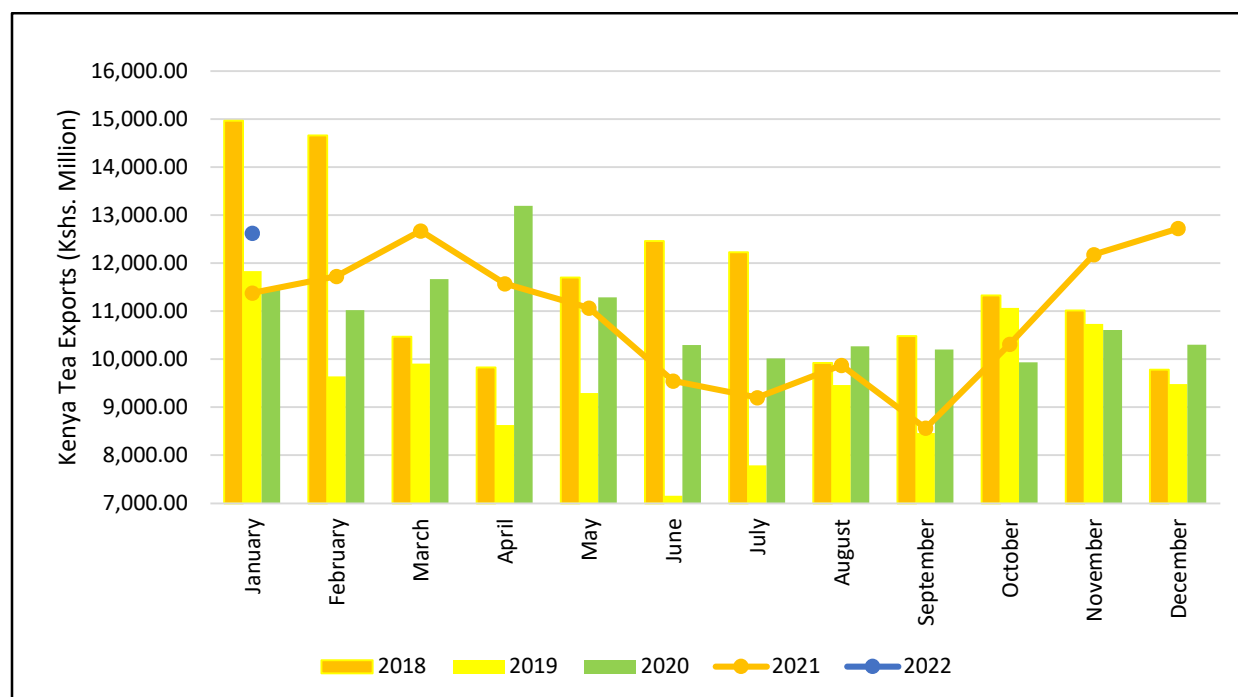
Figure 13(e): Monthly tea production (MT)



Data source: Kenya National Bureau of Statistics; East African Tea Trade Association

*January-March 2022 data not available

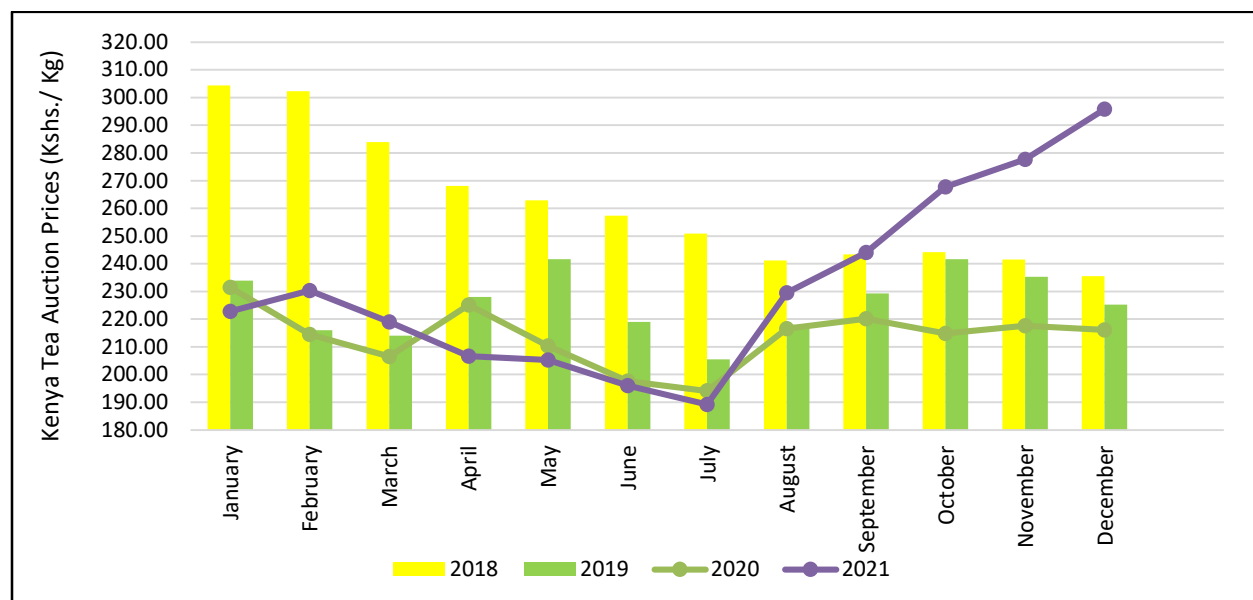
Figure 13(f): Monthly tea exports (Ksh million)



Data source: Kenya National Bureau of Statistics; East African Tea Trade Association

*February and March 2022 data not available

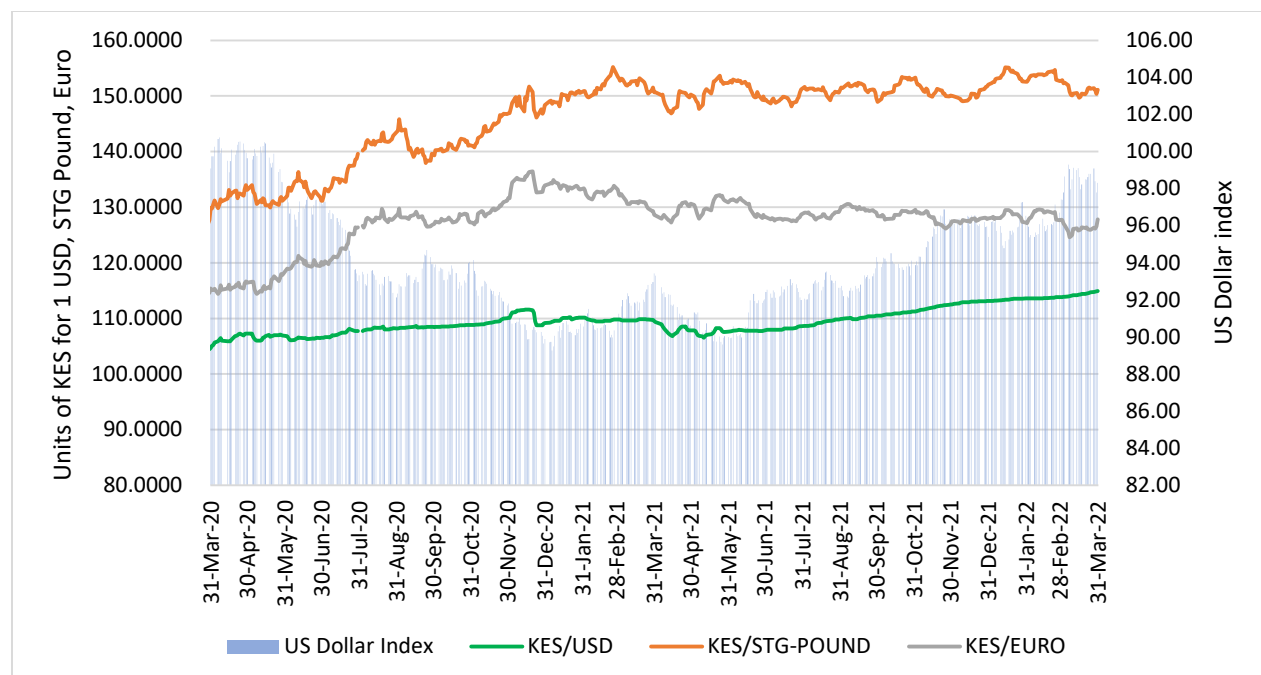
Figure 13(g): Monthly Kenya tea auction prices (Ksh/Kg)



Data Source: KNBS; East Africa Tea Trade Association; Mombasa Tea Auction

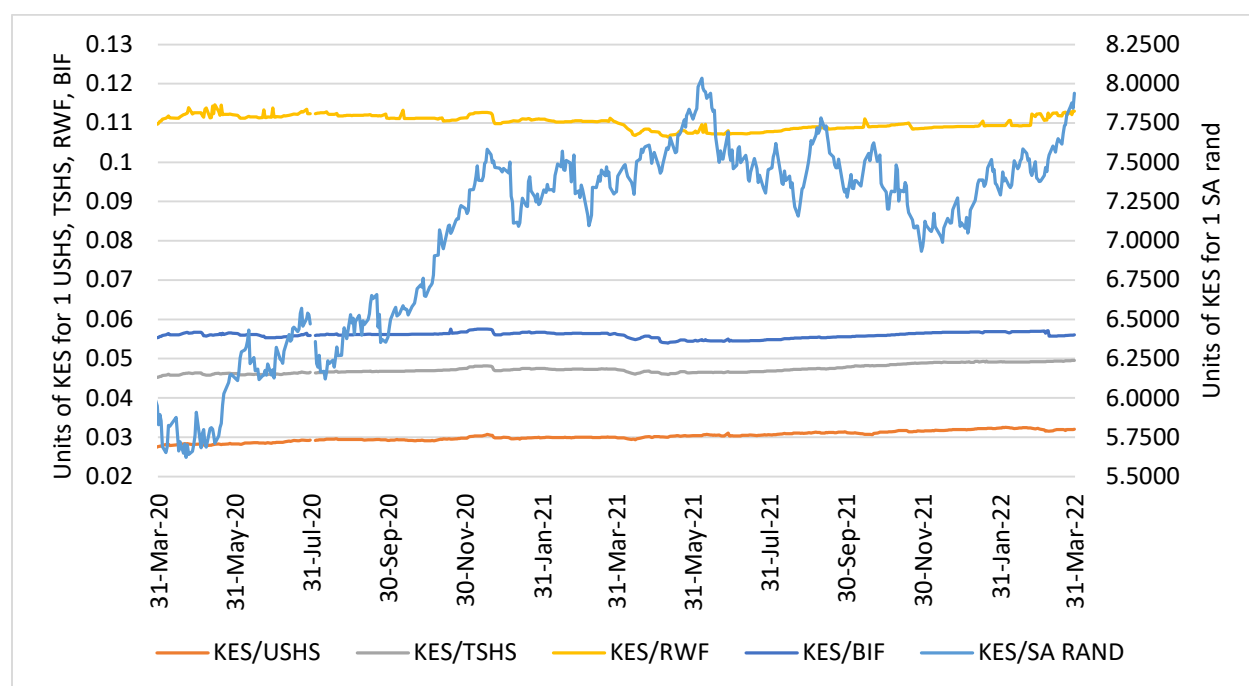
*January-March 2022 data not available

Figure 14: The exchange rate of Kenya shilling to global currencies



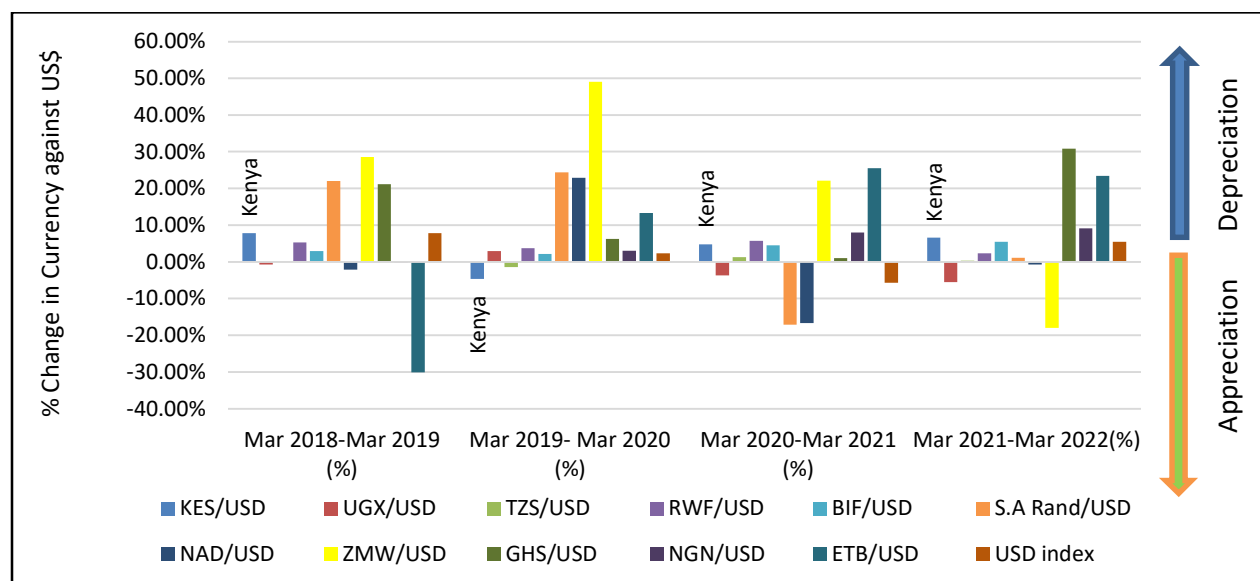
Data source: Central Bank of Kenya; Kenya National Bureau of Statistics;
<https://www.investing.com/quotes/us-dollar-index-historical-data>

Figure 15: The exchange rate of Kenya shilling to regional currencies



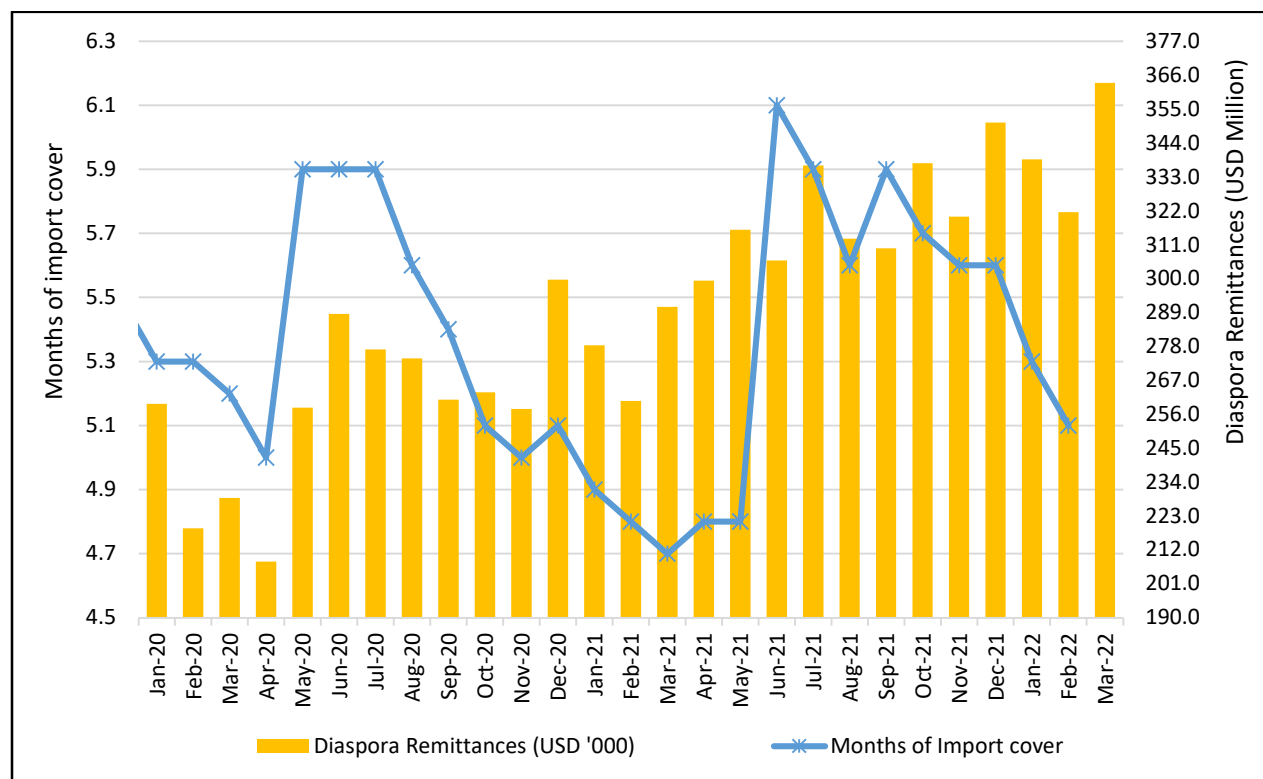
Data source: Central Bank of Kenya

Figure 16: Performance of select currencies against the US Dollar



Data source: Country Statistics Offices; <https://www.investing.com>. Percentage change in currencies against the US Dollar measured as end of period changes. USD-US Dollar; KES - Kenyan Shilling; UGX-Ugandan Shilling; TZS-Tanzanian Shilling; RWF-Rwandan Franc; BIF-Burundian Franc; ZAR-South African Rand; NAD-Namibian Dollar; ZMK-Zambian Kwacha; GHS-Ghanaian Cedi; NGN-Nigerian Naira; ETB-Ethiopian Birr

Figure 17: Months of import cover and diaspora remittances



Data Source: Central Bank of Kenya

3. MONETARY AND FINANCIAL SECTOR

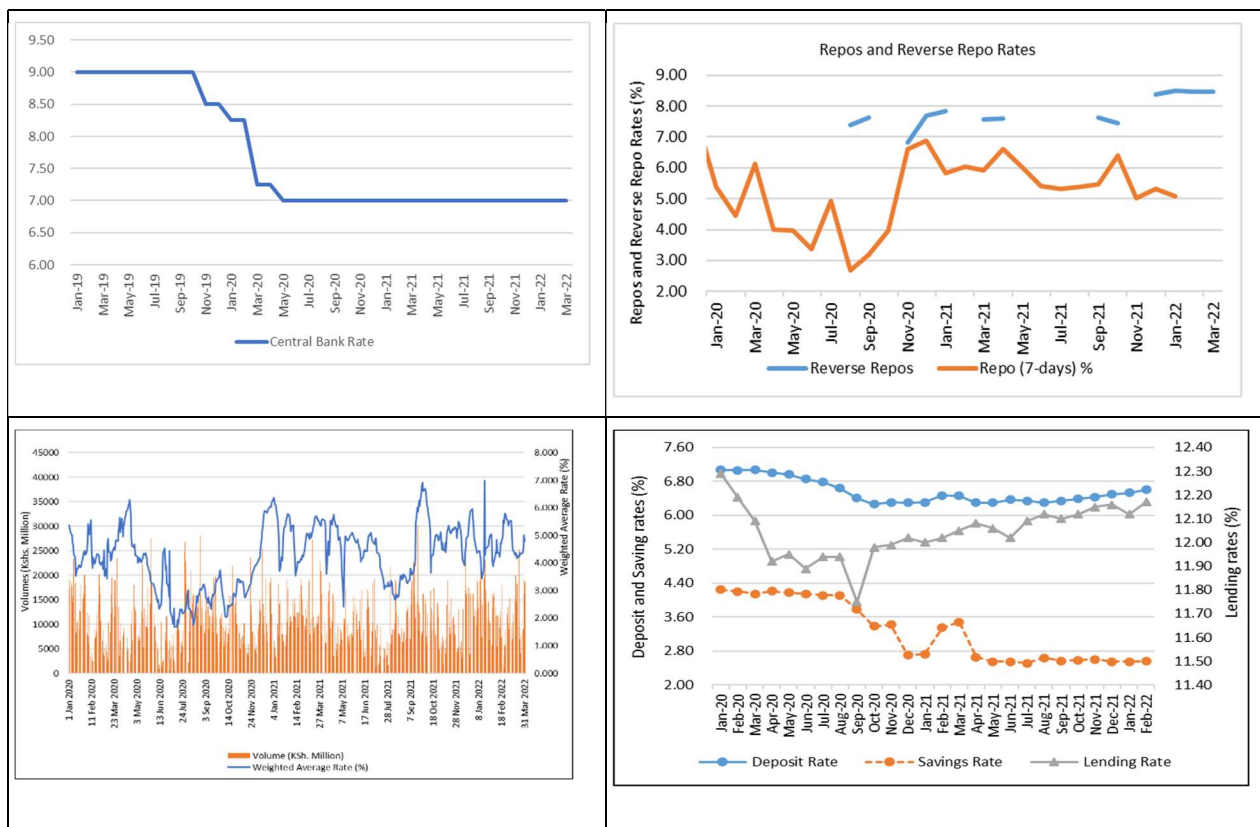
Kenya continues to maintain its monetary policy stance. The Monetary Policy Committee of the Central Bank of Kenya, at its meeting on 29th March 2022, maintained the Policy Rate at 7.00 per cent to stimulate the economy amidst elevated global risks. Ghana, Nigeria, Rwanda, Zambia, Tanzania, and Uganda also maintained their policy stance. However, South Africa increased its policy rates from 3.75 per cent to 4.25 per cent, aimed at anchoring inflationary expectations while supporting economic growth and financial stability.

Short-term interest rate edged upward in Q1 2022. The Treasury bill rates for 91-day, 182-day and 364-day edged upwards, averaging 7.3 per cent, 8.1 per cent and 9.7 per cent, respectively, in January, February and March 2022 compared to 7.0 per cent, 7.7 per cent and 8.8 per cent in a similar period in 2021, respectively. The interbank rate also increased in the quarter to an average of 5.04 per cent from 4.95 per cent in the same quarter in 2021.

The banking sector remained sound and stable in Q1 2022. The return on assets improved to 0.30 per cent and 0.60 per cent in January and February, respectively, compared to 0.27 per cent and 0.28 per cent in January 2020 and January 2021, and 0.50 per cent and 0.55 per cent in February of 2020 and 2021, respectively. Private sector credit growth increased from 8.8 per cent in January 2022 to 9.1 per cent in February 2022 but was lower compared to the same period in 2021 at 9.3 per cent and 9.6 per cent in January and February, respectively. Credit to the public sector as a proportion of banking sector credit remained high in 2022 at 37.51 per cent and 37.34 per cent in January and February compared to the same period in 2021 at 33.63 per cent and 34.24 per cent in January and February, respectively.

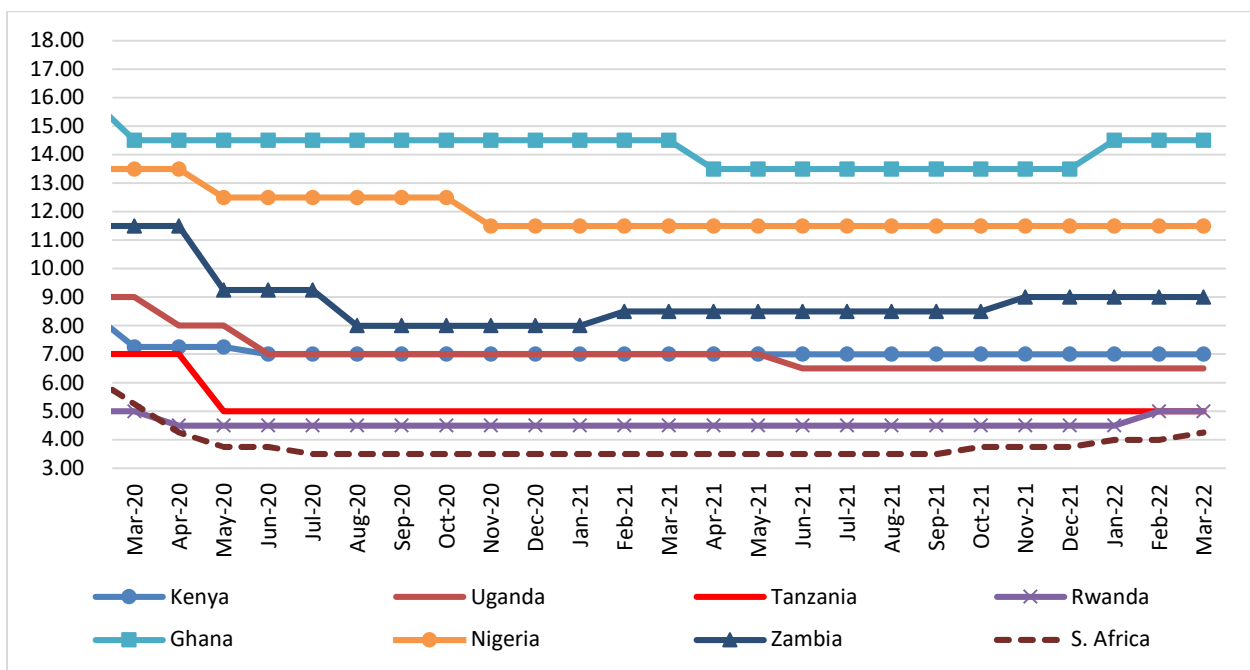
Credit risk has eased with the businesses rebounding with eased COVID-19 restrictions. The ratio of gross Non-Performing Loans (NPLs) to Gross Loans increased in the quarter under review from 13.28 per cent in January 2022 to 13.99 per cent in February 2022. However, this is lower compared to January and February 2021 where the ratio was 14.25 per cent and 14.48 per cent, respectively, reflecting recovery in business activity. The liquidity of the banking sector improved to 56.7 per cent in January and February 2022 compared to 54.9 per cent and 55.7 per cent in January and February 2021, respectively, and 49.8 per cent and 51.1 per cent in January and February 2020.

Figure 18: Interbank rate and volume, Repos, and other interest rates (%)



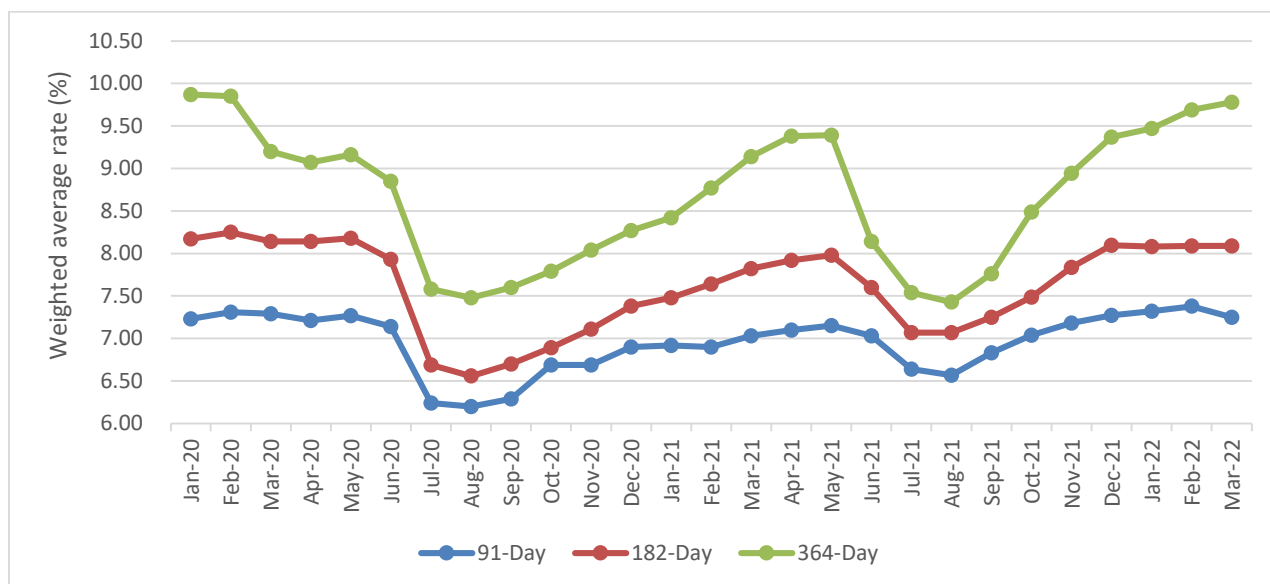
Data source: Central Bank of Kenya

Figure 19: Monetary policy stance for selected countries in Africa



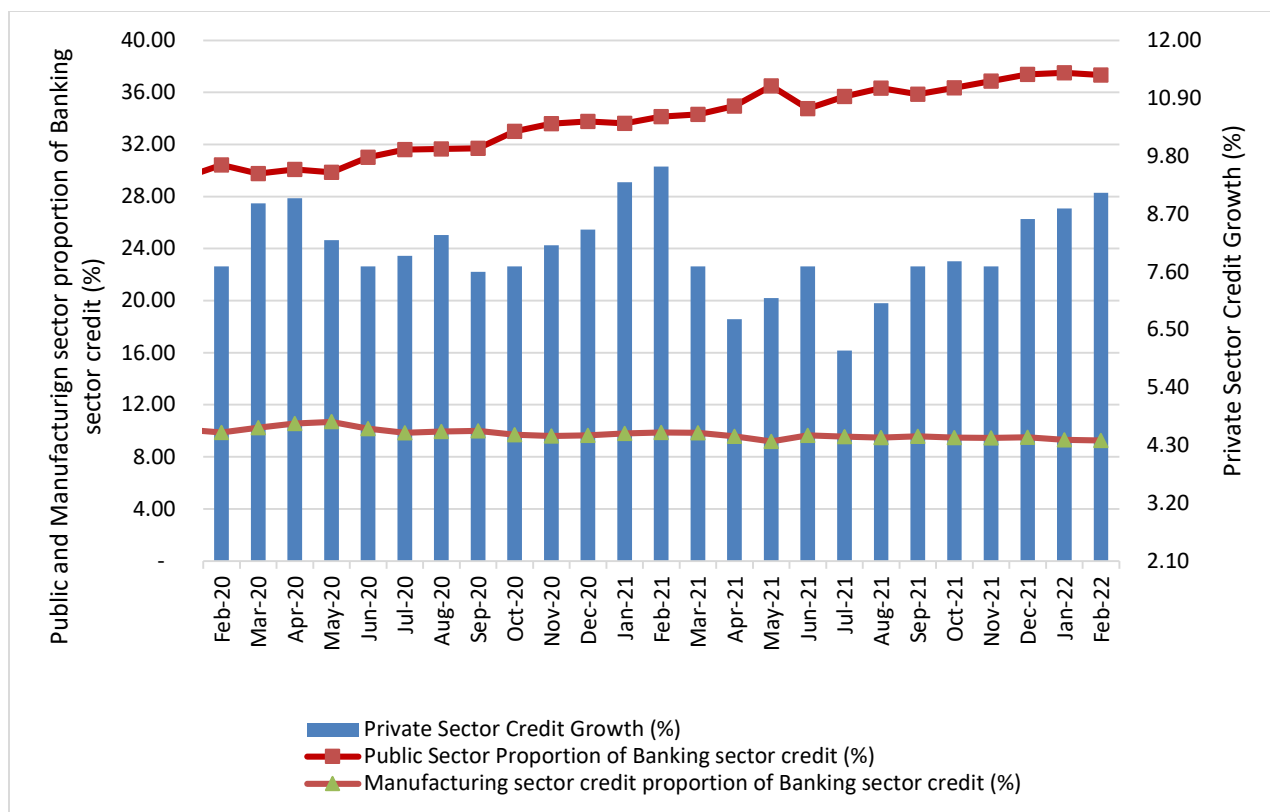
Data Source: Country Central Banks

Figure 20: Treasury bill weighted average rate (%)



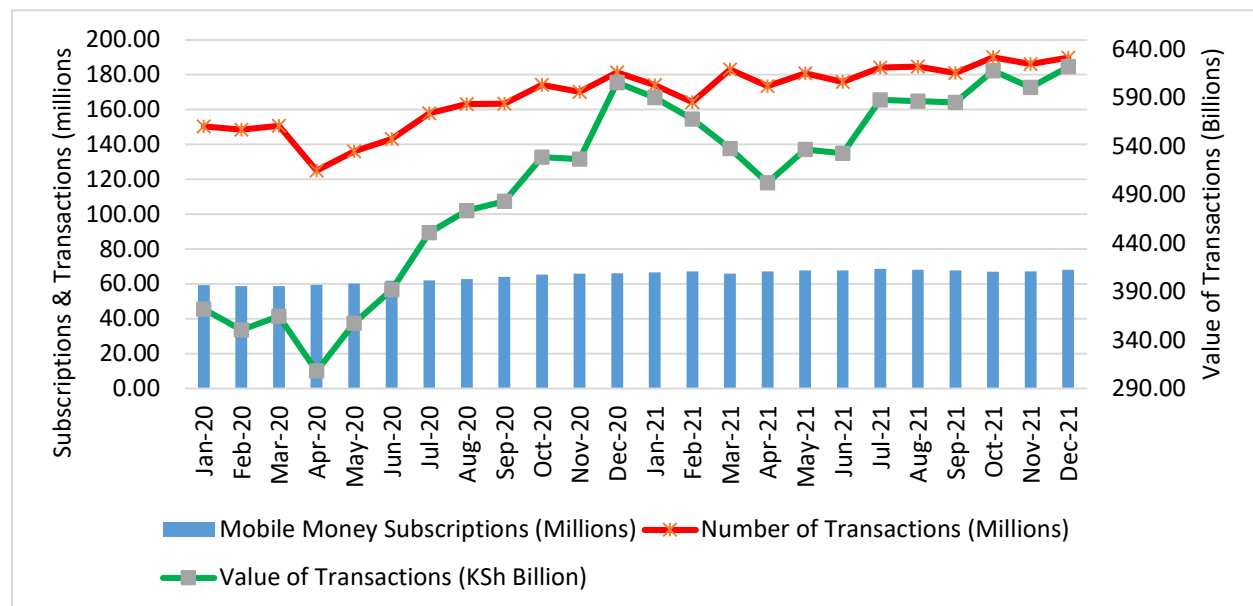
Data source: Central Bank of Kenya

Figure 21: Banking sector credit



Data Source: Central Bank of Kenya

Figure 22: Mobile money transactions



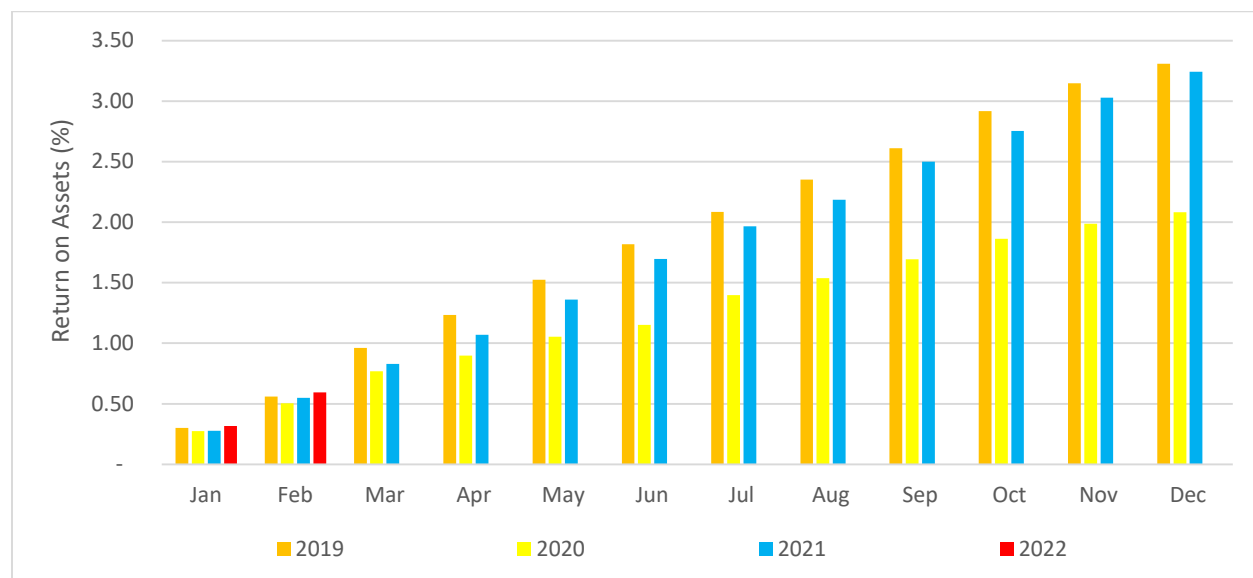
Data Source: Kenya National Bureau of Statistics

*Data for Jan- Mar 2022 not available

Note: The mobile money subscriptions exceed total adult population since this is based on registered SIM Cards in transacting electronic gadgets (Individual mobile phones and Point of Sale gadgets). In addition, 30% of mobile users in Kenya own more than 1 SIM Card (<https://www.ca.go.ke>)

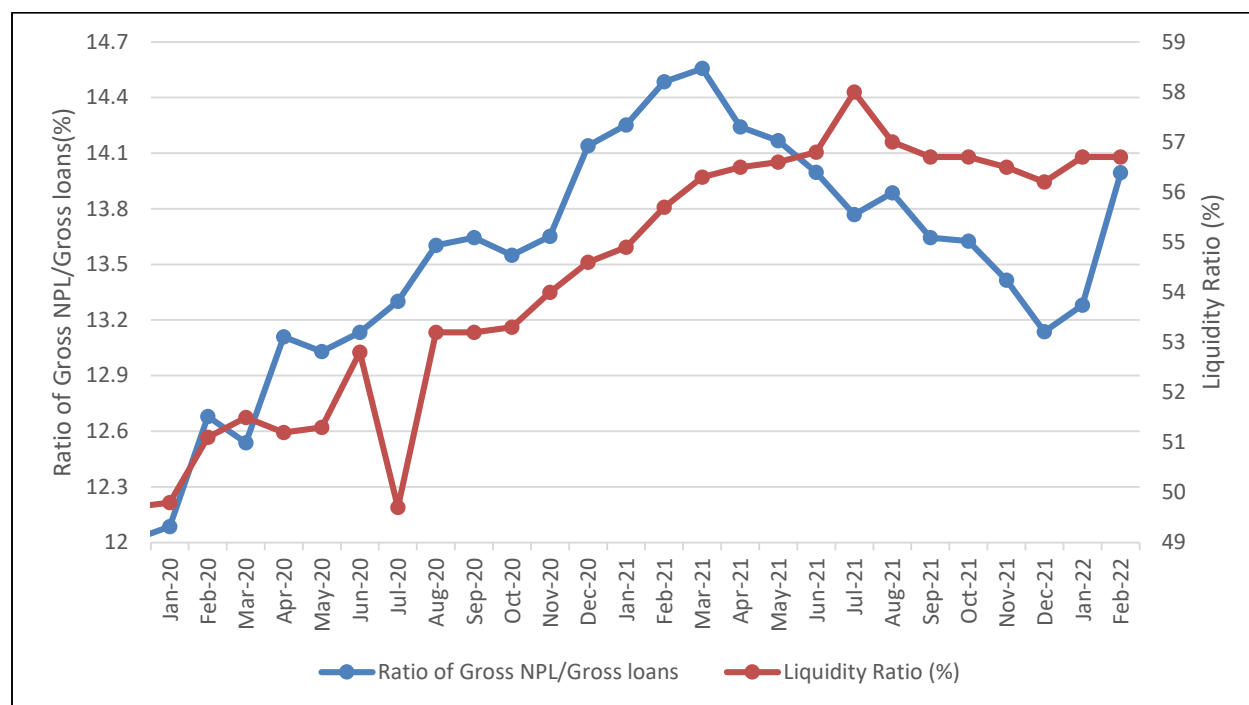
Figure 23: Kenya banking sector performance

Figure 23(a): Return on asset (%)



Data Source: Calculated using data from Central Bank of Kenya

Figure 23(b): Liquidity ratio and ratio of gross NPL to gross loans



Data Source: Calculated using data from Central Bank of Kenya

**Data available for March 2022 yet to be released*

4. FISCAL PERFORMANCE

The Cabinet Secretary, the National Treasury and Planning read the 2022/23 budget statement on 7th April 2022. The Budget is estimated at Ksh 3.30 trillion, an 8.9 per cent increase from 2021/22 budget of Ksh 3.03 trillion. A fiscal deficit of Ksh 862.50 billion in 2022/23 is projected to be financed through external borrowing of Ksh 280.70 billion (32.5%) and domestic borrowing of Ksh 581.7 billion (67.5%).

Growth in actual national revenue receipts was witnessed in Q1 2022. The cumulative receipts increased by 13.9 per cent in January 2022, totaling Ksh 1.64 trillion compared to Ksh 1.44 trillion in January 2021. Further, in February the receipts increased by 11.3 per cent, totaling Ksh 1.86 trillion compared to Ksh 1.67 trillion in February 2021. However, the receipts continued to be lower than the target of Ksh 1.86 and Ksh 2.13 trillion in January and February 2022, respectively.

Exchequer issues to the National Government increased in Q1 2022. The cumulative exchequer issues increased by 11.72 per cent in January 2022, totaling Ksh 1.43 trillion compared to Ksh 1.28 trillion in January 2021. Further, in February 2022, the exchequer issues increased by 10.73 per cent, totaling Ksh 1.65 trillion compared to Ksh 1.49 trillion in February 2021. The actual exchequer issues were, however, lower than the target of 1.65 trillion and Ksh 1.89 trillion in January and February 2022, respectively.

Transfers to County Governments also increased in Q1 2022. The cumulative transfers increased by 8.8 per cent in January 2022 totaling Ksh 171.84 billion compared to Ksh 157.89 billion in January 2021. Further, in February 2022, the transfers increased by 7.9 per cent, totaling Ksh 193.65 billion compared to Ksh 179.55 in February 2021. However, the transfers were lower than the target of Ksh 215.81 billion and Ksh 246.64 billion in January and February, respectively.

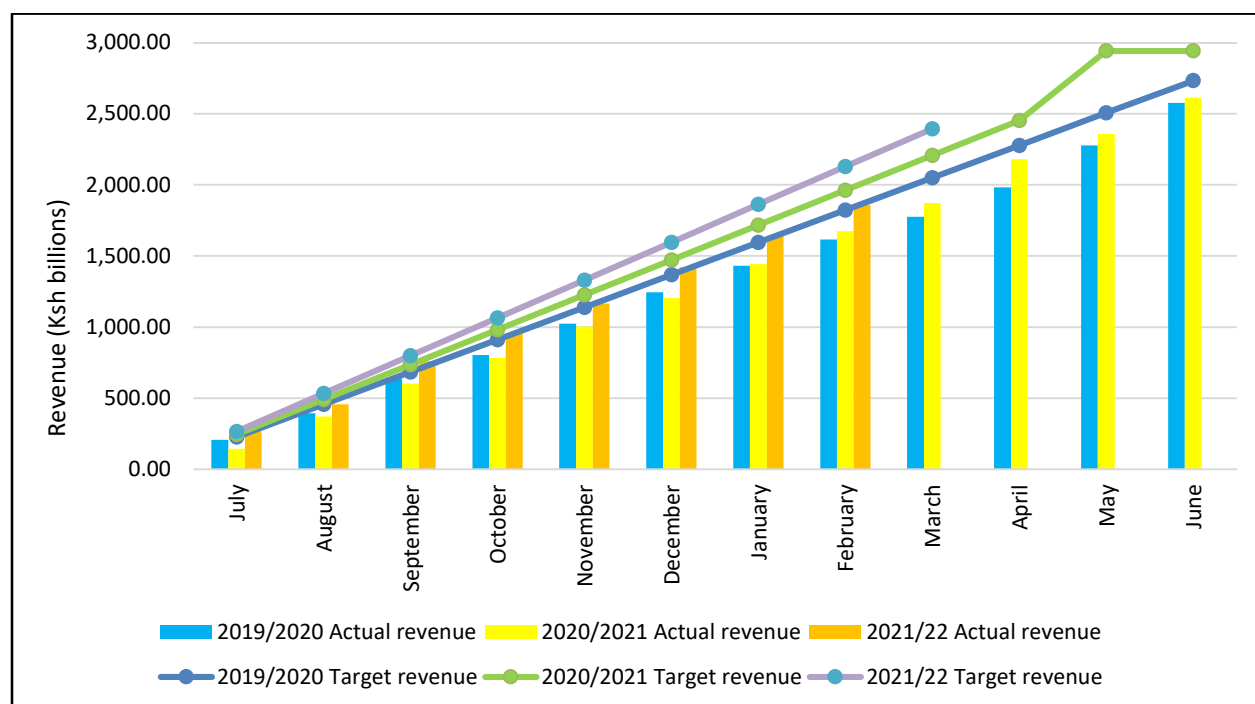
Pressure on expenditures in the Ministry of Health have reduced with the declining COVID-19 positivity rate. As a result, exchequer issues to Ministry for development expenditure as a percentage of all development expenditure issues to MDAs reduced from 14.61 per cent in December 2021 to 13.74 per cent and 13.38 per cent in January and February 2022, respectively. This follows the same pattern, for recurrent expenditures as a percentage of all recurrent expenditures to MDAs, which reduced from 3.98 percent in December 2021 to 3.63 per cent and 3.61 per cent in January and February 2022, respectively.

Fiscal deficit eased in Q1 2022. Fiscal deficit decreased by 15.17 per cent in January 2022 over a similar period in 2021, while in February 2022, the deficit remained almost at the same level as

in 2021. This is in line with the National Treasury medium term debt management strategy, which outlines government commitment to achieving reduced fiscal deficits over the medium-term. The exchequer balance to actual revenue was 1.81 per cent in February 2022, compared to 0.28 per cent in February 2021.

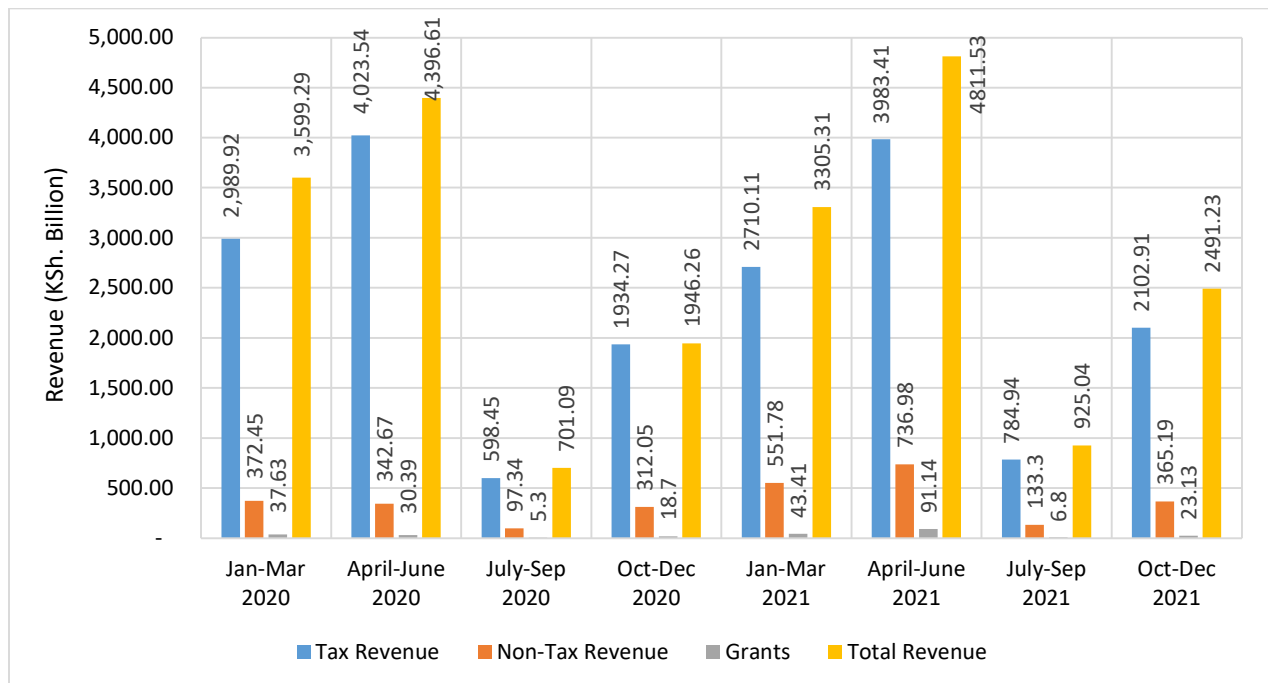
Domestic debt composition is shifting. In the January-March 2022 quarter, domestic debt showed an increasing share of Treasury Bonds (81.4%), compared to Treasury Bills (16.81%), CBK Overdraft (1.38%) and other instruments accounted for 0.58 per cent. The Treasury bond share increased from 67.67 per cent to 75.82 per cent in January-March 2020 and 2021 compared to a decline in Treasury bills share from 28.59 per cent and 30.17 per cent in January-March 2020 and 2021, respectively. Further, the composition in holding domestic debt changed, with banking institutions share declining from 54.49 per cent to 53.33 per cent and 49.68 per cent in January-March 2020, 2021, and 2022. While there was an increasing share of pension funds (28.59%, 30.17% and 31.57%) and insurance companies (6.33%, 6.47% and 6.85%) in January-March 2020, 2021, and 2022, respectively.

Figure 24: National revenue (Ksh billion)



Data Source: Monthly Gazette Notices, The National Treasury and Planning
Data for March 2022 not available

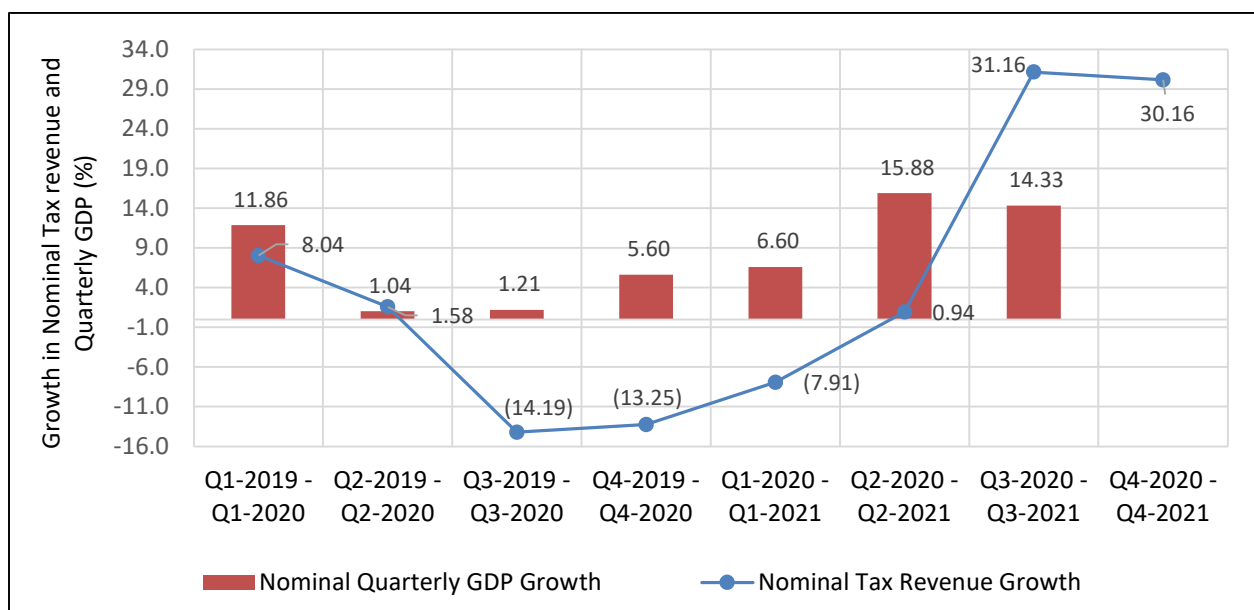
Figure 25: Composition of government revenue (Ksh billion)



Data Source: Calculated using data from Central Bank of Kenya and The National Treasury data published on monthly Kenya Gazette Notices

*Data for March 2022 not yet released.

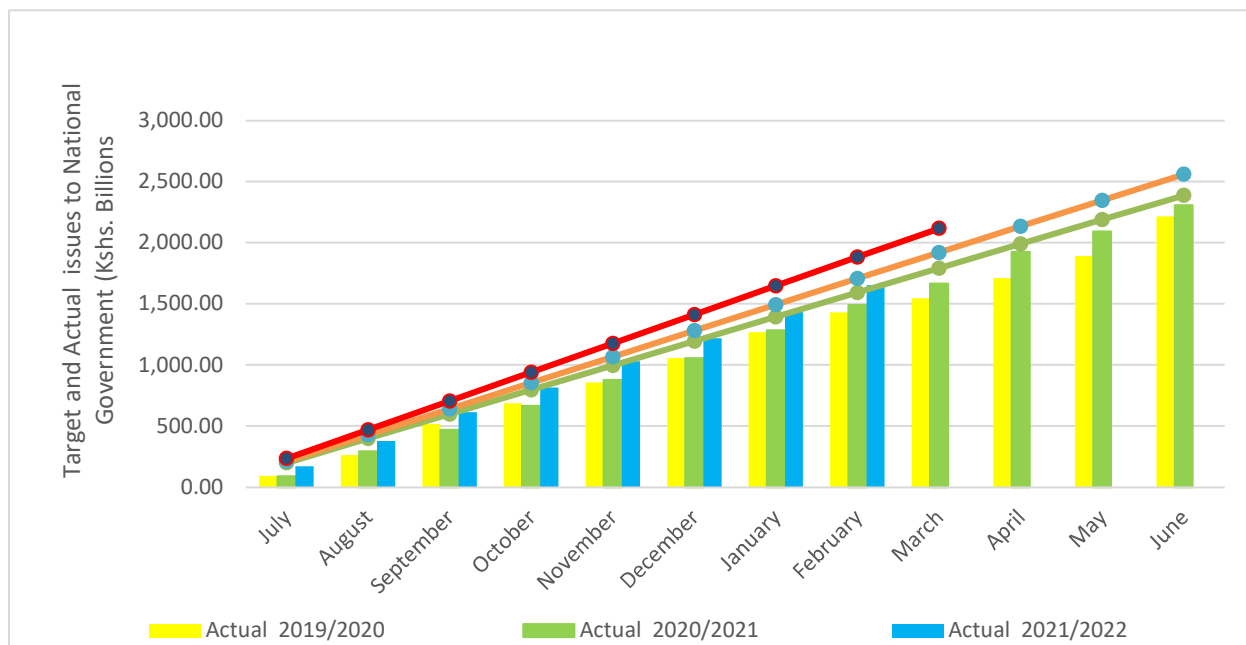
Figure 26: Growth in tax revenue (%) and quarterly GDP growth (%)



Data Source: Kenya National Bureau of Statistics and Central Bank of Kenya

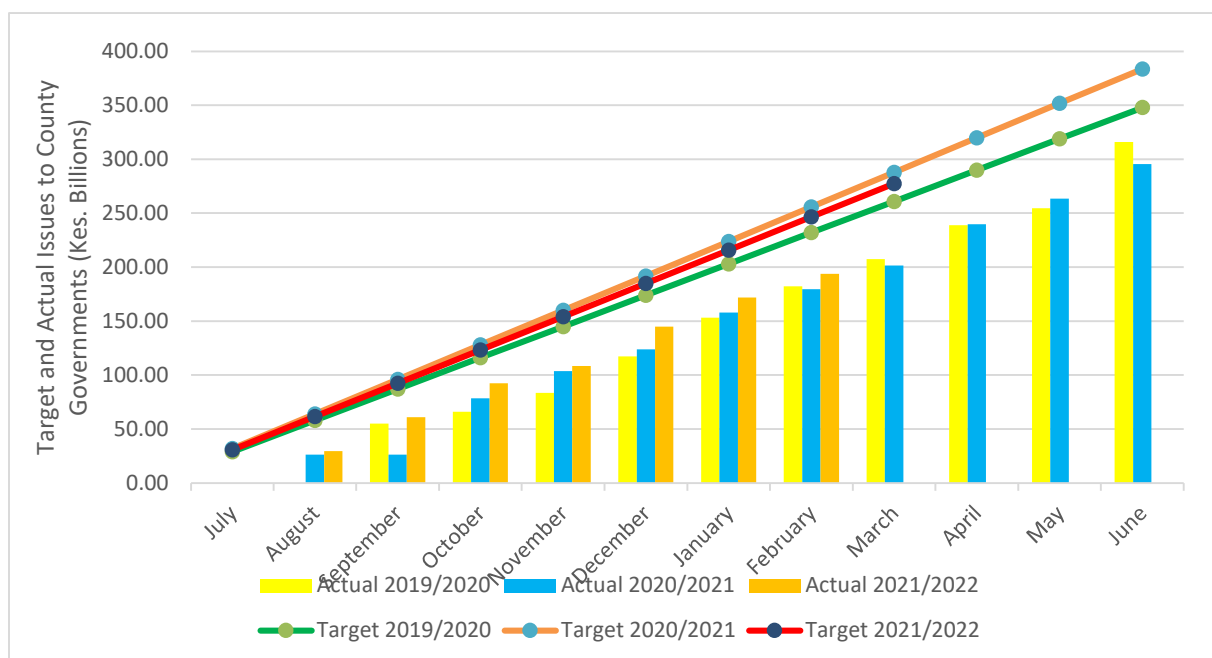
*Data for January-March 22 Data not yet available

Figure 27: Exchequer issues to national government (Ksh billion)



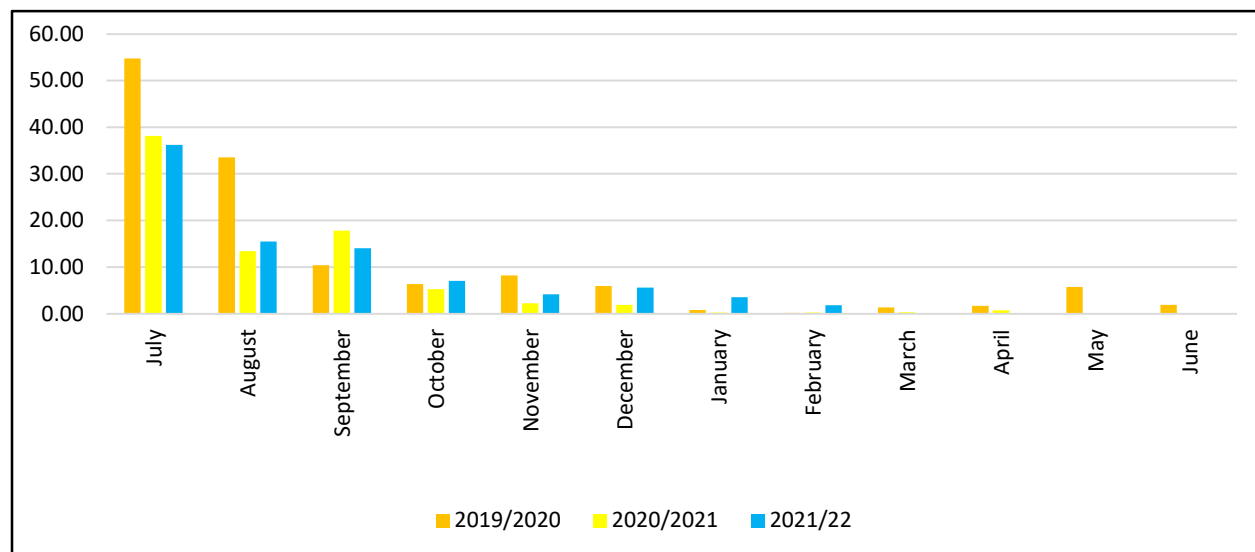
Data Source: Monthly Gazette Notices, The National Treasury and Planning; * March 22 Data not yet available

Figure 28: Exchequer issues to county governments (Ksh billion)



Data Source: Monthly Gazette Notices, The National Treasury and Planning
* March 22 Data not yet available

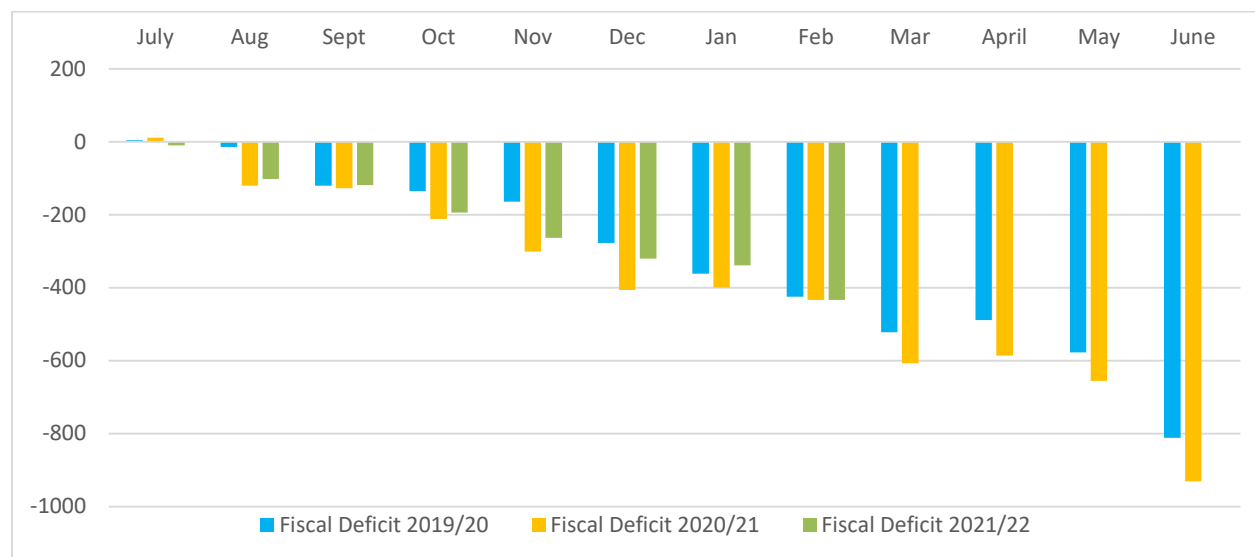
Figure 29: Exchequer balance as a percentage of actual revenue (%)



Data Source: Monthly Gazette Notices, The National Treasury and Planning

** March 22 Data not yet available*

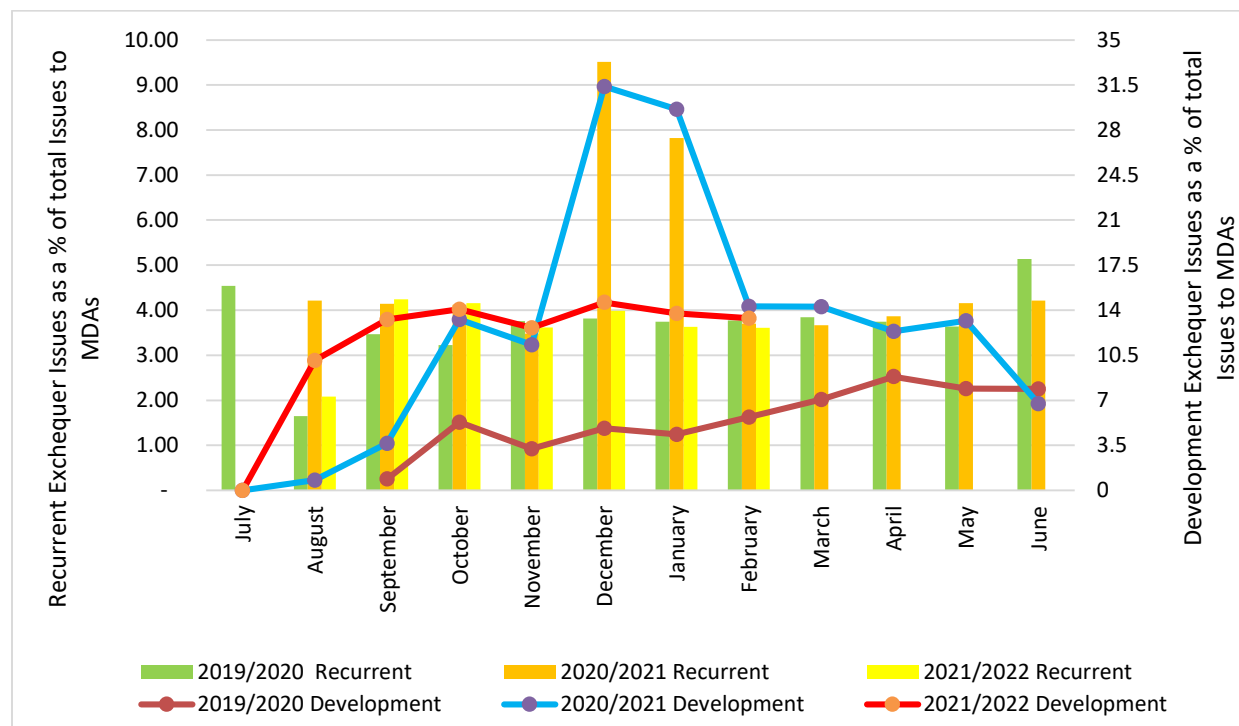
Figure 30: Fiscal deficit (Ksh billion)



Data Source: Calculated using data from Central Bank of Kenya and The National Treasury data published on monthly Kenya Gazette Notices

**March 22 Data not yet available*

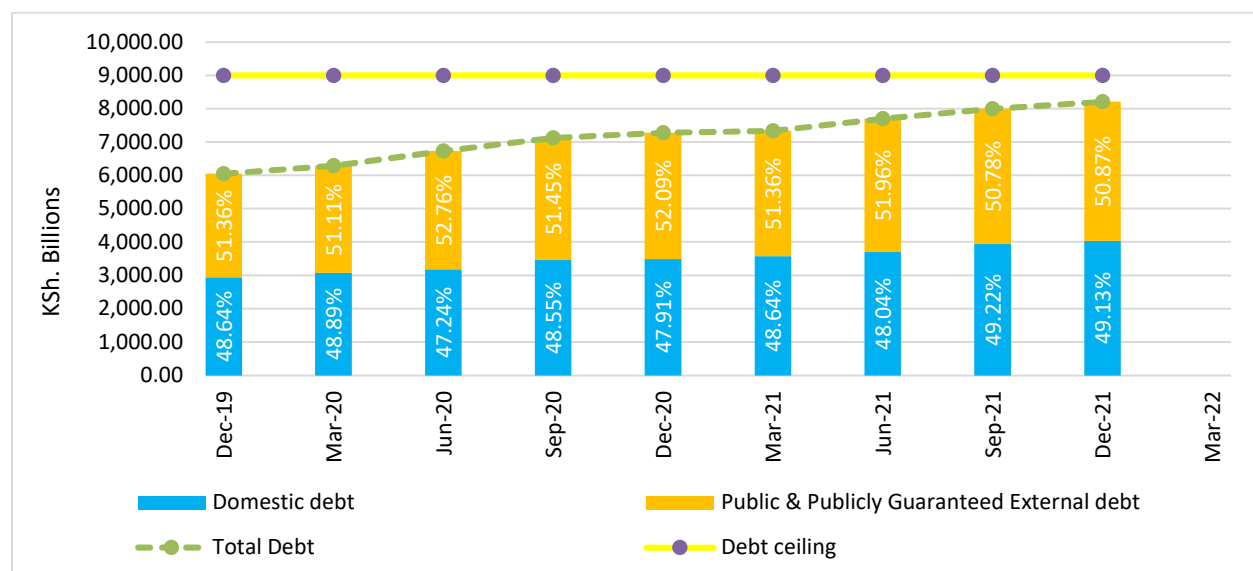
Figure 31: Exchequer allocation to Ministry of Health as a % of total issues to Ministries, Agencies and Departments



Data Source: Monthly Gazette Notices, The National Treasury and Planning

* March 22 Data not yet available

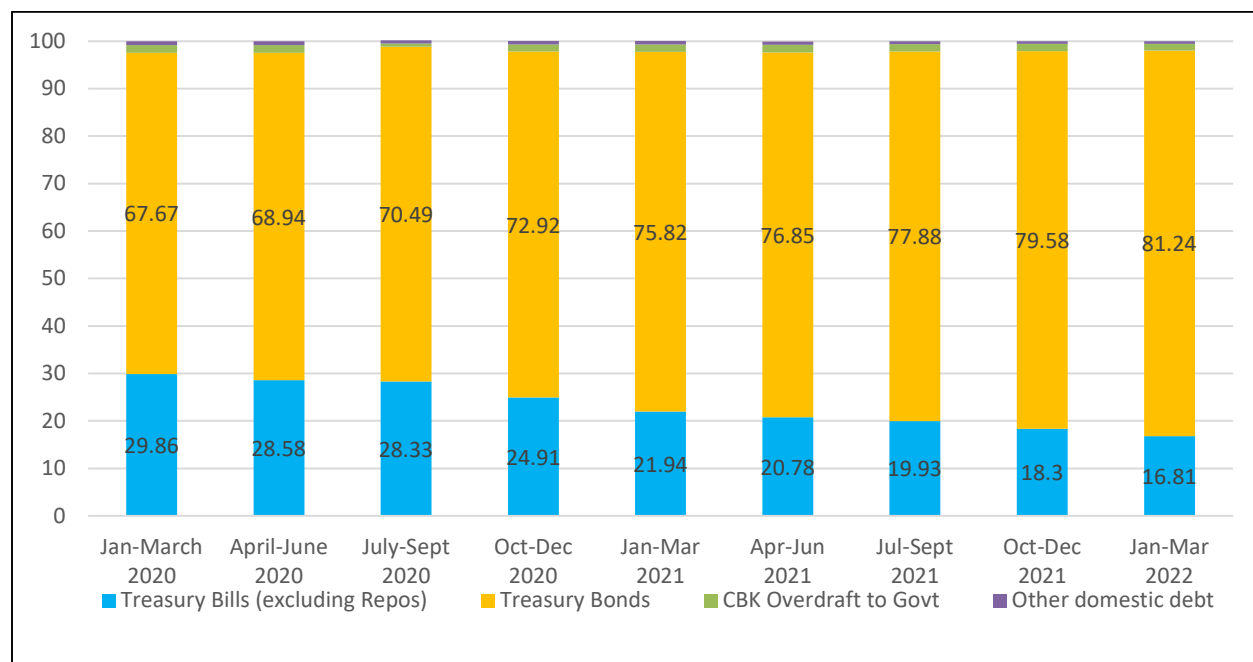
Figure 32: Total debt (Ksh billion) and proportionate shares of domestic and foreign debt



Data Source: Calculated using data from Central Bank of Kenya

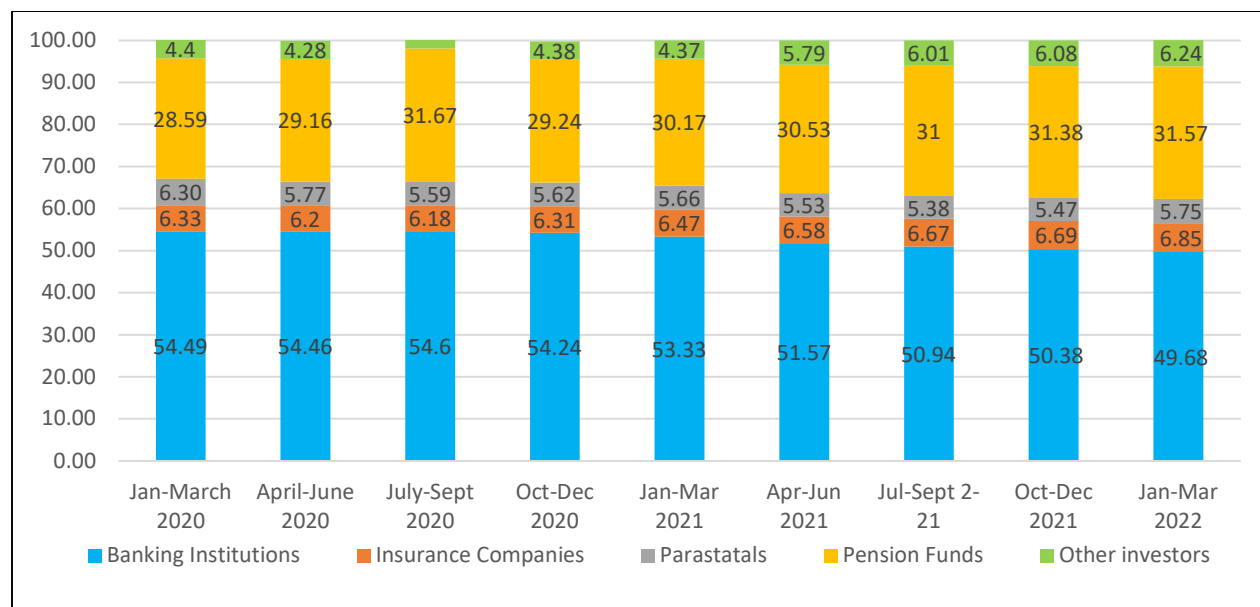
*March 22 Data not yet available

Figure 33: Composition of government domestic debt by instrument (%)



Data Source: Calculated using data from Central Bank of Kenya

Figure 34: Composition of government domestic debt by holder (%)



Data Source: Calculated using data from Central Bank of Kenya

Figure 35: Composition of external debt: Proportionate shares of bilateral, multilateral, commercial bank, and export credit (%)



Data Source: Calculated using data from Central bank of Kenya

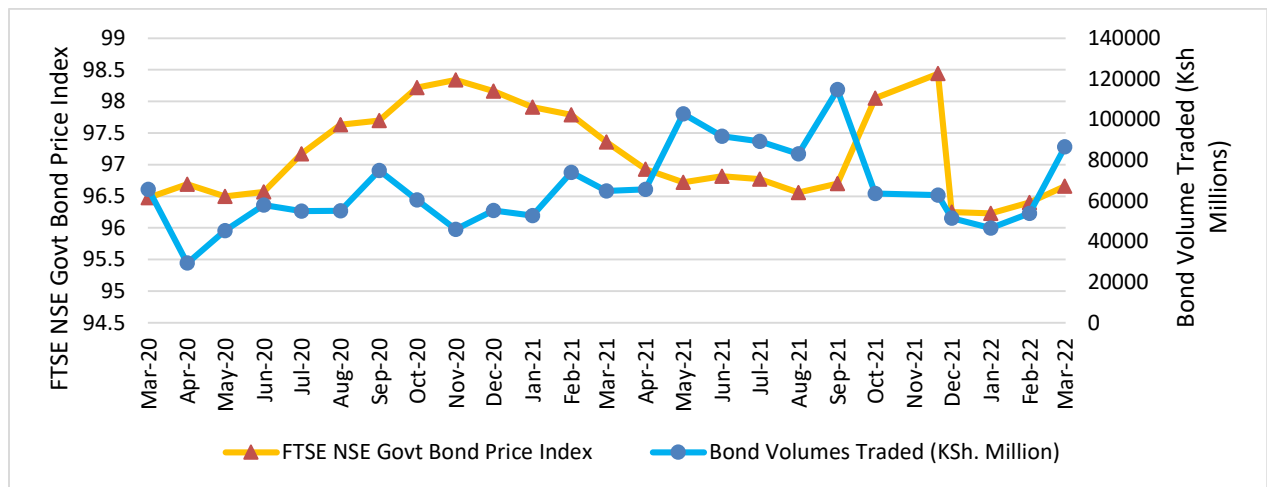
5. CAPITAL MARKETS

Capital markets show mixed performance in Q1 2022. The Bond market volume declined by 2.4 per cent in January-March 2022 compared to the same period in 2021. However, the volume of bonds traded in the quarter under review expanded by 5 per cent from the last quarter of October-December 2022. Bond volume traded in the quarter under review increased by 46.18 per cent from Ksh 46,570 million in January 2022 to Ksh 86,530 million in March 2022. The FTSE Government Bond index was lower, averaging 96.43 in January-March 2022 when compared to 97.69 in same period in 2021. That said, the index had an upward trend increasing from 96.23 in January 2022 to 96.66 in March 2022, compared to a declining trend in a similar period in 2021.

The 10-year Kenya Eurobond (2024) yields increased in Q1 2022. The yield increased from 4.43 per cent recorded at the beginning of January to 6.75 per cent recorded at the end of March 2022. This demonstrates an increase from similar period in 2021 where the yield increased from 3.81 per cent at beginning of January to 3.45 per cent by end March. While this signals increased risk sentiments, given the geopolitical risks at global level, the risk is much lower than that witnessed in March 2020 when the yield peaked at 10.43 per cent amid uncertainty with the outbreak of the COVID-19.

The stock market is yet to recover to pre-COVID-19 period. The NSE 20 share index declined from 1,914.29 at the beginning of January to 1,846.74 at the end of March 2022. A similar trend was witnessed in 2021, with the NSE Index declining from 1,872.42 to 1846.41 at the beginning of January and end of March, respectively. Market capitalization declined over the review period from Ksh 2,601.45 billion to Ksh 2,425.53 billion at the beginning of January to end March 2022. However, in similar period in 2021, market capitalization increased from Ksh 2,342.55 billion to Ksh 2,437.04 billion at the beginning of January and end of March, respectively. The average market turnover ratio in the period under review was 0.02 per cent, reflecting a decline compared to similar period in 2021 when the stock turnover averaged 1.02 per cent. Foreign investor market participation shows a declining share of purchases and sales in the stock market. Average foreign participation declined from 58.87 per cent in January 2022 to 47.58 per cent in March 2022, averaging 54.30 per cent in Q1 2022 compared to 63.94 per cent in the same quarter in 2021. This may be attributed to investor sentiments ahead of the campaigns for the general elections in August 2022.

Figure 36: Bond volumes traded (Ksh million) and FTSE NSE Kenya government bond price Index



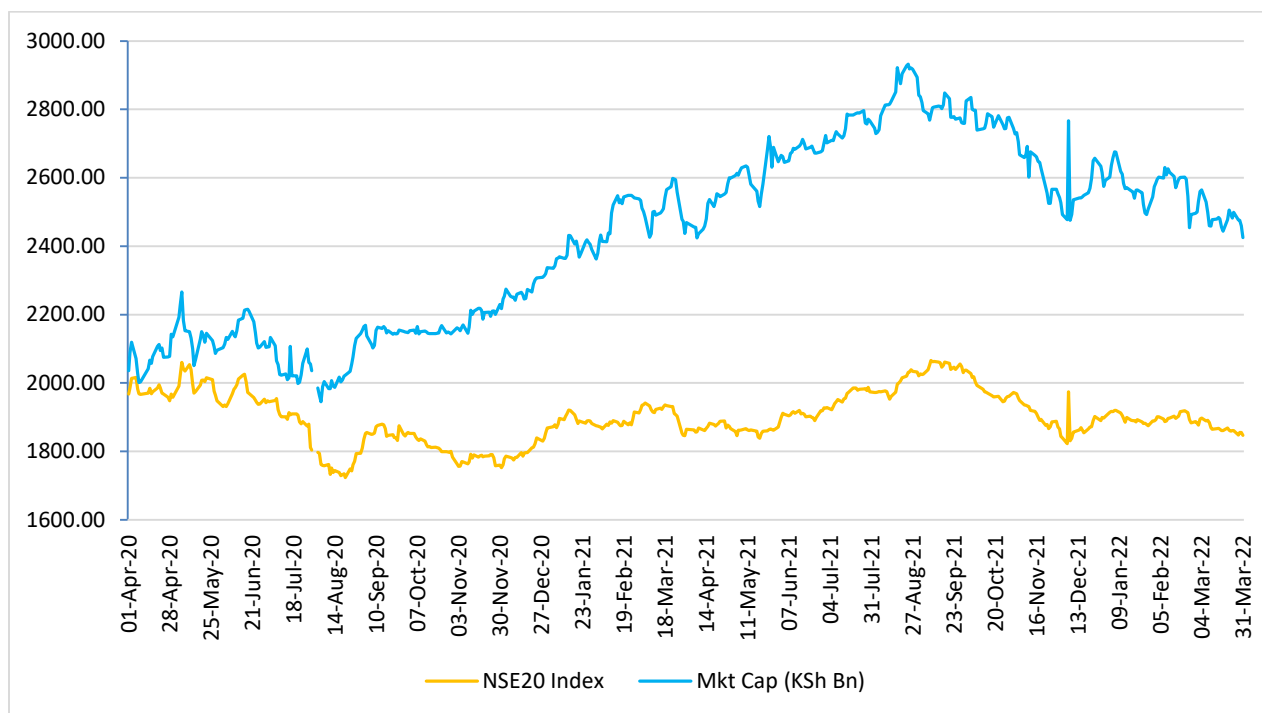
Data Source: Nairobi Securities Exchange; Central Bank of Kenya

Figure 37: The 10-year Kenya Eurobond (2024) yield (%)



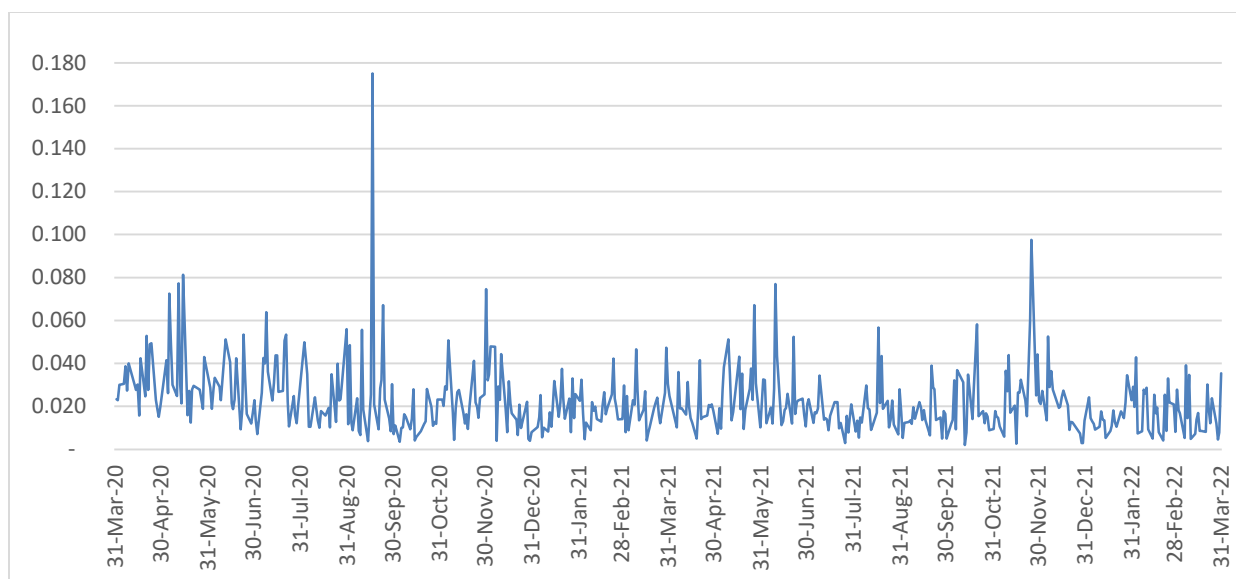
Data Source: Central Bank of Kenya

Figure 38: Stock market performance



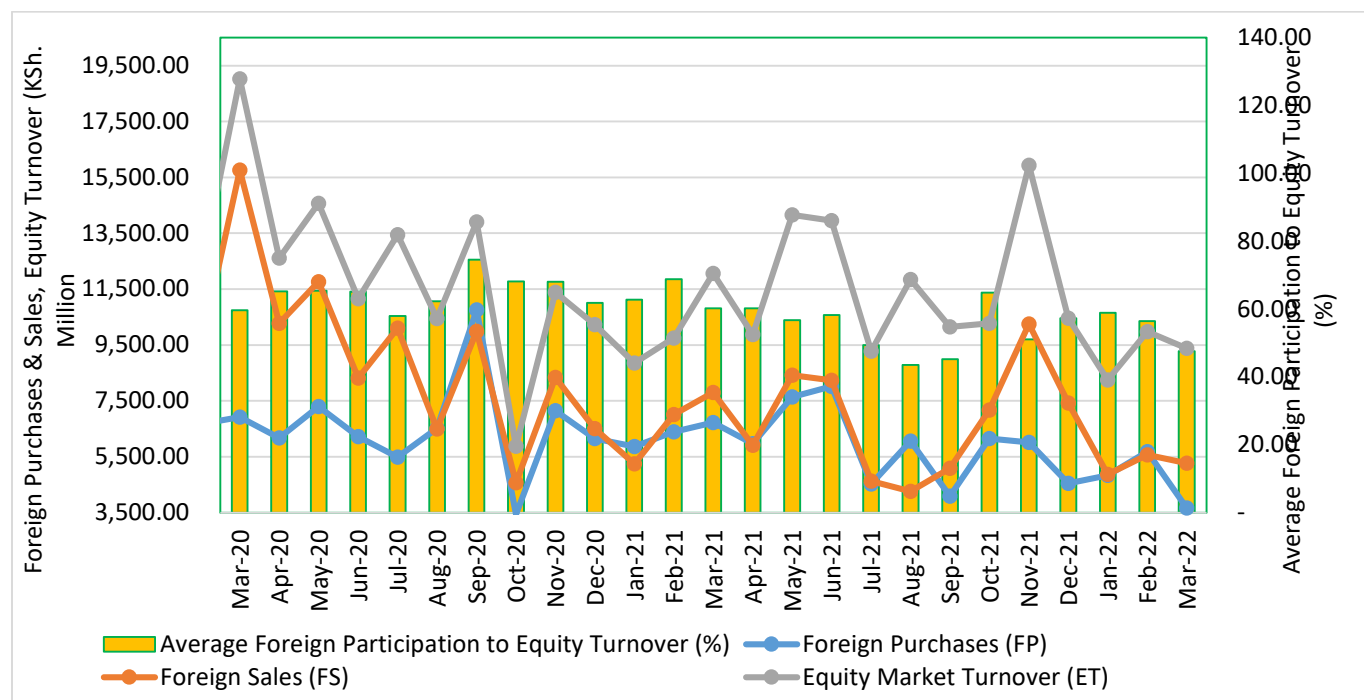
Data Source: Nairobi Securities Exchange

Figure 39: Stock value turnover ratio (%)



Data Source: Nairobi Securities Exchange; Calculated as equity turnover value (Ksh million)/ Market capitalization (Ksh million)

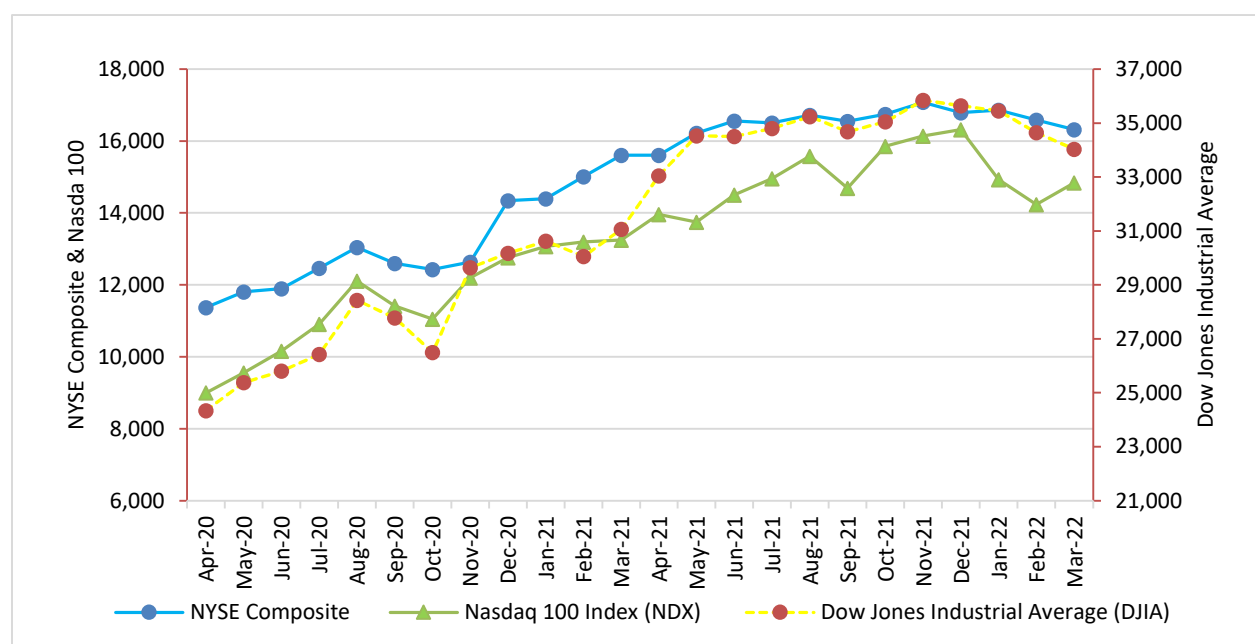
Figure 40: Foreign trading in the stock market



Data Source: Central Bank of Kenya; Sterling Capital Ltd (<https://www.sterlingib.com>)

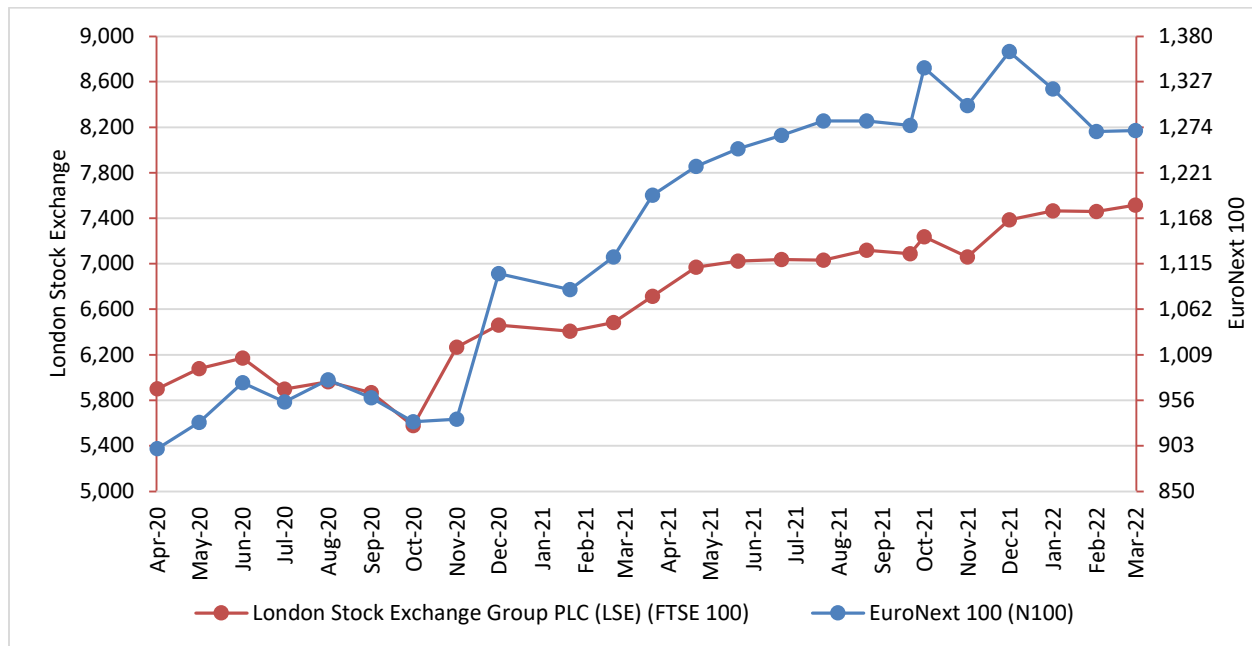
Figure 41: Stock market performance of selected advanced and emerging markets

(a): USA stock markets



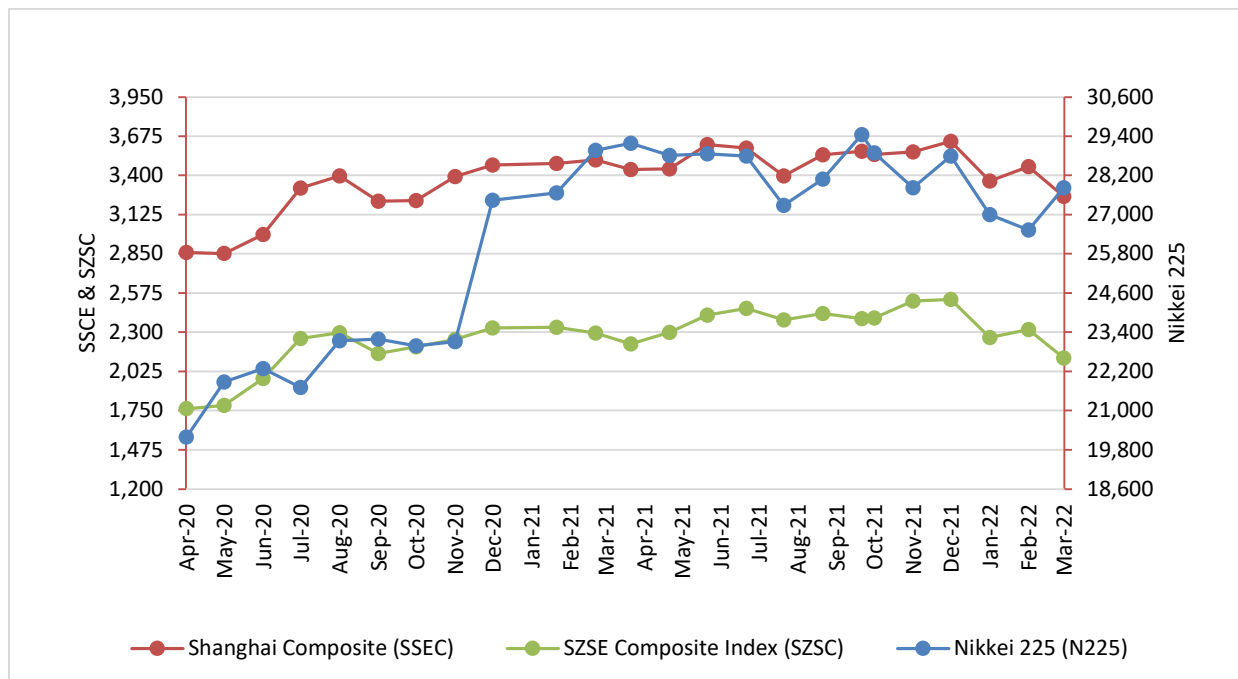
Data Source: Country Stock Exchanges; <http://www.investing.com>

(b): European stock markets



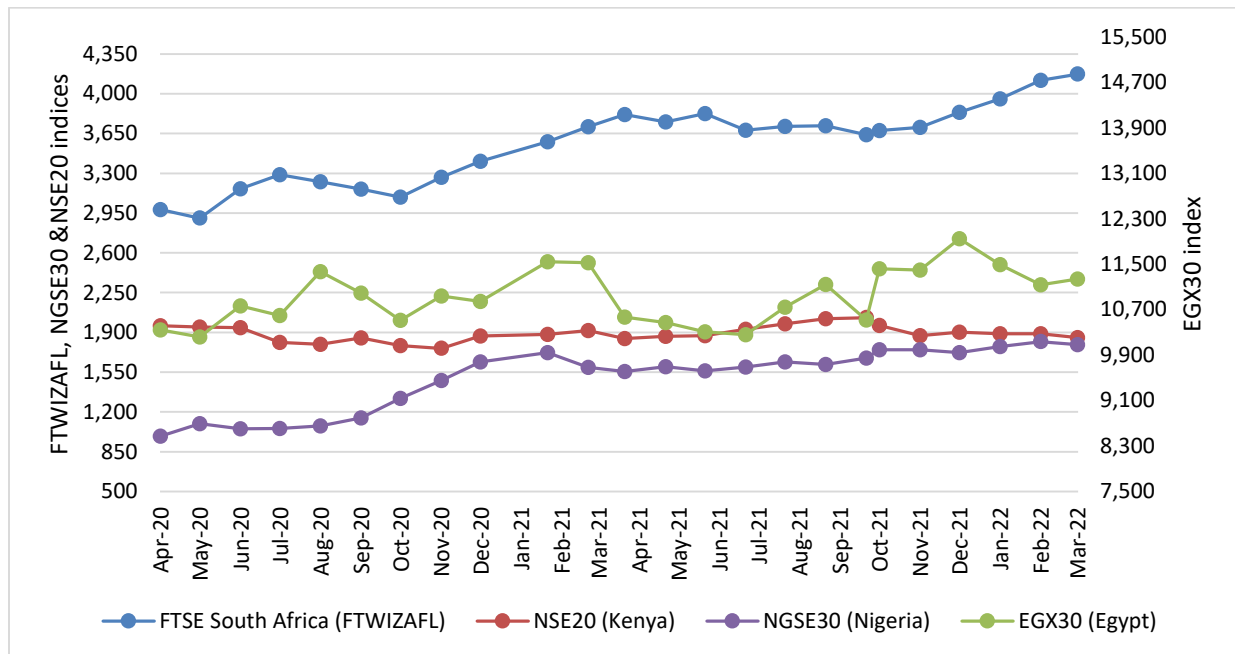
Data Source: Country Stock Exchanges; <http://www.investing.com>

(c): Asian stock markets



Data Source: Country Stock Exchanges; <http://www.investing.com>

(d): African stock markets



Data Source: Country Stock Exchanges; <http://www.investing.com>

6. RISK-RELATED FACTORS

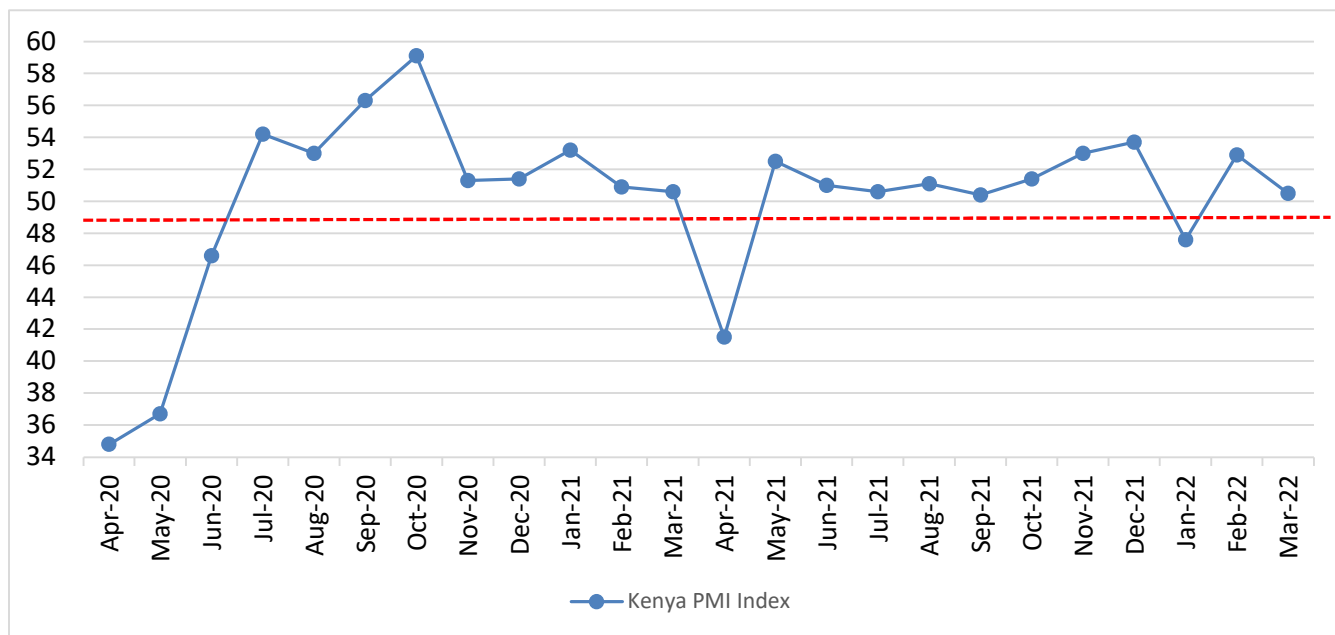
Geopolitical risks at global level are impacting on business operations in domestic markets. The Purchasing Managers' Index (PMI) averaged 50.33 per cent in January-March 2022 compared to 51.56 per cent in a similar period in 2021. In January 2022, the PMI was 47.6 rising to 52.9 in February 2022 with recovery in business activity as COVID-19 positivity fell to very low levels. However, the PMI declined in March 2022 to 50.5 owing to reduced client demands due to inflationary pressure, with input costs and selling prices at their highest in March due to disruptions of supply due to the Russia-Ukraine war.

The effects of drought condition since last year are still with us. Rainfall remained depressed in the period under review, notwithstanding the drought conditions that have persisted since last year. The rainfall amounts recorded in March 2022 were persistently below the March Long-Term Means (LTM) across Kenya except in Kisumu which recorded March rainfall higher than its LTM. The Month of March marks the beginning of MAM long rains. The Kenya Meteorological Department has forecasted that there will be enhanced rainfall across Kenya in the March-April-May period.

The credit rating for Kenya was maintained at the same level as in 2021. In March 2022 Fitch rating was a B+ with negative outlook for long-term issuer default rating and local currency long-term issuer default rating. B+ rating reflects a track record of strong growth and relative macroeconomic stability. However, these positive factors are balanced against high net external indebtedness, rising public debt levels, GDP per capita, and governance indicators which were below the 'B' range medians. S&P Global Ratings affirmed the "B" Foreign Currency LT credit rating of Kenya in March 2022, with a stable outlook.

The positivity rate of COVID-19 pandemic in Kenya has declined significantly. In the quarter January-March 2022, the positivity rate was at 0.5 per cent compared to 32 per cent in December 2021 where the Omicron virus was prevalent. The positivity rate is also significantly low compared to a similar period in 2021 when it was 7.59 per cent. The low positivity rate for the review period is attributed to mass vaccination campaigns by the Government and containment of highly contagious Omicron variant that was detected in December 2021. The mass vaccination programme against COVID-19 has seen the percentage of fully vaccinated people increase from 7.67 per cent as of 1st January 2022 to 14.56 per cent as of 24th March 2022. COVID-19 related cumulative deaths have plateaued at 5600, implying there are fewer deaths recorded.

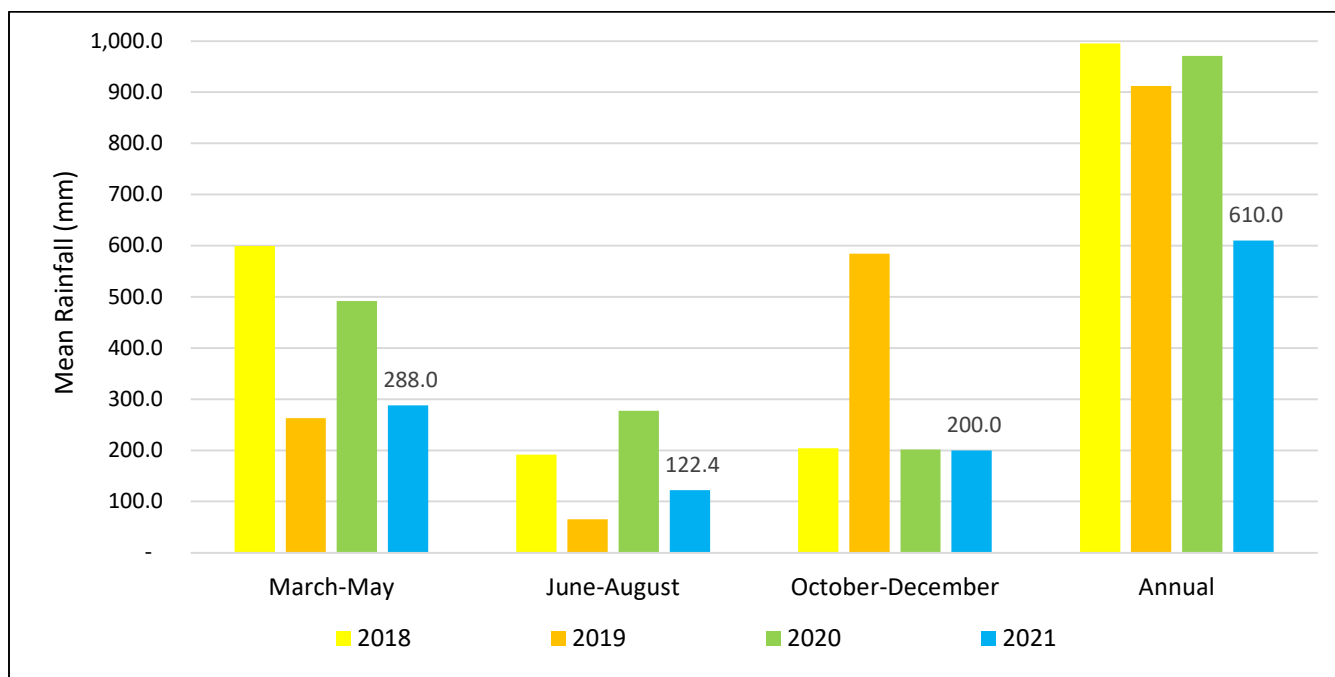
Figure 42: Kenya purchasing managers' index



Data Source: Stanbic Bank (<https://www.stanbicbank.co.ke>); IHS-Markit (<https://ihsmarkit.com>)

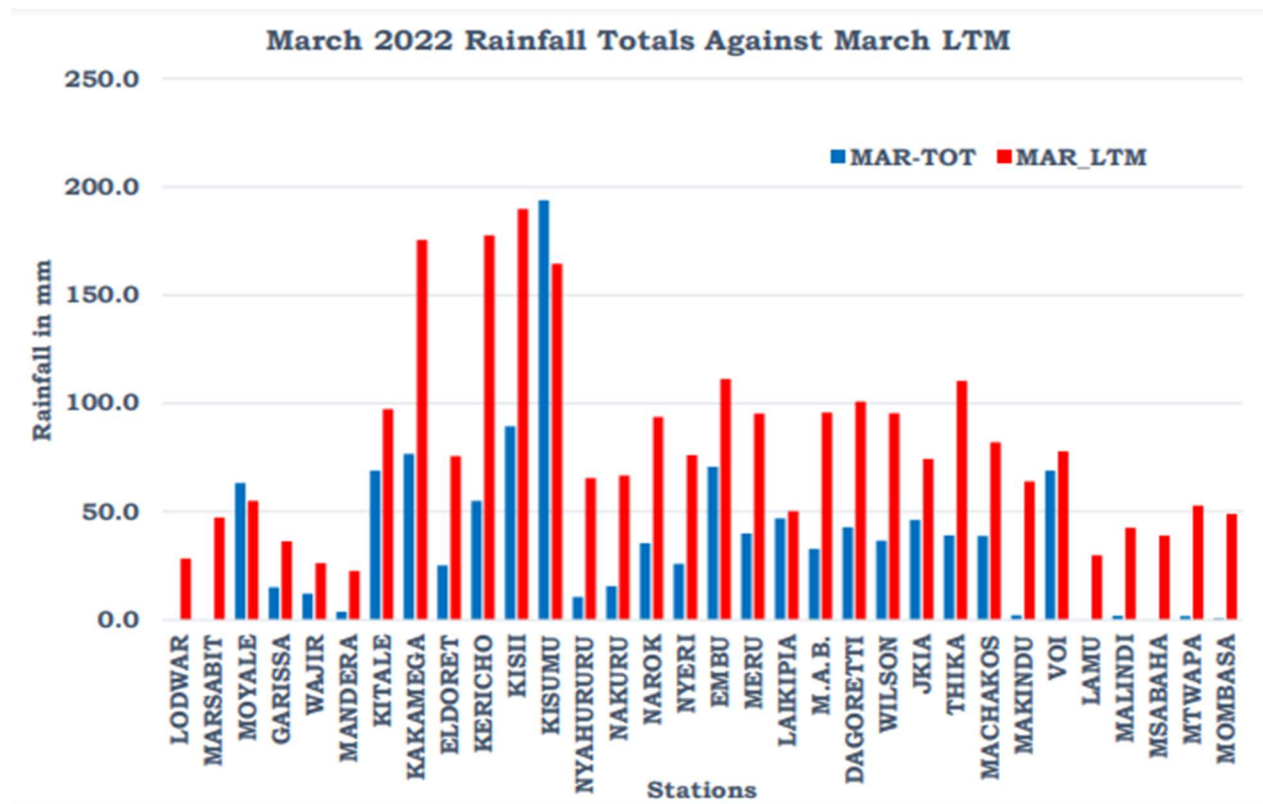
Key: 50.0 = Neutral; Above 50.0 = Expansion; Below 50.0 = Contraction

Figure 43: Mean annual and seasonal rainfall (millimeters)



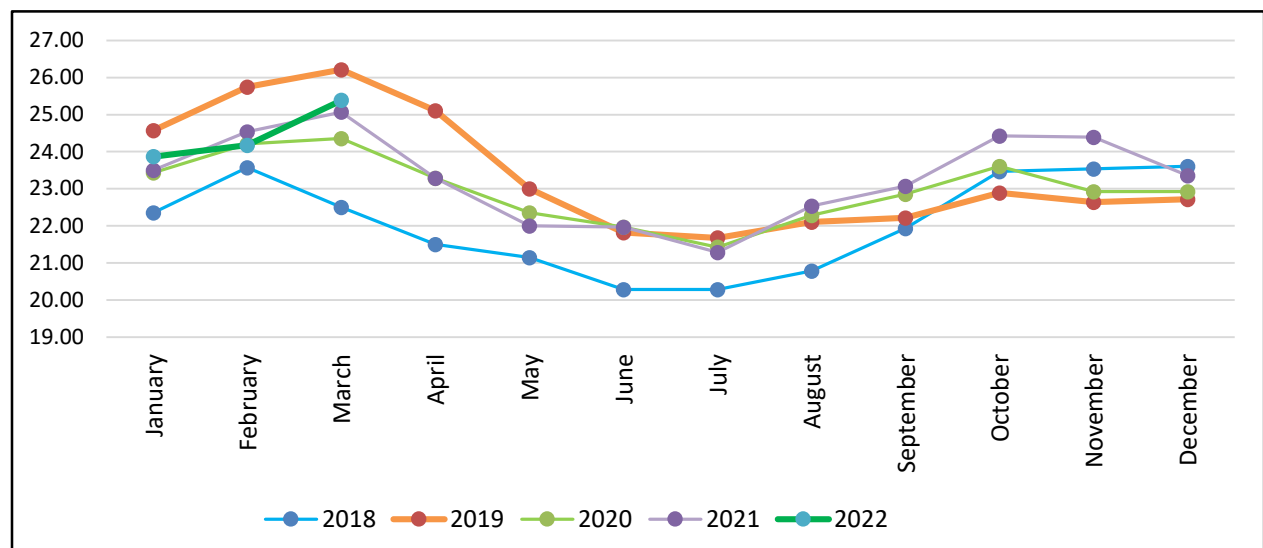
Data Source: Kenya National Bureau of Statistics; Kenya Meteorological Department

Figure 44: March 2022 Recorded Rainfall Against Seasonal Long-term Means (millimeters)



Data Source: Kenya Meteorological Department

Figure 45: Mean monthly temperature (degrees Celsius)



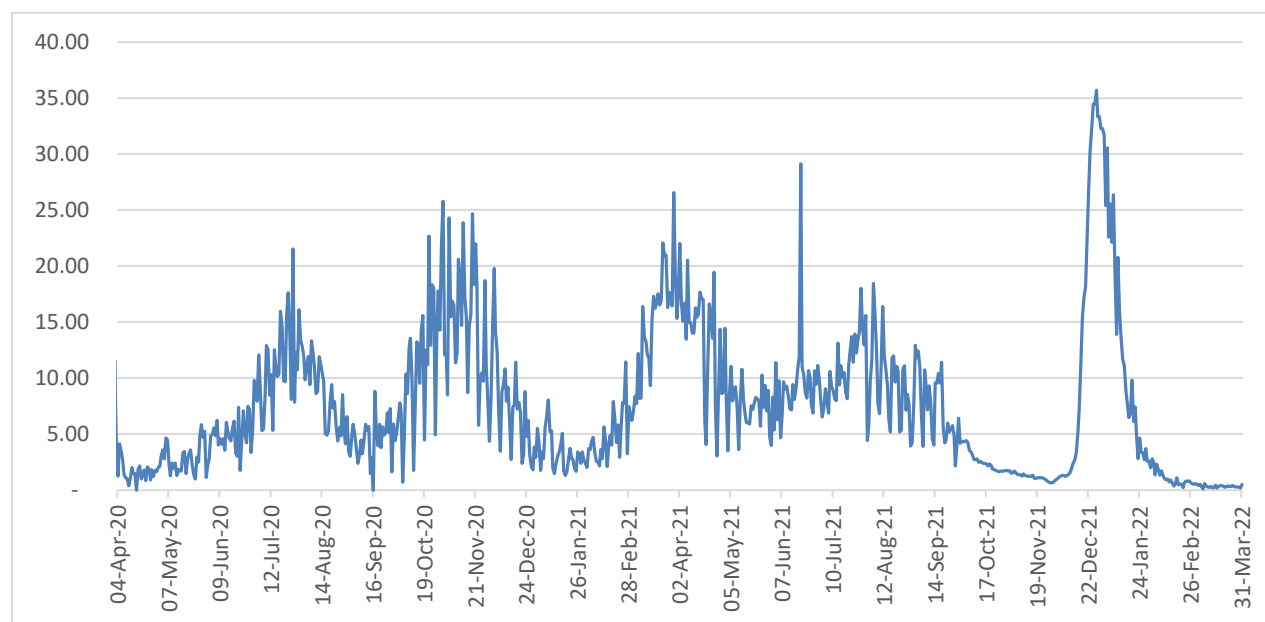
Data Source: Kenya Meteorological Department; <https://www.worldweatheronline.com/>

Table 1: Fitch rating for Kenya

Type	Current Rating (as at 22 March 2022)			Prior Rating (as at 26 March 2021)		
	Rating	Outlook	Action	Rating	Outlook	Action
LTR (Long term Issuer default rating)	B+	Negative	Affirmed	B+	Negative	Affirmed
STR (Short-term Issuer default rating)	B		Affirmed	B		Affirmed
Local Currency Short Term Issuer Default Rating	B		Affirmed	B		Affirmed
Country Ceiling	B+		Affirmed	B+		Affirmed
Local Currency Long Term Issuer Default Rating	B+	Negative	Affirmed	B+	Negative	Affirmed

Data Source: <https://www.fitchratings.com/entity/kenya-86485911#ratings>

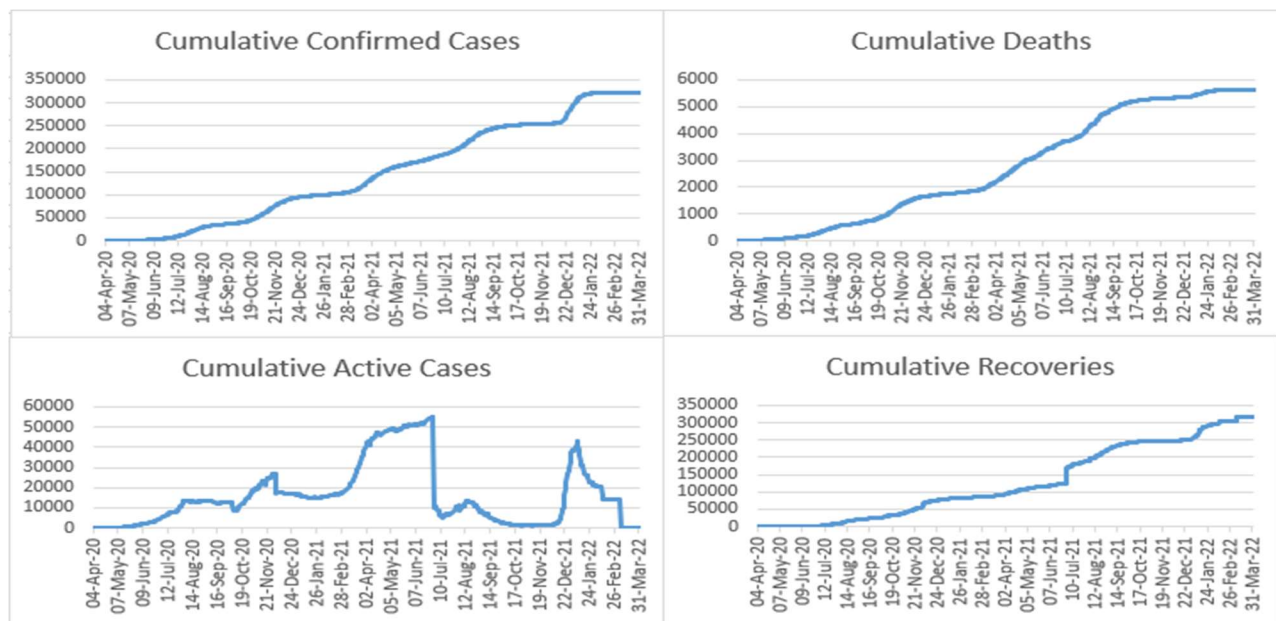
Figure 46: Kenya COVID-19 positivity rate (%)



Data Source: <https://ourworldindata.org/coronavirus/country/kenya>

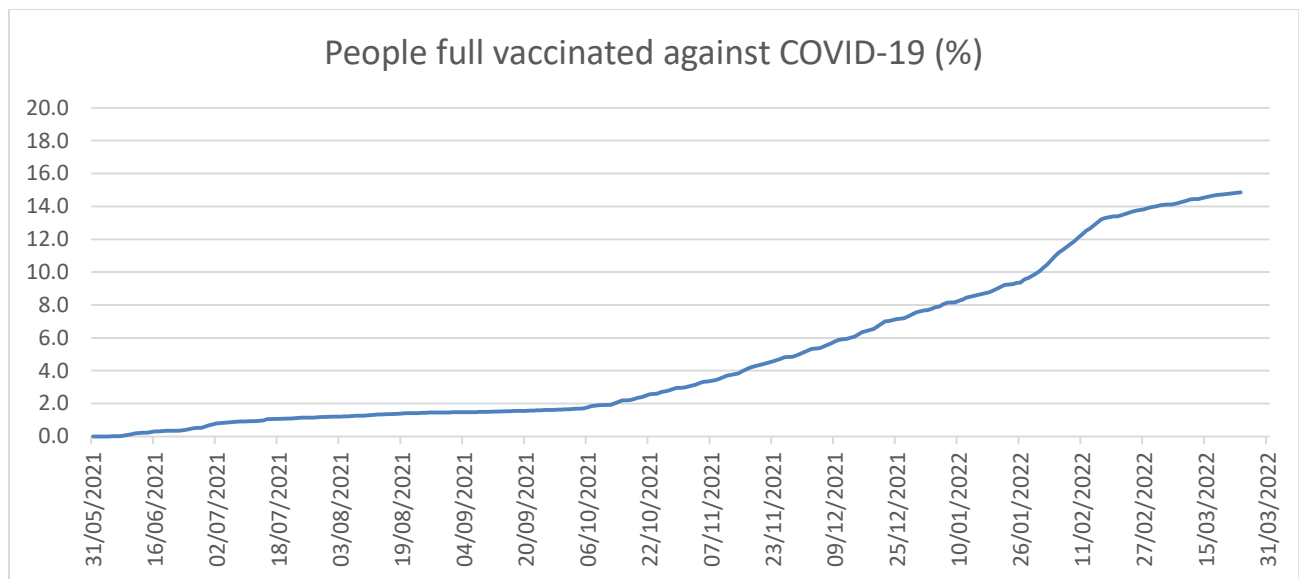
*Positivity rate is calculated by dividing the number of new cases with the sample tested.

Figure 47: Other COVID-19 statistics for Kenya, April 2020- Mar 2022



Data Source: World Health Organization,
<https://www.worldometers.info/coronavirus/country/kenya/> ;
<https://ourworldindata.org/coronavirus/country/kenya>

Figure 48: COVID-19 vaccination statistics for Kenya, May–March 2022



Data Source: <https://ourworldindata.org/coronavirus/country/kenya>