

**NEWS BUSINESS**

**TRADE TIES**

**Direct cargo flights to boost Kenya's exports – CS**

**ALFRED ONYANGO/** The country is looking towards increased export earnings from agricultural produce following the launch of Kenya-Israel direct cargo flights.

Kenyan farmers will now have access to the Israeli market, a move expected to grow the country's earnings from exported agricultural products, especially horticulture. Among the products that will be exported directly include tea, coffee, pineapples and avocados.

Agriculture and Livestock Development Cabinet Secretary Mithika Linturi said this will uplift farmers in the country.

He was speaking during the launch of the inaugural direct cargo flight from Nairobi to Tel Aviv-Israel at the Jomo Kenyatta International Airport (JKIA). The move comes as a result of the two trading blocks early last month committing to

improve their bilateral ties by eliminating the barriers between them for improved trade. Among them was the absence of a direct flight between the countries.

In his state visit to Israel on May 10, 2023, President Ruto while meeting Israeli's Prime Minister Benjamin Netanyahu said there exists huge potential between the two countries.

"We must exploit these opportunities. There are a wide range of exports that deserve to reach the Israeli market," Ruto said.

"Absence of direct flights between Kenya and Israel is a serious impediment that continues to hamper trade and tourism."

Data by Trading Economics shows Kenya exports to Israel was \$8.11 million (Sh1.12 billion) in 2021, up from \$5.9 million (Sh820 million) in 2020. President Ruto during the



Kenya Airways workers load sea food for export at the JKIA / FILE

Investor roundtable for rum in Tel Aviv last month, noted that Kenyan exports to Israel are worth Sh1.1 billion whilst imports from Israel amount to Sh7.5 billion a year.

He stated that it is an under-performance, but with clear potential

to do much more.

CS Linturi during the launch of the flight further said the country will continue looking for more opportunities to leverage on, to expand the export market of agricultural produce.

**MARKETS**

**US dollar crisis boosts bank's non-interest income – report**

The analysis by Augusto & Co shows forex contributed 39% of non-interest income



Agusto & Co. group managing director Yinka Adelekan speaking during the official launch of the 2023 Kenya Banking Industry Report, in Nairobi/MAANDOU

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Foreign exchange trading income is the single largest contributor to bank's non-interest income, illustrating just how lenders are reaping from the ongoing dollar shortage.

The Kenya banking sector report by Pan African credit rating agency, Agusto & Co released on Tuesday shows forex trading contributes 39 per cent of bank's non-interest income.

Yesterday, the US dollar exchanged at Sh139, having shed almost 20 per cent in past 12 months. Traders told the Star that the greenback is going

for up to Sh150 in the parallel market. Augusto & Co.'s Group managing director, Yinka Adelekan says that although the dollar crisis continues to persist in medium term, it will eventually ease by mid next year. This is pegged on various factors including the decision by the CBK to unlock the FX market for banks.

"The recently introduced Foreign Exchange Code (FX Code) by the CBK is expected to enhance the regulations of the banking industry and improve the dynamics of the foreign exchange market by promoting responsible engagement of the players as well as mitigate the risks associated with the trade," Adelekan said.

The foreign exchange code, among others, prohibits banks from engaging

in trading practices, quoting prices or making transactions with the intention of manipulating price movements or disrupting the functioning of the market.

Overall, the banking sector remained stable and resilient, with a total capital adequacy ratio of 19 per cent in December 2022 above the minimum capital adequacy ratio of 14.5 per cent.

Similarly, the sector's liquidity ratio stood above the minimum statutory level of 20 per cent at an average liquidity ratio of 50.8 per cent in the same period.

Total net assets grew by 9.4 per cent from Sh6 trillion in December 2021 to Sh6.6 trillion in December 2022.

Customer deposits increased by seven per cent from Sh4.5 trillion in December 2021 to Sh4.8 trillion in December 2022.

On the regulatory front, the rating firm praised CBK for continuing to strengthen the Credit Information Sharing (CIS) framework.

This is to support the ongoing implementation of risk-based credit pricing in the banking sector.

More importantly, the reforms are intended to enhance the effectiveness of CIS in pricing of credit and expanding access.

Towards this end, Credit Reference Bureaus (CRBs) will improve the quality of their reports and enhance the robustness of their credit scoring models and align them to best practice.

Additionally, CBK has reminded banks to consider the credit scores of borrowers in addition to other factors in making lending decisions. Climate-related risks such as floods,

droughts and other natural disasters led to financial losses for banks as well as for their customers in 2022 as there was significant year-on-year deterioration in Non-Performing Loans (NPLs) for climate-related sectors such as energy and water (44.3 per cent) and agriculture (44.1 per cent) in 2022. Increasing demand for Shariah-compliant products and services (Murabaha, Ijarah, Musharakah, Takaful) amidst a lack of awareness, skilled professionals and comprehensive legal regulatory framework.

Increased investment in Environmental, Social and Governance (ESG) Frameworks, data collection and reporting capabilities by banks to align with global standards such as the Task Force.

Last year, the banking sector capital and reserves increased by 2.7 per cent to Sh917.6 billion from Sh893.7 billion in December 2021.

All the peer groups registered increased capital and reserves.

The increase in capital and reserves is attributable to additional capital injections by commercial banks as well as retained earnings from the profits realized in the year.

The banking sector registered strong performance in 2022, with profit before tax increasing by 22 per cent from Sh197 billion in December 2021, to Sh240.4 billion.

The increase in profitability was attributed to a higher increase in total income (Sh92.7 billion) compared to increase in total expenses (Sh80.5 billion).

The large peer group accounted for 86.7 per cent of the total pre-tax profit, a decrease from 86.9 per cent recorded in 2021.

THE DATA  
**138.87**

The indicative value of the shilling to the dollar

Kenya's shilling remained weak against the US dollar on Tuesday amid high demand for the dollar by importers

**FINANCIAL MARKET**

**FOREX EXCHANGE RATES**

Currency	Buy	Sell	Mean
US DOLLAR	138.7735	138.9735	138.8735
EURO	148.4541	148.2712	148.5826
SG POUND	172.0459	172.3394	172.1926
SA RAND	7.1388	7.1514	7.1451
KES / US\$	26.8756	26.9864	26.9310
KES / T\$HS	17.076	17.0926	17.0551
AE DIRHAM	37.7810	37.8375	37.8093
JPY (100)	99.7080	99.8588	99.7834
IND RUPEE	168.44	168.79	168.61
CHINESE YUAN	19.5346	19.5682	19.5514

**NSE BIGGEST WINNERS**

Price Change (%)
SAMEER AFRICA 2.37 9.22
UMEME 15.50 7.64
NBV 3.00 7.14
LONGHORN PUBLISHERS 2.51 6.81
HOME AFRICA 0.33 6.45

**NSE BIGGEST LOSERS**

Price Change (%)
SASINI 28.70 7.42
WPP SCANGROUP 2.97 6.60
CENTUM 8.70 3.55
BAMBURI CEMENT 24.75 1.79
DTB 45.20 1.63



**TIP OF THE DAY**  
**KEEP YOUR NEXT MEETING ON TRACK**

Running great meetings means limiting distractions—whether they're questions that are outside the scope of the conversation, overly negative, counterproductive comments, or unrelated tangents. Here's how to keep your meetings tighter and more focused. First, determine the primary objective. Is the group's goal to make a decision, brainstorm ideas, get people aligned, or something else? Next, reframe each agenda item as an inquiry for each team member to consider. For example, instead of listing "project X" as a topic, frame the agenda item as, "What are our deliverables for project X?" This allows team members to start thinking about potential solutions in advance.

When sending out the invitation, be sure to only include people who have a direct role in achieving the meeting's stated objective; distractions are more likely to surface in crowded, noisy environments.

Finally, at the top of the meeting, remind everyone of the group's objective and emphasize your intention to keep the conversation on track.

That way, if a distraction does emerge, you can easily flag it and redirect the team's attention.