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STANDARD ON SUNDAY

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Business

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QuickStop

Bamburi Cement in deal to build Kogelo ECDE centre

Bamburi Cement Limited has signed an agreement with the Mama Sarah Obama Foundation in regards to construction of the proposed nursery school in Kogelo, Siaya County. Bamburi Cement is expected to use innovative green building solutions by providing about 110,000 cement-stabilised earth blocks for the ECDE centre. The technology called Durabric was developed to provide a solution for affordable and climate-friendly construction that will have a positive impact on the environment. Currently, there is a widespread use of burnt clay bricks that is exacting a serious environmental toll due to deforestation arising from the need for firewood to burn the clay bricks. The entire campus is expected to benefit over 1,000 orphans.

Poll: CBK to retain interest rates until November

The Central Bank of Kenya (CBK) will wait until November before trimming 0.5 per cent from its benchmark interest rate to help cushion the blow to lenders from a government ruling capping lending rates, a Reuters poll found on Friday. Hoping to make credit available to more Kenyans, the government has ordered commercial banks to cap lending rates at four per cent above base rate. But that has destabilised the banking sector and cut the margins of financial institutions. Median forecasts from the poll of 12 economists, taken this week, suggest the CBK will hold its benchmark rate at 10.50 per cent on Tuesday, but cut to 10 per cent at its November meeting.

MTN scraps mobile money business in South Africa

South African mobile phone operator MTN Group has pulled the plug on its local mobile money business, saying it was not viable in a country where three quarters of the population have bank accounts. MTN launched its South African service in 2012 after the success of Safaricom's M-Pesa convinced some executives the service was the industry's next growth area. Mobile money services have proved hugely popular in some other parts of Africa, particularly where people have less access to traditional bank accounts. However MTN, Africa's biggest wireless phone group, now joins Vodacom in abandoning the service in South Africa.

Stable growth: As other countries continue with impressive trajectory, Africa has stagnated with the continent's largest economy, Nigeria, slumping into recession

Kenya among thriving economies despite external shocks, says report

By DOMINIC OMONDI

Kenya is one of the few African countries with a stable economic growth even as Africa faces headwinds including a plunge in commodity prices, according to a new report.

The report by McKinsey and Company puts Kenya among the "stable growers" following an impressive 5.6 per cent Gross Domestic (GDP) growth in 2015, up from 5.3 per cent in 2014.

This growth was higher than the global average of 2.9 per cent in the same period under review. According to the Economic Survey 2016, this growth was supported by a stable macroeconomic environment and improvement in outputs of agriculture, construction, finance, insurance and real estate.

Other stable growers, according to the report by the American management firm, include Botswana, Côte d'Ivoire, Ethiopia, Mauritius, Morocco, Rwanda, Senegal, Tanzania, and Uganda. Together, these countries averaged an economic growth of 5.8 per cent. "These countries, typically not dependent on resources for growth, are smaller economies that are progressing with economic reform and increasing their competitiveness," reads part of the report.

The report, titled Lions on the Move II: Realising the Potential of Africa's Economies, called on African governments to, among other things, diversify their economies to cushion themselves against such external shocks as the current drop in the global commodity prices.

The West-African commodity-dependent economies of Nigeria, Angola, Cameroun, Ghana were put in the cluster of "vulnerable growers" in a report that generally painted a bright future for a continent was once ravaged by wars, diseases, ignorance and greed. Other vulnerable growers include Zambia, Burkina Faso, Togo, Gabon, Mozambique and DR Congo. Besides aggressively diversifying their economies, African governments were also asked to mobilise more domestic resources, accelerate infrastructure development, deepen regional integration, create tomorrow's talent, and ensure healthy urbanisation. In the year 2015, Kenya also attracted the most foreign direct investment (FDI) in the East African region, according to Ernst and Young report. However, Kenya's growth has not done much as regards unemployment and underemployment rate among the youths, with most of the 800,000 jobs created in 2015 being informal ones. Even as Kenya and other countries continue with their impressive growth trajectory, the continent has stagnated with Africa's largest economy, Nigeria, slumping into recession.

]The research focused on productivity and growth, natural resources, labor markets, the evolution of global financial markets, the economic impact of technology and innovation, and urbanization as its main themes. It found that Africa's recent growth has been divergent with some countries growing really fast even as others stagnated "as a result of lower resource prices and higher sociopolitical instability."

The growth among the oil exporters in the North was also affected by the 2011 Arab Spring democracy movements. Nonetheless, the report found that the fundamentals of growth on the continent remained strong noting that governments and companies had work harder to exploit this potential.

Besides urbanising at a rapid pace, the continent is also poised to reap the demographic dividend, thanks to its young population.

"In an aging world, Africa has the advantage of a young and growing population and will soon have the fastest urbanisation rate in the world. By 2034, the region is expected to have a larger workforce than either China or India—and, so far, job creation is outpacing growth in the labor force," reads the report.

Farmers in Uasin Gishu celebrate after receiving chicks from the Ministry of Agriculture in July. Most productive sectors of the economy have been hard hit by the fall in global prices. [PHOTO: SILAH KOSKEI/STANDARD]

Lions on the move

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Bank stocks yet to recover after interest capping

By PATRICK ALUSHULA

Banking stocks at Nairobi Securities Exchange (NSE) are yet to recover from the market shock that hit them following a decision by the government to cap interest rates.

Of the 11 counters on the bourse, only Housing Finance has managed to rebound to Sh16. This is the price it was trading at 24 days ago when President Uhuru Kenyatta signed into law the Banking (amendment) Act to cap the price of loans at a maximum of 4 per cent above Central Bank rate (CBR).

Despite some green shoots on the bourse from banking counters, the recovery has been slow, with analysts attributing it to the uncertainty that surrounded the interpretation of the amended laws. Central Bank of Kenya Governor Patrick Njoroge left the sector guessing until the last day to the operationalisation of the law when he issued a circular on way forward.

The biggest casualty has been Equity bank, Kenya's largest bank by customer base and also the lender with highest number of issued shares on the bourse. In just 24 days, its share has dropped by more than 29 per cent.

On Friday, which was 37th week of trading since January, Equity wrapped up the week at an average of Sh25.50. On Wednesday, 24, 2016, the day the amendment to the law was passed, it was priced at Sh36. That means that selling its share now would cause investors a loss of Sh39.6 billion.

However, a weekly market wrap by Standard Investment Bank analysts showed the share closed the week as most attractive for foreign investors. Net foreign inflows hit Sh210.8 million on a week that saw the share emerge as top mover on the bourse displacing Safaricom for the first time in two months. Among banking stocks, only Standard Chartered bank came closer with net inflows of Sh21.6 million.

Kenya Commercial Bank has also seen its share take a beating. Its share has lost 19.85 per cent of its value since the new regime of interest rate set in. it closed the week at Sh26.25. I&M bank, which had suffered the highest beating in the first two days of trading after the cap, has recovered a bit. It is however, still among the top three losers in the 24 days. Its share price has shed Sh21 and was trading at Sh138 by close of market last Friday. Other stocks that have lost by more than 10 per cent include Diamond Trust bank (13.21 per cent), Cooperative bank (10.57 per cent) and Barclays bank Kenya (10.31 per cent). CfC Stanbic has seen its share lose just 1.25 per cent.