

Kenya's FY2022/23 budget projects a narrowing of the deficit to 6.2 per cent of GDP from an official estimate of 8.1 per cent in FY21/22

Businesshub

NSE among worst performers during first half of 2022

by John Otini
@PeopleDailyKe

Nairobi Securities Exchange (NSE) shed 25 per cent of its value in the six months to June 2022 as foreign investors sold their holdings of local companies.

Egypt, Uganda and Ghana were among the other biggest losers with Egypt's EGX losing 22 per cent in the six months, according to Genghis Capital in its report on African stocks. "There was a lot of selling due to rising interest rates in the United States and the upcoming general elections in Kenya," said Wesley Namambo of Genghis Capital.

The analysts also expect the market conditions to improve in the third quarter of the year after the elections in August.

"Broadly, we expect cautiousness to persist in the market to the tail end of third quarter of 2022, on the back of the global macro environment, and investor apathy by foreign players with regards to the election cycle," says the Genghis, adding that the market will however recover towards the close of the year.

The discounted entry levels across select stocks however offer investors a strategic vantage point to realise good returns when the market recovers, and trade at a premium. There

is already an upward spike in the demand for counters such as EABL, KCB, Equity and Safaricom as local investors troop back into the market for bargain deals.

Share appreciation

Sameer Africa was the best performing stock on the NSE as measured by share appreciation in the last six months having appreciated by 45 per cent compared to rates in December 31, last year.

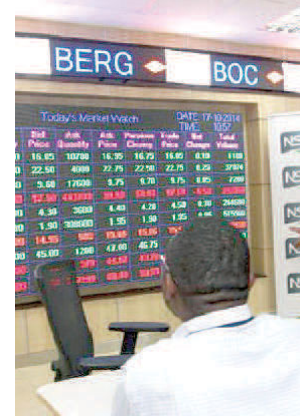
Shareholders of Sameer Africa have seen the stock rise from Sh2.70 a share to Sh4.00 by the end of June this year, data from Mwangi Capital shows. At the same time East Africa

Portland was the second best while Safaricom and Nairobi Business Ventures led from the bottom.

Nairobi Business Ventures was down 40 per cent from Sh5.70 a share to Sh3.40 a share in the period under review.

Safaricom lost 33 per cent of its value in the six months to close at Sh24.00 a share from Sh37.00.

Agriculture, automotive and construction were the best performing sectors with automotive up 39 per cent and construction up 8 per cent while agriculture gained 5 per cent in the period. Telecoms and insurance are the biggest losers among the sectors.



Political, economic stress could derail growth: Fitch

Election jitters and Russia's invasion of Ukraine that left logistical nightmares across the global supply chains are top growth determinants for Kenya this year

by Steve Umidha
@UmidhaSteve

Economists have expressed concerns that the financial turmoil rocking key regional markets, including Kenya, coupled with the upcoming election may delay or derail post-Covid 19 reforms.

In its mid-year economic review, Fitch Solutions which is a credit research firm affiliated to Fitch Ratings, said the looming general elections slated for August 9, will likely hurt the country's fiscal health, noting that growth will return "close to trend, but vulnerabilities will remain."

Hawkish developed markets stance

Fitch says elevated inflationary pressures, "combined with a more hawkish stance by developed market central banks" have prompted regional central banks in countries like Nigeria and Kenya to hike interest rates in the first half of 2022.

Annual inflation accelerated to 7.9 per cent in June from 7.1 per cent a month earlier, to hit the highest level since August 2017, as the cost of food products continued to rise sharply.

Inflation – which is the rate at which the value of a currency is falling and, consequently, the general level of prices for goods and services is rising, has continued to build upon account of rising oil prices triggered by the ongoing war and its direct impact of a weaker currency via imported inflation.

Key food items such as cooking oil, maize flour, milk and wheat products have noticeably skyrocketed since the year began, straining the majority of Kenyan households that are still dredging from the eco-

Vital statistics

Kenya's real gross domestic product (GDP) is projected to grow by 5.5 per cent in 2022 and 5.2 per cent on average in 2023–24.

While reading the 2022/23 budget, Treasury Cabinet Secretary Ukur Yatani, expects the country's fiscal deficit to narrow to Sh862.5 billion which is 6.2 per cent of the country's GDP in the 2022/23 fiscal year.

Public debt stock hit Sh8.6 trillion at the close of June 2022 and is expected to rise to more than Sh9.5 trillion next June.



conomic hardships left by Covid-19.

Key political coalitions – the Azimio La Umoja-OKA and the Kenya Kwanza - have all vowed to shore up the middle class, review taxes on the common man, lower electricity costs and restructure the country's debt portfolio among other issues, in what observers believe will be one of the closely contested races in recent history.

"Elevated price pressures following Russia's invasion of Ukraine has led to increases in inflation in many major markets but only sporadic protests thus far. However, political tensions have risen in East and Central Africa," notes the firm in its latest survey which netted the Sub-Saharan re-

gion.

This as the pandemic which is presently on its fourth wave in Kenya, triggered an unprecedented global economic recession in modern history, considered a crisis of greater magnitude than the Great Depression of the 1930s.

Fiscal consolidation

The invasion of Ukraine by Russian troops in February this year left behind logistical nightmares across the global supply chain, triggering abnormal inflationary pressures not only regionally but also across the world.

Fitch estimated that Central Bank of Kenya will increase the anchor interest rate to 8 per cent from the current 7.50 per cent.

The firm says governments will prioritise fiscal consolidation as well as an acceleration in monetary policy tightening amid rising inflationary pressures.

"Kenya's FY2022/23 (July-June) budget projects a narrowing of the deficit to 6.2 per cent of GDP from an official estimate of 8.1 per cent in FY21/22," read the report in part.

BRIEFLY

Tech revs up Kenyan brands to top position

For the fifth year in a row, M-Pesa retained the top spot in the 2022 list of leading brands in Kenya, with Safaricom, the firm that birthed M-Pesa coming second.

M-Pesa beat banks, manufacturers and other money transfer platforms alongside loan apps to top the leading brand list of 20. The survey conducted by Superbrands East Africa in the first half of the year ranked M-Pesa higher than like Safaricom, Jik and the Kenya Red Cross to bag the coveted brand tag.

Ranking of M-Pesa highlights the prominence firms that leverage technology had on individuals and Small and Medium-sized Enterprises (SMEs) since the onset of the Covid-19 pandemic.

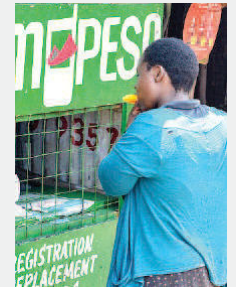
Superbrand's survey said Jik, a leading household cleaning agent in Kenya continued to be a leader coming third after Safaricom.

Kenpoly, Dettol, Weetabix, Bamburi Cement, cosmetics retailer Darling and retail store Naivas closed the list of the top ten brands.

Insights in the Superbrand report were drawn from a comprehensive survey administered to urban Kenyan consumers in Nairobi, Mombasa and Kisumu.

This even as another study by Brand valuation consultancy firm Brand Finance considered Safaricom as Kenya's leading brand.

Brand Finance said Ke-



nyan brands are disrupting the brick-and-mortar business model and equipping businesses with technological means to actively connect with end users. That these brands have achieved remarkable brand value growth of 72 per cent year-on-year, the global firm notes.

"As the economy reopens, the telecommunications, banking and insurance brands among others in the Kenya 20 ranking are benefiting from higher private consumption and demand among Kenyans," Brand Finance said in a statement.

In the latest ranking of the *Top Most loved Brands by Women in Kenya*, Safaricom and M-Pesa emerged as the top two brands loved the most by women.

The survey carried out by market research firm IPSOS and Branding advisory consultancy BSD Group early this said Airtel was the third brand most loved by women, closely followed by Equity Bank in fourth position.

– John Otini

FITCH SOLUTIONS

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