SIB Standard Investment Bank

Regulated by the Capital Markets Authority

17TH MARCH 2025

“Diaspora Remittances declines by 1.0% y/y to USD 382.2m in February 2025”

WEEKLY FIXED INCOME REPORT

Cumulative Tax Revenues Rise only 2.2%y/y for the First Eight Months of FY24/25

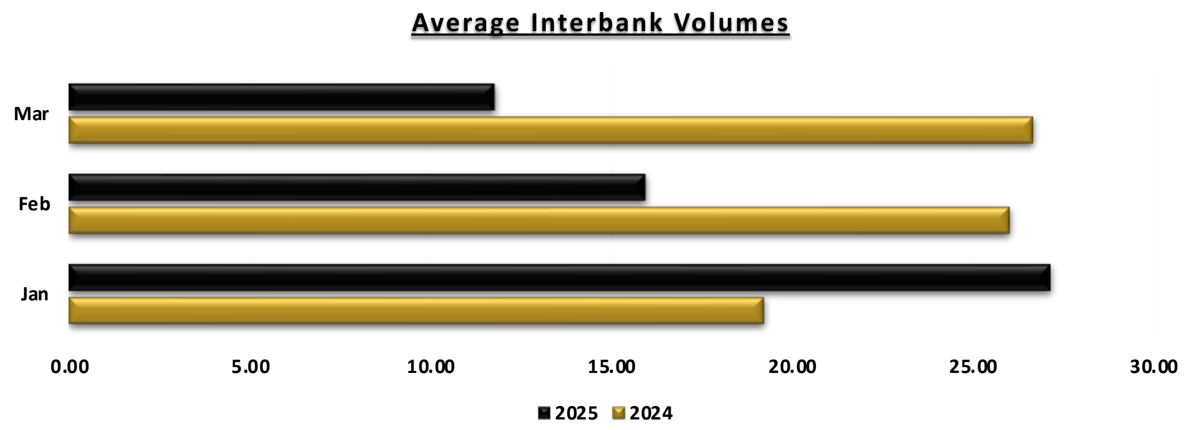
MONEY MARKET ANALYSIS

Interbank lending rejuvenated this week, defying last week's declining trend as traded volumes jumped 85.31% KES 21.85bn from KES 11.79bn. Deal numbers echoed the rise, increasing by 37.0%. On the flip side, the average interbank rate remained relatively stable, inching down marginally to 10.68% from 10.70% the week before. Key to note, the discount window was active following weeks of inactivity though only KES 200m was traded. The table below summarizes the market liquidity indicators:

Average	Previous Week	Current Week	Change
Interbank Deals	27.00	37.00	37.04%
Inter- Bank volumes (KES bn)	11.79	21.85	85.31%
Inter – Bank Rates (bps)	10.70%	10.68%	(2.01)

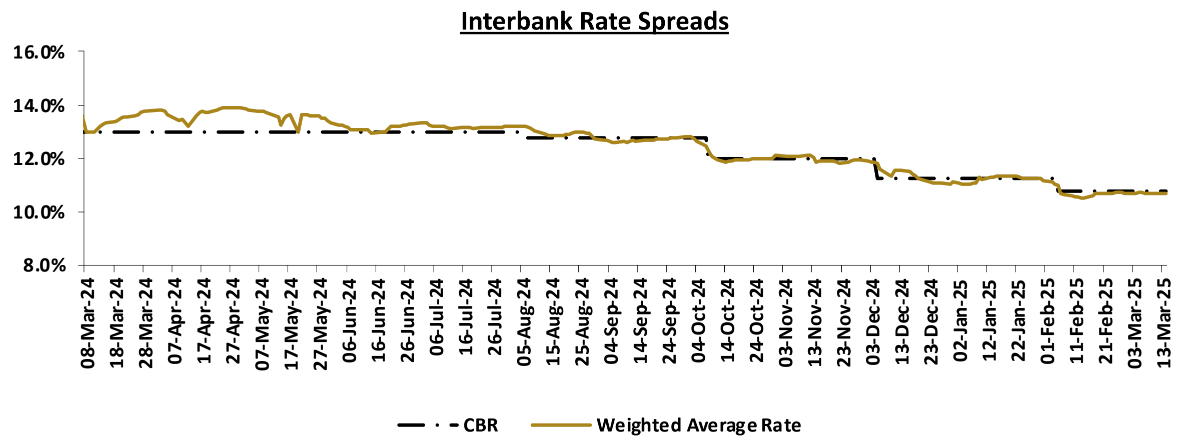
Source: Central Bank of Kenya (CBK), Table: SIB

So far, the average traded volumes in the interbank market remains higher than that of March but way below what was traded in January. This suggests a potentially tightened liquidity as banks seemingly hold their liquidity. See below a visual chart of the interbank market trends;



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

The weighted average interbank rate has closely tracked the Central Bank Rate, underscoring the stability and effectiveness of the monetary policy framework. See the chart below;



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

GOVERNMENT SECURITIES MARKET

T-bills

Treasury bills were oversubscribed albeit at a lower subscription of 149.2%, from 210.7%, last week. In absolute terms, the 182-day paper received the highest subscription persisted with the paper garnering more than half of the total bids. Investors poured in KES 35.81bn, and the fiscal agent took in 75.0% of the amount. The lowest acceptance rate was on the 91-day paper whose weighted market average rate increased for the first time in 7 weeks.

Overall average rates of accepted bids continue to dip across all tenors, with the 91- 182- and 364 – day papers settling at 8.92% (-0.48bps), 9.11% (-3.60bps), and 10.47% (-2.31bps), respectively. See the summary below;

KES bn

17-Mar-25	91-day 16-Jun-25	182-day 15-Sep-25	364-day 16-Mar-26	Totals
Amount offered	4.00	10.00	10.00	24.00
Bids received	7.53	9.80	18.48	35.81
Subscription rate (%)	188.1%	98.0%	184.8%	149.2%
Amount accepted	**4.96**	**9.80**	**12.11**	**26.87**
Acceptance rate (%)	66.0%	99.9%	65.5%	75.0%
Of which: Competitive Bids	2.18	8.88	10.49	21.55
Non-competitive bids	2.79	0.92	1.62	5.32
Rollover/Redemptions	5.83	3.50	3.18	12.52
New Borrowing/(Net Repayment)	**(0.87)**	**6.29**	**8.93**	**14.35**
Weighted Average Rate of Accepted Bids	8.92%	9.11%	10.47%	
Inflation	3.5%	3.5%	3.5%	
Real Return	**5.5%**	**5.7%**	**7.0%**	

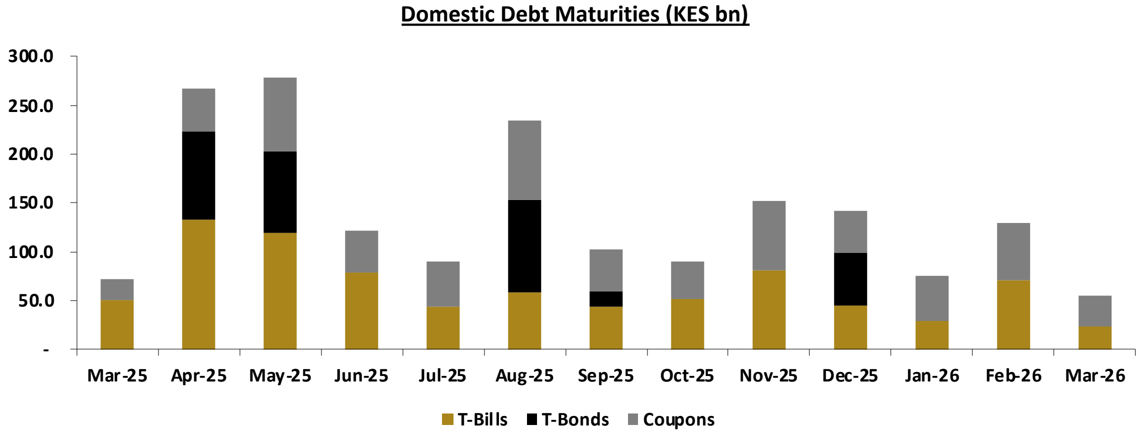
Source: Central Bank of Kenya (CBK), Table: SIB

T-Bonds

In the secondary bond market, bond turnover increased marginally to KES 57.05bn, from KES 56.25bn.

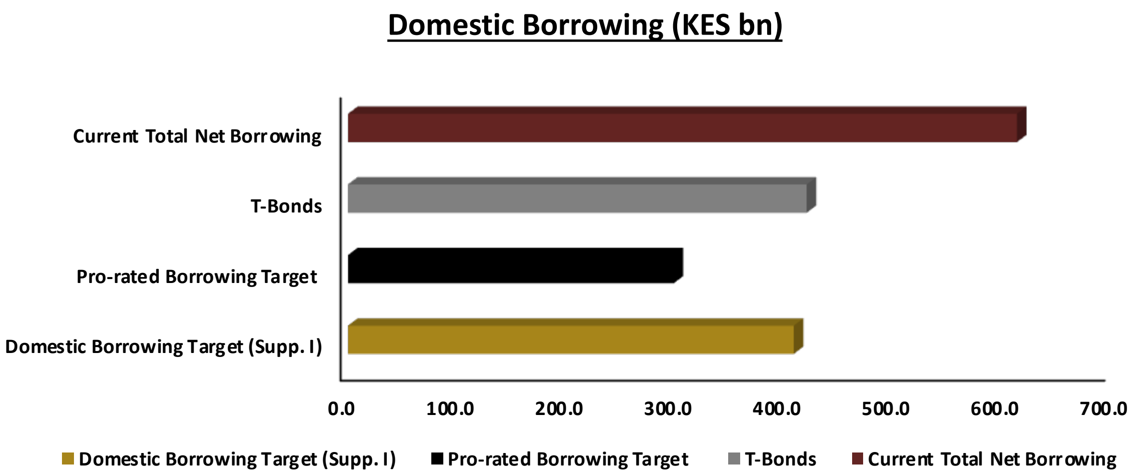
Outstanding Debt Maturities (T-Bills and T-Bonds):

As of this week, the Government's outstanding T-Bill and T-Bond maturities for the next 12 months are at KES 841.22bn and KES 340.06bn, respectively. Including coupon payments, the total maturity profile is approximately KES 1.82tn, as outlined below;



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

Nonetheless the government is ahead of its domestic borrowing curve for FY24/25 by 50.1%, having mobilized KES 613.0bn against a target of KES 408.41bn. Excluding Treasury bills, domestic borrowing surpasses the prorated target by 40.8%, currently standing at 102.9% of the overall target.



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

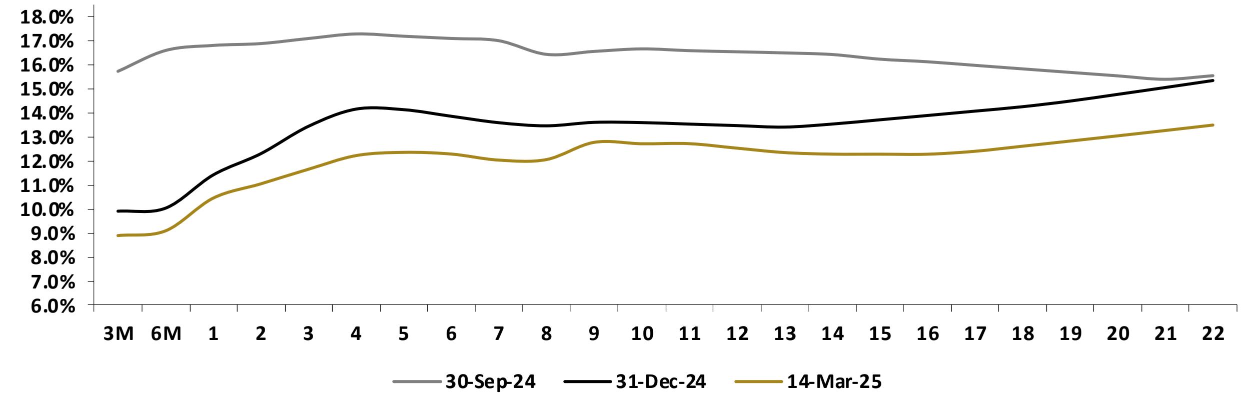
Yield Curve

The yield curve maintained its downward drift, save for the yields on medium term papers. Overall, the curve posted a 22.92bps average decline week-on-week.

Below is a visual representation;

Source: Nairobi Securities Exchange (NSE), Chart: SIB

Yield Curve



Source: Nairobi Securities Exchange (NSE), Chart: SIB

The International Front

Kenyan Eurobonds

This week, yields on Kenyan Eurobonds were on a modest upward trajectory, save for the shortest-maturity that was partly refinanced. 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	22-May-27	28-Feb-28	16-Feb-31	22-May-32	1-Jun-34	28-Feb-48
Tenor to Maturity	2.2	3.0	5.9	7.2	9.2	23.0
31-Dec-24	8.5%	9.1%	10.1%	10.1%	10.1%	10.3%
6-Mar-25	7.3%	8.4%	9.8%	9.8%	9.9%	10.3%
10-Mar-25	7.2%	8.4%	9.9%	9.9%	10.0%	10.3%
11-Mar-25	7.4%	8.5%	9.9%	9.9%	10.0%	10.3%
12-Mar-25	7.3%	8.4%	9.8%	9.9%	10.0%	10.3%
13-Mar-25	7.3%	8.5%	9.9%	10.0%	10.1%	10.4%
Weekly Change	0.0%	0.1%	0.1%	0.2%	0.2%	0.1%
YTD Change	(1.1%)	(0.5%)	(0.2%)	(0.2%)	(0.0%)	0.1%

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

Currency Performance

The Kenyan shilling maintained its losing streak against most tracked currency pairs except the TZS and JPY. Defying the usual trend, the shilling lost 0.2% against the dollar —this, despite a 0.2% decline in the US Dollar Index.

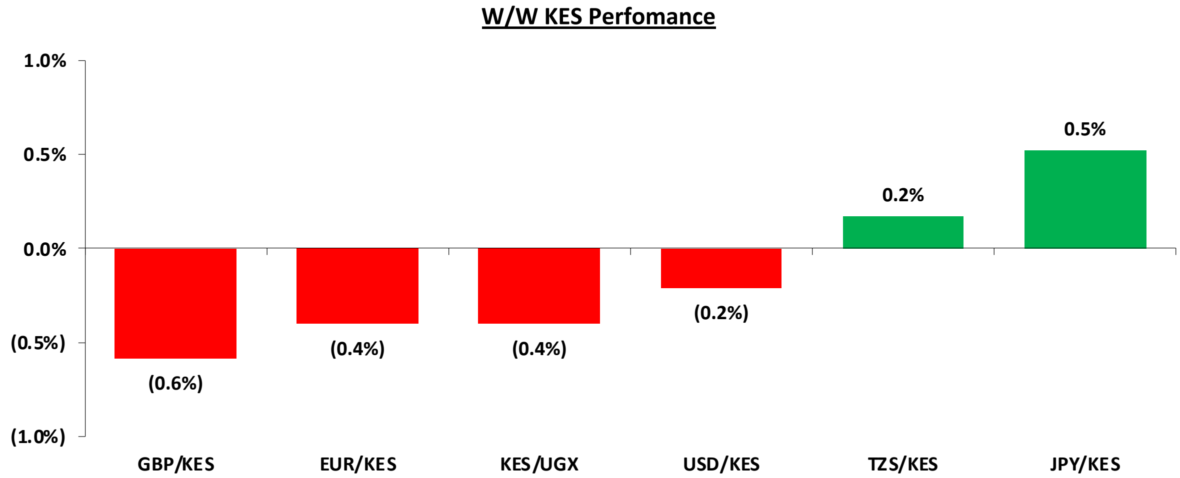
See the table below;

Currencies	29 Dec 2024	Previous Week	Current Week	w/w Change	YTD change
GBP/KES	162.3	166.7	167.6	(0.6%)	(3.3%)
EUR/KES	134.3	139.9	140.5	(0.4%)	(4.6%)
KES/UGX	28.4	28.4	28.3	(0.4%)	(0.4%)
USD/KES	129.3	129.2	129.5	(0.2%)	(0.2%)
TZS/KES	19.0	20.4	20.4	0.2%	7.6%
JPY/KES	82.1	87.6	87.2	0.5%	(6.1%)

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

See also a visual representation;



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

Kenya's foreign exchange reserves edged up by 10.0% to USD 10.06bn, with import cover notching higher to 5.1 months from 4.7 months (USD 9.14bn) the previous week. This marks an almost six-year high, driven by the settlement of the new Eurobond issuance and the partial repayment of the 2027 note. There seems to have been a significant inflow into the country over the week.

Meanwhile, diaspora remittances for the month of February came in at USD 382.2m, a 1.0% and 10.6% decline from USD 385.90m and USD 427.40m y/y and w/w respectively, though in line with historical trends.

MARKET NEWS

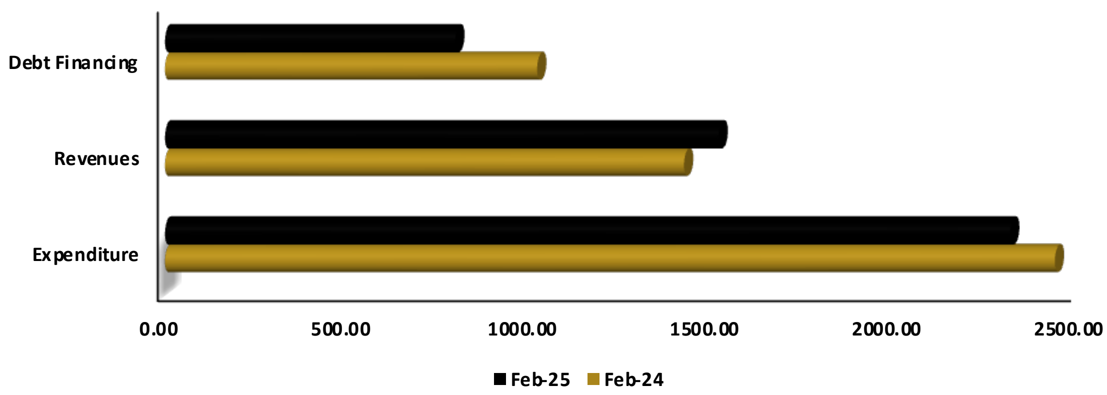
Exchequer Issues: Cumulative Tax Revenues Rise only 2.2%y/y for the First Eight Months of FY24/25

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

- The government collected KES 1,517.18bn in ordinary revenues, equivalent to a 6.7% increase from the KES 1,422.32bn collected over the same period in FY23/24. Cumulative non-tax revenues surged 135.0%y/y to KES 113.48bn, from KES 48.29bn in FY23/24,
- Total expenditure came in at KES 2,316.08bn, a 5.0% decrease from the KES 2,438.52bn spend over the same period in FY23/24. The decline is largely attributable to a 19.7% decline in debt servicing given the Eurobond refinancing that was done in February 2024. Still, recurrent expenditure went up by 6.3% over the same period, and,
- The budget deficit came in at KES 798.90bn which was financed by both external and domestic borrowing. The figure is a 21.4% decrease from the actual borrowing of KES 1,019.79bn over the same period in FY23/24. This coincides with the 2024 Eurobond issuance.

See the chart below for a quick summary;

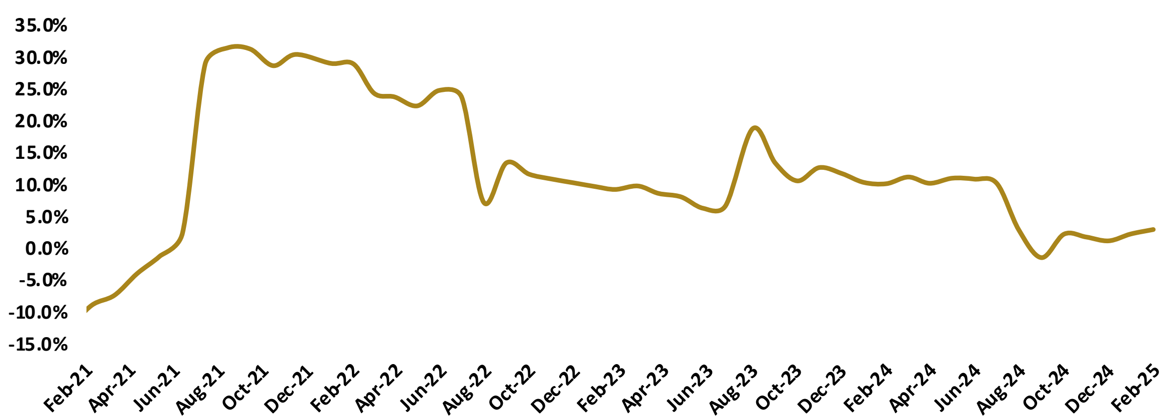
Actual Budget Performance Rate (KES bn)



Source: Treasury, Chart: SIB

Cumulative tax revenues showed steady growth, rising by a meagre 2.2% to reach KES 1,403.71bn in the first eight months of FY24/25, up from KES 1,374.03bn during the same period in FY23/24. This growth, while positive, reflects a slower pace compared to the previous year, reflecting the high reliance on additional taxes to raise revenues. See the chart below;

Y/Y Cumulative Revenue Performance



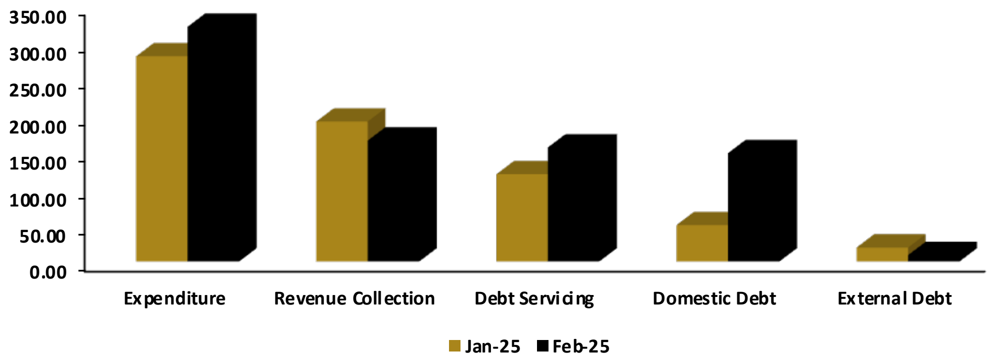
Source: Treasury, Chart: SIB

Even then;

- Total expenditure for the month of February, rose by 14.4% to KES 321.27bn, from KES 280.74bn, in December 2024. Debt servicing obligations surged 30.8% following the local bond buyback for the three bonds maturing in March, April and May,
- Domestic borrowing for the same period more than tripled to KES 148.20bn, compared to the KES 49.75bn bn borrowed in January 2024 – this is attributable to the February bond issuance which successfully raised KES 130.81bn. Borrowing from external financiers on the other hand declined reflecting minimal access to the global debt market,
- Meanwhile, the total revenue performance for the month of January recorded a further 13.6%m/m drop to KES 165.50bn, from KES 191.50bn, in January 2025.

See the chart below for a summary;

Monthly Budget Performance (KES bn)

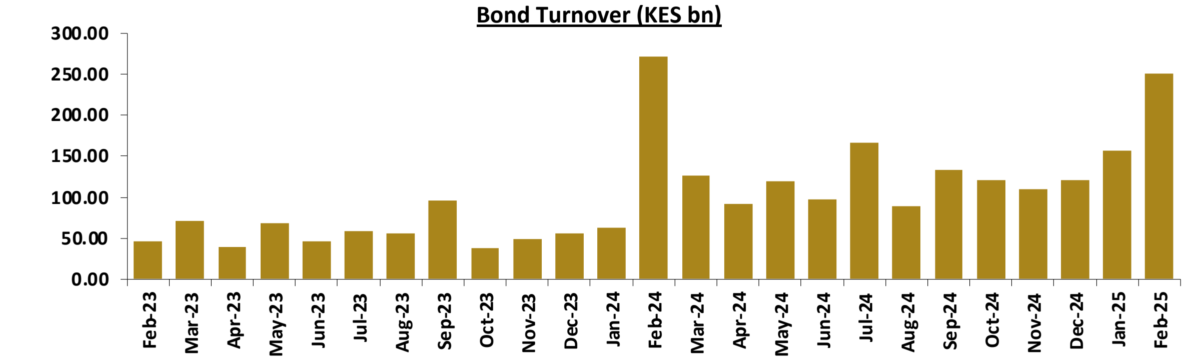


Source: Treasury, Chart: SIB

It is important to note that of the KES 2.31tn expended thus far in FY24/25, only 6.7% has been allocated to development expenditure. Moreover, 40.1% of the total spending has been dedicated to debt servicing, which has absorbed 61.2% of revenue collections. Excluding debt servicing costs, more than half of the country's expenditure is reliant on debt financing, indicating a fiscally indiscipline environment that is spending beyond its means.

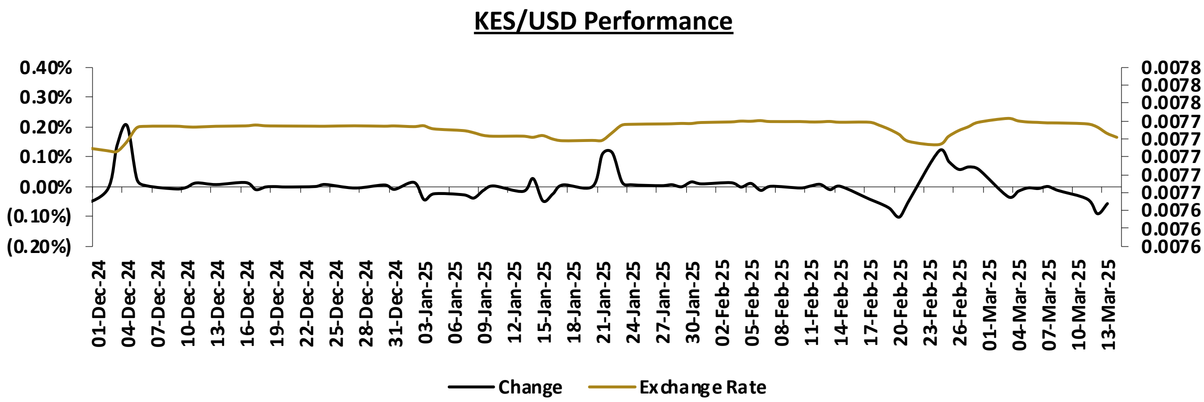
BACKGROUND CHARTS

Secondary Bond Turnover



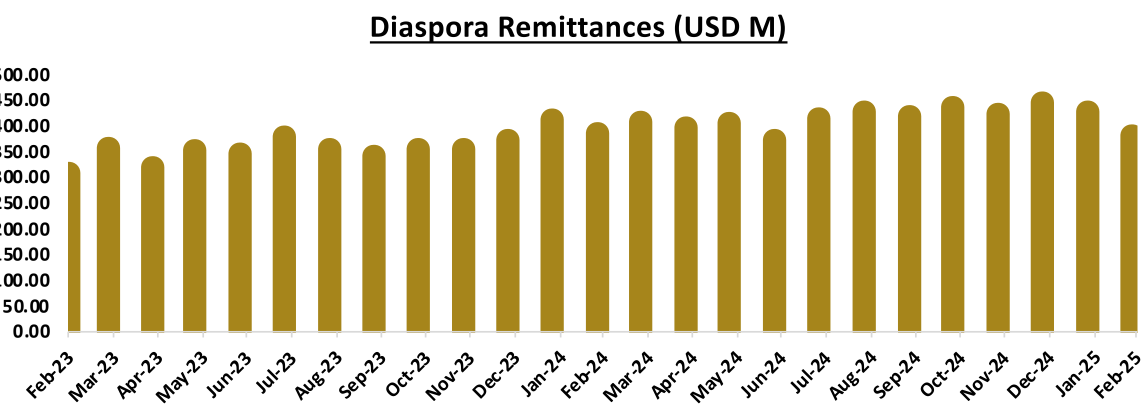
Source: Nairobi Securities Exchange (NSE)

KES/USD Performance



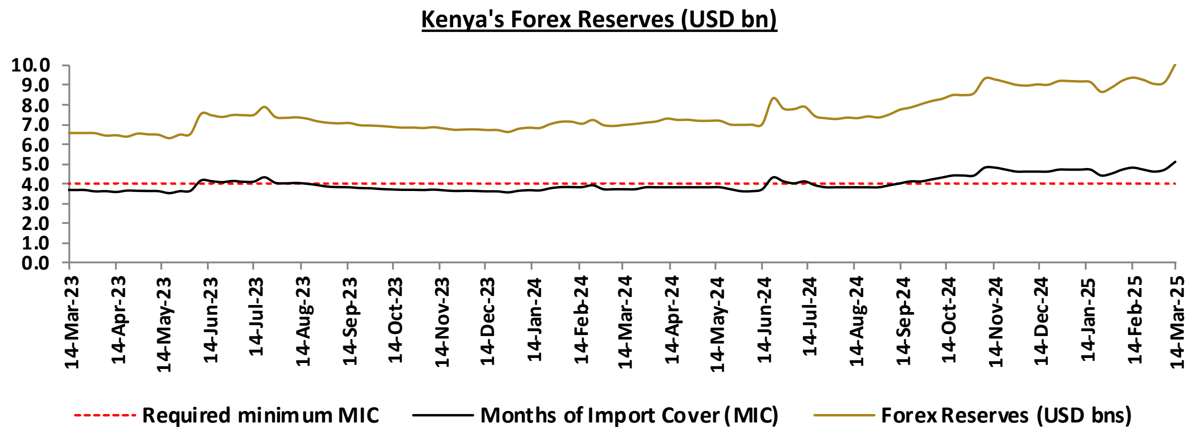
Source: Central Bank of Kenya (CBK)

Diaspora Remittances



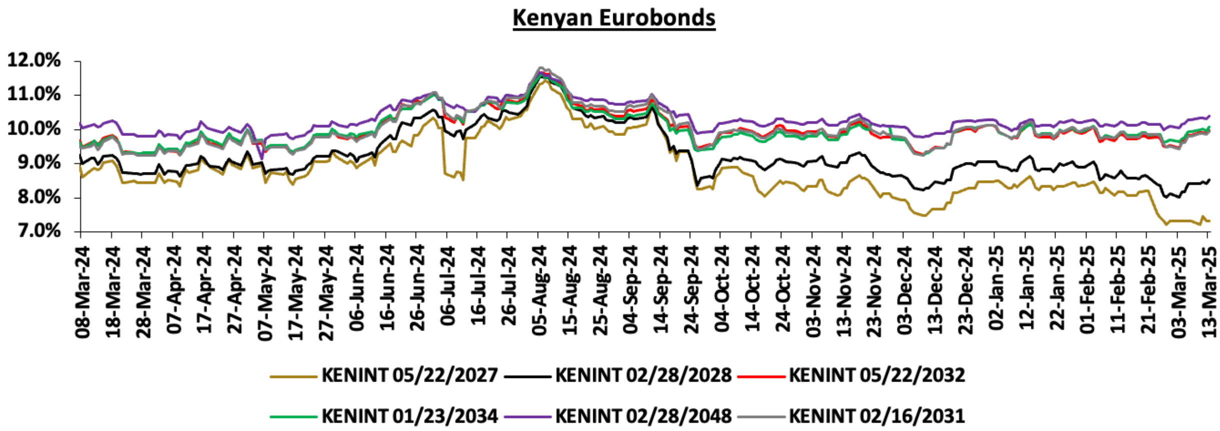
Source: Central Bank of Kenya (CBK)

Forex Reserves



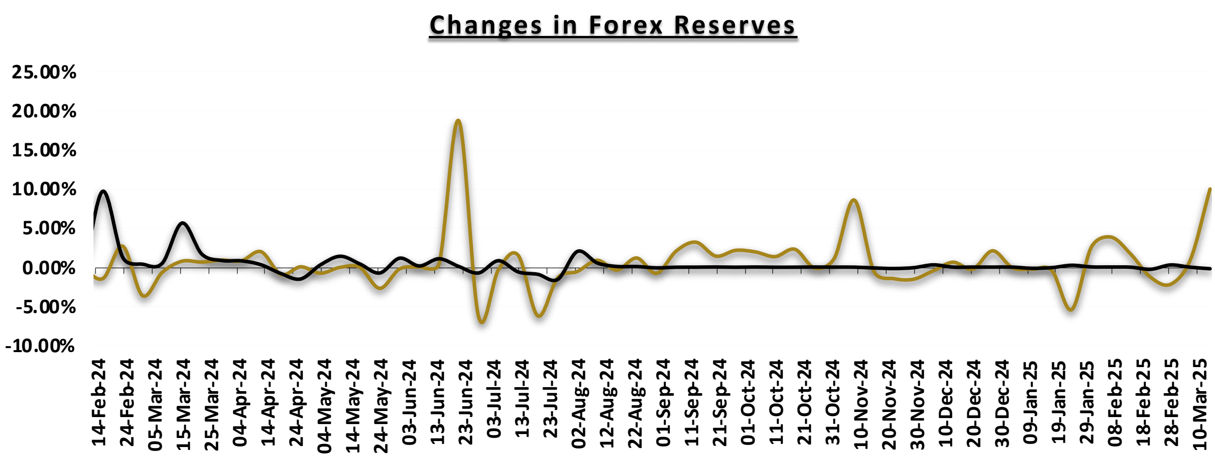
Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)

Forex Reserves



Source: Central Bank of Kenya (CBK)

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