TREASURY MARKET UPDATE 25TH FEBRUARY 2025

DIB Bank Kenya
A subsidiary of Dubai Islamic Bank PJSC

DOMESTIC NEWS

The Kenyan shilling (KES) slightly strengthened against the U.S. dollar on Friday, trading at 128.90/129.90 compared to 129.25/130.25 on Thursday. It is expected to weaken due to increased dollar demand from general goods importers. (Refinitiv).

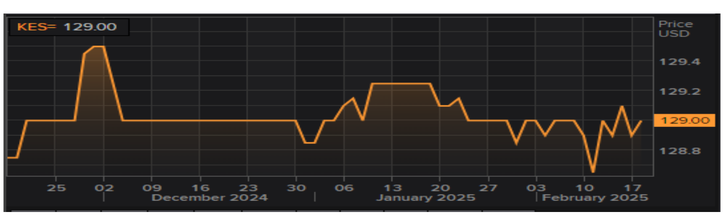
The Kenya Revenue Authority (KRA) has introduced two new departments to expand the tax base and improve compliance, particularly targeting MSMEs and the digital economy. The Micro and Small Taxpayers Department will focus on small businesses, while the Business Strategy, Technology, and Enterprise Modernization Department will use AI, machine learning, and data analytics to streamline tax processes and detect evasion. KRA aims to register four million new taxpayers by 2029, following recommendations from the 2023 MSME Tax Base Expansion Taskforce. However, concerns have emerged among small traders over increased financial scrutiny, especially with the introduction of new anti-money laundering regulations. These efforts come as KRA faces revenue shortfalls, having missed its mid-year collection target by Sh62.8 billion.

Meanwhile, Kenya's fuel consumption rose slightly in 2024 after two consecutive years of decline, driven by lower fuel prices. Diesel consumption grew 1.39% to 2.19 million metric tonnes, while petrol demand increased 1.02% to 1.47 million tonnes, according to EPRA. Previous declines were linked to high global fuel prices, supply chain disruptions, and a weaker shilling. Some motorists have switched to LPG-powered vehicles to cut costs, while the government is encouraging electric mobility (EVs) to reduce emissions and fuel dependency. Despite the slight recovery in fuel demand, new vehicle sales fell 2.74% in 2024, reaching 11,059 units, the lowest level since 2010, due to high prices, expensive loans, and currency depreciation. (Business Daily).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	124.40	134.40	124.40	134.40
GBP/KES	159.50	172.50	158.70	173.40
EUR/KES	130.62	144.52	130.92	147.42
AED/KES	31.23	44.23	33.23	44.73

Amounts > 10 million		Amounts >100,000
	KES	USD
2 Weeks	7.00%	1.50%
1 Month	7.25%	2.25%
3 Months	7.50%	2.75%
6 Months	7.75%	3.00%
1 year	8.00%	3.50%



USD movement from December 2024 – Date (Source: Reuters)

INTERNATIONAL NEWS

The U.S. dollar remained subdued on Monday after a recent retreat, as investors reacted to weak economic data. A survey showed U.S. business activity nearly stalled in February, hitting a 17-month low, amid concerns over import tariffs and federal spending cuts. Additionally, the University of Michigan's consumer sentiment index was revised down to 64.7, the lowest in 15 months, reflecting worries over the inflationary impact of tariffs on purchasing power.

Markets now await the personal consumption expenditures (PCE) price index for January, a key inflation metric closely watched by the Federal Reserve. Meanwhile, the U.S. dollar index remained mostly unchanged at 106.63, signaling investor caution ahead of further economic data releases.

EURUSD strengthened slightly against the dollar, rising to $1.0465, as the pair moved toward 1.0500 in European trading. Despite the German election results, the euro benefited from renewed U.S. dollar weakness and improving risk sentiment. Investors now await the ECB's Q4 EU Negotiated Wages data for further direction.

GBPUSD held steady above 1.2600, rising to $1.2639, supported by a fresh bout of U.S. dollar selling. Market caution remains due to trade war fears, but attention is now on BoE Chief Economist Pill's speech and the U.S. Consumer Confidence data, which could influence the pair's movement.

Oil prices rose for the second straight day on Tuesday as new U.S. sanctions on Iran fueled concerns about tighter supply. Brent crude increased 0.5% to $75.16 per barrel, while WTI crude gained 0.7% to $71.17, extending Monday's recovery after a $2 drop last Friday. Analysts suggest oil is seeking a stable base, with sanctions targeting Iranian oil transporters and Iraq's commitment to curb oversupply providing support. The U.S. aims to eliminate Iran's crude exports, adding uncertainty to global supply dynamics.

In other commodities news Gold prices fell slightly in Asian trade on Tuesday but stayed close to recent peaks as safe-haven demand remained strong due to escalating U.S. trade tensions. Spot gold declined 0.5% to $2,947.73 an ounce, while April gold futures dropped 0.3% to $2,952.99 an ounce, following an overnight rally that nearly touched last week's record high of $2,956.37. Concerns grew after President Trump reaffirmed plans to impose 25% tariffs on Canada and Mexico and signed a sweeping executive order restricting trade with China, signaling further deterioration in U.S.-China relations.
(investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0267	1.0669
GBP/USD	1.2413	1.2817
USD/ZAR	16.4029	20.4025
USD/AED	3.6525	3.6930
USD/JPY	147.27	151.28