

DOMESTIC NEWS

The Kenyan shilling was stable on Wednesday, supported by foreign-currency inflows from the diaspora and tea exports. Commercial banks quoted the shilling at 129.10/129.60 to the U.S. dollar, the same level as at the close of Tuesday's session, LSEG data showed. (Refinitiv).

Cash circulating outside Kenya's banking system grew by only 0.58% in December, the slowest rate in 24 years, reaching Sh292.8 billion. The slowdown is attributed to shrinking disposable incomes due to increased payroll deductions, including the housing levy and SHIF. This has weakened consumer purchasing power, impacting businesses. In contrast, December cash circulation grew by 3.44% in 2023, 3.38% in 2022, and 6.22% in 2021.

In other local news, Kenya's national wage bill grew 9.36% to Sh293.34 billion in the first half of the 2024/25 financial year, the fastest rise in five years, despite a hiring freeze and salary cap. The increase was driven by converting 46,000 teacher interns to permanent roles and expanding state departments after President Ruto's pact with the opposition. The growing wage bill has strained public finances, failing IMF-set fiscal targets, which stalled Kenya's ninth review under a \$3.6 billion support program. Talks for a new IMF deal are ongoing, but further austerity measures may face political resistance. (Business Daily).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	124.35	134.35	124.35	134.35
GBP/KES	163.15	176.15	162.35	177.05
EUR/KES	134.53	148.43	134.83	151.33
AED/KES	31.22	44.22	33.22	44.72

	Amounts > 10 million	Amounts >100,000
	KES	USD
2 Weeks	6.50%	1.50%
1 Month	6.75%	2.25%
3 Months	7.00%	2.75%
6 Months	7.25%	3.00%
1 year	7.50%	3.50%



INTERNATIONAL NEWS

The U.S. dollar edged up 0.1% to 103.887 but remains on track for a 4% quarterly decline due to weak consumer confidence and trade uncertainty. Trump's newly announced 25% auto tariffs, set for April 2, aim to boost domestic manufacturing but may lead to higher consumer prices and retaliatory actions. Analysts expect the dollar to initially strengthen if tariffs are aggressively applied to the EU and China but anticipate tight trading ranges in the near term as markets react to evolving trade policies.

The British pound fell 0.4% to \$1.2889 as UK inflation slowed to 2.8% in February. Chancellor Rachel Reeves announced £14 billion in welfare cuts and £2.2 billion in defense spending amid a downgraded 2025 growth forecast. Critics warn of harm to low-income households, while U.S. tariffs add economic uncertainty.

EUR/USD dipped to 1.0791, pulling back from a five-month high, with little market reaction to U.S. agreements with Russia and Ukraine. Analysts at ING warn that markets may be underestimating the euro's risk from upcoming U.S. tariff announcements, as the EU, led by Germany, has a large trade surplus with the U.S. ING forecasts EUR/USD to drop to 1.05 by Q2 due to trade tensions.

In Asia, USD/JPY rose 0.2% to 150.12 as the yen weakened slightly, despite the Bank of Japan governor's statement that interest rates must increase if rising food prices lead to broader inflation. USD/CNY rose 0.1% to 7.2638 as markets remained cautious ahead of Trump's reciprocal tariffs set for April 2, leading to minimal movement in Asian currencies.

Oil prices edged up as U.S. tariffs on Venezuelan oil buyers and sanctions on Iranian oil raised supply concerns. Brent crude rose to \$73.86 a barrel, while WTI reached \$69.75. Traders are also assessing the impact of Trump's 25% auto tariffs on global demand. India's Reliance Industries plans to stop Venezuelan oil imports to avoid tariffs. Market sentiment remains cautious amid geopolitical risks.

On other commodities, gold prices rose as investors sought safe-haven assets after U.S. President Trump announced a 25% tariff on imported automobiles, escalating trade tensions. Spot gold increased to \$3,030.47 an ounce, while futures reached \$3,036.00. Goldman Sachs raised its 2025 gold price forecast to \$3,300, citing strong exchange-traded funds (ETF) inflows and central bank demand. The tariffs, expected to generate \$100 billion, have sparked concerns over rising vehicle prices and trade conflicts, with Canada strongly opposing them. Market uncertainty has further boosted gold demand. (investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0585	1.0986
GBP/USD	1.2731	1.3136
USD/ZAR	16.2574	20.2673
USD/AED	3.6529	3.6932
USD/JPY	148.53	152.56