Ubiquity Consulting Ltd

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Treasury eyes mini-budget in March to pay billions State owes businesses

The State will partly use a mini-budget planned for March to pay contractors amid renewed efforts to settle the more than Sh630 billion worth of pending bills to ease cash-flow woes among businesses.

Firms that delivered goods or services to State agencies and ministries have been grappling with cash flows caused by non-payment of the cash, triggering an uproar among the business community.

State entities owed firms and contractors Sh631.56 billion as of last September, with the bigger chunk of Sh509.37 billion or 64.1 percent held by State corporations and the remaining Sh121.19 billion by ministries, departments and agencies. The government last June formed a pending bills verification committee to audit liabilities between 2005 and 2022.

President Ruto sets new Eurobond buyback date as maturity looms

President William Ruto is beating the drums for an early partial Eurobond payment again just a month after the government missed its self-imposed target for doing so by December last year.

To fund the buyback, Kenya is widely expected to tap its recently replenished official foreign currency reserves with the International Monetary Fund (IMF) having made a Sh110 billion ($684.7 million)

The Central Bank of Kenya's (CBK's) usable foreign exchange reserves climbed by more than Sh32 billion to Sh1.127 trillion ($7.017 billion), mirroring the effects of the newly found inflows from the multilateral lender.

The return of Cote d'Ivoire to the international capital markets last month where it raised Sh417.9 billion ($2.6 billion) has been signalling the return of investor appetites for sovereign issuances in emerging and frontier markets.

The issuance by the West African nation, which generated an order book in excess of Sh1.2 trillion ($8 billion), is the first for the continent over two years.

Cash mobile money agents handled records slowest growth in history

The cash mobile money agents in Kenya handled last year recorded the slowest growth in history due to a struggling economy marked by depressed consumption.

According to the Central Bank of Kenya, the agents handled Sh7.95 trillion last year, representing a 0.6 percent growth from the Sh7.9 trillion recorded in 2022.

The Kenyan economy is largely consumption-driven, meaning mobile money agents play a key role in access to cash for daily spending. Therefore, the snail-pace growth points to a reduced demand for commodities as a result of falling real wages and an increase in commodity prices.

The slow growth was recorded despite the agents having held Sh788 billion in December last year, an all-time high Christmas and New Year spending.

Over the year, the number of mobile accounts increased by 4.1 million and has since plateaued at

77.3 million while active agents increased by eight percent to close the year at 322,404.

State to crack down on unlisted short-stay rentals

Operators of short-term rental properties will be required to register with the Tourism Regulatory Authority (TRA) effective immediately in what the government says is a response to a series of murders in the residences.

The joint statement from the Interior, Gender, Education and Tourism ministries said the mandatory registration is on the back of the murder incidents in short-term rentals.

Effective immediately, all operators of short-term accommodation rentals, including Airbnb, are required to register with the Tourism Regulatory Authority. This registration process is designed to ensure that all accommodations meet the highest standards of safety and security for guests.

Coordinate with booking platforms to restrict unregistered rentals and further institute severe penalties, including fines and revocation in cases of non-compliance.

Manufacturers top debt roll from the giant State agency

Manufacturers received the largest share of loans disbursed by the Kenya Development Corporation (KDC) in 2023.

Data from the State corporation shows it disbursed Sh1.14 billion in low-cost loans last year. This amount was however only 28.6 percent of the Sh3.98 billion the company had approved for lending during the period.

KDC loaned Sh357 million or 31.3 percent of the total disbursement to manufacturers, while Sh205 million went to firms dealing in post-harvest loss management.

Other top recipients of the parastatal's funding were firms in the tourism sector(Sh213m) while the blue economy sector got Sh98 million.

A brief from the parastatal shows that it has so far received $21 million (Sh3.37 billion) from the World Bank to support financial inclusion, $40 million (Sh6.42 billion) to support the livestock value chain and $42 million (Sh6.74 billion) for greening businesses.

Banks seek rate raise pause as defaults hit Sh635.8bn

The Kenya Bankers Association (KBA) wants a freeze on further monetary policy tightening by the Central Bank of Kenya (CBK) in the wake of a rise in the stock of bad loans for the fifth straight month to a record Sh635.8 billion as of the end of November.

The apex bank December raised its Central Bank Rate (CBR) from 10.5 percent to 12.5 percent—

Latest CBK data shows gross non-performing loans (NPLs)— loans for which no interest or principal has been received for at least three months—have grown for five straight months from Sh576.1 billion in June to Sh635.8 billion at the end of November.

The Sh59.7 billion or 10.4 percent growth in NPLs in the five months came in the period the loan book expanded by 5.3 percent to Sh4.189 trillion, meaning the defaults have been rising at a faster pace than fresh loans.

The rising defaults kept NPLs ratio at 15.2 percent compared with 14.5 percent in June, forcing lenders to increase provisioning for more defaults. At 15.2

percent, the rate of defaults is closer to the 15.4 percent that the sector posted in June 2007.

CBK's monetary policy committee raised the CBR on December 5 when the shilling was averaging 153.28 units to the dollar but has since lost 4.9 percent to an average 160.75 units. Inflation has increased from 6.6 percent .

Kenya Power audits forex exposure

Kenya Power is set to shake up its foreign exchange-backed transactions including purchase and loan agreements amid swelling financial losses due to volatility of the shilling.

The utility firm is recruiting an agency to help manage its increasing currency risks.

Conduct an exhaustive analysis of existing foreign exchange exposure and possible risk mitigation approaches. Review of purchase agreements, loan agreements, and other transactions involving foreign currencies: identification of sources of foreign exchange risk and its effect on financial statements Kenya Power said in a call for bids.

The power distributor posted an after-tax loss of Sh3.19 billion in the year to June 2023 compared with a net profit of Sh3.26 billion a year earlier, with the primary driver of the performance being an 89 percent surge in finance costs to Sh24.15 billion from Sh12.76 billion.

A Sh16.87 billion revaluation on loans and a Sh5.32 billion revaluation on power purchases owing to the weakening of the shilling, but a misaligned exchange rate by the Energy and Petroleum Regulatory Authority (Epra) meant not all the amount eligible to be passed to consumers did so.

Kenyans defy rising costs to register 4,000 new companies

The rise of private company registrations last year saw the number of new business entities on record grow by 2.9 percent to 141,194.

According to data from the Business Registration Service (BRS) covering the 2023 calendar year, the number of entities registered increased by 4,006 from 137,188 last year.

New private company registrations marked the largest increase at 8.7 percent as the new registrations hit 56,376 compared to 51,842 in 2022.

The number of newly registered business names was down by 680 to 83,458 in 2023 while the number of foreign companies registered dropped by three to 181. The number of newly registered public companies increased by one while companies limited by guarantee and limited liability companies were up by 29 and 124 to reach 506 and 582 respectively.

Co-op Bank raises daily ATM cash limit to Sh60,000

Co-operative Bank of Kenya has raised its daily ATM [automated teller machine] withdrawal limit by 50 percent to Sh60,000, as banks start reviewing their daily transaction ceilings to reflect the reduced spending power among customers.

The weakening Kenyan shilling has left customers worse off given that they need more money to buy the same amount of goods.

The purchasing power of the Sh1,000 note, for instance, has fallen by nearly half in the past decade, which means that it can only buy half of what it bought ten years ago.

Co-op Bank has informed the customers of the review, the first in nearly a decade, that will enable those who need to withdraw amounts above Sh40,000 to use the over 600 ATMs across the country, instead of lining up at branches.

Dear client, for your convenience, we have increased the total amount of money you can withdraw on our ATMs from Sh40,000 to Sh60,000 per day

Co-op Bank in February 2015 doubled the limit to Sh40,000, citing the need to relieve pressure from branches.

Treasury gets new cash cow in climate financing billions

The Treasury has netted more than Sh200 billion through climate finance initiatives, helping to offset part of its budget funding requirements and easing fiscal pressures.

For instance, Kenya has seen commitments of more than Sh99 billion ($621.4 million) from the Climate Investment Funds—made up of a coalition of multilateral lenders and the International Monetary Fund (IMF) Resilience and Sustainability Fund (RSF).

The RSF has been the most notable source of climate financing funds so far with the facility approved last year committing Sh88.5 billion ($551.4 million) with Sh9.6 billion ($60.2 million) of the funds being disbursed last month.

Foreigners extend flight with Sh178m NSE January exits

Foreigner investors pulled out Sh178.2million from the Nairobi Securities Exchange (NSE) last month, marking a fifth straight month of withdrawals and stretching a run of capital flight from the previous year.

Last year, foreigns remained net sellers at the NSE, marking Sh21.2 billion in net portfolio outflows, according to data from the Capital Markets Authority.

The bulk of the selloffs took place in March at Sh10.6 billion while flows marked a positive surprise in June and August as the foreigners turned buyers, purchasing Sh113 million and Sh672 million shares respectively.

The continued exit of foreigners has served to extend a long run of low stock valuations at the NSE/ bear run as foreign investors determine the direction of the market based on their significant market turnover.

Last year, the NSE recorded a 27.5 percent fall in paper wealth amounting to Sh547 billion with the bourse's market cap closing 2023 at Sh1.439 trillion.

KeNHA unveils Sh394bn plan for highways

The government plans to spend Sh394 billion in the next five years on construction, repair and enhancement of major highways amid a tight fiscal space that has seen the Treasury slash the overall budget for roads in recent allocations.

In its five-year strategic plan, the Kenya National Highways Authority (KeNHA) disclosed that a big chunk of this money, Sh192.5 billion, would be used for the enhancement of major roads, including the dualling of the Rironi-Nakuru-Mau Summit.

The construction of new roads, including those already started, will cost Sh117 billion.

The State agency will use Sh84.5 billion to rehabilitate roads in bad conditions, bringing the total spend on road projects to Sh394 billion.

The big fight inside Treasury and CBK

Turf wars between the Central Bank of Kenya (CBK) and the Treasury's Public Debt Management Office (PDMO) are undermining efforts to bring down the cost of government borrowing, according to sources familiar with the operations of the two agencies.

Visa-free entry was aimed at boosting visitor numbers for both leisure and business tourism and maintaining the upward trend as the country climbed out of the effects of the Covid-19 pandemic which disrupted travel.

Official data shows that visitor arrivals in Kenya, excluding those in transit, increased 77.9 percent to 1,465,175 in 2022, up from 823,312 in the previous year. Most of them came by air for tourism or business.

Nairobi retaining visiting criminals' data for 5 years

Kenya has from the start of this year been retaining data of visitors suspected of crimes for up to five years under the visa-free travel plan that came into force from January 1.

This five-year cap is part of fresh regulations gazetted by Interior Cabinet Secretary Kithure Kindiki, marking a departure from the previous policy where there is no set limit on the period that the State can retain the data of visitors who enter Kenya through the airports.

Kenya abolished the visa requirement for visitors on January 1, introducing an Electronic Travel Authorisation (ETA) system where travellers must provide their data and reasons for visiting days before they arrive. The State bets that the five-year period will offer all relevant agencies involved in investigations adequate time to conclude probes and ensure that suspects of crimes such as drug trafficking, smuggling and money laundering are easily tracked and arrested.

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Firms stack up 70pc dollars in market

Business corporates raised their share of dollar deposits in banks to 70 percent as of September last year, amidst a biting shortage that has disrupted purchases of critical raw materials from the global market.

New Central Bank of Kenya (CBK) data shows that the sum of foreign currency deposits held by firms hit Sh973 billion at the end of the third quarter of 2023 compared to Sh418 billion in hard currency deposits by households.

The deposits by firms represent 70 percent of all forex deposits which stood at Sh1.39 trillion at the end of the same period.

The rise in foreign currency deposits by both firms and households coincides with the weakening of the Kenyan shilling over the past year with the local unit shedding more than 25 percent of its value against the US dollar in 2023. For instance, foreign currency deposits stood a Sh575.7 billion in September 2018.

General insurers' 9- month net profits surge to Sh9.7bn

General insurers' net profit for the first nine months of last year rose 57.6 percent to Sh9.73 billion as increases in investment income helped offset the poor performance from the underwriting business in the review period.

Latest data from the Insurance Regulatory Authority (IRA) shows the net profit rose from Sh6.17 billion posted in the preceding period, marking one of the best nine-month performances in years.

The review period saw investment income rise by 34.8 percent to Sh10.95 billion from Sh8.12 billion while net earned premium increased by 14.5 percent to Sh95.2 billion.

Net premiums earned refer to the total amount of premiums an insurance company considers as belonging to it depending on how much time has passed on the policy to its effective life.

The IRA data shows general insurers' underwriting loss worsened from Sh2.26 billion that had been posted in the preceding similar period as premiums paid surged from Sh53.3 billion to Sh60.5 billion. Underwriting loss is the difference between premiums collected and claims plus expenses incurred such as commissions.
Motor insurance made up of private and commercial vehicles, returned an underwriting loss of Sh5.6 billion, a 21 percent rise from Sh4.63 billion.

Commercial vehicles had the worst nine-month performance ever since the IRA started disclosing the data. The loss more than doubled from Sh1.75 billion to Sh3.21 billion, coming in the period many insurers had complained of increased spending on claims due to a rise in the cost of spare parts as the shilling weakened against the dollar.

Underwriting losses from insuring private vehicles improved from Sh2.89 billion to Sh2.39 billion in the period medical insurance business returned a Sh1.4 billion loss—a 63.7 percent rise from Sh849.3 million.

Medical, motor private and motor commercial had the highest amounts of paid claims at Sh27.63 billion, Sh13.68 billion and Sh12.61 billion, respectively, of total industry-paid claims under the general insurance business. The three classes jointly make up 89.1 percent of all claims paid by general insurers.

State nets Sh26.8bn from housing levy amid legal row

Employers and employees paid out Sh26.8 billion under the mandatory housing development levy in the six months ended December, amid legal hitches that threaten to stop the controversial contribution.

Disclosures by the Parliamentary Budget Office (PBO), which advises lawmakers on the economy and budget, show the State Department for Housing and Urban Development had collected the amount against the Sh63.2 billion that the State targets to net by the end of the Financial Year ending June 2024.

At Sh26.8 billion, the government is averaging collections of Sh4.47 billion per month against the budgeted Sh5.26 billion, translating to a performance rate of about 85 percent from the compulsory levy that has now been suspended by the courts.

Both employers and employees were remitting 1.5 percent of gross salary under the Housing Levy that the government said would be used in the development of affordable housing and associated social and physical infrastructure.

The State Department for Housing and Urban Development data shows there were 18 affordable and social housing projects ongoing as at the end of September last year with a cumulative 88,584 units.

Estimates from the draft Budget Review and Outlook Paper show the contributions will stand at Sh70 billion in the 2024/25 fiscal year and Sh78 billion in 2025/26

The Treasury estimates that the contributions will increase to Sh89 billion in the 2026/27 financial year, up from Sh63.2 billion in the current fiscal cycle. The office says the Bill has several gaps including a lack of alignment with the Public Finance Management (PFM) Act, 2012 with respect to accruals to the fund and wants these addressed.

Roads spending drops to record low in President Ruto's policy shift

Public investment in roads, power generation plants and transmission lines has been the hardest hit by the William Ruto administration's sharp development budget cuts, official data shows.

Expenditure on road and energy projects from the government's main account hit the lowest levels in the first half of the current financial year since the Treasury started publishing the exchequer data a decade ago.

Cash channelled to the Roads department for development amounted to Sh7.77 billion in the six months ended December, marking the smallest expenditure since the financial year 2023/14 when such data is publicly available.

The development expenditure by the department primarily tasked with building roads and bridges represents a fall of more than half (57.66 percent) compared with Sh18.35 billion in a similar period the year before.

The Treasury data shows a modest Sh2.50 billion was wired to development projects in the half-year period, a sharp fall from a record high of Sh17.27 billion in a similar period in the financial year 2017/18.

Road and energy infrastructure arguably gobbled the lion's share of the budget under the Kenyatta administration, but this came with the burden of debt on taxpayers largely through loans contracted from China.

Rise in core inflation raises jitters ahead of CBK interest rate verdict

An increase in core inflation--the change in the costs of goods and services excluding those from the food and energy sectors—has triggered fresh concerns of pressure on interest rates ahead of Tuesday, when the monetary policy team of the Central Bank of Kenya(CBK) sets its new indicative lending rate.

CBK data shows that core inflation edged up to 3.6 percent in January 2024 from 3.4 percent in December, a three-month high rate.

The re-emergence of pressure on the non-food and non-fuel prices has coincided with the rebound in overall inflation or headline inflation which hit 6.9 percent last month from 6.6 percent in December.

Globally, monetary policy is seen as more responsive to core inflation by major central banks—a factor that could shape the decision of the CBK policy team.

The CBK on December 5, 2023, made a jumbo raise on its indicative lending rate to 12.50 percent from 10.50 percent. Core inflation has however declined significantly from a previous multi-year high of 4.45 percent in February 2023.

The multilateral lender however expected inflation to remain contained by CBK's previous benchmark lending rate increase from 10.5 to 12.5 percent on December 5, which was mainly aimed at addressing the impact of a weaker exchange rate to consumer prices.

Headline inflation also raced to a three-month high last month as consumers saw higher costs for foodstuffs, school fees, electricity, clothing, and financing.

Insurers slash NSE investments to record lows

Insurance and re-insurance firms have slashed their investment in stocks listed on the Nairobi Securities Exchange (NSE) to below two percent of their portfolio, amid continued investor flight from the bourse.

Data by the Insurance Regulatory Authority (IRA) shows the sector's investment in quoted equities dropped to Sh19.38 billion at the end of September 2023, marking a 27 percent decline from Sh26.53 billion in the preceding similar period.

The decline took the industry's exposure to capital market investment to a record low of 1.9 percent of the Sh1.03 trillion assets compared with 2.9 percent in 2022 and 4.3 percent in 2021.

Central Bank of Kenya data showed insurance companies accounted for 7.36 percent or Sh371.4 billion of Kenya's Sh5.045 trillion domestic debts by the end of January 26.

President Ruto's housing scheme favours the rich, says Parliament Budget Office

The PBO cautions that under the current law guiding implementation of the programme, allocation of funds towards the development of houses for Kenyans earning up to Sh149,000 monthly is set at 60 percent, yet they constitute 77 percent of Kenyans working in the formal and informal sectors.

On the other hand, Kenyans earning above Sh149,000—who constitute just 23 percent of the workforce—have been allocated 36 percent of the funds.

The Affordable Housing Bill, of 2023 allocates 30 percent of the funds collected from Housing Levy to social housing projects (which target persons with monthly incomes below Sh20,000), another 30 percent to affordable housing projects (which target persons with a monthly income of between Sh20,000 and Sh149,000) and 36 percent of the funds to institutional housing programme and projects (which targets persons with a monthly income of above Sh149,000.

The office raised the concerns in a report analysing the financial and economic implications of the programme, at a time when the government is facing legal hurdles over its implementation, with the Court of Appeal affirming a decision by the High Court to halt collection of the Housing Levy from workers and employers in the formal workforce.

Employees and employers have contributed to the levy at the rate of 1.5 percent (each), since July last year. By the end of December, the government had collected Sh26.8 billion through the Housing Levy.

Airbnb introduces extra 2pc charge for cross-currency bookings

Guests on short-term rental platform Airbnb who opt to pay using a different currency from the host's currency will have to cough up an additional two per cent of the booking total before taxes effective April 1, 2024.

The newly published policy changes will come into effect for existing users on March 28th, 2024 and users post this date will have to agree to the new terms or delete their Airbnb accounts.

Starting April 1, 2024, for cross-currency bookings, the guest service fee will include an additional amount of up to 2 percent of the booking total before taxes

According to Airbnb, most guest service fees are under 14.2 per cent of the booking subtotal (which includes the nightly price and any additional fees charged by the host but excludes the guest service fee and taxes).

Most of the properties listed on Airbnb are located in middle-class locations within Nairobi, including Kilimani, Parklands, Kileleshwa, Westlands, Lavington, Yaya and Valley Arcade.

Power demand could overtake generation by 2027

Electricity demand in Kenya could exceed the generation capacity by 2027 unless production increases to catch up with usage and avert power shortages that might lead to load shedding and rationing.

The International Energy Agency (IEA) projects that the electricity demand growth rate will accelerate to an average of 5.7 percent between 2024 and 2026, meaning that Kenyans could consume more than 13,055 gigawatt-hours (GWh) by 2027.

This means that demand could exceed the electrical energy generation capacity, which is currently estimated at 12,652 GWh, based on the Energy and Petroleum Regulatory Authority's (Epra) latest statistics.

In Kenya, electricity demand is estimated to have increased by around 4.5 percent in 2023, and we expect annual demand growth of 5.7 percent on average from 2024 to 2026.

Demand for electrical energy is currently estimated at 10,008 GWh as of 2022, meaning the country's power producers are generating an excess of about 2,000 GWh annually, minus system losses.

The Treasury data shows a modest Sh2.50 billion was wired to development projects in the half-year period, a sharp fall from a record high of Sh17.27 billion in a similar period in the financial year 2017-18.

Why Equity is phasing out EazzyBanking app

Equity Bank has said it will discontinue its EazzyBanking App beginning mid next month and in its place run the Equity Mobile App which the lender says offers customers modern and more user-friendly features.

In an update on its social media platforms, the bank urged customers to dump EazzyBanking whose phase-out will be finalised by March 15.

"Banking is no longer a place you need to go; it is a lifestyle. Bank the way you live and transact conveniently by downloading the Equity Mobile App today. The EazzyBanking App will no longer be available from 15th March 2024," said the lender in the update.

Equity says that the new app is highly scalable, versatile, efficient and will provide users with add-ons such as financial, saving as well as borrowing services.

Safaricom Ethiopia loans hit Sh18.8bn

Safaricom Telecommunications Ethiopia Plc raised its local borrowings to an equivalent of Sh18.8 billion at the end of December 2023 as part of the diversification of its funding structure.

Disclosures by the company's majority shareholder, Safaricom Plc, show that borrowings from the Ethiopian market rose from Sh15.2 billion in June 2023. The telco says the operating unit's local market borrowings are set at varying interest rates.

The operator first reported the Birr-denominated loans whose tenors averaged five years in the year ended March 2023 when the borrowings stood at Sh12.8 billion.

The shareholders of the Global Partnership for Ethiopia (GPE) had contributed to Sh258.8 billion ($1.614 billion) by December 2023, including an injection from the International Finance Corporation with the funding being split by their respective shareholding in the entity through which they own the startup telco.

The funding includes a licence fee of Sh136.2 billion ($850 million) and a Sh24 billion ($150 million) M-Pesa investment protection fee.

Safaricom's contribution amounts to Sh133.7 billion ($834 million), which is partly funded through a Sh64.1 billion ($400 million) loan borrowed from a consortium of local and international banks.

How weak shilling lifted house prices in Nairobi

Property prices in Nairobi and its satellite towns defied tough economic conditions in the fourth quarter of 2023 to rise at the highest pace in seven years.

Property price analysis done by realtor HassConsult shows that house prices across all segments rose by 4.1 percent in the three months to December 2023, a level last seen in the first quarter of 2016 when prices went up by 4.2 percent.

The appreciation, which marked a sharp reversal from the decline of 1.1 percent seen in quarter three (to September 2023), was largely on the back of a weaker shilling raising the attractiveness of the local property market to external investors.

Treasury faces uphill task of raising Sh2trn in six months

The government faces pressure to raise Sh2.226 trillion in revenue in the six months to June this year, an analysis by a public-funded think-tank showed after it only collected Sh1.4 trillion in tax and non-tax revenue in the six months to December 2023--accounting for 38 percent of the targeted Sh3.66 trillion in the current financial year.

Why Kenya is considering a Eurobond buyback

President William revived Kenya's hopes to buy back its 2014 debut Eurobond, after setting a new date for the buyback between February and March, bringing the sovereign bond buyback debate back into prominence.

What is a buyback?

From the context of the sovereign (Kenya), a buyback describes the process by which the repurchase of issued securities from holders or investors before the set maturity debt is done by the issuer. In the case of the 2014 Eurobond, a buyback implies that Kenya is seeking to buy out some of the Sh320.7 billion ($2 billion) noteholders before the maturity of the bond on June 24.

CBK hits borrowers with highest loan rate in 12 years

The Central Bank of Kenya (CBK) has raised borrowing costs to highs last seen nearly 12 years ago, as it moved to contain stubborn inflation and pull a handbrake on the free fall of the Kenya shilling.

The banking sector regulator increased its base lending rate by 50 basis points from 12.5 percent to 13 percent, a level last witnessed in the sunset years of President Mwai Kibaki's administration.

Kenya imports from China in rare decline on hard economic times

Kenya's imports from China, the country's leading source of goods, recorded a rare decline in 2023, signalling muted consumption during the year amid a high cost of living.

Data from the General Administration of Customs of the People's Republic of China (GACC), which is China's equivalent of the Kenya Revenue Authority (KRA), shows that China exported goods worth $7.87 billion (Sh1.26 trillion at current exchange rates) to Kenya last year.

This marks a decline of 1.11 percent compared to the $7.96 billion (Sh1.27 trillion) that the Asian giant shows it exported to Kenya in 2022. Such a decline is rare, and not even during the pandemic in 2020 when global trade ground to a near halt did it occur, according to Chinese customs data.

For instance, despite Kenyan authorities indicating that imports from China declined from Sh376.72 billion in 2019 to Sh361.36 billion in 2020 during the Covid-19 pandemic, Chinese data shows the country exported goods worth Sh576 billion to Kenya in 2020, an increase from Sh510.1 billion in 2019.

This gap stood at Sh133.38 billion in 2019 but has widened to nearly half a billion in just three years, hitting Sh487.24 billion in 2022. This means that a significant chunk of goods that are bought by Kenyans from China is usually under-declared or undervalued at the points of entry to evade tax.

Nairobi gets traffic lights, surveillance cameras for 125 junctions in China deal

Nairobi is set to get new traffic lights and traffic video surveillance cameras on 125 intersections in a Chinese-funded programme aimed at boosting safety and smoothening the flow of vehicles and pedestrians.

The Kenya Urban Roads Authority(Kura) said the project to be implemented by Chinese contractors will be funded through proceedings of a loan from the Exim Bank of China. The road agency did not provide details on the Chinese loan.

The project will involve the establishment of a traffic management centre and the installation of an advanced traffic management system, traffic signal control, and video surveillance cameras across 125 intersections.

Banks start sharing customer data, balances with KRA

Banks have started sharing information about foreign account holders with the Kenya Revenue Authority (KRA) as the taxman steps up its purge of tax dodgers and beneficiaries of illicit wealth.

Some banks on Thursday notified their customers that they had started implementing the common reporting standards (CRS) under which countries agree to seamlessly share information on taxpayers.

The KRA is also expected to receive similar details on a resident taxpayer with an offshore account.

For individual account holders, banks will share with taxman details such as account balance, address, place of birth, date of birth, country or countries of tax residence, and ID numbers.

In the case of corporate entities, banks are also expected to collect and forward to the KRA information on the place of registration, the entity type, and the controlling person.

The KRA will then share this information with 106 signatory countries—including popular tax havens such as Switzerland, Panama, the Cayman Islands, Bermuda, the British Virgin Islands, Mauritius, Jersey, and Monaco.

The tax authorities in the other signatory countries are in return required to share similar information with the KRA, enhancing the taxman's chances of getting its hands on cash hidden in offshore accounts.

Just like the anti-money laundering rules that require financial institutions to report cash transactions of over Sh1 million to the Financial Reporting Centre, banks are expected to review all existing accounts with balances of above $250,000 (Sh40 million) belonging to a foreigner.

Average land prices in Nairobi suburbs cross Sh200m per acre

The value of land in Nairobi last year rose at the fastest rate in seven years on post-pandemic recovery and market correction.

Data released by Real Estate firm HassConsult suggests that an acre of land in Nairobi suburbs grew by 3.96 percent last year on average, making it the fastest growth since 2016 when they grew by 5.14 percent.

The rise, partly attributed to a recovery from the dip occasioned by the pandemic, however, continued to trail inflation for at least a decade.

The average price per acre in the suburbs has now crossed the Sh200 million mark, helped by the fast rise of prices in areas such as Langata, Ridgeways, Loresho, and Muthangari which offer a mix of affordability, ease of access and mixed-use zoning said Sakina Hassanali, head of development consulting and research at HassConsult.

Despite beating returns on equities, prices continued to trail government papers, offshore investments, fixed deposits and land in Nairobi satellite towns that appreciated by an average of 9.27 percent.

The rally in land prices is a sign of a recovering property market that has been subdued by reduced demand as a result of low incomes and an oversupply of rental spaces.

The release noted that 14 out of the 18 sampled suburbs recorded positive price movements in the fourth quarter of last year as Loresho and Langata were the biggest gainers in the year recording gains of 11 and 10.9 percent over the year respectively.

UFAA chief executive and managing trustee the pile-up has come on the back of slowed reunification of the assets with the owners partly because 70 percent or Sh43.4 billion is in denominations of below Sh5,000.

Out of the unclaimed Sh32 billion, 70 percent of it is in small denominations of less than Sh5,000, attributable to people forgetting their bank accounts, ignorance, relocation and death.

World Bank lines up new Sh240bn Kenya funding

The World Bank has lined up Sh240.4 billion ($1.5 billion) in new funding to Kenya before the lapse of the current fiscal year to June.

The Central Bank of Kenya (CBK) disclosed the new funding marked for disbursement between March and April.

We are also expecting disbursements from the World Bank, around March and April, of around $1.5 billion, according to the National TreasuryThe new funding represents extended support from the multilateral lender which has traditionally disbursed between Sh120.2 billion ($750 million) and Sh160.3 billion ($1 billion) a year via its Development Policy Operations facility in recent years.

The new funding is expected to ease jitters on Kenya's ability to meet the maturity of its debut Sh320.6 billion ($2 billion) in June by ensuring the availability of hard currency.

Besides potentially offsetting the upcoming Eurobond maturity, the hard currency inflows from the disbursement are expected to prop up the country's foreign currency reserves which is in turn expected to contribute to exchange rate stability.

Kenya-Japan firms in Sh99bn eco-energy, car assembly deals

Kenya has signed a number of agreements with Japanese firms, including the giant Japan's Toyota Tsusho Corporation, that could unlock nearly Sh99 billion in investments in green energy and automobile assembly.

In Tokyo, Japan, witnessed the signing of the Framework Agreement for Collaboration between Kenya and Toyota Tsusho Corporation and later toured the Toyota Motamachi Factory," posted Dr William Ruto on his official X (formerly Twitter)

The pact entails Sh15 billion Meru Wind Farm Energy, Sh8 billion Isiolo Solar Energy, Sh800 million Thika Kenya Vehicle Manufacturers (KVM)'s initial investment, Sh75 billion Menengai Geothermal Plant and Electrified Vehicles promotion.

External debt bulges by Sh450bn in five months on weak shilling

Kenya's external debt increased by Sh450 billion in five months to November 2023, as the shilling weakened against major foreign currencies amid more borrowing from multilateral lenders.

The external debt stock stood at Sh5.89 trillion by the end of November, up from Sh5.4 trillion by the end of June 2023, an increase of Sh449.9 billion on the stock from July to November.

The Central Bank of Kenya (CBK) data on the state of public debt by November shows that overall public debt increased by Sh608.4 billion over the five months, to stand at Sh10.887 trillion. This means that external debts accounted for 74 percent of the additional stock on the public debt.

The external debt moved from Sh5.4 trillion in June to Sh5.5 trillion (July), Sh5.61 trillion in August, Sh5.67 trillion in September and Sh5.7 trillion in October. Its share of the total public debt stock increased from 53.5 percent to 54.2 percent over the five months, the CBK data shows.

The external debt increased by 8.3 percent during the five months when the Kenya shilling depreciated at 9.9 percent and 8.9 percent against the euro and the US dollar, the two currencies constituting more than 80 percent of the external debt stock.

Why CBK dropped its dollar estimate reporting in new shift

The Central Bank of Kenya (CBK) has revealed why it adopted a new formula of reporting on foreign currency rates, dropping estimations that had been blamed for the wide variations in the rates quoted by the apex bank and commercial lenders.

The apex bank has been publishing an exchange rate based on the weighted average rate from January of all interbank transactions executed on the previous day—a shift from the past when it published indicative rates provided by major players in the interbank market where lenders trade currencies and other currency derivatives directly between themselves.

Bank-client rates, meanwhile, inform rates from transactions between commercial banks and clients, which are also regarded as retail rates.

The divergence between the regulator-published rate and the mean interbank rate resulted in the CBK dollar rate widely differing from the effective dollar rates, including executed bank-client dealings.

Second hand cars price shocker as imports drop by Sh26bn

The cost of second-hand cars has shot up by up to Sh600,000 in the last four months, fresh data shows, driving them out of reach for more Kenyans.

Industry data shows that the prices of second-hand cars manufactured between 2016 and 2017 have jumped significantly, pointing to the rising cost of ordering the units from abroad that has cut expenditure on motor vehicle imports by double-digits for the second year in a row.

Mercedes C-Class tops the price surges, with a used car now going for Sh4.4 million or more, depending on the dealer, compared to Sh3.8 million in September last year.

A second-hand Toyota Harrier is now retailing at Sh4 million on average in Nairobi, up from Sh3.8 million in September last year, making it costlier for its key middle-class buyers.

The value of imports amounted to a multi-year low of $835 million compared with $997 million the year before. The 16.25 percent decline came on the back of taxation measures, weakening shilling, rising cost of credit and reduced production of some models.

For small traders, the issue of accessing dollars is also a challenge sometimes because anything above $10,000, you have to wait for two to three days for your bank to process.

The KRA increased duty on shipping cars into the country from 25 percent to 35 percent from July last year after the East African Community Council of Ministers approved Kenya's application to levy a higher rate than the 10 percent common external tariff (CET) for the seven-nation EAC bloc.

Record Sh621bn loan defaults push banks into rare profit fall

Loan defaults rose by Sh133.6 billion in the financial year ended December 2023, overtaking levels recorded during the Covid-19 pandemic era and sinking the banking sector into a rare profit drop as economic hardship ravaged households and businesses.

This is a record jump in the value of loan defaults in a single year and erodes the banking sector's unaudited net profits for the period to Sh172.9 billion from Sh175.5 billion the previous year.

A disclosure by the National Treasury showed that loan defaults rose by 27.4 percent from Sh487.7 billion to Sh621.3 billion, marking the largest rise in a single year since CBK started making the data public.

The Sh133.6 billion rise in the value of defaulted loans raced past the Sh99.2 billion that was added in the year ended December 2020 when households and businesses were battling Covid-19 economic disruptions.

Shilling stages 10-day rally against top EAC currencies

The Kenyan shilling is ending its long dismal run after turning the tables against its regional peers last week on the back of marginal gains against major world currencies, raising hopes that the turmoil in the foreign exchange market is ebbing.

An analysis of the Central Bank of Kenya (CBK) data shows that the local unit, which closed 2023 on the worst run in 30 years, has gained against the Ugandan shilling for the last 10 consecutive days and for three straight days against the Tanzanian shilling.

Dollar bank deposits surge to Sh1.5trn on weak shilling

The value of dollar deposits held by Kenyans in local banks rose by 68 percent to a record Sh1.55 trillion in the 12 months to December 2023 on a weakening of the shilling and accumulation of foreign currencies to cover against uneven supply from the market.

The National Treasury published the data on the deposits in a prospectus for its new Eurobond issue, which was sourced from the Central Bank of Kenya (CBK).

The growth in the value of deposits was indicative of an even mix of exchange gains and the introduction of new deposits into the banking system, mainly from corporates, which raised their share of foreign currency deposits in banks to 70 percent in September 2023 from 56 percent in September 2019.

The dollar gained by 27 percent against the shilling last year, handing those in its possession a significant capital gain, on top of the interest they earned from banks for the deposits.

At the end of 2022, the deposits of Sh921.1 billion were worth $7.46 billion, going by the prevailing exchange rate of Sh123.42 to the greenback.

By the end of 2023, the value would have risen to $9.85 billion when calculated at the exchange rate of Sh156.98 to the dollar at the time.

Bank deposit interest rates hit new high of 10pc

Commercial banks have raised the returns paid to cash-rich firms and high-net-worth depositors into the double-digit level, setting a new 24-year high record.

According to data from the Central Bank of Kenya (CBK) the average commercial bank deposit rate—the yield offered on fixed deposit accounts—hit 10.1 percent in December 2023, reaching the first double-digit return since January 2000.

Competition from alternative asset classes, including Treasury bills whose returns are presently edging towards 17 percent and collective investment schemes/unit trusts whose rates have hit double digits recently have compelled commercial banks to equally raise their depositors' returns.

Term depositors in banks could get an even sweeter deal in coming months as lenders price in the effects of increased lending rates increase on the CBK benchmark rate from 12.5 percent to 13 percent.

Dollar rate

For instance, the difference between CBK's published dollar rate of Sh160.32 on Tuesday was only four shillings or units less than the average bid quoted by Equity, NCBA, I&M, and Stanbic Bank, which stood at Sh164.37.

This action by the Central Bank to raise the benchmark lending rate from 12.5 to 13 percent is expected to further lift the foreign exchange rate by encouraging foreign portfolio inflows, complementing recent hard currency flows from multilateral lenders.

Treasury settles Sh1.9bn Moi-era population control loan

The Treasury has paid the last instalment of a Sh1.9 billion loan the government of the late President Daniel Moi took to help with the reduction of population growth.

The payment made at the start of this month settles the $12 million (Sh1.9 billion at current exchange rates) that Kenya borrowed from the World Bank. The money was to be used for population control, especially family planning in rural areas, pointing to the country's high fertility rate in the 1970s.

Four years later on August 1, 1984, the country began servicing the loan which was to be repayable in 80 semi-annual instalments at a rate of 1.5 percent, data from the Treasury shows.

Public Disclosure of 1981 by the World Bank shows that the purpose of the loan was for the 'Kenya Population Project' and sought to address high birth rates in rural Kenya. "An important objective of the project under review was to facilitate the long-term reduction of Kenya's population growth rate through the development of the rural health system and the inclusion of family planning as an integral part of the maternal and child health services

How Kenya plans to net Sh1trn from diaspora

The government plans to roll out a number of incentives targeting Kenyans in the diaspora in a bid to increase remittances to at least Sh1 trillion a year and boost the country's foreign exchange reserves.

Consequently, the State Department for diaspora affairs (SDDA) is looking for a consultant to conduct a baseline survey, which will steer the development of a framework and tactical plan for enhancing remittances.

This assignment is intended to assist SDDA in establishing a conducive environment and an enabling ecosystem, which will help achieve the target of Sh1 trillion in annual remittances by 2027 and at the same time achieve an equitable spread between remittances for personal savings and investments

According to the Central Bank of Kenya (CBK) data, remittances from Kenyans living and working abroad have averaged $3.56 billion (Sh568.67 billion) in the last five years, growing by four percent last year to hit $4.19 billion (Sh642.44 billion), meaning the annual remittances will have to grow by about 36 percent in the next four years to hit the targeted Sh1 trillion per year by 2027.

CBK data shows the growth in the past four years was about 50.2 percent, from $2.79 billion (Sh446.05 billion) at the end of 2019 to last year's performance, making the department's target look easy even before the planned interventions.

The US, despite controlling 55.86 per cent of the total remittances, posted a marginal 0.26 per cent rise to $2.34 billion (Sh373.2 billion). The world's largest economy has been battling high pressure on food prices of goods in the last three years, which pushed up the cost of rent, medical care as well as prices of cars and car insurance.

2.75pc SHIF deduction starts March 1

Kenyans will start paying 2.75 percent of their pay to the Social Health Insurance Fund (SHIF) from March 1, 2024, in what will see contributions for top earners rise by more than eight times, as the government moves to implement the controversial universal health coverage.

Health Cabinet Secretary says the elderly, people living with disabilities and other vulnerable groups will access free services as the Kenya Kwanza administration will cater for their package.

We have those who cannot afford Sh300. We have the elderly, people living with disabilities who cannot raise the monies . . . for this category, the government will cater for their insurance cover.

The 2.75 percent has not been capped at a maximum of Sh5,000 as promised earlier by several State officials a development that will see deductions from top earners rise sharply.

For the salaried people earning up to Sh30,000 a month, there is going to be a drop of between three percent and 45 percent in contributions as those earning above Sh30,000 to Sh100,000 will see a rise in contributions by between one percent and 77 percent. Those earning above Sh100,000 will see even steeper deductions.

Salaried workers earning Sh100,000 will be paying Sh2,750, up from the current 1,700, representing a 62 percent rise. Those drawing half a million shillings gross pay will see their deductions rise eight times to Sh13,750 unless a cap is introduced.

We have problems in the health sector where Kenyans went to hospitals and were told there were no drugs. We are currently concluding the public participation on the new regulations. These regulations will ensure that Kenyans have access to personnel, medicine and equipment in the nearest health centres that they seek attention

SHIF is part of a comprehensive healthcare reform package that includes the Digital Health Act, Primary Health Care Act and the Facility Improvement Financing Act.

The transitional clause that allows Kenyans to make their contributions to NHIF for a one-year period. The NHIF fund will cease to be operational in December this year and the Social Health Insurance Fund (SHIF) will take over… this week, a transitional committee was announced to handle the transition from NHIF to SHIF.

Kenyan exports fall marginally on subdued global demand

Kenya's exports declined 2.2 percent in 2023 despite a weaker shilling, which increases the earnings of exporters when they convert their income into local currency.

The Central Bank of Kenya (CBK) did not give a figure for the export earnings in 2023, but the country exported goods worth Sh779.6 billion in 2022, indicating that last year's export earnings reduced to about Sh762. 4 billion. The CBK data shows that exports across most categories dropped during the year, reversing the 9.3 percent rise in export earnings recorded in 2022.

The decline in exports in 2023 was across several categories, except food, chemicals, and manufactured goods exports, which increased by 0.8 percent, 2.8 percent, and 11.3 percent, respectively.

This is the first time that Kenya's exports have declined in four years. The last time the exports dropped was in 2019 when the value reduced to Sh520.78 billion down from Sh542.85 billion in 2018. Since then, exports have rallied year-on-year, growing from Sh567.37 billion in 2020 to Sh666.73 billion in 2021 and thereafter to Sh779.6 billion in 2022, according to data from the Kenya National Bureau of Statistics.

One of the key export products that took a hit from reduced demand was cut flowers, whose earnings went down sharply to Sh73.45 billion in 2023 compared to Sh104.25 billion in 2022, according to the Horticultural Crops Directorate (HCD).

Kenya Airways adds direct Somalia-UAE cargo flights

Kenya Airways (KQ) has started ferrying cargo directly between Sharjah in the United Arab Emirates (UAE) and Somalia's capital Mogadishu, as it seeks to expand its cargo business.

The airline has launched a weekly flight effective Friday, February 9, with plans to increase to twice a week in April.

The national carrier has partnered with Dubai-based sales agent Global GSA Cargo LLC as its logistics partner to service the route.

The direct route between UAE and Somalia offers huge demand for air freight transportation, particularly high-tech consumer goods, automotive parts, project cargo, and clothing, which are the most frequently flown goods on the route.

In 2020, KQ converted two of its B787 into cargo airlines following high demand for freight services amid a sharp decline in passenger services at the height of the coronavirus pandemic.

In addition to Sharjah, the third-most populous city after Dubai and Abu Dhabi, the airline plans to deploy its cargo planes on destinations such as Dubai, Jeddah, Riyadh, Dakar, Lagos, N'Djamena, Mumbai, Freetown, and Monrovia.

UAE, being a multimodal logistics hub, acts as a primary gateway to Africa, and having a dedicated KQ Cargo freighter to offer this service helps cut transit times and offer scheduled main deck capacity into several remote destinations across the region. This service would cover a market characterised by narrow body belly-only options lengthy transit times, and expensive rates

KCB, Visa launch premium card service for super-rich

KCB Bank Kenya and global payments technology firm, Visa have partnered to roll out two premium cards that will allow its high-net-worth customers to access privileged travel and hotel packages worldwide.

The cards, known as KCB Signature Card and KCB Infinite Card, are available exclusively by invitation and are targeted at individuals earning between Sh300,000 and Sh1 million per month, and those earning more than Sh1 million, respectively.

TradeMark Africa has received a $63 million (Sh9.9 billion) grant from the Netherlands towards sustainable and inclusive trade initiatives in the continent.

The investment running to 2030 will help strengthen trade systems, benefitting local traders and Dutch businesses, fueling economic growth, and nurturing sustainable livelihoods across various sectors in Africa.

CBK projects Sh734bn inflows this year on foreign investors

The Central Bank of Kenya (CBK) expects Sh733.9 billion ($4.6 billion) in foreign flows into the economy this year.

The projected inflows, if realised, would be the highest since 2021 and mark a rebound from nearly two years of a slump due to foreign investor flight.

The apex bank estimates that its financial account closed at Sh558.4 billion ($3.5 billion) in 2023, including Sh72.9 billion ($457 million) in foreign direct investments.

Kenya has seen a windfall from external borrowings in the opening months of 2024, including Sh109.6 billion ($684.7 million) from the International Monetary Fund (IMF) in January.

The Exchequer has received a Sh61.6 billion ($385 million) loan from the Trade and Development Bank, which was also approved last month.

Kenya still expects the disbursement of Sh15.1 billion (€88 million) from the African Development Bank and Sh240.2 billion ($1.5 billion) from the World Bank.

Why NSE-listed firms are snubbing 'bonus shares'

Firms listed on the Nairobi Securities Exchange (NSE) last year avoided bonus share schemes to shareholders as the value of investor wealth on the bourse dropped by 27.54 percent or Sh547.06 billion.

A bonus issue, usually funded through profits or existing share reserves, is an offer of free additional shares to existing shareholders mainly to encourage more retail investor participation in their stock by lowering the price per share and adding liquidity.

New Eurobond seen easing pressure on domestic debt

Kenya's return to the international bonds market on Monday is set to relieve pressure on local lenders to finance the budget deficit for the current fiscal year, signalling a potential retreat in domestic debt interest rates that have climbed to 18 percent.

The Treasury is selling its first Eurobond since June 2021 when it floated a 12-year paper that raised $1 billion (Sh159 billion).

CBK rate rise dampens NSE prospects

Last week's move by the Central Bank of Kenya (CBK) to raise borrowing costs to a 12-year high of 13 percent has further dampened trading activity on the Nairobi Securities Exchange (NSE), with analysts warning that the trend would prolong as investors shifted to fixed income assets.

The apex bank's announcement, the Nairobi bourse recorded a Sh9.8 billion paper wealth loss to close at a market cap of Sh1.435 trillion down from Sh1.445 trillion on Tuesday.

By close of trading on Tuesday the total valuation of equities stood at Sh1.429 representing a Sh16 billion loss from the rate review a week ago.

The NSE All Share Index (Nasi) also closed Tuesday's trading down a point from Tuesday last week with the NSE20 -index retreating by four points over the one week.

Last week, foreign investors pulled out Sh63.2 million from the NSE, extending the previous week's trend there they remained net sellers marking Sh101.8 million in net portfolio outflows.

Over the one-week period to Tuesday, large-cap stocks including Safaricom, KCB, and Equity banks recorded a bearish trend as their respective share prices posted five-day percentage changes at -1.86 percent, -5.69 percent, and -1.96 percent respectively.

We hypothesise that investors continue to display a preference for the fixed income asset class on the back of elevated interest rates, a trend that is anticipated to strengthen further following the recent adjustment of the CBR rate

Airtel Africa to build data hub in Nairobi after Nigeria project

Airtel Africa plans to build a data centre in Nairobi, in what will become its second such facility on the continent after Nigeria as it moves to diversify its revenue streams.

The telco says the Nairobi data centre, which will be usable in telecoms and other sectors, will have a capacity of seven megawatts to trail the 36-megawatt centre that it plans to build in Lagos, Nigeria.

Airtel Africa chief executive said in a February 1 conference call with analysts the telco plans to start building the data in Nigeria and follow up with Kenya and complete by mid-2026.

Citi and Standard Group warn Kenya on SHIF funding costs

The funding model for the new universal healthcare could strain the State's expenditure plans, two top global banks have cautioned.

Citi and Standard Group, the advisors on the redemption of Kenya's debut Eurobond, said the requirement for exchequer funding to the social health insurance fund will increase the burden of expenditures for the government.

Implementation of the universal health coverage laws might lead to increased cost of government and materially adversely affect Kenya's economy the banks

The Social Health Insurance Fund which forms part of the recently enacted Social Health Insurance Act introduced a new funding model that is reliant on funding approved by the National Assembly in addition to individual contributions by Kenyans.

Salaried workers are expected to make contributions rounding off to Sh77 billion through the 2.75 percent deductions on gross salaries while the government is set to provide an addition of Sh45 billion per year according to an impact system from the Ministry of Health.

Fuel consumption drops to five year low on high prices

Fuel consumption in the six months to December last year dropped to the lowest level in at least five years, highlighting the impact of record-high pump prices amid the doubling of Value Added Tax (VAT).

Data from the Energy and Petroleum Regulatory Authority (Epra) shows that consumption of diesel, super petrol and kerosene fell five percent to 2.28 billion litres in the period compared to 2.4 billion litres used in the second half of 2022.

This is the lowest recorded in Kenya at least since 2019 and came at a time when prices breached the Sh200-a-litre mark in some towns after VAT on petroleum products was doubled to 16 percent effective July 1, 2023.

Pump prices jumped by up to Sh13 a litre when Epra adjusted prices to reflect the new VAT rate of 16 percent.

A litre of super petrol jumped by Sh13.49 to Sh195.53 while that of diesel rose by Sh12.39 to Sh179.67 in Nairobi. Kerosene prices increased by Sh11.96 to Sh173.44.

Why Treasury is jittery on Eurobond payment

The Treasury has flagged the risk of further weakening of the Kenya shilling, dollar shortages and increased debt as Kenya struggles to raise an extra Sh160 billion to clear the outstanding Eurobond debt.

In a preliminary circular offered, the Treasury says its options of tapping local forex reserves or issuing a dollar-denominated domestic bond to repay the Eurobond balance look set to trigger a shortage and further depreciation of the shilling.

Kenya plans to issue a new Eurobond of an indicative figure of $1 billion, with the proceeds used to buy back the bonds held by the investors of the $2 billion (Sh317 billion) Eurobond maturing in June.

But the balance, should Kenya only raise half of the total repayment amount as indicated in the circular, will be settled using the government's own reserve of foreign currencies, reviving the dollar shortage crisis that was rife in 2022.

The government intends to repay the remainder of the 2024 Bonds through a combination of its own existing funds and financing from Kenya's development partners.

The Kenya shilling has been losing ground against the dollar, shedding 14.1 units in the period to trade at 159 units currently by end of Tuesday.

[Industrial training levy nets Sh1.5bn from firms]

The Kenya Revenue Authority (KRA) collected Sh1.48 billion in the new industrial training levy from employers in the nine months to January 2024.

The taxman told the National Assembly Committee on Education that it has expanded the employer base filing and paying the National Industrial Training Authority (NITA) levy from an average of 10,000 to 43,470 as of January 2023 after it took over collections.

KRA Commissioner for Domestic Taxes, told MPs that the industrial training levy is payable by all employers at a rate of Sh50 per each per month and should be remitted to the Commissioner General by the 5th day of every month following the month in which the levy is due.

[Kenya pays dearly to avoid Sh316bn Eurobond default]

Banks open loan restructuring as higher rates raise defaults

East Africa's retail banks have disclosed measures, including loan restructuring to cushion borrowers from the prevailing hard economic conditions precipitated by rising interest rates and inflation across the region.

The lenders which are listed on the Nairobi Securities Exchange have freely reverted to the Covid-19 debt relief measures that include loan repayment moratoria to bail out struggling households and businesses.

The latest move is part of efforts to avert potential defaults and strengthen customer loyalty in a competitive banking sector.

Co-op Bank's loans and advances to customers in the nine months to September 2023 stood at Sh378.07 billion from Sh335.16 billion in the same period the previous year (2022), representing a 12.8 percent growth.

The lender has regional operations in South Sudan.

KCB Group chief executive Paul Russo said, "On a need basis, we are having conversations with customers to see how best we can accommodate them in light of their respective circumstances, especially as relates to existing facilities.

DTB forecasts fall in loan interest rates starting mid of current year

Diamond Trust Bank (DTB Group) is tipping interest rates on loans to start falling in mid-year as inflation eases, and the shilling finds some muscle against the dollar in a move that could ease pressure on borrowers.

DTB head of research and analysis said in the bank's economic and sustainability forum in Nairobi, that the Central Bank of Kenya Monetary Policy Committee (MPC) could most likely keep retain its CBR at the current 13 percent and start bringing down the rate around June.

As the exchange rate stabilises, we expect inflation to equally come down especially since about 40 percent of it was linked to forex pass-through. That will give CBK headroom to begin reducing interest rates.

The shilling opened Wednesday averaging 156.71 to the dollar, marking the 14 consecutive trading days of gaining against the world's major currency, having closed January 30 at 160.75. It had touched a record low of 161.36 to the dollar on January 23, before the relative stability set in.

Kenyan shilling posts strongest single-day gain in 12 years

The Kenya shilling posted its strongest intra-day gain against the US dollar in the last 12 years on Wednesday, reaping from a tide of investor confidence after the government received significant inflows to pay off the $2 billion Eurobond.

The dramatic gain lifted the local unit to its strongest level since November last year while wiping out all the losses this year. This means that the shilling has now appreciated for 11 straight days to trade below Sh153.75 at some commercial banks.

For instance, Equity Bank quoted the dollar on Wednesday at Sh153.75, while KCB had a quote of Sh157.5, the highest among eight banks tracked by the Business Daily. For their part, forex bureaus were selling the dollar at between Sh152 and Sh157.

For the government, a stronger shilling will lower debt service costs, with the Treasury equating the movement of the currency by a single unit to impact debt service costs by Sh40 billion.

With the shilling gaining by 3.62 units against the dollar in the past week to Tuesday, Kenya's debt service costs have been trimmed by Sh144.8 billion in just seven days. Holders and earners in dollars have nevertheless realised paper losses, with $10,000, for instance, falling from Sh1.6 million to Sh1.5 million over the same period, representing paper losses of Sh100,000.

Shilling gains against dollar after sale of new Eurobond

The shilling extended gains on Wednesday, hitting its strongest in more than three months as confidence the government would pay off a Eurobond maturing in June buoyed investor appetite.

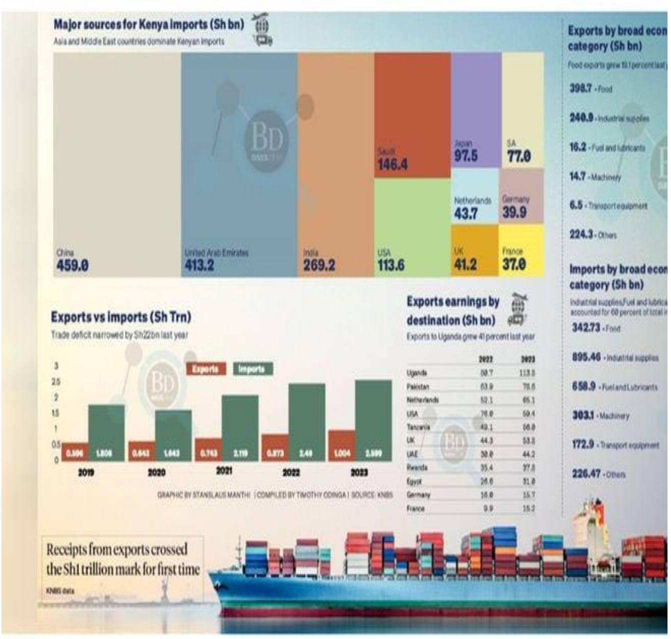
The shilling strengthened over three percent against the US dollar to reach 150.00/151.00, a level it last traded at on October 26, compared with Tuesday's close of 155.50/156.50 to the dollar, LSEG data showed.

Earlier Kenya sold a new $1.5 billion Eurobond maturing in 2031 which it will use to buy back via a tender offer a large chunk of the $2 billion international bond due in June.

One trader 2024 Eurobond would be repaid had helped stop panic buying of foreign currency that has seen the shilling set repeated record lows since late 2021.

Other factors supporting the currency include foreign inflows into a Sh70 billion infrastructure bond on sale and the central bank talking up the shilling as it raised interest rates again last week.

Four countries account for half of Kenya's import bill



Four countries; China, United Arab Emirates (UAE), India and Saudi Arabia accounted for half of Kenya's import bill last year.

Full-year trade data released by the Kenya National Bureau of Statistics (KNBS) shows that Kenya's import bill grew by four percent to Sh2.59 trillion, with the four countries swallowing Sh1.29 trillion- representing 50 percent of the total import expenditure.

The KNBS data reveals that non-food industrial supplies, fuel and lubricants, which come from the Middle East and other Asian countries, accounted for 60 percent of the import bill last year.

China, the primary source of Kenya's electronics and other household commodities, posted a one percent growth in exports to Kenya hitting a new record of Sh459 billion.

The UAE, which largely exports fuel to Kenya, cemented its second place with goods worth Sh413.2 billion from Sh407.8 billion in 2022.

KMRC eases access to cheap mortgage by top earners

Workers with a monthly income of up to Sh200,000 can now tap the Kenya Mortgage Refinance Company (KMRC) loans after the State-backed lender increased the income limit for borrowers.

KMRC chief executive officer said the income limit was raised by Sh50,000 in December 2023, amid the skyrocketing cost of living that has eaten into the spending power of prospective homeowners.

The move is a win for the middle class at a time when mortgages from commercial banks are getting costlier in the wake of upward reviews of the benchmark lending rate by the Central Bank of Kenya.

The KMRC-backed loans, with an average interest rate of 9.5 percent, have since 2020 been only accessible to workers who earn a maximum of Sh150, 000 a month. A review of the cap on the income band is the second win for home buyers with KMRC having increased the mortgage size to Sh10.5 million to match the rise in home prices and construction costs.

Participating primary mortgage lenders —banks and saccos— are required to charge homebuyers less than 10 percent interest, with a repayment period of up to 25 years. Standard mortgages from commercial loans attract interest rates of up to 21 percent, having risen on the back of the jump in Central Bank of Kenya's benchmark rates.

State plans new hospital categories for SHIF

The Ministry of Health will re-categorise all hospitals before they are empanelled by the Social Health Insurance Fund (SHIF) in a bid to eliminate fraud that has seen taxpayers lose millions of shillings through fictitious claims against the National Health Insurance Fund (NHIF).

Health Cabinet secretary said the Kenya Medical Practitioners and Dentist Council (KMPDC) will be the only body to inspect and categorise all levels of hospitals before they are contracted by SHIF.

She told the National Assembly's Health Committee that several hospitals have been contracted by the NHIF at levels they should not be and are, therefore, claiming money from the fund at rates they are not entitled to.

She said the reports have been prepared and submitted to the audit committee of the NHIF board, but the full board has yet to approve the recommendations.

Some of the recommendations were to refund fraudulent claims paid, stop payment on claims in process and for the board to decide on the fate of the affected healthcare providers in line with clause 16.6 of the contracts, whether to suspend the healthcare providers or terminate the contract.

In view of the transition of the National Health Insurance Fund to the Social Health Authority, the NHIF board has not met to deliberate on the reports

Kenya moves to regulate Bitcoin trade on grey listing risk

Kenya is working on new regulations to police trading in cryptocurrencies such as Bitcoin on growing fears that the increased transactions in virtual assets in the country could increase risks of money laundering and terrorism financing.

A technical working group set up to advise the Treasury on cryptocurrency is currently preparing the draft regulations to be forwarded to the Cabinet for adoption, marking one of the key interventions in addressing weaknesses in its financial system.

The platforms allow traders to transact directly with one another without the need for a centralised third party to facilitate the transactions.

Car dealer Autopax bags motorcycles deal

Kenyan car dealer Autopax is set to enter the electric motorcycle assembly business through a partnership with Ghanaian battery company Kofa.

Autopax, a subsidiary of Green Africa Group, will undertake the assembly of the bikes and source some parts locally.

The partnership will see both companies develop a new electric motorcycle currently being tested for the Kenyan and Ghanaian markets.

Kofa will set up a unique and sustainable battery swap network across the region, providing a reliable and efficient solution for energy storage and management.

The company's Kore2 Swap and Go network, a recently launched multi-use platform designed to support the rapid and convenient exchange of vehicle batteries, will support operations and service delivery.

The partnership comes at a time when the world is shifting from petrol and diesel-powered vehicles to environmentally sustainable transport systems to combat the challenges of climate change.

Kofa is excited to announce this transformative partnership with Autopax, uniting our expertise in green energy with their leadership in sustainable mobility to revolutionise transportation in Africa

New policy signals higher charges for public services

The government wants ministries to be self-sufficient, setting the stage for higher charges on fees on critical public services.

In the 2024 Budget Policy Statement (BPS) released the National Treasury has said that ministries, departments and agencies (MDAs) will be expected to collect enough revenues for their own expenses and even remain with more to remit to the Exchequer.

The new policy position has set off a wave of fee revisions by various State corporations pushing up the cost of several services including issuance of IDs, land transaction fees as well as service charges by the National Transport and Safety Authority.

In the first six months of this fiscal year, the National Treasury received Sh224.6 billion in non-tax revenues, against a target of Sh177.7 billion as it continued to implement the single paybill collection system.

In the same period in 2022 non-tax revenue — known as ministerial appropriation-in-aid (A-I-A) and which includes fees and fines collected by State corporations— were Sh162 billion.

In the fiscal year 2023/24, the Treasury targets to collect Sh323.8 billion from fees and fines, boosting the exchequer's coffers as it moves to bridge the budget deficit.

Treasury proposes Sh78 billion budget cuts

The National Treasury has proposed Sh78.6 billion in budget cuts for the fiscal year ending June 30, as part of the exchequer's efforts to rationalise spending.

The proposal contained in new budget documents from the exchequer is set to bring down the overall budget for the 2023/24 fiscal year by 1.9 percent to Sh3.902 trillion from Sh3.981 trillion approved in the first supplementary budget.

Recurrent expenditure has been projected to dip by Sh33.8 billion or by 1.3 percent to Sh2.76 trillion while interest payments on domestic and external debt are projected to stand at Sh892.8 billion, down from Sh918.8 billion previously.

Spending on development is expected to take a larger hit as the exchequer sets a reduction of Sh44.8 billion, pointing to reduced government spending on infrastructure projects such as roads for the remainder of the fiscal year.

Net foreign financing in the year to June is now estimated at Sh362.2 billion from Sh412.1 billion approved in the first supplementary budget as the exchequer sees reduced project loans.

The target for net domestic financing has meanwhile been set down to Sh422.7 billion from Sh474.5 billion.

Fuel tax increase hands KRA extra Sh26bn in six months

The Kenya Revenue Authority (KRA) collected about Sh25.9 billion more in fuel taxes in the six months to last December, even as consumption dropped on record-high pump prices.

The official fuel consumption figures show the KRA collected an estimated Sh164.03 billion in fuel taxes between last July and December, up from Sh139.08 billion in 2022.

Consumption dropped five percent in the wake of the increased prices, with 2.28 billion litres of petrol, diesel and kerosene used in the period compared to 2.4 billion litres in the second half of 2022.

The jump in tax collections came at a time when the National Assembly voted to double value-added tax (VAT) on petrol, diesel and kerosene to 16 percent effective last July year, sending pump prices past Sh200 per litre.

Pump prices hit a record high of Sh217.36 per litre of petrol and Sh205.47 per litre of diesel in Nairobi last October, highlighting the impact of the higher taxation.

The estimates contradict KRA's earlier concerns that a drop in consumption of fuel would adversely hurt tax collections from petrol, diesel and kerosene.

The high taxes have been blamed for expensive fuel, with Kenya having the costliest diesel in the region with a litre of diesel going for $1.29, at par with Uganda and ahead of Tanzania where a litre is going for $1.19.

Kenya is also home to the second costliest petrol in the region, at $1.37 ahead of Tanzania at $1.19. In Uganda, a litre of petrol is going for $1.43.

Private insurers to process SHIF claims

The government plans to contract private medical insurance providers and claim settling agents to review and process claims under the planned Social Health Insurance Fund (SHIF) in which the State is eyeing Sh133 billion in premiums annually.

The draft Social Health Insurance (General) Regulations, 2024 published last week shows the insurers and claims settling agents will be the link between hospitals and Social Health Authority — the entity that is going to manage three funds, replacing National Health Insurance Fund (NHIF).

The insurers and the agents will be receiving claims from healthcare providers and reviewing the claims. Claims approved will then be forwarded to the authority for payment while erroneous or incomplete ones will be returned to hospitals for correction.

Kenya among nations marked for Sh979m AfDB water funding

Kenya is one of four countries among the first likely beneficiaries of an African Development Bank-funded project that seeks to improve access to clean water by the urban poor.

AfDB has named Kenya, Ghana, Zambia and Sierra Leone as four out of five countries that could be picked to kick-start the African Urban Sanitation Investment Initiative (AUSII) project this year.

The project—which is co-funded by the AfDB and the Bill and Melinda Gates Foundation—seeks to fund business innovations that seek to provide robust, affordable, financially and environmentally sustainable inclusive sanitation services for urban dwellers with a focus on the urban poor.

The project is set to be rolled out for the first time this year with an initial grant of $6 million (Sh979 million).

Kenya's short-term rental sector stands at crossroads

All 'airbnb' investors in Nairobi—and soon across the country— will be required to register a business, then present relevant documentation to the Tourism Regulatory Authority (TRA)— including a lease agreement where the landlord expressly agrees to a term rental business, have the unit and amenities inspected for safety before a licence to operate is issued.

According to experts what Kenyans call 'airbnb' is technically a general term for a furnished residential unit which comes in many names and sizes depending on location. Guests typically stay for short periods of time, mostly below 30 days but can be as long as two years.

A unit is only an Airbnb if it is registered and approved by the Airbnb platform notes.

Citibank to make disclosure over Safaricom cash call funds

The High Court has allowed stock brokerage firm Suntra Investments Limited to enforce a decision requiring Citibank to provide information relating to a customer over the botched purchase of Safaricom shares in its initial public offering (IPO) in 2008.

High Court judge Mugure Thande ruled that Suntra should go ahead and demand the information relating to a customer—Ruparelia Sudhir— as directed by the Commission on Administrative Justice on January 24, 2022.

Suntra claims that it sought information and documents from Citibank relating to Sudhir who paid Sh116.5 million but was allegedly never allocated any shares.

Licensed East African Bond Exchange to take on NSE

Competition in Kenya's bond market is set to heat up following the Capital Markets Authority's (CMA) approval of an application for a license for Over-the-Counter (OTC) trading by the East African Bond Exchange (EABX).

The Business Daily has learnt that the market regulator granted EABX the license on, setting the stage for competition between the Nairobi Securities Exchange (NSE) and EABX for bond market activity whose annual turnover has averaged Sh734.0 billion between 2020 and 2023.

This comes just a fortnight after the International Monetary (IMF) Staff Report following the January 17, 2024, sixth review of Kenya's $4.43 billion, Sh717.3 billion, programme indicated that the government had committed the fund to take steps towards an OTC automated exchange to complement the operations of the NSE.

Global economists forecast Kenya growth at 5.2 percent

The world's leading banks, consultancies, and think tanks have marginally raised Kenya's growth prospects, citing increased private sector expenditure in an economy where inflationary pressures remain elevated.

A consensus forecast from 14 global firms shows the gross domestic product (GDP) — a measure of all economic activities by the government, companies, and individuals — will likely grow at 5.2 percent in 2024.

The growth is, nonetheless, projected to largely remain flat from last year's, estimated at 5.1 percent.

The consensus forecast suggests this year's growth will likely be the highest in three years, albeit at a marginal expansion compared with estimated 2023's. Kenya's growth forecast is higher than sub-Saharan's average of 3.8 percent, ranking seventh among major economies in the region. The growth outlook trails Ethiopia's 6.1 percent, Uganda's 5.5 percent and Tanzania's (5.4 percent).

The report shows America's Citigroup Global Markets have projected the highest growth for Kenya amongst the firms sampled at 6.2 percent, which will be the highest since 7.6 percent in 2021.

Ministry orders Kuscco audit over deposit-taking

The State has ordered a special audit of the financial books of the Saccos' umbrella organisation, the Kenya Union of Savings and Credit Cooperatives (Kuscco) for alleged involvement in illegal deposit-taking business.

Co-operatives and Micro, Small, and Medium Enterprises Cabinet Secretary Simon Chelugui said the special audit will be conducted by one of the big four audit firms in the country.

This follows a revelation that Kuscco's financial books had been audited by unlicensed entities for the last two years-- the same period when the organisation came under financial difficulties that sparked an investigation into their activities.

Kuscco currently has a membership of 4,168 Saccos and holds deposits of about Sh18.9 billion. Its primary roles are the promotion of Saccos through advocacy, training, and provision of financial services.

NCBA, Co-op, Stanbic win State pensions deal

NCBA, Co-operative, and Stanbic banks have won the lucrative deal to keep the more than Sh100 billion in pension contributions held by the Public Service Superannuation Scheme (PSSS).

The PSSS disclosed the three banks pipped eight other rival registered custodians of pension funds to the deal and will now handle billions collected from more than 350,000 civil servants, including police officers and teachers who started contributing to their own pension savings scheme in 2021.

The three banks beat Bank of Africa, Equity, I&M, KCB, the National Bank of Kenya, Prime Bank, SBM, and Standard Chartered who are registered custodians of pension banks as of 2020. All the 11 banks had been in a heated race for lucrative contracts to keep the contributions, which began in January 2021.

A work plan by the Treasury showed that the custodian banks will carry out the services for three years renewable on expiry by mutual agreement for a further period of three years depending on performance.

Financial crimes watchdog flags Sh86bn in three years

Kenyan investigative agencies flagged and investigated more than $591.36 million (Sh86 billion) generated from suspected illicit activities, including corruption, fraud and cybercrimes, in the three years to July 2023, raising fears that part of the money may have been laundered into the financial system.

Treasury to delegate more powers to debt office boss

Contracting of new loans and the day-to-day management of debt will be an exclusive role of the Public Debt Management Office (PDMO), the National Treasury has disclosed, handing a boost to the office that has struggled for relevance.

As part of the plan to make the PDMO autonomous, the National Treasury has disclosed that policy changes will be made to give the debt office a stronger grip on the management of the country's debt.

The PFM (Public Finance Management) Act, 2012 seeks to establish PDMO within the National Treasury, but with some degree of independence or autonomy, regarding the management of the portfolio and of the office.

This will be achieved by developing a policy, financial and administrative framework (PFAF) within which the PDMO would operate, and delegating the operational decisions on borrowing and debt management and the day-to-day management of the Office from the Cabinet Secretary to the Head of the PDMO.

Interest rates on bank loans race past 26pc in fresh review

Commercial banks are now charging more than 26 percent interest on loans in another round of credit repricing that signals more pain for risky borrowers amid a surge in defaults.

Tier I lender Equity Bank has, for instance, set 26.74 percent as the lending rate for new loans to high-risk borrowers from a previous peak of 26.06 percent.

Counties miss Sh16bn mineral use revenue potential amid shortfalls

County governments collected below one percent of the Sh16 billion they could have raised from natural resource exploitation fees in the financial year that ended June last year, an analysis by the Parliamentary Budget Office (PBO) shows, highlighting the own-source revenue (OSR) underperformance troubling the devolved units.

During the 2022/23 financial year, the regional administrations jointly raised only Sh84 million from mining fees, a meagre 0.52 per cent of the estimated potential, translating to an underperformance of 99.48 per cent, data from the Commission on Revenue Allocation shows.

This underpins the consistent OSR underperformance in the devolved units, which has always caused an over-reliance on transfers from the national government, which is often delayed as well as below targets.

Central Bank sets specific fines for breach of banking rules

The Central Bank of Kenya (CBK) has set specific fines for lenders and officials breaching rules, a shift from blanket fines for all violations.

The published Draft Banking (Penalties) Regulations 2024 published by the CBK stipulate a maximum fine of Sh20 million for institutions violating rules on minimum capital levels and adequacy ratios, making adequate provisions for loans and write-offs, and corporate governance regulations.

The lenders will also be slapped with a fine of up to Sh20 million for failing to keep proper books or records and failure to comply with CBK requests during an audit inspection.

Other violations carry proposed penalties of between Sh2 million and Sh10 million for institutions. The regulations were last updated in 2017 and impose a flat maximum fine of Sh20 million regardless of the violation. The fines for individuals who flouted the Banking Act remain unchanged at a maximum of Sh1 million.

State House overshoots six month budget by Sh447m

State House overshot its budget for the half year to December by Sh447 million, official numbers show, dealing a blow to austerity measures announced by the Ruto administration.

Expenditures at President William Ruto's official residence amounted to nearly Sh5.37 billion in the six months against a target of Sh4.92 billion, according to the Treasury's budgetary review report.

The spending on running the State House stood at Sh4.68 billion between July and December last year, racing past Sh4.26 billion which had been set for the period. Cash spent on development programmes exceeded budget by 5.19 percent to Sh689 million, the data indicate.

The Treasury does not normally give reasons for the budget outcome for specific ministries, departments, and agencies. This came on the back of the State House getting an additional Sh2.53 billion in the supplementary budget late last year to cater for personnel emolument, enhanced operations & maintenance expenses, refurbishment of buildings and other civil works.

The additional funding took the full-year budget for State House affairs to Sh9.84 billion.

The budget for the State House is separate from the Executive Office of the President. which caters to operations at Harambee House where Dr Ruto's official office is situated.

The Treasury data reveals further over-expenditure in the security sector. The State Department of Internal Security exceeded the budget by Sh3.84 billion in the review period to Sh22.34 billion, while the National Police Service spent Sh1.27 billion more than budgeted for to Sh55.25 billion.

The Immigration and Citizen Services department surpassed the budget by the largest margin of 23.10 percent, or Sh1.46 billion, to stand at nearly Sh7.78 billion.

National Assembly clears 1.5pc housing levy on gross pay

President William Ruto's administration scored another legislative victory on Wednesday after the National Assembly passed the controversial Affordable Housing Bill 2023, which seeks to give the government the green light to resume implementing the President's pet homes programme without running afoul of the law.

The Bill, which will now be sent to the Senate for concurrence, will anchor in law the decision to collect a 1.5 percent levy on workers' gross pay.

The Bill was passed as per the President's wishes in his speech during a joint retreat for the ruling Kenya Kwanza coalition's legislators and the Executive.

The opposition MPs had sought to have the 1.5 percent levy imposed on basic or net salaries as opposed to gross monthly salaries.

Efforts by Githunguri MP Gathoni Wamuchomba to have the 1.5 percent levy removed from the Bill also failed, as did her attempts to have the National Housing Corporation (NHC) take charge of the affordable housing programme, rather than creating another body.

The proposed law seeks to establish the Affordable Housing Fund, into which the levies deducted from salaries are to be paid, to be managed by a board of directors.

State has little control over e-Citizen portal: Auditor General

The State has little control over the e-Citizen self-service and payment portal, Auditor-General has said, warning that this could compromise accountability of the billions of shillings processed through the platform.

Collections through the platform average Sh350 million daily, up from Sh50 million in the financial year ended June 2023.

More than 19,000 public services are currently available on e-Citizen, out of which 15,440 have been fully on-boarded.

Preliminary review of operations of the e-Citizen Government Digital Payments (GDP) platform indicate that, despite the strategic importance of e-Citizen, the government does not have full control of the system and [relies] significantly on the vendor for some critical functions

Lack of full control of the system exposes the government to the risk of revenue leakage, lack of full accountability, system unavailability or downtime, security vulnerabilities and threats including lack of business continuity," the Auditor-General warns.

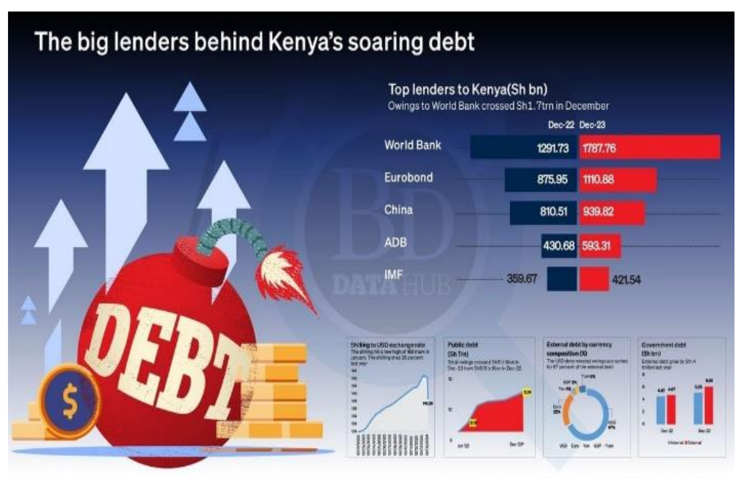
Verdict on e-Citizen is that its "current IT controls may not guarantee the integrity of the data processed through the system.

The revelations are contained in the audit report on the national government for the financial year ended June 2023, which also notes that the Office of the Auditor-General is currently undertaking a special audit of e-Citizen to establish the credibility and reliability of the system.

The Auditor-General could not confirm the adequacy of internal controls over reconciliations and settlements through e-Citizen.

Revealed that the Treasury declined to provide the consultancy agreement entered between it and the vendor operating the e-Citizen system.

The big lenders behind Kenya's soaring debt



Kenya's debt to external lenders hit Sh6.08 trillion at the end of last year, on new disbursements and a weakening shilling.

Data by Treasury reveals owings to the Bretton Woods institution increased by 38 percent and now account for more than half of total owings to multilateral debt.

The World Bank and IMF combined account for 72 percent of the multilateral owings yielding a sum of Sh2.21 trillion.

According to the report, the outstanding value of Eurobond as at end of 2023 crossed the Sh1 trillion mark to stand at Sh1.11 trillion.

Other lenders to Kenya that also reported significant growth over the one year include China (16 percent), ADB (38 percent), and IMF (17 percent).

China's debt to Kenya last year grew by Sh129 billion to Sh939 billion nearing Sh1 trillion.

Kenya's debt-to-GDP ratio hit 70 percent, the second highest in the region after Burundi with 72.7 percent on account of disbursements and shilling depreciation.

Domestic debt which accounts for 45 percent of the total government borrowing grew by Sh580 billion last year.

The Stock of T-bills dropped by Sh8.72 billion to Sh546.9 billion while T-bonds increased by Sh46.9 billion to Sh4.27 trillion in December 2023.

According to National Treasury, the cumulative public debt servicing cost amounted to Sh600.73 billion which was 32 percent of the revised estimate as at December last year.

This year, the IMF through the Extended Fund Facility and the Extended Credit Facility provided Kenya with an augmentation of about $941 million (Sh148.62 billion) to assist in partially offsetting the effect of external shocks on the balance of payment and fiscal positions.

Pain as unpaid tax refund claims hit Sh16 billion

The government accumulated an extra Sh4 billion in tax refund claims by businesses in the six months between May and October 2023, pushing the overall unpaid amount to Sh16.3 billion, and adding a squeeze on traders already scorched by liquidity challenges.

The tax refund claims were mainly in respect to value-added tax (VAT) which accounted for 83 percent of the claims, the rest being claims related to income tax, the National Treasury reported in the 2024 Budget Policy Statement (BPS).

Treasury reported the tax refund claims as part of the special category of pending bills the government faces while others include pension arrears and legal liabilities.

The Kenya Revenue Authority (KRA) had reported tax refund claims amounting to Sh16.34 billion as of October 31, 2023, comprising Sh2.75 billion income tax and Sh13.58 billion in respect of VAT," Treasury stated in the BPS.

Demands by the end of October were an increase from Sh12 billion claims that the government owed businesses by May 2023, following the settlement of Sh20 billion claims by April. VAT refunds are mostly claimed by businesses dealing in goods and services, which are zero-rated from the 16 percent VAT.

These include mostly foodstuffs such as maize flour and cooking oil meant to shield the poor from the high cost of living.

However, the government has been trying to reduce the number of zero-rated items as part of a conditional arrangement it has with the International Monetary Fund, which is aimed at reducing the budget deficit by increasing tax collections.

Moreover, the government has argued that some of the zero-rated items do not need monetary assistance as they can do without the exemptions.

Businesses in some sectors have previously indicated that benefits coming from the removal of some taxes were yet to penetrate their operations, which could explain why the tax refund claims, mainly VAT, went up from May after a downward trend in prior months.

The Kenya Association of Manufacturers (KAM) last month indicated that goods makers in the country were yet to benefit from the removal of taxes on raw materials and inputs for some sectors, which could explain part of the cause for the rise in VAT refund claims.

Treasury slashes borrowing for budget to seven-year low

The Treasury has set an ambitious target to cut borrowing for the budget beginning July 1 to a seven-year low of Sh703.9 billion.

In new budget documents, the exchequer expects total financing for the next budget to come down from Sh785 billion in the current financial year, setting the lowest level of deficit financing since the 2017/18 financial year.

The plan to lower the fiscal balance rests on a higher revenue projection where the exchequer sees total revenues rising to Sh3.435 trillion from the current target of Sh3.07 trillion.

The ambitious revenue collection target is backed by expectations to raise ordinary revenues to Sh2.948 trillion, from the current estimate of Sh2.624 trillion.

Treasury Cabinet Secretary (CS) says the new budget will be delivered partly from fresh tax-raising measures detailed in the medium-term revenue strategy.

Spending in the 2024/25 Financial Year has been estimated at Sh4.188 trillion, making the next budget the largest on record, surpassing the current estimates on expenditure and net lending at Sh3.9 trillion.

Recurrent spending in the cycle makes the lion's share of the spending plans at Sh2.859 trillion while spending on development has been estimated at Sh877.8 billion.

As financing requirements drop, the exchequer expects to borrow Sh326.1 billion externally instead of Sh362.2 billion as earlier planned, signalling a reduced accumulation of external loans and the accompanying foreign exchange risk exposures.

Meanwhile, net domestic financing has been set at a lower Sh377.7 billion from Sh422.7 billion under current estimates, cutting the dominance of the government in the domestic credit markets.

Subsequently, the fiscal deficit as a percentage of GDP is expected to decline to 3.9 percent from 4.9 percent in the current fiscal year, firming down the exchequer's ambition for fiscal consolidation to achieve sustainable debt leves chronic misses in the revenue target will, however, be the exchequer's Achilles heel, potentially upsetting plans for Kenya to significantly cut its reliance on debt to fund the national budget.

For instance, by the end of December 2023, total revenue collected including ministerial appropriations in aid totalled Sh1.313 trillion against a target of Sh1.452 trillion, representing Sh139.3 billion in missed targets.

This performance is attributed to a shortfall recorded in ordinary revenue of Sh186.2 billion. All ordinary revenue categories recorded below target performance during the period under review," the Treasury indicated in its quarterly economic and budget review report covering the quarter to December 2023.

Missed tax targets have been despite the implementation of the 2023 Finance Act that targeted boosting revenue collection to at least 16.3 percent of GDP by end of June this year.

The government has been eyeing the implementation of a mix of tax administrative and policy measures to boost revenue collection efforts by KRA to over Sh4 trillion in the medium term.

Why Kenya is still debt distressed despite Eurobond repayment

Kenya still faces a significant risk of debt distress despite a Sh218.53 billion ($1.5 billion) new Eurobond issue that helped to calm foreign investor jitters over the possibility of the country defaulting on the repayment of its debut $2 billion (Sh291.38billion) Eurobond that is maturing in June.

The Parliamentary Budget Office (PBO) said the economy is still in danger of a liquidity crisis with its key debt sustainability indicators, including debt service-to-revenue ratio and debt-to-gross domestic product (GDP) ratio headed south.

This is amid falling revenue collections and surging debt repayment costs.

Moreover, a significant risk of debt distress persists, primarily arising from liquidity risks, while debt dynamics remain susceptible to fluctuations in exports, exchange rates, fiscal conditions, and natural disasters.

Moreover, the escalating cost of debt poses a substantial challenge for the repayment of both external and domestic obligations. As the repayment burden increases, the country faces potential funding constraints, emphasising the need for strategic measures to mitigate these challenges and ensure sustainable financial stability.

Inside Kenya's costly Sh1.6trn infrastructure bonds binge

The Treasury is foregoing at least Sh23.5 billion annually in tax incentives to entice buyers of infrastructure bonds (IFBs), which have emerged as the easiest path to the domestic debt market for the government.

Infrastructure bonds carry a tax-free status, in contrast to other government securities which are levied a withholding tax of 10 percent for those of a tenor of more than five years and 15 percent for those of five years and below.

Panic dollar trades and dramatic day for Kenya shilling

Cash hoarders who flooded the market to dump their stash of US dollars in panic trades at a time the country was receiving significant inflows from foreign buyers of the infrastructure bond and rising investor confidence caused the sharp appreciation of the Kenya shilling in the past two days.

The shilling's surge to its strongest level since June 2023 on also came days after the Central Bank of Kenya (CBK) was seen policing the forex market, persuading banks against making aggressive dollar bids in a change of tack.

20pc of roads unit workers breach two-thirds pay rule

The take-home pay of 20 percent of the employees of the State Department of Roads shrank past the legally recommended level by last April, an audit has revealed, an indication of economic challenges many public and private sector workers face.

The Employment Act 2007 prohibits employers from deducting more than two-thirds of the basic pay of an employee to safeguard their rightful gains from employment.

Checks by Auditor-General Nancy Gathungu revealed that the take-home of 131 of the 658 employees of the department, or 19.9 percent, were in breach of the two-thirds basic.

Review of the integrated payroll and personnel database records for the department revealed that during the month of April, 2023, 131 employees had their net pay below a third of their basic pay.

This is contrary to Section C.1 (3) of the Human Resource Policies and Procedures Manual for the Public 198 Service, of May 2016, which states that public officers shall not over-commit their salaries beyond two-thirds of their basic salaries. In the circumstances, management was in breach of the law

Citi and Standard Group warn Kenya on SHIF funding costs

The funding model for the new universal healthcare could strain the State's expenditure plans, two top global banks have cautioned.

Citi and Standard Group, the advisors on the redemption of Kenya's debut Eurobond, said the requirement for exchequer funding to the social health insurance fund will increase the burden of expenditures for the government.

Implementation of the universal health coverage laws might lead to increased cost of government and materially adversely affect Kenya's econom

Treasury to book Sh7.7bn from Safaricom interim dividend

The Treasury is set for a Sh7.7 billion dividend windfall courtesy of Safaricom after the telco announced an interim payout of Sh0.55 per share.

The government holds a 35 percent stake in Safaricom, equivalent to 14.02 billion shares. Multinationals Vodacom Group Limited and Vodafone Group Plc, which jointly hold a 40 percent stake or 16 billion Safaricom shares, will earn Sh8.8 billion in interim dividends from their stake.

Retail investors owning up to 100,000 shares each will on their part share Sh648.6 million in the dividend. These investors numbered 533,172 by the end of December 2023, but only held 2.9 percent or 1.18 billion shares of the company.

The telco on Thursday announced that the Sh22.03 billion interim payout, which is related to the financial year ending March, will be paid on March 31 to shareholders on register as at March 15. The company has been making interim dividend payments since February 2021, a move it took with the encouragement of the central bank to reduce the pressure on the forex market when it went to source for bulk dollars to pay foreign investors.

Previously, shareholders received the cash distributions once —in the form of a first and final dividend— in August or September.

For the year ending March 2021, the interim dividend stood at Sh0.45 per share, before rising to Sh0.64 in 2022. The payout was then cut to Sh0.58 a share for the 2023 financial year, and further to Sh0.55 per share in the current reporting period.

The latest cut in interim dividend came after the telco's consolidated net profit for the half year ended September 2023 fell by 10 percent to Sh27.1 billion on account of higher costs in its Ethiopia operation. The net earnings from the Kenya business grew by 13.6 percent to Sh40.6 billion.

Import levy revenue dips by Sh7bn on rate cuts, trade decline

Collections from taxes on international trade and transfers, including the Import Declaration Fee (IDF) and the Railway Development Levy (RDL), fell by Sh7 billion in the six months to December 2023.

New data from the Treasury shows that collections from IDF fell by Sh3.5 billion to Sh23.9 billion from Sh27.4 billion in December 2022.

RDL collections, meanwhile, fell by a similar margin, hitting Sh16.5 billion from Sh20 billion previously recorded

The fall in collections from the two import levies is largely attributed to tax cuts under the 2023 Finance Act and the overall drop in international trade last year as rising import costs proved inhibitive, cutting the value of goods and services ordered from outside Kenya.

The IDF levy was reduced from 3.5 to 2.5 per cent while the RDL was cut to 1.5 from the previous 2.5 per cent.

The RDL also applies to all goods imported into the country for home use.

Import duty collections, which also form tax/levies on international trade, grew marginally by 1.7 per cent to Sh68.2 billion in the six months to December, from Sh67 billion previously.

Collections of the duty, however, trailed the target of Sh87.6 billion by Sh19.4 billion.

Value Added Tax (VAT) on imports, meanwhile, grew by 22.7 per cent to Sh167.9 billion from Sh136.9 billion but missed the December 2023 target slightly by Sh1.1 billion, the report adds.

The missed targets on imports-related taxes and levies were partly responsible for the Sh186.1 billion ordinary revenue shortfall in the period as the Kenya Revenue Authority raised Sh1 trillion against a target of Sh1.2 trillion.

State clears half of Kenya Airways' guaranteed debt

The Treasury has now cleared more than half of Kenya Airways' guaranteed debt with a fresh Sh6.9 billion payment in the quarter that ended in December.

The latest payment means that the Treasury has offset Sh53.7 billion out of a Sh69.9 billion KQ debt it took over last year as part of a wider strategy to restructure the operations of the national carrier.

The loan was tapped from the USA Export-Import Bank (EXIM) in 2017.

During the quarter ending December 2023, the national government paid Sh6.9 billion in guaranteed debt on behalf of Kenya Airways. The payments consisted of Sh5.5 billion as principal payments and Sh1.4 billion as interest," the Treasury indicated.

Of the arrears, Sh177 billion relates to long-term liabilities while short-term liabilities at the end of the period amounted to Sh125 billion; comprising 14 percent fuel, 39 percent landing fees, 16 percent leases, 13 percent payroll, and 17 percent taxes and statutory dues.

The company was in a negative equity position of Sh133 billion at the end of the six-month review period.

Auditor flags Sh10m spent on curtains for Rigathi Gachagua's office

Deputy President Rigathi Gachagua's office purchased curtains worth Sh10.27 million last year, even as he joined his boss in insisting that austerity measures were inevitable in the government.

Mr Gachagua's office spent a total of Sh18.14 million on curtains and furniture alone, the Auditor-General has disclosed in an accountability report on spending of public funds in the national government for the year ended June 2023.

Lawyers' windfall as IEBC spends Sh4bn on poll suits

The Independent Electoral and Boundaries Commission (IEBC) spent more than Sh4 billion fighting legal battles from the 2022 General Election, a new report by the Auditor-General office shows, signalling a windfall for lawyers engaged in court suits.

Out of the amount, the IEBC paid Sh2.3 billion in the year ended June 2023, Auditor-General said, leaving Sh1.92 billion in pending bills.

The electoral agency paid Sh502.3 million to 28 law firms that represented it in the presidential election petition in which the Supreme Court ruled in favour of President William Ruto.

Included in the use of goods and services amount is Sh502,280,000 incurred on the 2022 presidential petition. However, instruction letters to support an expenditure totalling Sh158,960,000 paid to the lead counsel and assistant counsel were not provided for audit review

The audit also reports that the IEBC made another expenditure totalling Sh713.8 million on legal dues, arbitration, and compensation during the 2022/23 financial year, though it failed to provide agreements entered into with the law firms on specific charges.

What new government taxes do we expect in 2024?

Since coming into office in September 2022, the incumbent government has implemented policy measures aimed at steering economic recovery.

The Kenya Kwanza regime is also redesigning taxation instruments to make them supportive of economic activity while boosting revenue collection. All these interventions have yielded progress, as the economy indicated an average growth rate of 5.6 percent in the first three quarters of 2023, up from 4.8 percent in 2022.

Despite this growth, revenue as a percentage of GDP has, however, remained relatively low at 16 percent. Also, the Kenya Revenue Authority (KRA) has already missed its collection target for the first half of the current financial year ending June 2024 by Sh182.6 billion.

According to the 2024 Budget Policy Statement, the State aims to boost revenue collection to over 20 percent of the GDP in the next fiscal year. It also targets collecting Sh2.95 trillion in taxes, up from the 2023/24 Sh2.62 trillion revenue collection target.

Import levy revenue dips by Sh7bn on rate cuts, trade decline

Collections from taxes on international trade and transfers, including the Import Declaration Fee (IDF) and the Railway Development Levy (RDL), fell by Sh7 billion in the six months to December 2023.

New data from the Treasury shows that collections from IDF fell by Sh3.5 billion to Sh23.9 billion from Sh27.4 billion in December 2022.

The fall in collections from the two import levies is largely attributed to tax cuts under the 2023 Finance Act and the overall drop in international trade last year as rising import costs proved inhibitive, cutting the value of goods and services ordered from outside Kenya.

Auditor flags Sh170bn KQ, KPA, KenGen loans

Taxpayers might be forced to repay Sh170 billion loans three State-owned enterprises took after the Treasury omitted them from a list of guaranteed debt yet retained in the debt-stock computation.

The auditor-general has flagged the omission of the guarantees to Kenya Airways (KQ), Kenya Ports Authority (KPA), and Kenya Electricity Generating Company (KenGen) in a National Treasury statement for financial year ended June last year.

At the end of the review period, the Treasury reported the total loans guaranteed by the government was only Sh152 million— which is owed by the defunct Cereals and Sugar Finance Corporation— but left out the Sh170 billion which had been recorded in the previous financial year.

The summary statement of public debt stock for the year ended 30 June, 2023 reflects guaranteed debts from three entities totalling Sh170 billion which have been omitted from the statement of obligations guaranteed by Government of Kenya, auditor-general in the audit report for the 2022/23 financial year.

More property agents join war against landlords evading tax

The Treasury is recruiting more property agents to help the Kenya Revenue (KRA) rein in landlords evading tax amid huge shortfalls in collections from rental taxes.

This is after the KRA the compliance by requiring property owners generating an average of between Sh24,000 and Sh1.25 million every month to pay tax at the rate of 7.5 percent of the gross earnings.

To address compliance challenges in rental income taxation, the government will enhance the registration of property agents, mapping of properties, and leveraging on technology. In this regard, and to ensure fairness and equity, the government will review taxation of residential rental income.

Section 6A of the Income Tax Act says property owners with annual rental income of between Sh288,000 and Sh15 million are required to file a monthly tax return declaring the gross earnings from which tax payable is computed at 7.5 percent.

The KRA has identified landlords, high net-worth individuals, small traders, and businesses operating online as sectors with high potential for growing revenue.

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This ambitious plan will rely heavily on the strategic implementation of the Finance Act, 2023 (Act), together with the recently launched policy instruments, that is the National Tax Policy and the Medium-Term Revenue Strategy FY 2023/24-2026/27 (MTRS).

The National Tax Policy articulates broad guidelines to guide tax administration while the MTRS outlines the specific reforms that will boost revenue collection during the strategy period.

Treasury taps Sh105bn from IMF-backed dollar reserves

The Treasury in 2023 tapped Sh105 billion from the dollar reserves the Central Bank of Kenya (CBK) received from the International Monetary Fund (IMF) in the form of special drawing rights (SDR), new disclosures show.

The IMF SDR is a reserve currency created to supplement the official reserves of its poor member countries. It helps countries to improve liquidity.

According to exchequer data for the year ended December 2023, the drawdowns now make up 2.1 percent of overall domestic debt.

As of January 31, Kenya's SDR holdings stood at Sh37.9 billion ($263.5 million) while its SDR allocations were Sh84.2 billion ($584.5 million). Interest earned and paid for the SDR resources usually varies with the effective interest rate in the week starting February 19 to February 25 at 4.112 percent.

Respite for workers as SHIF deductions deferred to July

Workers can breathe a sigh of relief after Health Cabinet Secretary deferred the commencement of deductions towards the new Social Health Insurance Fund (SHIF) to July.

The deductions were initially scheduled to begin in the first week of March.

Registration of members on the new fund, which is replacing the National Health Insurance Fund (NHIF), will now take place between March and June 30.

Our aim as a ministry is to commence registration from the first week of march and this will go on up to June and thereafter, we intend to begin contributions at a rate of 2.75 per cent with a minimum payment of Sh300. Our hope is that access to these benefits will start in the month of July

We have received a lot of feedback from different stakeholders, and they have rated the new regulations at 75 to 80 percent, sufficient to implement the Social Health Authority Act, under which Kenyans will pay 2.75 per cent of their household income to SHIF.

Some of the issues that have come up include the mean testing tool that will be used to determine how much non- salaried contributors will pay into the fund.

Tharaka Nithi Governor Muthomi Njuki, who also chairs Health Committee at the Council of Governors, said the devolved units should be incorporated into the transition committee that will oversee the transition from NHIF to SHIF.

MPs halt new power purchase deals after Cabinet nod

Kenya Power is yet to sign new Power Purchase Agreements (PPAs) with independent power producers (IPPs) a year after the Cabinet lifted a ban on the signing of the contracts after Parliament vetoed the move.

The Cabinet lifted (the moratorium) then the National Assembly imposed (another ban.

The Cabinet in February last year lifted the ban imposed by former president Uhuru Kenyatta's Jubilee administration on procurement of new IPPs. It argued that lifting the ban was necessary bolster investment in the energy sector and ensure steady supply of power.

In addressing the challenges of realising a sustainable energy mix occasioned by the prolonged drought, Cabinet approved the lifting of the moratorium on PPAs as a way of enhancing the nation's energy security through opening up the energy sector for continued investments.

This was a 19.19 percent fall from Sh76.83 billion in 2022 when the bill went up on increased supplies towards the usually high-stakes presidential and general elections.

Kenya remains a net import country, with a merchandise trade deficit hitting $9.85 billion (about Sh1.42 trillion under prevailing conversion rates) in 2023 despite narrowing from $11.72 billion on reduction production of products such as assembled vehicles, soft drinks, and sugar.

Fuliza craze squeezes rivals from microloans business

Safaricom's popular Fuliza overdraft facility has squeezed other digital credit providers from the microloans market segment, disclosures by the competition watchdog show.

A credit market inquiry by the Competition Authority of Kenya (CAK) revealed that other digital credit providers have been gradually exiting the microloan segment by raising their loan sizes to customers in the backdrop of Fuliza's entry into the market.

While M-Shwari is the loan product most commonly used, Fuliza recorded the most active users, demonstrating its rapid expansion since being launched in January 2019. During this period, every other provider's loans grew in size, suggesting a degree of market segmentation took place

Other providers saw the number and total value of disbursements shrink while the average loan size for each of the respective providers increased.

Out of five other digital credit providers assessed in the survey, three marked a decline in the number of loan facilities disbursed while two marked a slump in the total value of disbursements.

All five digital credit providers marked an increase in the average size of loans by between 20.35 percent and 73.16 percent after which the average loan size increased to between Sh4,440 and Sh11,109. CAK did not provide the comparative loan size of Fuliza but indicated that it remained unchanged.

KRA waives Sh209bn fines, interest for taxpayers

At least 227,071 taxpayers had been granted Sh209 billion waivers for accrued interests and penalties by the end of last week in a tax pardon scheme by the Kenya Revenue Authority (KRA).

This is based on the taxman's latest update on the programme, which runs from September 1, 2023, until June 30, 2024.

KRA on Tuesday reported that by February 20, taxpayers enjoyed the tax waivers after they paid principal taxes totaling Sh14.5 billion.

The KRA is pleased to report that so far as of February 20, 2024, 227,071 taxpayers have benefited from waiver of penalties and interest amounting to Sh209 billion under the ongoing Tax Amnesty Programme having paid a total of Sh14.5 billion in principal taxes

The tax amnesty programme was introduced by the Finance Act 2023, targeting taxpayers who had accrued penalties and interests on unpaid taxes until December 31, 2022. The taxpayers would enjoy the waiver upon full payment of the principal taxes they owed KRA by June 30, 2024.

Further, taxpayers who have not filed their returns for the amnesty period are urged to file the returns in order to benefit from the Tax Amnesty Programme. We also encourage taxpayers with ongoing tax disputes to expedite resolution of their cases within the amnesty period by considering out-of-court settlements through the Alternative Dispute Resolution (ADR) framework," KRA said in a statement.

The authority said pursuing the ADR would enable the taxpayers "take advantage of the ongoing tax amnesty, noting that the provisions on waiver of penalties and interest and on abandonment of taxes, were repealed by the Finance Act, 2023."

The government missed its tax revenue targets in the six months ending December 2023 by Sh186.2 billion, as the economy failed to yield to budget plans, seeing ordinary revenue record a 14.6 percent shortfall.

Treasury targeted to collect Sh1.27 trillion in ordinary revenue (taxes) during the six months but only managed Sh1.088 trillion, as all tax heads recorded shortfalls from the yields they were targeted during budget formulation, the second quarterly economic and budget review report shows.

New vehicle sales fall 15pc on tough economy

New motor vehicle dealers registered a 14.84 percent drop in sales last year when rising interest rates and weakening of the Kenya shilling made it more expensive for customers to make showroom purchases.

Data from the Kenya Motor Industry Association (KMIA) shows that the dealers, including Isuzu East Africa, CFAO Motors and Simba Corp, sold 11,370 units in the local market in the year ended December 2023.

This was down from 13,352 units sold the year before. The formal dealers battled one of the toughest business environments last year when the shilling depreciated by 21.19 percent against the US dollar.

Isuzu's sales declined to 5,340 in the review period from 5,968 in 2022. The dealer, which sells its namesake commercial and sports utility vehicles, however, raised its market share to 46.96 percent from 44.7 percent.

Easing inflation in US, UK lifts Kenya's diaspora dollar flows

Slowing inflationary pressure in advanced economies such as the US and Britain lifted the monthly flow of dollars from Kenyans living abroad to record levels, in part helping ease pressure on the shilling.

Diaspora remittances amounted to $412.41 million (about Sh65.83 billion using the average conversion rate of 159.63 units per dollar) in January, official data shows, the highest levels on record.

The Central Bank of Kenya (CBK) statistics indicate inflows from the US —which accounted for 54 percent of the total remittances — grew 8.17 percent year-on-year to $221.01 million (about Sh35.28 billion), a 25-month high.

Inflation in the US rose 3.1 percent in January, slower than five percent growth in wages, freeing up income for households there.

Data shows remittances from the UK, which has in recent months also witnessed slowed price pressures, more than doubled in January compared with a year earlier.

Kenyans in Britain sent home $49.02 million (about Sh7.83 billion) in January, a 115.79 percent jump over $22.72 million (Sh3.63 billion) a year ago, lifting Europe's second-largest economy above Saudi Arabia.

The increased remittances came in a month after schools re-opened for the new academic year. Kenyans working abroad usually take care of education costs for kin back home.

CBK offers 16pc return on new ten-year bond

The Central Bank of Kenya (CBK) has offered a return of 16 percent on a new ten-year bond as it seeks to entice investors to take up longer-dated securities.

The paper is the longest-dated issue by the government's fiscal year in more than a year and is indicative of attempts by the apex bank to re-issue medium- to long-term bonds and avoid the risk of too many securities maturing around the same time.

The 16 percent coupon presents a bidding guidance for investors and is a departure from CBK's routine of letting the markets decide the return of new bonds. It is also a signal that CBK intends to start lowering rates, with the 16 percent rate offered being lower than the 18.46 percent which the recent 8.5 year tax-free infrastructure bond fetched.

Interest on the 10-year bond will be taxed at 10 percent. The 16 percent offer for the paper is however a premium compared to bonds with a similar time to maturity, with two 15-year papers maturing in January and April 2034 for instance having coupons of 12.8570 and 12.7340 respectively.

The CBK has shunned issuing longer term bonds on the backdrop of higher interest rates on government securities which would have meant a higher cost of domestic debt over the longer term.

Economists see shilling slide past 160, high prices

The shilling could slide to more than 160 units against the US dollar in the coming months, a new forecast by a majority of analysts and economists working with leading global banks, consultancies, and think tanks shows, a situation likely to exert renewed pressure on prices of goods and services.

The Kenyan currency has gained about 10 percent of its value against the greenback since it hit a record low on January 25.

Issuance of the Eurobond helped the Treasury to repay $1.44 billion of the $2 billion of the debut 10-year issue which will mature in June, helping cool jitters amongst international investors over a sovereign default.

"The successful sale of foreign-currency-denominated bonds in mid-February lessened the default risk, boosting the shilling to a six-month high analysts at Barcelona-based Focus Economics said in a March 2024 outlook report based on feedback from panellists drawn from eight firms.

AG advises KRA to stop collecting contentious housing tax

Attorney-Generalhas cautioned the Kenya Revenue Authority (KRA) against continuing to collect the controversial affordable housing levy after it was declared illegal by Court of Appeal judges last month.

He told the KRA in an advisory that there was no legal basis for enforcing the housing tax at the time of the court's decision.

The upshot of this is that there is no legal basis on which the housing levy as provided in section 84 of the Finance Act can be implemented," the AG said in a letter to KRA Commissioner-General

The KRA Commissioner-General had in a February 12,2024 letter sought guidance from the AG on the government's position on the controversial levy.

Mr Muturi's directive comes as a relief to more than 3.2 million Kenyans in formal employment who have been paying the contentious housing levy.

Employers and employees paid out Sh26.8 billion under the mandatory housing development levy in the six months that ended in December, amid legal hitches that threaten to derail the controversial affordable housing programme.

Disclosures by the Parliamentary Budget Office (PBO), which advises lawmakers on the economy and budget, show the State Department for Housing and Urban Development had collected the amount against the Sh63.2 billion that the State targets to net during the financial year ending June 2024.

At Sh26.8 billion, the government is averaging collections of Sh4.47 billion per month against the budgeted Sh5.26 billion, translating to a performance rate of about 85 percent from the compulsory levy that has now been suspended by the courts.

Both employers and employees were remitting 1.5 percent of gross salary as housing levy that the government said would be used in the development of affordable homes and associated social and physical infrastructure. The High Court last November declared the levy unconstitutional but allowed the government to continue collecting it until January 10 to give it time to appeal.

State takes 11 new loans in four months

The Treasury borrowed Sh223.5 billion in the four months to January from 11 new loans contracted from multilateral and commercial creditors between last September and the end of January 2024.

From this, Sh30 billion was used for the preparations to refinance the maturing Eurobond.

The details of the new borrowings show that 10 of the loans are from multilateral lenders and one from a commercial lender.

The total value of the 11 new loans signed is equivalent to Sh223,541,581,121. Two of the loans had been disbursed by the time of submitting this report.

Three sectors got more than half of fresh loans last year

Three sectors accounted for 54 percent of net credit advanced by commercial banks to the private sector.

Data published by the Central Bank of Kenya shows that manufacturers were the biggest winners in the credit race last year, adding their loans by Sh110 billion.

Trade and finance sectors added their stock of loans by Sh77 billion and Sh71.1 billion last year, wrapping up the top three biggest sectors in new funding.

The preference for these sectors comes amidst mixed performance in economic output over the first three quarters of last year.

The manufacturing sector posted a dismal perfor mance, expanding by a meagre two percent compared to three percent over the same period in 2022. Trade and finance grew by 4.9 percent and 11.33 percent in the nine months.

Agriculture, Kenya's biggest sector by output and employment reported a 23.4 percent (Sh26.9 billion) in funding. Despite the sector being critical in the country's survival its Sh143.3 billion credit accounts for a paltry four percent of the bank's loan book.

The low penetration of formal credit to Agriculture has largely been attributed to it being informal, changing and highly unpredictable weather patterns, among others.

Over the year outstanding credit to the private sector increased by a record Sh477.7 billion to close the year at Sh3.912 trillion.

The year-on-year growth of 13.9 percent represents the biggest jump in private sector credit growth in 17 months coming despite increased loan rates and high competition from government borrowing.

Average loan rates have been pushed upwards by a revision of the Central Bank rate to the current 13 percent compounded by risk-based pricing.

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