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**ALY KHAN'S
STAR
PORTFOLIO**



SHILLING RISING FROM ZERO TO HERO

THE shilling rallied a mighty 4.11% to trade as low as 93.25 on Friday. The shilling had fallen 27.38% in 2011 through October 11 and was the worst performing currency versus the dollar over those dates.

The shilling has now rallied 12.8504% off that all time intra day low of 107.00 on October 11 through Friday and has probably been the best performing currency versus the dollar, over this period. The shilling has turned into a hero from being a zero. Nearly all African currencies except the Mozambique metical are lower this year and therefore, there has been an African currency contagion.

The sharp rally in the shilling has been driven by a dramatic tightening of monetary policy. Inter bank rates are around 30%. The CBR has been ratcheted higher and every day, there is apparently a macho display by the banks as to whom can hike their interest rates the most. The cost of money now has a 20 handle wherever you care to turn. Where, previously, the bias had been to hoard foreign exchange, now the bias is to convert it into shillings as quickly as you receive it.

I arrived on the trading floor at Credit Suisse First Boston a few months before black Wednesday 16 September 1992. I sat next to Paul who was a proprietary trader. A proprietary trader risks the bank's own capital. George Soros made his first billion on the 16th September 1992. He sold the pound in the conviction that the pound was over valued and that he would buy the pound back at a much

lower price.

Paul made a great deal of money that day as well. On that Wednesday, Norman Lamont raised interest rates twice during the day to try and defend the currency. By the close of business, the rate hikes were reversed because the penny dropped that everyone had a mortgage and no one could afford such a sharp increase in the cost of money.

As I look around, I note that nearly everyone has some kind of exposure to the cost of money. It might be a micro finance loan, a car loan, an unsecured loan or a mortgage. The point is the sensitivity to interest rates is the highest it has ever been. My question is, how long can we sustain this increase in the cost of money?

Not very long, I venture. You don't have to be a rocket scientist or even a banker to know that a 10.00%+ increase in borrowing rates is going to spike delinquency big time.

Essentially, we are a very lop sided economy. All our major exports do not pay for our fuel bill. Our current account deficit is wider than Greece. I cannot see any quick fixes. I am pretty certain that the region is sitting on a sea of hydrocarbons [and that rather than Joseph Kony was the Raison D'etre for the arrival of 100 crack US troops in Uganda] and that eventually, we will plug our fuel gap.

There is more traction behind unlocking our geothermal energy resource. Geothermal is green, 21st century and sexy. But all of this is someways down the road.

The times remain very volatile and high beta.

Shares go up and down and readers are advised that this column represents Mr Satchu's personal opinions.

Safaricom launches new sales promotion

BY STAR REPORTER

SAFARICOM has launched a customer promotion to reward loyalty in which subscribers stand a chance to win Sh1 million daily for the next five weeks.

The firm which posted a

sharp drop in its half year profits has recently been forced to increase its voice call tariffs due to higher operation costs even as other operators brave the soaring costs in a bid to retain subscribers.

Safaricom recorded a 48 per cent drop in

profit for the half year ending September from Sh10.4billion over the same period the previous year to Sh5.3billion.

During the promotion period, one subscriber will stand a chance to win Sh1 million every weekday, 100 lucky subscribers will

each win Sh10,000 while another 1,000 subscribers will get Sh100 in airtime consolation prizes every weekday.

"This new promotion is our way of saying Merry Christmas and Happy 2012," said CEO Bob Collymore.

Kebs vehicle import inspection row rages

BY KIBIWOTT KOROSS

THE Kenya Bureau of Standards has set new conditions for the pre-shipment inspection of imported second hand cars further splitting the board over the multi-million tender.

A director at the parastatal yesterday told the Star that the Kebs management will today re-advertise the tender initially cancelled for flouting procurement procedures.

The source however expressed concern that the new conditions seem tailored to suit a specific company.

The board member who sought anonymity said the new tender will be awarded to three companies at a standard tender fee of \$140 (Sh 14,000) for inspection of vehicles from Japan per vehicle against the initial tender which saw one company tender at \$120 (Sh 12,000).

"This has actually caused rifts at the board" said the board member "the MD has taken matters single-handedly."

Wrangling has rocked Kebs since the announcement of the \$118 million (Sh1.18 billion) tender which attracted two rival Japanese companies namely Japan Export Vehicle In-



TENDER ROW: Some of the imported cars awaiting clearance at the port of Mombasa

spection Centre (Jevic) and Quality Inspection Service of Japan (QISJ).

A full board meeting held on October 31 approved the tender to be awarded to Quality Inspection Service of Japan (QISJ), but the management is said to have defied the orders and cancelled the tender on November 1.

The management backtracked against the tendering committee decision which declared QISJ the winner.

Instead it went ahead to give Jevic and extension to continue undertaking the inspection even though its contract had expired.

The wrangles between the Kebs management and board has sucked in the Ministry of Industrialisation leading to a delay in awarding the vehicle inspection tender.

This has seen Jevic's contract extended for over a year now. "The cancellation was their last option

since it will ensure Jevic continues to inspect vehicles being imported in the country through further extensions, already they have had one year extension which is against the law..." the source told the Star.

Documents show that the Public Procurement Oversight Authority recommended action be taken against the Jevic for interfering with the procurement process of the first tender. But the Kebs management did not act.

ERC to release new fuel prices today

BY STAR REPORTER

FUEL prices are expected to rise again this month when the Energy Regulatory Commission announces the new retail price today.

Industry sources estimate that a litre of petrol could rise by between Sh2 and Sh3 based partly on the

rise in global price of crude oil and the cost of refining. Global crude oil price has hit \$114 a barrel from \$99 in October.

The volatile shilling which has also been a major factor in the rising fuel prices strengthened to an 8-week high on Friday to 95.55 to the dollar.

In its last review, ERC which is now mandated to cap the retail price of fuel in the country increased the price by Sh3 in most areas of the country.

However, kerosene consumers were cushioned by maintaining the lower allowed maximum margin of sale at Sh4 instead of

Sh6. Price regulation of fuel started last year when the government decided to step in to try and save consumers from increasing cost of oil by local marketers.

Oil marketers who defy the set prices risk a fine of Sh2 million or withdrawal of their licenses.