

MONTHLY ECONOMIC REPORT

September 2021



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MACROECONOMIC HIGHLIGHTS

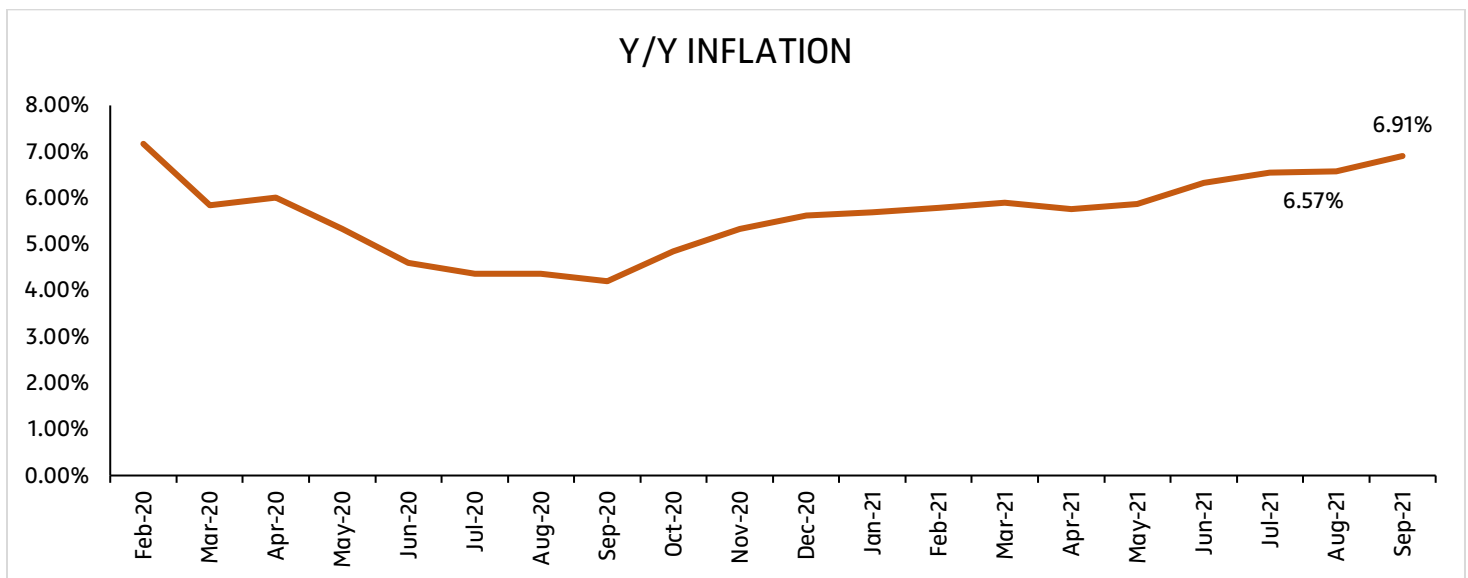
Inflation:

Annual inflation for the month of September rose to 6.91%, from 6.57% recorded in August making it the highest reading since February 2020. The spike was mainly attributable to y/y increases in food and fuel prices which saw the food and non-alcoholic beverages rise by 10.63% y/y and the transport index by 9.21% .

Month on month inflation came in at 0.32% on account of a 0.91% rise in the Housing, Water, Electricity, Gas and Other Fuels' Index, mainly attributed to increase in prices of kerosene/paraffin, electricity and gas/LPG.

Transport Index edged up by 1.17% m/m mainly due to increases in prices of petrol and diesel that went up by 5.91% and 7.30%, respectively. This was a reversal from the decline recorded in August following decreases in bus fares of country and city public service vehicles as a result of the return to carrying of full capacity for public service vehicles in August.

Inflation is expected to remain elevated in the short term on account of increased food prices, fuel prices, and the impact of the increase in tariffs and taxes.



Kenyan private sector Performance:

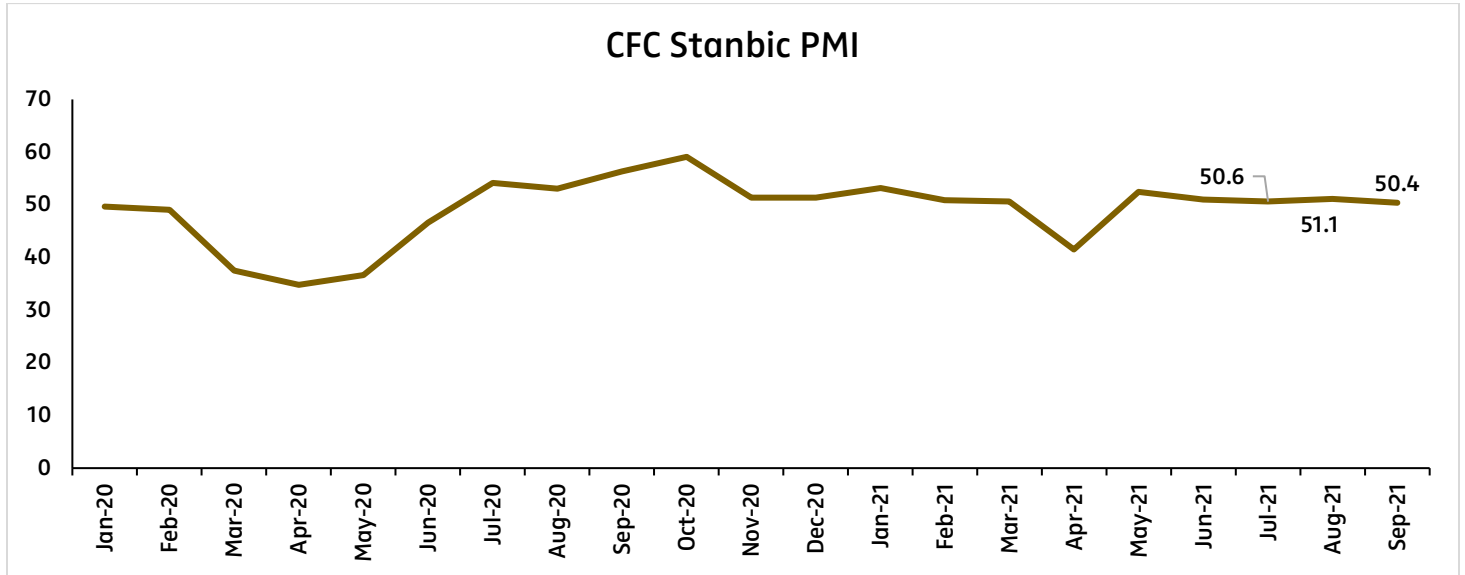
Business conditions in the Kenyan private sector economy improved for a fifth straight month in September but at a marginal pace, according to the latest PMI survey, as rising living costs weighed on consumer spending and new orders. The hike in energy prices particularly hit demand, as well as driving a sharper rate of both input cost and output charge inflation.

More positively, capacity pressures led firms to increase their staffing levels at the strongest rate since January.

The headline index fell from 51.1 in August to 50.4 in September signaling an overall improvement in operating conditions (*Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration*). That said, the pace of improvement was marginal, and the weakest seen in the current five-month sequence of growth.

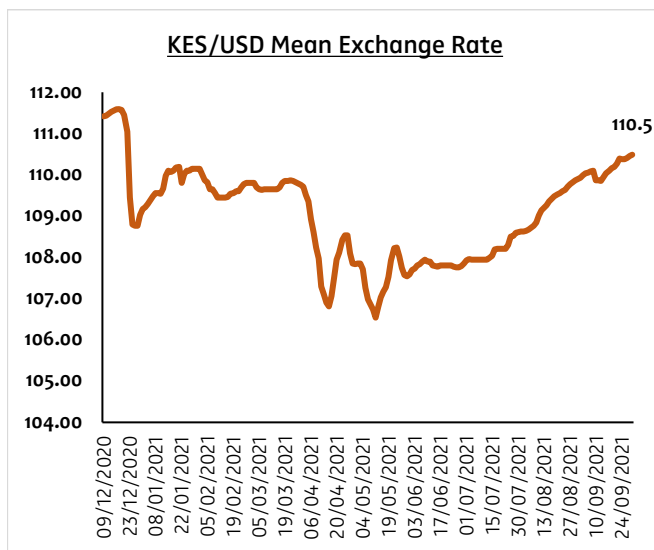
Output and new orders rose in September, driven by a continued recovery in demand from the strict lockdown earlier in the year.

Exports were also a key source of growth, as foreign orders increased at the fastest rate since October 2020. That said, there were numerous reports that a rise in living costs had weakened consumer spending, leading to a softer - and only marginal - rate of total sales growth.



Currency Performance:

During the month of September, the Kenya Shilling depreciated by 0.56% against the US Dollar to close the month at Kshs 110.5, from Kshs 109.9 recorded at the end of August 2021, mostly attributable to increased dollar demand from general importers outweighing the supply of dollars from importers. On a YTD basis, the shilling has depreciated by 1.20% and 0.84% against the US dollar and Pound Sterling but has appreciated by 3.65% against the Euro



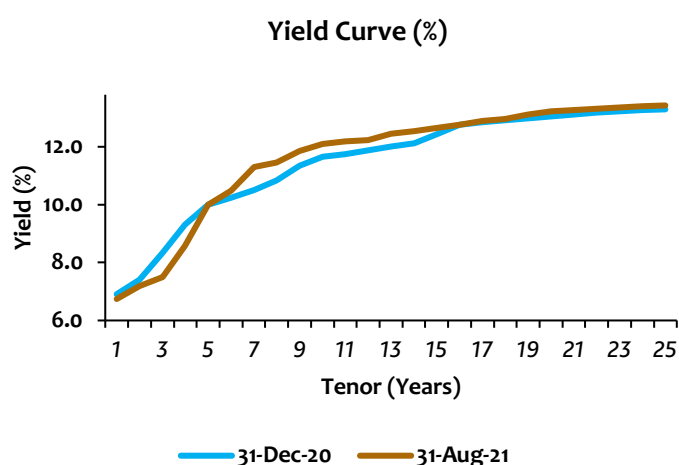
Performance against major global currencies					
Currencies	Dec 2020 (vs KES)	31 Aug 2021	30 Sep 2021	m/m Δ	YTD Δ
USD	109.2	109.9	110.5	(0.6%)	(1.20%)
EUR	133.9	129.6	129.0	0.45%	3.65%
GBP	148.4	151.1	149.6	0.99%	(0.84%)

FIXED INCOME HIGHLIGHTS

During the month of September, T-bills recorded an undersubscription, with the overall subscription rate coming in at 67.3%, down from 89.5% recorded in August. The 91-day, 182-day and 364-day T bills closed the month at yields of 6.9%, 7.3% and 7.9%, respectively.

In the Primary Bond Market, the government offered an infrastructure bond IFB1/2021/21 bond, with the aim of raising a total of Kshs 75.0 bn for the funding of infrastructure projects in the full year 2021/2022 budget estimates. Consequently, it received a total of Kshs 151.3 bn worth of bids, translating to a performance rate of 201.67%. The government accepted Kshs 106.8 bn, translating to an acceptance rate of 70.6%. The Weighted Average Rate of Accepted Bids came in at 12.737%. The coupon rate of the bond stands at 12.737%.

The yield curve on the other hand remained relatively stable during the month, which saw the FTSE NSE bond index gain marginally by 0.1%, to close the month at Kshs 96.81 from Kshs 96.68, bringing the YTD performance to a decline of 1.5%. Secondary bond turnover edged up by 38.15% to Kshs 83.1 bn, from Kshs 83.1 bn recorded in August.



Tenor	31-Dec-20	31-Aug-21	30-Sep-21	YTD Δ (% Points)	m/m Δ (% Points)
91-day	6.9%	6.7%	6.9%	(0.0%)	0.2%
1yr	8.3%	7.5%	7.9%	(0.5%)	0.4%
2Yr	9.3%	8.6%	9.5%	0.2%	0.9%
5Yr	10.5%	11.3%	10.9%	0.4%	(0.4%)
10Yr	11.9%	12.2%	12.3%	0.4%	0.1%
15Yr	12.8%	12.9%	12.9%	0.0%	(0.0%)
20Yr	13.2%	13.4%	13.3%	0.2%	(0.0%)
23Yr	13.3%	13.4%	13.4%	0.1%	0.0%
25Yr	-	13.5%	13.5%	-	0.0%

EQUITIES MARKET PERFORMANCE

During the month of September, the equities market exhibited mixed performance, with NASI and NSE 25 shedding by 2.2%, and 2.6%, respectively. NSE 20 on the other hand gained by 0.5%. The equities market performance was driven by declines recorded by banking counters such as ABSA, Equity Group, SCBK and KCB Group of 3.7%, 4.7%, 5.8% and 3.6%, respectively.

Equities turnover declined by 14.4% in September to Kshs 10.1 bn, from Kshs 11.8 bn recorded in August 2021. Foreign investors turned net sellers with a net selling position of Kshs 1.3 bn from a net buying position of Kshs 1.7 bn in August.

Indicator	31-Aug-2021	30-Sep -2021	% Δ
NASI	182.33	178.31	(2.20%)
NSE-20	2,020.77	2,031.17	0.51%
NSE-25	4,018.77	3,914.52	(2.59%)
Mkt cap, KES Bn	2,841.403	2,778.647	(2.21%)
Shares traded	342,871,400	312,968,600	(8.72%)
Equities TO, KES	11,842,692,440	10,140,352,872	(14.37%)

Security	Top Gainers		
	31-Aug - 2021	30-Sep - 2021	% Δ
WPP ScanGroup Ltd	3.60	5.26	46.11%
Nairobi Business Ventures	5.34	6.84	28.09%
KPLC	1.40	1.72	22.86%
Eveready East Africa	0.95	1.16	22.11%
Home Afrika Ltd	0.36	0.40	11.11%

Security	Top Losers		
	31-Aug - 2021	30-Sep - 2021	% Δ
BK Group Plc	40.00	28.00	(30.00%)
Sameer Africa Plc	3.88	3.26	(15.98%)
Olympia Capital Holdings	2.20	1.88	(14.55%)
Liberty Kenya Holdings	8.96	8.12	(9.38%)
Unga Group	33.00	30.00	(9.09%)



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