SIB Standard Investment Bank

Regulated by the Capital Markets Authority

12TH MAY 2025

"CBK Tops May Bond Issuance Target, but Maturities Trim Net Borrowing"

WEEKLY FIXED INCOME REPORT

Private Sector Business Conditions Post Strongest Improvement in over 2-years

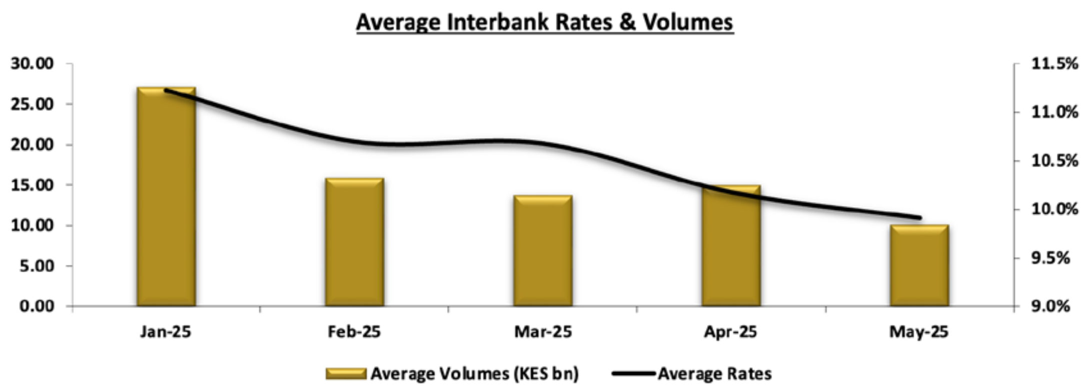
MONEY MARKET ANALYSIS

Interbank lending waned further during the week, with average traded volumes dropping by another 41.2% to KES 9.80bn from KES 16.65bn the previous week – in tandem with a 50% fall in the number of transactions. Nonetheless, the average interbank rate dropped marginally to 9.91%, from 9.94%, reflecting concurrent policy interventions by the CBK. The table below summarizes the market liquidity indicators:

Average	Previous Week	Current Week	Change
Interbank Deals	30.00	15.00	(50.00%)
Inter- Bank volumes (KES bn)	16.65	9.80	(41.15%)
Inter – Bank Rates (bps)	9.94%	9.91%	(2.84)

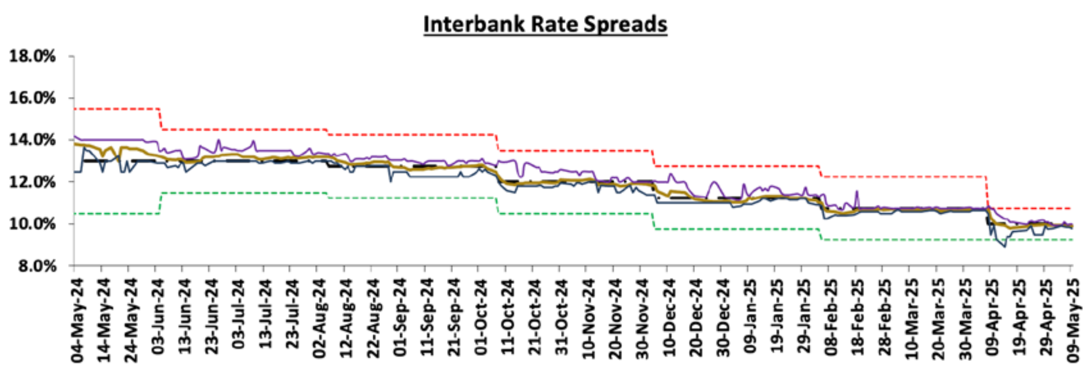
Source: Central Bank of Kenya (CBK), Table: SIB

May kicked off at a slow pace, with average interbank lending remaining below historical levels. With the heavy bond maturities now behind us, we expect market players to gradually resume horizontal lending — though we remain watchful of how the month unfolds. See the chart below:



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

Interbank rates remain firmly anchored to the Central Bank Rate, with the highs slightly above the policy rate and the lows closer to the rate but squarely within the corridor. See the chart below;



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

GOVERNMENT SECURITIES MARKET

T-bills

Demand for Treasury bills rejuvenated, likely spurred by last week's bond maturity overflow and elevated redemptions. Overall subscription surged to 219.5% from 76.6% the previous week. The 182- and 364-day papers drew the most interest, accounting for 80.4% of total bids — a strong rebound, especially for the 6-month paper, which had posted its weakest demand in 18 weeks. Investors placed bids worth KES 52.67bn, with the fiscal agent accepting 96.3% of them.

Average accepted rates continued on a downward trend, albeit slower, with the 91-, 182-, and 364-day papers settling at 8.38% (- 2.43bps), 8.60% (1.80bps), and 10.01% (-0.40bps), respectively. See the summary below;

KES bn

5-May-25	91-day	182-day	364-day	Totals
	11-Aug-25	10-Nov-25	11-May-26	
Amount offered	4.00	10.00	10.00	24.00
Bids received	10.34	20.83	21.50	52.67
Subscription rate (%)	258.4%	208.3%	215.0%	219.5%
Amount accepted	**10.29**	**20.78**	**19.64**	**50.71**
Acceptance rate (%)	99.5%	99.8%	91.4%	96.3%
Of which: Competitive Bids	0.93	12.36	16.10	29.39
Non-competitive bids	9.36	8.42	3.54	21.33
Rollover/Redemptions	10.07	24.49	15.12	49.69
New Borrowing/(Net Repayment)	**0.21**	**(3.71)**	**4.52**	**1.03**
Weighted Average Rate of Accepted Bids	8.38%	8.60%	10.01%	
Inflation	4.1%	4.1%	4.1%	
Real Return	**4.3%**	**4.5%**	**5.9%**	

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

T-Bonds

In the primary bond market, the CBK successfully raised KES 43.52bn through the second tranche of the May issuance — surpassing the KES 30bn target for FXD1/2012/20. This brought total May borrowing to KES 93.90bn and net borrowing to KES 10.05bn. The tranche was oversubscribed by 81.3%, likely driven by the shorter duration to maturity. See below a summary of the offers;

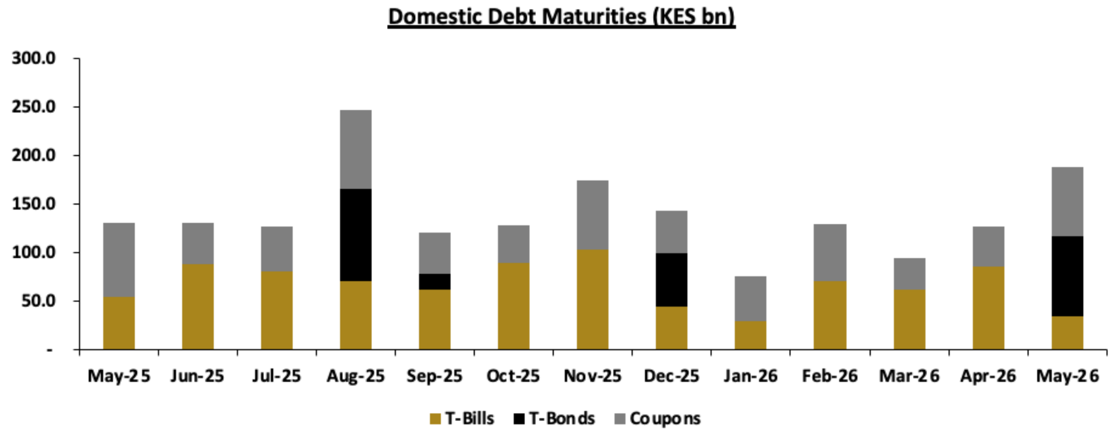
12-May-25	FXD1/2012/020
Due Date	**1-Nov-32**
Amount offered (KES bn)	30.00
Bids received (KES bn)	54.39
Subscription rate (%)	181.3%
Amount accepted	**43.52**
Acceptance rate (%)	80.0%
Of which: Competitive Bids	32.91
Non-competitive bids	10.61
Rollover/Redemptions	14.23
New Borrowing/(Net Repayment)	**29.29**
Price per KES 100 at average yield	92.41
Weighted average rate of accepted bids	13.65%
Coupon Rate	12.00%

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

The papers settled at 13.65% (Lower than our estimates) and at a discount.

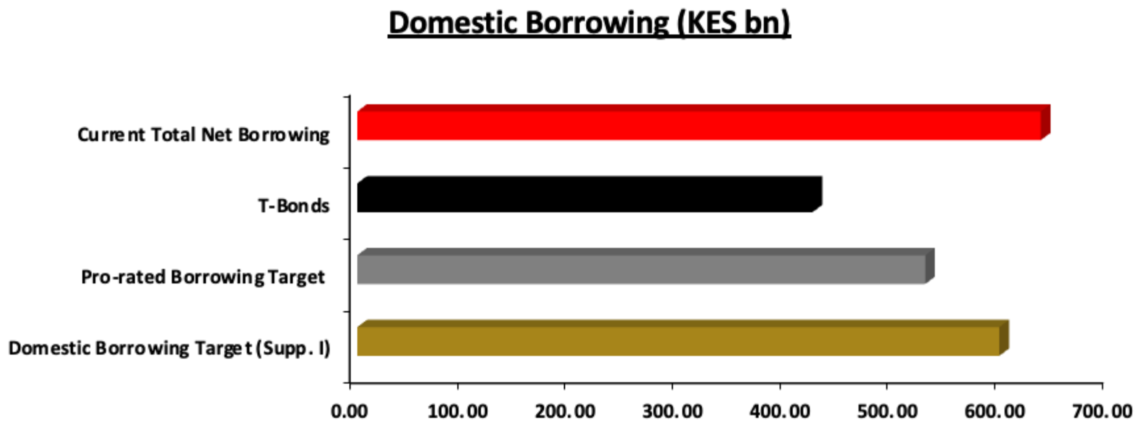
Outstanding Debt Maturities (T-Bills and T-Bonds):

As of this week, the Government's outstanding T-Bill and T-Bond maturities for the next 12 months are at KES 873.80bn and KES 247.27bn, respectively. August 2025 appears particularly stressful, with a total maturity profile of approximately KES 246.65bn, inclusive of coupon payments, as outlined below;



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

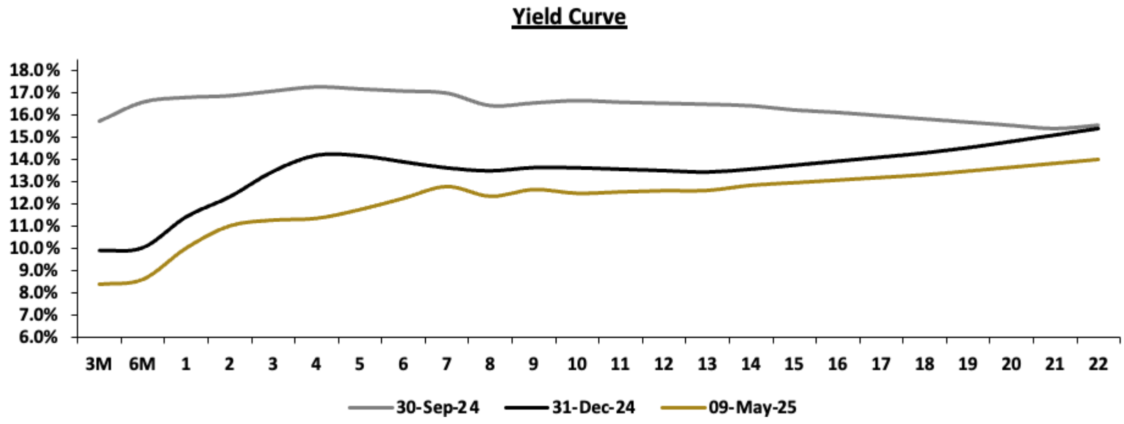
May's net borrowing pushed total domestic government borrowing for FY24/25 to KES 635.69bn. Treasury bonds have carried the weight, contributing a hefty KES 423.54bn — that's 70.9% of the domestic borrowing target of KES 597.15bn. We expect an attractive June offer to help bridge the gap and push bond borrowing closer to the target.



Yield Curve

The yield curve on average reversed last week's rising trend, even though a few papers on the long end maintained an increase. The overall performance was an 18.84% average decline week-on-week.

Below is a visual representation;



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

The International Front

Kenyan Eurobonds

This week, yields on Kenyan Eurobonds dropped across all maturities, as both domestic and global developments continue to evolve. Below is a summary of the performance;

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
Maturity Date	22-May-27	28-Feb-28	16-Feb-31	22-May-32	1-Jun-34	28-Feb-48
Tenor to Maturity	2.0	2.8	5.8	7.0	9.1	22.8
31-Dec-24	8.5%	9.1%	10.1%	10.1%	10.1%	10.3%
1-May-25	8.4%	10.1%	11.2%	11.1%	10.9%	11.4%
5-May-25	8.4%	10.0%	11.1%	11.0%	10.8%	11.3%
6-May-25	8.3%	9.9%	11.1%	10.9%	10.7%	11.3%
7-May-25	8.0%	9.8%	10.8%	10.8%	10.6%	11.2%
8-May-25	8.1%	9.8%	10.9%	10.8%	10.6%	11.2%
Weekly Change	(0.4%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)
YTD Change	(0.4%)	0.7%	0.8%	0.7%	0.5%	0.9%

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

Currency Performance

The Kenyan shilling recorded gains against the currencies we track, with the highest appreciation being recorded against the TZS which appreciated by a further 1.5%. The shilling gained 0.2% against the USD, despite the USD Index strengthening by 1.2% during the week.

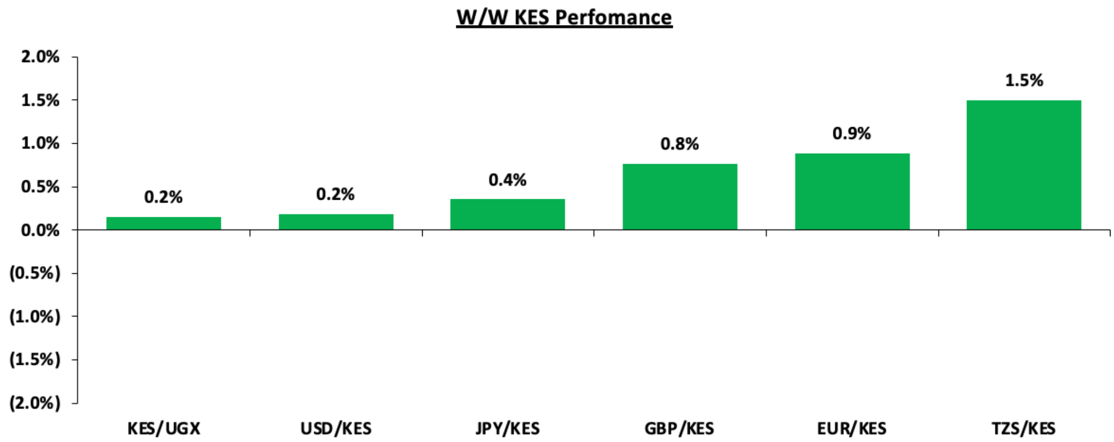
See the table below;

Currencies	31 Dec 2024 (vs KES)	Previous Week	Current	w/w Change	YTD change
KES/UGX	28.4	28.3	28.3	0.2%	(0.3%)
USD/KES	129.3	129.5	129.3	0.2%	0.0%
JPY/KES	82.1	89.1	88.8	0.4%	(8.1%)
GBP/KES	162.3	172.4	171.1	0.8%	(5.4%)
EUR/KES	134.3	146.4	145.1	0.9%	(8.1%)
TZS/KES	19.0	20.6	20.9	1.5%	10.2%

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;



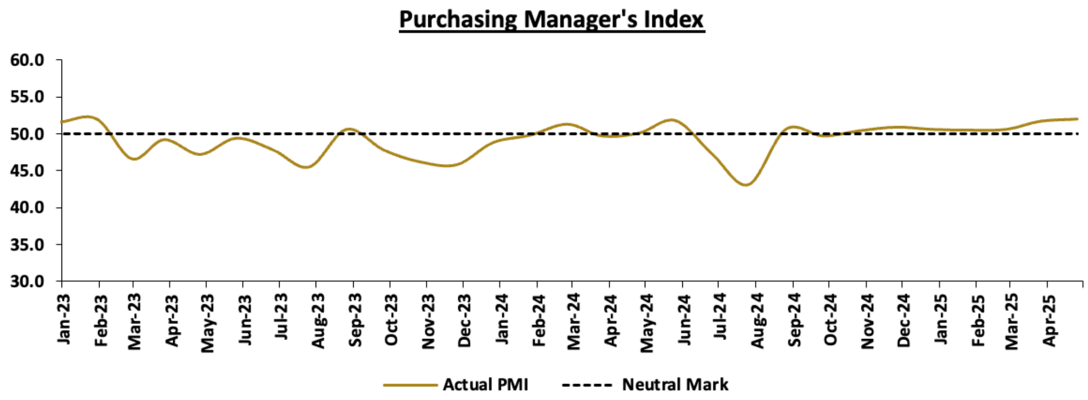
Source: Central Bank of Kenya (CBK), Chart: SIB

Kenya's foreign exchange reserves jumped 5.6% to USD 10.29bn from USD 9.75bn, with import cover rising to 4.6 months from 4.4. We suspect this was boosted by the disbursement of funds from the private placement of the USD 500m amortizing notes due in 2032.

MARKET NEWS

Private Sector Business Conditions Post Strongest Improvement in over 2-years

According to Stanbic Bank Kenya's PMI survey, private sector business conditions posted their strongest improvement in over two years in April, marking the seventh straight month of growth. The index climbed to 52.0 — the sharpest April expansion since 2019. See the chart below;



Source: Stanbic, S&P Global, Chart: SIB
**The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.*

Between October 2024 and February 2025, we **consistently flagged the fragility** of Kenya's private sector, noting that even minor shocks could tip the it into contraction. As such, the improvements recorded over that period offered limited comfort. Encouragingly, the performance over the past two months points to a **shift away** from this state of precarious equilibrium.

April's upturn was largely driven by a **surge in new orders**—the fastest since February 2022—supported by intensified marketing and stronger customer demand, especially in the services, agriculture, and construction sectors. This boost in demand translated into **increased staffing**, with employment rising at the quickest pace in nearly a year, albeit modestly. Business output grew solidly as a result, with over a third of firms reporting higher activity. Still, economic challenges persisted, with 29% of businesses reducing their output.

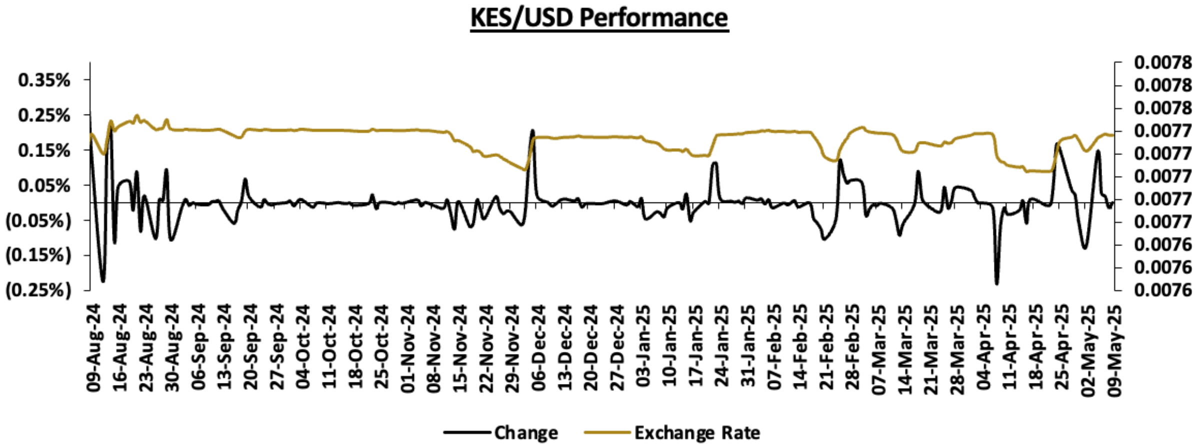
On the downside, **input costs rose** at the fastest pace in three months, largely due to supply shortfalls and higher taxation. Moreover, **business confidence remained exceptionally weak**, with just 5% of firms anticipating output growth over the next 12 months.

In our view, the latest figures reflect a **more stable macroeconomic backdrop**. We had earlier expressed concern that the Finance Bill 2025 could further burden the private sector if it introduced additional taxes. Fortunately, no major measures have emerged to significantly escalate firms' input costs. For now, we are cautiously optimistic that **favorable weather and steady energy prices** may provide temporary relief for businesses. Nonetheless, this does not negate the urgent need for structural reforms.

The Stanbic Bank Kenya PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

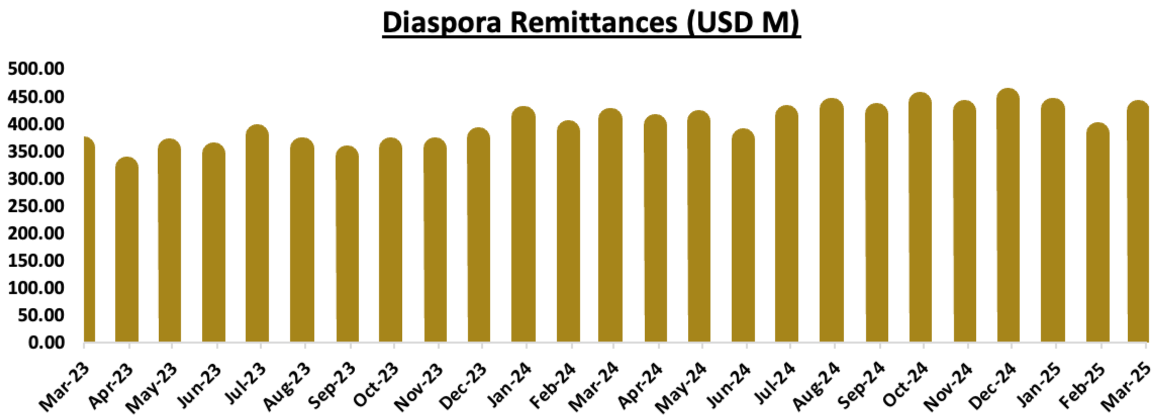
BACKGROUND CHARTS

KES/USD Performance



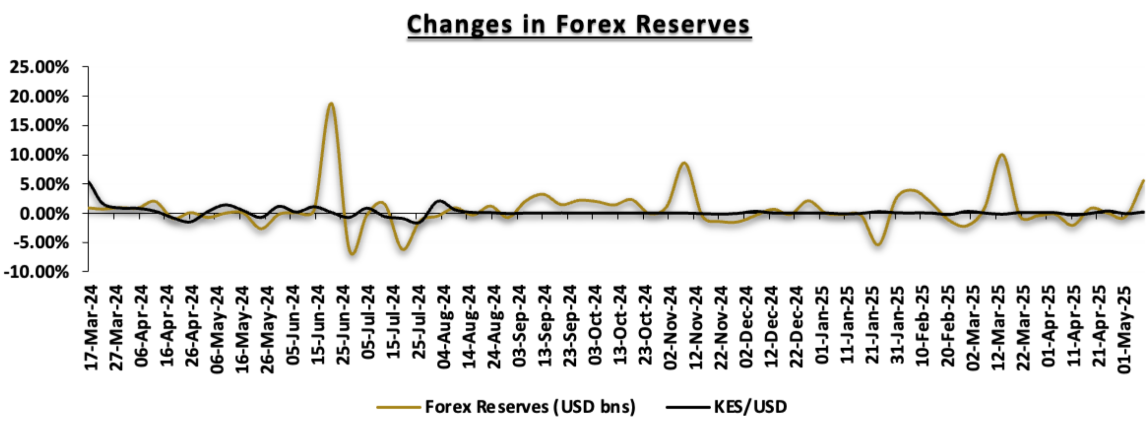
Source: Nairobi Securities Exchange (NSE)

Diaspora Remittances



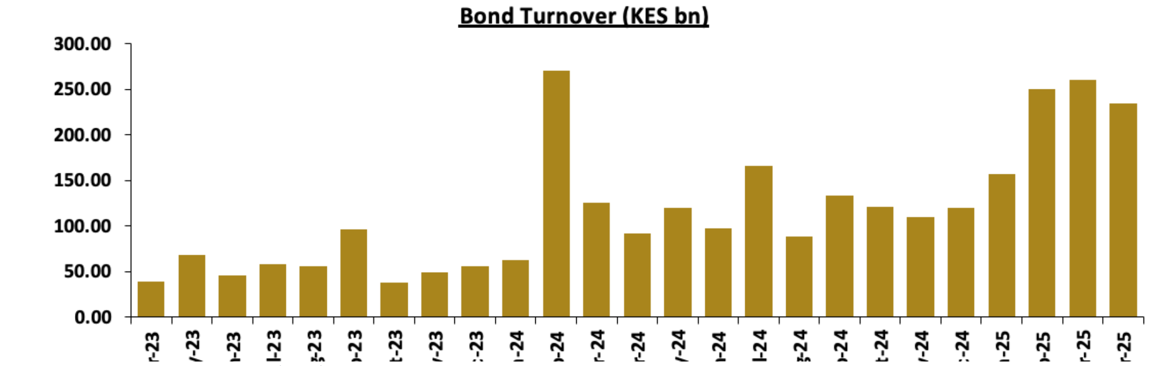
Source: Central Bank of Kenya (CBK)

Forex Reserves



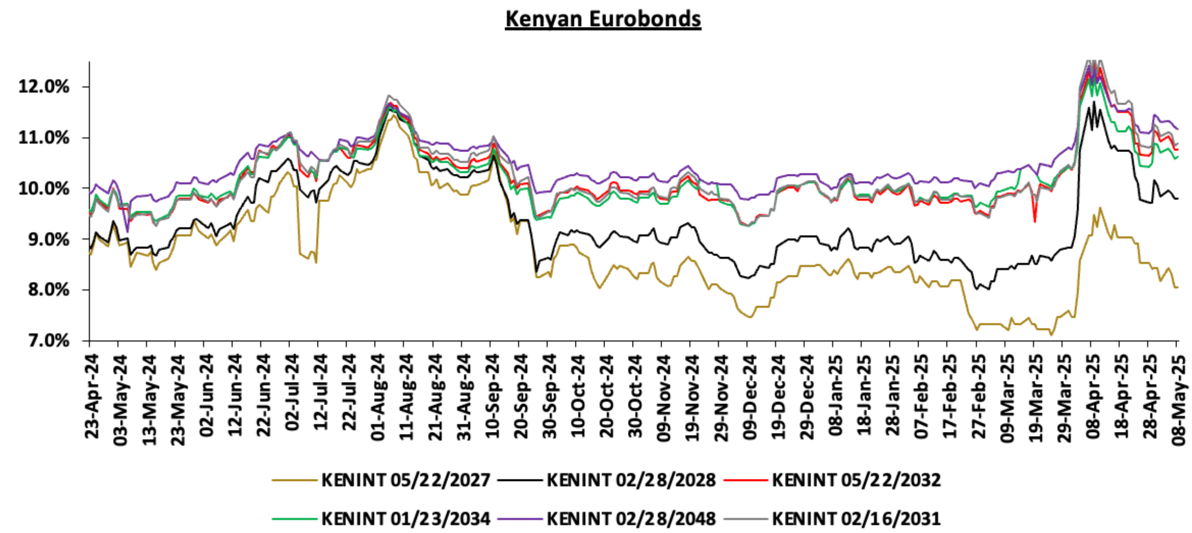
Source: Central Bank of Kenya (CBK)

Secondary Bond Market



Source: Nairobi Securities Exchange (NSE)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)

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