SIB Standard Investment Bank

Regulated by the Capital Markets Authority

23RD DECEMBER 2024

November Diaspora Remittances Surge 19.2% Y/Y

WEEKLY FIXED INCOME REPORT

Tax Revenues to November 2024 Crawls Up 1.1%y/y as Businesses Navigate Tough Times

MONEY MARKET ANALYSIS

This week, the average lending rate eased further to 11.3% from 11.5%, reflecting the continued impact of December's rate cut on monetary conditions. Meanwhile, interbank volumes took a significant hit, plunging by 38.2% to KES 33.58 billion from KES 54.36 billion, alongside a 35.7% drop in transaction count.

The table below summarizes the market liquidity indicators:

Average	Previous Week	Current Week	Change
Interbank Deals	70.00	45.00	(35.71%)
Inter- Bank volumes (KES bn)	54.36	33.58	(38.22%)
Inter – Bank Rates (bps)	11.45%	11.34%	(11.41)

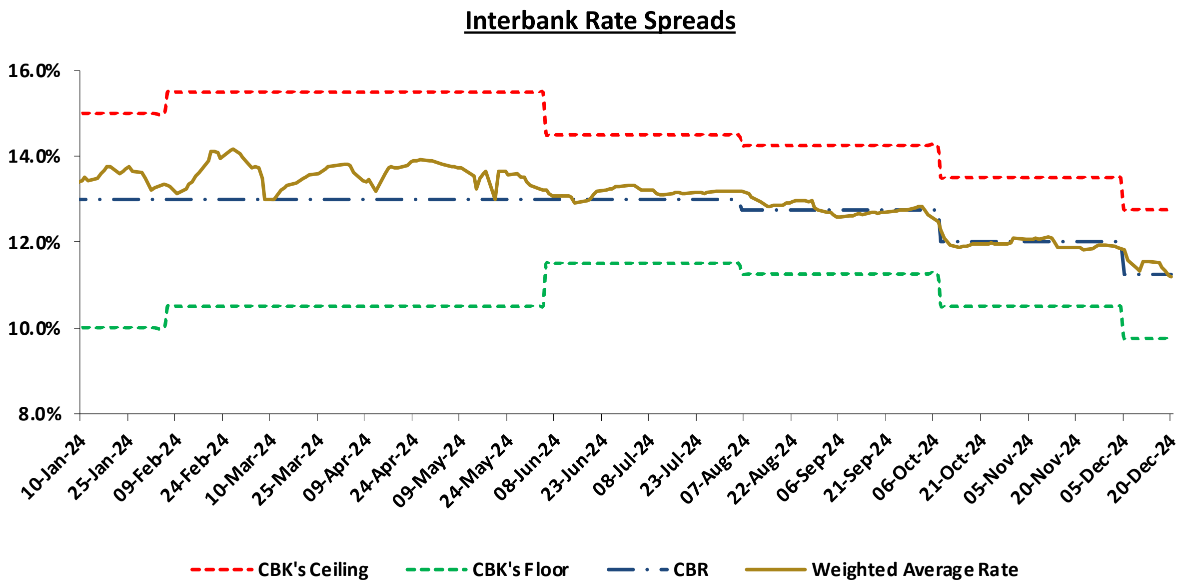
Source: Central Bank of Kenya (CBK), Table: SIB

Open market operations eased this week, as bank bids declined to KES 78.08bn from KES 136.28bn in the previous week.

The Central Bank absorbed the entire amount, effectively offsetting maturities of KES 69.27bn, resulting in a net liquidity injection of approximately KES 8.81bn. This maneuver ensured the financial system remained well-lubricated.

Notably, the weighted average interbank rate has remained closely aligned with the Central Bank Rate (CBR), with actual highs and lows staying firmly within the interest rate corridor, reflecting a stable and well-regulated market environment.

See the chart below;



Data: Bloomberg, Chart: SIB

GOVERNMENT SECURITIES MARKET

T-bills

This week, Treasury bill demand softened further, with the subscription rate dropping to 54.5%, down from 69.2% the previous week. The 91-day paper continued to attract the most interest, despite offering the lowest return. Total bids amounted to KES 13.08bn, with the fiscal agent accepting nearly the entire amount.

Yields on accepted bids trended lower overall, marking a notable shift for the 91-day paper, whose yield fell to a single digit (9.95%) for the first time since March 2023, down by 7.65bps. The 182-day paper yield ticked up slightly to 10.02% (+2.01bps), breaking its downward streak since August 2024, while the 364-day paper yield dropped significantly to 11.54% (-22.0bps).

We observe that the decline in yields has closely mirrored the drop-in subscription rates, reflecting moderated market dynamics. See the summary below;

KES bn

23-Dec-24	91-day 24-Mar-24	182-day 23-Jun-25	364-day 22-Dec-25	Totals
Amount offered	4.00	10.00	10.00	24.00
Bids received	6.31	3.04	3.73	13.08
Subscription rate (%)	157.9%	30.4%	37.3%	54.5%
Amount accepted	6.29	3.04	3.72	13.04
Acceptance rate (%)	99.5%	100.0%	99.8%	99.7%
Of which: Competitive Bids	4.27	2.08	0.91	7.27
Non-competitive bids	2.01	0.96	2.81	5.78
Rollover/Redemptions	9.72	4.11	2.15	15.98
New Borrowing/(Net Repayment)	(3.43)	(1.07)	1.57	(2.94)
Weighted Average Rate of Accepted Bids	**9.95%**	**10.02%**	**11.54%**	
Inflation	**2.8%**	**2.8%**	**2.8%**	
Real Return	7.2%	7.2%	8.7%	

Source: Central Bank of Kenya (CBK), Table: SIB

T-Bonds

In the primary bond market, the fiscal agent is seeking KES 30.0bn through two reopened bonds; FXD1/2018/15, and FXD1/2022/25. The bonds have coupon rates of 12.65% and 14.19% for FXD1/2018/15 and FXD1/2022/25, respectively. Both papers align with a normal yield curve structure, with the longer-tenor FXD1/2022/25 offering a higher yield, consistent with its extended maturity profile.

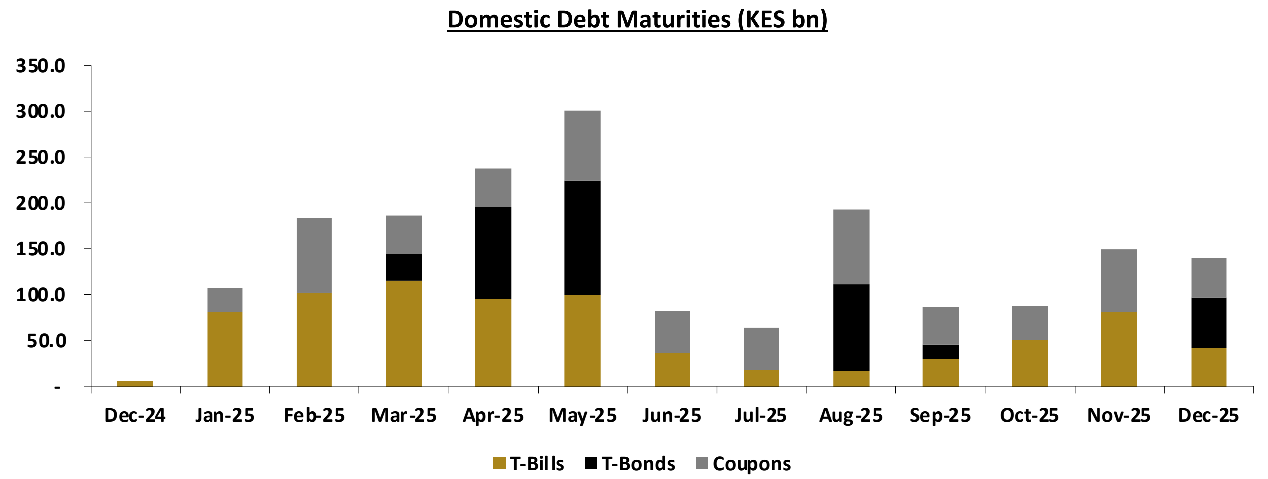
See a summary of the offer below;

Bond Auctioned	Maturity Date	Effective Tenor	Amount Offered	Coupon	Sale Period
FXD1/2018/15	09-May-33	8.4	30.0	12.65%	Up to 15th January 2025
FXD1/2022/25	23-Sep-47	22.8		14.19%	

Source: Central Bank of Kenya (CBK), Table: SIB

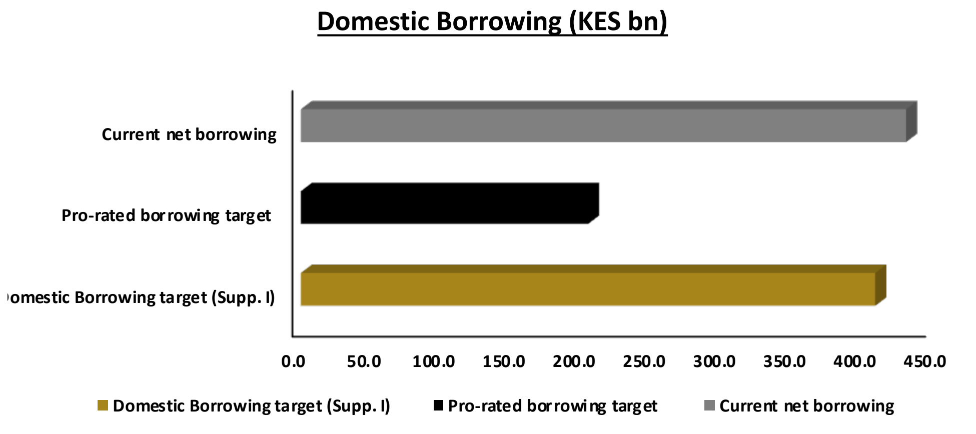
Outstanding Debt Maturities (T-Bills and T-Bonds):

As of this week, the Government's outstanding T-Bill and T-Bond maturities for the next 12 months are valued at KES 778.19bn and KES 432.51bn, respectively. Including coupon payments, the total maturity profile is KES 1.83tn, as outlined below;



Source: Central Bank of Kenya (CBK), Chart: SIB

The government is ahead of the borrowing curve by 5.4% of its domestic borrowing target for FY24/25, with current borrowing totaling KES 430.30bn, against the target of KES 408.41bn. Excluding T-bills, domestic borrowing is 38.9% above the prorated target and accounts for 69.4% of the overall target. See the chart below;



Source: Central Bank of Kenya (CBK), Treasury, Chart: SIB

Yield Curve

The yield curve reflects appropriately priced risks, with long-term yields outpacing those of short- and medium-term papers. While certain medium-term papers are yet to fully adjust, rates are anticipated to gradually converge toward a normalized curve.

Week-on-week, yields on government securities averaged a decline of 12.48bps. Notably, the decrease was tempered by a cumulative 95.09bps increase in select long-term yields, demonstrating a balancing effect across the curve. Below is a visual representation;

The International Front

Kenyan Eurobonds

This week, Kenyan Eurobond yields registered a uniform uptick across the medium to long-term spectrum of the curve. Notably, the longest-dated paper experienced a marginally smaller increase, underscoring its relatively lower sensitivity to market movements. Below is a summary of the performance;

Kenyan Eurobonds						
Issuance	KENINT 05/22/2027	KENINT 02/28/2028	KENINT 02/16/2031	KENINT 05/22/2032	KENINT 01/23/2034	KENINT 02/28/2048
Issue Date	May-27	Feb-28	Feb-31	May-32	Jun-34	Feb-48
Tenor to Maturity	2.4	3.2	6.2	7.4	9.4	23.2
29-Dec-23	10.1%	9.8%	-	9.9%	9.5%	10.2%
12-Dec-24	7.7%	8.4%	9.4%	9.4%	9.4%	9.8%
16-Dec-24	7.7%	8.4%	9.5%	9.5%	9.4%	9.9%
17-Dec-24	7.9%	8.5%	9.6%	9.6%	9.6%	9.9%
18-Dec-24	7.9%	8.5%	9.6%	9.6%	9.6%	9.9%
19-Dec-24	8.2%	8.9%	9.9%	9.9%	9.9%	10.2%
Weekly Change	0.5%	0.5%	0.5%	0.5%	0.5%	0.4%
YTD Change	(1.9%)	(1.0%)	-	0.0%	0.4%	0.0%

Source: Central Bank of Kenya (CBK), Table: SIB

Currency Performance

In the foreign exchange market, the Kenyan shilling remained steady against the dollar but encountered continued pressure against regional currencies for a second consecutive week. Notably, the depreciation against the Tanzanian shilling (TZS) was more subdued compared to the previous week, as the TZS sustained its upward momentum against other currencies and foreign exchange stability continued to be restored. See the table below;

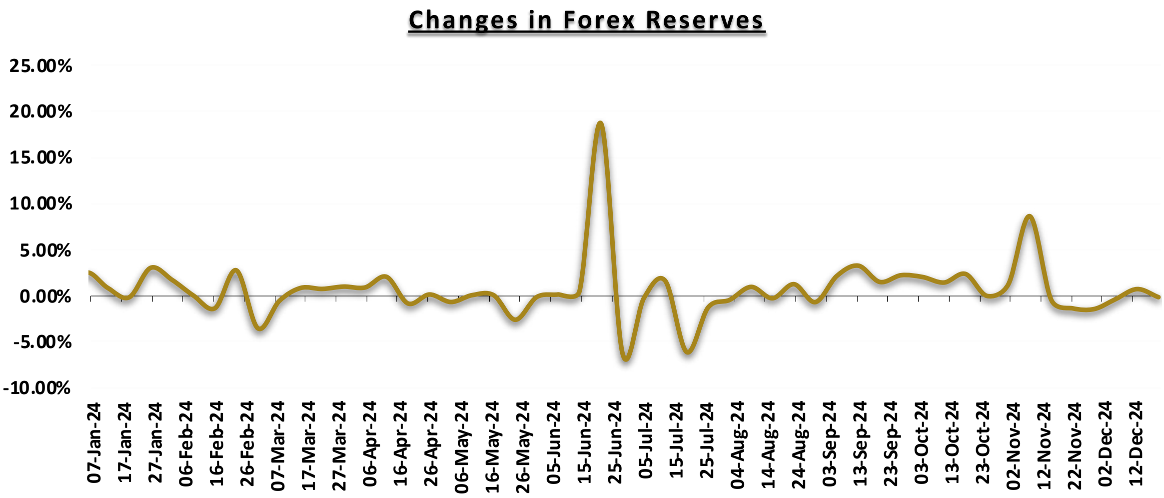
Currencies	29 Dec 2023	Previous Week	Current Week	w/w Change	YTD change
TZS/KES	16.1	18.8	18.4	(2.1%)	14.5%
KES/UGX	24.2	28.3	28.2	(0.5%)	16.4%
USD/KES	156.5	129.3	129.3	0.0%	17.4%
EUR/KES	173.8	136.1	134.2	1.4%	22.8%
GBP/KES	199.8	165.1	162.7	1.5%	18.6%
JPY/KES	111.0	84.9	83.3	2.0%	25.0%

Source: Central Bank of Kenya (CBK), Chart: SIB

Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen I FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

Kenya's foreign exchange reserves nudged down slightly by 0.2% to USD 9.01bn, covering a healthy 4.6 months of imports, from USD 9.03bn, last week.

See below the evolution of forex reserves in 2024 so far;



Source: Central Bank of Kenya (CBK), Chart: SIB

In addition, diaspora remittances for the month of November 2024, came in at USD 423.20m, a 19.2%y/y increase from USD 354.97m in November 2023. Cumulative inflows for the first 11 months of 2024 stood at USD 4.50bn, reflecting a robust 17.9% rise compared to USD 3.82bn over the same period in 2023.

MARKET NEWS

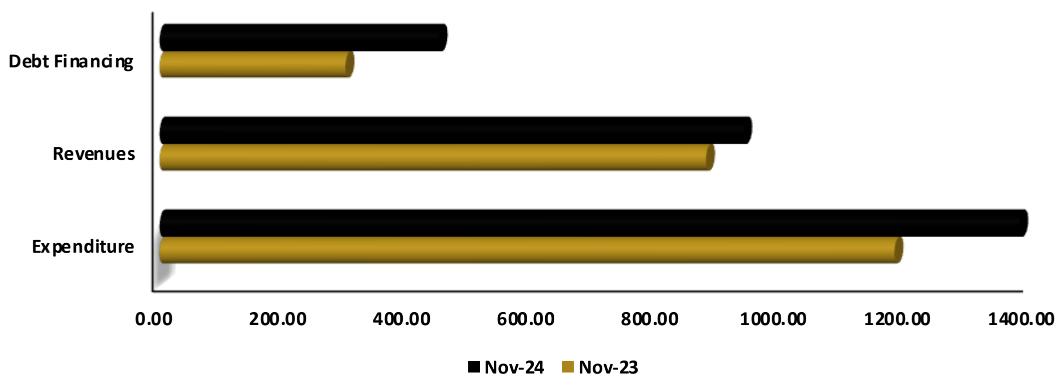
Exchequer Issues: Tax Revenues to November Up 1.1%y/y as Businesses Navigate Tough Times

The National Treasury published the actual receipts and releases for the first 5 months of FY 24/25. The key highlights include;

- The government collected KES 939.78bn in ordinary revenues, equivalent to a 6.8% increase from the KES 879.72bn collected over the same period in FY23/24. Non-tax revenues surged 155.7%y/y to KES 82.78bn, from KES 32.37bn November 2023,
- Total expenditure came in at KES 1,384.20bn, a 17.0% increase from the KES 1,183.19bn spend over the same period in FY23/24, and,
- The budget deficit came in at KES 444.42bn which was financed by both external and domestic borrowing. The figure is a 46.4% increase from the actual borrowing of KES 303.47bn over the same period in FY23/24.

See the chart below for a quick summary;

Actual Budget Performance Rate (KES bn)

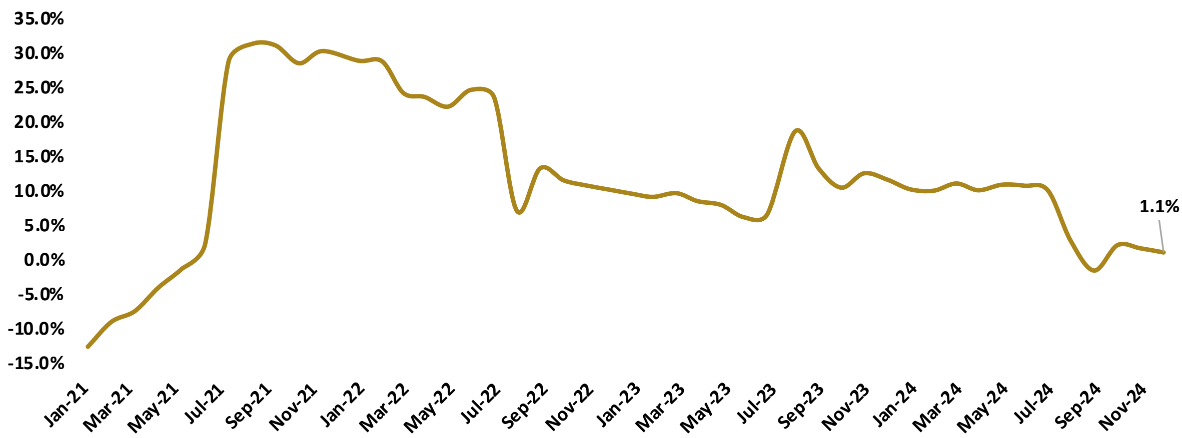


Source: Treasury, Chart: SIB

Cumulative tax revenues maintained steady growth, rising by 1.1% to reach KES 857.0bn in the first five months of FY24/25, up from KES 847.35bn during the same period in FY23/24. Looking ahead, we anticipate a slight uptick driven by the implementation of the Tax Amendment Act, projected to generate approximately KES 174.0bn—a target we view as ambitious.

See the chart below;

Y/Y Monthly Revenue Performance



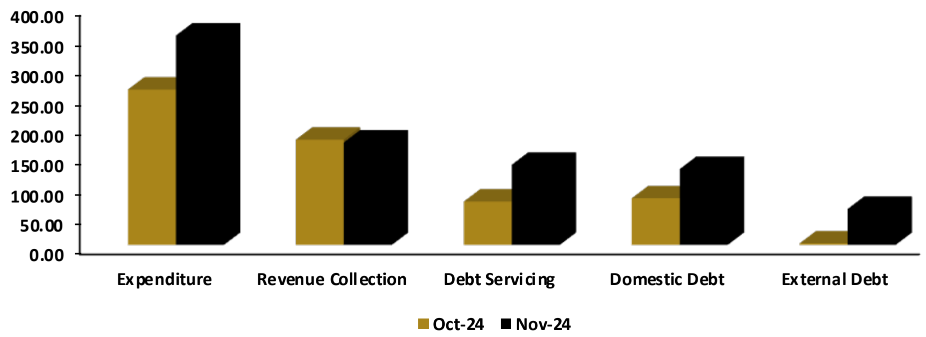
Source: Treasury, Chart: SIB

Even then;

- Total expenditure for the month of November, rose by 34.8% to KES 351.61bn, from KES 260.89bn, in October 2024. Debt servicing obligations rose by 85.0%, reflecting higher repayment pressures especially on domestic interest,
- Domestic borrowing for the same period climbed by 62.8% to KES 127.44bn, compared to the KES 78.28bn borrowed in October 2024. Borrowing from external financiers also surged to KES 60.48bn, from KES 2.65bn, in October, following the IMF disbursement.
- Meanwhile, the total revenue performance for the month of November recorded a 2.7%m/m decrease to KES 172.11bn, from KES 176.80bn, in October 2024. Similarly, tax revenues saw a steeper decline of 6.3% to KES 160.32bn, from KES 171.13bn, collected in October 2024.

See the chart below for a summary;

Monthly Budget Performance (KES bn)



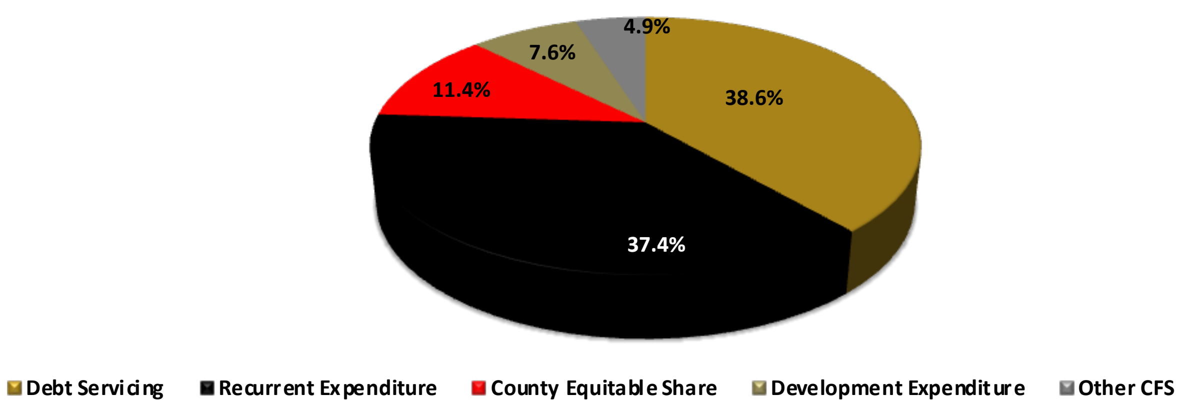
Source: Treasury, Chart: SIB

As of 30th November, debt repayments accounted for 38.6% of total FY24/25 expenditure, outpacing recurrent expenses at 37.4%, the county equitable share at 11.4%, and development projects, which received a meagre 7.6%. Notably, debt servicing consumed 56.8% of ordinary revenues, a slight improvement from 58.8% during the same period in 2023.

Minimal bond maturities in the better part of the fiscal year have shifted the government's focus toward interest payments rather than principal repayments. Similarly, lower external maturities have offered some reprieve, enabling the government to bolster reserves and capitalize on more favorable rates in the domestic market.

See the chart below;

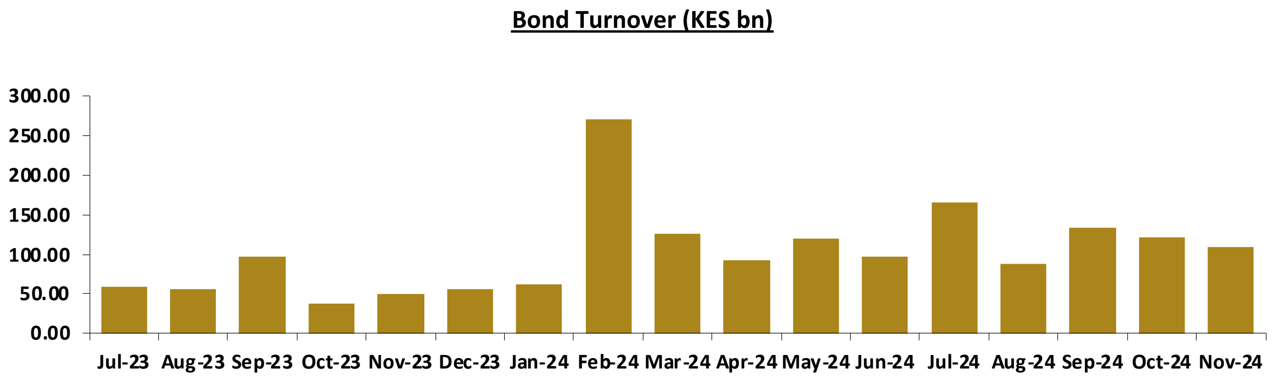
Actual Expenditure Breakdown



Source: Treasury, Chart: SIB, (Consolidated Fund Services - public debt, pension and gratuities, salaries and allowances, and subscriptions to international organizations)

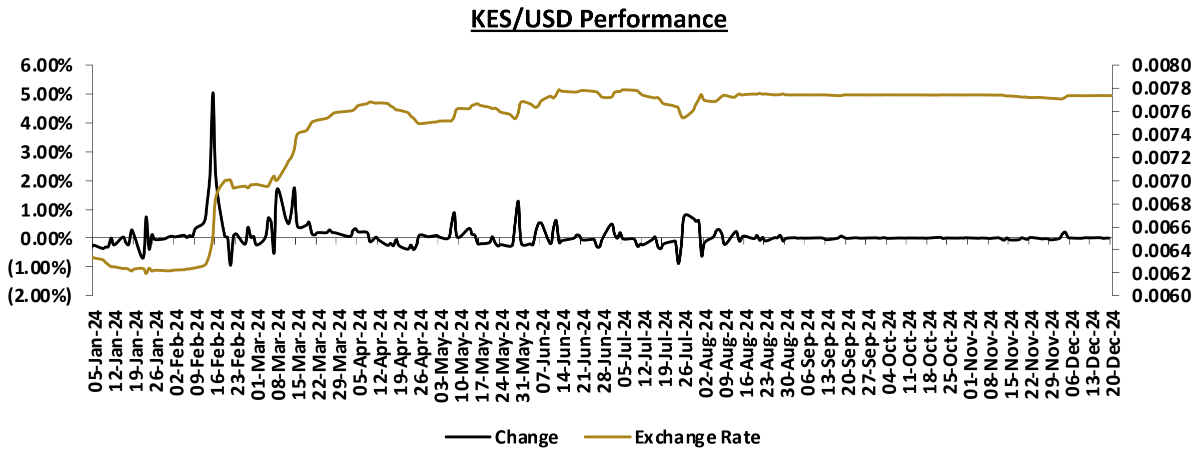
BACKGROUND CHARTS

Secondary Bond Turnover



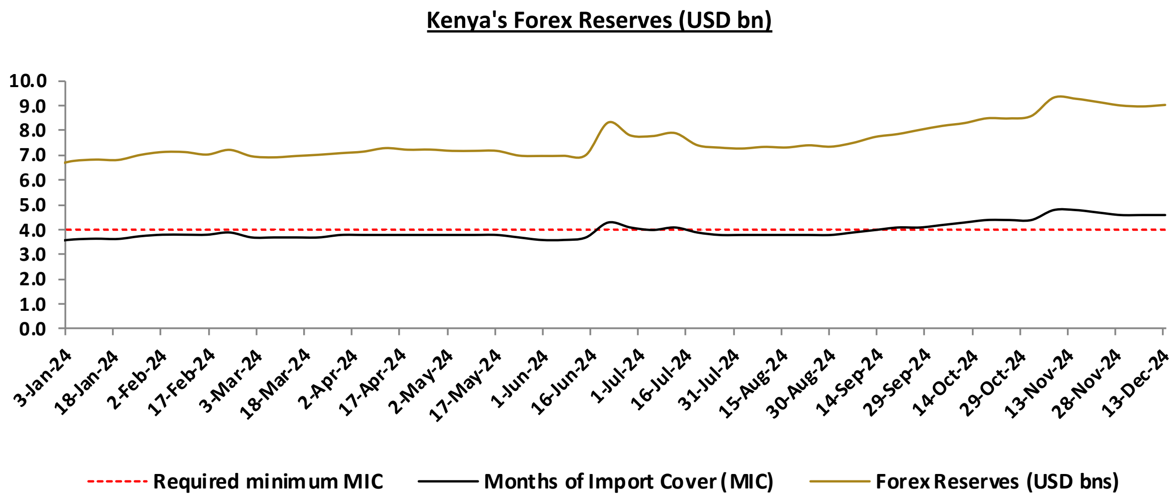
Source: Nairobi Securities Exchange (NSE)

KES/USD Performance



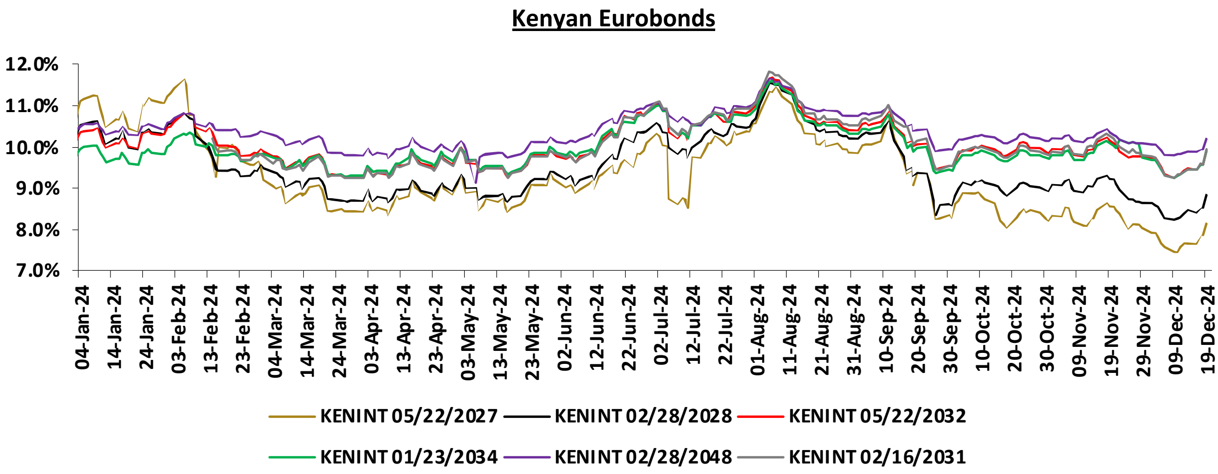
Source: Central Bank of Kenya (CBK)

Forex Reserves



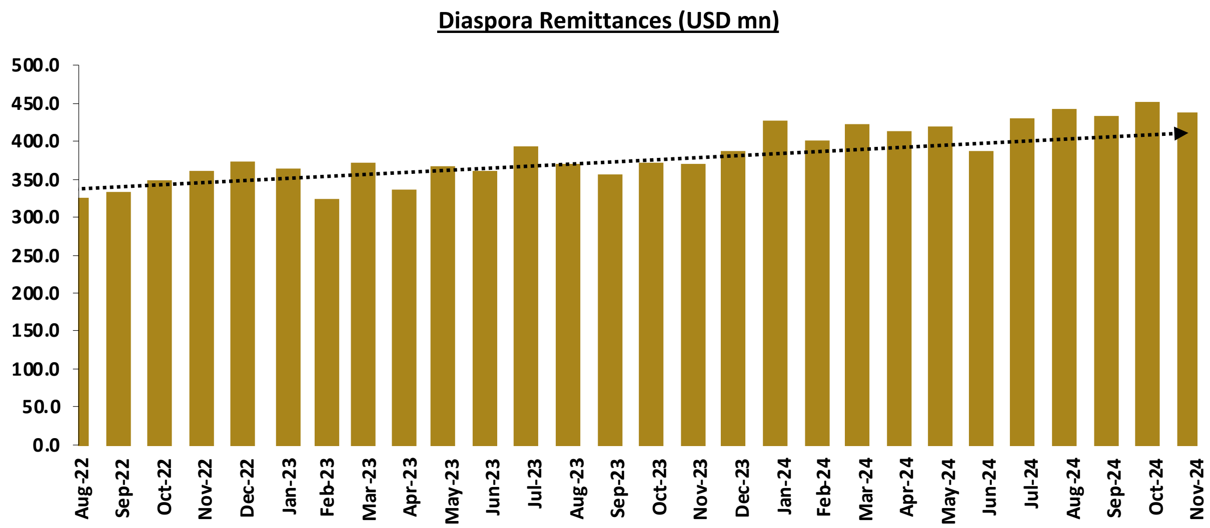
Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds



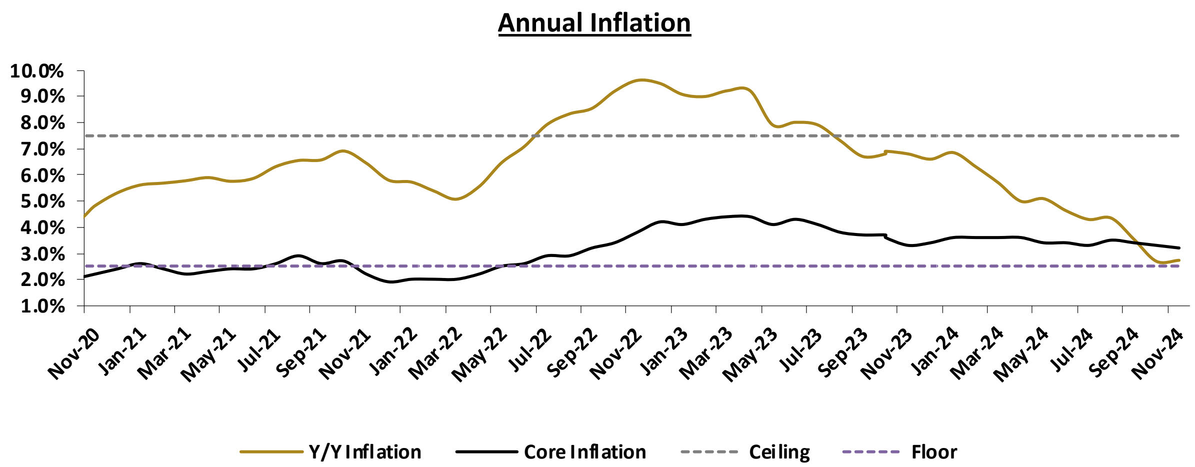
Source: Central Bank of Kenya (CBK)

Diaspora Remittances



Source: Central Bank of Kenya (CBK)

Consumer Prices



Source: Central Bank of Kenya (CBK)

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