



Central Bank of Kenya

Weekly Statistical Bulletin

Key Monetary and Financial Indicators

January 5, 2018

Overall inflation declined for the fifth consecutive month and reached 4.5 percent in December 2017 from 4.7 percent in November 2017 supported by lower food prices.

Reverse Repo maturities tightened liquidity in the money market during the week ending January 3, 2018. In the interbank market, both the traded volumes and the number of deals increased but the average interbank rate edged downwards in a segmented market.

The Kenyan economy recorded subdued performance in the third quarter of 2017 due to the heightened electioneering activity which undermined the non-agriculture output.

Inflation

Overall inflation declined for the fifth consecutive month supported by lower food prices following favorable weather conditions. It declined to 4.5 percent in December 2017 from 4.7 percent in November 2017

Food inflation declined to 4.9 percent in December from 5.8 percent in November 2017. Favorable weather conditions and seasonal factors supported lower prices of some key food items. However, the increased demand for food during the festive season resulted in higher prices for other food items.

Prices of the following key food items declined in December compared to November 2017: loose maize flour (1.39 percent), oranges (4.53 percent), mangoes (4.81 percent), tomatoes (4.38 percent), and sugar (2.74 percent). However, owing to the increased demand during the festive season the prices of the following food items were higher compared to November 2017: sukuma wiki, irish potatoes, fresh fish, chicken, onions and beef with bones.

NFNF inflation increased for the first time since March 2017 across all the NFNF baskets, mainly reflecting the effect of the festive season and the increased purchases ahead of reopening of schools in January 2018.

Fuel inflation maintained a gradual increase largely sustained by recovery of international oil prices. It

increased further to 5.4 percent in December from 4.8 percent in November 2017, following rising energy prices (electricity, petrol, diesel, gas-LPG), and increase in public transport fares owing to the Christmas festive season (**Chart 1**).

GDP Growth in the Third Quarter of 2017

The Kenyan economy recorded subdued performance in the third quarter of the year, largely on account of heightened electioneering activity which undermined the non-agriculture output. The economy grew by 4.4 percent, which was lower than 5.0 percent in the second quarter of 2017 and 5.7 percent in a similar quarter the previous year.

Agriculture sector growth improved after the drought experienced in the first quarter of the year. It grew by 3.1 percent compared to 1.3 percent in the second quarter of 2017.

Non-agriculture output was subdued largely on account of the heightened political activity during the quarter. It declined to 4.8 percent from 6.1 percent growth in the second quarter of 2017.

Growth in the Services sector slowed down to 5.6 percent in 2017Q3 compared to 6.8 percent in the same quarter last year. The subdued performance was recorded in

Accommodation and Restaurant, Transport and Storage, Financial and Insurance, Education and Health sectors.

The performance of Industry decelerated further to 3.4 percent in 2017Q3 compared to 4.4 percent in 2017Q2 and 5.7 percent in 2016Q3 following subdued performance of the Manufacturing, Construction, and Electricity and Water Supply sectors.

Monetary Policy Operations

Liquidity in the money market tightened during the week ending January 3, 2018 mainly due to reverse repo maturities. Reverse repo operations resulted in net liquidity reduction in the interbank market during the week under review (**Table 1**).

The commercial banks' excess reserves above 5.25 percent averaging requirement decreased to 7.0 billion from KSh 7.8 billion the previous week (**Chart 2**).

Activity in the Interbank Market

Activity in the interbank market increased during the week ending January 3, 2018, as trading picked up, after the festive season. The volumes traded in the interbank market increased to an average of KSh 21.4 billion from KSh 13.7 billion the previous week, while the number of deals increased to an average of 45 from the previous week's average of 40. The weighted average interbank rate, however, declined to 7.13 percent from 7.63 percent in the previous week (**Table 2 and Chart 2**).

Kenya Shilling Exchange Rate

The Kenya shilling exchange rate had mixed performance against major international currencies in the week ending January 4, 2018. It depreciated marginally against the US Dollar due to increased demand from the energy sector. In the EAC region, the shilling remained largely stable (**Table 3**).

Equity Market

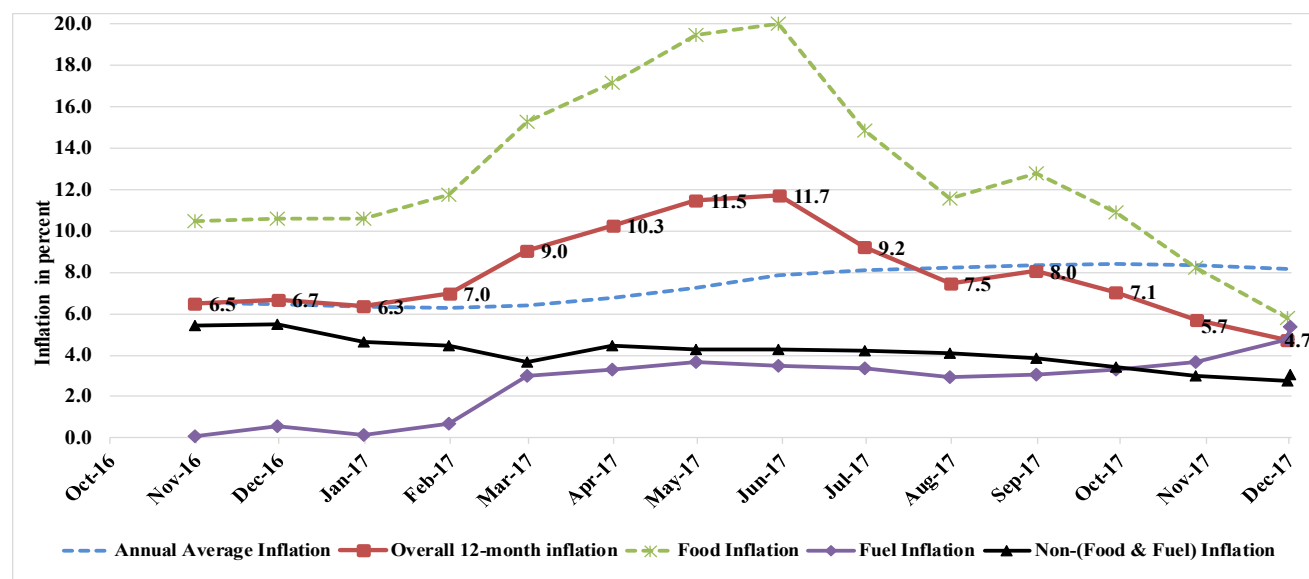
Equities market recorded improved activity across all the leading indicators, except the NSE 20 Share Index. This reflects investors' return to the market after the holiday season. The shareholders' wealth measured by market capitalization grew by 2.85 percent or KSh 69.97 billion gain in the week on account of the improved share prices (**Table 4**).

Bond Market and Eurobond Yields

The volume of Bonds traded declined by 22.65 percent in the week ending January 4, 2018. The low trading activity was due to the short trading week and the effects of tap sale of FXD1/2008/015 and FXD1/2017/010 on December 28, 2017 that raised KSh 7.9 billion. The yields on Kenya's 5-year and 10-year Eurobond declined, reflecting liquidity conditions and investors' valuation (**Table 4**).

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Chart 1: Developments in Inflation



Source: KNBS and CBK staff calculations

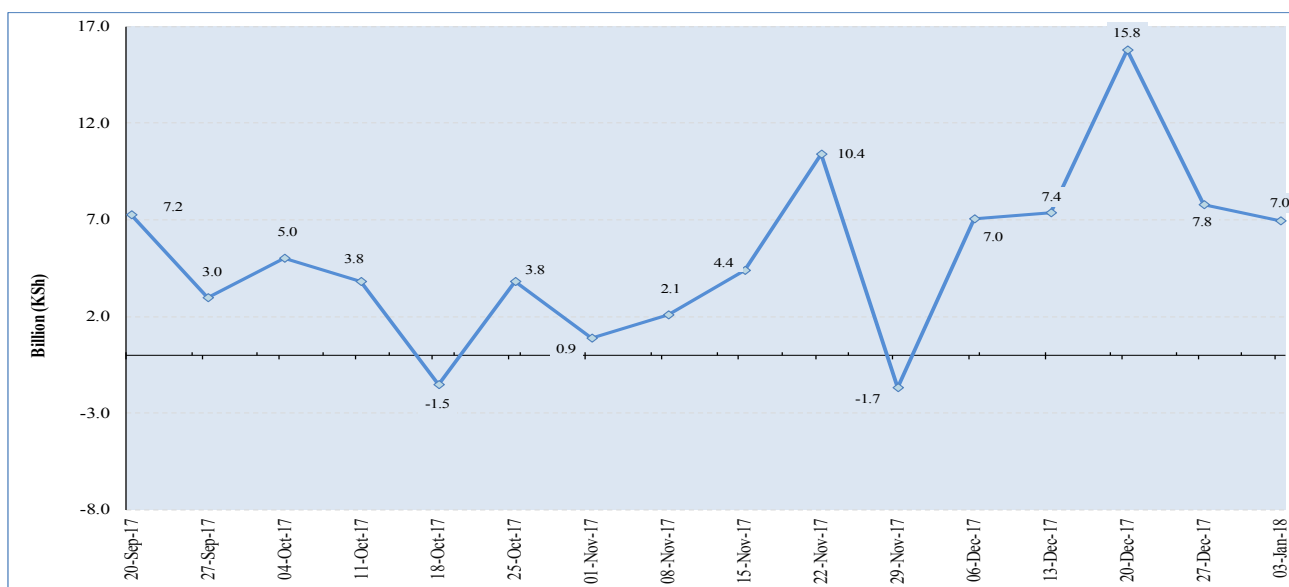
Table 1: Liquidity Flows and Open Market Operations (Ksh billion)

	28-Dec-17	29-Dec-17	2-Jan-18	3-Jan-18	Total
Liquidity Flows					
Total liquidity injection ^{\1}	17.8	9.3	29.7	11.0	67.8
Repos Maturities	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	4.5	0.0	9.7	8.5	22.8
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	14.3	0.0	14.3
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0
T/bonds Interest	0.0	0.0	0.0	0.0	0.0
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0
Govt payments	13.3	9.3	5.7	2.4	30.7
Total liquidity reduction ^{\1}	15.7	15.3	35.6	8.8	75.4
T/bills (Primary issues)			15.1		15.1
Tbonds Sales					0.0
T/bills/Tbonds (OMO Tap Sales)			7.8		7.8
Repos					0.0
Reverse Repos maturities	11.9	13.5	7.4	2.7	35.5
Term Auction Deposit					0.0
Transfer from Banks -Taxes	3.8	1.8	5.3	6.2	17.0
Net liquidity injection (+)/Withdrawal (-)	2.2	-6.0	-5.9	2.1	-7.6
Open Market Operations Outcome					
Posted Amount	0.0	0.0	0.0	0.0	0.0
Realised Amount - Mop up	0.0	0.0	0.0	0.0	0.0
Repo (-)	0.0	0.0	0.0	0.0	0.0
Term Auction Deposits (-)	0.0	0.0	0.0	0.0	0.0
Reserve Money (Actual)	439.5	433.6	427.3	427.2	

^{\1} Only main transactions increasing or reducing liquidity are included.

Source: Central Bank of Kenya

Chart 2: Commercial Banks Excess Reserves



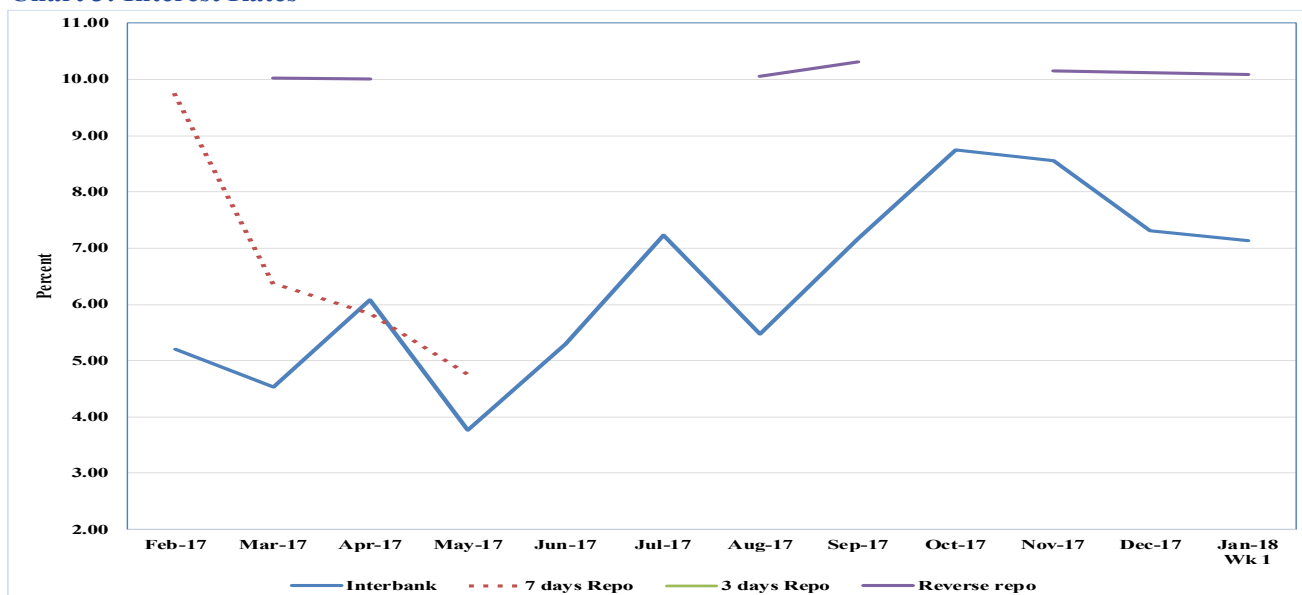
Source: Central Bank of Kenya

Table 2: Interbank Deals, Volumes & Interest Rates

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)	Reverse Repo Rate (%)
21-Dec-17	43	10,996	7.06	10.12
22-Dec-17	40	13,515	7.77	10.51
27-Dec-17	36	16,575	8.08	10.00
Dec 21 - Dec 27, 2017	40	13,695	7.63	10.21
28-Dec-17	45	19,160	8.02	10.15
29-Dec-17	40	19,515	6.91	
2-Jan-18	48	22,295	6.99	10.10
3-Jan-18	45	24,590	6.62	10.00
Dec 28, 2017 - Jan 3, 2018	45	21,390	7.13	10.08

Source: Central Bank of Kenya

Chart 3: Interest Rates



Source: Central Bank of Kenya

Table 3: Kenya Shilling Exchange Rate

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
22-Dec-17	103.08	137.68	122.25	90.84	35.09	21.73	8.15	17.12
27-Dec-17	103.08	137.93	122.16	90.92	35.11	21.70	8.15	17.12
28-Dec-17	103.15	138.49	122.74	91.11	35.14	21.72	8.26	17.03
22-28 December 2017	103.10	138.03	122.38	90.95	35.11	21.72	8.19	17.09
29-Dec-17	103.23	138.75	123.28	91.48	35.21	21.70	8.32	17.10
2-Jan-18	103.29	139.65	123.86	91.75	35.22	21.69	8.13	17.09
3-Jan-18	103.35	140.10	124.56	92.22	35.22	21.66	8.13	17.08
4-Jan-18	103.44	140.19	124.39	92.15	35.21	21.63	8.12	17.07
28 December 2017-4 January 2018	103.33	139.67	124.02	91.90	35.22	21.67	8.18	17.08

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

Table 4: Key Weekly Market Statistics

INDICATOR	NASI 100=2008	NSE 25 Share Index	NSE 20 Share Index 100= 1996	Number of Deals (Shares)	Total Shares Traded (Million)	Equity Turnover (KSh Million)	Market Capitalization (KSh Billion)	Bonds Turnover (KSh Million)	5-Year Eurobond Yield (%)	10-Year Eurobond Yield (%)
22-Dec-17	171.62	4,307.40	3,719.38	954.00	16.36	450.38	2,527.91	1,556.21	3.70	5.69
25-Dec-17	Public Holiday									
26-Dec-17	Public Holiday									
27-Dec-17	170.00	4,243.88	3,714.15	832.00	12.12	284.71	2,504.06	1,512.50	3.78	5.68
28-Dec-17	169.64	4,242.38	3,711.64	730.00	14.58	356.93	2,458.80	1,556.21	3.77	5.68
22-28 Dec 2017	169.64	4,242.38	3,711.64	2,516.00	43.06	1,092.02	2,458.80	4,624.91	3.77	5.68
29-Dec-17	171.20	4283	3712	889.00	11.66	231.68	2521.77	1,138.63	3.764	5.67
1-Jan-18	Public Holiday									
2-Jan-18	171.16	4277	3705	839.00	7.06	192.09	2521.26	6.28	3.588	5.601
3-Jan-18	170.98	4284	3676	972.00	15.55	412.45	2518.58	39.92	3.412	5.518
4-Jan-18	171.67	4301	3702	1109.00	20.60	600.62	2528.77	2392.48	3.312	5.451
29 Dec 2017-4 Jan 2018	171.67	4,301.20	3,701.57	3,809.00	54.87	1,436.83	2,528.77	3,577.31	3.31	5.45
Weekly Change (%)	1.20	1.39	- 0.27	51.39	27.44	31.58	2.85	- 22.65	(0.46)*	(0.23)*

* Percentage points

Source: Nairobi Securities Exchange, Central Bank of Kenya & Thompson Reuters

Table 5: Performance of Treasury Bills

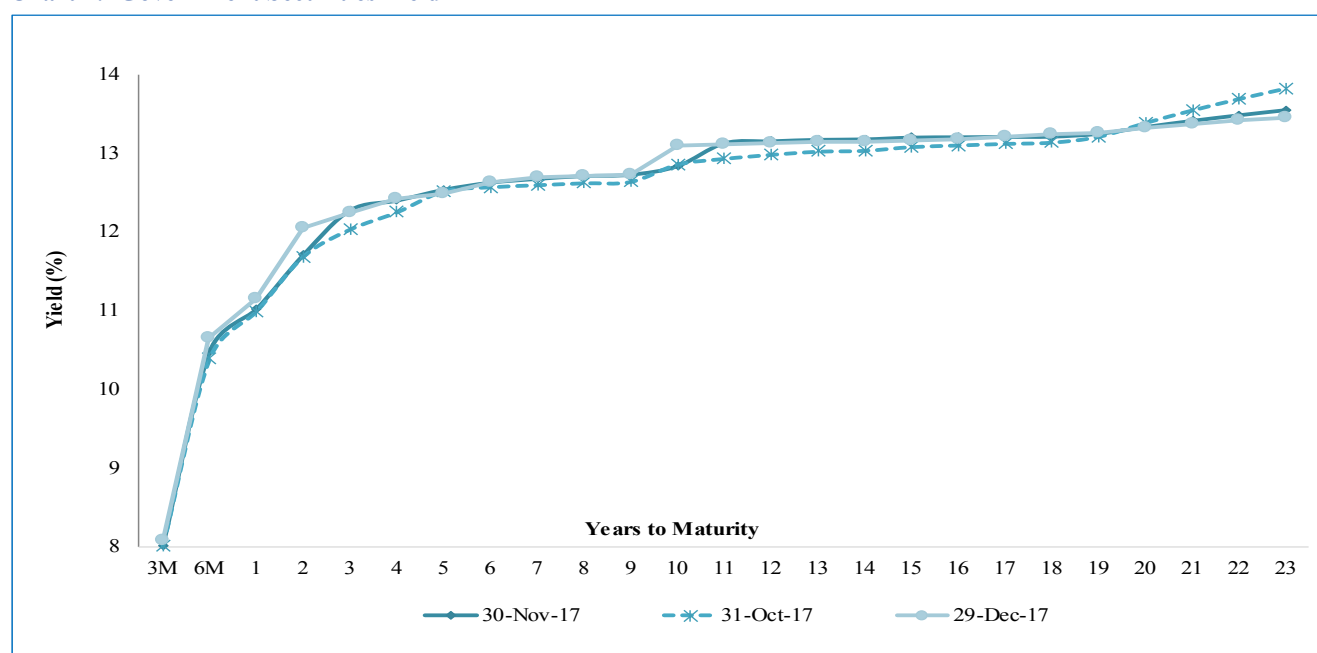
91-Day Treasury Bills								
Date of Auction	27-Jul-17	31-Aug-17	28-Sep-17	19-Oct-17	30-Nov-17	21-Dec-17	28-Dec-17	4-Jan-18
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	964.01	2,773.01	4,023.90	1,672.96	8,509.05	907.63	5,207.84	3,583.22
Amount Accepted (Ksh M)	857.46	1,577.59	4,023.90	680.10	8,509.05	662.82	2,757.46	2,207.97
Maturities (Ksh M)	11,427.00	3,167.80	2,296.35	2,258.60	2,364.45	2,622.55	4,090.65	4,418.10
Average interest Rate (%) - 91 Days	8.202	8.139	8.130	8.078	8.011	8.005	8.080	8.080
182-Day Treasury Bills								
Date of Auction	27-Jul-17	31-Aug-17	28-Sep-17	19-Oct-17	30-Nov-17	21-Dec-17	28-Dec-17	4-Jan-18
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	4,751.78	14,540.81	5,262.62	4,587.85	2,926.48	8,908.24	8,037.18	9,754.96
Amount Accepted (Ksh M)	4,416.32	11,463.28	5,241.99	3,942.07	2,648.09	8,227.94	7,562.55	8,521.37
Maturities (Ksh M)	2,297.80	22,446.95	0.00	0.00	14,627.80	11,272.00	10,213.40	15,526.55
Average interest Rate (%) - 182 days	10.321	10.316	10.317	10.314	10.478	10.583	10.649	10.685
364-Day Treasury Bills								
Date of Auction	27-Jul-17	31-Aug-17	28-Sep-17	19-Oct-17	30-Nov-17	21-Dec-17	28-Dec-17	4-Jan-18
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	9,780.73	15,343.16	3,448.87	4,948.24	6,637.67	10,547.93	6,154.09	7,141.01
Amount Accepted (Ksh M)	9,366.10	13,019.38	3,448.87	3,747.03	6,187.90	9,600.54	4,804.81	4,660.49
Maturities (Ksh M)	6,827.91	9,843.80	8,085.20	5,223.25	4,847.90	2,163.05	0.00	3,722.25
Average interest Rate (%) - 364 days	10.894	10.922	10.958	10.985	11.045	11.128	11.151	11.162

Source: Central Bank of Kenya

Table 6: Performance of Treasury Bonds

Date of Auction	18-Oct-17	22-Nov-17	13-Dec-17		28-Dec-17	
Tenor	FXD 2/2017/5	IFB1/2017/7	FXD1/2008/15	FXD1/2017/10	TAP FXD1/2008/15	TAP FXD1/2017/10
Amount offered (Ksh)	30,000.0	30,000.0	30,000.0		20,000.0	
Bids received (Ksh M)	20,076.8	45,910.9	10,086.3	11,806.1	2,683.6	5,138.9
Amount Accepted (Ksh)	13,504.6	42,020.1	4,679.8	5,366.9	2,683.6	5,138.9
Maturities (Ksh M)	0.0	0.0	0.0	0.0	0.0	0.0
Average interest Rate	12.517	12.232	12.581	13.087	13.087	13.087

Source: Central Bank of Kenya

Chart 4: Government Securities Yield

Source: Central Bank of Kenya

Table 7: Government Domestic Debt (KSh Billion)

	25-Aug-17	29-Sep-17	27-Oct-17	24-Nov-17	08-Dec-17	15-Dec-17	22-Dec-17	29-Dec-17
1. Treasury Bills (Excluding Repos)	727.40	724.80	734.84	709.79	700.44	687.54	680.79	684.72
(As % of total securities)	35.20	34.33	34.38	33.49	32.55	32.15	31.78	31.91
2. Treasury Bonds	1,339.04	1,386.56	1,402.49	1,409.71	1,451.16	1,451.16	1,461.25	1,461.25
(As % of total securities)	64.80	65.67	65.62	66.51	67.45	67.85	68.22	68.09
3. Total Securities (1+2)	2,066.44	2,111.36	2,137.33	2,119.51	2,151.60	2,138.70	2,142.04	2,145.97
4. Overdraft at Central Bank	13.39	24.72	17.70	33.88	28.00	36.82	44.74	42.32
5. Other Domestic debt*	36.71	36.47	40.50	32.83	32.82	32.59	32.59	32.58
6. Gross Domestic Debt (3+4+5)	2,116.54	2,172.55	2,195.53	2,186.21	2,212.42	2,208.11	2,219.36	2,220.87

* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government Overdraft and Tax Reserve Certificates.

Source :Central Bank of Kenya

Table 8: Composition of Government Domestic Debt by Instrument (In Percent)

	30-Jun-17	25-Aug-17	29-Sep-17	27-Oct-17	24-Nov-17	15-Dec-17	22-Dec-17	29-Dec-17
Treasury bills (Excluding Repos)	35.2	34.4	33.4	33.5	32.5	31.1	30.7	30.8
Treasury bonds	63.1	63.3	63.8	63.9	64.5	65.7	65.8	65.8
CBK Overdraft to Govt	0.0	0.6	1.1	0.8	1.5	1.7	2.0	1.9
Other domestic debt	1.7	1.7	1.7	1.8	1.5	1.5	1.5	1.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

Table 9: Composition of Government Domestic Debt by Holder

	25-Aug-17	29-Sep-17	27-Oct-17	24-Nov-17	8-Dec-17	15-Dec-17	22-Dec-17	29-Dec-17
Banking Institutions	55.9	55.9	55.2	54.7	54.2	54.2	54.3	54.6
Insurance Companies	6.2	6.2	6.2	6.3	6.3	6.4	6.4	6.4
Parastatals	6.5	6.3	6.5	7.0	6.9	7.0	6.9	6.9
Pension funds	27.2	27.3	27.8	27.6	28.0	27.9	27.8	27.5
Other investors	4.3	4.3	4.4	4.4	4.5	4.5	4.5	4.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

Table 10: Official Foreign Exchange Reserves US\$ Million (Usable)

	7-Sep-17	14-Sep-17	21-Sep-17	28-Sep-17	5-Oct-17	12-Oct-17	19-Oct-17	24-Oct-17	31-Oct-17	9-Nov-17	16-Nov-17	23-Nov-17	30-Nov-17	7-Dec-17	14-Dec-17	21-Dec-17	28-Dec-17	4-Jan-18
1. CBK Usable Foreign Exchange Reserves (USD Million)*	7,482	7,545	7,511	7,482	7,412	7,373	7,311	7,214	7,143	7,108	7,111	7,081	7,099	7,128	7,091	7,037	7,063	7,081
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.97	5.01	4.98	4.97	4.92	4.90	4.86	4.79	4.74	4.72	4.72	4.70	4.71	4.78	4.75	4.71	4.73	4.74

*Excludes Encumbered Reserves

**Based on 36 months average of imports of goods and non-factor services.

Source: Central Bank of Kenya