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May 2025 inflation
estimate:
3.8% - 4.0%

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WEEKLY FIXED INCOME REPORT

*April Tax Revenues Jump 5.1%y/y to KES 221.39bn—
the Highest in FY24/25*

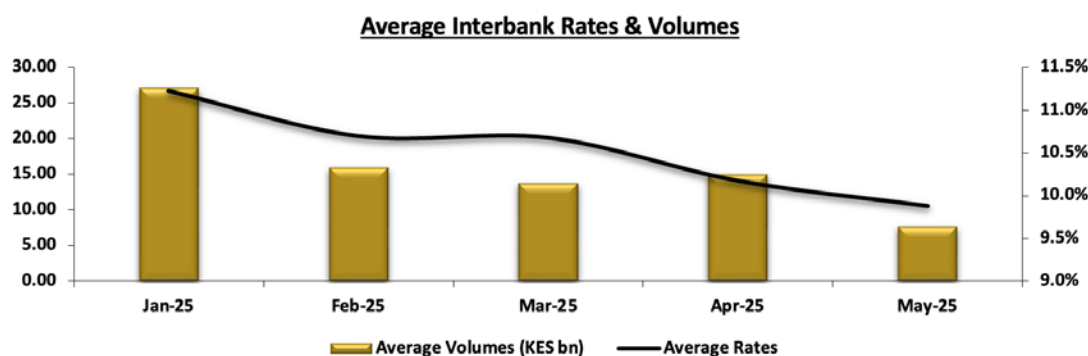
MONEY MARKET ANALYSIS

Interbank lending extended its losing streak for the fourth straight week, with average traded volumes tumbling 32.6% to KES 5.05bn from KES 7.49bn. This was mirrored by a 41.2% drop in transaction count, pointing to a broad slowdown in market activity. Meanwhile, the average interbank rate held steady, inching up slightly to 9.87% from 9.85%, a sign of continued policy calibration by the CBK via open market operations. The table below summarizes the market liquidity indicators:

Average	Previous Week	Current Week	Change
Interbank Deals	17.00	10.00	(41.18%)
Inter- Bank volumes (KES bn)	7.49	5.05	(32.60%)
Inter – Bank Rates (bps)	9.85%	9.87%	1.82

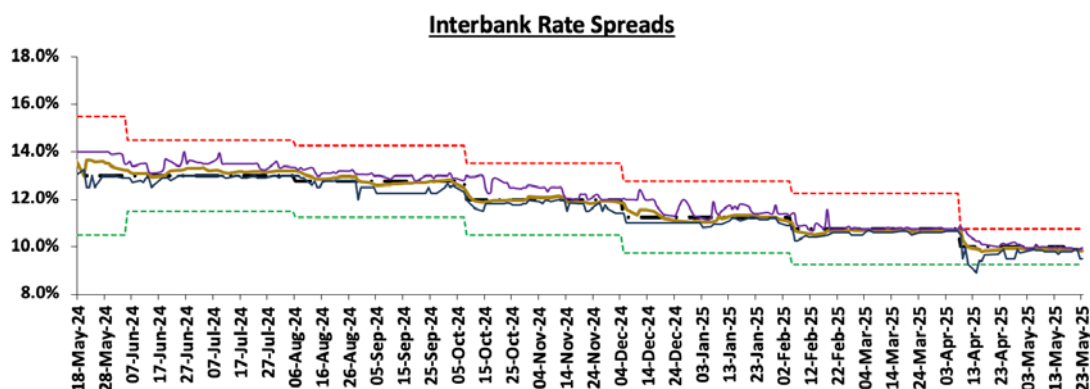
Source: Central Bank of Kenya (CBK), Table: SIB

As May winds down, the market is closing on a muted note, with average interbank lending running below this year's historical norms. The subdued peer-to-peer activity signals cautious liquidity management, as players appear to be holding onto cash—possibly positioning for more attractive opportunities. 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 remained robust, albeit lower than the previous week with the overall subscription dropping to 142.4%, from 179.7%. The 364-day paper held its lead, though its share of total bids slipped to 53.4%, with investor demand hitting KES 34.19bn. The fiscal agent accepted KES 29.94bn, translating to an acceptance rate of 87.6%, slightly higher than last weeks.

Average accepted rates remained stable at 8.32% (- 4.68bps), 8.58% (0.81bps), and 10.00% (+0.04bps), for the 91-, 182-, and 364-day papers, respectively. See the summary below;

KES bn

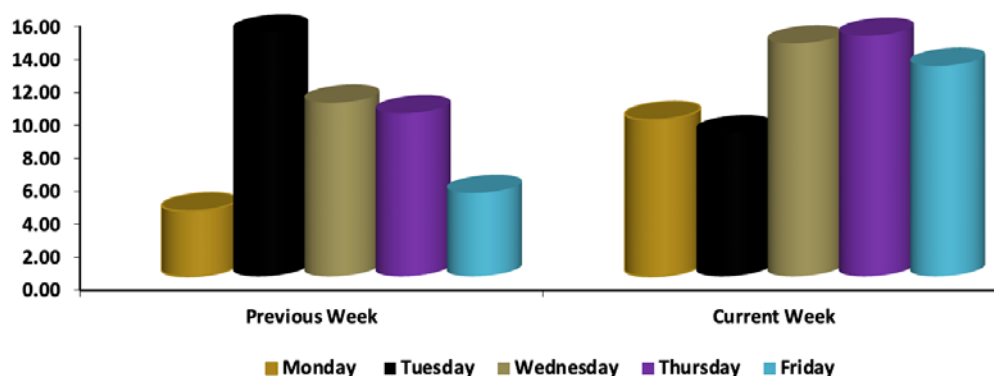
26-May-25	91-day	182-day	364-day	Totals
	25-Aug-25	24-Nov-25	25-May-26	
Amount offered	4.00	10.00	10.00	24.00
Bids received	4.53	11.39	18.27	34.19
Subscription rate (%)	113.2%	113.9%	182.7%	142.4%
Amount accepted	4.51	7.53	17.91	29.94
Acceptance rate (%)	99.6%	66.1%	98.0%	87.6%
Of which: Competitive Bids	0.13	5.76	16.20	22.08
Non-competitive bids	4.38	1.77	1.71	7.86
Rollover/Redemptions	4.15	13.17	6.13	23.44
New Borrowing/(Net Repayment)	0.36	(5.64)	11.78	6.50
Weighted Average Rate of Accepted Bids	8.32%	8.58%	10.00%	
Inflation	4.1%	4.1%	4.1%	
Real Return	4.2%	4.5%	5.9%	

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

T-Bonds

In the secondary bond market, turnover surged by 35.0% to KES 59.61bn, from KES 44.17bn the previous week, reflecting a more vibrant market compared to other securities in the exchange.

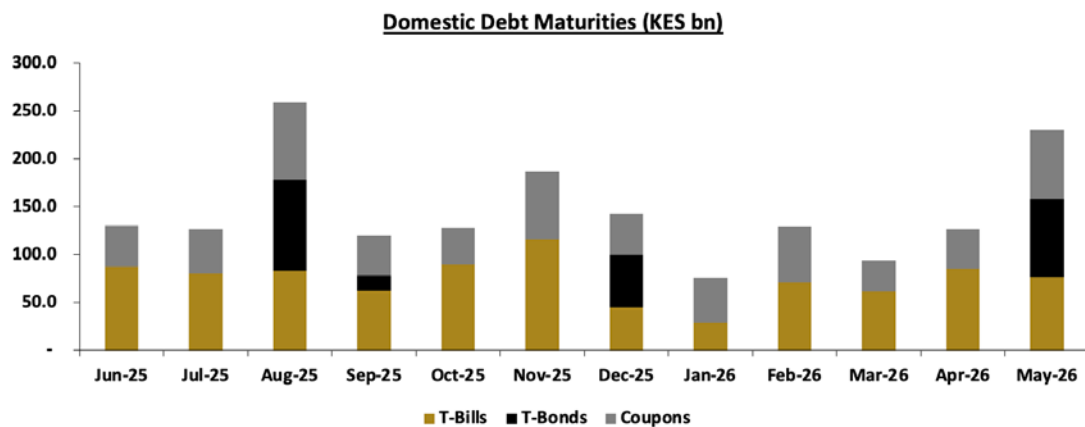
Bond Turnover (KES bn)



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

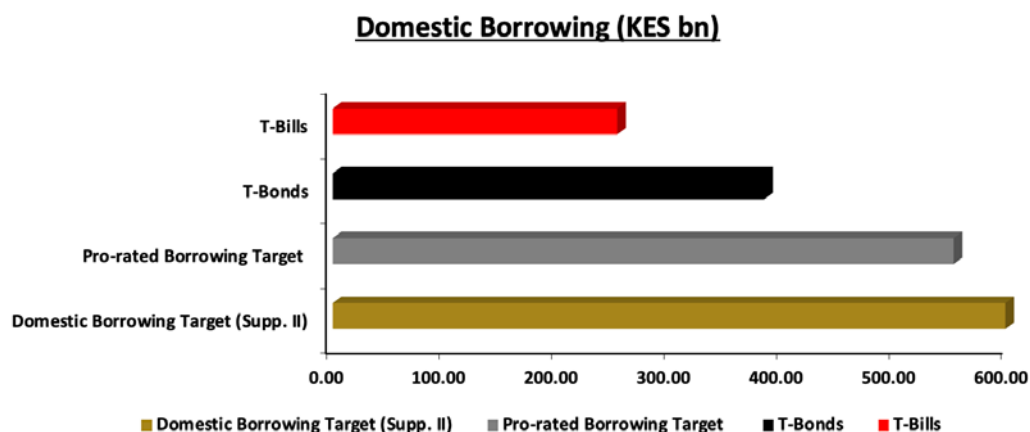
Outstanding Debt Maturities (T-Bills and T-Bonds):

As of this week, the Government's outstanding T-Bill and T-Bond maturities for the next 12 months are at KES 886.77bn and KES 247.27bn, respectively. August 2025 appears to be the next particularly stressful month, with a total maturity profile of approximately KES 259.23bn, inclusive of coupon payments, as outlined below;



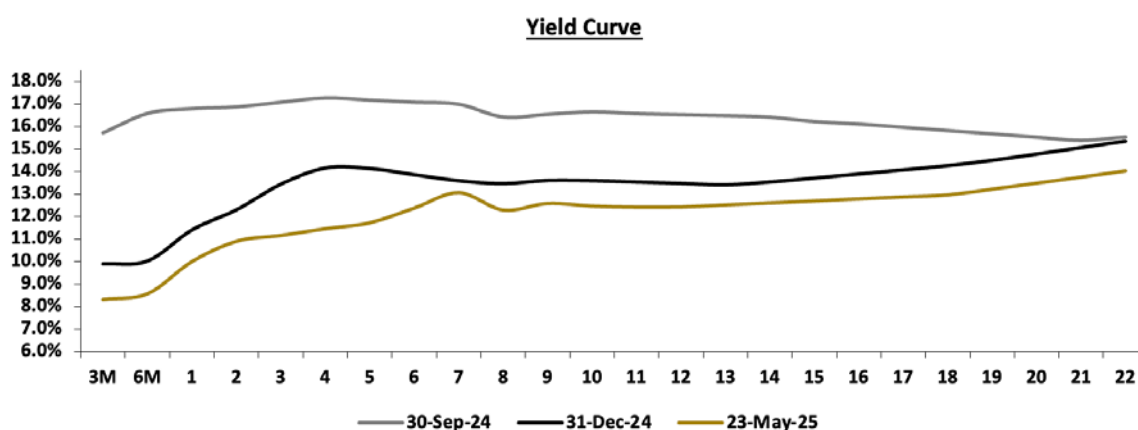
Source: Central Bank of Kenya (CBK), Chart: SIB

This week's auction pushed total domestic government borrowing for FY24/25 to KES 635.69bn. Treasury bonds retain the higher weighting, contributing a hefty KES 383.08bn — that is 64.2% of the domestic borrowing target of KES 597.15bn. See the chart below;



Yield Curve

The yield curve largely reversed last week's uptick, with long-term papers dragging it lower and offsetting gains on select medium-term tenors. Overall, the curve shed an average of 12.29bps week-on-week. Below is a visual representation;



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

The International Front

Kenyan Eurobonds

Kenyan Eurobonds trended lower this week, signaling calm across both global and domestic fronts. Notably, the 2027 note appears to have been fully settled at its first amortization—defying expectations of a proportional adjustment following the earlier buyback. 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	5.7	7.0	9.0	22.8
31-Dec-24	8.5%	9.1%	10.1%	10.1%	10.1%	10.3%
15-May-25	8.4%	10.1%	11.2%	11.1%	10.9%	11.4%
19-May-25	7.7%	9.1%	10.3%	10.3%	10.2%	10.9%
20-May-25		8.9%	10.2%	10.1%	10.1%	10.8%
21-May-25		9.1%	10.3%	10.3%	10.2%	10.9%
22-May-25		9.2%	10.4%	10.4%	10.3%	11.0%
Weekly Change	-	(0.9%)	(0.8%)	(0.7%)	(0.6%)	(0.4%)
YTD Change	-	0.1%	0.2%	0.3%	0.2%	0.7%

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

Currency Performance

The Kenyan shilling posted a mixed bag this week—holding steady against the USD in line with recent trends, despite a 0.9% dip in the dollar index. The only notable gain was against the TZS, while it remained broadly flat or weaker against other tracked currencies.

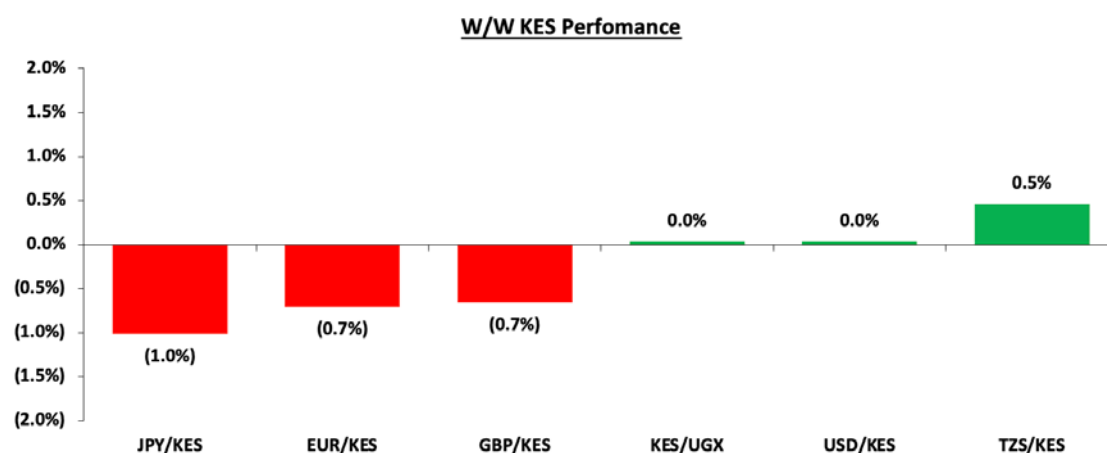
See the table below;

Currencies	31 Dec 2024 (vs KES)	Previous Week	Current	w/w Change	YTD change
JPY/KES	82.1	89.0	89.9	(1.0%)	(9.4%)
EUR/KES	134.3	144.9	145.9	(0.7%)	(8.7%)
GBP/KES	162.3	172.3	173.4	(0.7%)	(6.9%)
KES/UGX	28.4	28.2	28.2	0.0%	(0.6%)
USD/KES	129.3	129.3	129.3	0.0%	0.0%
TZS/KES	19.0	20.8	20.9	0.5%	9.9%

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 | 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

Meanwhile, Kenya's forex reserves crept up 1.4% to USD 10.31bn from USD 10.16bn, giving the import cover a modest boost to 4.6 months—up from 4.5 last week.

MARKET NEWS

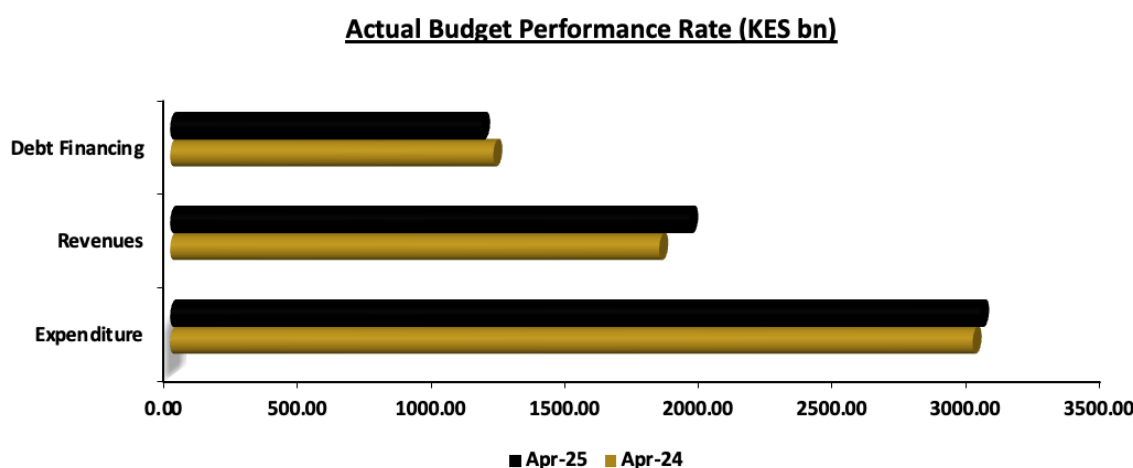
May 2025 Inflation Rate Estimate

The National Treasury published the actual receipts and releases for the first ten months of FY 24/25 and below is our assessment;

1.1. Year-on-year Performance

- The government collected KES 1,939.28bn in ordinary revenues, reflecting a 6.1% increase from KES 1,872.42bn collected during the same period in FY2023/24. Within this, tax revenues rose by 3.2% y/y, reaching KES 1,800.82bn, up from KES 1,745.76bn.
- Total expenditure stood at KES 3,026.26bn, marking a marginal 0.9% increase from KES 2,998.24bn in the corresponding period of FY2023/24. This performance is attributable 6.9% rise in recurrent expenditure coupled with a 2.9% drop in debt servicing.
- The budget deficit amounted to KES 1,086.98bn, representing a 7.2% decrease from KES 1,170.81bn recorded in FY2023/24 over the same period. This shortfall was financed through a mix of external and domestic borrowing, with the latter accounting for 72.2% of the amount.

See the chart below for a quick summary;



Source: Treasury, Chart: SIB

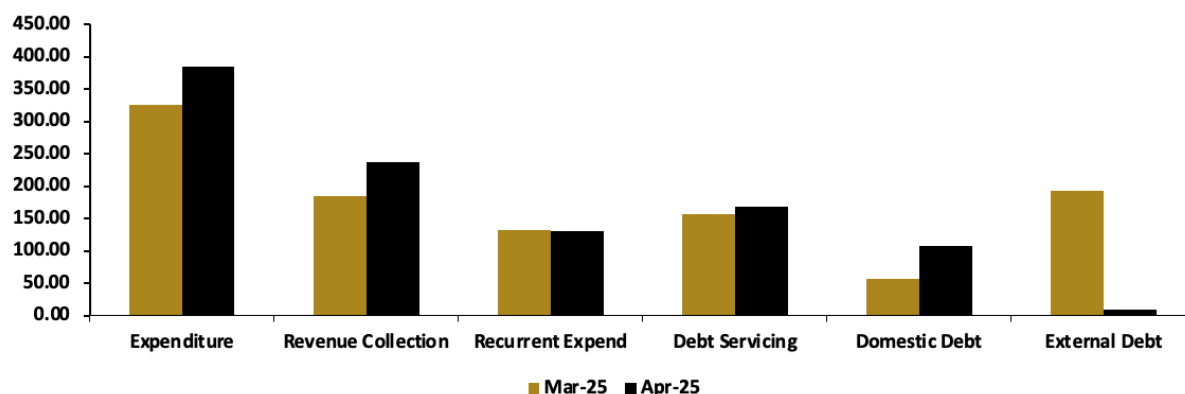
Overall, actual development spending declined by 19.0% to KES 190.41bn, down from KES 235.13bn over the same period in FY23/24. Below, we provide a breakdown of the m/m performance;

1.2. Month-on-month Performance

- Total expenditure for the month of April, rose by 18.3% to KES 384.83bn, from KES 325.35bn, in March 2025. The performance was largely on higher disbursements to county governments as well as a 7.2% increase in debt servicing.
- Domestic borrowing for the same period almost doubled to KES 107.29bn, compared to the KES 56.48bn borrowed in March 2025 – on more bond issuances which successfully raised KES 83.99bn vis a vis KES 35.25bn. Only 8.85bn was raised from external financiers.
- Meanwhile, the total revenue performance for the month of April recorded an impressive 28.7% increase to KES 237.53bn, from KES 184.56bn, in March 2025.

See the chart below for a summary;

Monthly Budget Performance (KES bn)



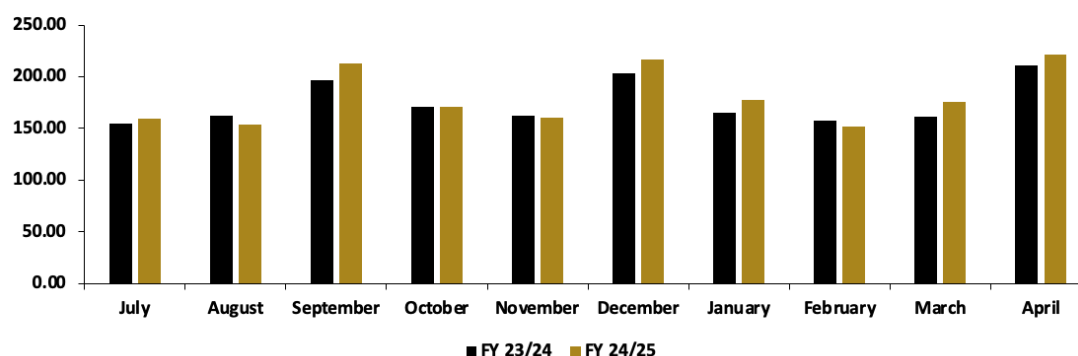
Source: Treasury, Chart: SIB

1.3. Tax Revenue Performance

Over the ten-month period, cumulative tax revenue grew by 3.2%y/y. In April alone, collections reached KES 221.39bn, marking a robust 26.0% increase from KES 175.73bn in March FY23/24—closely reflecting the significant improvement in private sector business conditions during this time.

See the chart below for a summary;

Tax Revenue Collections (KES bn)



Source: Treasury, Chart: SIB

As a first charge, debt servicing obligations consumed 64.7% of ordinary revenues—still elevated despite lower interest rates. This marks an improvement from 72.1% recorded over the same period in FY23/24, largely reflecting reduced external redemptions. However, we also recognize the great improvement in revenue collections which we partly attribute to the improvement in business conditions.

However, as the fiscal year draws to a close, we foresee a likely shortfall in revenue collections—particularly tax revenues—if current trends persist. With approximately KES 600bn still needed in the final two months, it appears increasingly improbable that the target will be met. This raises the likelihood of lower expenditure absorption rates or even higher borrowing. We thus risk additional pending bills, deferred payments, or the abandonment of previously committed expenditures.

UPCOMING EVENTS

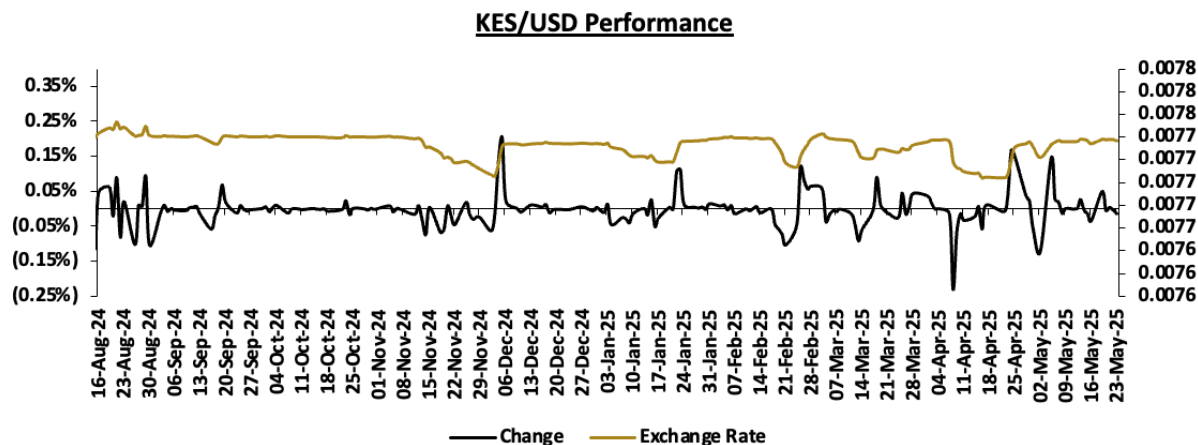
April Tax Revenues Jump 5.1%y/y to KES 221.39bn—the Highest in FY24/25

The Kenya National Bureau of Statistics (KNBS) is set to release the inflation figures for the month of May in the coming week. We estimate the year-on-year (y/y) inflation rate will fall within the range of 3.8% to 4.0%, on the back of stable fuel prices but persistently higher fruit and vegetable prices.



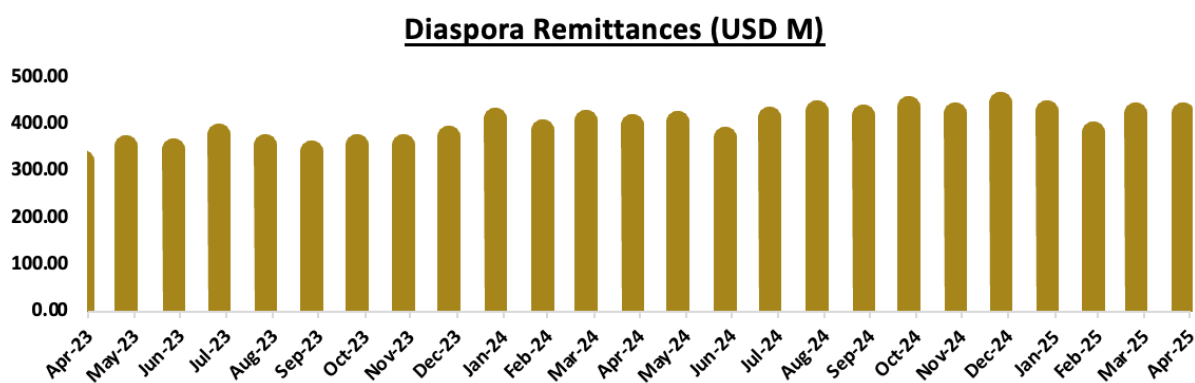
BACKGROUND CHARTS

KES/USD Performance



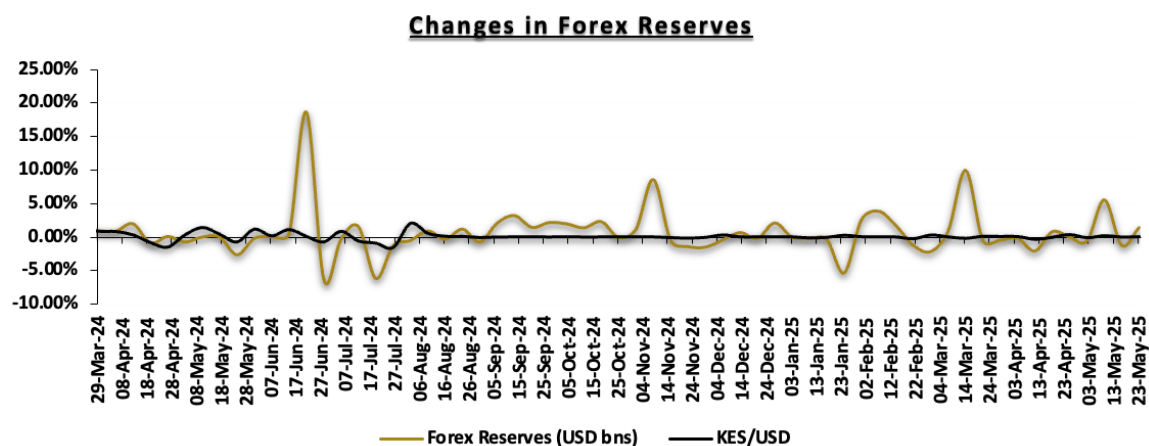
Source: Nairobi Securities Exchange (NSE)

Diaspora Remittances



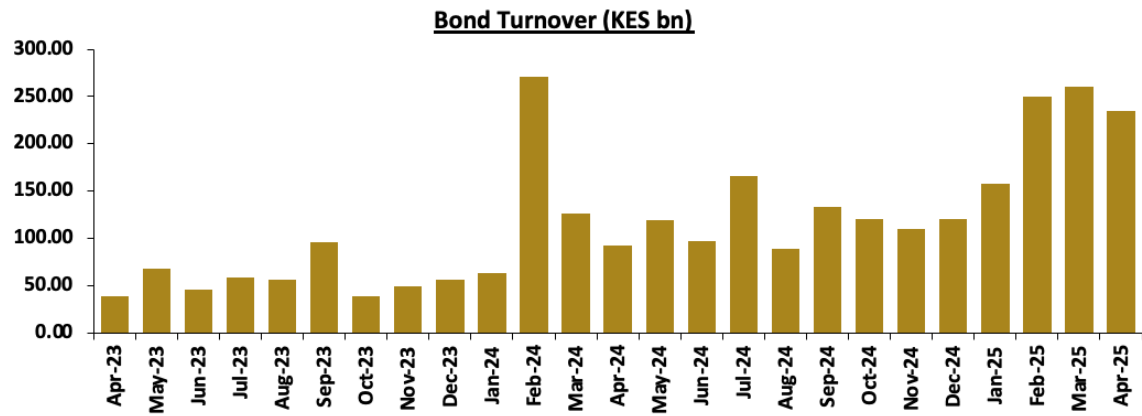
Source: Central Bank of Kenya (CBK)

Forex Reserves



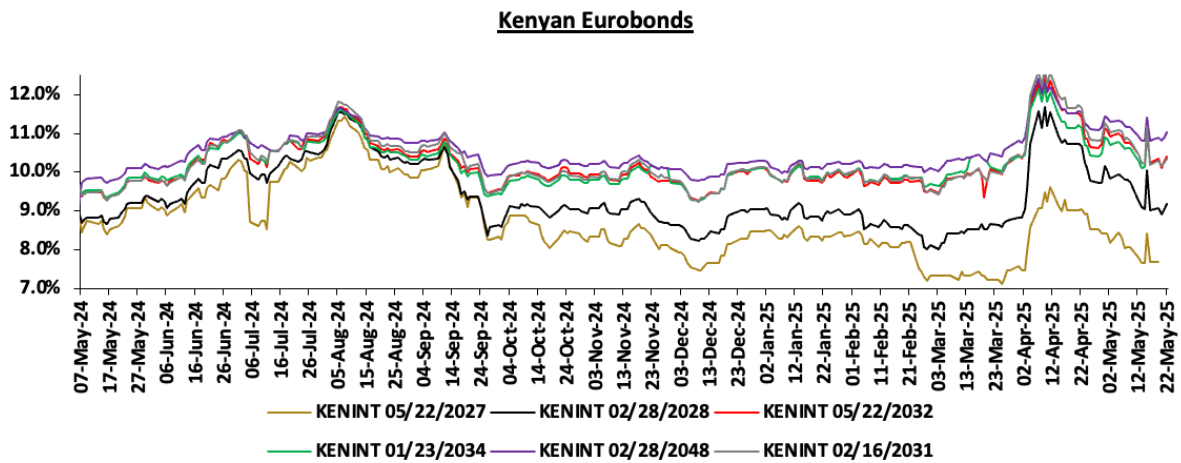
Source: Central Bank of Kenya (CBK)

Secondary Bond Market



Source: Nairobi Securities Exchange (NSE)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)

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