



QUARTERLY MARKET ANALYSIS REPORT

October – December 2019

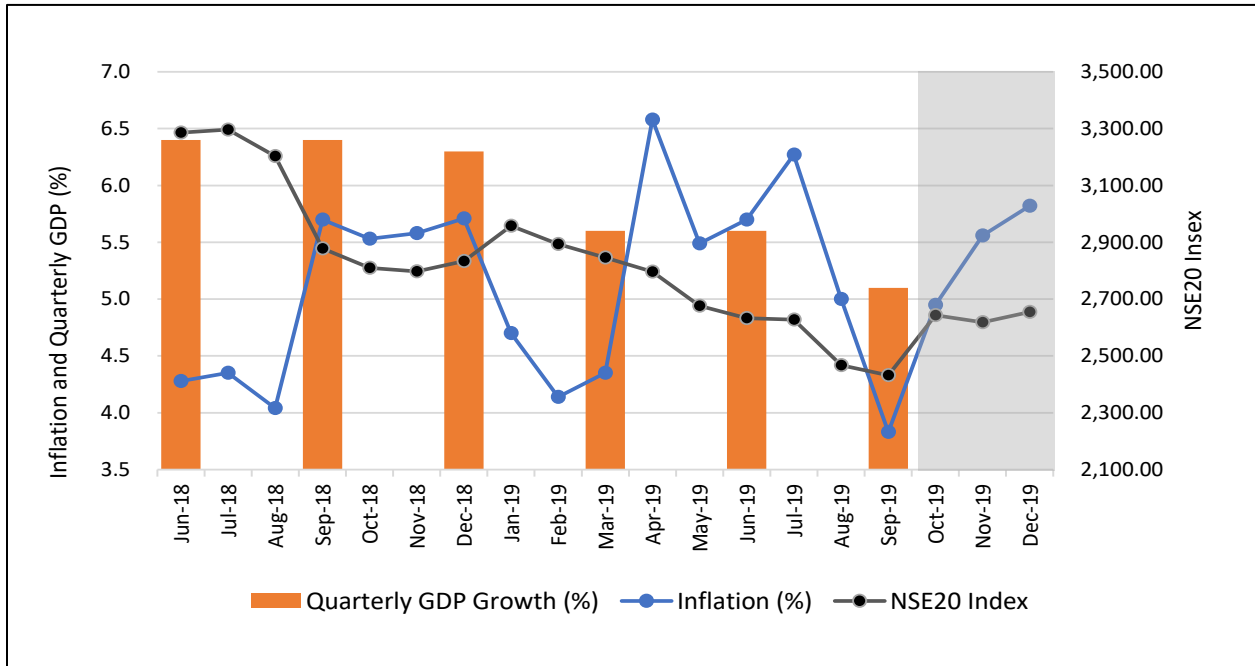
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1. Performance in the Real Sector

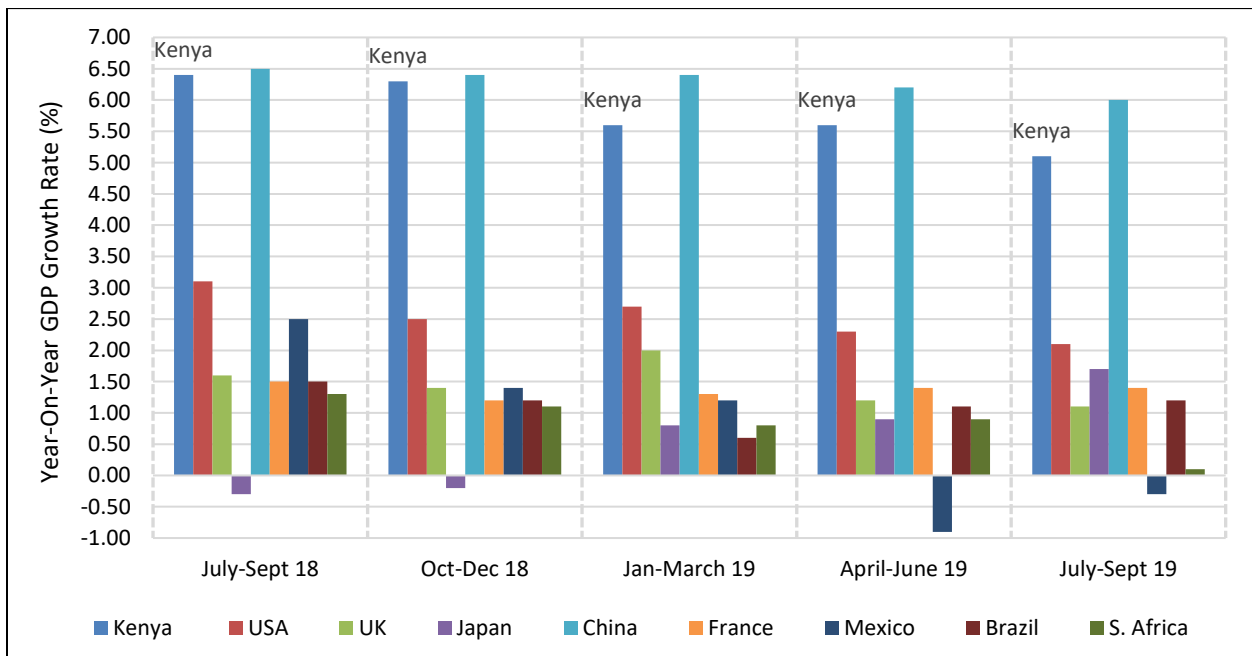
a) GDP Performance

Figure 1: GDP growth, inflation and stock market performance



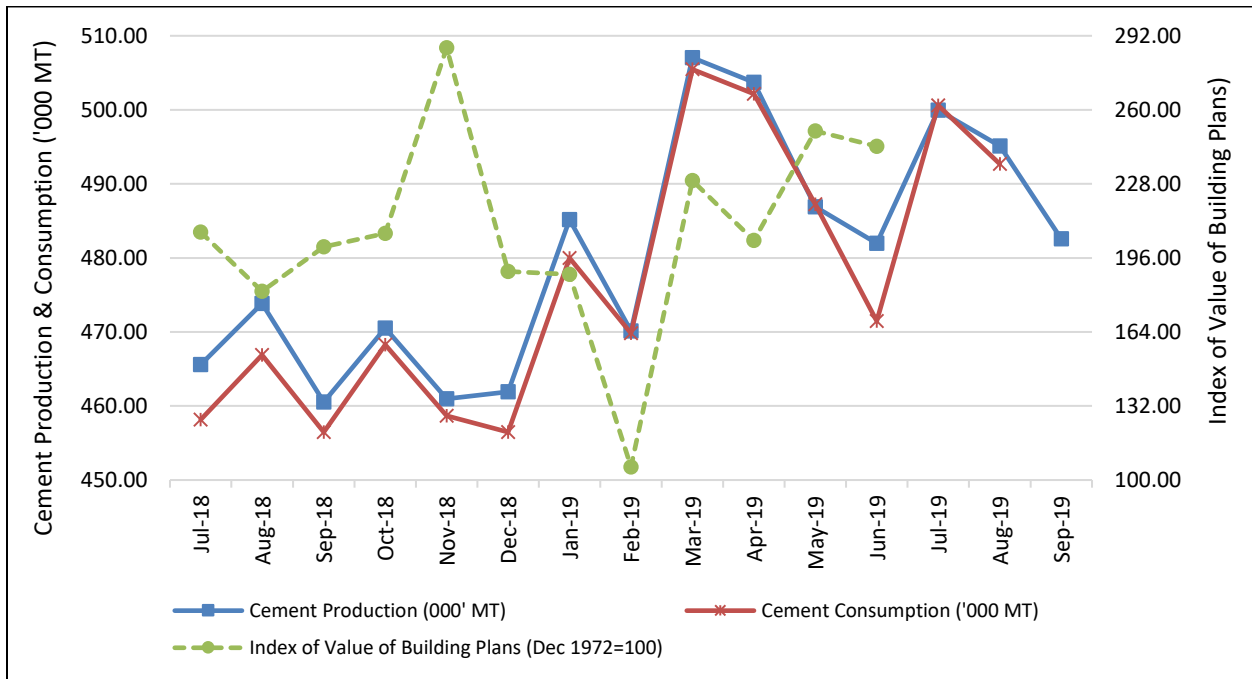
Data source: Central Bank of Kenya; Kenya National Bureau of Statistics

Figure 2: Economic performance of selected advanced and emerging markets



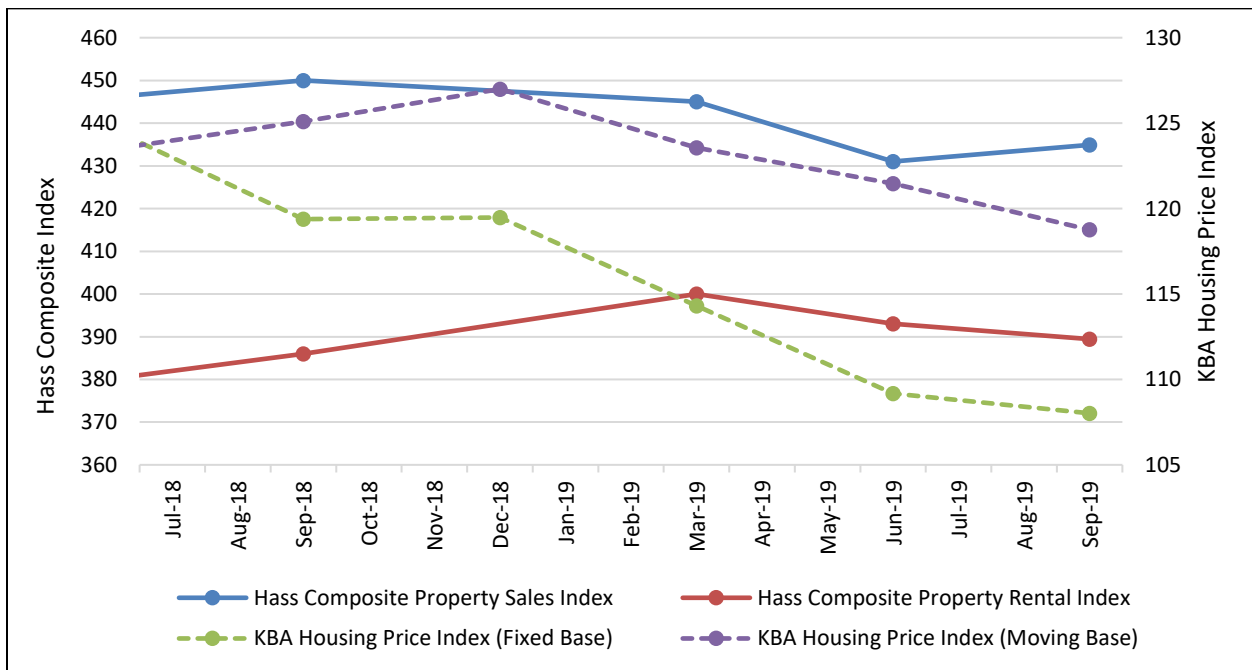
Data Source: Country statistical offices; <https://tradingeconomics.com/>

Figure 3: Cement production and consumption ('000 MT) and index of value of building plans



Data source: Kenya National Bureau of Statistics

Figure 4: Kenya Housing and Property Indices

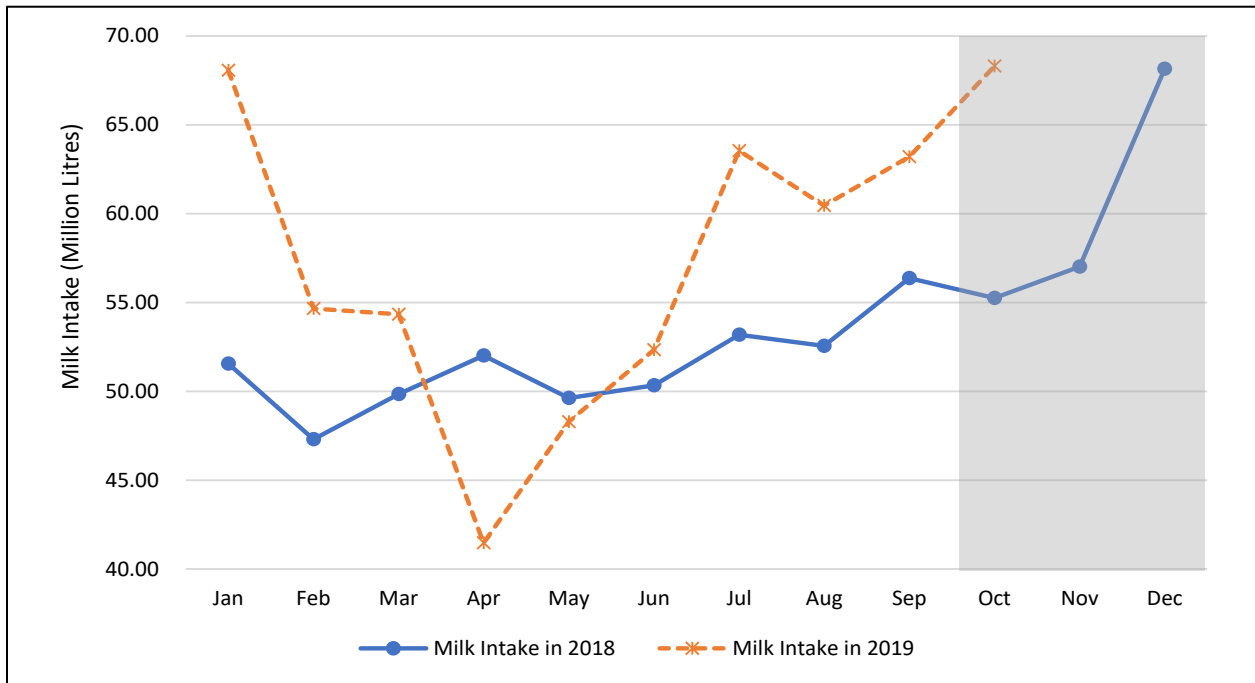


Hass Composite Property Sales Index: Year 2000 = 100; KBA Housing Price Index (fixed base): Q1 – 2013 = 100.

Data Source: Hass Property Index (<http://hassconsult.co.ke/real-estate/hass-index/>)

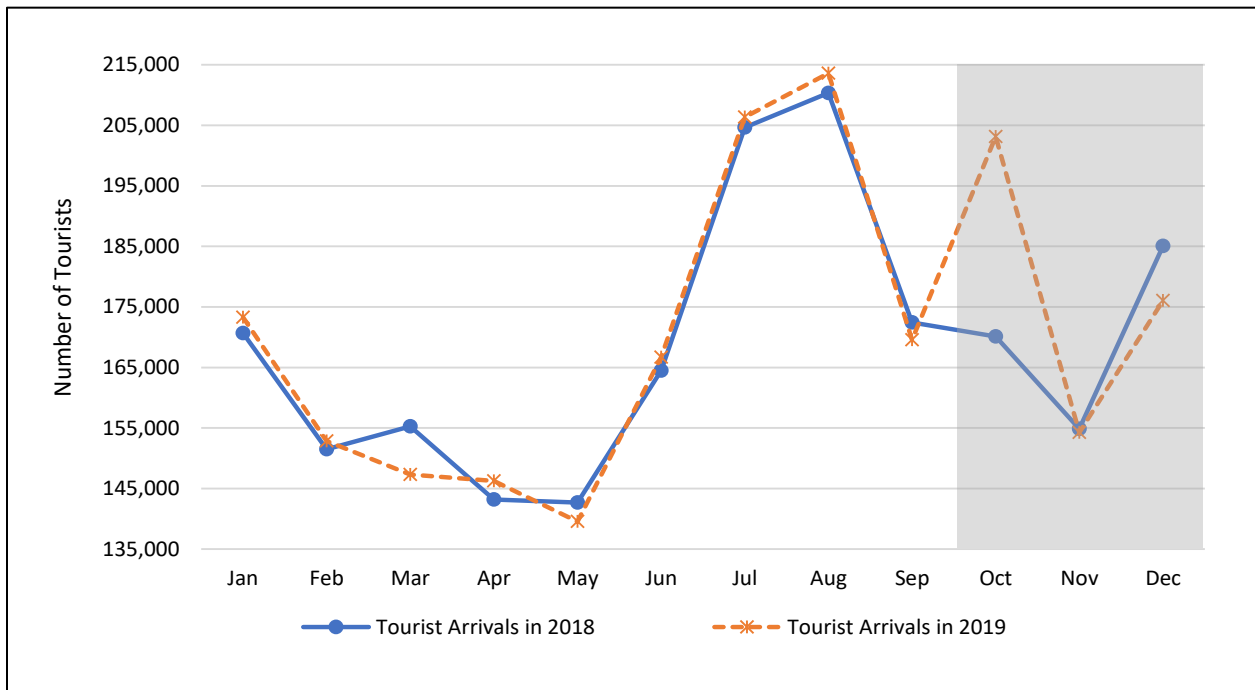
Kenya Bankers Association (https://www.kba.co.ke/house_price.php)

Figure 5: Intake of processed milk in the formal sector (million litres)



Data source: Kenya National Bureau of Statistics

Figure 6: Monthly tourist arrivals* (number)

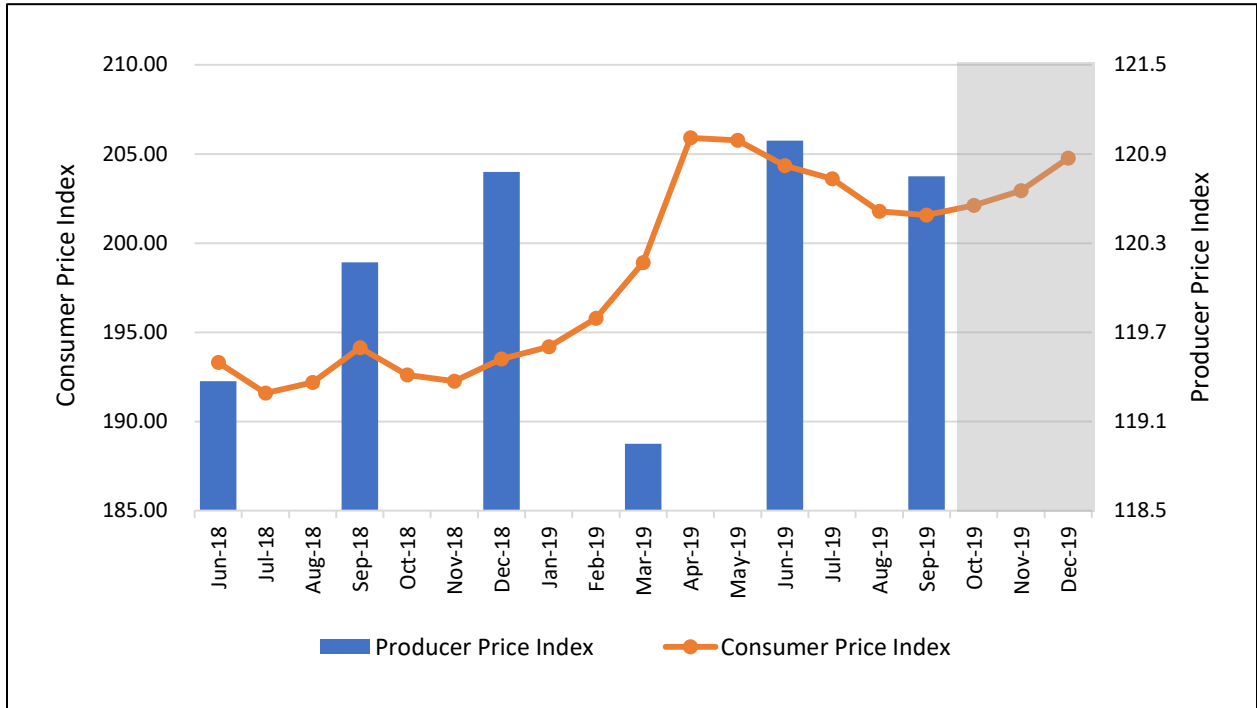


Data source: Kenya National Bureau of Statistics; Kenya Tourism Research Institute; Central Bank of Kenya.

*Total tourist arrivals (air, cruise and cross-border);

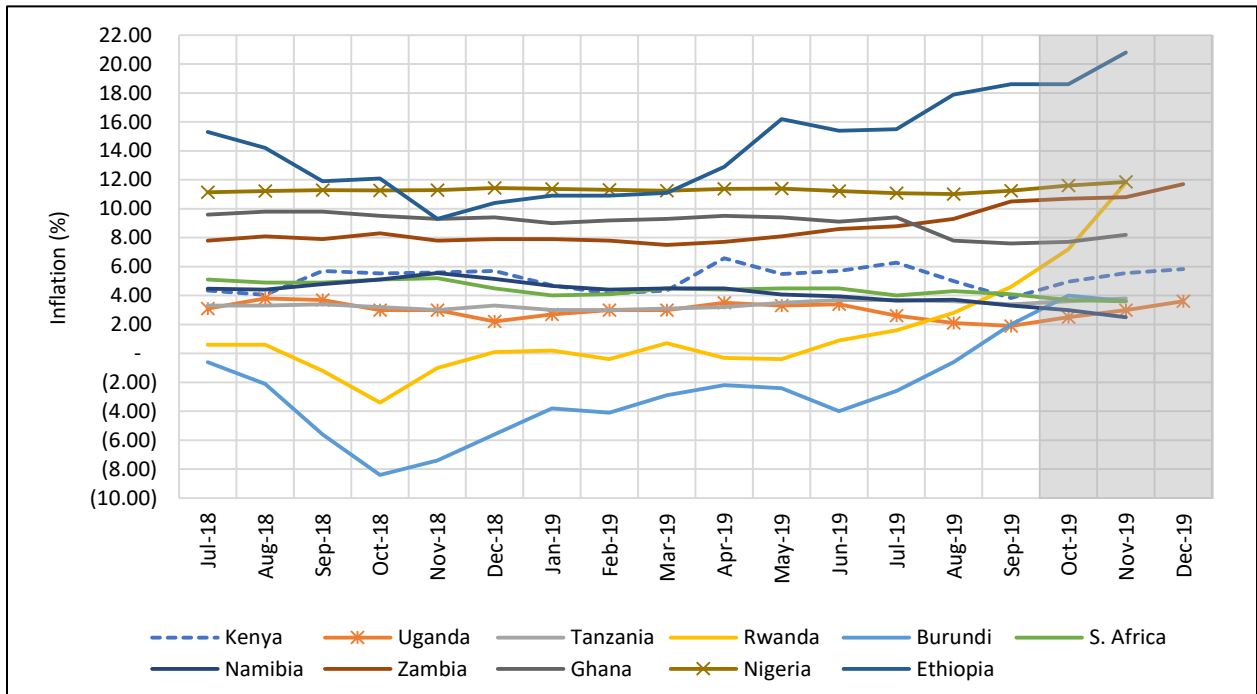
b) Price movement

Figure 7: Consumer Price Index and Producer Price Index



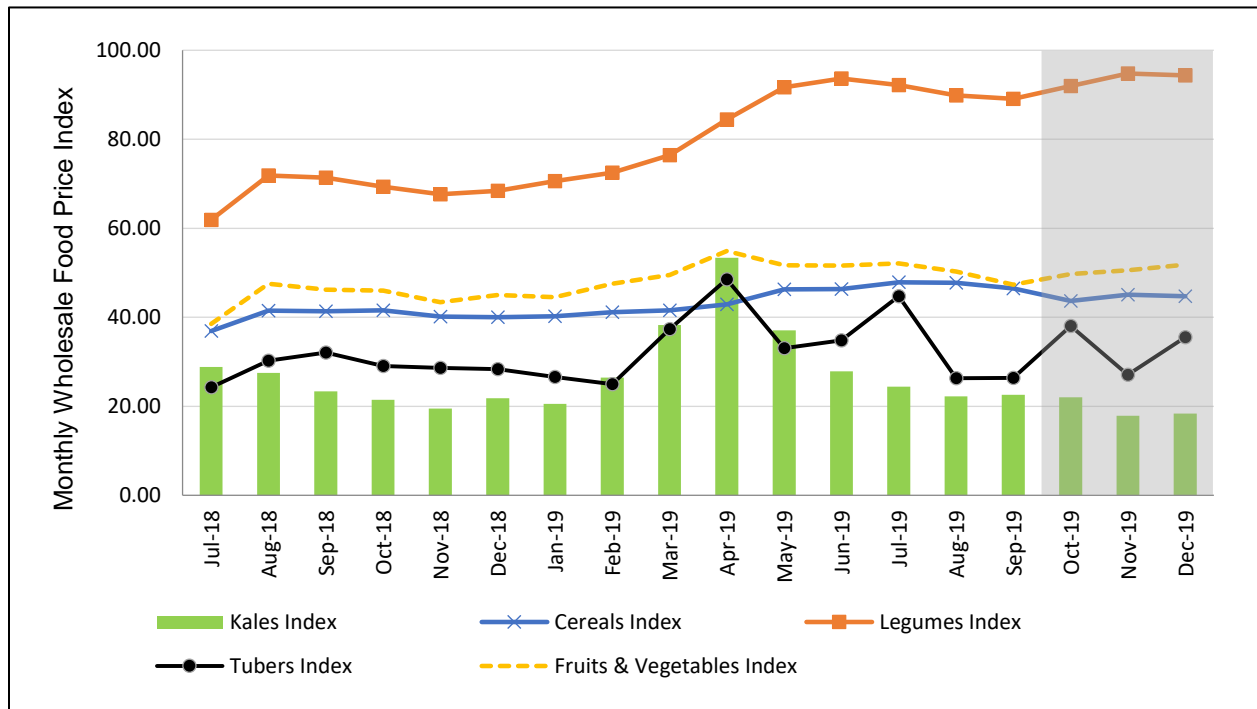
Data source: Kenya National Bureau of Statistics

Figure 8: Comparative Inflation for selected Countries in Africa



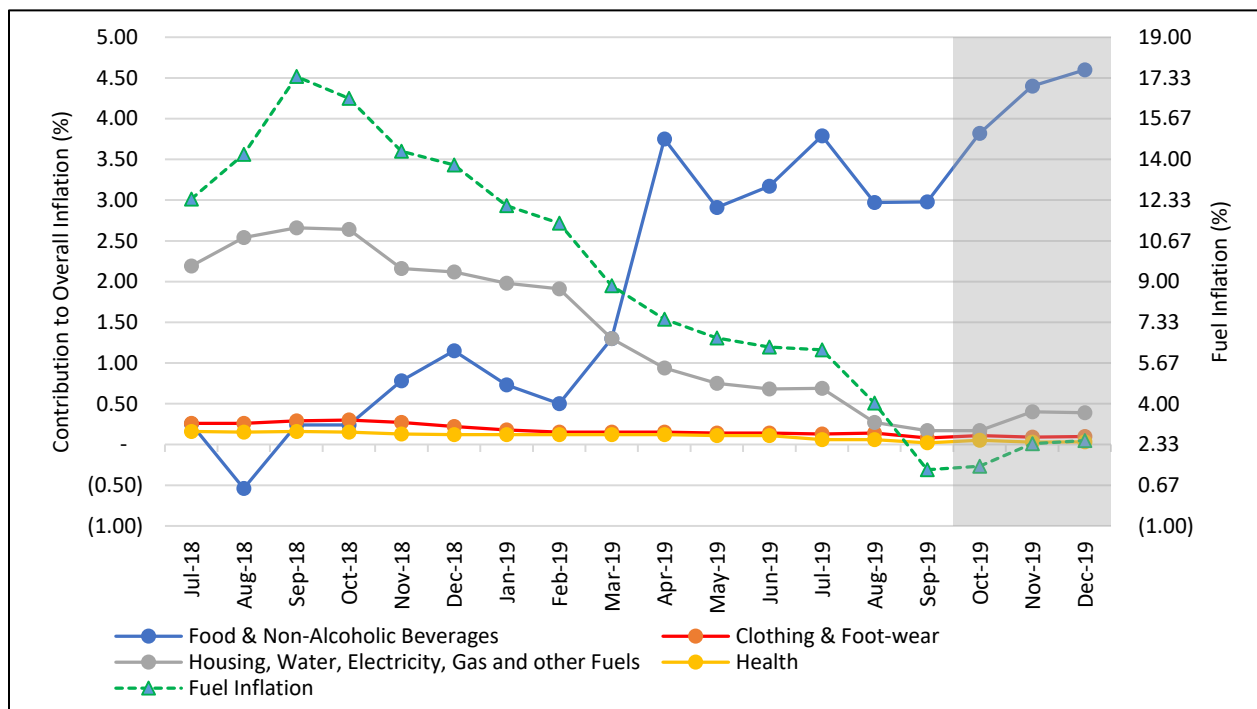
Data Source: Country statistical offices

Figure 9: Domestic wholesale agriculture commodity prices



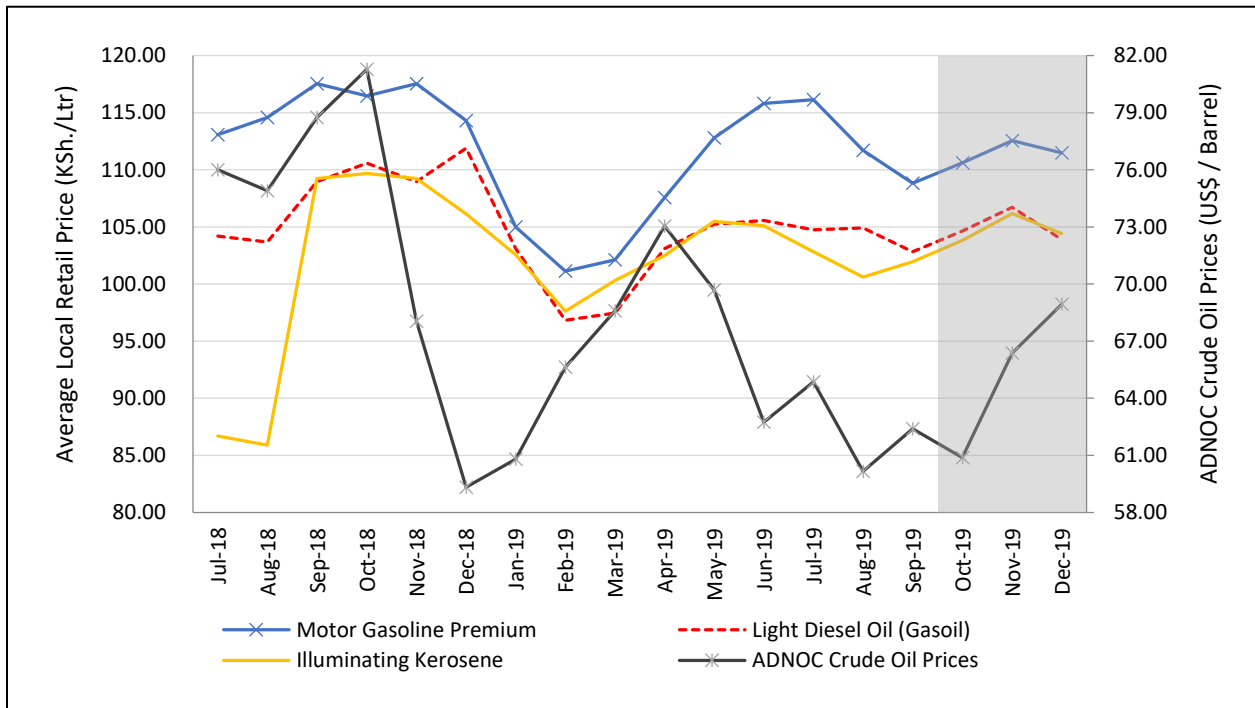
Data source: Index calculated by KIPPRA using data from Ministry of Agriculture

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



Data Source: Central Bank of Kenya

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

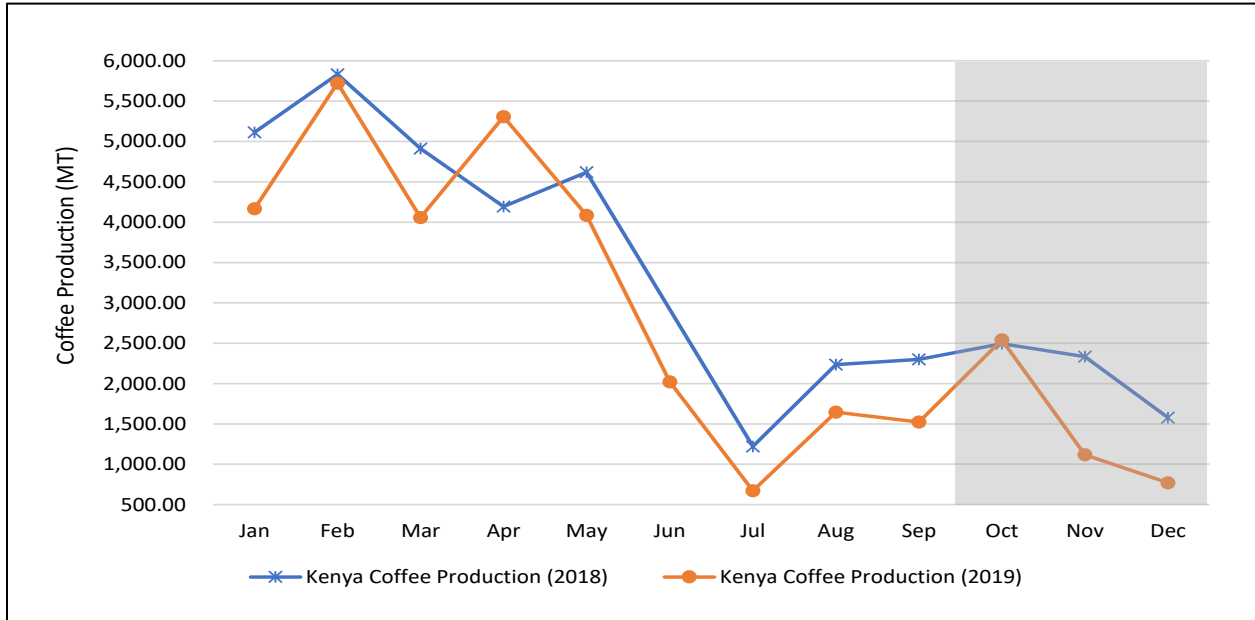


Data Source: Kenya National Bureau of Statistics; Energy and Petroleum Regulatory Authority; <https://oilprice.com/oil-price-charts/block/50>

2. International Markets

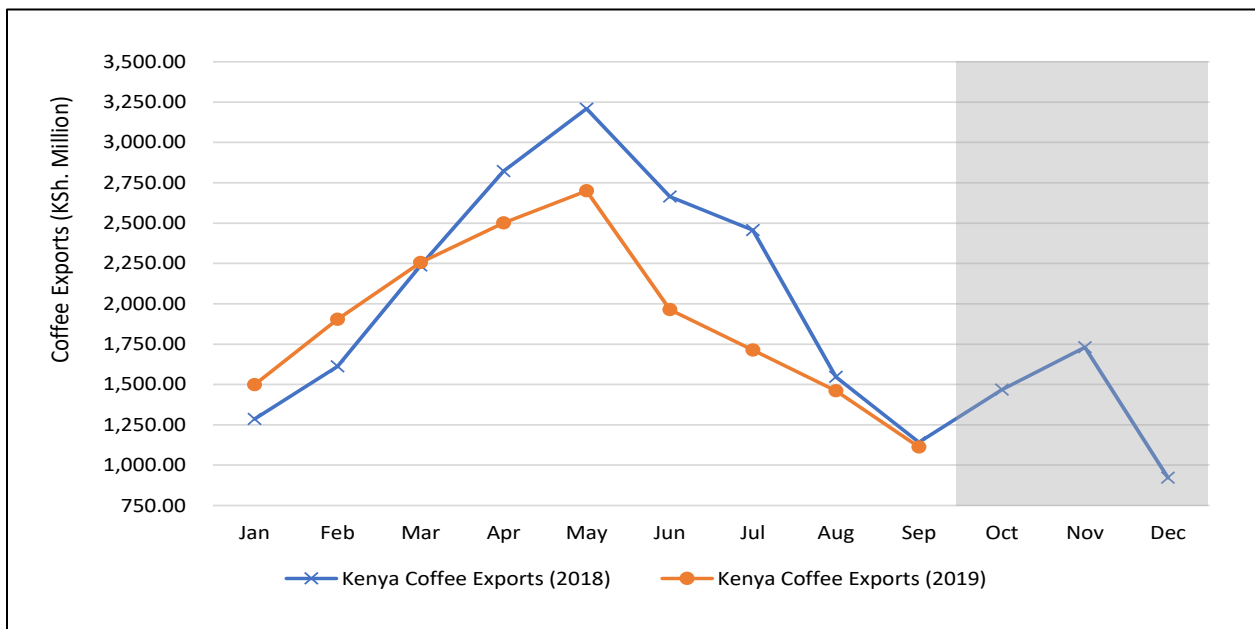
Figure 12: Trends in coffee and tea production (metric tonnes), exports (Ksh millions) and auction prices (KSh/Kg)

Figure 12(a): Monthly coffee production (MT)



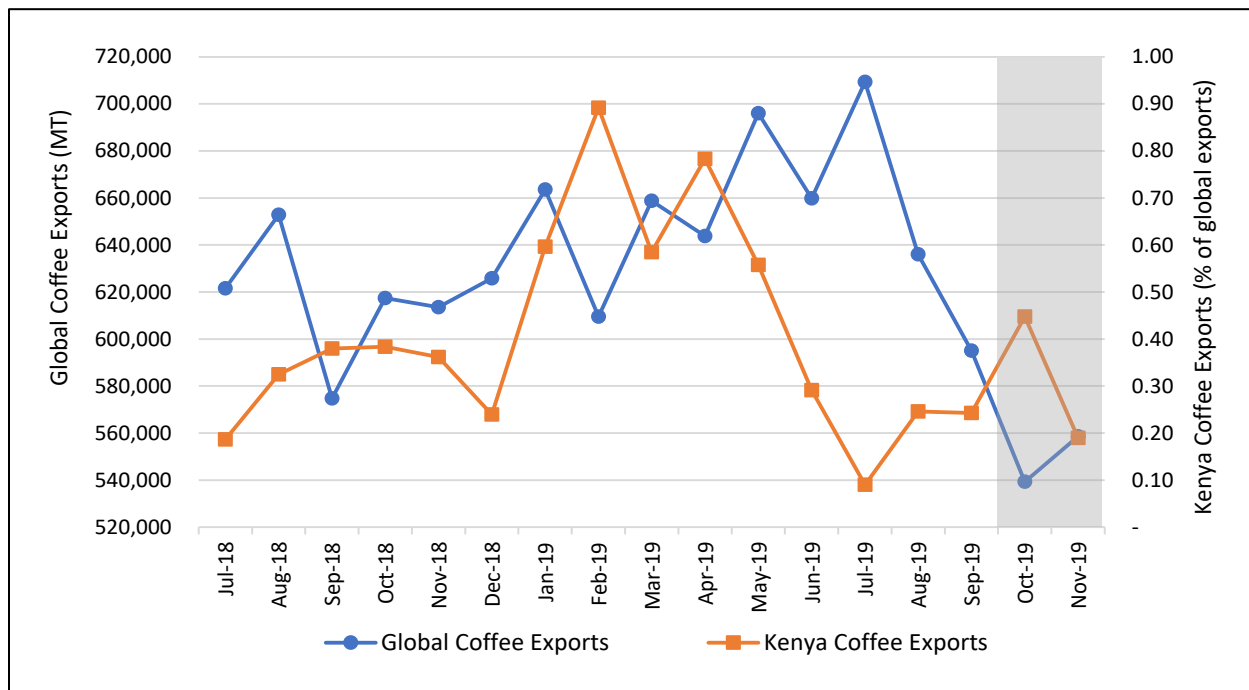
Data source: Kenya National Bureau of Statistics; Nairobi Coffee Exchange (<http://nairobicoffeeexchange.co.ke/>);

Figure 12(b): Monthly coffee exports (KSh. Million)



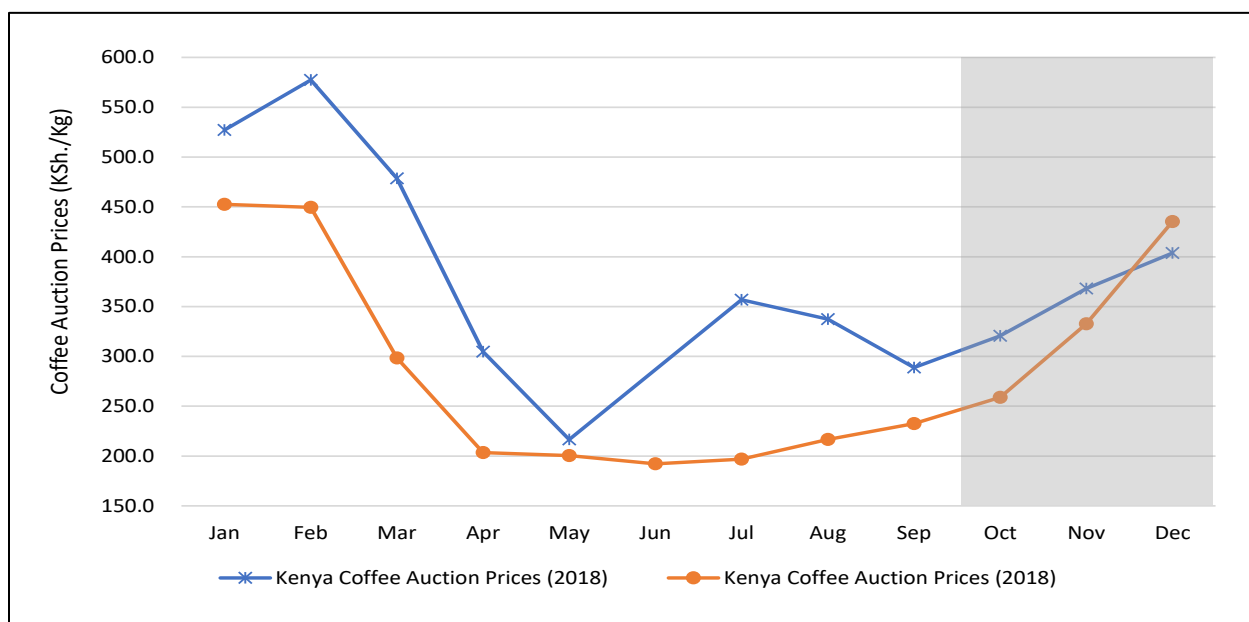
Data source: Kenya National Bureau of Statistics; Nairobi Coffee Exchange (<http://nairobicoffeeexchange.co.ke/>);

Figure 12(c): Comparison between global coffee exports (MT) and Kenya coffee exports (% of global total exports)



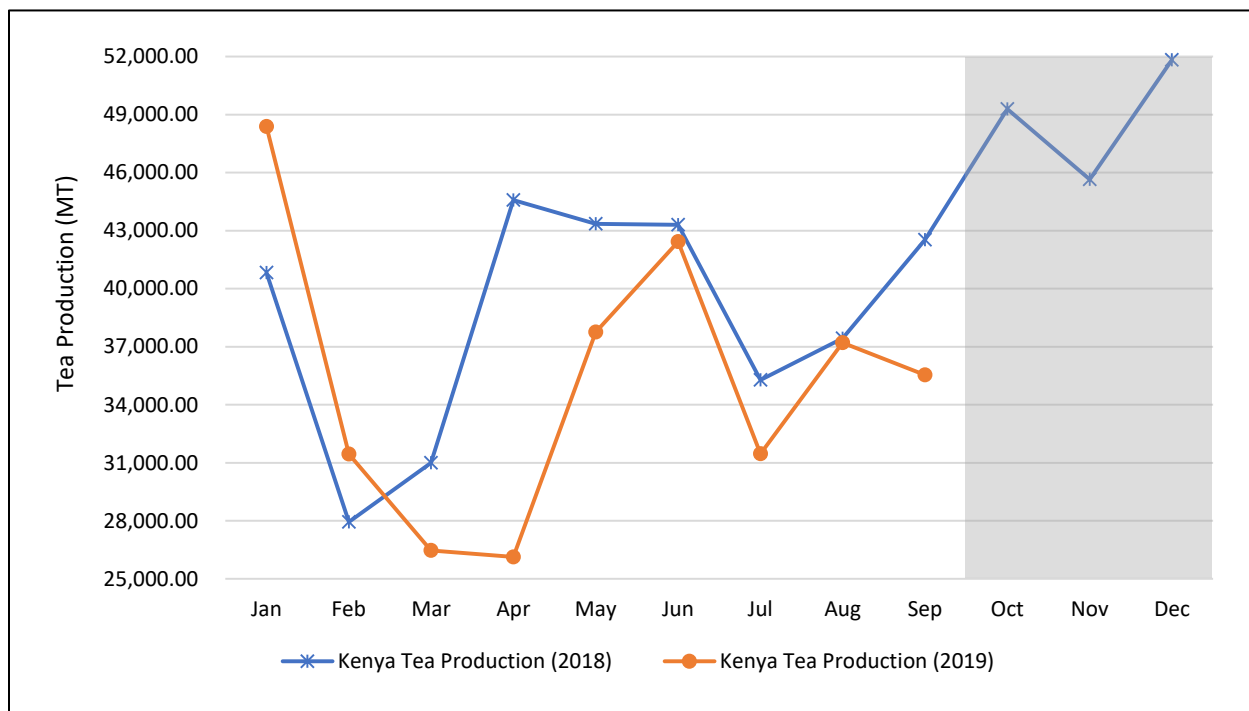
Data source: Kenya National Bureau of Statistics; Nairobi Coffee Exchange (<http://nairobicoffeeexchange.co.ke/>); International Coffee Organization (http://www.ico.org/coffee_prices.asp)

Figure 12(d): Monthly Kenya coffee auction prices (KSh/Kg)



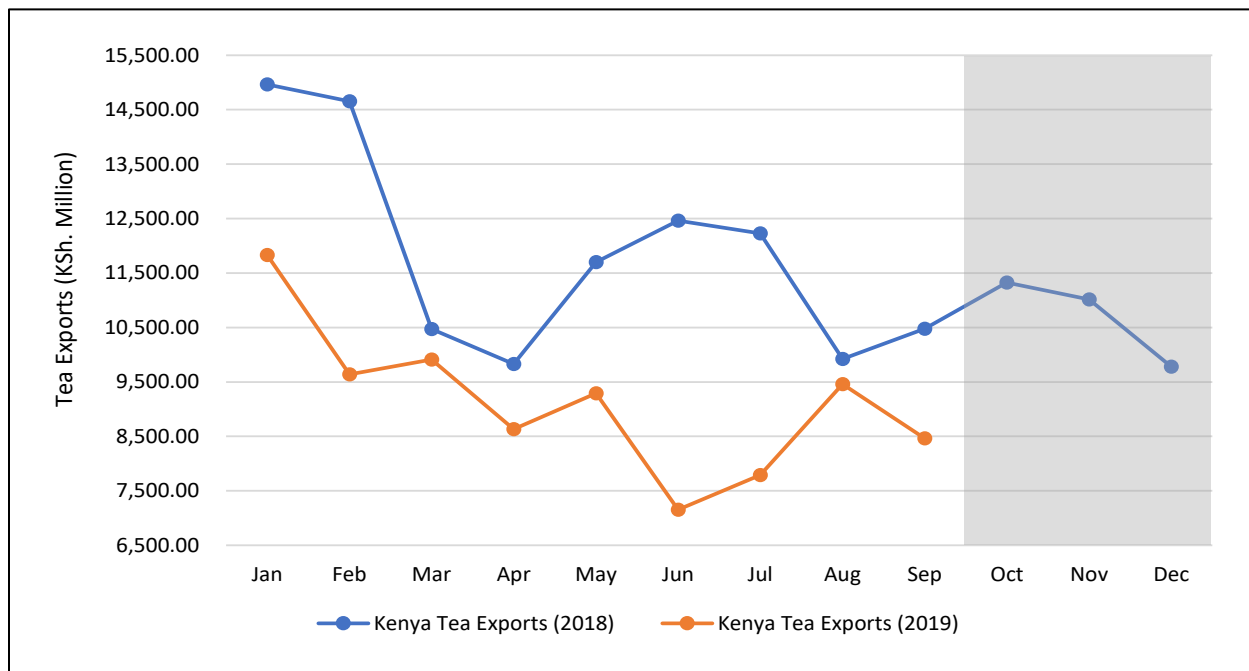
Data source: Kenya National Bureau of Statistics; Nairobi Coffee Exchange (<http://nairobicoffeeexchange.co.ke/>).

Figure 12(e): Monthly tea production (MT)



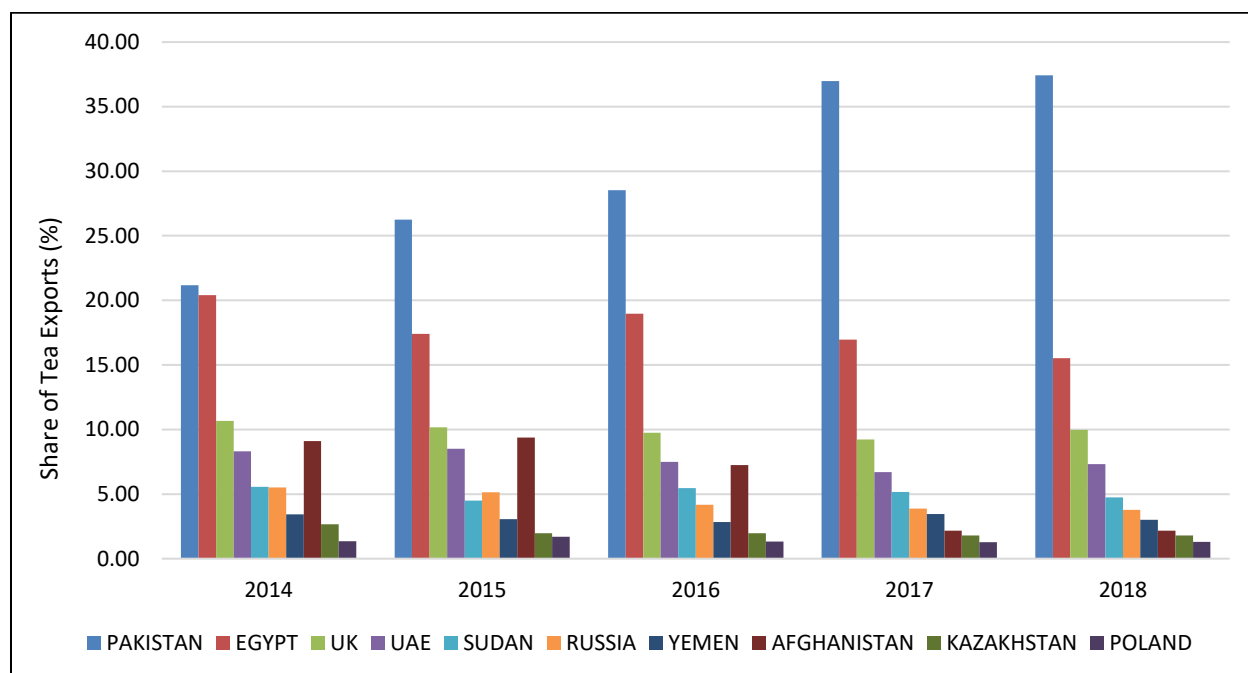
Data source: Kenya National Bureau of Statistics; East African Tea Trade Association

Figure 12(f): Monthly tea exports (MT)



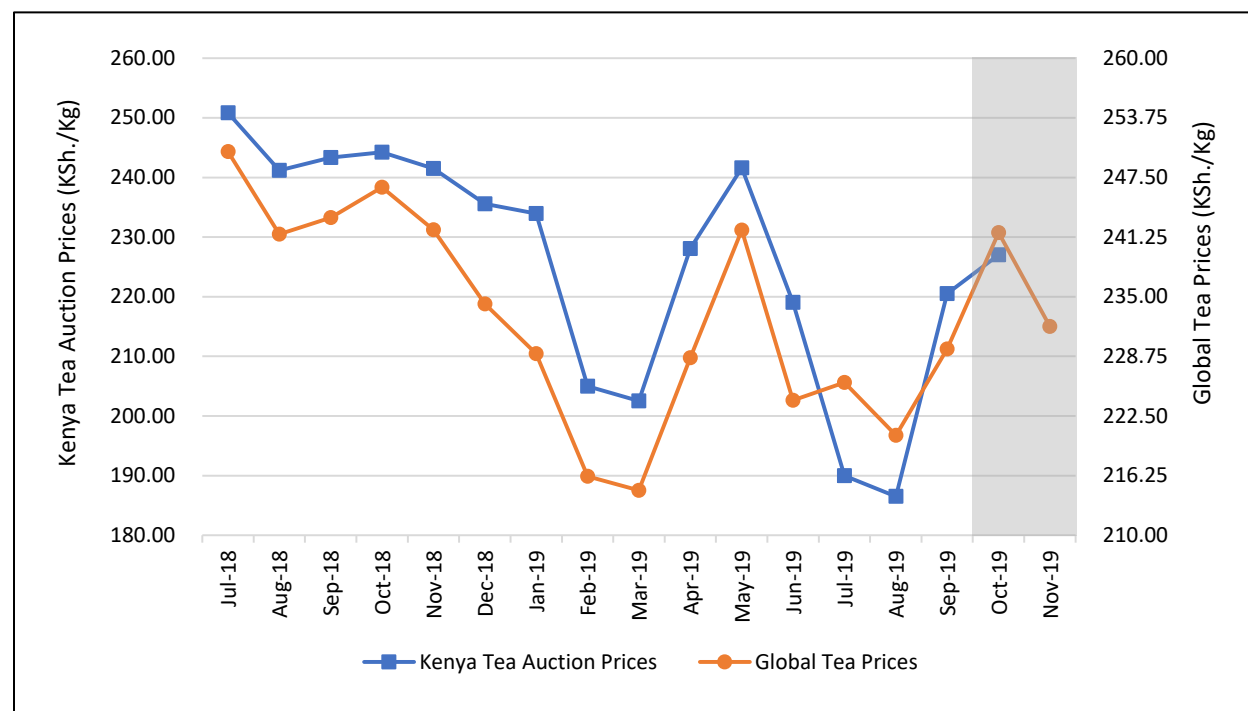
Data source: Kenya National Bureau of Statistics; East African Tea Trade Association

Figure 12(g): Top ten importers of Kenyan tea by market share (%), 2014 - 2018**



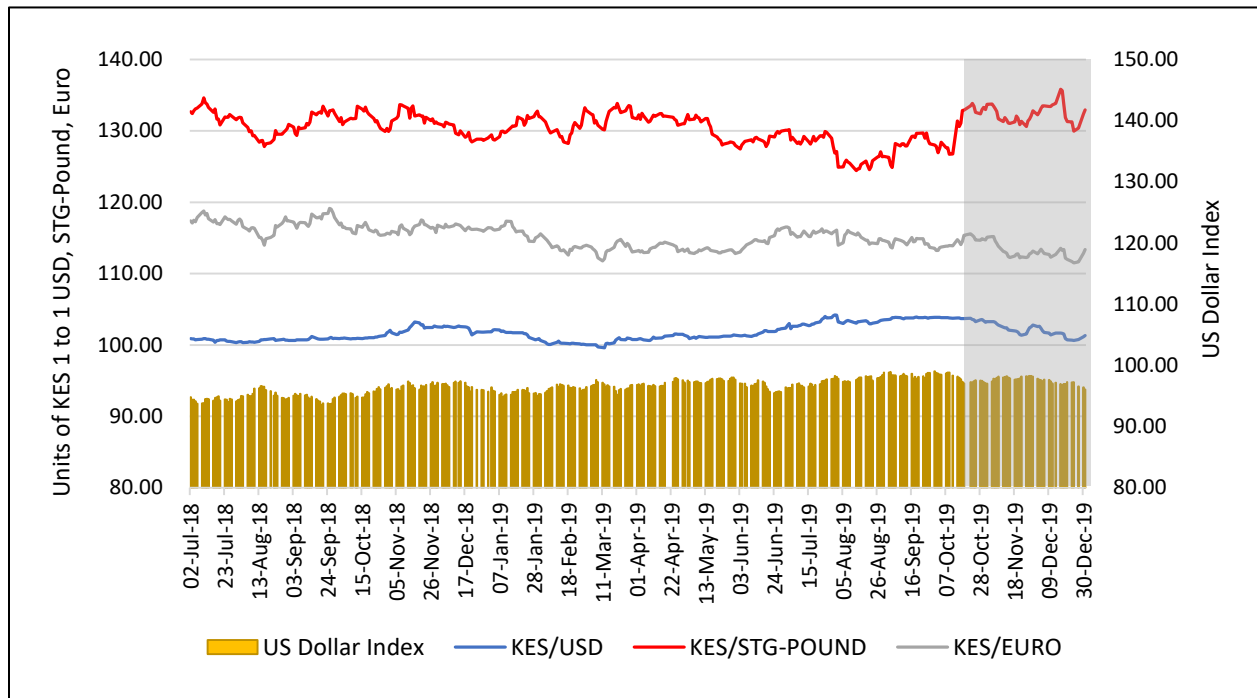
Data source: East African Tea Trade Association (<https://www.eatta.com/kenya-tea-export-data>)
 **These account for 88% of tea exports from Kenya.

Figure 12(h): Comparison between Kenya and global tea auction prices (KSh/Kg)



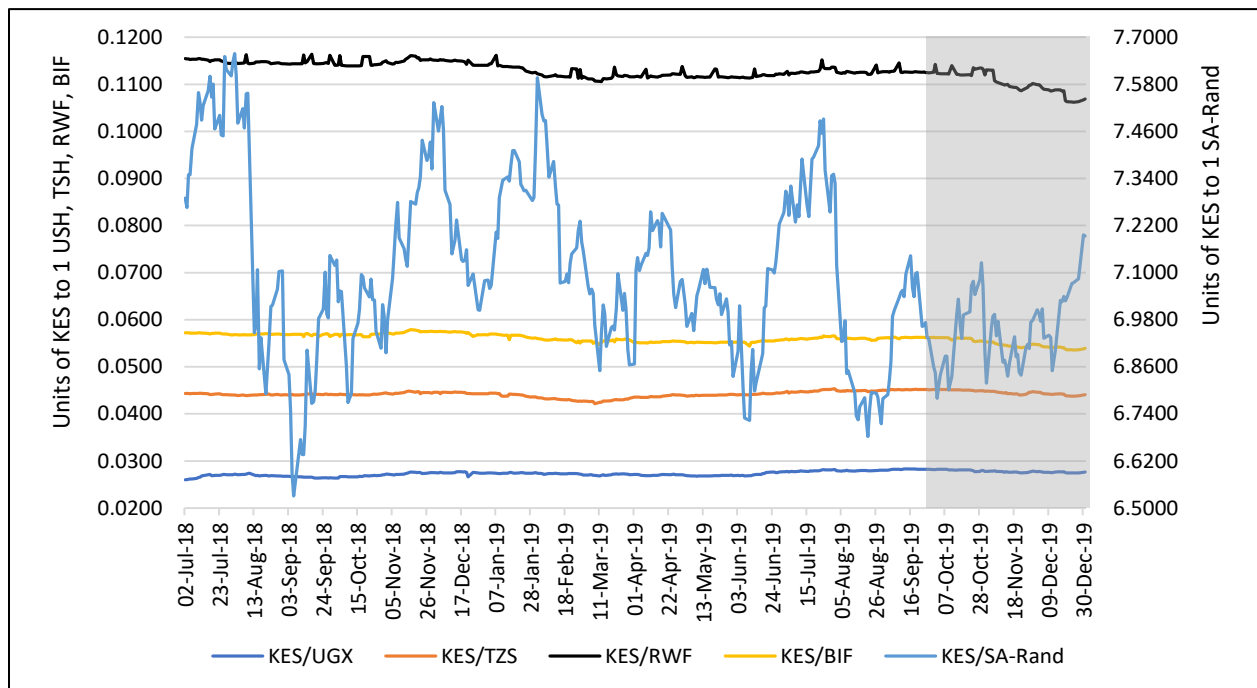
Data source: Kenya National Bureau of Statistics; Mombasa Tea Auction
<https://www.indexmundi.com/commodities/?commodity=tea;>
https://ycharts.com/indicators/world_tea_price

Figure 13: The exchange rate of Kenya shilling to global currencies



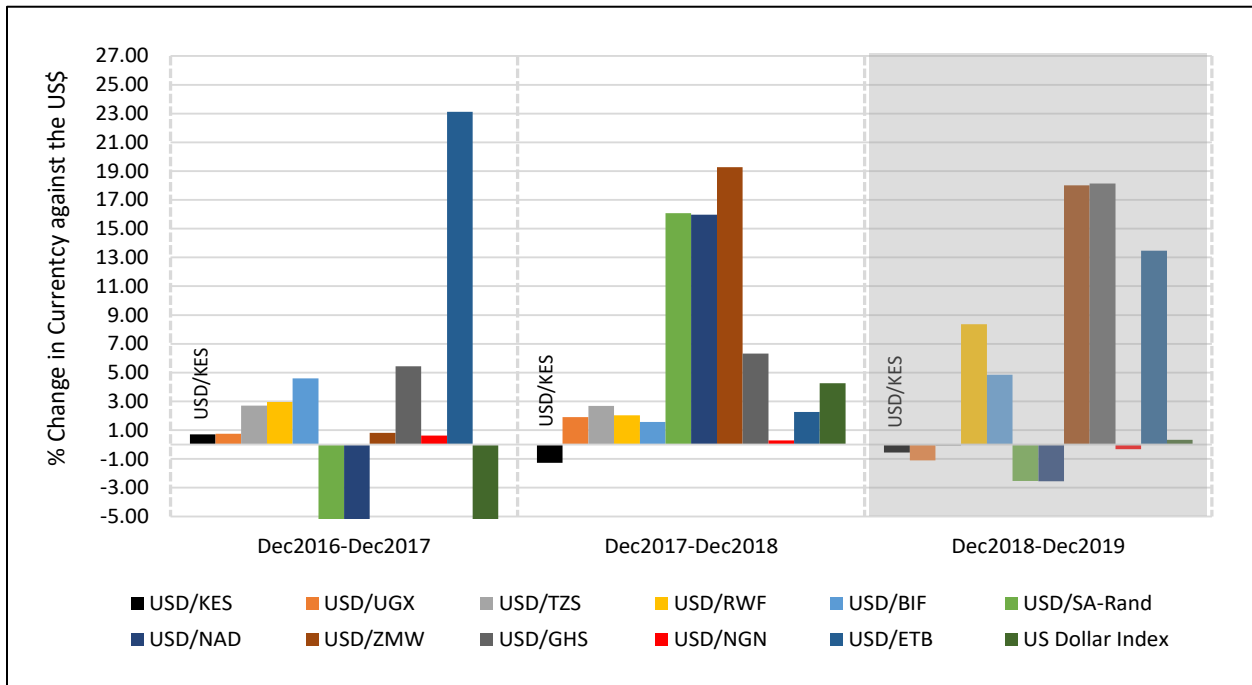
Data source: Central Bank of Kenya; Kenya National Bureau of Statistics; <https://www.investing.com/quotes/us-dollar-index-historical-data>

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



Data source: Central Bank of Kenya

Figure 15: Performance of select currencies against the US Dollar

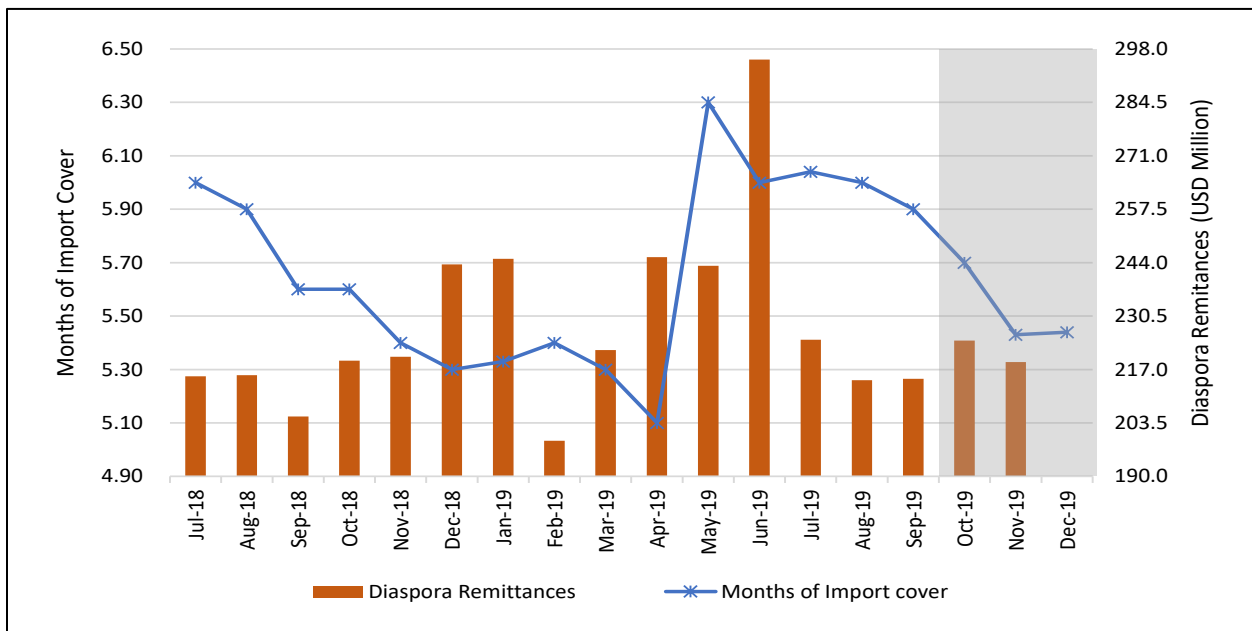


Data source: Country Statistics Offices; <https://www.investing.com>

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; SA-South Africa; NAD-Namibian Dollar; ZMW-Zambian Kwacha; GHS-Ghanaian Cedi; NGN-Nigerian Naira; ETB-Ethiopian Birr.

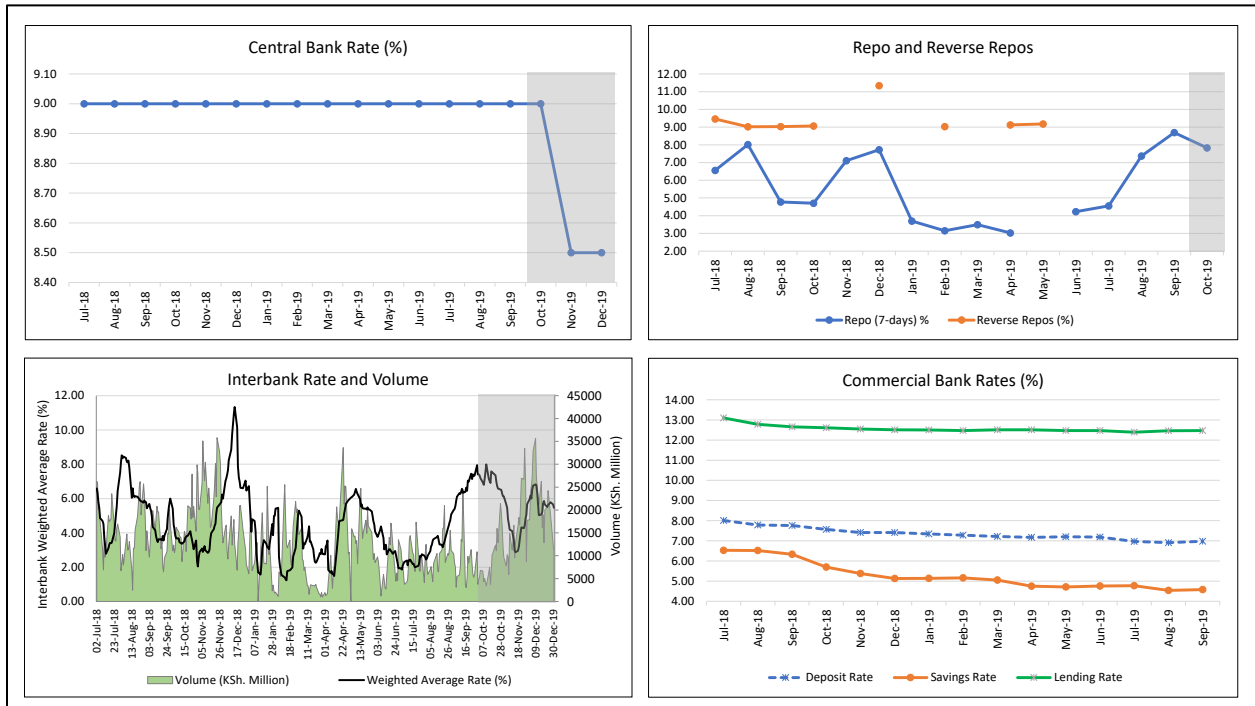
Figure 16: Months of import cover and diaspora remittances



Data Source: Central Bank of Kenya

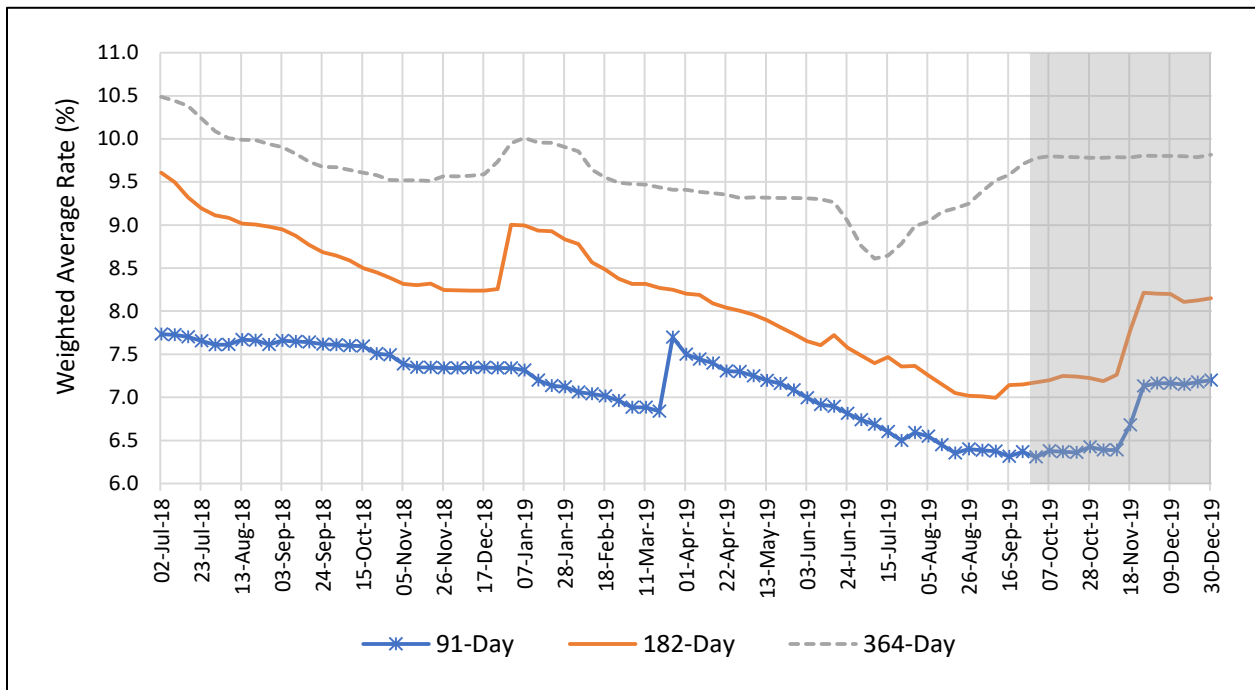
3. Money Market

Figure 17: Interbank rate and volume, Repo and interest rates



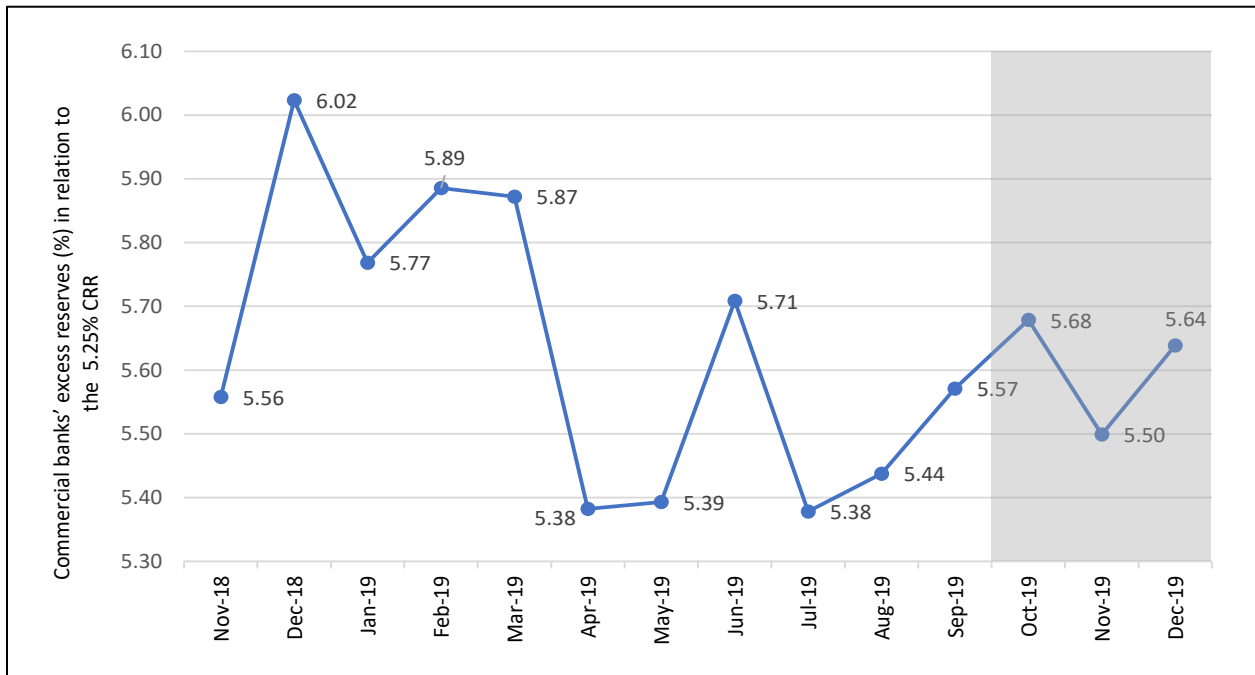
Data source: Central Bank of Kenya

Figure 18: Treasury bill weighted average rate (%)



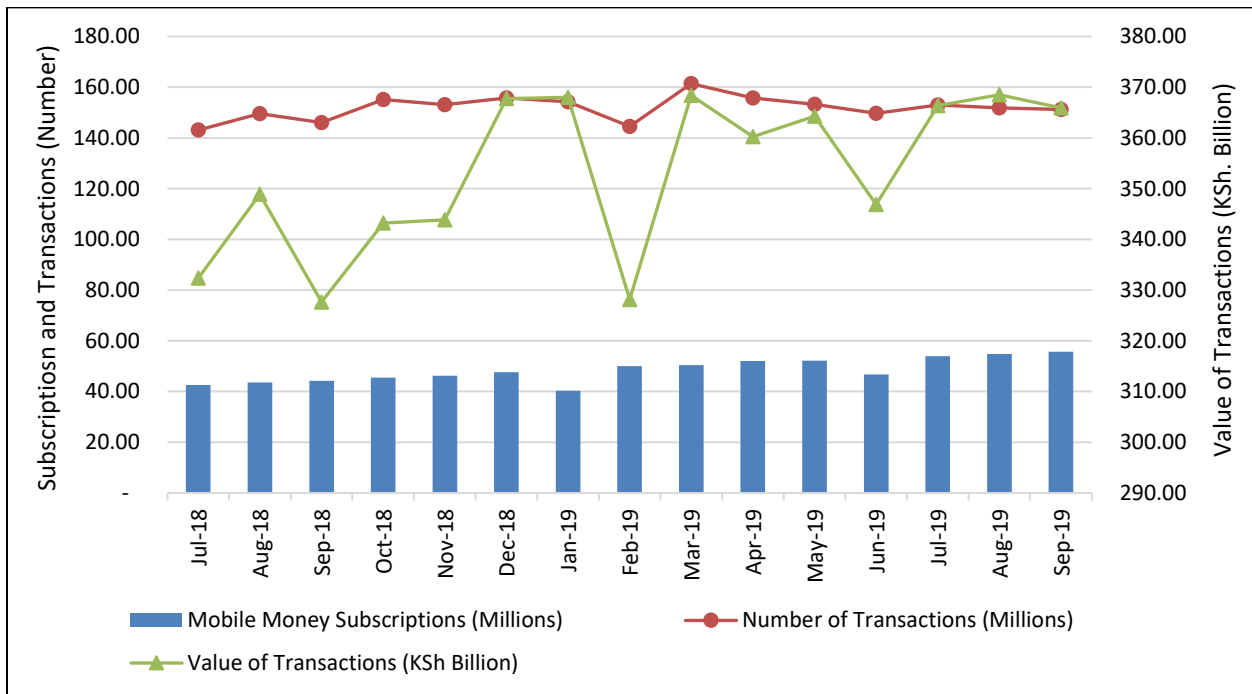
Data source: Central Bank of Kenya

Figure 19: Commercial banks' excess reserves (%) in relation to the 5.25% CRR



Data source: Central Bank of Kenya;
CRR = Cash Reserves Requirement

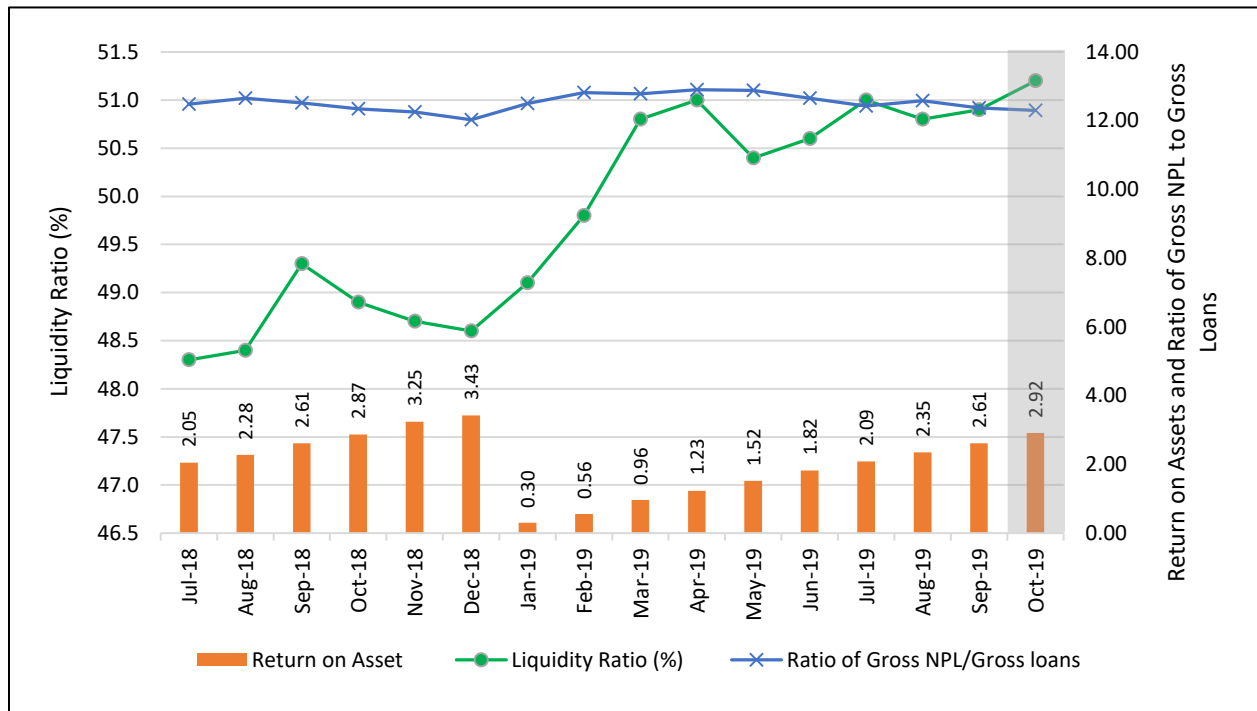
Figure 20: Mobile money transactions



Data source: Kenya National Bureau of Statistics;

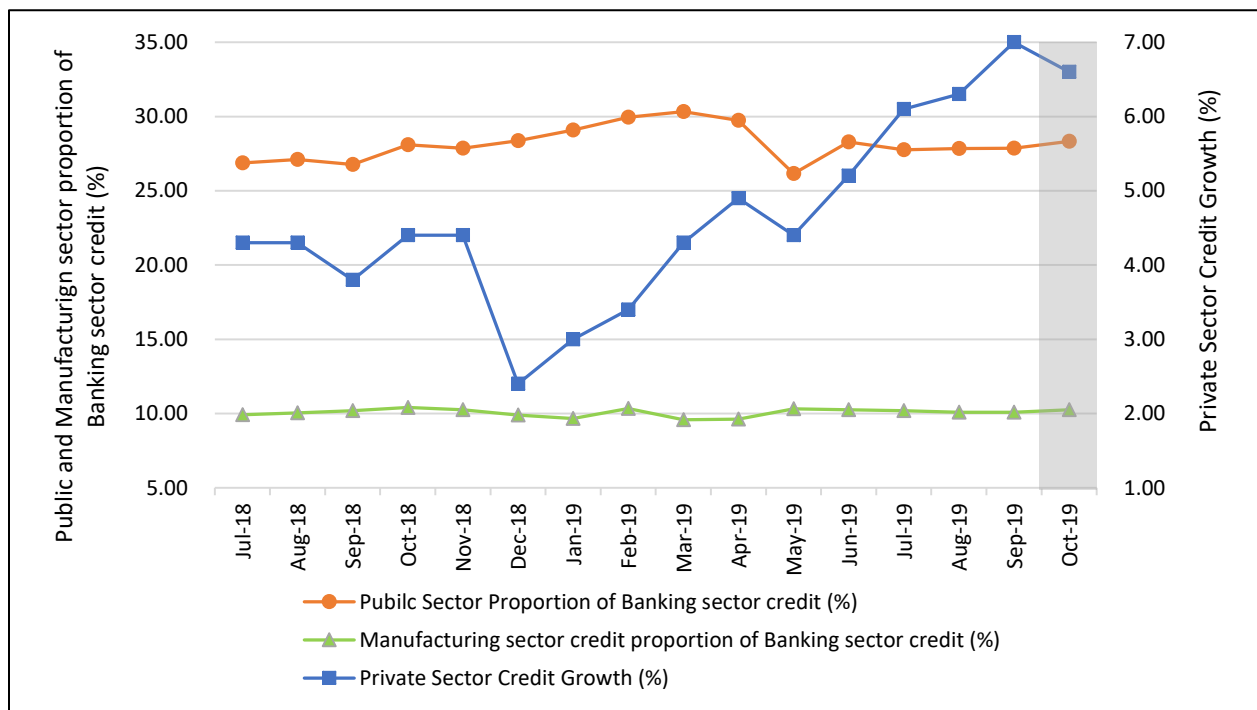
Note: The mobile money subscriptions exceed total adult population since this is based on registered SIM Cards in transacting electronic gadgets (Individual mobile phones and Point of Sale gadgets). In addition, 30% of mobile users in Kenya own more than 1 SIM Card (<https://www.ca.go.ke>).

Figure 21: Kenyan banking sector performance



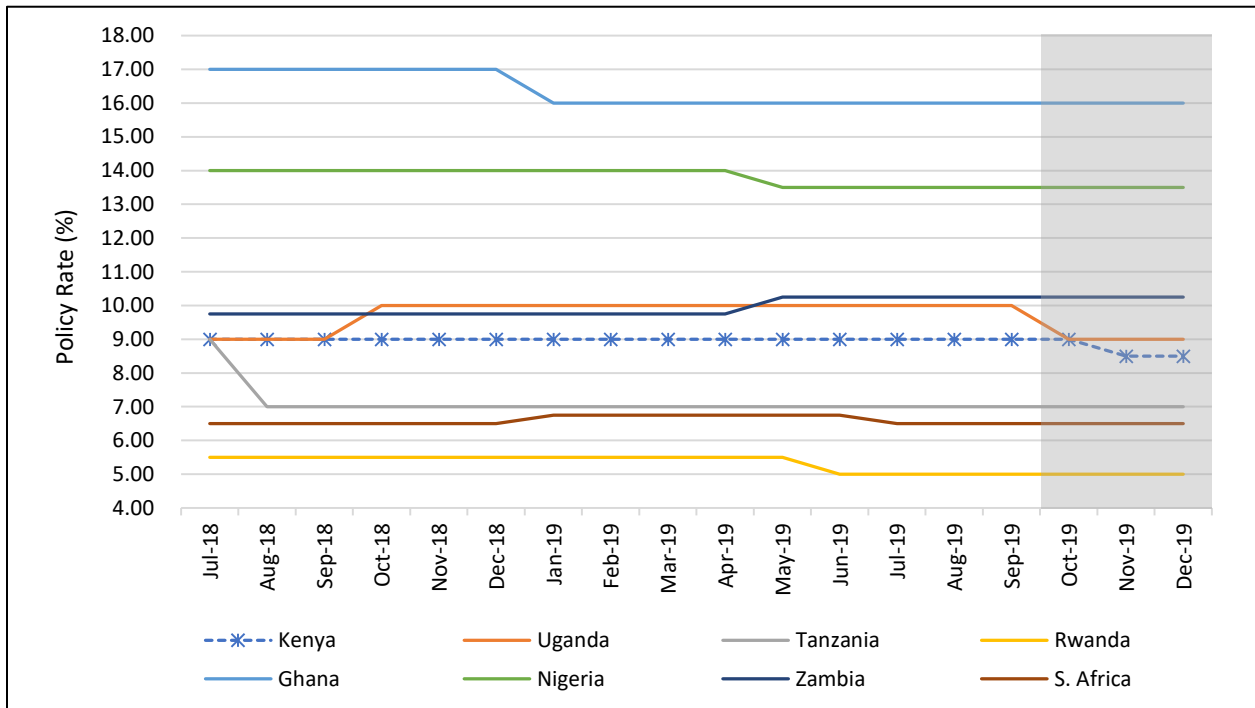
Data Source: Calculated using data from Central Bank of Kenya

Figure 22: Banking sector credit



Data Source: Central Bank of Kenya

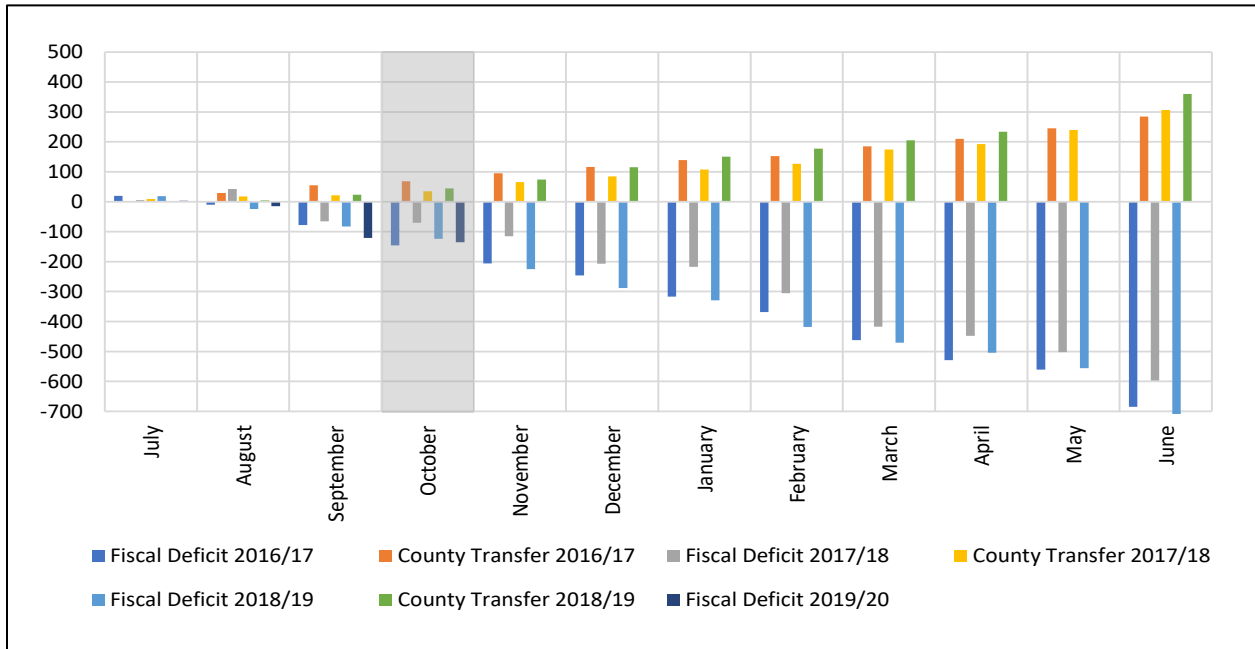
Figure 23: Monetary policy stance for selected countries in Africa



Source: Country Central Banks

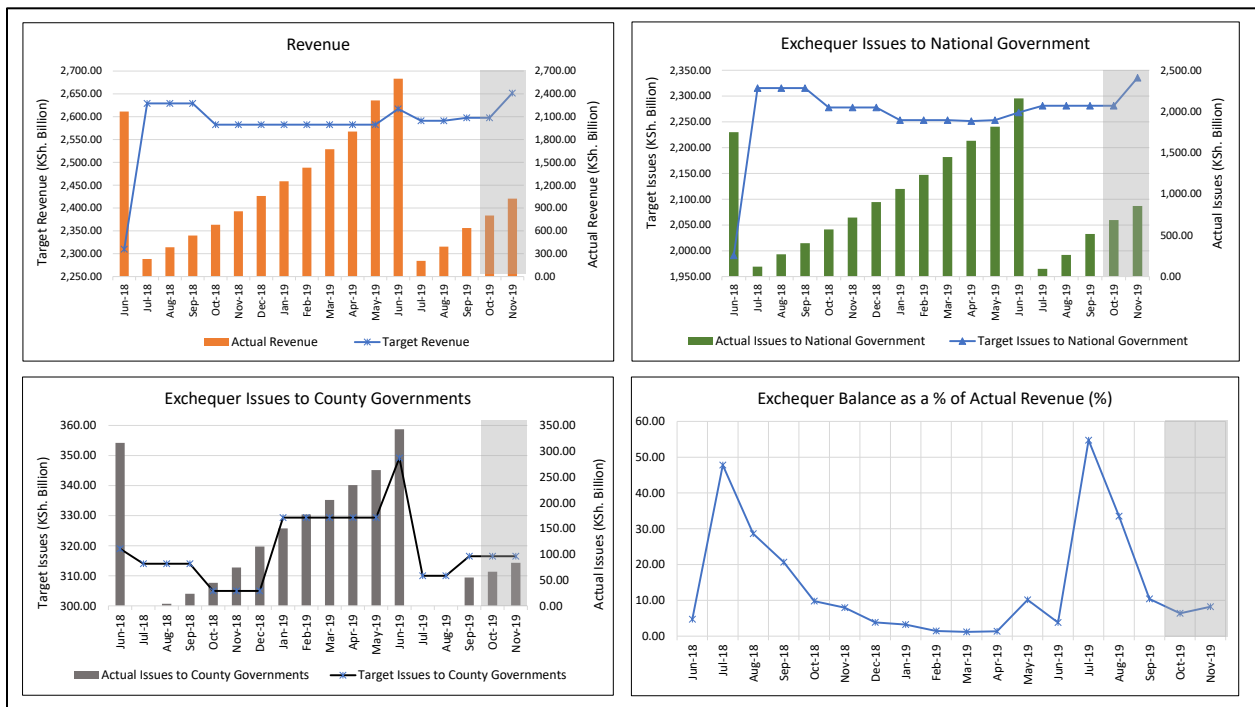
4. Fiscal Performance

Figure 24: Fiscal deficit and county transfers (KSh. Billion)



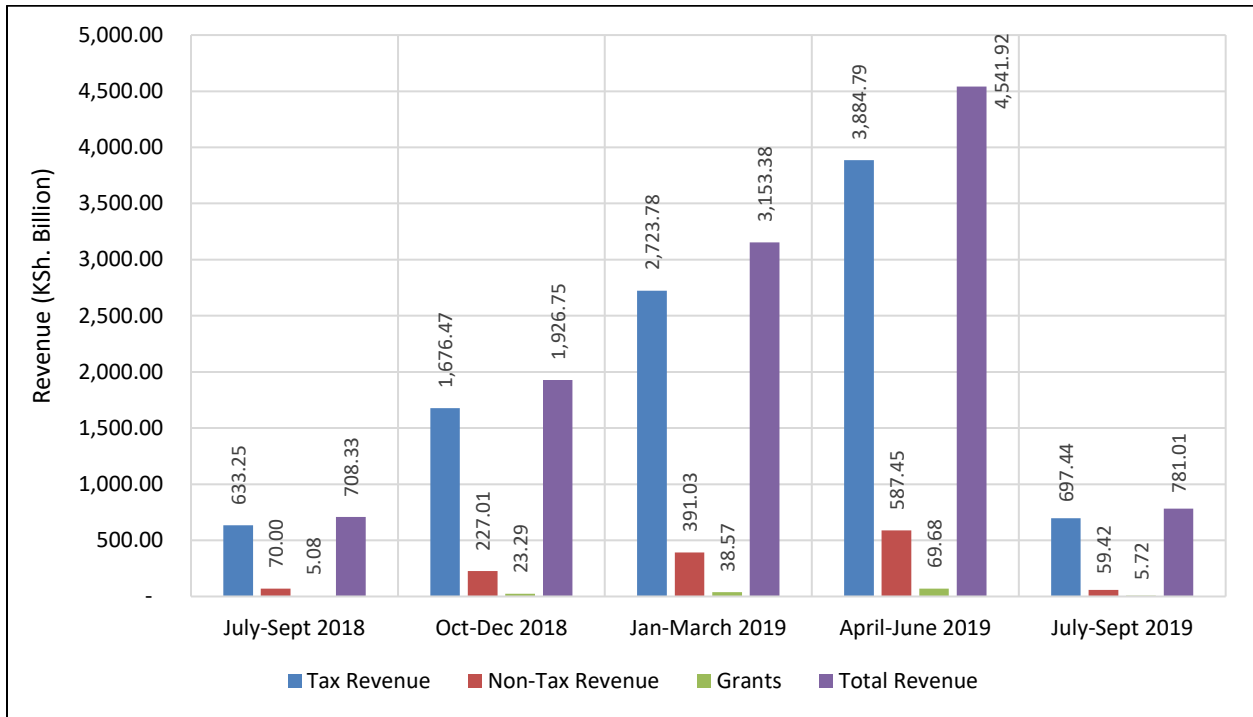
Data Source: Central Bank of Kenya

Figure 25: Monthly utilization of revenue against target



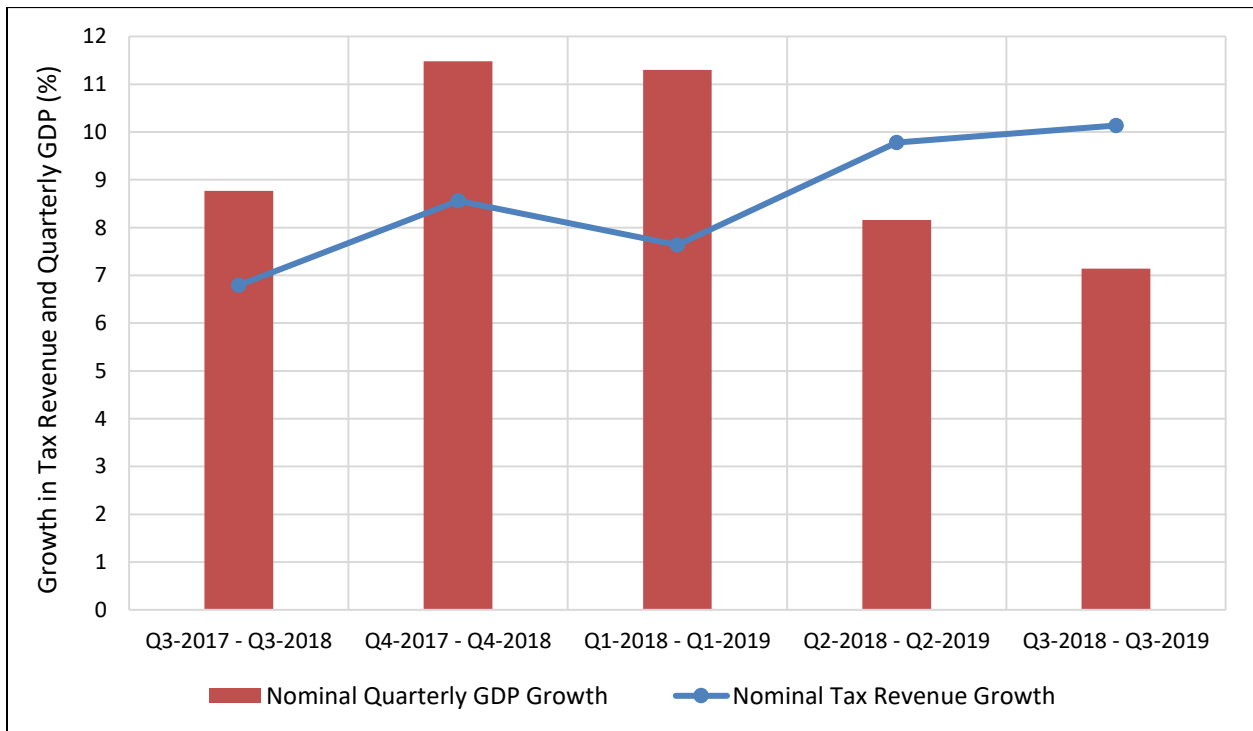
Data Source: Monthly Gazette Notices, The National Treasury and Planning

Figure 26: Composition of Government Revenue (KSh Billion)



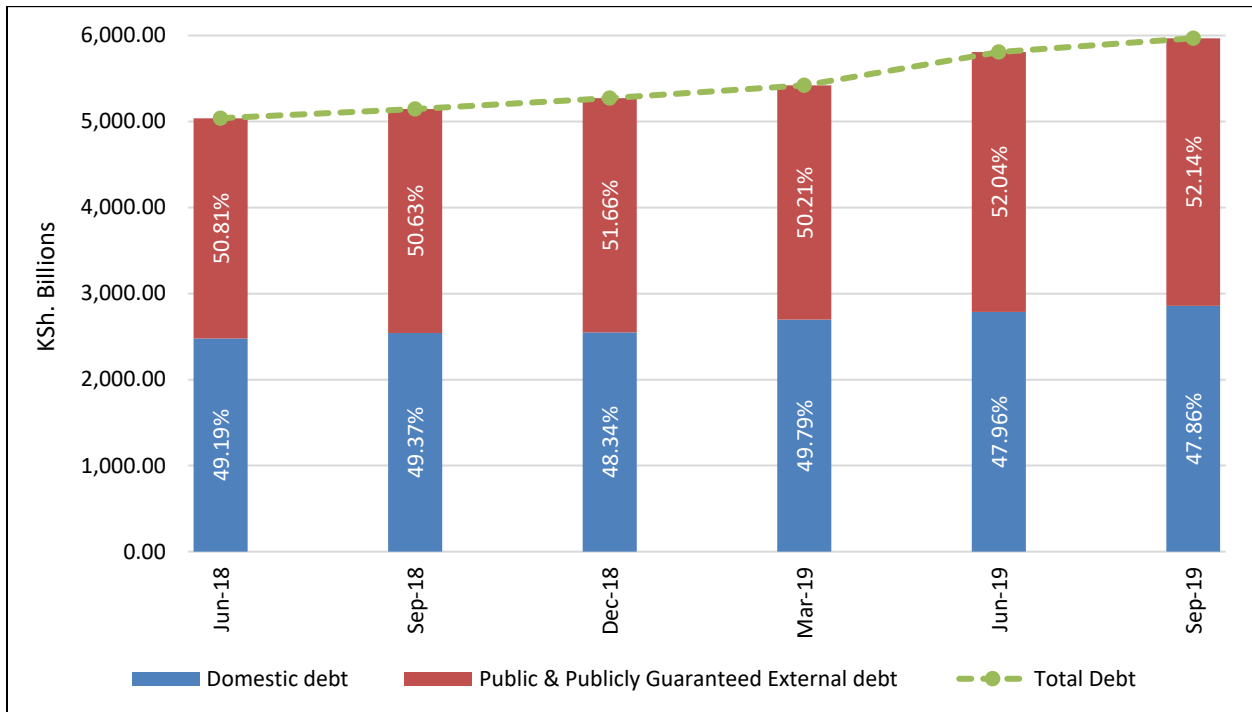
Data Source: Calculated using data from Central Bank of Kenya

Figure 27: Growth in tax revenue (%) and quarterly GDP growth (%)



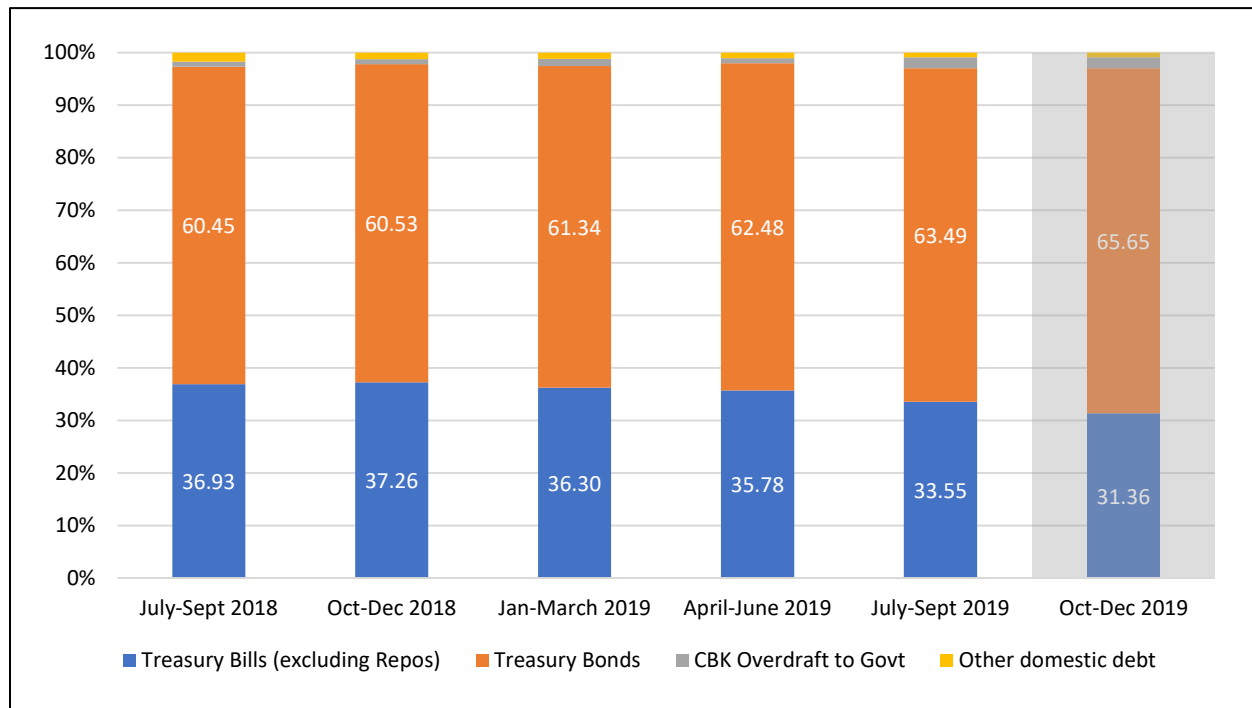
Data Source: Kenya National Bureau of Statistics and Central Bank of Kenya

Figure 28: Total debt (KSh. Billion) and proportionate shares of domestic and foreign debt



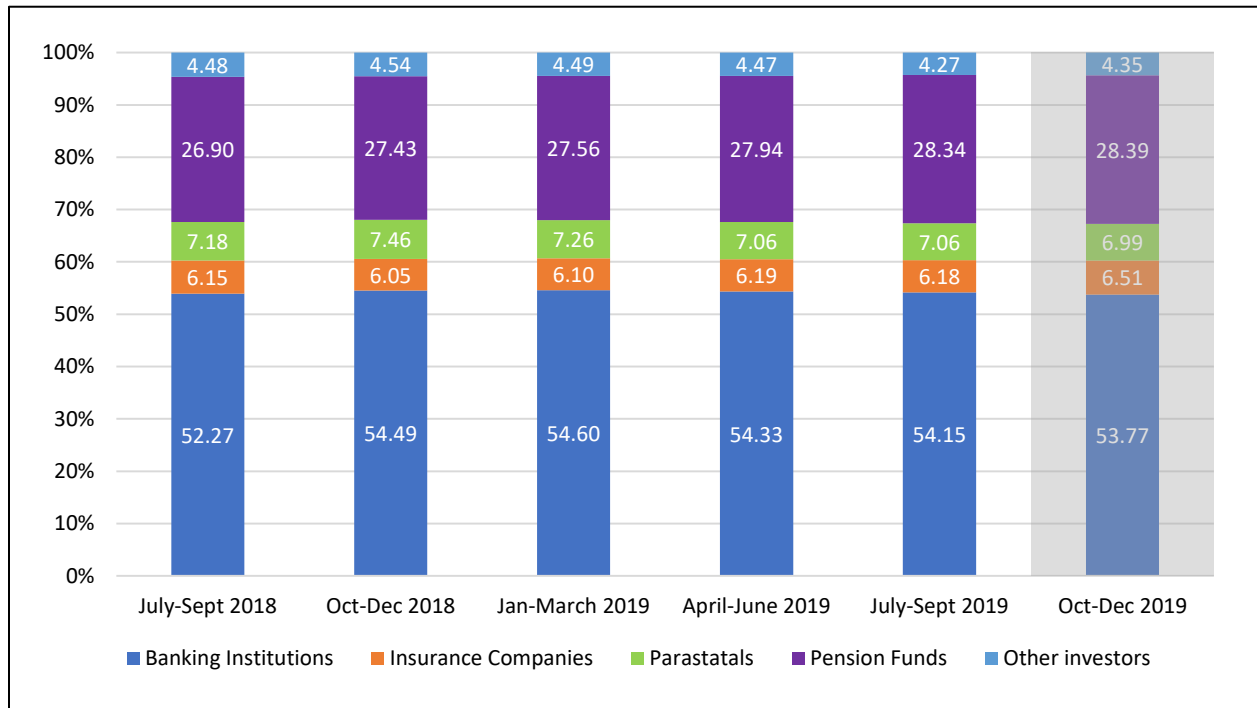
Data Source: Calculated using data from Central Bank of Kenya

Figure 29: Composition of government domestic debt by instrument (%)



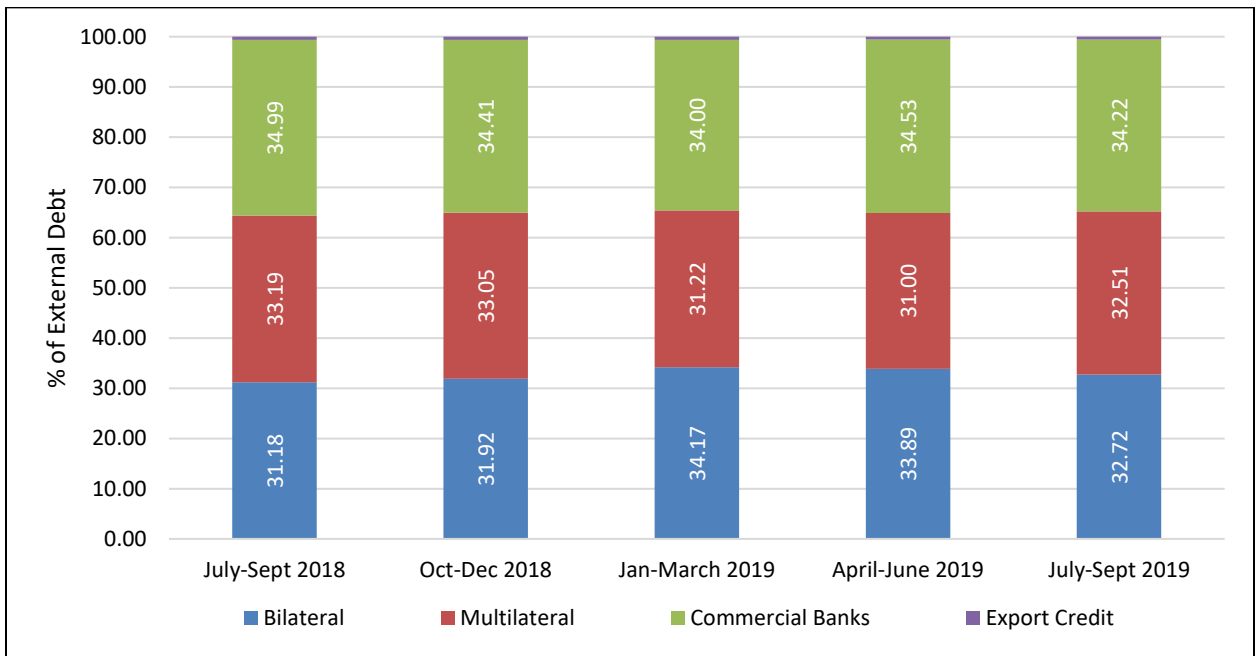
Data Source: Calculated using data from Central Bank of Kenya

Figure 30: Composition of government domestic debt by holder (%)



Data Source: Calculated using data from Central bank of Kenya

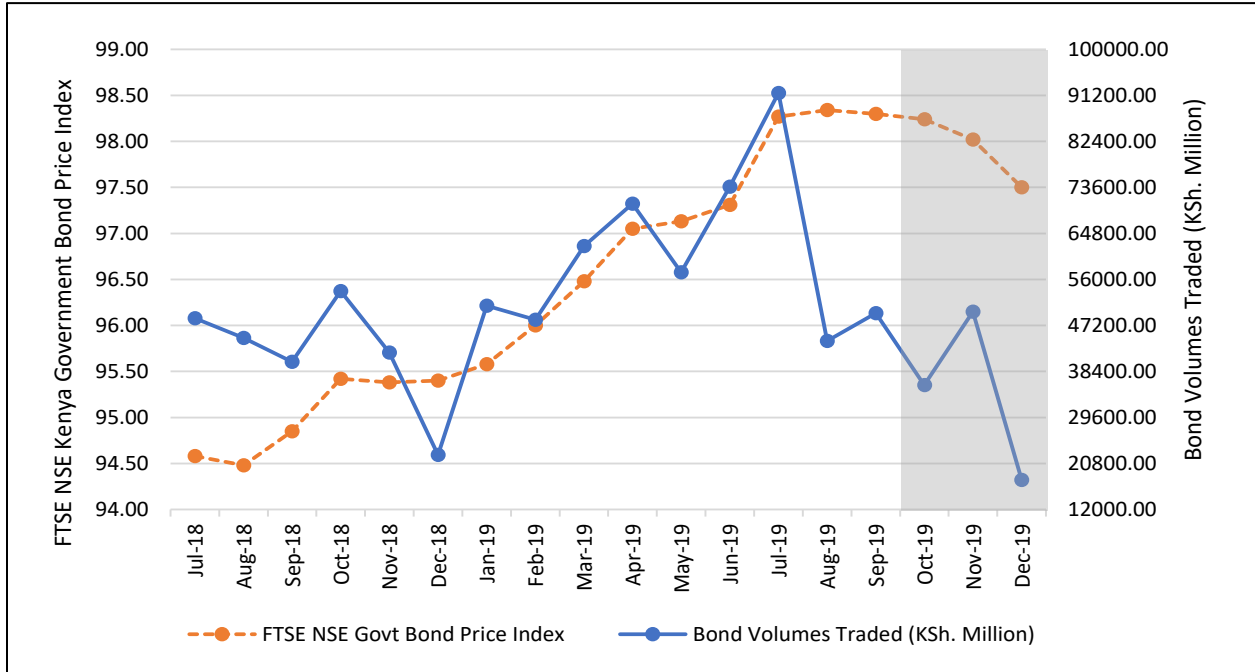
Figure 31: Composition of external debt: proportionate shares of bilateral, multilateral, commercial bank and export credit



Data Source: Calculated using data from Central bank of Kenya

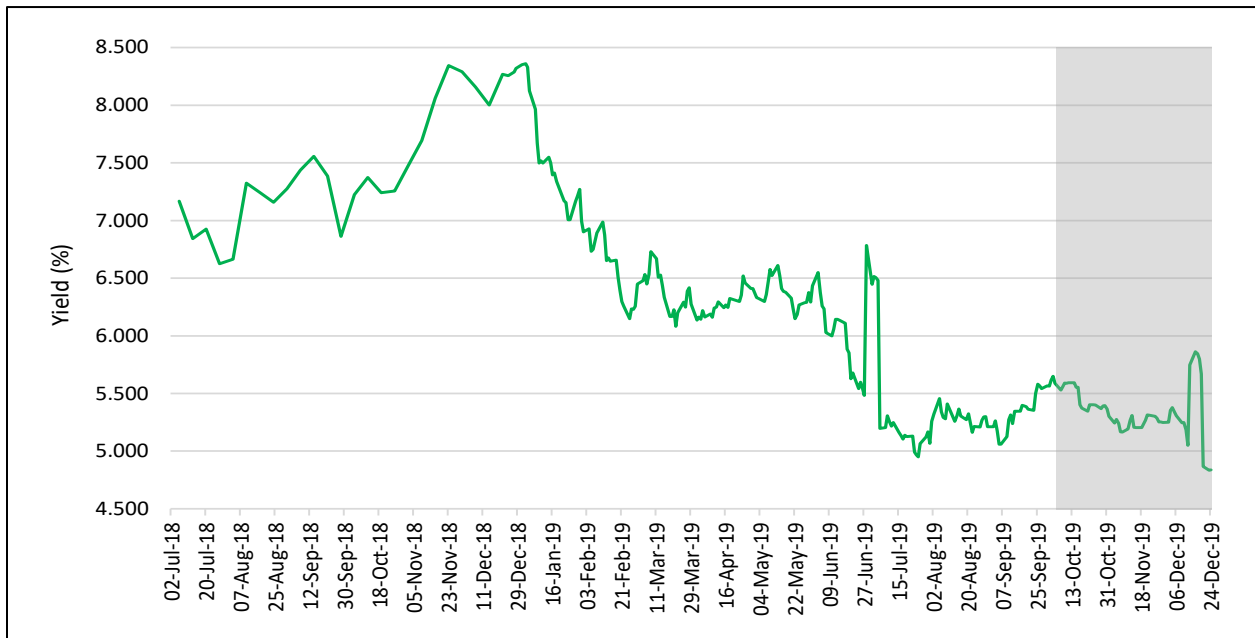
5. Capital Markets

Figure 32: Bond volumes traded (Ksh millions) and FTSE NSE Kenya government bond price Index



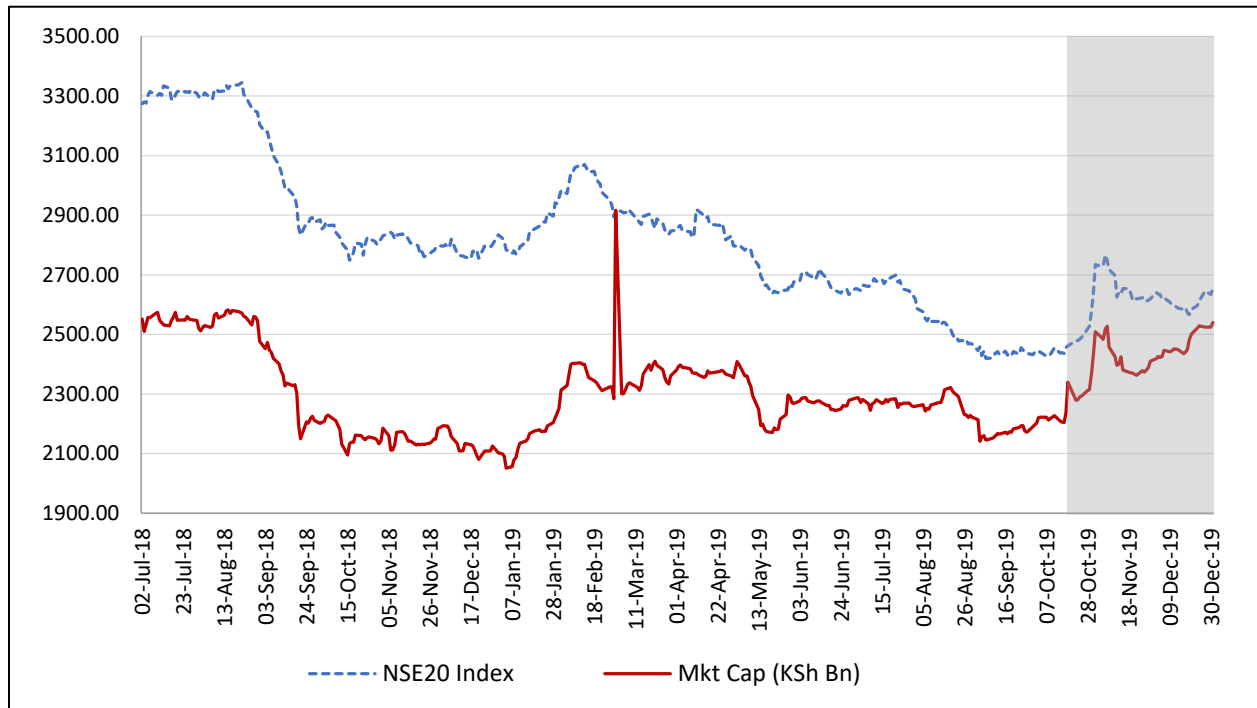
Data Source: Nairobi Securities Exchange; Central Bank of Kenya

Figure 33: The 10-year Kenya Eurobond (2024) yield (%)



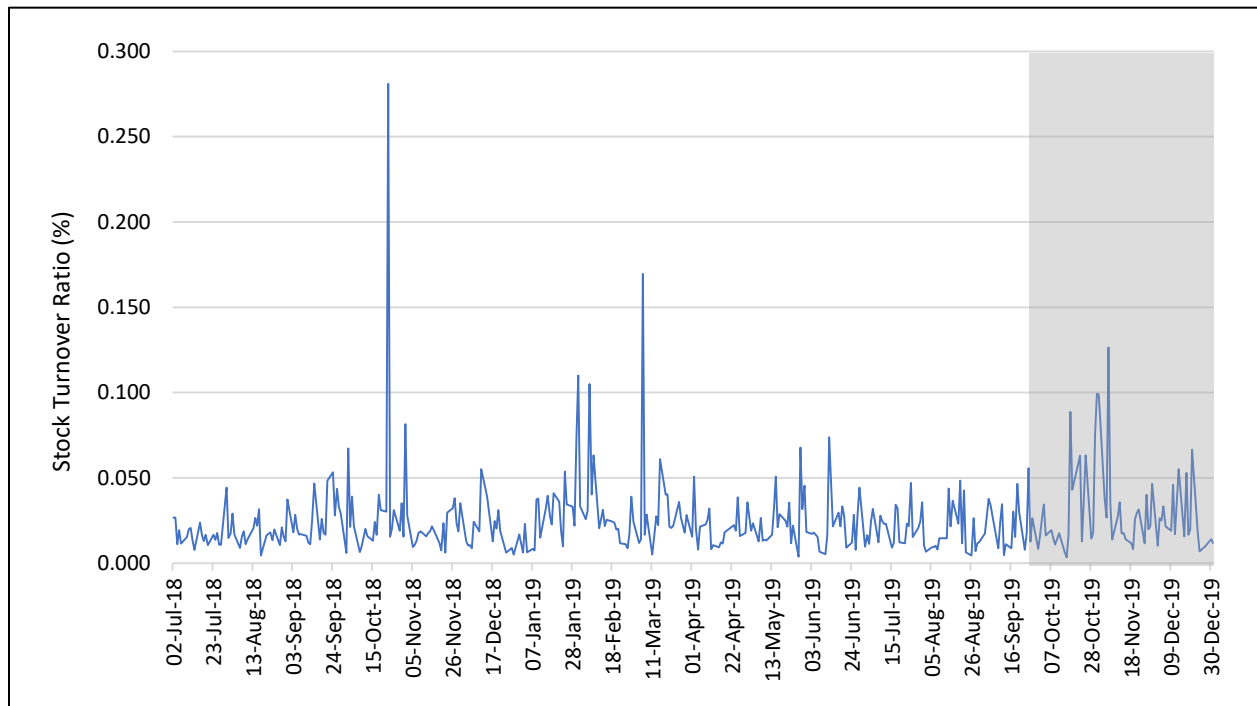
Data Source: Central Bank of Kenya

Figure 34: Stock market performance



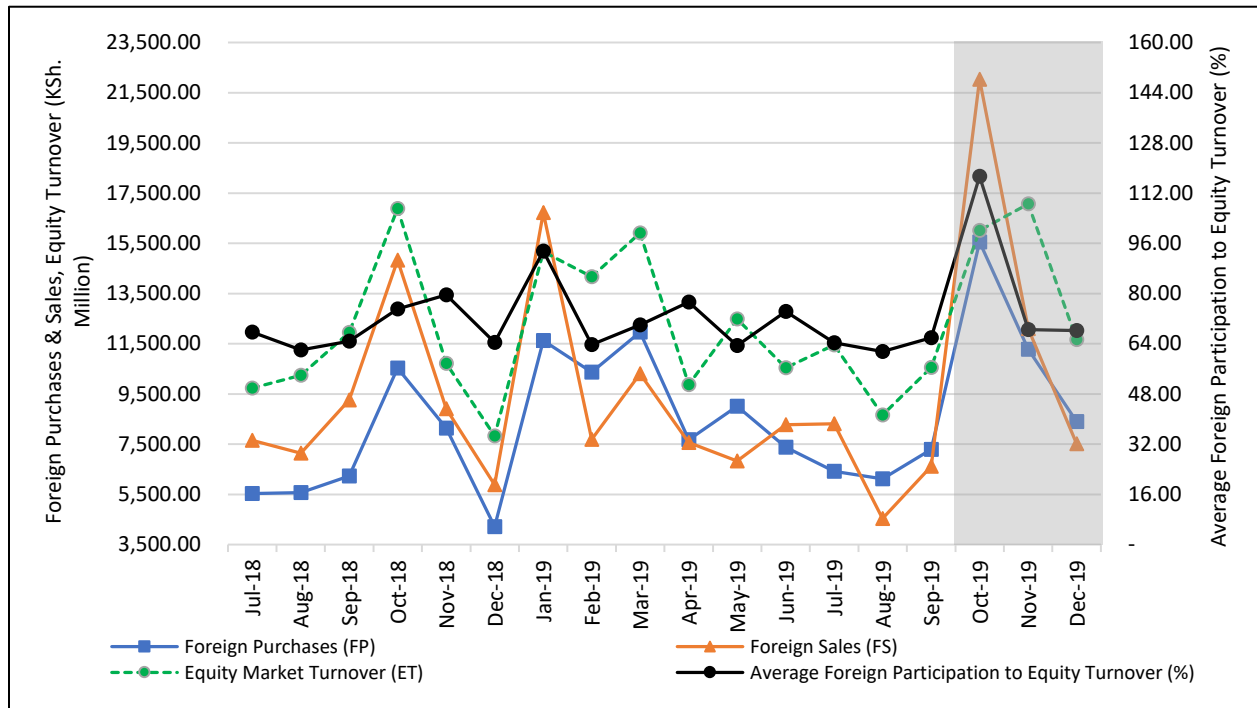
Data Source: Nairobi Securities Exchange

Figure 35: Stock value turnover ratio (%)



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

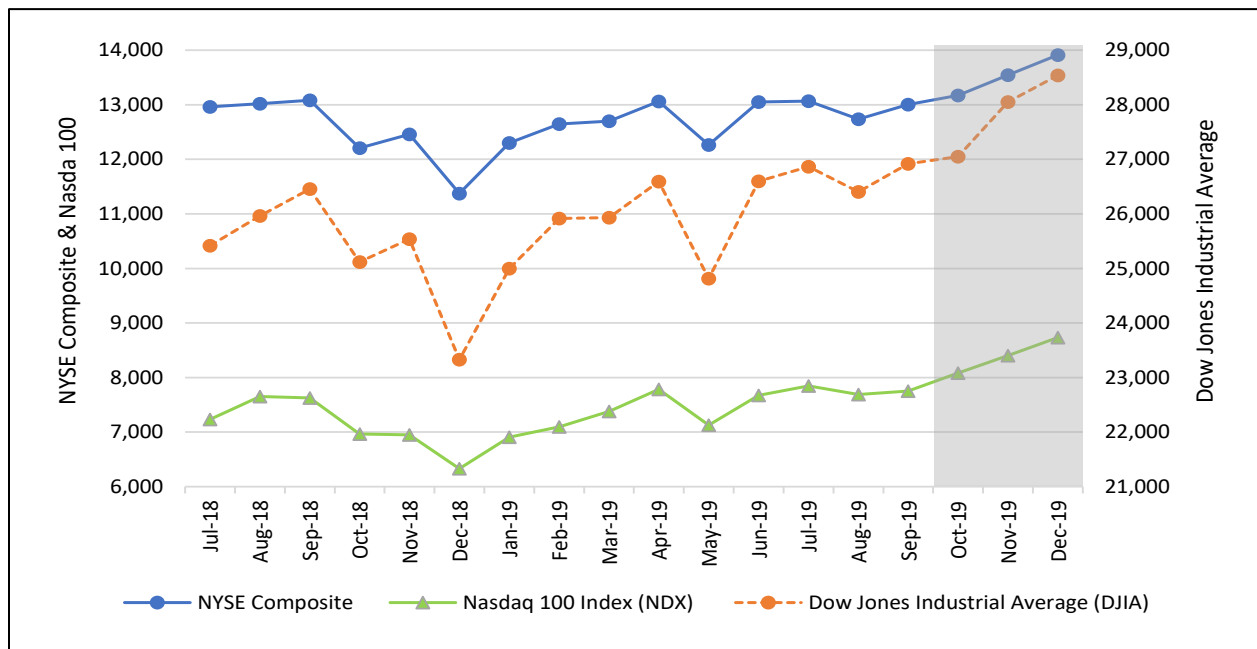
Figure 36: Foreign trading in the stock market



Data Source: Central Bank of Kenya; AIB Capital Ltd (<http://www.aibcapital.com/research>).

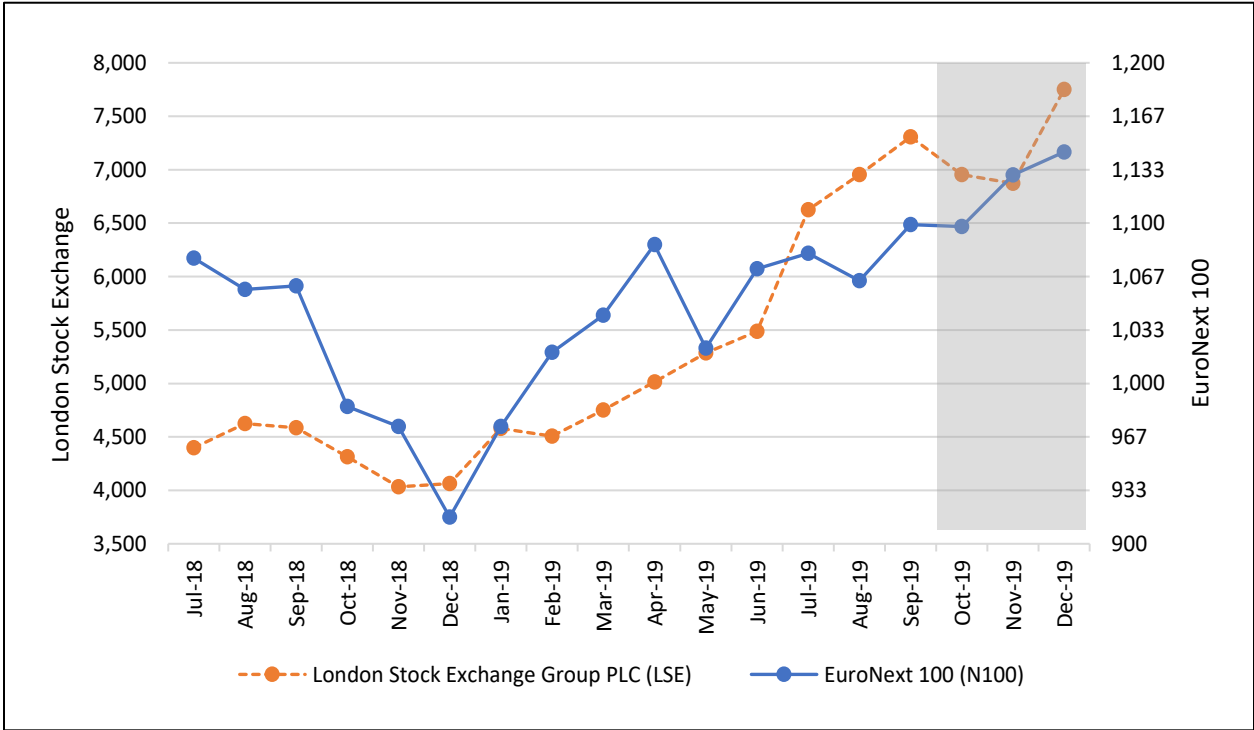
Figure 37: Stock market performance of selected advanced and emerging markets

Figure 37(a): USA stock markets



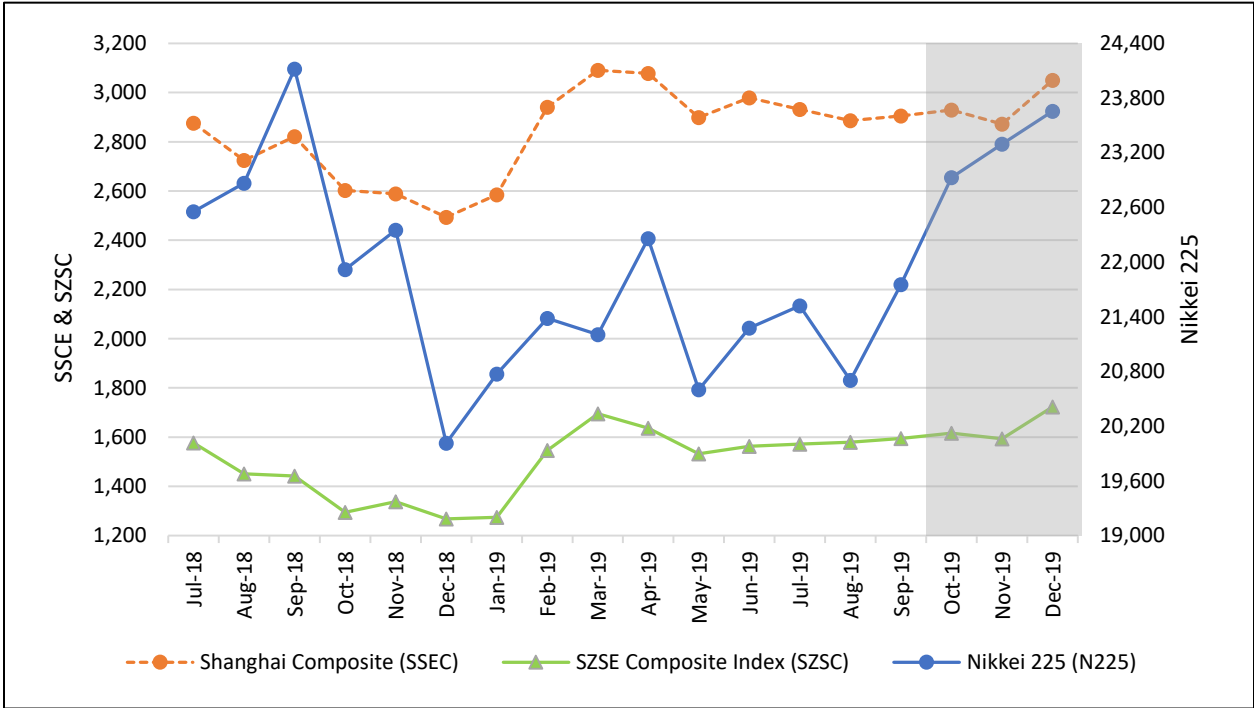
Data source: Country Stock Exchanges; <http://www.investing.com>

Figure 37(b): European stock markets



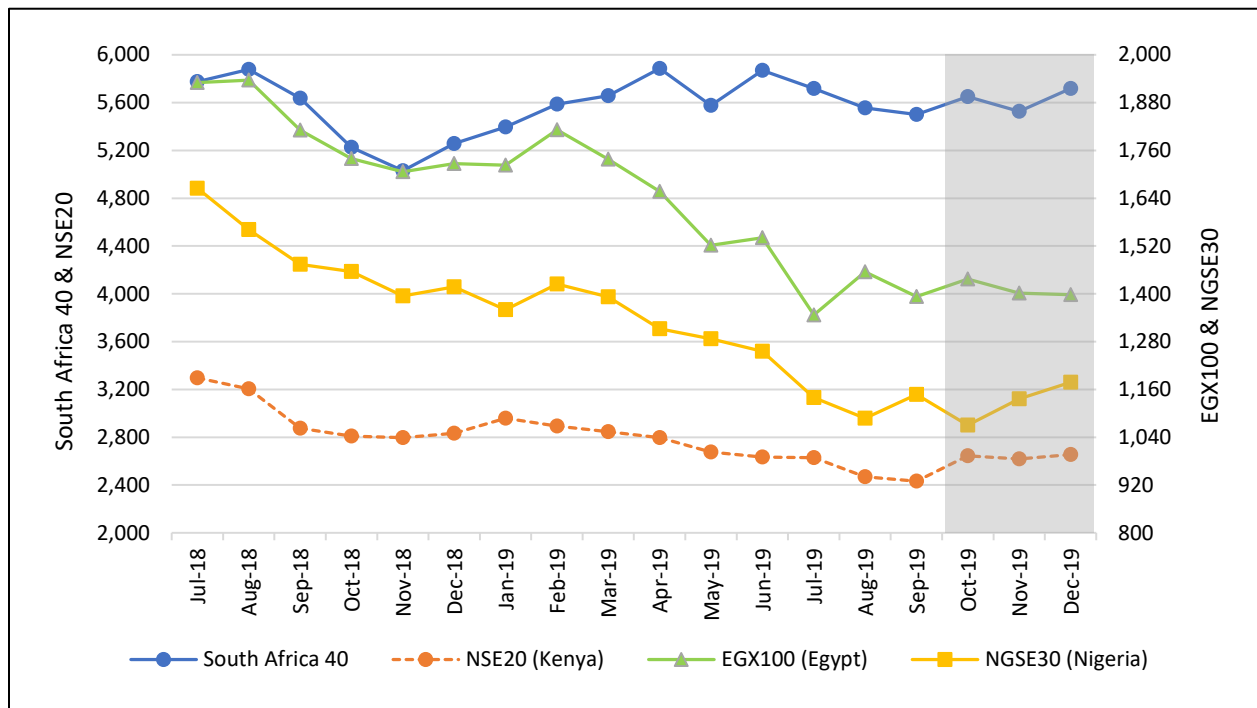
Data source: Country Stock Exchanges; <http://www.investing.com>

Figure 37(c): Asian stock markets



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

Figure 37(d): African stock markets



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

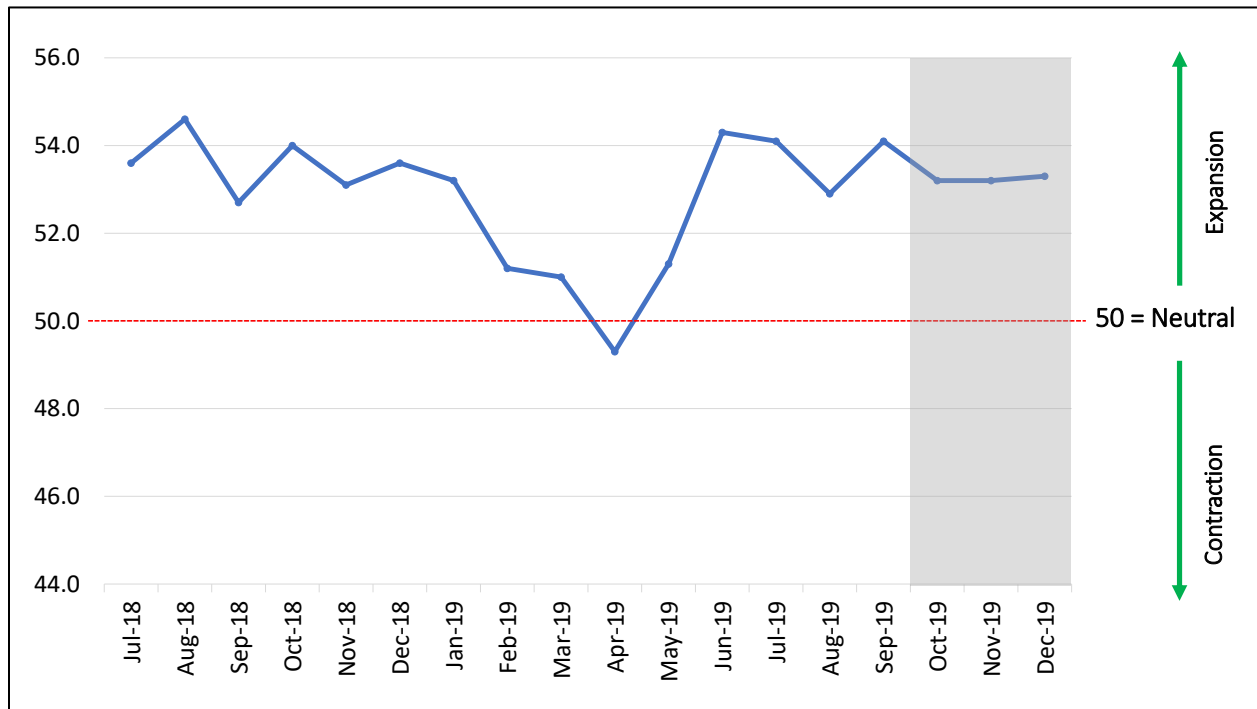
6. Risk-related Factors

Table 1: Sovereign credit ratings for select African economies (As at June 2019)

| Country | Credit Rating | | | |
|---|-------------------|---------|-------------------|-------------------|
| | Grade | Moody's | Fitch | S&P |
| Angola | B3 | | B (12/07/2019) | B- (11/08/2017) |
| Botswana | A2 | | | A- (15/02/2010) |
| Cameroon | | | B (26/02/2007) | B (07/06/2019) |
| Egypt | B2 | | B+ (21/03/2019) | B (11/05/2019) |
| Ethiopia | | | B (23/11/2018) | |
| Ghana | Not rated | | B (18/03/2019) | B (14/09/2019) |
| Kenya | B1 (January 2019) | | B+ (30/04/2019) | B+ (19/11/2010) |
| Morocco | Ba1 | | BBB- (11/04/2019) | BBB- (23/03/2010) |
| Mauritius | Baa1 | | | |
| Mozambique | Caa3 | | RD (10/05/2019) | SD (18/01/2017) |
| Namibia | Ba1 | | BB+ (13/08/2018) | |
| Rwanda | | | B+ (02/11/2018) | B (09/09/2016) |
| South Africa | Baa3 | | BB+ (06/12/2018) | BB (24/11/2017) |
| Uganda | | | B+ (28/06/2019) | B (17/01/2014) |
| | | | | |
| Grade | Moody's | Fitch | S&P | |
| Prime (<i>lowest level of credit risk</i>) | Aaa | AAA | AAA | |
| High grade (<i>very low credit risk</i>) | Aa1 | AA+ | AA+ | |
| | Aa2 | AA | AA | |
| | Aa3 | AA- | AA- | |
| Upper medium grade (<i>Low credit risk</i>) | A1 | A+ | A+ | |
| | A2 | A | A | |
| | A3 | A- | A- | |
| Lower medium grade (<i>Moderate credit risk</i>) | Baa1 | BBB+ | BBB+ | |
| | Baa2 | BBB | BBB | |
| | Baa3 | BBB- | BBB- | |
| Non-investment grade Speculative (<i>Substantial credit risk</i>) | Ba1 | BB+ | BB+ | |
| | Ba2 | BB | BB | |
| | Ba3 | BB- | BB- | |
| Highly speculative (<i>High credit risk</i>) | B1 | B+ | B+ | |
| | B2 | B | B | |
| | B3 | B- | B- | |
| Substantial risks (<i>Very high credit risk</i>) | Caa1 | CCC+ | CCC+ | |
| | Caa2 | CCC | CCC | |
| | Caa3 | CCC- | CCC- | |
| Extremely speculative | Ca | CC | CC | |
| | | C | | |

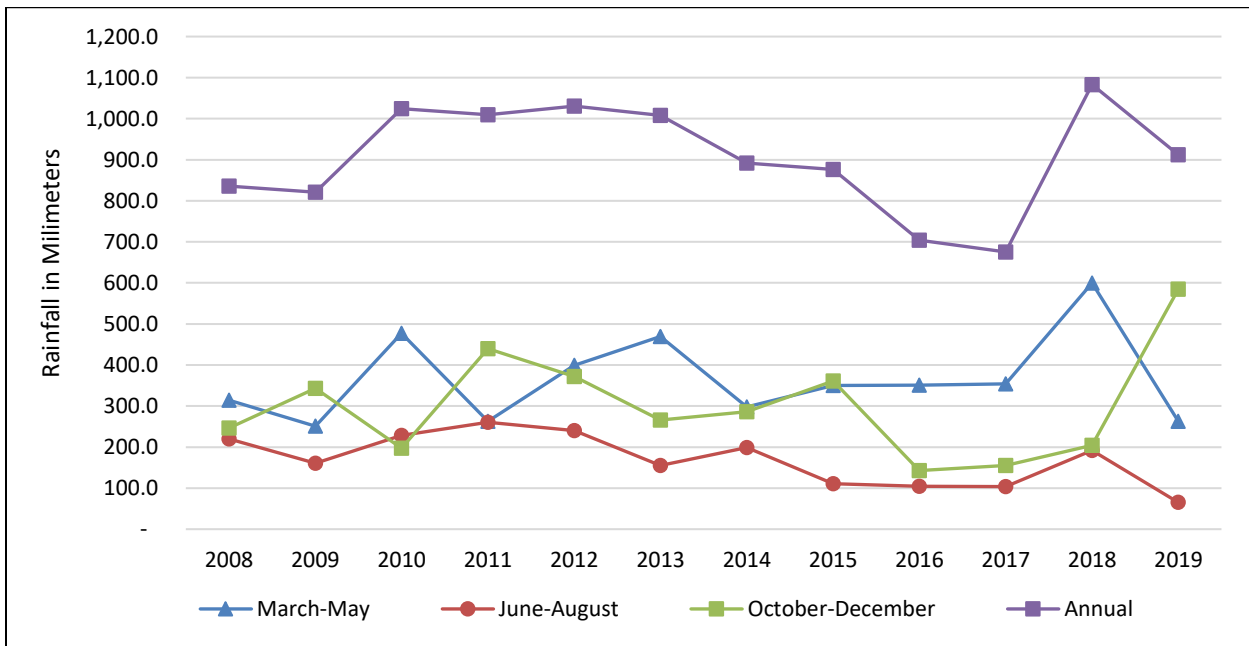
Data source: Standard & Poor's, Fitch, Moody's; <https://countryeconomics.com>

Figure 38: Kenya purchasing managers' index



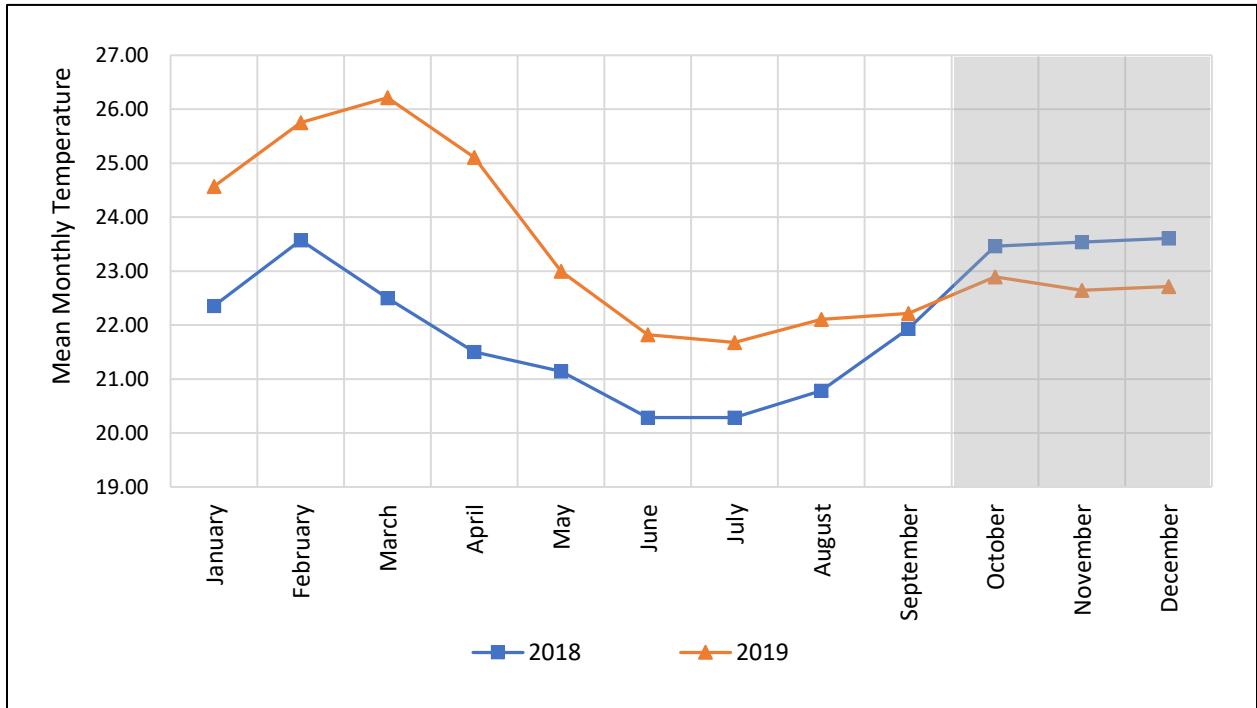
Data Source: Stanbic Bank (<https://www.stanbicbank.co.ke>); IHS-Markit (<https://ihsmarkit.com>)
 Key: 50.0 = Neutral; Above 50.0 = Expansion; Below 50.0 = Contraction

Figure 39: Mean annual and seasonal rainfall



Data Source: Kenya National Bureau of Statistics; Kenya Meteorological Department;
<https://www.worldweatheronline.com/>

Figure 40: Mean monthly temperature (Degrees Celsius)



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