



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

Thinking Policy Together

QUARTERLY MARKET ANALYSIS REPORT

APRIL – JUNE 2020

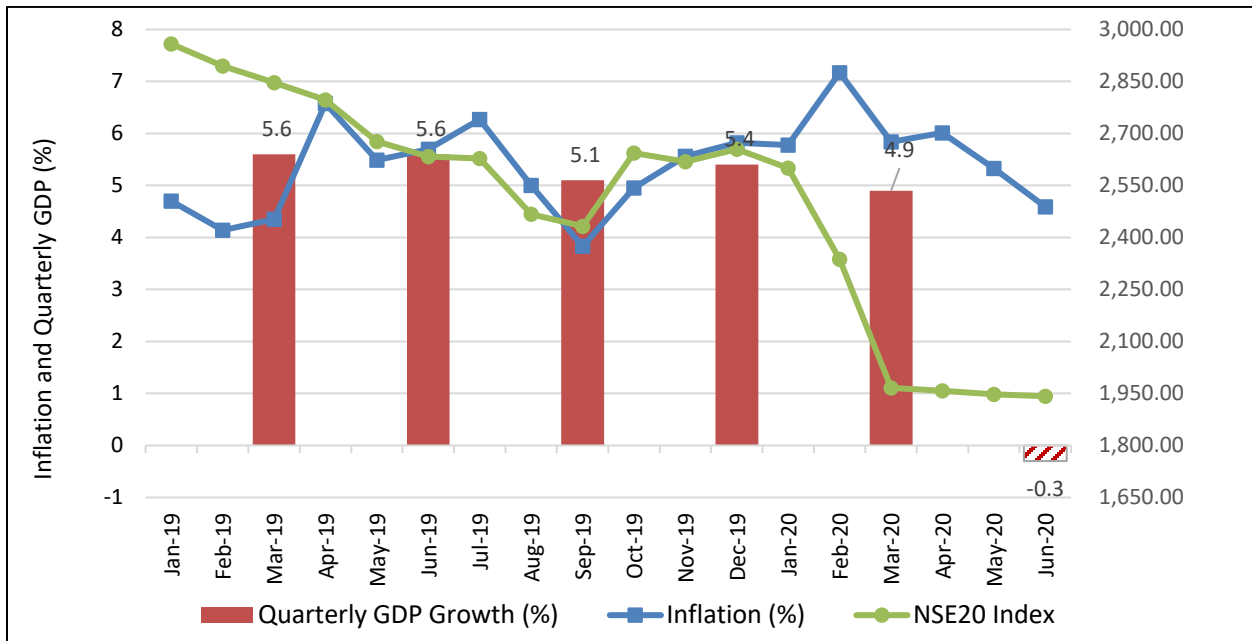
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1. Performance in the Real Sector

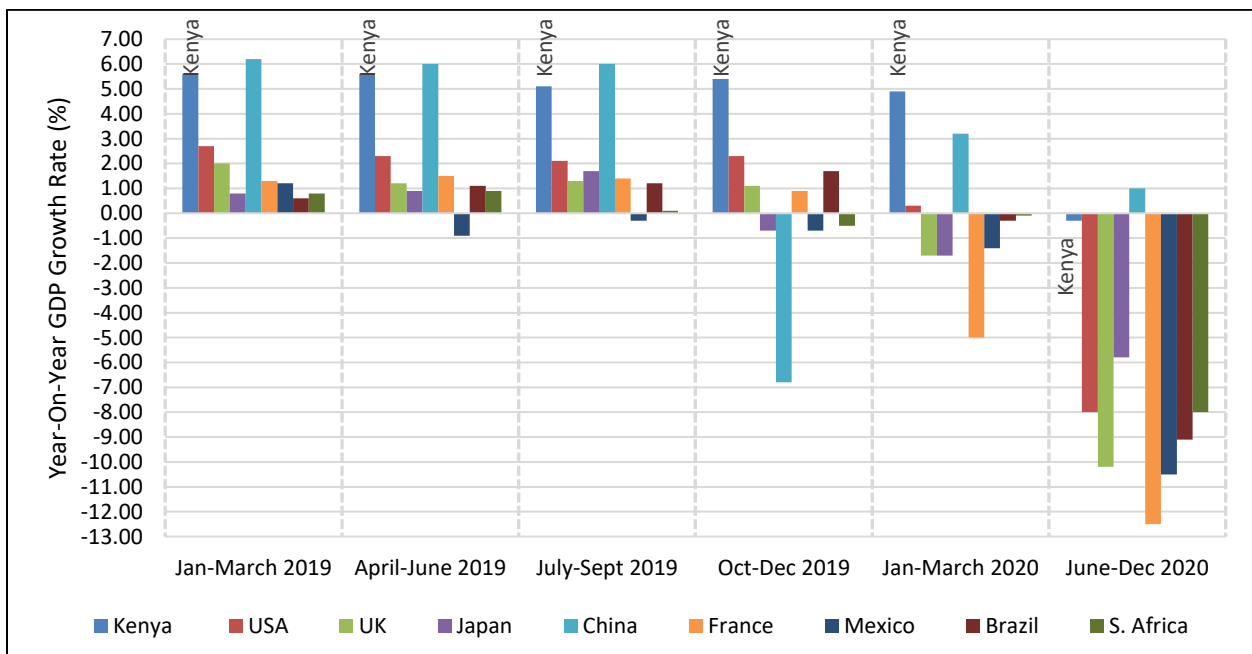
a) GDP Performance

Figure 1: GDP growth, inflation and stock market performance



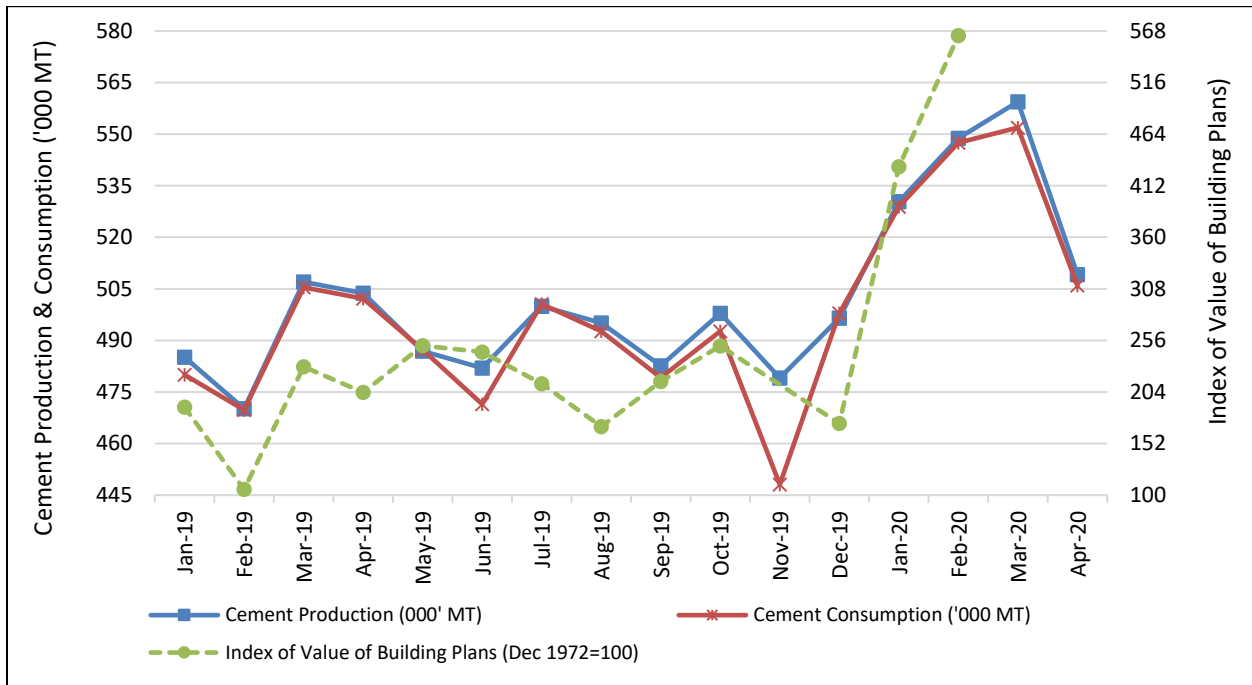
Data source: Central Bank of Kenya; Kenya National Bureau of Statistics; GDP figure for June 2020 from the World Economic Outlook, April 2020

Figure 2: Economic performance of selected advanced and emerging markets



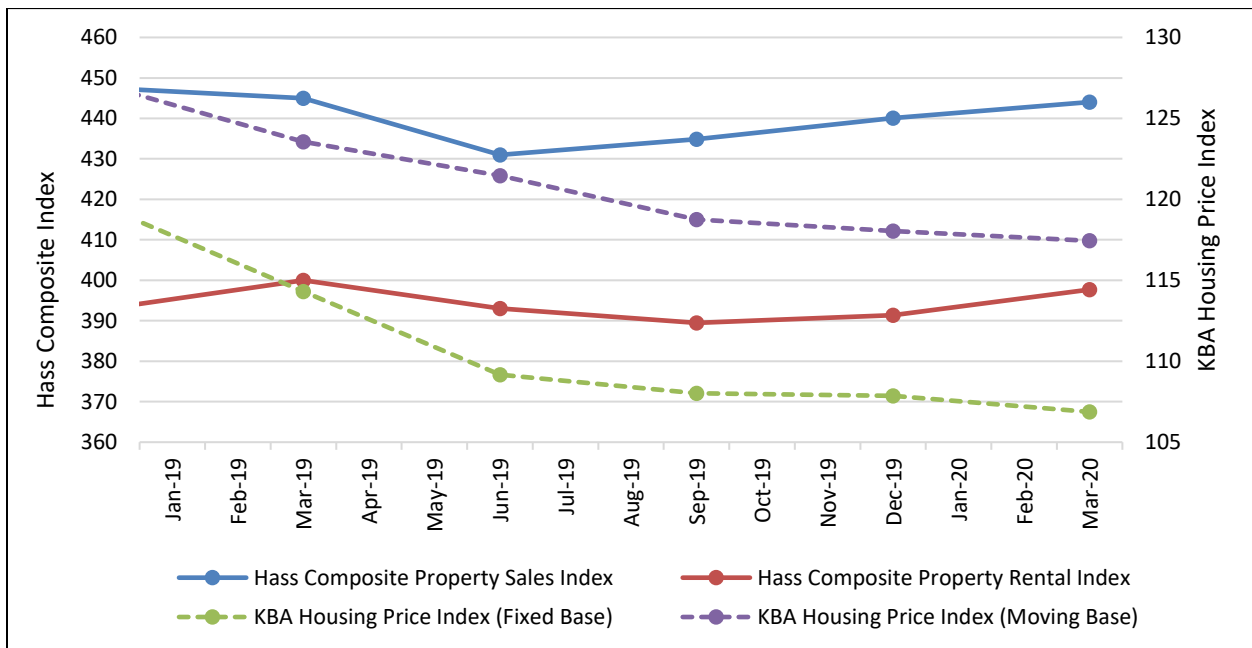
Data Source: Country statistical offices; <https://tradingeconomics.com/> Figures January-December 2020 from the World Economic Outlook, June 2020

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



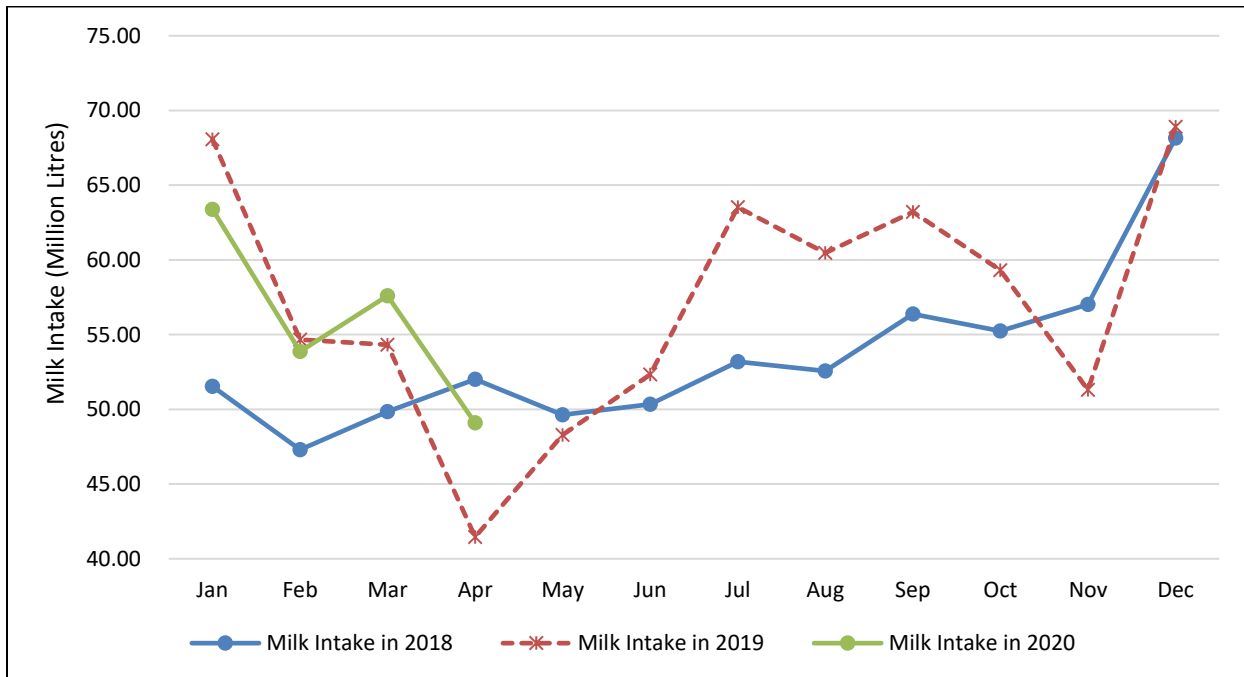
Data source: Kenya National Bureau of Statistics

Figure 4: Kenya Housing and Property Indices



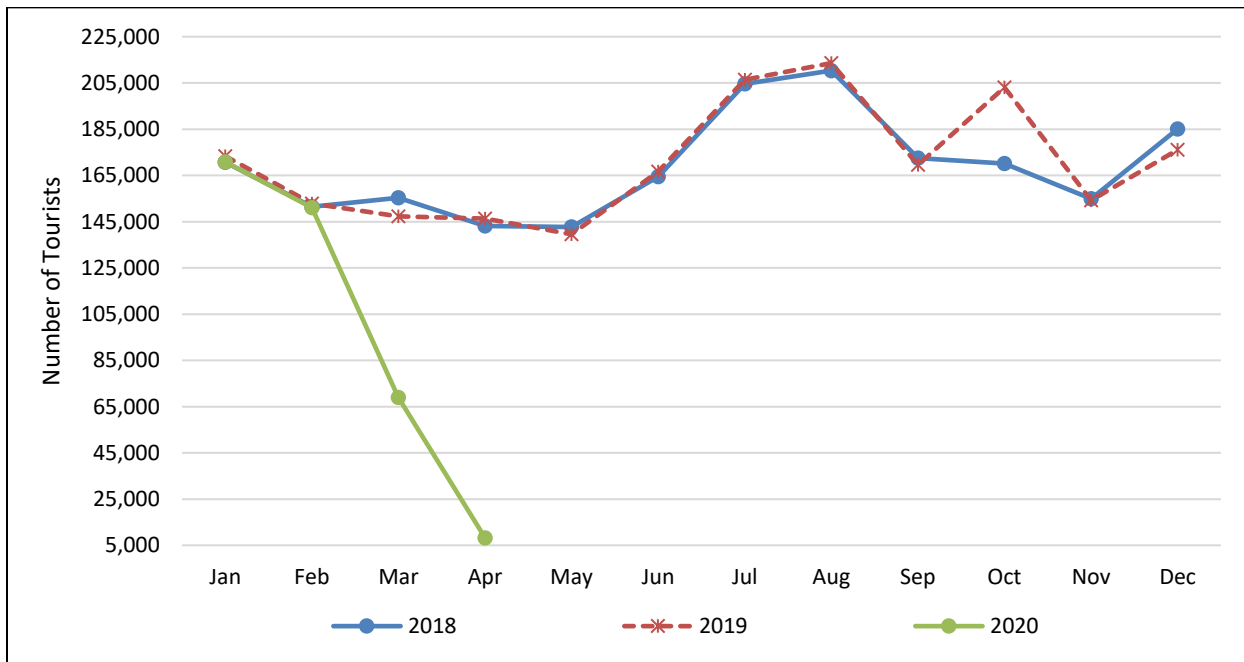
Hass Composite Property Sales Index: Year 2000 = 100; KBA Housing Price Index (fixed base): Q1 – 2013 = 100.
 Data Source: Hass Property Index (<http://hassconsult.co.ke/real-estate/hass-index/>)
 Kenya Bankers Association (https://www.kba.co.ke/house_price.php)

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)

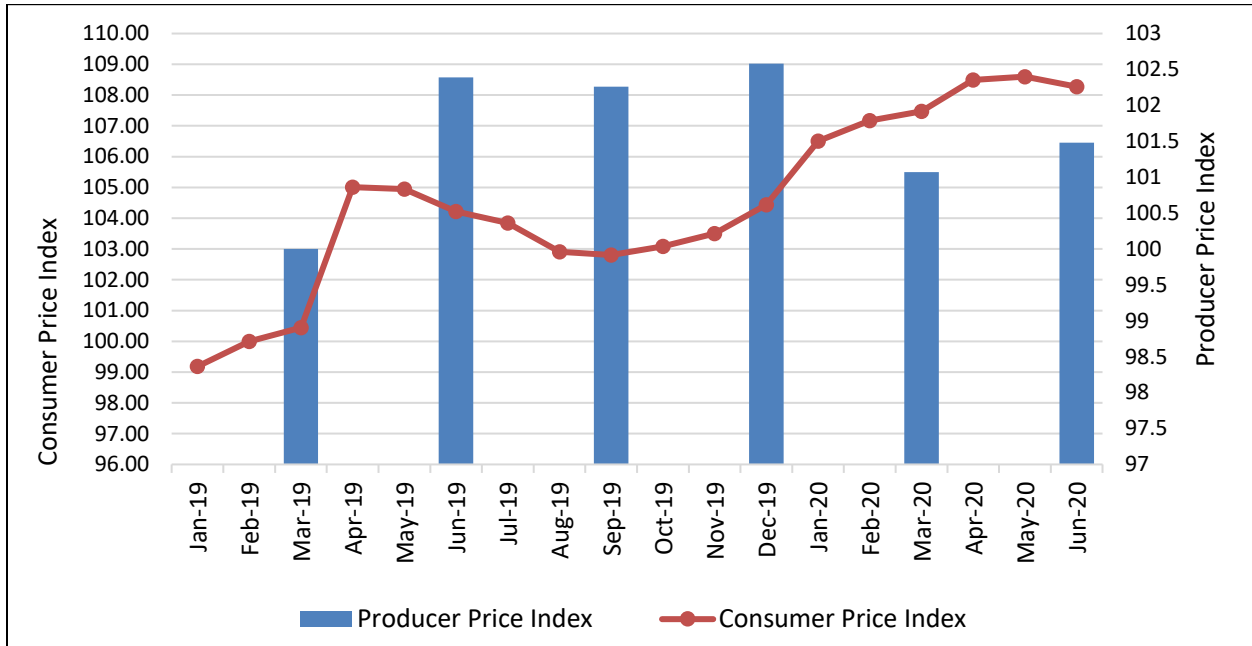


Data source: Kenya National Bureau of Statistics; Kenya Tourism Research Institute; Central Bank of Kenya.

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

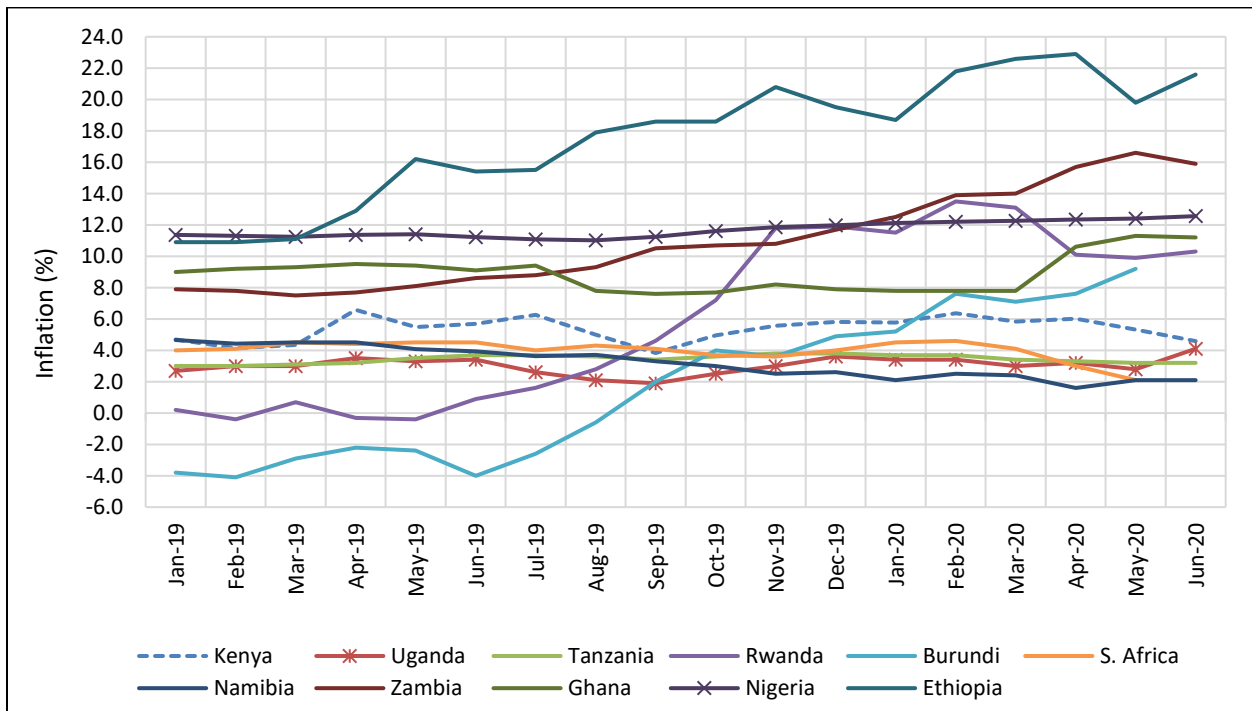
b) Price movement

Figure 7: Consumer Price Index and Producer Price Index



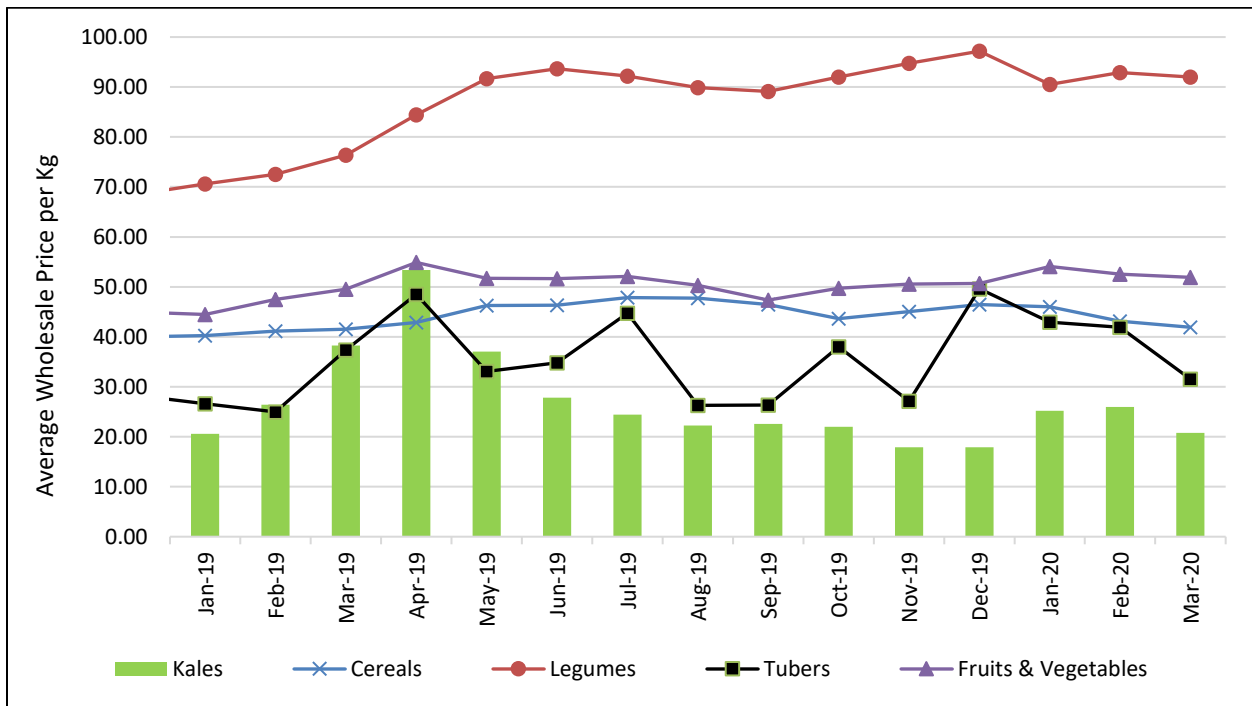
Data source: Kenya National Bureau of Statistics
 CPI base year: February 2019 = 100; PPI base year: March 2019 = 100

Figure 8: Comparative Inflation for selected Countries in Africa



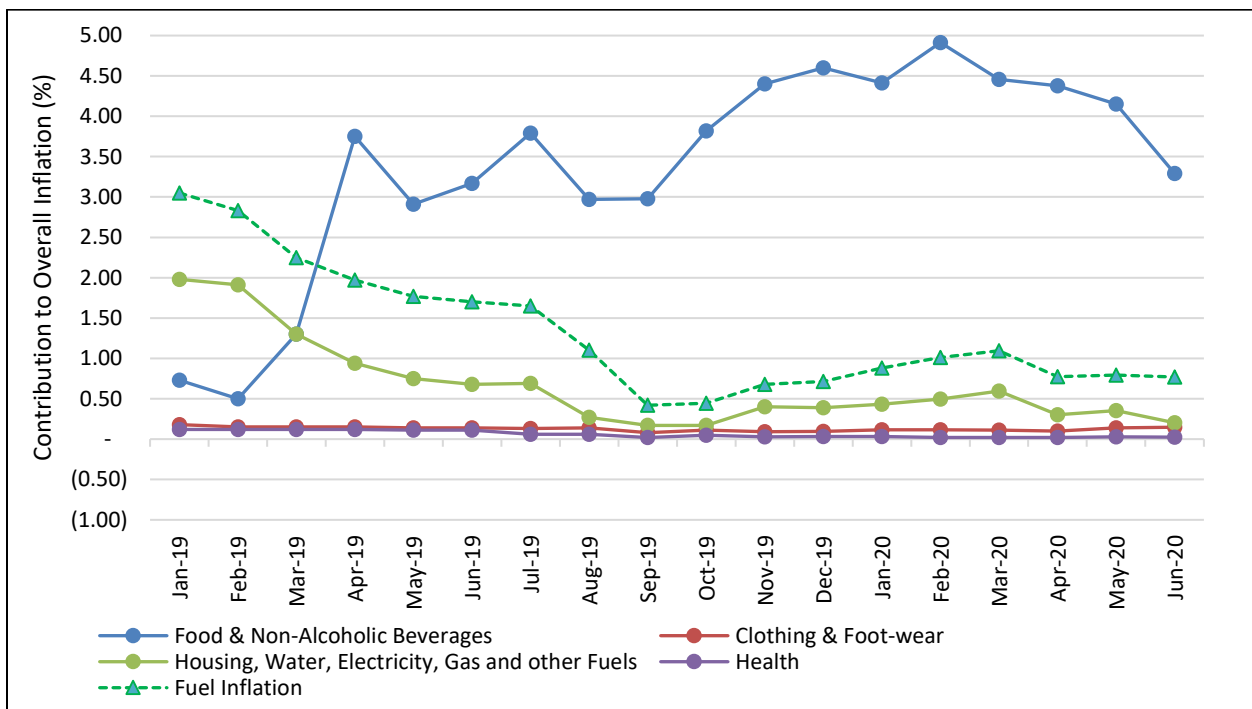
Data Source: Country statistical offices

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



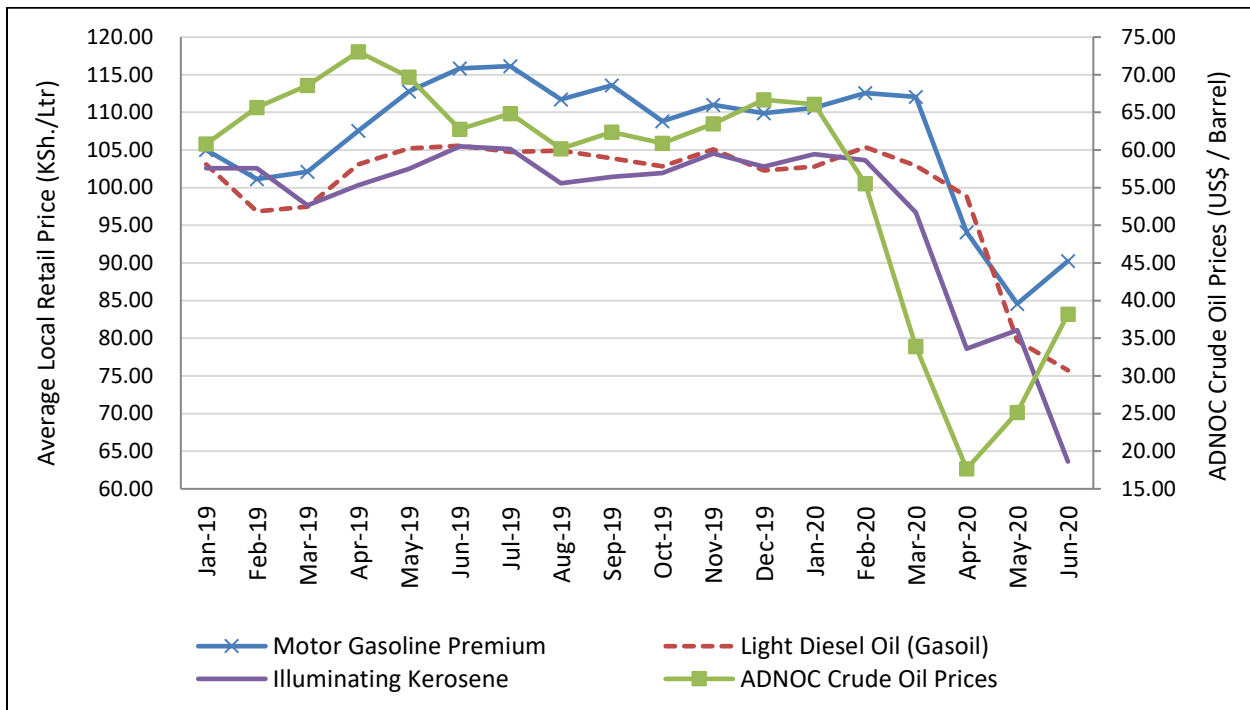
Data source: Calculated by KIPPRA using data from Ministry of Agriculture

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



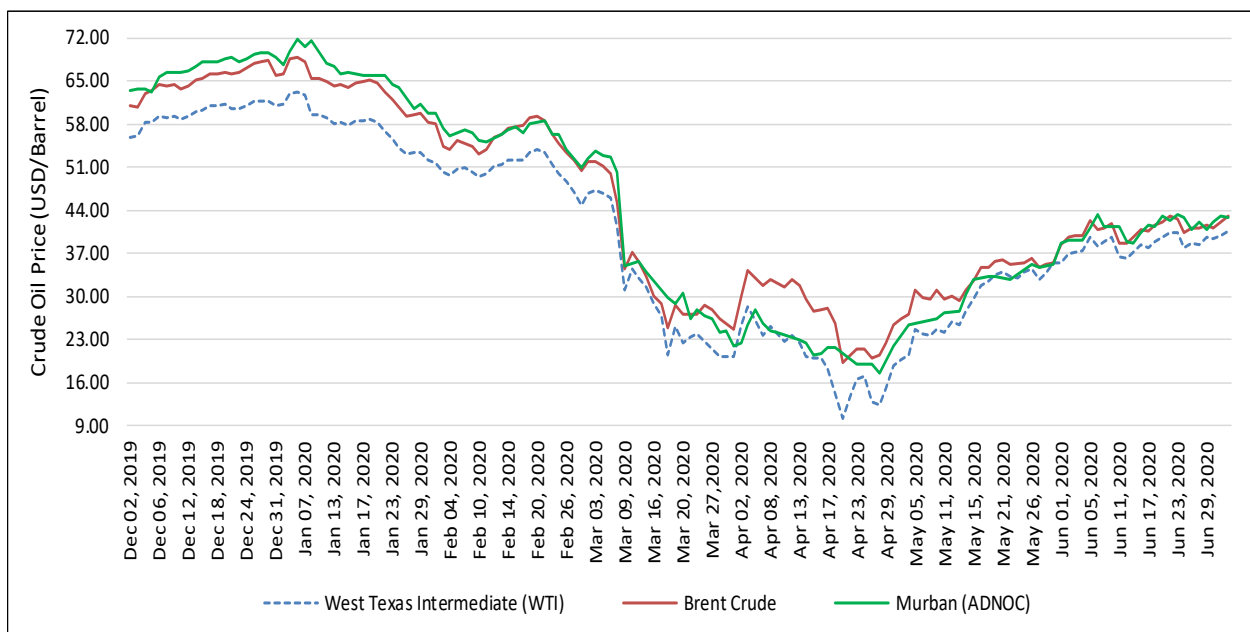
Data Source: Kenya National Bureau of Statistics and the Central Bank of Kenya

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: Global crude oil prices, December 2019 – June 2020

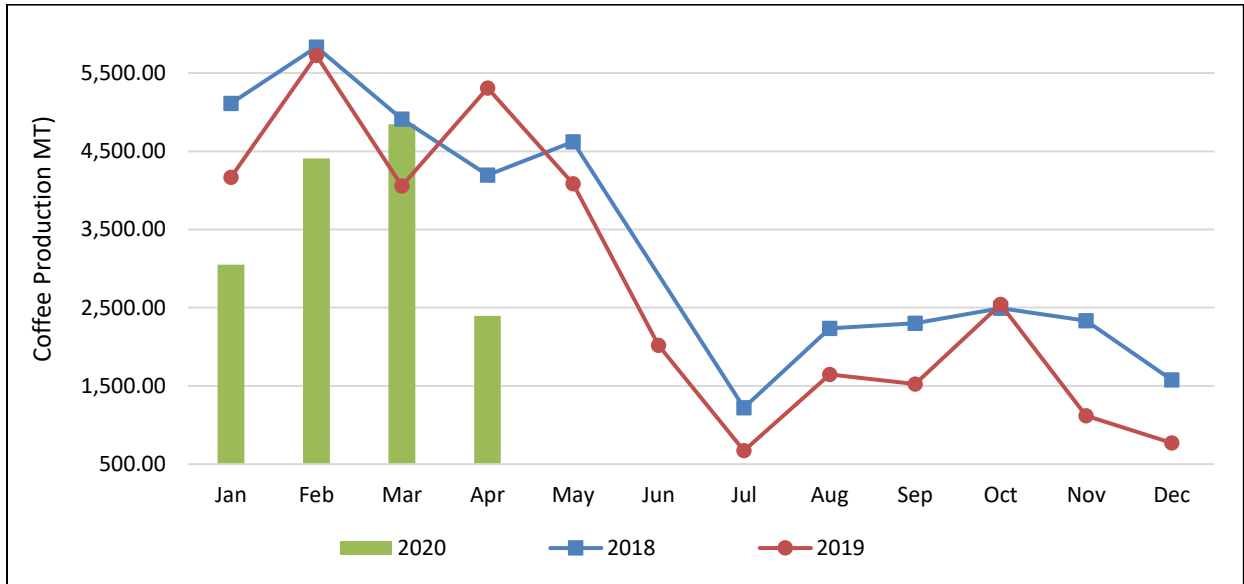


Data Source: <https://oilprice.com/oil-price-charts/block/50>

2. International Markets

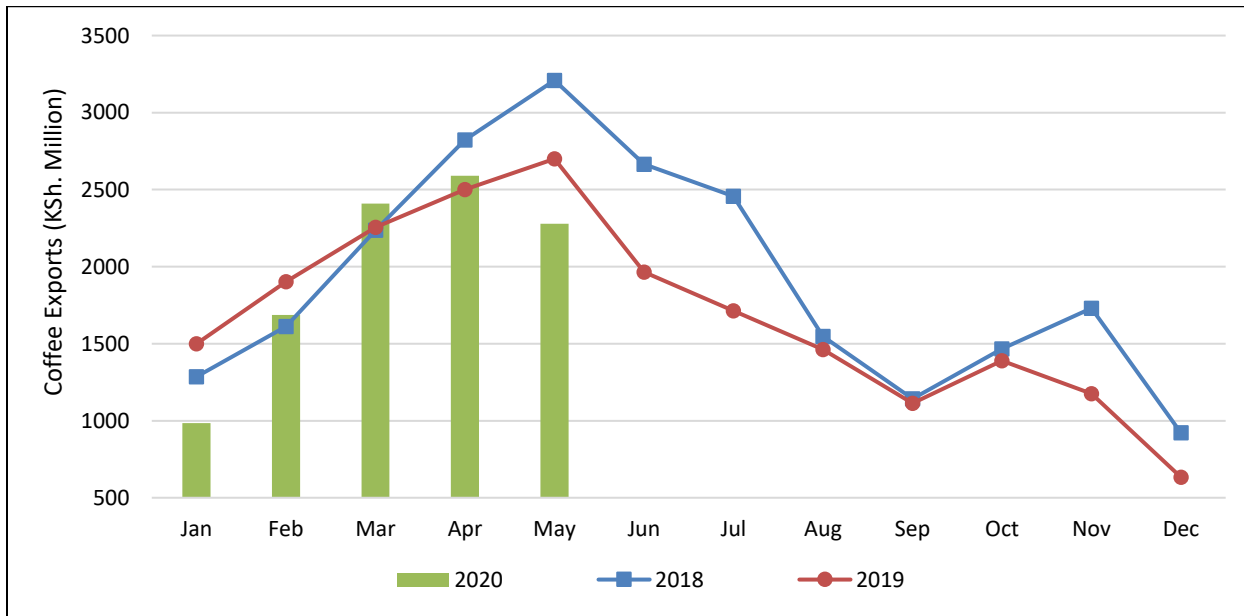
Figure 13: Trends in coffee and tea production (MT), exports (Ksh millions) and auction prices (KSh/Kg)

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



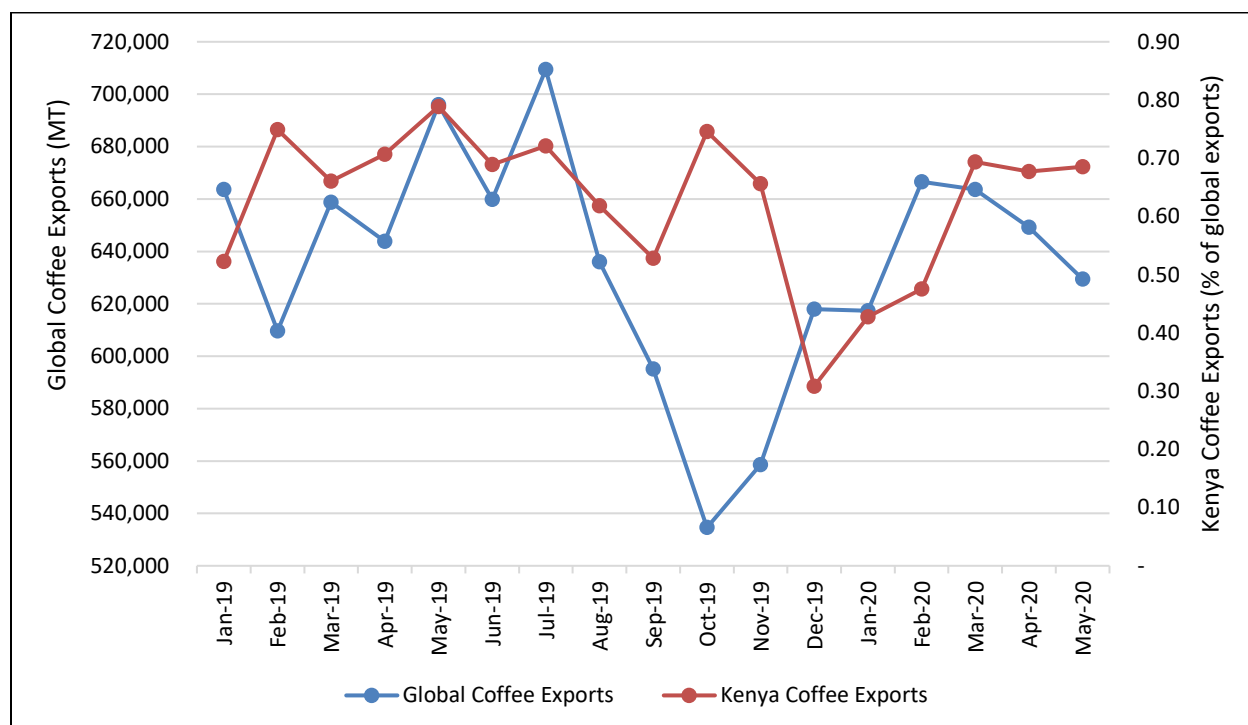
Data source: Kenya National Bureau of Statistics; Nairobi Coffee Exchange (<http://nairobicoffeexchange.co.ke/>);

Figure 13(b): Monthly coffee exports (KSh. Million)



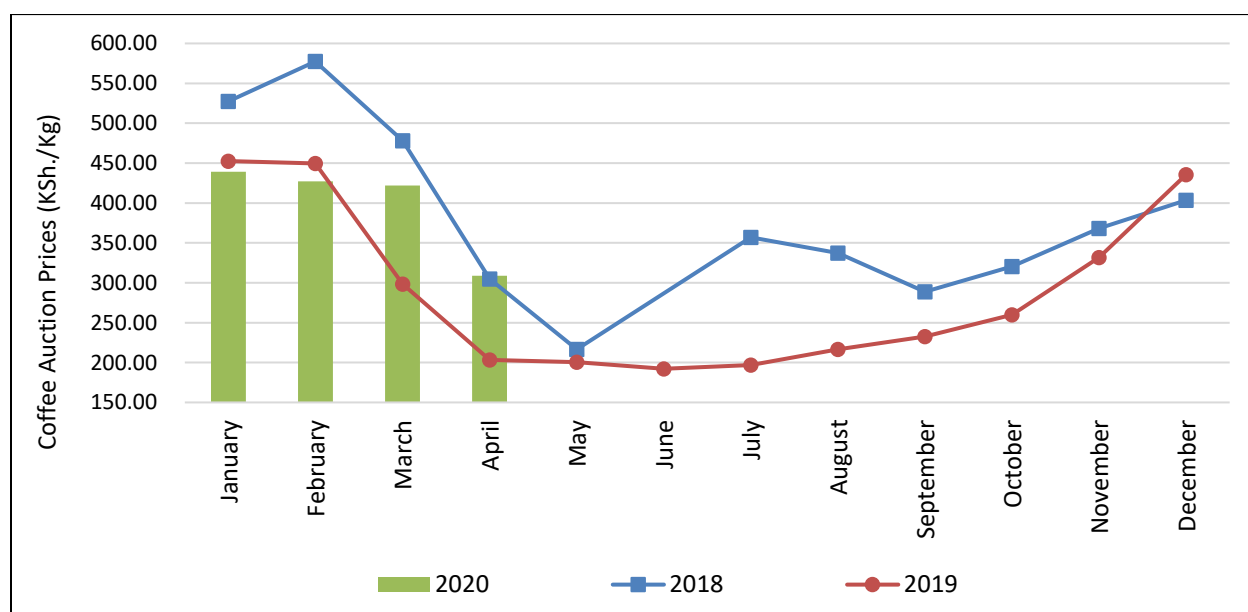
Data source: Kenya National Bureau of Statistics; Nairobi Coffee Exchange (<http://nairobicoffeexchange.co.ke/>); Figures for January and February 2020 are provisional.

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



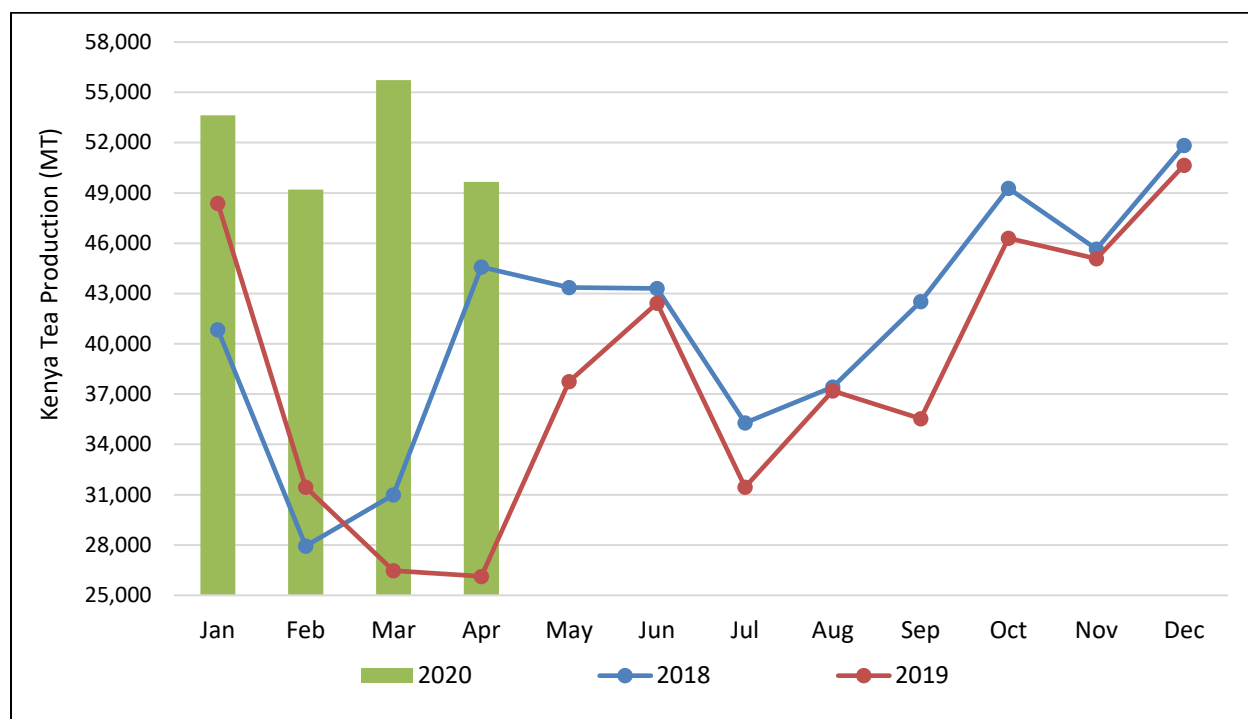
Data source: Kenya National Bureau of Statistics; Nairobi Coffee Exchange (<http://nairobicoffeexchange.co.ke/>); International Coffee Organization (http://www.ico.org/coffee_prices.asp)

Figure 13(d): Monthly Kenya coffee auction prices (KSh/Kg)



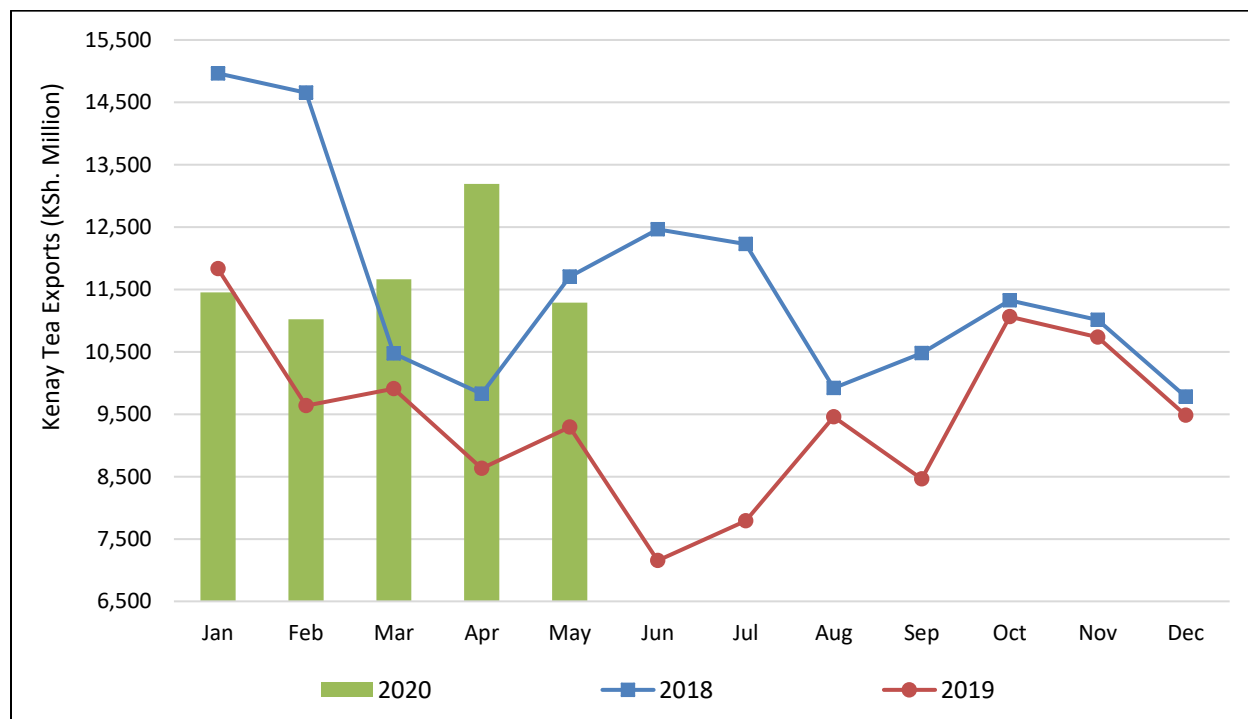
Data source: Kenya National Bureau of Statistics; Nairobi Coffee Exchange (<http://nairobicoffeexchange.co.ke/>).

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



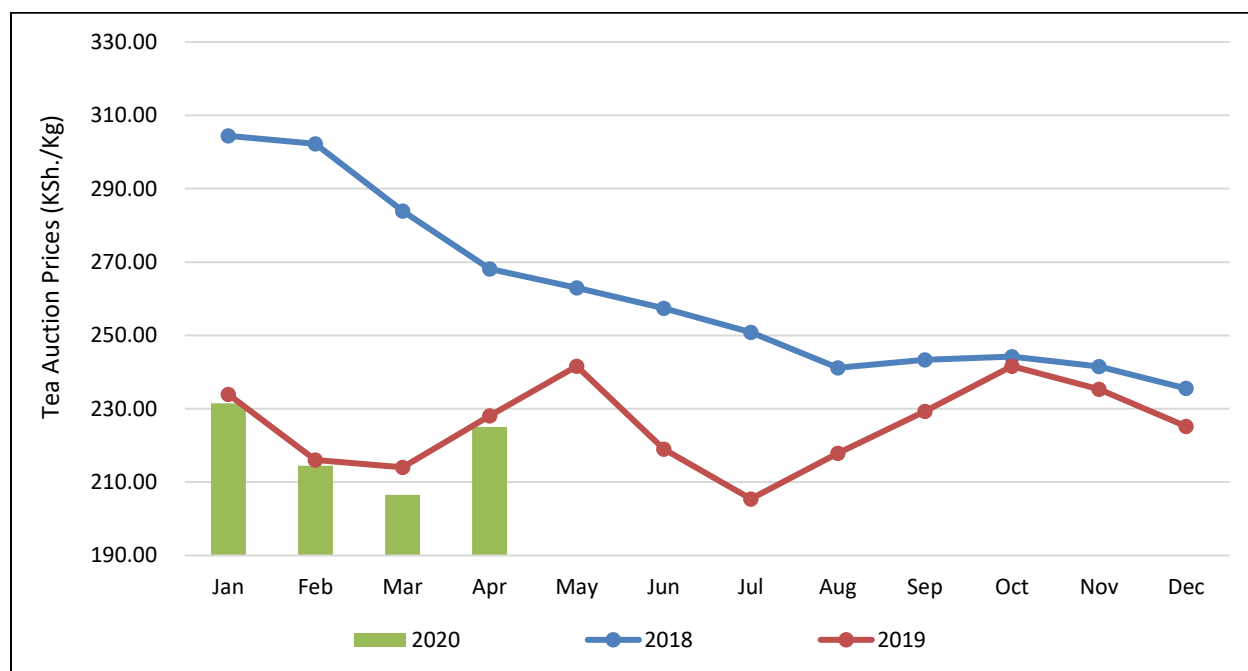
Data source: Kenya National Bureau of Statistics; East African Tea Trade Association

Figure 13(f): Monthly tea exports (KSh. Million)



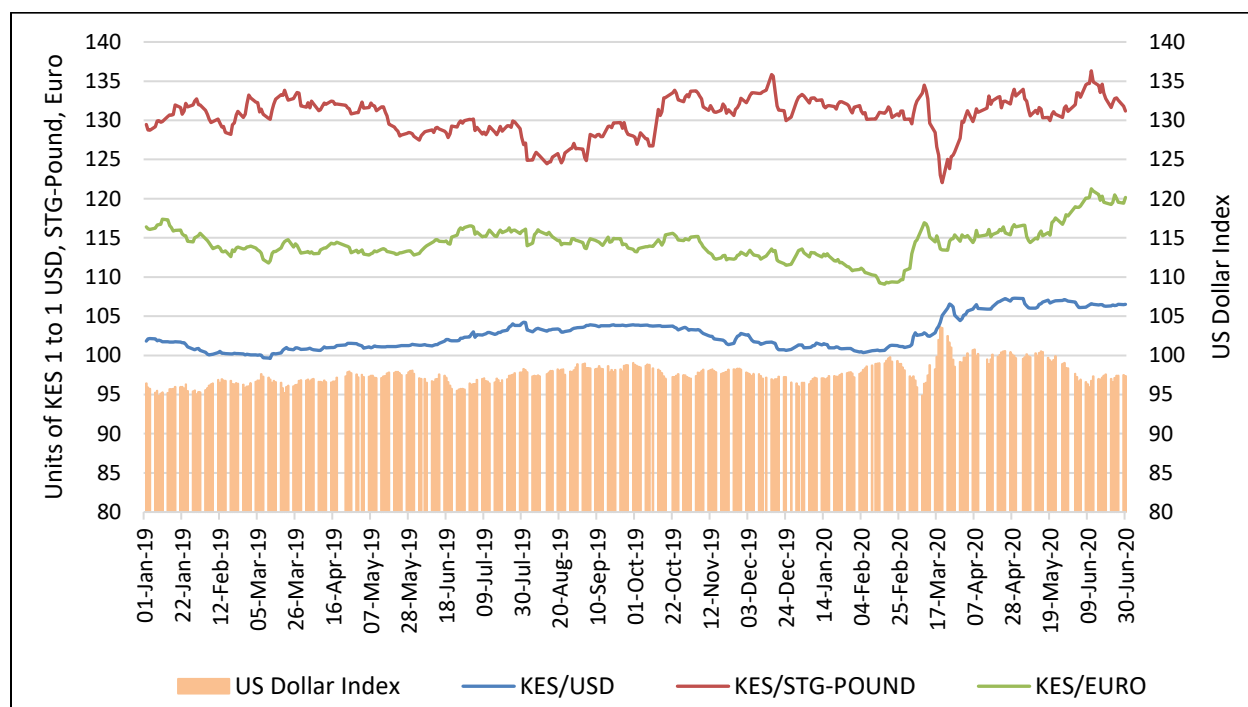
Data source: Kenya National Bureau of Statistics; East African Tea Trade Association

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



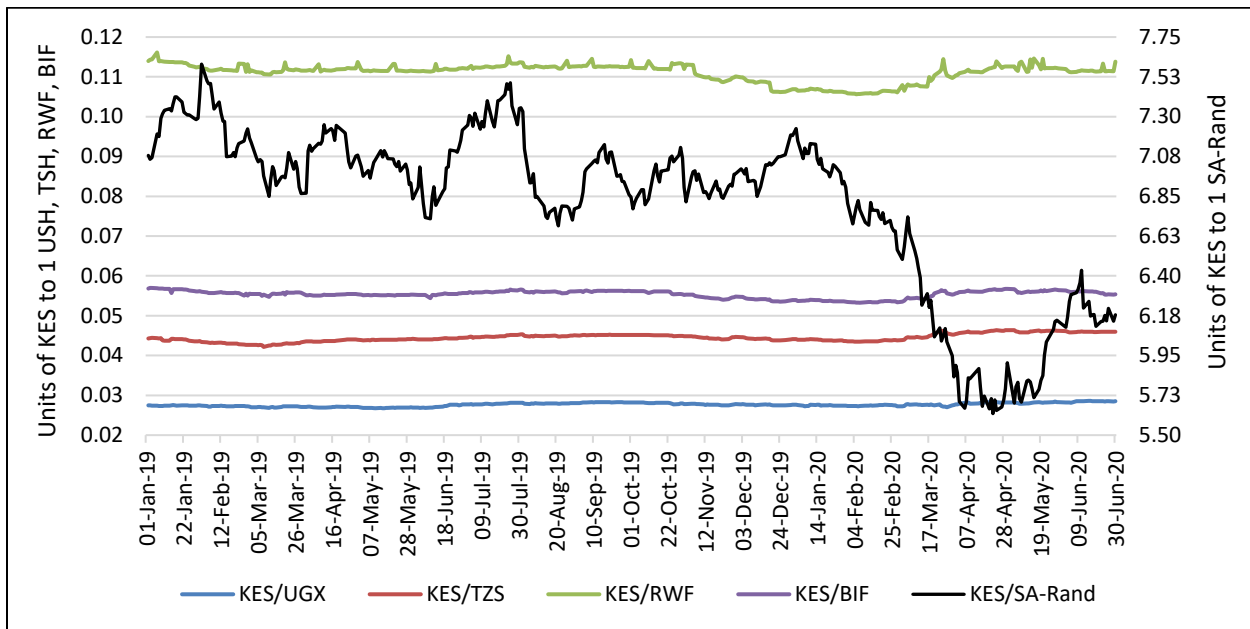
Data Source: KNBS; East Africa Tea Trade Association; Mombasa Tea Auction

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



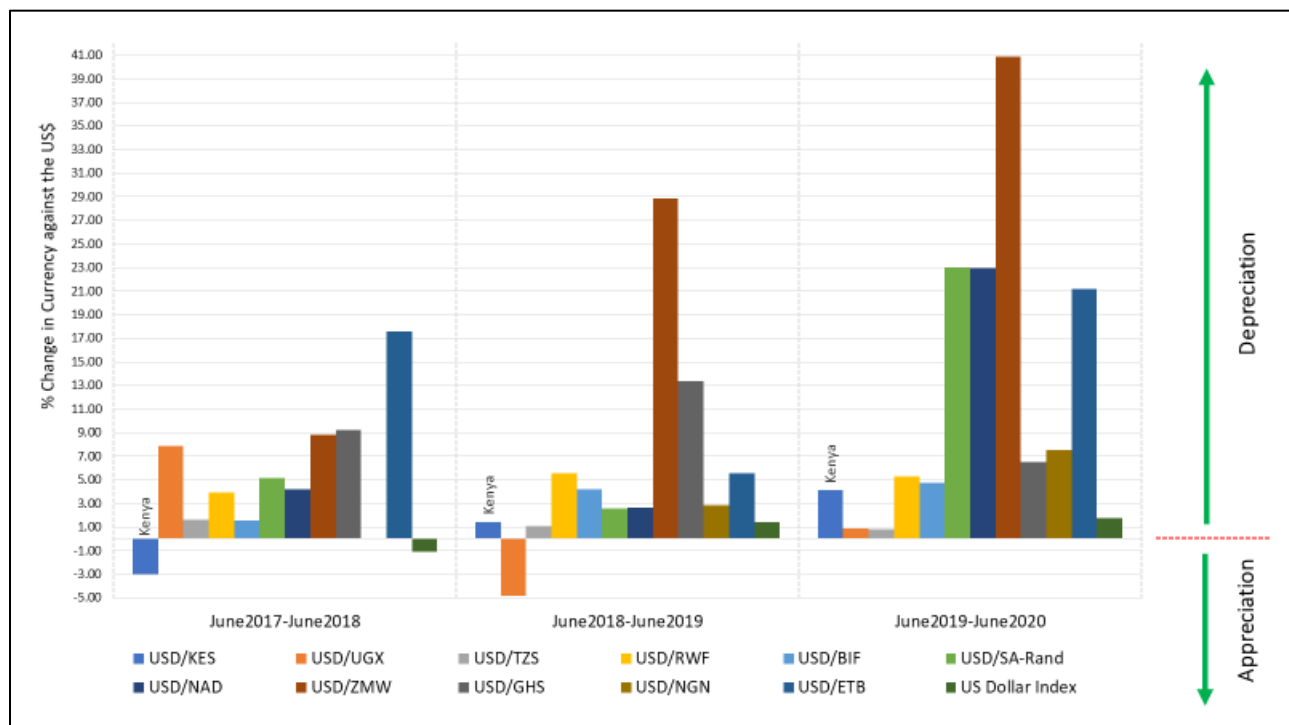
Data source: Central Bank of Kenya; Kenya National Bureau of Statistics;
<https://www.investing.com/quotes/us-dollar-index-historical-data>

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

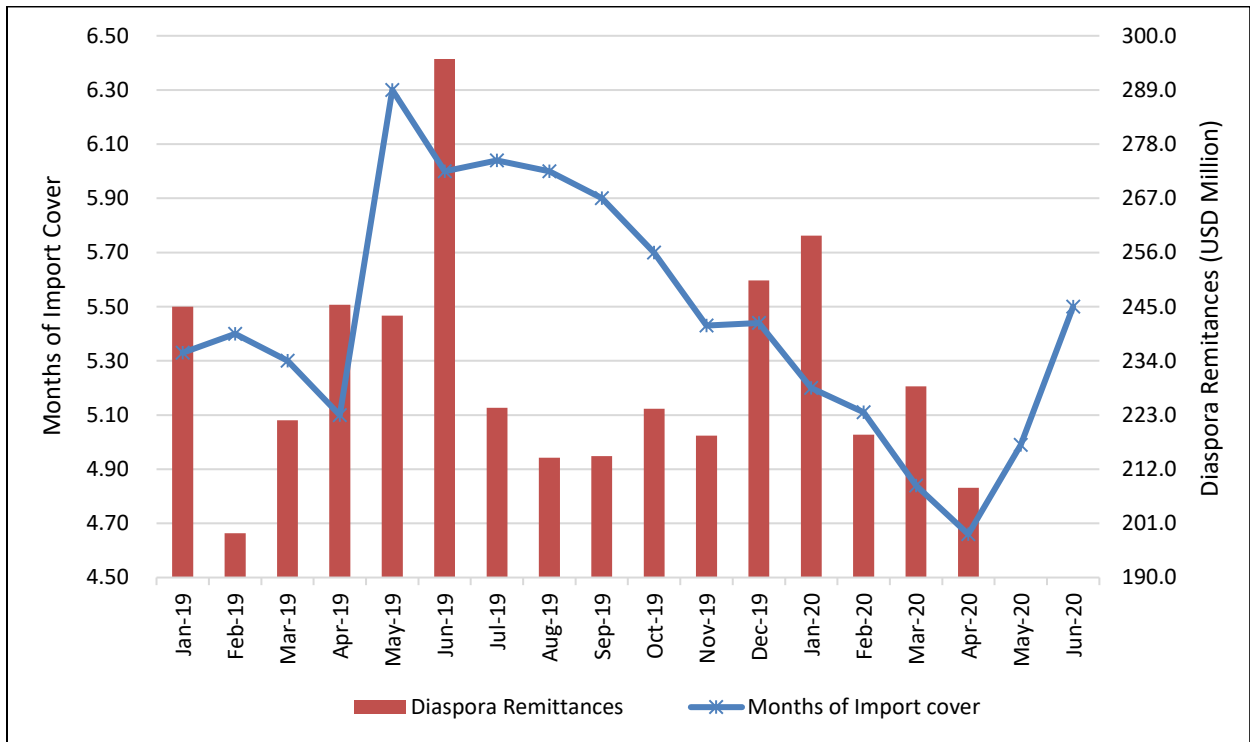


Data source: Country Statistics Offices; <https://www.investing.com>

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

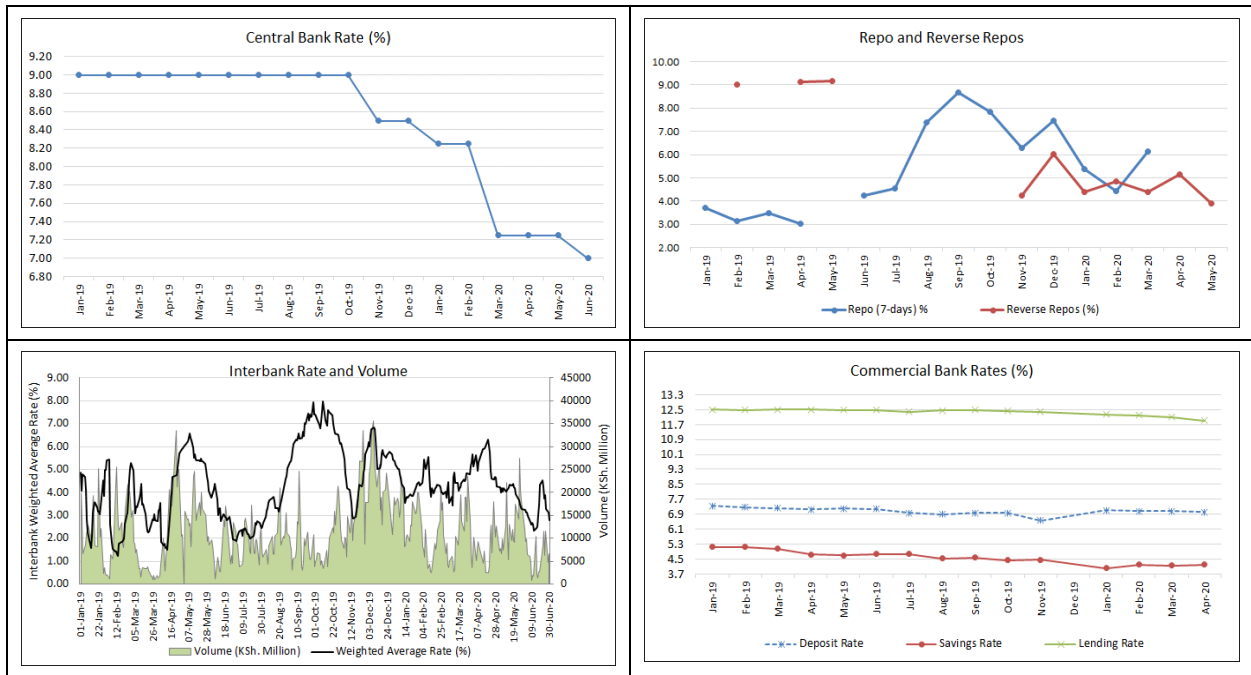
Figure 17: Months of import cover and diaspora remittances



Data Source: Central Bank of Kenya

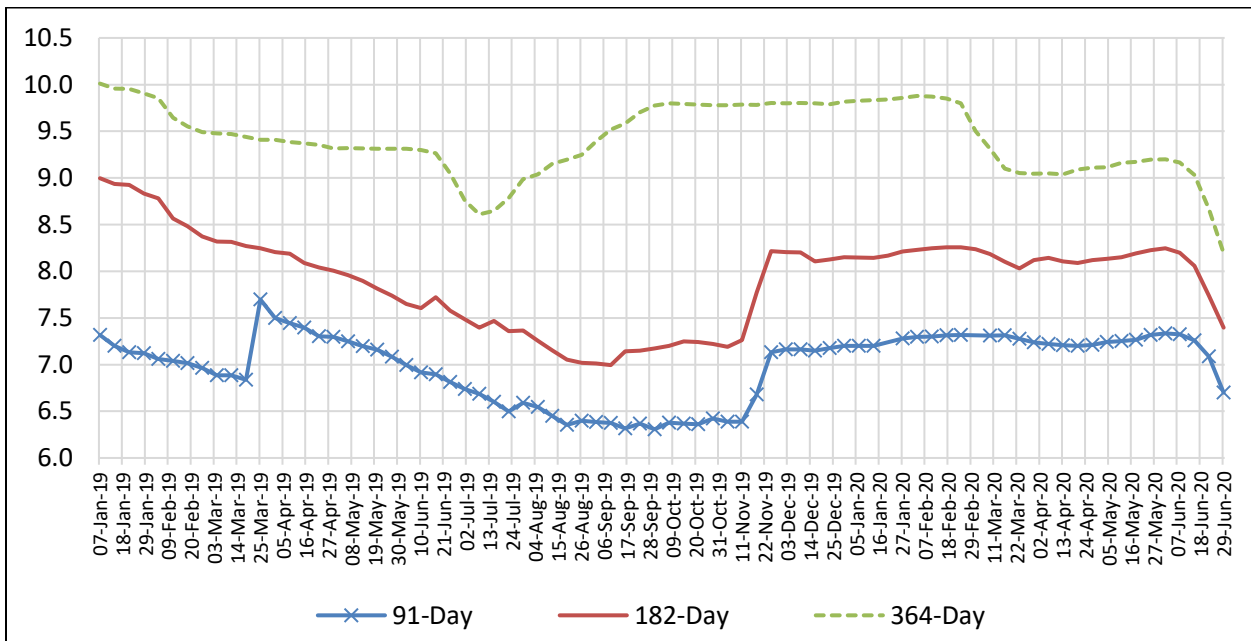
3. Money Market

Figure 18: Interbank rate and volume, Repo and interest rates



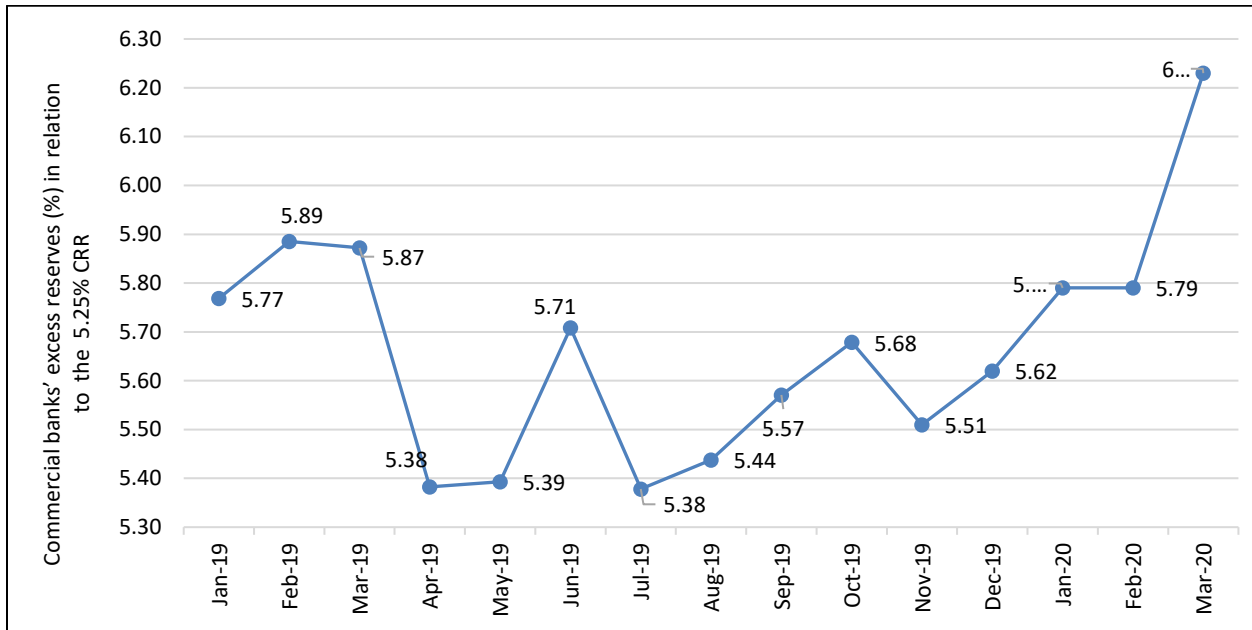
Data source: Central Bank of Kenya

Figure 19: Treasury bill weighted average rate (%)



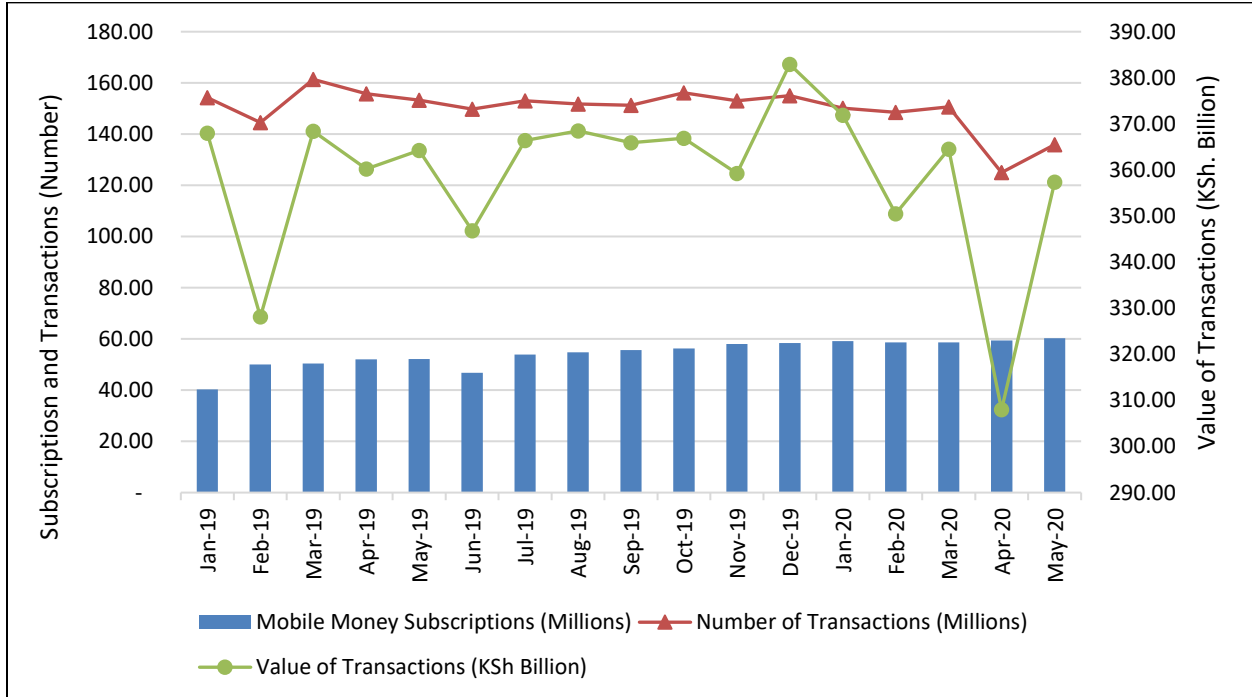
Data source: Central Bank of Kenya

Figure 20: Commercial banks' excess reserves (%) in relation to the 5.25% CRR



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

Figure 21: Mobile money transactions

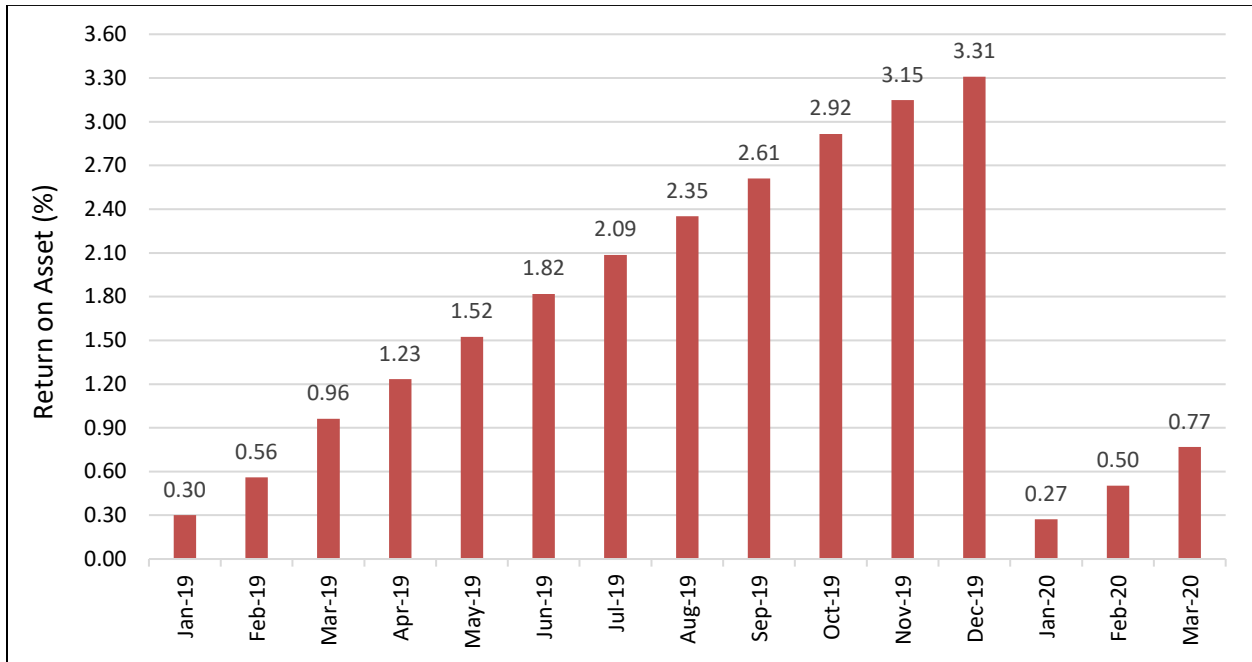


Data source: Kenya National Bureau of Statistics;

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>).

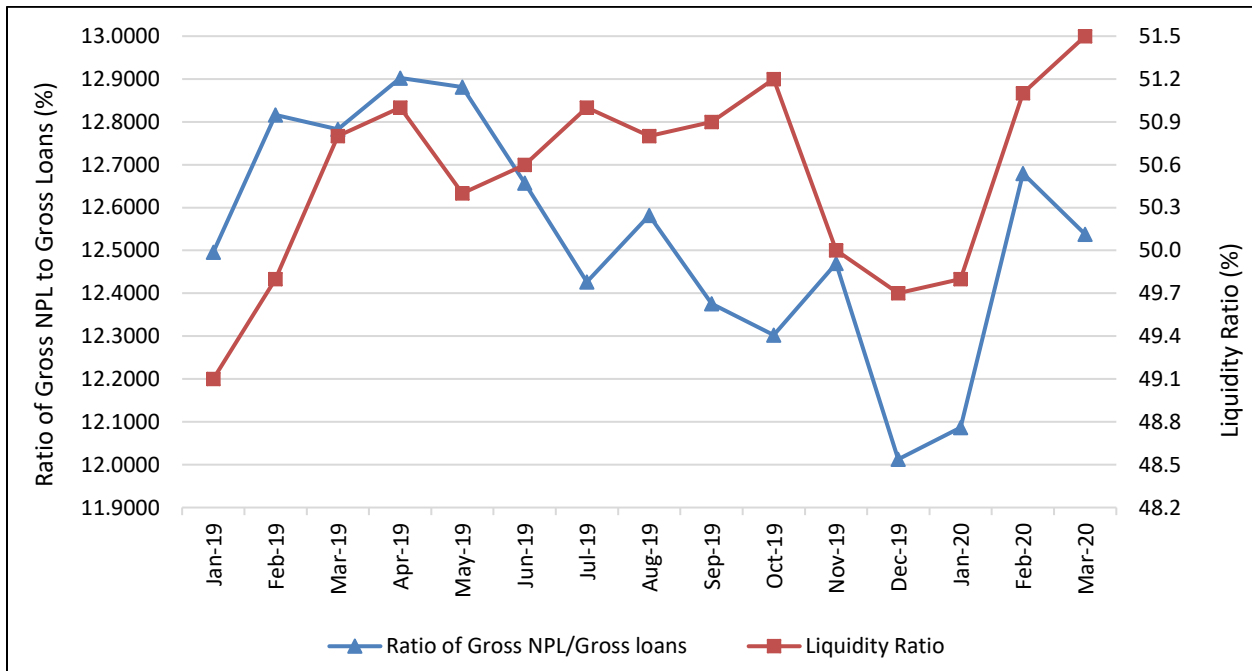
Figure 22: Kenyan banking sector performance

Figure 22 (a) Return on asset (%)



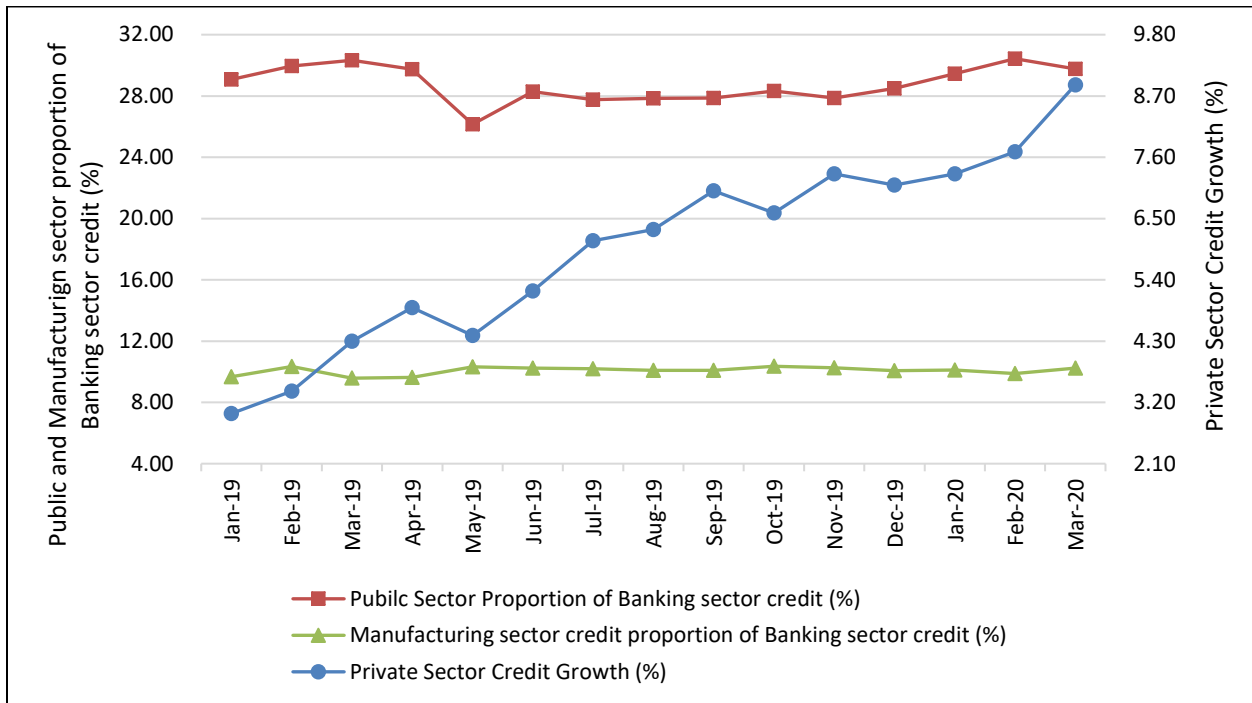
Data Source: Calculated using data from Central Bank of Kenya

Figure 22 (b) Liquidity ratio and ratio of gross NPL to gross loans, (%)



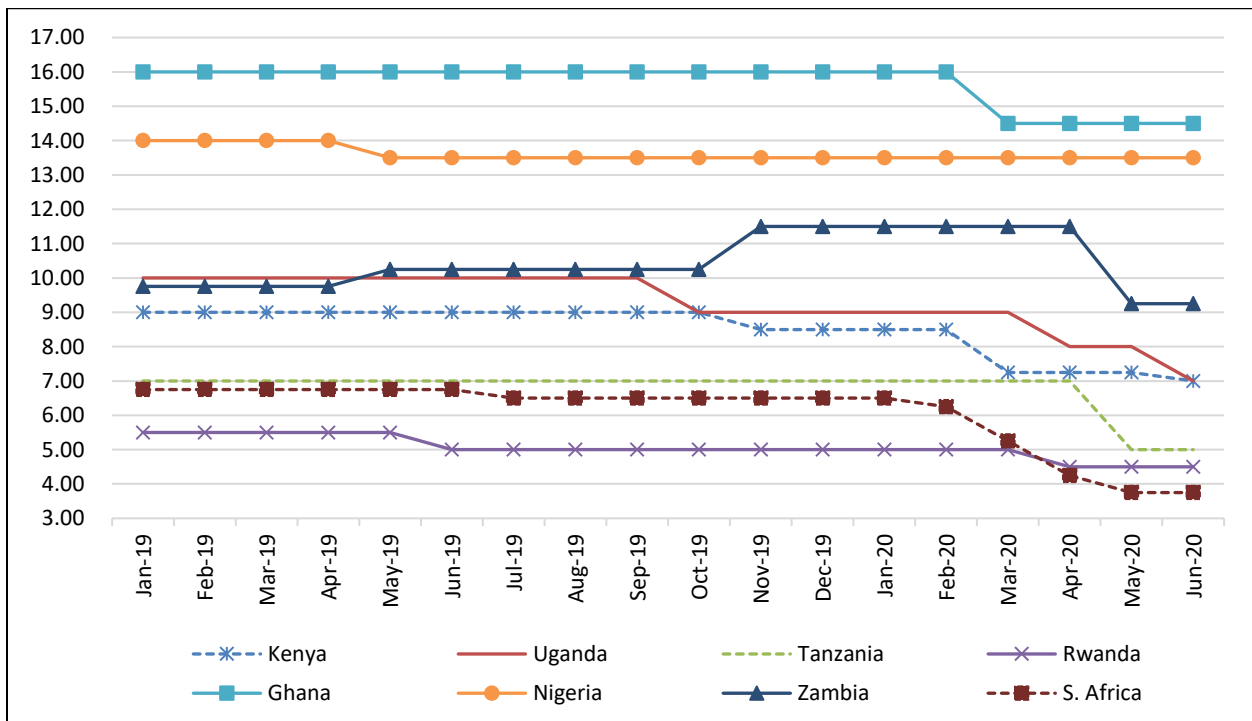
Data Source: Calculated using data from Central Bank of Kenya

Figure 23: Banking sector credit



Data Source: Central Bank of Kenya

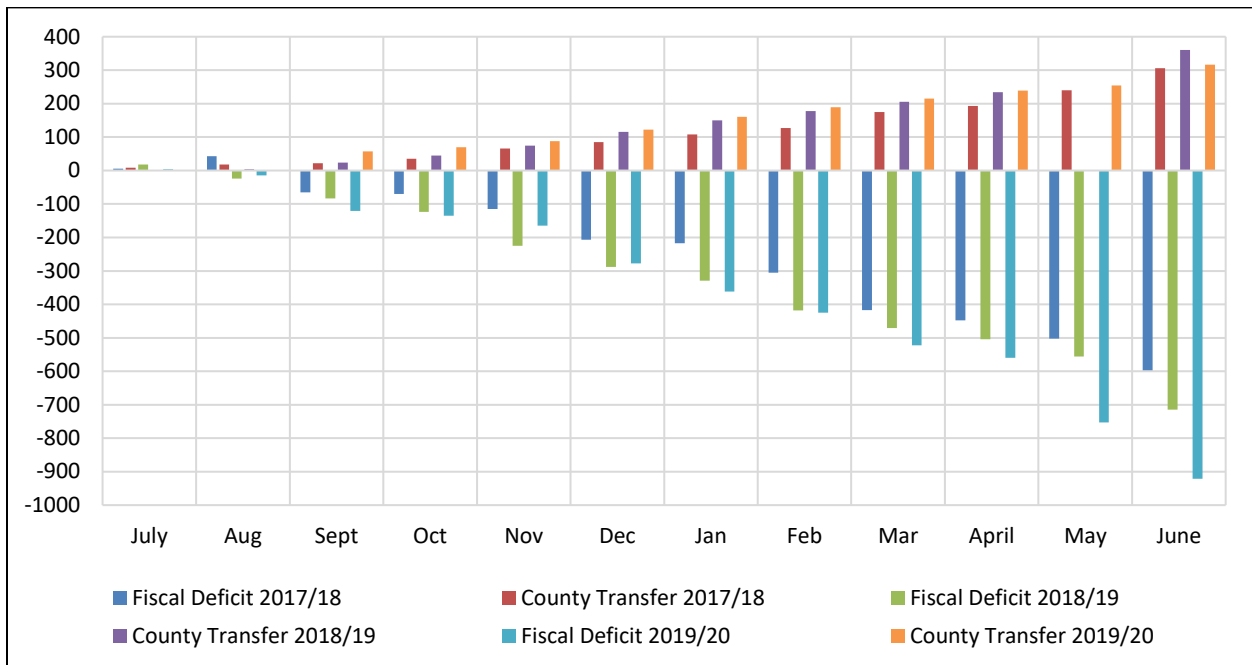
Figure 24: Monetary policy stance for selected countries in Africa



Source: Country Central Banks

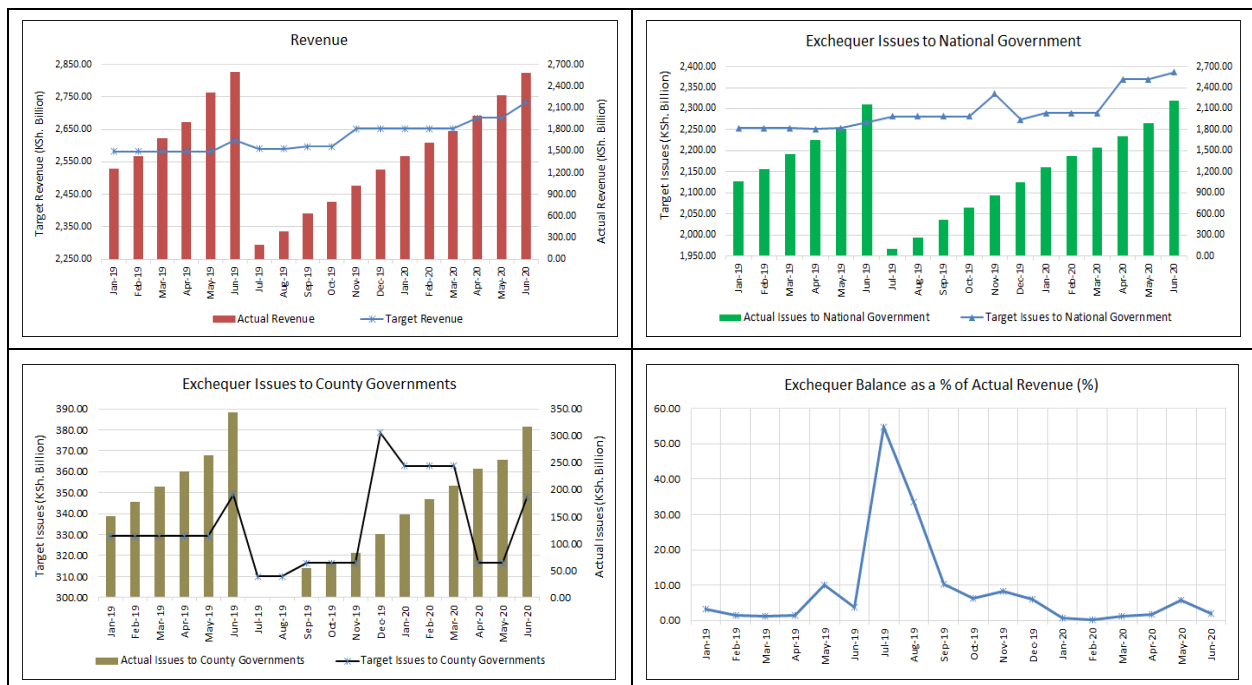
4. Fiscal Performance

Figure 25: Fiscal deficit and county transfers (KSh. Billion)



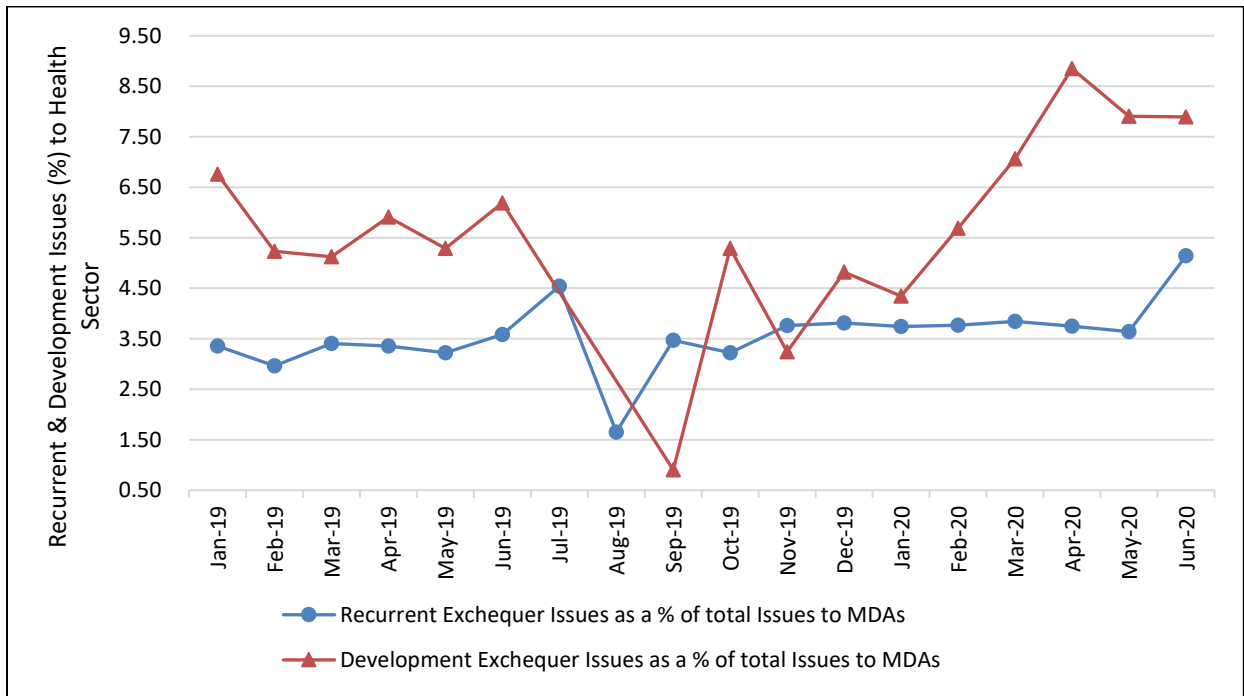
Data Source: Central Bank of Kenya; Figures for February and March 2020 are provisional

Figure 26: Monthly utilization of revenue against target



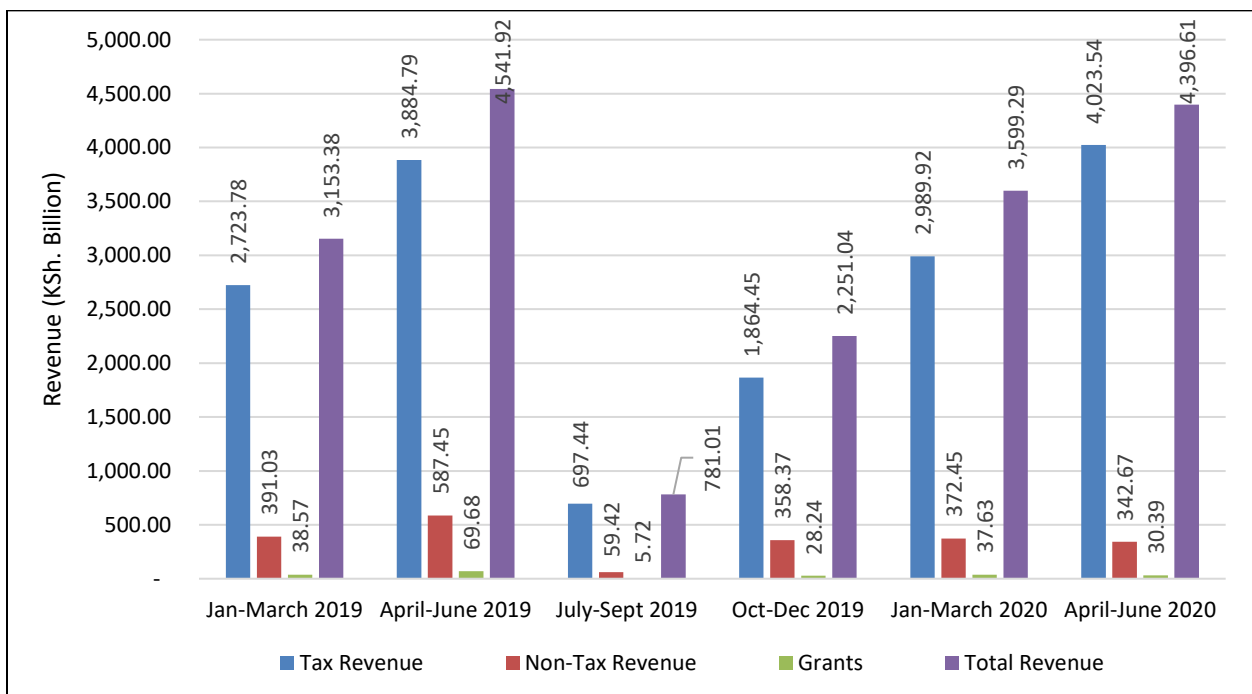
Data Source: Monthly Gazette Notices, The National Treasury and Planning

Figure 27: Exchequer allocation to Ministry of Health as a % of total Issues to Ministries, Agencies and Departments



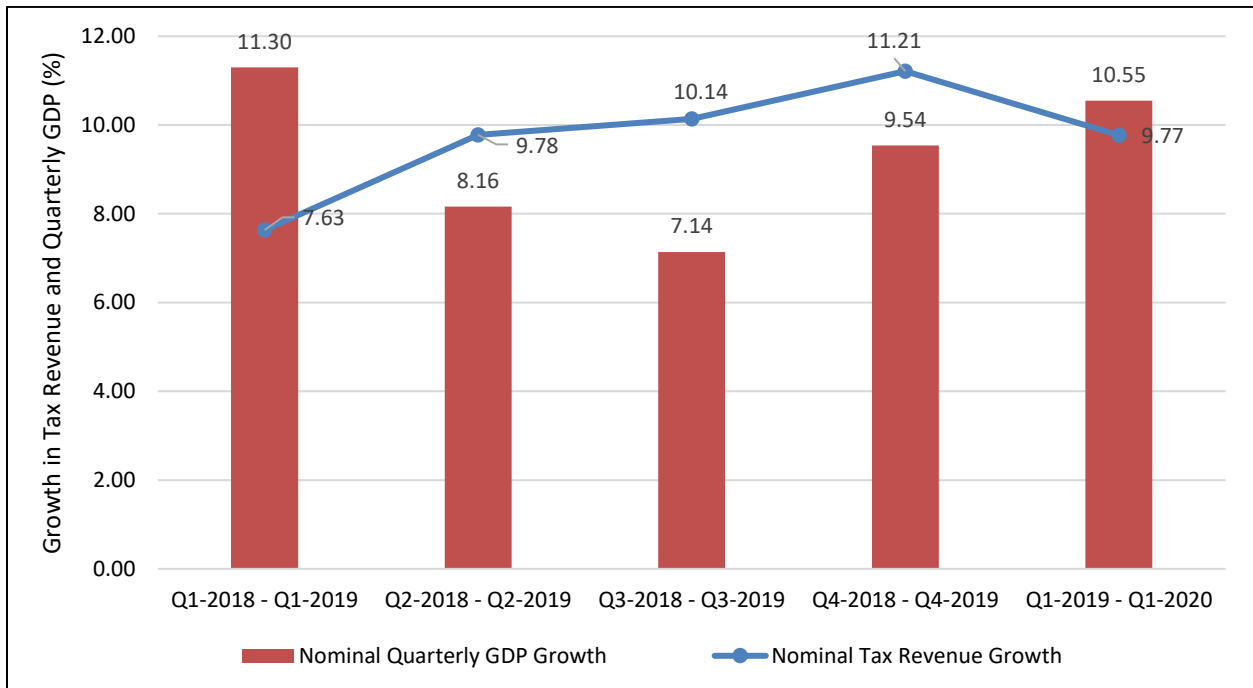
Data Source: Monthly Gazette Notices, The National Treasury and Planning

Figure 28: Composition of Government Revenue (KSh Billion)



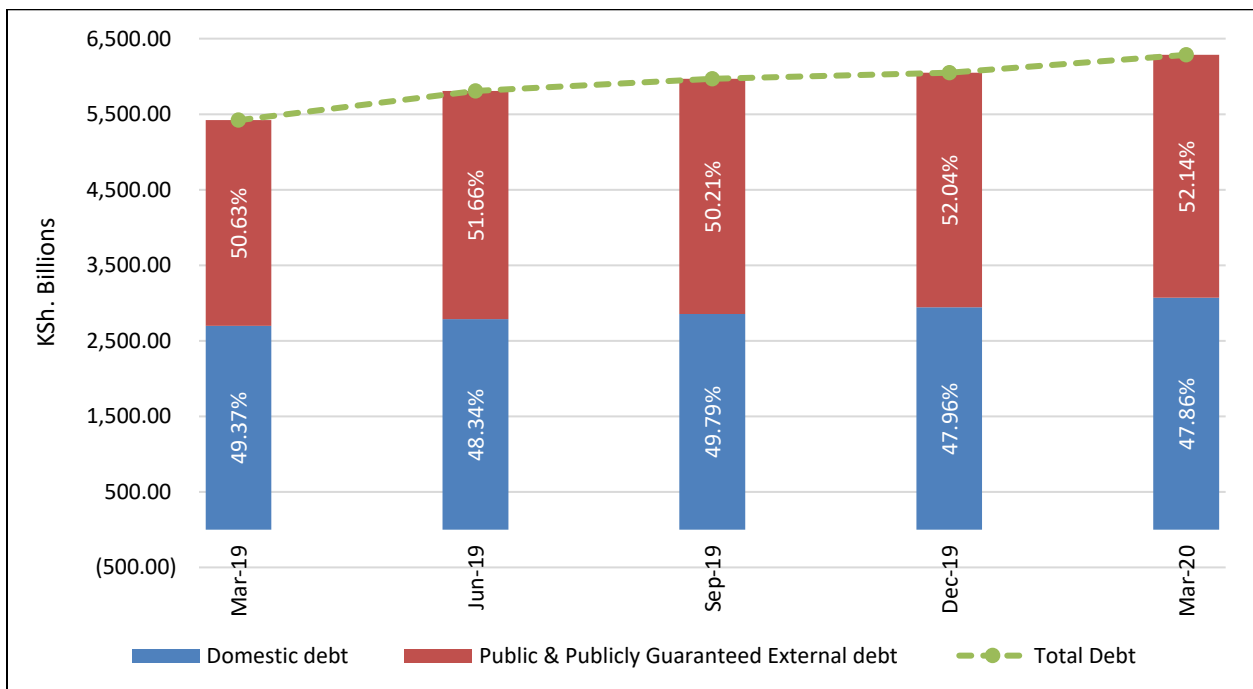
Data Source: Calculated using data from Central Bank of Kenya and The National Treasury data published on monthly Kenya Gazette Notices; figures for April-June 2020 are provisional.

Figure 29: Growth in tax revenue (%) and quarterly GDP growth (%)



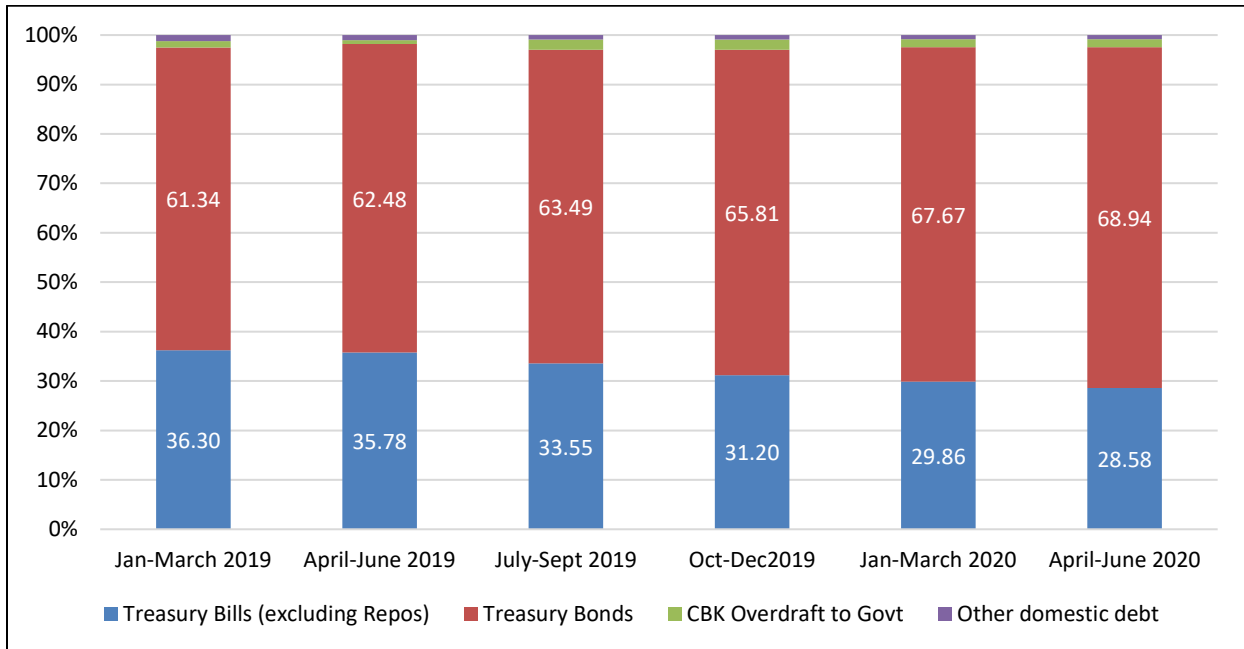
Data Source: Kenya National Bureau of Statistics and Central Bank of Kenya

Figure 30: Total debt (KSh. Billion) and proportionate shares of domestic and foreign debt



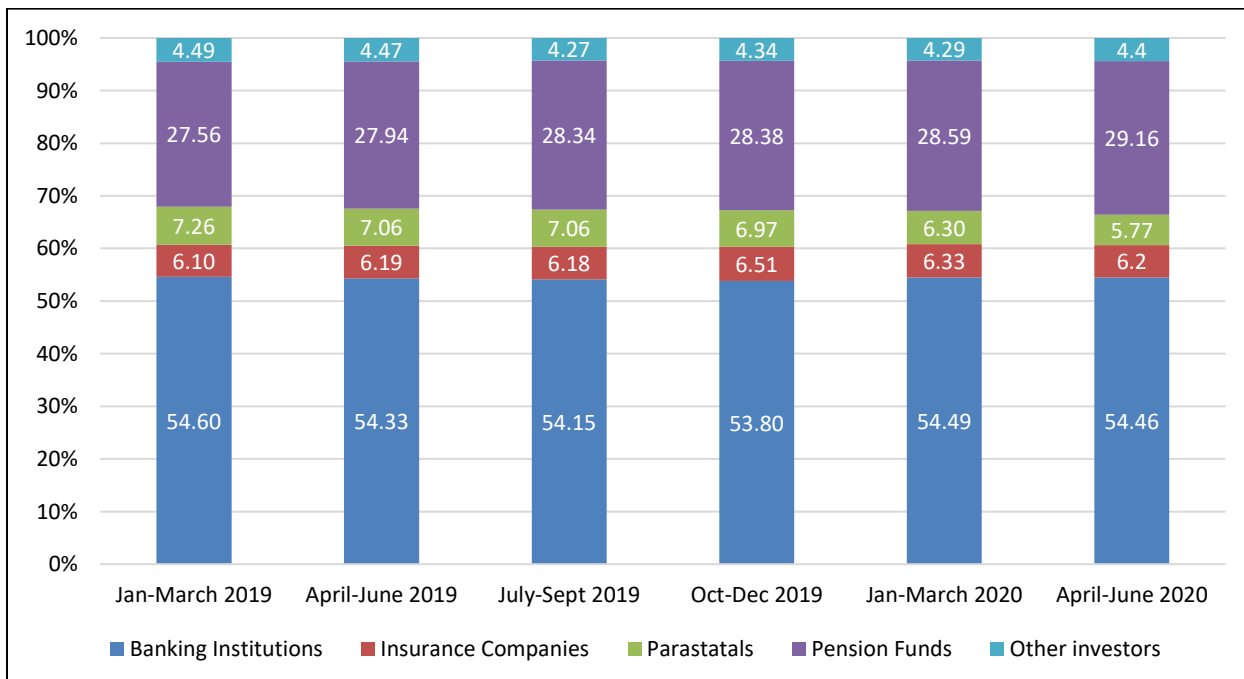
Data Source: Calculated using data from Central Bank of Kenya

Figure 31: Composition of government domestic debt by instrument (%)



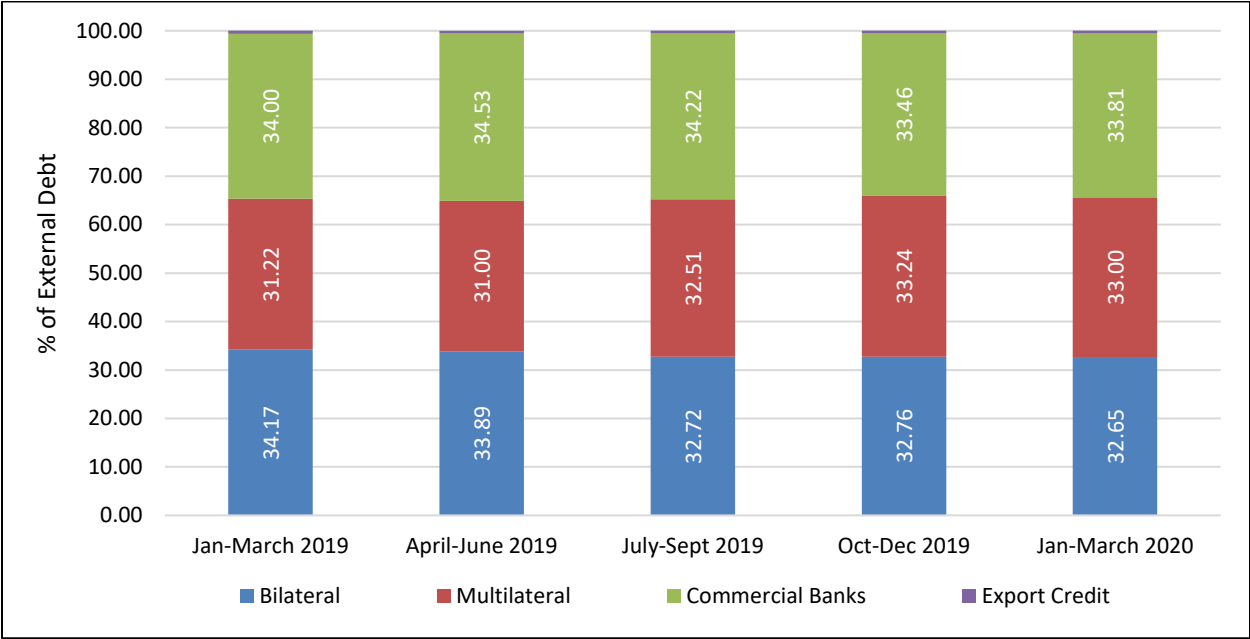
Data Source: Calculated using data from Central Bank of Kenya

Figure 32: Composition of government domestic debt by holder (%)



Data Source: Calculated using data from Central bank of Kenya

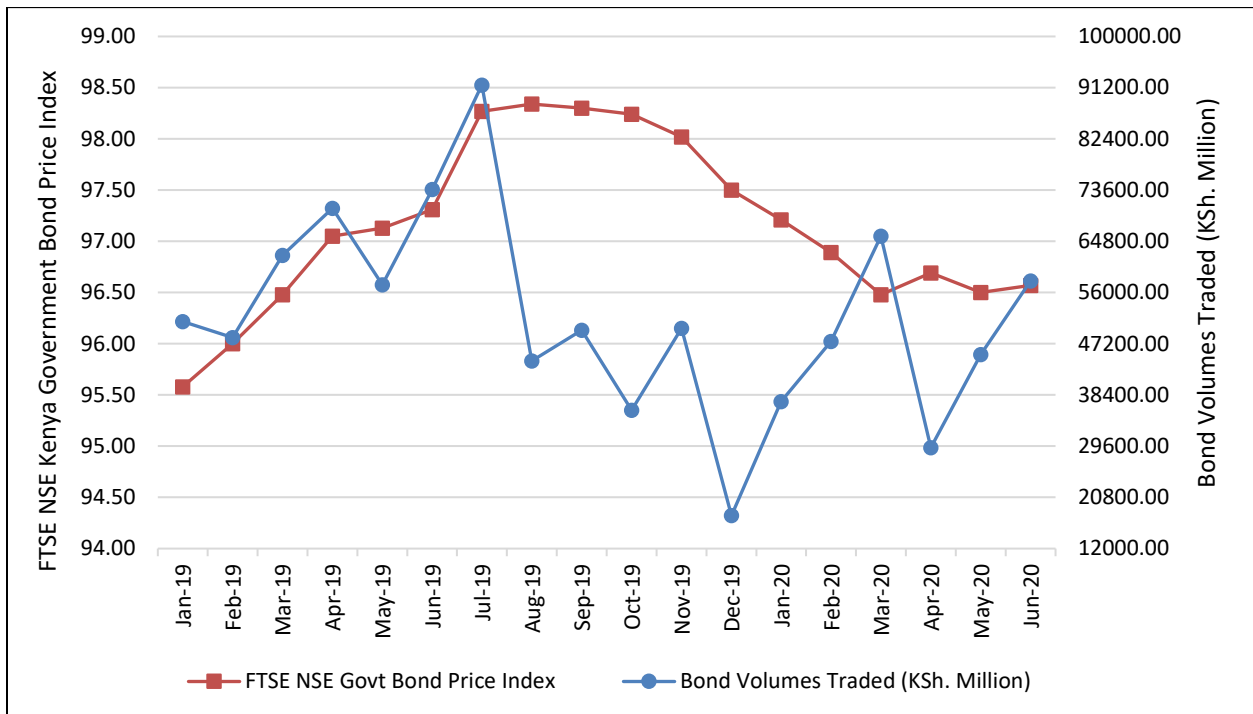
Figure 33: Composition of external debt: proportionate shares of bilateral, multilateral, commercial bank and export credit



Data Source: Calculated using data from Central bank of Kenya

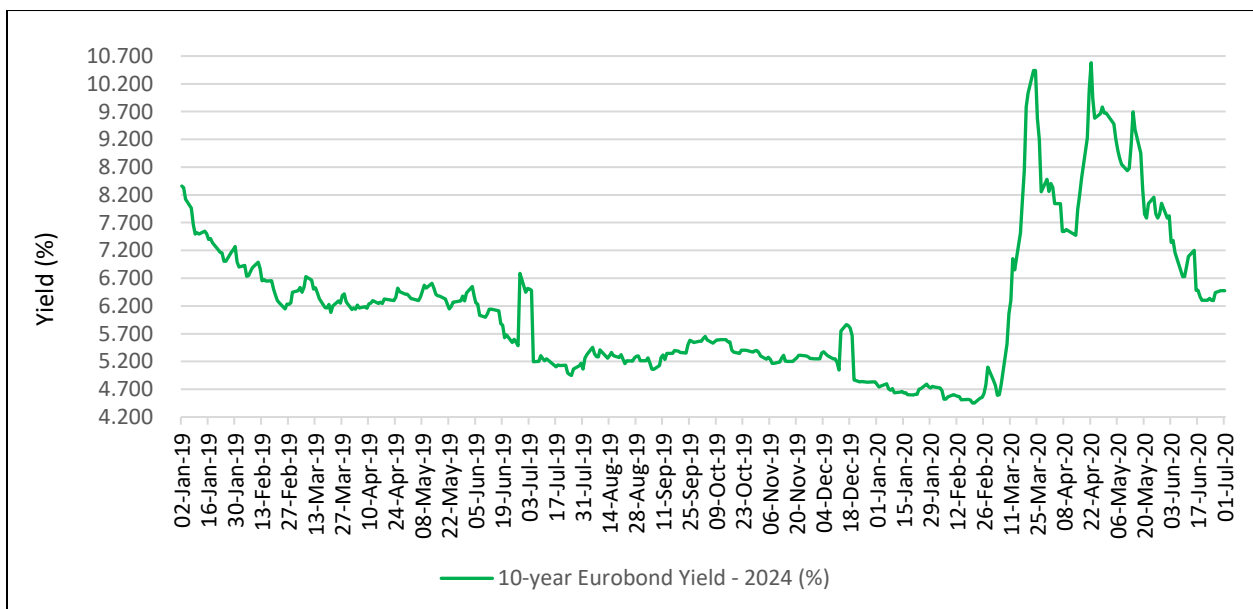
5. Capital Markets

Figure 34: Bond volumes traded (Ksh million) and FTSE NSE Kenya government bond price Index



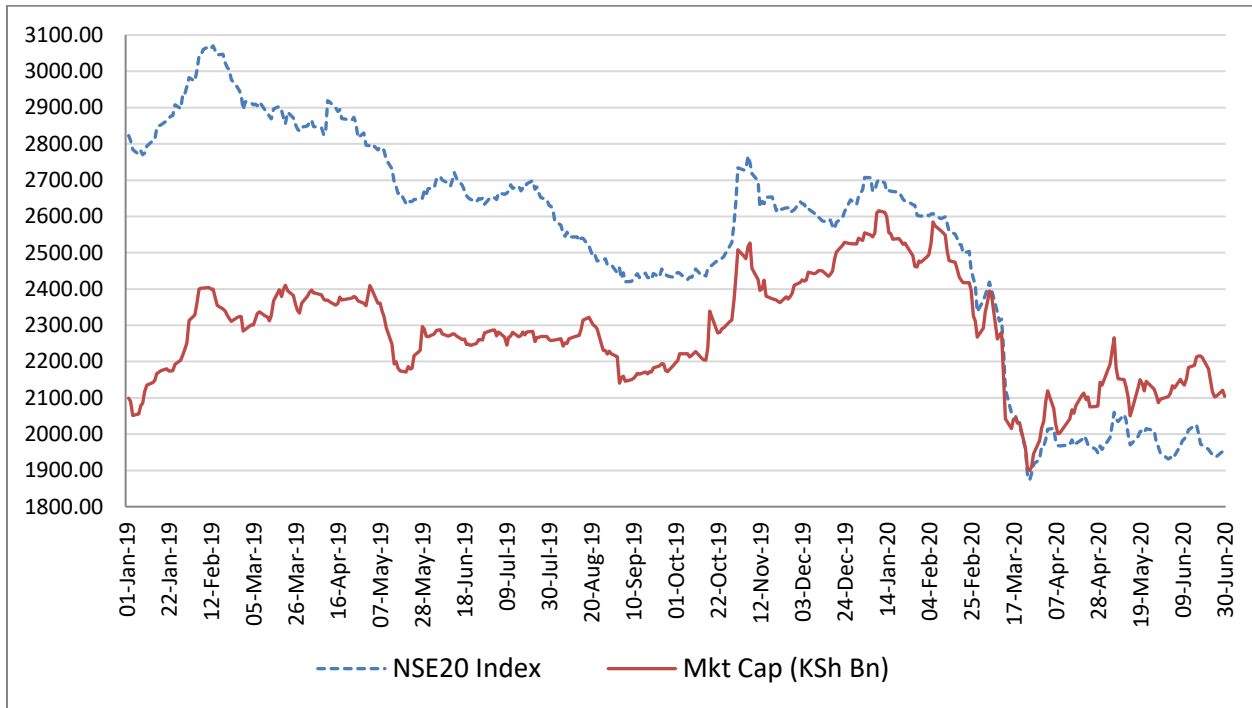
Data Source: Nairobi Securities Exchange; Central Bank of Kenya

Figure 35: The 10-year Kenya Eurobond (2024) yield (%)



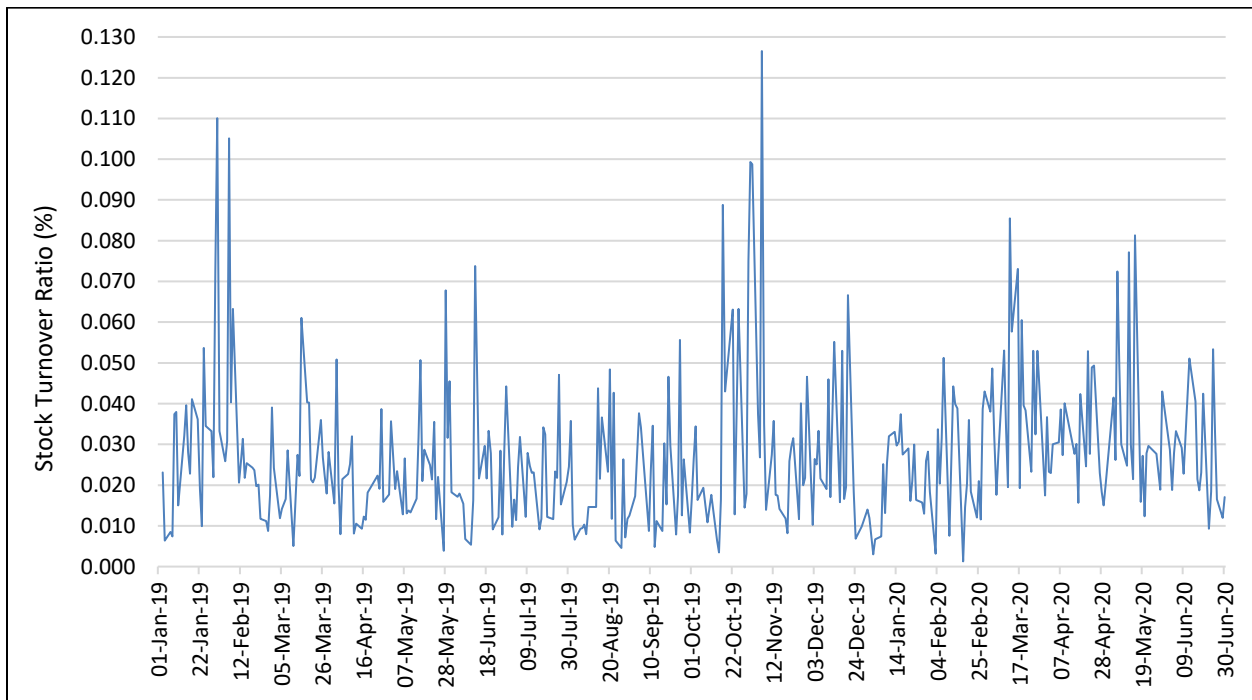
Data Source: Central Bank of Kenya

Figure 36: Stock market performance



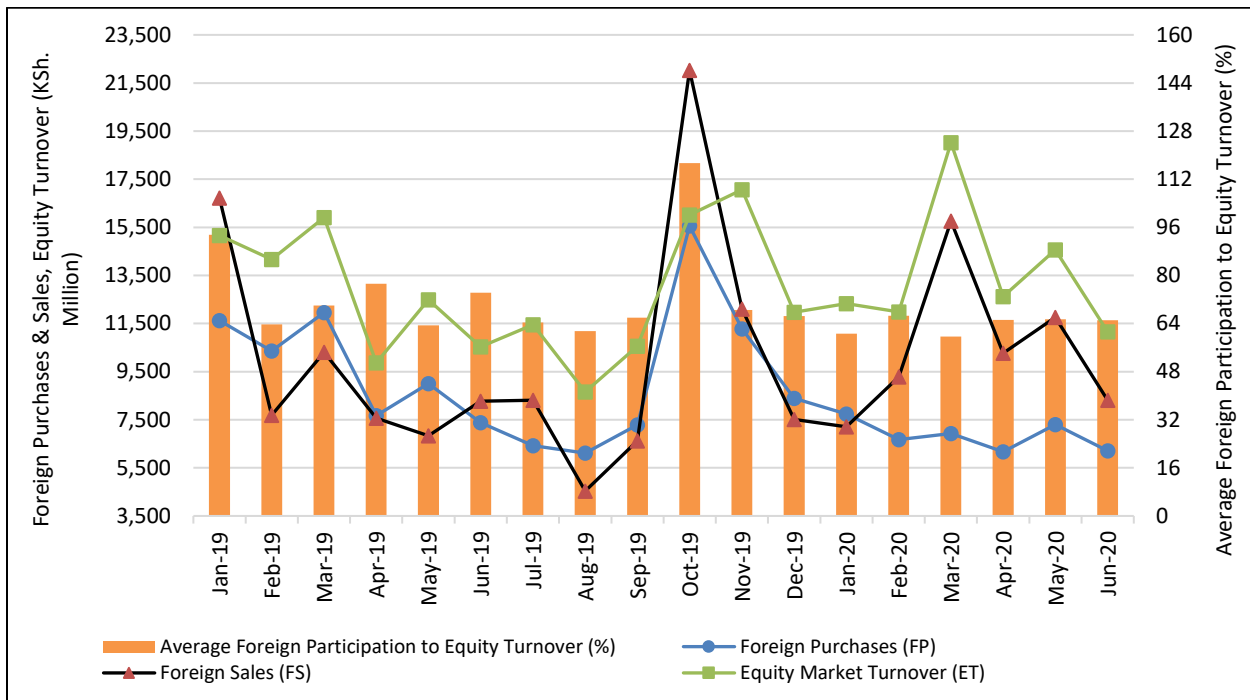
Data Source: Nairobi Securities Exchange

Figure 37: Stock value turnover ratio (%)



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

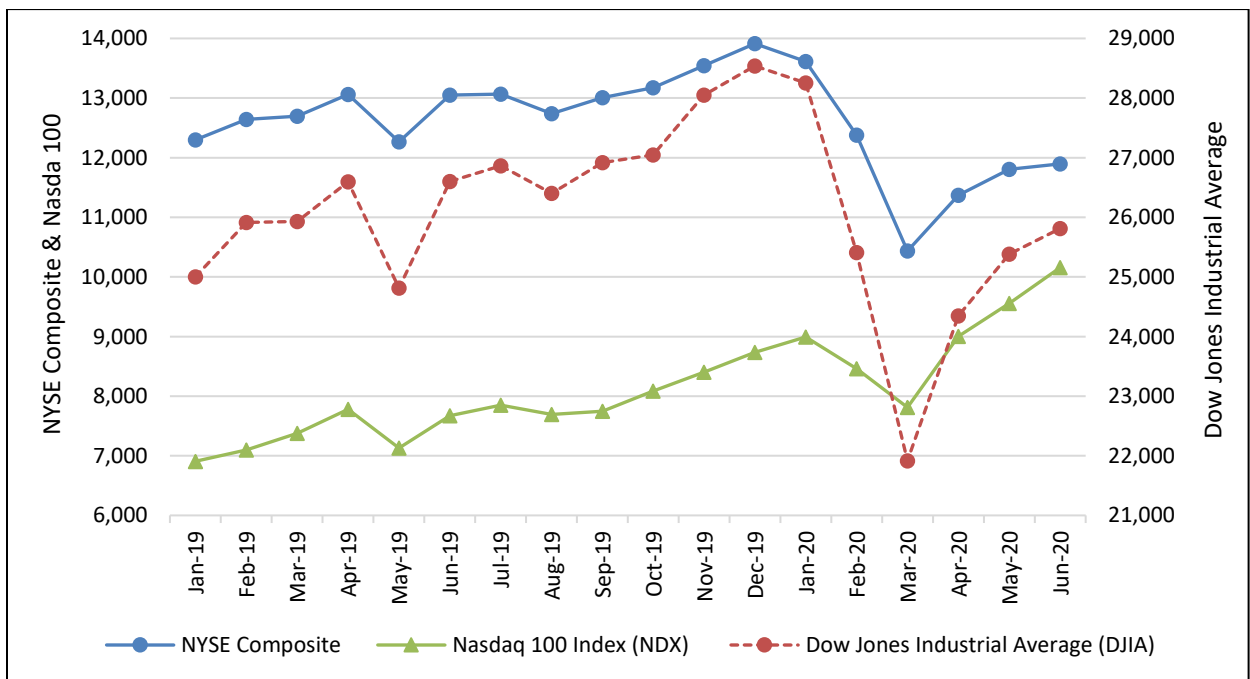
Figure 38: Foreign trading in the stock market



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

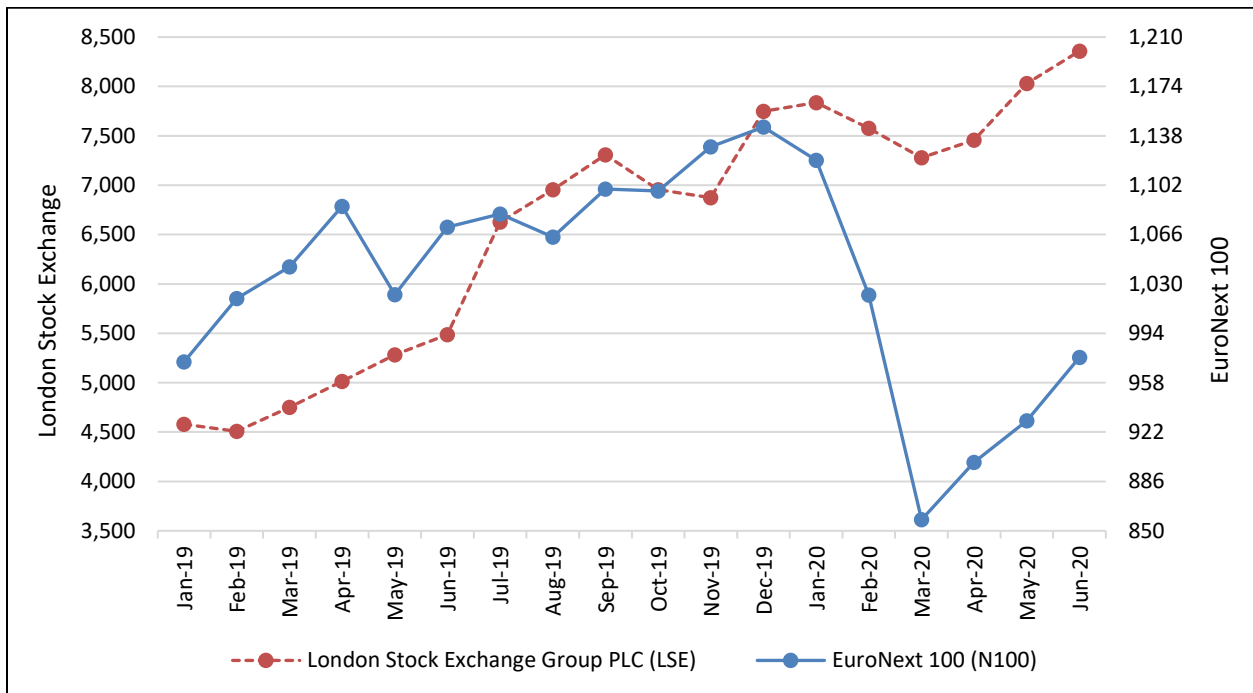
Figure 39: Stock market performance of selected advanced and emerging markets

Figure 39(a): USA stock markets



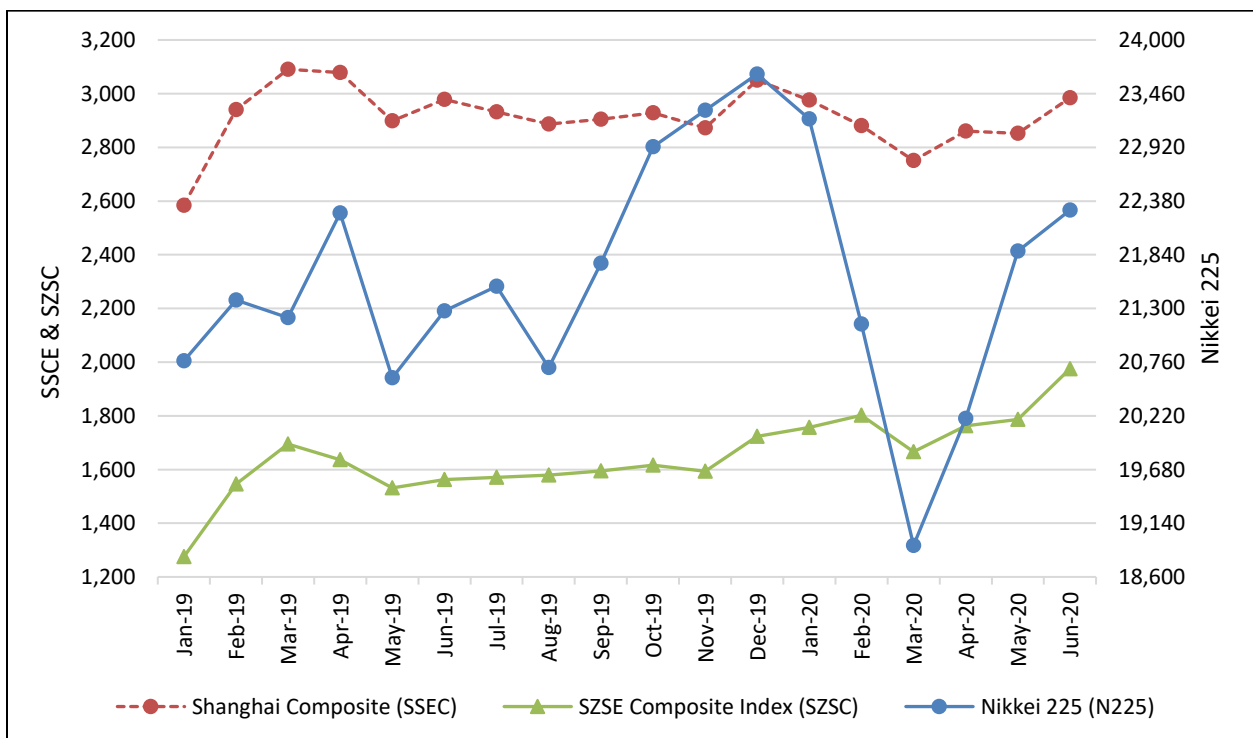
Data source: Country Stock Exchanges; <http://www.investing.com>

Figure 39(b): European stock markets



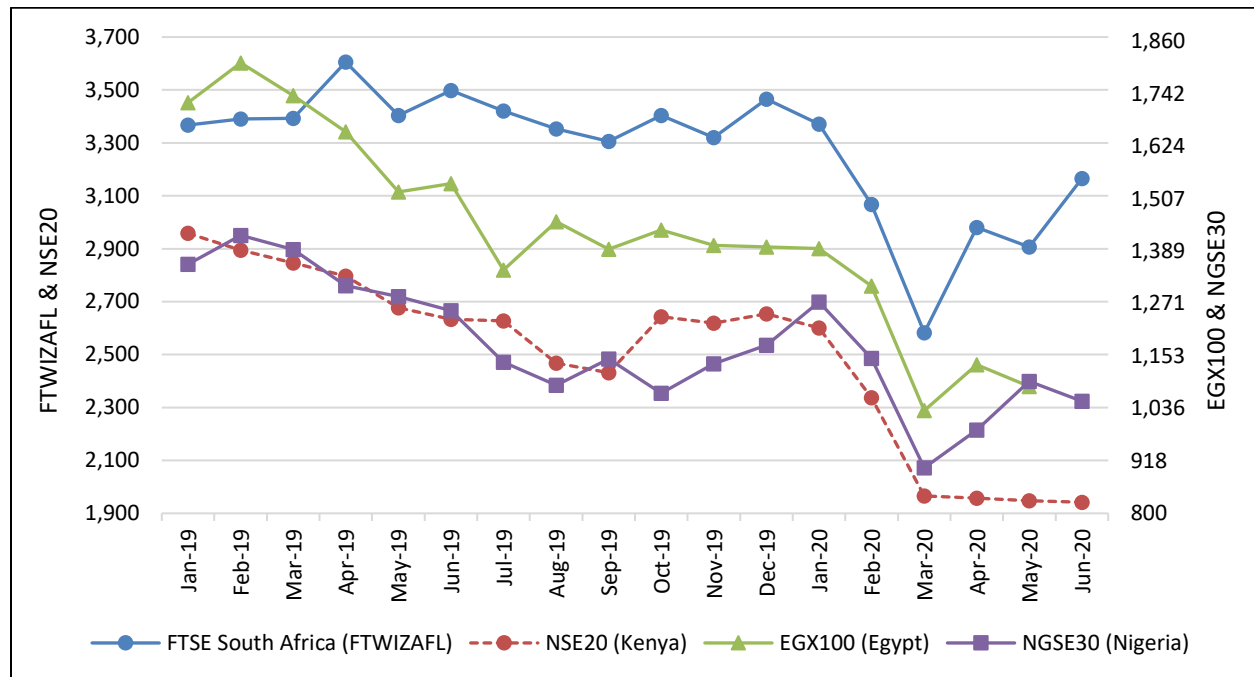
Data source: Country Stock Exchanges; <http://www.investing.com>

Figure 39(c): Asian stock markets



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

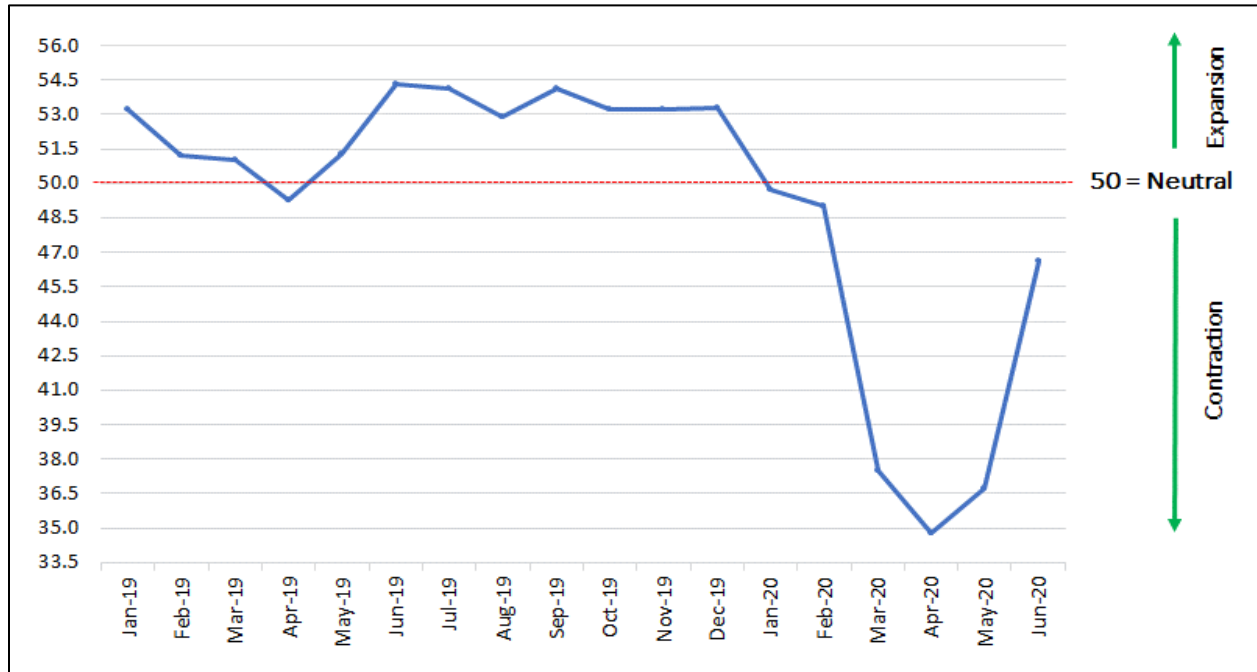
Figure 39(d): African stock markets



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

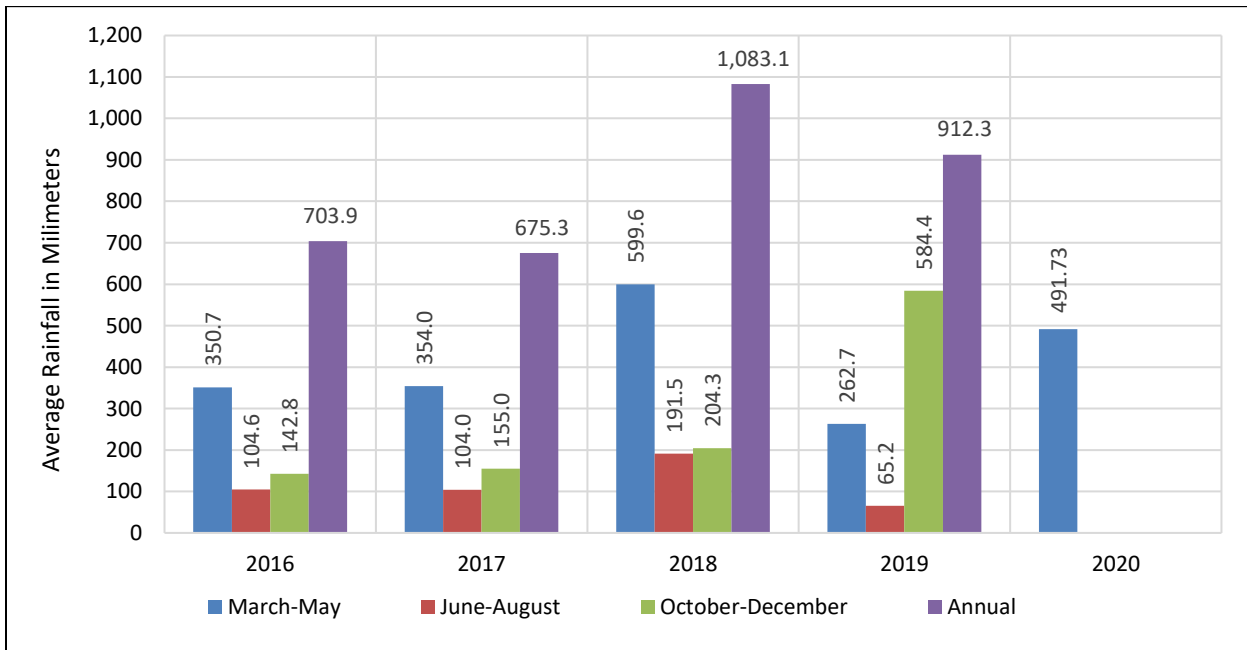
6. Risk-related Factors

Figure 40: Kenya purchasing managers' index



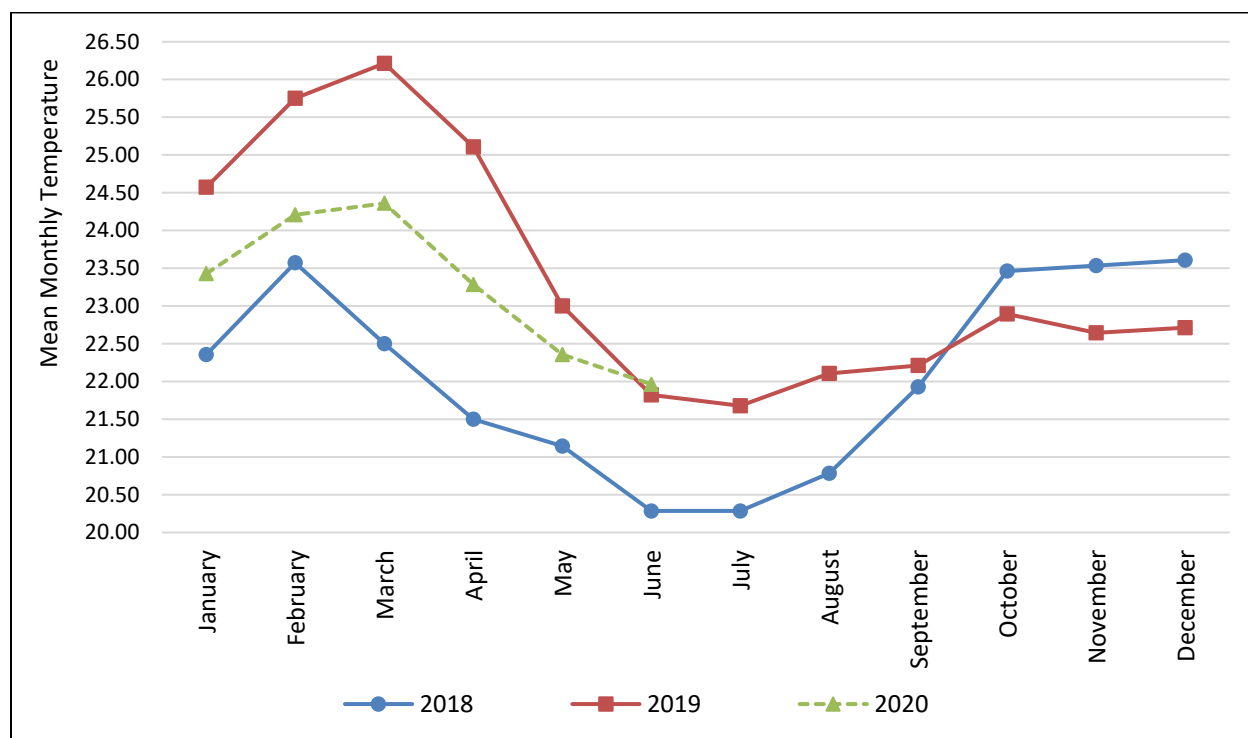
Data Source: Stanbic Bank (<https://www.stanbicbank.co.ke>); IHS-Markit (<https://ihsmarkit.com>)
Key: 50.0 = Neutral; Above 50.0 = Expansion; Below 50.0 = Contraction

Figure 41: Mean annual and seasonal rainfall (millimeters)



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

Figure 42: Mean monthly temperature (degrees celsius)



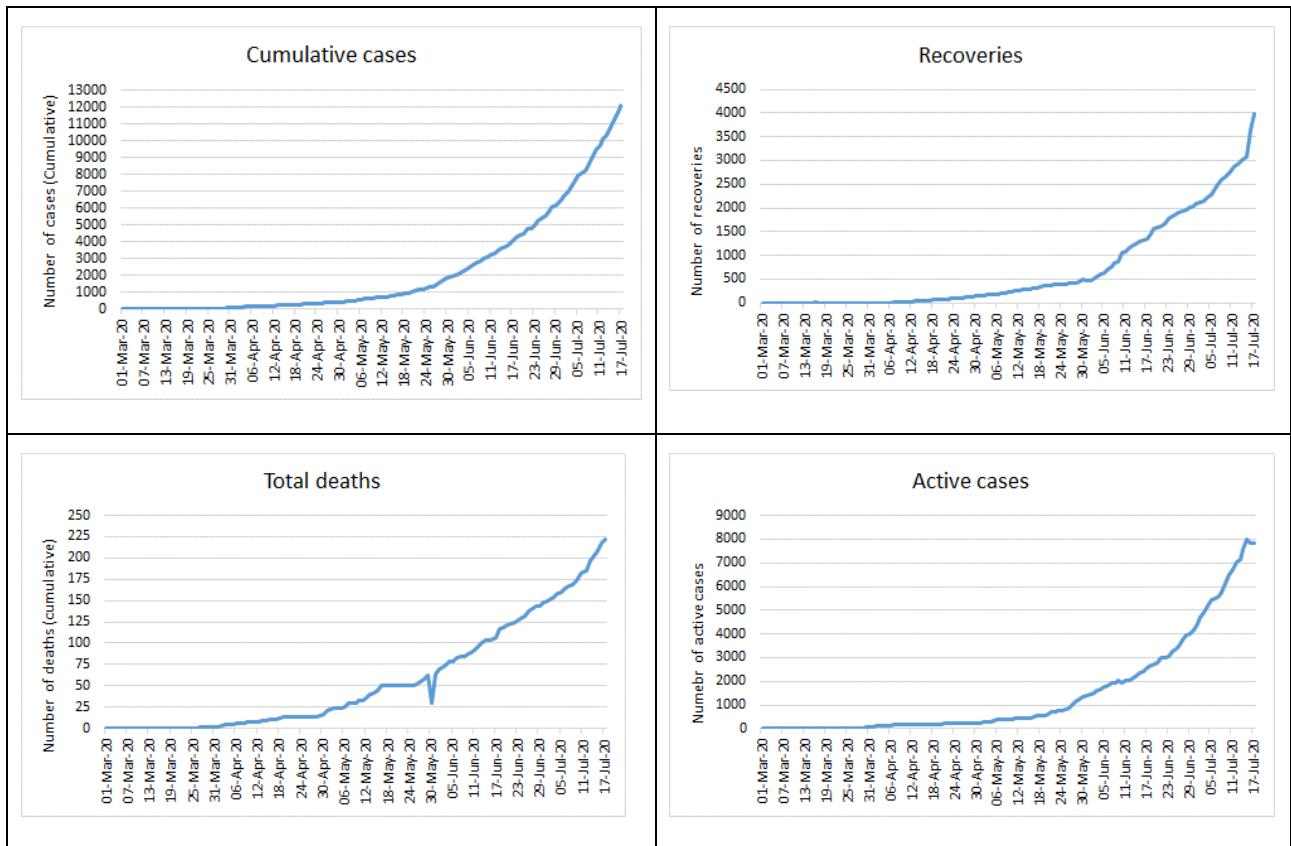
Data Source: Kenya Meteorological Department; <https://www.worldweatheronline.com/>

Table 1: Fitch rating for Kenya, 18 June 2020

Rating	Type	Outlook	Rating Action	Prior
B+	LTR (Long term Issuer default rating)	Negative	Affirmed	B+
B	STR (Short-term Issuer default rating)		Affirmed	B
B	Local Currency Short Term Issuer Default Rating		Affirmed	B
B+	Country Ceiling		Downgrade	BB-
B+	Local Currency Long Term Issuer Default Rating	Negative	Affirmed	B+

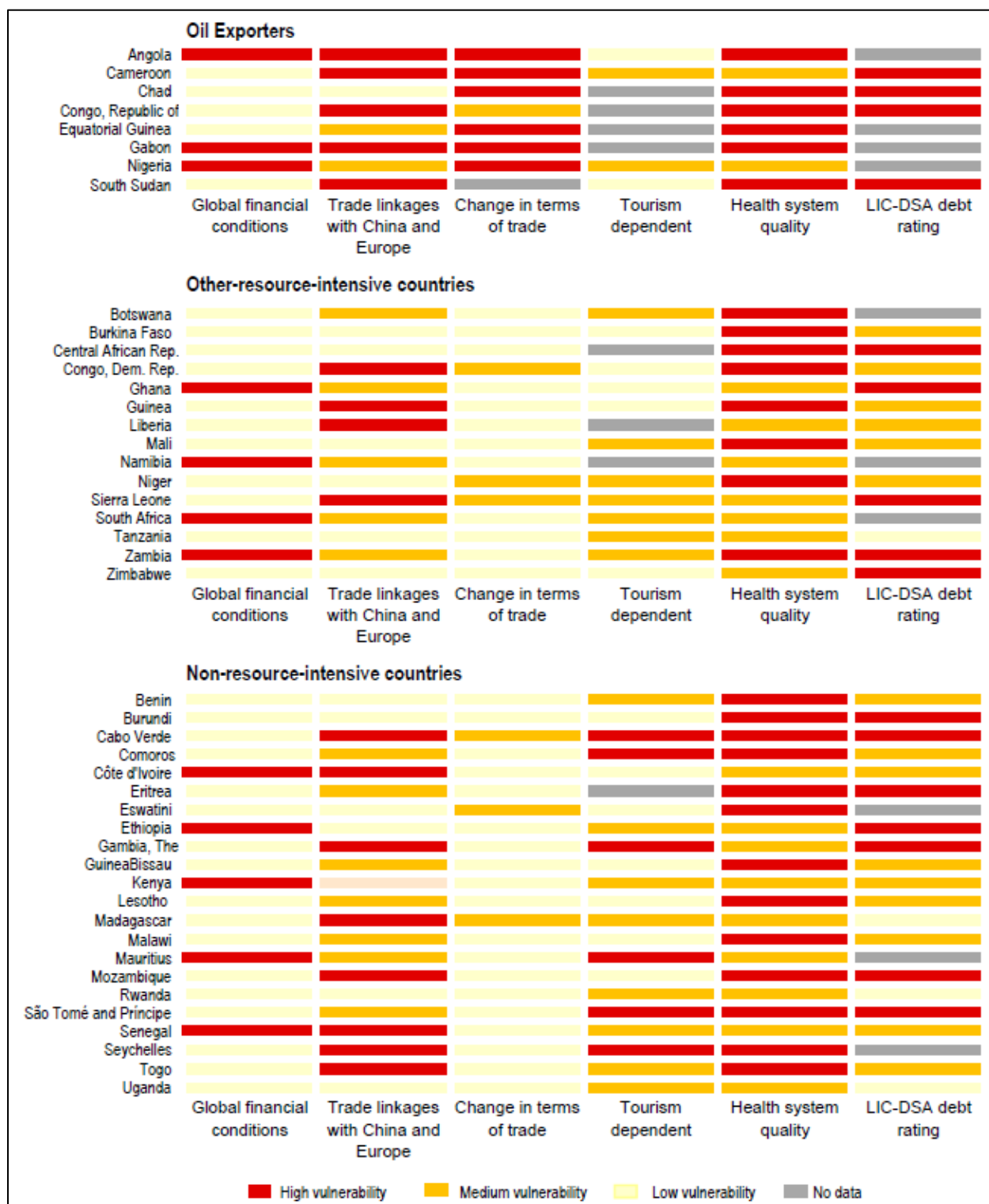
Data source: <https://www.fitchratings.com/entity/kenya-86485911#ratings>

Figure 43: Covid-19 statistics for Kenya, 01 March – 17 July 2020



Data source: World Health Organization; Ministry of Health

Figure 44: Vulnerability of Sub-Saharan Africa countries to COVID-19 shock in 2020



Source: International Monetary Fund, World Economic Outlook, April 2020

About the KIPPRA Quarterly Market Analysis Report

The KIPPRA quarterly market analysis report is one of the Institute's policy intelligence publications that focuses on reviewing trends in performance in the real sector (gross domestic product, price movements, production, consumption); international markets (commodity markets, exchange rates, remittances); money market (interbank, treasury securities, banking sector performance, monetary policy); fiscal performance; capital markets; and risk related factors in Kenya's economy and selected global markets in each quarter, with a view to identifying policy-related dimensions.

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