Ubiquity Consulting Ltd

NEWSLETTER

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FUEL PRICES RISE FURTHER TO KSHS.118.11 IN NOVEMBER 2018

The energy regulator attributed the increase in the prices of petrol by KShs.2.38 effective November 15, to recent exchange rate movements and higher cost of crude in September. Nairobi motorists will now pay KShs.118.11 for a litre of petrol which marks the highest price ever to be recorded in petrol history in Kenya.

FUEL PRICES

COST	SUPER UP BY 2%	DIESEL UP BY 2.8%	KEROSENE UP BY 2.7%
Production	57.54	61.6	60.7
Distribution	3.47	3.25	3.26
Margins	10.89	10.89	10.89
Taxes & levies	46.21	37.09	36.98
Total	118.11	112.83	111.83

FUEL USE DROPS BY 25% AFTER SEPTEMBER TAX INCREASE

Motorists cut fuel consumption by a quarter in the first month after the government introduction of the 8% VAT on petroleum products. Data from the Energy Regulatory Commission shows the sale of petrol and diesel dropped to 255450 tonnes in September from 338460 tonnes in August representing a 24.5% drop. The drop looks set to hit government revenue if consumption drop is sustained for months in what could defeat the reasons behind the tax rise.

Diesel which is used to power heavy machines like the buses, tractors and vans experienced a drop of 23.4% to 162520 tonnes, while petrol fell 26.3% to 92880 tonnes. According to Kenya National Bureau of Statistics, a litre of diesel Averaged at KShs.108 in September from KShs.102 in August, while that of petrol escalated from KShs.113 to Kshs.116.

KSHS.4.8 BILLION DIESEL ORDER SIGNALS COSTLY POWER

Electricity distributor Kenya power has awarded National Oil Corporation of Kenya (NOCK) a KShs.4.85 billion tender to supply low sulphur diesel for its off-grid power stations for the next two (2) years. The move signals that consumers will continue to bear the burden of higher priced electricity which comes with the inclusion of diesel cost. In the financial year ended June 2017, Kenya power spent KShs.1.47 billion in fuel costs for off-grid power stations up by 61.9% from KShs.909 million in the previous financial year. This saw its total fuel costs hits KShs.25.1 billion equivalent to 74% surge from KShs.14.45 billion in the year ended June 2016.

GAS PRICES HIT 27-MONTH HIGH

Cooking gas price has increased to a 27-month high returning to levels last seen before the government removed VAT on the clean fuel. Official data received shows that the cost of refilling a 13Kg gas cylinder rose to an average KShs.2187 in September up from KShs.2170 in June and KShs.2073 in July last year. September's cost is the highest since June 2016 when the Treasury scrapped VAT on gas to cut costs and boost usage among poor households who rely on kerosene and charcoal for cooking.

CAPITAL MARKET AUTHORITY PUSHES FOR CDS MERGER

The Capital Market authority has restated its call to push for merger of the 2 securities custodians run by the Central Depository and Settlement Corporation (CDSC) and the Central Bank of Kenya, saying it will help prevent flight of foreign investors who are exhausted of market inefficiencies in Kenya. Currently CDSC operates the depository for equities while the CBK runs government bonds with little or no information sharing between the two even on instances where they are dealing with the same investor.

CMA in a report released on November 1, said there is an urgent need to introduce a know-your-customer (KYC) mechanism that allows the use of one (1) CDS account for various categories of securities in the short-term. In the long-term it will be more efficient to have unified CSD to cover all transactions.

ROADS BONDS TO EARN MORE AS NSE RATES INCREASE

The upcoming infrastructure bonds are speculated to earn higher returns for investors following the recent rise in the average rate of the issues listed on the Nairobi Security Exchange (NSE). The rise in the rate comes as conjecture heightened that a primary infrastructure bond issue of similar characteristics was likely to be offered before the end of the year. According to Genghis capital analysis, the average infrastructure bonds (IFBs) rate has risen by 20 basis points (bps) or 0.2% points in the past one month. The top five traded bonds accounted for 42.47% of the total activity while infrastructure bonds contributed 21.15% of the week's turnover

DE LA RUE WINS KSHS.11 BILLLION DEAL TO PRINT NEW CURRENCY

British security printer De La Rue has won a KShs.11.1 billion ($85 million) three (3) year contract to design and manufacture the new generation currency. De La Rue in its latest disclosure at London stock Exchange said it plans to deliver the first batch of the banknotes which will not bear the image of an individual in the course of next year. The pricing of the initial batch of the new notes means it will cost the taxpayer KShs.2.4 billion.

PRIVATE SECTOR SET TO MISS CBK LOAN GROWTH TARGET

The private sector credit growth rate is set to miss the CBK target despite modest recovery in the past few months. CBK in a statement said, even though there was a 4.4% growth in the twelve (12) months to October compared to September's 3.9%, the expected gradual growth for the remainder of the year will not match CBK expectations. In October, the non-performing loans (NPLs) ratio fell to 12.3% from 12.7% largely due to decline in NPLs in trade, personal and household sectors.

PROJECTS BOND TAKE UP FALLS SHORT

The Treasury has fallen short of target set in the tap sale of the KShs.50 billion infrastructure bond, raising only KShs.8.7 billion out of the target KShs.22.4 billion. The 20-year bond had raised KShs.27.6 billion in the initial sale earlier this month forcing the government to return with a tap sale to raise the balance of the cash. Since July, the government has accepted bids worth KShs.121.8 billion in the six bond issues from which it was seeking a total of KShs.242 billion forcing the treasury to rely on short-term T-bills to plug the domestic borrowing gap amid high debt maturities. Current Maturity stands at a steep KShs.188.6 billion for Treasury bills in November and December, and KShs.60.1 billion for bonds in the same period.

BANK DEPOSITS AT CBK FALL SHORT IN TIGHT MARKET

Cash deposited by commercial banks at CBK vaults last week saw a shortfall of KShs.15 billion relative to the monthly average requirement of 5.25% of total deposits. According to CBK, the cash reserve ratio (CRR) shortfall came against a background of tight market liquidity caused by banks remittance of taxes that falls on 20th of every month. Genghis capital reported that the CBK had to inject KShs.10 billion into the market to increase liquidity. The average interbank rates rose to 4.2% by 21st Nov, 2018 and 5.47% by 23rd Nov, 2018 as transacted amount fell to KShs.22.1 billion from KShs.25.1 billion.

TREASURY EXPECTED TO REDUCE BUDGET EXPENDITURE INORDER TO MEET LOW DEFICIT TARGET

The Treasury could be forced into steeper spending cuts than previously anticipated at the beginning of the year if it's to achieve the projected fiscal deficit of 5.7% by next June, due to flagging revenue performance. Economic analyst at Commercial bank of Africa (CBA) say that the shortfall of KShs.60.5 billion in tax collection for the 3-months to September 2018 means the treasury has a tight balancing act of cutting expenditure without harming the prospects of growth with higher borrowing.

Latest statics from the Treasury show tax revenue for the period stood at KShs.320.3 billion against a target of KShs.380.8 billion with all main tax classes (income, customs, VAT and excise) under-performing due to a slowdown in economic activity and belated implementation of some new tax measures. The deficit, which in the 2017/18 financial year stood at 7.2% is expected to contract further to 3% by June 2021.

TREASURY SHARPLY REDUCES CENTRAL BANK OVERDRAFT

The government's emergency borrowing from the CBK has fallen sharply signaling the treasury's success in raising money from the markets in the latest auctions. The borrowing which is an overdraft to the treasury stood at KShs.8.43 billion compared to the previous week's KShs.25.17 billion. The government offers last week were liquid with the total cash accepted from auctions amounting to KShs.50.1 billion. The 91 and 364-day T-bill were over-subscribed to a total of nearly KShs.20 billion against an offer of KShs.14 billion.

TREASURY ISSUES KSHS.50 BILLION INFRASTRUCTURE BOND

The treasury has issued KShs.50 billion infrastructure bond in a move set to accelerate domestic borrowing. The bond is the largest to be offered since it was first introduced in 2009. CBK says the 20-year paper will carry a coupon of 11.9% with a sale window of only two (2) day, indicating anticipation of high demand from investors. Unlike other securities, infrastructure bonds are tax-free making them more attractive to investors including foreign buyers.

EUROBOND YIELDS RISE AFTER IMF DEBT DEFAULT

Kenya's Eurobond yields have edged up by between 0.3% and 0.12% points from October 23 when the IMF (International Monetary Fund) raised the country's chances of debt repayment default from low to moderate. The rise indicates international investors are pricing higher risk on Kenya and will demand higher returns making it more expensive for treasury to borrow abroad in new debt.

The yield on Kenya's 2024 10-year, $1.5 billion(KShs.150 billion) bond trading on the secondary market of the Irish stock exchange stood at 7.57% last Thursday compared with 7.26% on October 23. Secondary market yields on the 5-year $750 million bond which is expected to mature in June stood at5.03% compared with 4.9% in October. The 10-year bond issued in February this year which is expected to mature in 2028 has increased to 8.22% from 7.98% before the IMF raised the debt distress risk.

KENYAS CRUDE OIL EXPORT AT 15%

Kenya has accumulated 15% of the targeted volume of crude oil needed to start exports under the early oil pilot scheme. Kenya Pipeline managing director on 13 November said, 31, 983 barrels of oil had been received in Mombasa from Turkana with only five (5) months left before the May target date for the first shipment. The crude is being trucked from Turkana to the Kenya petroleum refineries tanks managed by KPC in Mombasa.

MILK PRICES STABILIZE ON HIGHER SUPPLY

Milk production rose by 6.78% in the 10 months to October compared with a similar period last year. According to the ministry of Agriculture, the volume of milk rose from 484.3 million litres last year to 517.6 million this year. However, there was a decline in production between July and October which the ministry attributed to the cold season. The price of milk has remained low for the last one (1) year at an average of KShs.50 for a 500ml packet after hitting a high of KShs.60 in April 2017. Kenya has an annual processing capacity of 1.4 billion litres which translates to 3.9 million litres a day.

MEMBERS OF PARLIAMENT SET STAGE FOR DROP IN DOCTORS FEES

Medical and doctors' fees are expected to fall significantly following parliament's directive that the country revert to the 2006 pricing guidelines that were abandoned two (2) years ago with adoption of the current rates. The health committee formed by the National Assembly has instructed Health secretary Sicily Kariuki to immediately replace the existing Medical Practitioners and Dentists rules 2016 with the second edition of the professional fees rules and guidelines of 2006 which prescribe cheaper rates for various medical services and procedures.

Medical costs 2016 Vis-a-Vis 2006 guidelines (Minimum- Maximum rate) KSHS.

Type of Service	2016	2006
General practitioner	1800-5000	1000-2500
Specialist Consultation	3600-7500	2000-4000
Assisted Vaginal delivery	48000-96000	15000-40000
Resuscitation of newborn	12000-24000	6000-12000

PARKING FEES IN NAIROBI DROP TO KSHS.200

Motorist in Nairobi are set to enjoy reduced parking fee from next month after MCA's reduced the charges by a third to KShs.200 and shot down the governor's proposal to increase the service to KShs.400. Motorists currently pay KShs.300 per day in parking fees which is the biggest revenue stream for city hall having raised KShs.1.88 billion in the last year to June.

City Hall Revenue Generation	
Source	**Amount (KSHS BN)**
Parking Fees	1.88
Land Rates	1.87
Single Business Permits	1.70
Billboards and Adverts	0.70
Building Permits	0.05

M-PESA USERS CAN NOW SEND CASH DIRECT TO CHINA'S WECHAT USERS

Safaricom's M-pesa users are now able to send money instantly to users of China's largest payment and social media application, WeChat. The partnership between Family Bank limited and London-based financial technology firm Simba Pay will enable the 23, 946, 174 active M-pesa users in Kenya to send money to over1 billion active WeChat subscribers in China.

To send money Kenyans will use M-pesa paybill number belonging to Family Bank and enter the phone number of the recipient in China as the account number. The recipient will then access the money on their mobile wallet. The cost of the transactions will vary on a sliding scale with the cost of sending $80 (Kshs8, 198) for instance will cost KShs.350. Besides M-pesa, Family bank customers will also send money to WeChat wallets through the bank's PesaPap mobile banking application and USSD services.

M-PESA FACES STIFF COMPETITION FROM RIVAL EQUITEL

Safaricom platform M-pesa mobile money payments are facing headwinds from equity bank's Equitel money and state regulations. Sterling Capital said Equitel has slowly eroded Safaricom market share in mobile money payment in the past year with Safaricom being forced to revise lipa na M-pesa tariffs downwards to counter the threat posed by Equitel.

Latest data from Communication Authority shows that Equitel's value of mobile money transactions grew by 198% between June 2016 and June 2018 while that of M-pesa rose by a margin of 86%. The value of mobile commerce grew by 368% for Equitel while that for M-pesa grew by 239% during the same period.

Growth in mobile money transactions and M-commerce		
Operator	**% Growth mobile money transactions 2016-18**	**%Growth in mobile commerce value 2016-18**
M-pesa	86	239
Airtel money	-88	-76
Equitel Money	198	368
T-cash (formerly Orange)	-38	3533

END ON 5-YEAR DOWNWARD TRENDON CARD TRANSACTIONS

The use of debit and credit Card for payment rose by a marginal 1.8% equivalent to 2.92 million in the first nine (9) months of the year reversing a 5-year downward trend. CBK data shows the number of deals settled through cards rose to nearly 163.37

Million in January-September period compared with 160.75 million in a similar period last year. The use of card had been falling since they touched a record high in 2013 as most consumers and traders increasingly adopt mobile money payments such as M-pesa which has evolved over the years.

CEMENT SALE FALLS BY 5.4 MILLION BAGS

Cement sale fell by 5.4 million bags in the past nine (9) months which is equivalent to billions of shillings indicating a cooling off in the construction industry. According to Leading Economic Indicator (LEI) by KNBS, slow consumption of cement means fewer jobs, lower investments in the construction sector and hence lower spending in purchase for construction projects.

LUXURY CAR PRICES UP BY 30%

Buyers of luxury large-engine cars will now have to pay up to KShs.2.5 million more as acquisition price in the wake of a recent increase in excise taxes on all fuel guzzlers. The excise duty on cars with engine capacity of 2.5 litres for diesel and 3 litres for petrol rose by 30% from the previous 20% beginning September leading to cost increase which have been passed on to the buyers in the form of higher pricing.

The cars now attract an import duty of 25%, excise duty of 30% and valued added tax of 16% payable cumulatively and in that order. Price quotes by dealers show that the tax has raised the cost of 8-year-old car used imports in the category by hundreds of thousands shillings while that of new high-end models up by millions of Shillings.

PRICE RISE LOOMSOVER STEEL TAX TIFF

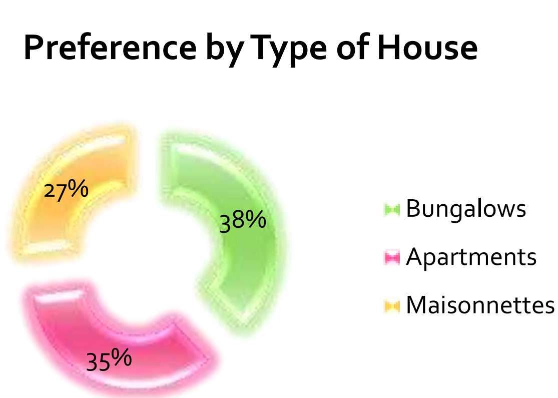
Consumers of iron products in the construction, auto-fabrication, water and infrastructure sectors could soon pay more for steel products after key manufacturer's halted production for lack of raw material. A standoff between the KRA and the manufacturers has seen 13 consignments of imported raw material classified as finished alloy steel, which attracts a 35% import duty instead of iron and non-Alloy raw materials for processing that attracts a zero duty.

KAREN GIVES HIGHEST RETURNS TO COMMERCIAL REAL ESTATE

Karen estate in Nairobi has the highest percentage returns to commercial rental buildings according to report produced by Cytonn investment. Karen rental yield/ return stands at 10.8% with each square foot averaging KShs.117 compared to Westlands' 10% yield ad price of KShs.111 per square foot. The investment firm said Upper hill rental yield had fallen to 9% which is below average of 9.5% for commercial properties in Nairobi, Mombasa road and Thika Superhighway. Upper hill appeal had slumped due to traffic congestion and lack of enough amenities along key ways such as Ngong Road and Mbagathi way.

INCREASE IN SUPPLY DAMPENS HOUSE PRICES

Housing prices (according to the new report produced by Kenya Bankers Association (KBA))were flat in the 3rd quarter of the year weighed down by increased supply of new units despite subdued demand. The housing price index (HPI) report covering three (3) months ending September 2018 says housing prices rose by 1.35%, a slower pace compared to the 1.76% rise in the 2nd quarter of the year. KBA launched the HPI in February 2015 as a tool to help monitor housing sector dynamics and price movements. The interaction of supply and demand dynamics saw home owner's preference tilt towards bungalows accounting for 38%, apartments 35% and maisonnette at 27%.



EMPLOYERS FACE HEFTY FINES FOR DELAYS IN HOUSING FUNDSREMITTANCE

Employers will risk paying heavy penalties for late remittance of monthly staff salary deductions and their own contributions towards the government's cheap housing fund. The draft regulation indicates that late remittance will attract a 5% penalty putting struggling firms in a tight spot. The Housing Fund regulations 2018 published at the begging of the month demand that all firms employing at least one(1)worker must register with the fund, deduct and pay the levy on all salaried workers not later than one (1) month after payment falls due.

KENYANS TO REGISTER ONLINE FOR GOVERNMENT HOUSING UNITS SCHEME

Kenyans will register online through an online portal for the government's KShs.1.3 trillion housing programme. Urban and housing development PS told the National assembly that those who want to own houses will pay monthly contributions to support the ambitious project. The portal is set to be launched by the President on the eve of Jamhuri day celebration. The project targets low and middle-income households. It seeks to unlock home ownership for Kenyans with a monthly income between KShs.15, 000 and KShs.100, 000.

The low cost segment involves individuals with a monthly income of KShs.15, 000 to KShs.50, 000 while the mortgage gap will be available for those with an income of between KShs.50, 000 to KShs.100, 000. About 10, 000 houses are set to be built per month starting from Parklands to realize the dream. A one-bedroom house within 30-square metre will cost KShs.1 million, two-bedroom will go for KShs.2 million while a three-bedroom house at 60-square metres will cost KShs.3 million.

COSTLY IMPORT COMPLIANCE DEMANDS BLUNT KENYA'S REGIONAL COMPETITIVENESS

New World bank report shows costly and lengthy border compliance procedures for import has threatened Kenya's competitiveness in the region pilling pressure for further review of the country's customs and inspection systems. The World Bank *doing business 2019* report indicated that the costof importing to Kenya stood at KShs.84466.2 ($833), which is higher compared with that of Sub-Saharan Africa's (SSA)average of KShs.69388.02 ($684.3).

TRADING ACROSS BORDERS INDICATORS				
INDICATOR		KENYA	SSA AVERAGE	OECD HIGH INCOME
Time to export	Border compliance(hours)	16	97.3	12.5
Cost to export	Border compliance(USD)	143	605.8	139.1
Time to export	Documentary compliance(hours)	19	72.8	2.4
Cost to export	Documentary compliance (USD)	191	168.8	35.2
Time to import	Border compliance(hours)	180	126.3	8.5
Cost to import	Border compliance (USD)	833	684.3	100.2
Time to import	Documentary compliance (Hours)	60	97.7	3.4
Cost to import	Documentary compliance (USD)	115	283.5	24.9

IMPORT/ EXPORT TRADE DOCUMENTS REQUIRED	
IMPORT	EXPORT
Bill of lading	Inland bill of lading
Cargo release order	Release order
Pre-import verification of conformity	Certificate of origin
Commercial invoice	Commercial invoice
Import declaration form	Exit note
Packing list	Certificate of export
Proof of payments of custom duties	Export declaration
Terminal handling receipts	Packing list
Declaration of customs value	phytosanitary
Solas certificate	

SGR CARGO FEES INCREASE BY 79% ON CHINA PAY

The Standard gauge railway (SGR) cargo charges for Mombasa to Nairobi trip is expected to rise by up to 79% from January 1 in a bid to raise more revenue to pay the Chinese operator. The cost of transporting a 20-foot container according to Kenya railways from Mombasa to Nairobi will increase to $500 (KShs.51,275) from KShs.35, 000 representing a 46.5% rise. Hauling the larger 40-foot container will cost up to $700 (KShs.71, 785) from the current KShs.40, 000 reflecting a 79.9% rise.

Those transporting cargo from Nairobi to Mombasa will pay $250 (KShs.25,637) for a 20-foot container up from KShs.25,000 while a 40-foot container weighing up to 20 tones will cost $350 (KShs.35,392) and $375 (KShs.38456) for those weighing between 21-30 tones. SGR will face stiff competition from Road transport in terms of charges because road transport charges between KShs.60,000 to KShs.80,000 to ferry a 20-foot container from Mombasa to the doorstep of the importer in Nairobi.

KENYA HOLDS 7% CHINA AFRICAN DEBT

Kenya, Angola and Ethiopia top the list of sub-Saharan African countries that holds the largest debt from China according to report produced by rating agency Moody's. Nairobi holds 7% of the total debt while Angola leads the pack with 30%, with Ethiopia coming second with 10%. As at the end of June this year, China was the largest bilateral lender to Kenya, but was Second overall as the World Bank came top among both multilateral and bilateral lenders.

KENYA ECONOMIC OUTLOOK

STATE OVERDRAFT HITS KSHS.23 BILLION AT CBK

The national government overdraft at the CBK rose at the end of October to the highest level in four (4) weeks. The overdraft which is an equivalent of emergency lending to the treasury stood at KShs.23.44 billion as at October 26 compared to KShs.4.33 billion in the previous week. The CBK usually lends to the Central Government whenever the latter has liquidity shortages easing urgent payment requirements such as salaries and other recurrent expenditures such as debt repayment.

KENYA'S IMPORTS, EXPORTS GAP INCREASES TO KSHS.860.87 BILLION

The country's gap between imports and exports has increased to KShs.860.87 billion in the nine (9) months ended September compared with KShs.852.34 billion in the same period last year. In overall, imports increased by 2.64% to KShs.1.33 trillion, slower than exports which rose by 5.78% to KShs.470.57 billion according to data released by Kenya national Bureau of Statistics (KNBS). Food imports in the nine (9) month period reduced to KShs.141 billion from KShs.184 billion on improved weather which supported agricultural output.

Machinery import dropped to KShs.211.11 billion compared with KShs.245.9 billion a year earlier while transport equipment imports were nearly flat at KShs.148.96 billion compared with KShs.145.7 billion. Fuel import rose 27.6% to KShs.254.22 billion reflecting economic recovery amid rising global petroleum prices. Industrial supply also rose by 11% to stand at KShs.466.51 billion.

KRA MISSES TARGET ON REVENUE COLLECTION

Kenya Revenue Authority missed the collection target set by KShs.60.46 billion in the three (3) month period ended September 2018 on the back of a slowdown in economic activity and delayed implementation of some new tax measures. Tax revenue stood at KShs.320.311 billion against the projected KShs.380.76 billion that was set by Treasury. KRA collections were however KShs.15.38 billion (5.04%) more than the KShs.304.93 billion raised in the July-September period of 2017. KRA missed target in Income tax, VAT, excise and import duty streams.

Q1 (FY18-19) Tax Revenues vis-a-vis targets (KShs.Bn)

Taxes	Actual	Target
Import duty	25.76	27.10
Excise duty	42.80	51.69
PAYE	89.80	96.96
Other income tax	69.31	94.18
VAT local	52.05	60.06
VAT imports	40.59	50.88
Total	320.31	980.86

FOREX RESERVESHIT A 9-MONTH LOW

Official foreign exchange reserve according to CBK data fell by KShs.35.5 billion ($344 million) in a month to hit the lowest level in 9 months. On week 46, the reserve fell by KShs.9.2 billion ($89 million) to stand at KShs.831.30 billion ($8.063 billion) compared to KShs.840.47 billion ($8.152 billion) the previous week (week 45). The last time the reserve stood lower than this figure that is $7.155 billion(KShs.737.68 billion) was in the 10th week and soon after it sharply jumped to KShs.910.48 billion ($8.831 billion) after Kenya floated a KShs.200 billion Euro bond that was oversubscribed in the international markets. The Forex Reserve as at April 26, had covered 6.36 months of imports with the actual amount standing at KShs.980.38 billion ($9.509 billion).

TIGHTER MARKET LIQUIDITY OFFERS SHILLING A RELIEF

Tighter liquidity in the money market as a result of central bank's mop-up activity and tax payment has eased the shilling's recent run of depreciation against the green back. Commercial banks were trading the shilling at a flat rate of 103 units to the dollar by midday yesterday (Nov. 19) gaining from the average of 103.10 at close of trading Friday.

CBK in its latest bulleting said the reserves fell to KShs.8.4 billion from KShs.13.5 billion with the number of deals also coming down. This indicates a tightening of the market also shown in the interbank rate which rose to 4% on Friday from 2.9% the previous week.

KENYA'S ASSETS RISK SEIZURE BY CHINESE

Kenya is at risk of losing strategic assets to china over pile of debt it owes Beijing according to a report released by global rating firm Moody. Moody's report shows that China's response to sub-Saharan Africa countries facing liquidity pressure has not been uniform/transparent making predictability of credit implications less clear. The report also warned countries rich in natural resources like Angola, Zambia and Republic of Congo, or with strategically important infrastructure, like ports or railways such as Kenya, are most vulnerable to the risk of losing control over important assets in negotiations with Chinese creditors. Recent data from the National Treasury shows that Chinese debt stood at KShs.554.88 billion equivalent to 73.4% of total bilateral debt of KShs.756.28 billion at the end of September 2018.

DIASPORA INFLOW RISE 42% TO HIT KSHS.268 BILLION

Cash sent home by Kenyans abroad rose by 39.54% in 12 months through October to hit $2.61 billion (KShs.267.75 billion) in the period compared with $1.87 billion (KShs.191.88 billion) a year earlier according to report produced by Central bank. The increase in Diaspora remittance is attributed to increased investment products and tax amnesty extension given by the government. Between January and October this year, the cash sent by Kenyans living and working in foreign countries amounted to $2.23 billion (KShs.228.9 billion) a 42.48% jump over $1.57 billion (KShs.160.66 billion) in the same period in 2017.

Inward remittance flow remained resilient and amounted to $219 million (KShs.22.46 billion) in October 2018 which was 18% higher than in October 2017. North America, Europe and the rest of the world accounted for 50%, 32% and 18% respectively of the total remittance in October 2018.

CBK SHRUGS OFF SHILLING FEAR, RETAINS LOAN RATE AT 9%

Central Bank of Kenya (CBK) retained the base lending rate at 9% waving off rising concerns over the shilling which has depreciated by 1.72% to the dollar in the past two (2) months. Monetary Policy Committee (MPC) in their last sitting this year said the Current foreign exchange reserves of $8.03 billion (KShs.824 billion) or equivalent to 5.3 months of import cover are sufficient to cover any foreign exchange shocks. The decision is also seen as a vote of confidence in the currency despite the International Monetary Fund's (IMFs) recent pronouncement that the shilling is overvalued by up to 17%.

FOREIGNERS TRICKLE BACK TO NSE

Foreign investors at the Nairobi Security Exchange (NSE) have in the past week turned net buyers bucking the recent trend of selloffs that has contributed to the current low valuations at the bourse. Foreign investors last week bought shares worth KShs.117 million and continued the trend on Monday with net buys worth KShs.30 million. Capital Market Authority (CMA) data shows that by the end of the third quarter, foreign investor holdings at the NSE were equivalent to 19.85% of the 96.24 billion issued shares at the bourse having come down from 20.2% in January.

CENTRAL BANK SEES LOWER TRADE DEFICIT

The central bank of Kenya expects the current account deficit to fall to 5.2% by year end, revising downwards its earlier projection of 5.4% on improved agricultural and Diaspora inflows. The current account deficit has also been cut by low import bill for food and SGR related equipment. Monetary policy committee in their previous meeting projected the deficit to come down to 5.4% by end of the year from 6.3% at the end of last year. According to CBK, the current account deficit is expected to narrow in 2018 compared to 2017 supported by increased agriculture exports, strong Diaspora remittance and improved receipts from services particularly tourism.

GLOBAL ECONOMIC OUTLOOK

OIL DIPS AS US CRUDE STOCKPILES SWELL

Oil prices slipped on November 22, after US crude inventories swelled to their highest level since December 2017 amid concerns of an emerging global glut. US west Texas intermediate (WTI) crude futures were at $54.47 per barrel or 0.3% below their last settlement. Front-month Brent crude oil futures were at $63.34 per barrel, down 14% equivalent to 0.2%. US commercial crude oil inventory rose by 4.9 million barrels to 446.91 million barrels last week according to Energy information administration (EIA) weekly report.

CRUDE OIL PRICE DROPS TO $59 A BARREL

Oil price dropped to a 13-month low of $59 a barrel promising a possible easing of pump prices that have been a pain to motorists since the introduction of VAT on petroleum products. Brent crude fell from a high of $86.74 per barrel in early October as fear of oversupply coincided with reduced demand for the commodity. The lower crude price should filter through when new pump prices are announced mid next month although maximum benefit of low price is likely to be felt in January review when deliveries will reflect November crude price.

CHINA SEES STRONGER EXPORTS TO THE USA

China reported stronger-than-expected exports for October as shippers rushed goods to the US, its biggest trading partner racing to beat higher tariffs (due to kick in at the start of next year). China's exports rose 15.6% last month from a year earlier, customs data showed on November 8, picking up from September's 14.5% and beating analysts' forecasts for a modest slowdown to 11%.

EURO ZONE INFLATION DIPS AS ECB BRACES TO END BOND BUYING

Consumer prices in the 19 countries sharing the euro rose by 2.0 percent year-on-year in November after a near six-year high of 2.2 percent in October, EU statistics agency Eurostat said on 30th Nov, 2018. Headline inflation has been at or above the ECB's target of almost 2 percent for months, but the bank has downplayed the risk of an overshoot, arguing that underlying trends remain weak and only volatile energy costs are pushing up consumer prices. Another core inflation reading often watched by economists, which removes all food, energy, alcohol and tobacco prices, also dropped to 1.0 percent.

INDIA'S Q2 GDP GROWTH REBOUNDS TO 6.3%

India witnessed a reversal of the decline in the country's economic growth in the quarter ended September. Breaking a five-quarter slide, India's gross domestic product (GDP) grew 6.3 per cent in the second quarter (July-September) this fiscal, overcoming the adverse impact of demonetization and GST. GDP growth for the July-September quarter is likely to be 6.5%. Eight core sectors grew by 4.7% in October, driven by higher refinery production, government data showed. The growth in output compares with a downwardly revised 4.7% year-on-year growth in September. The GDP data for the September quarter came on a day when it was reported that India's fiscal deficit at the end of October hit 96.1%of the budget estimate for 2017-18.

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