



NEWSLETTER

QUARTERLY STATISTICS
REPORT (Q3)



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P.O Box 3066-00506, Nairobi, Kenya

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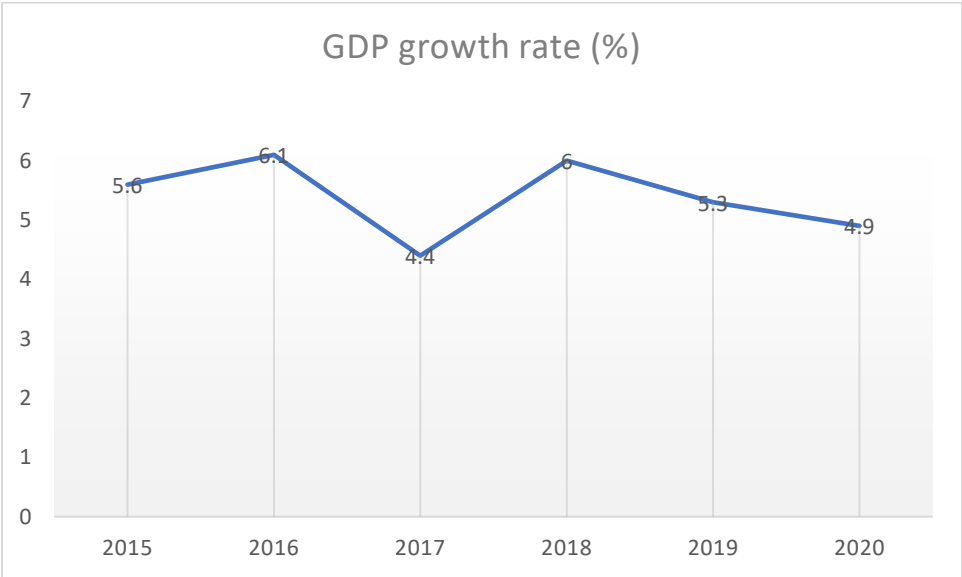
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1. Economic outlook

1.1 First quarter (January to March 2020)

Real GDP grew by 4.9 per cent during the first quarter of 2020 compared to 5.5 per cent growth in the first quarter of 2019. Kenya was spared the effects of the COVID-19 pandemic in the first quarter of 2020 though the economy was affected by the resultant uncertainty that was already slowing economic activity in some of the country’s major trading partners. Agriculture, Forestry and Fishing sector grew by 4.9 per cent compared to 4.7 per cent in the corresponding quarter of 2019. The growth was also supported by robust growths in Transportation and Storage (6.2%), Financial and Insurance Activities (6.0%), Construction (5.3%), Information and Communication (9.8%) and Wholesale and Retail trade (6.4%). The accommodation and food services contracted by 9.3 per cent due to corona virus containment measures instituted in major sources of tourists. This resulted in a steep decline in the volume of international visitor arrivals in March 2020.

Figure 1: Quarter 1 GDP growth trend (2015-2020)



Source: KNBS

1.2 Second quarter (April to June 2020)

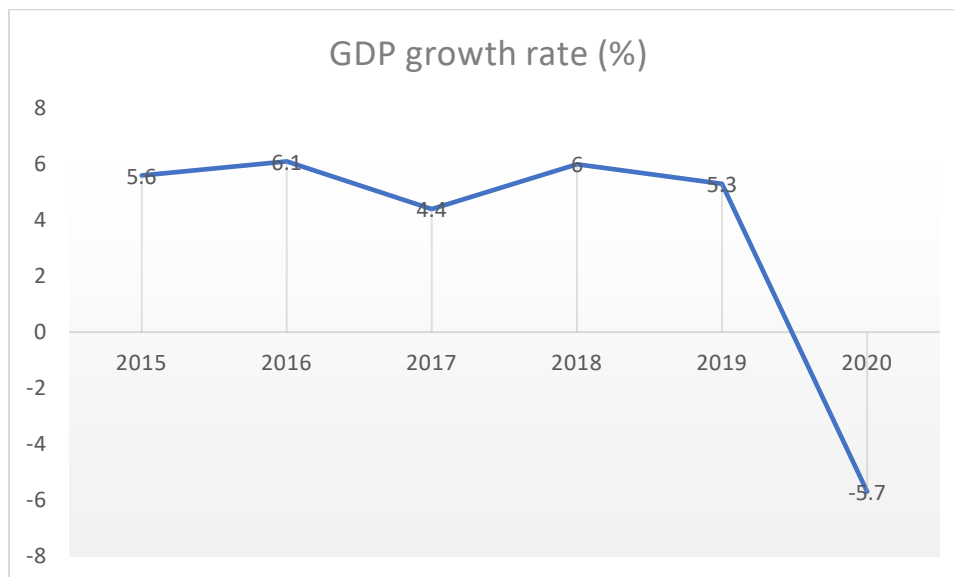
Economic activity was markedly subdued in the second quarter of 2020 compared to the corresponding quarter in 2019. Real GDP contracted by 5.7 per cent in the review period compared to an expansion of 5.3 per cent in the second quarter of 2019.

1.2.1 Reasons for the contraction in GDP

- Measures aimed at containing the spread of the virus that includes restriction of movement in and out of some counties, closure of learning institutions, closing of businesses especial those dealing accommodation and food services and cessation of international travel.
- Contraction in accommodation and food services, Education, Taxes on products and transportation and storage.

Some of the sectors that experience growth is Agriculture, Forestry and Fishing activities (6.4%); Financial and Insurance activities (4.2%); Construction (3.9%); Health Services (10.3%); Public Administration (5.7%); Real Estate Activities (2.2%) and Mining and Quarrying activities (10.0%).

Figure 2: Quarter 2 GDP growth trend (2015-2020)



Source: KNBS

2. Consumer price indices and Inflation

According to Kenya National Bureau of Statistics, Consumer Price Indices (CPI) stood at 108.57 in September 2020, which was almost the same level as in August 2020. The overall year on year inflation in September 2020 was 4.20 per cent compared to 4.36 per cent recorded in August 2020. The annual average inflation for September was 5.43.

Between August and September 2020, Food and Non-Alcoholic Drinks' Index increased by 0.15 per cent, while the year on year food inflation increased by 5.18 per cent. This was mainly attributed to increase in prices of some food items. In September 2020, the prices of peas, oranges, Irish potatoes, and cabbages rose by 13.69, 3.82, 2.74, and 1.72 per cent respectively. However, prices of maize grain loose, fortified maize flour and Sukuma wiki (kales) decreased by 1.54, 1.07 and 0.26 per cent, respectively. The Housing, Water, Electricity, Gas and Other Fuels' Index, dropped by 0.05 per cent in September 2020. This was mainly attributed to a drop in cost of cooking gas and kerosene, by 1.29 per cent and 0.60 per cent, respectively. On the other hand, the price of electricity for 200 KWh, increased by 0.66 per cent. The Transport Index decreased by 0.01 per cent over the same period, mainly due to a drop in the pump prices of diesel, which outweighed the 1.40 per cent increase in petrol prices.

Table 1: Overall CPI in Kenya

Month	Overall CPI
Jan-20	205.40
Feb-20	107.174
Mar-20	107.475
Apr-20	108.495
May-20	108.602
Jun-20	108.266
Jul-20	108.354
Aug-20	108.573
Sep-20	108.571

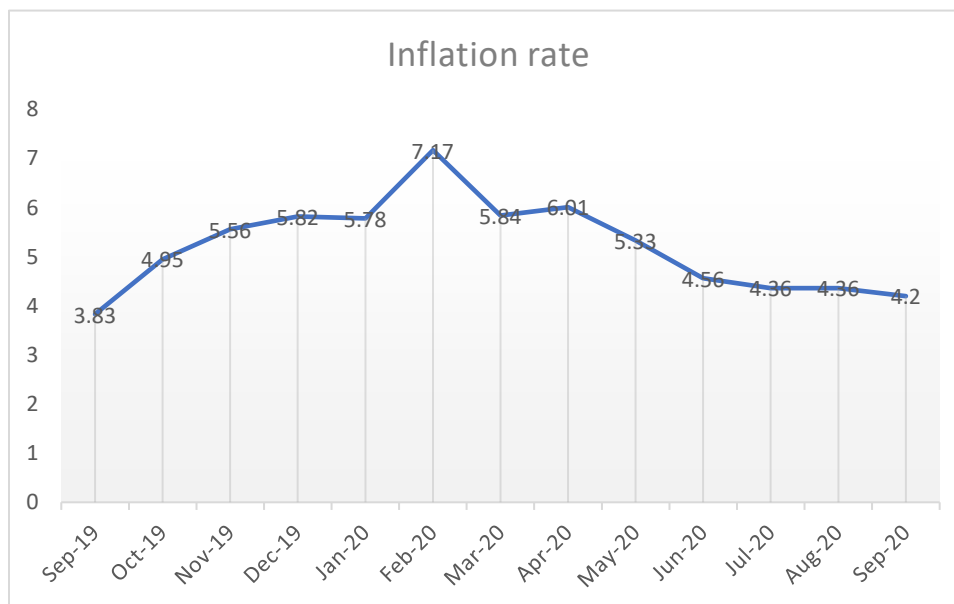
Source: KNBS

Table 2: Kenya's Inflation Rate (September 2019-September 2020)

Month	Annual average inflation	12-month Inflation
Sep-19	5.24	3.83
Oct-19	5.19	4.95
Nov-19	5.19	5.56
Dec-19	5.2	5.82
Jan-20	5.29	5.78
Feb-20	5.48	7.17
Mar-20	5.34	5.84
Apr-20	5.52	6.01
May-20	5.73	5.33
Jun-20	5.76	4.56
Jul-20	5.63	4.36
Aug-20	5.49	4.36
Sep-20	5.43	4.2

Source: KNBS/CBK

Figure 3: Inflation rate trend (September 2019-september 2020)



Source: KNBS/CBK

3. Interest rate

Table 3: Weighted average monthly rates for quarter ended September

Period (%)	Deposit (%)	Savings (%)	Lending (%)	Overdrafts (%)	91-day T bill (%)	CBR (%)
Q1						
Jan-20	7.07	4.25	12.29	11.97	7.23	8.25
Feb-20	7.06	4.2	12.19	11.82	7.31	8.25
Mar-20	7.07	4.15	12.09	11.79	7.29	7.25
Q2						
Apr-20	7.01	4.21	11.92	11.55	7.21	7.00
May-20	6.96	4.18	11.95	11.61	7.27	7.00
Jun-20	6.86	4.15	11.89	11.24	7.14	7.00
Q3						
Jul-20	6.87	4.11	11.94	11.18	6.24	7.00
Aug-20	6.64	4.11	11.94	11.18	6.2	7.00
Sep-20						7.00

Source: CBK

4. Exchange Rate

The Kenya Shilling depreciated by 1.9% during the quarter bringing the YTD depreciation to 7.1% against the US Dollar to close at Kshs 108.5, from Kshs 101.3 at the end of December 2019. The depreciation can be attributed to the uncertainty in the global economy due to the pandemic and also the decline in dollar inflows as trade is impacted.

Table 4: Comparison of end period exchange rate for September 2019 and September 2020

Currency	Sep-19	Sep-20	% change
US	103.89	108.5	4.44
STG Pound	128.01	139.51	8.98
Euro	113.26	126.89	12.03
SA Rand	6.86	6.39	-6.85
USHS	0.0282	0.0292	3.55
TSHS	0.0452	0.0468	3.54
RWF	0.1125	0.1112	-1.16
BIF	0.0562	0.0561	-0.18

Source: CBK/CMA

5. Fixed Income

Demand for government securities was high in the third quarter with Treasury bill receiving 152.6% subscription and 196.5% subscription on treasury bonds. Treasury bills attracted bids worth 424.7 bn and the government accepted Ksh 317.8 bn while Treasury bonds Kshs. 405.3 bn worth of bids and the government accepted only Kshs 264.0 bn. The yields on the 91-day T-bill, 182-day T-bill and 364-day T-bill declined to end the quarter at 6.3%, 6.8%, and 7.7% in Q3'2020, from 6.7%, 7.4%, and 8.2% at the end of the second quarter.

Table 5: Yields on Treasury bills

91-day T-bill	182-day T-bill	364-day T-bill
Q1		
7.24	8.118	9.045
Q2		
6.7	7.395	8.194
Q3		
6.309	6.773	7.69

Source: CBK

6. Updates from Capital Markets Authority

- During Q3.2020, the Authority granted Fund Manager License to African Diaspora Asset Managers Limited. The fund manager will offer financial products and services such as asset management, wealth management, unit trusts, discretionary portfolio management, etc. and will target clients in the Kenyan markets as well as Africans in the diaspora. This brings the total number of licensed fund managers to 25.
- The Capital Markets Authority (CMA) published guidelines to Collective Investments Schemes on the valuation, performance measurement and reporting. The guidelines would play a major role in standardizing the Collective Investment Schemes in order to enhance comparability and consistency of the information presented across the sector. The guidance will be applicable to all approved Collective Investment Schemes and will take effect on 1st January 2021.

Contacts

Nadis Capital

P.O Box 3066-00506,

Nairobi, Kenya

Tel: +254 759 409 087

www.nadiscapital.com