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ALY KHAN'S
STAR
PORTFOLIO



IS THE SOMALI OPERATION UNDERWRITTEN?

"We can know only that we know nothing. And that is the highest degree of human wisdom."

I start with that quote by Tolstoy because there are so many variables and potential curve balls around our first military

excursion across our borders, since the 1960s and a time when we sought to combat the shifta menace. Professor Saitoti [as per the Indian Ocean Newsletter and from reading his comments] is apparently a prime mover and he might be calculating on a Margaret Thatcher, Falkland Islands moment. I would have thought that the decision around this incursion was not taken lightly.

President Obama said to the Iranians, let us remember the words that were written by the poet Saadi, so many years ago: 'The children of Adam are limbs to each other, having been created of one essence.'

President Obama has taken a very aggressive stance in the drone war, removing many folks from the battlefield. By all accounts and the Wall Street Journal, in particular, drones have been deployed against the al Shabaab, for some time. MQ-9 reapers can be configured for both reconnaissance and strike missions. The reapers can fire hellfire missiles, as well as guided 500-pound bombs. That's some pretty powerful materiel. I think it is the deployment of drones over

Somalia, which might have tilted the pitch big time. The drones have been a game changer in many places.

The Kenya thrust into Somalia might be predi-

cated on evidence that the al Shabaab and their various franchises [The Kentucky Fried Chicken business model] are like George Foreman in Kinshasa, at the moment when his eyes glazed over and Muhammed Ali realised George was just one punch from hitting the deck.

That is in many respects the optimal outcome. The risk remains that even if we land a decisive blow, the al Shabaab might intensify the asymmetric war. That would be problematic. At time when inflation increased for the 12th consecutive month to 18.91% in October, the shilling hovers around 100.00 [an unthinkable level to many at the beginning of the year], the Central Bank is tightening interest rates, the economy is clearly already badly stressed out. The IMF is in town.

When President George Bush the elder countered Saddam Hussein's invasion of Kuwait, he had his allies pony up the cash up front.

The question I am asking myself, has anyone underwritten our operation? An operation which is surely costing no less than 100m Kenya shillings a day?

The Nairobi NSE20 rallied 68.43 points Friday to close at 3450.33, making it a cumulative 121.76 point two session rally, which is quite an outcome and a counter intuitive one.

Mark Mobius of Templeton was quoted by the Financial Times as saying the following about the Nairobi Securities Exchange,

"People are fearful of coming in, so whoever goes there makes a bundle. We may go and buy more at a cheaper price." Mr Mobius.

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

Banks reap from loans and advances



EXPANDING: Equity Bank on Moi Avenue, Mombasa. The bank has adopted an aggressive agency banking model.

BY LOLA OKULO

INCOME from loans and advances pushed up banks' total income for the third quarter of the year by 17.1 per cent to stand at Sh65.8 billion, the latest industry report shows.

The Central Bank of Kenya's industry report for July to September 2011 indicates that interest on loans and advances, fees and commissions and government securities were the top three sources of income for the banks.

Interest charged on various loans accounted for 55 per cent of the total income, 31 per cent was from fees and commissions while government securities account-

ed for 14 per cent.

Several banks have recently hiked their interest rates after the CBK raised its base lending rate by 400 basis points from 7 per cent to 11 per cent.

CBK opted to raise rates to cool inflation which has been rising for twelve straight months. It currently stands at 18.91 per cent.

On the other hand, staff costs continued to be the biggest expense incurred by banks despite major automation strategies employed by most of these institutions and roll out of agency banking to ease the cost of expansion.

Total expenses increased from Sh35.1 billion in the second quarter to Sh43.2

billion in quarter three with staff costs accounting for 35 per cent of this.

Other top expenditure areas were other expenses and interest charged on deposits which accounted for 29 per cent and 21 per cent respectively out of the total.

Profit before tax for nine months to September 2011 stood at Sh65.3 billion equivalent to 87.8 per cent of the 12 month profit before tax for year ended December 2010 which was Sh74.3 billion.

"This reflects a slower growth in profit before tax compared with 2010 when by September 2010 it had surpassed the twelve months profit before tax for the year 2009 by 8.8 per cent," said

the Central Bank.

The report also showed that there was an increase in the use of credit information sharing with credit reports requested by the banking institutions from Credit Reference Bureaus hitting one million in quarter three compared to 728,553 last quarter.

Presently there are only two licensed credit bureaus to implement this information sharing service.

Agency banking is also receiving great interest with the number of agents increasing from 6513 to 7,999. 10 banks have been given approval by CBK to operate the agency banking model out of 43 commercial banks in the country.

KQ to boost its Embraer Africa fleet

BY STAR REPORTER

KENYA Airways which plans to fly to all African capital cities by 2013 is in the process of acquiring more Embraer jets to implement this strategy.

KQ's chief operating officer Mbuvi Ngunze said the Embraer jet which has a five hour flight range is a versatile aircraft that the airline deems ideal for the African market.

"Given the Embraer aircraft's capability to cover the African continent very well, we plan to increase frequen-

cies to key route destinations in West, Central, East and Southern Africa," said Ngunze.

He was speaking at the Jomo Kenyatta International Airport on Friday when he saw off a group of children flying to Mombasa as part of an art promotion sponsored by the airline in partnership with Radio Africa Group.

"Africa is the focus of the airline's fleet and route expansion strategy. We plan to introduce additional flights to destinations such as Accra Ghana and Johannesburg South Africa," he said.



EXPANSION: A KQ plane at Moi International Airport.