



Central Bank of Kenya

# Weekly Bulletin

June 3, 2022



## RECENT MONETARY AND FINANCIAL DEVELOPMENTS

### Monetary Policy Committee Meeting

The Monetary Policy Committee (MPC) meeting of May 30 noted that risks to the inflation outlook were elevated due to increased global commodity prices and supply chain disruptions, and concluded that there was scope for a tightening of the monetary policy in order to further anchor inflation expectations. In view of these developments, the MPC decided to raise the Central Bank Rate (CBR) from 7.00 percent to 7.50 percent.

### Inflation

Overall inflation increased in May on account of higher food and fuel prices. It increased to 7.1 percent from 6.5 percent in April. Food inflation remained elevated due to unfavourable weather conditions, and continued supply chain disruptions. It increased to 12.4 percent from 12.1 percent in April. In addition, fuel inflation increased reflecting elevated international oil prices. It increased to 9.0 percent from 8.5 percent in April. NFNF inflation remained low and stable reflecting muted demand pressures in the economy. It stood at 2.6 percent compared to 2.5 percent in April (**Chart 1**).

### Exchange Rates

The Kenya Shilling remained stable against major international and regional currencies during the week ending June 2. It exchanged at KSh 116.81 per US dollar on June 2, compared to KSh 116.62 per US dollar on May 26 (**Table 1**).

### Foreign Exchange Reserves

The usable foreign exchange reserves remained adequate at USD 8,219 million (4.89 months of import cover) as of June 2. This meets the CBK's statutory requirement to endeavor to maintain at least 4 months of import cover, and the EAC region's convergence criteria of 4.5 months of import cover (**Table 2**).

### Money Market

The money market was relatively liquid during the week ending June 3, supported by government payments, which offset tax remittances. Commercial banks' excess reserves stood at KSh 17.5 billion in relation to the 4.25

percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was 4.74 percent on June 2 compared to 4.63 percent on May 26. During the week, the average number of interbank deals decreased to 23 from 27 in the previous week, while the average value traded increased to KSh 17.5 billion from KSh 14.8 billion (**Table 3**).

### Government Securities Market

The Treasury bill auction of June 2 received bids totalling KSh 20.7 billion against an advertised amount of KSh 24.0 billion, representing a performance of 86.3 percent. Interest rates remained stable, with all the Treasury bills rates increasing marginally (**Table 4**).

### Equity Market

At the Nairobi Securities Exchange, NSE 20 share index rose by 0.4 percent, while NASI and NSE 25 share price indices declined by 1.2 percent and 0.03 percent, respectively. Market capitalization, total shares traded and equity turnover also declined by 1.2 percent, 32.3 percent and 50.7 percent, respectively during the week ending June 2 (**Table 6**).

### Bonds Market

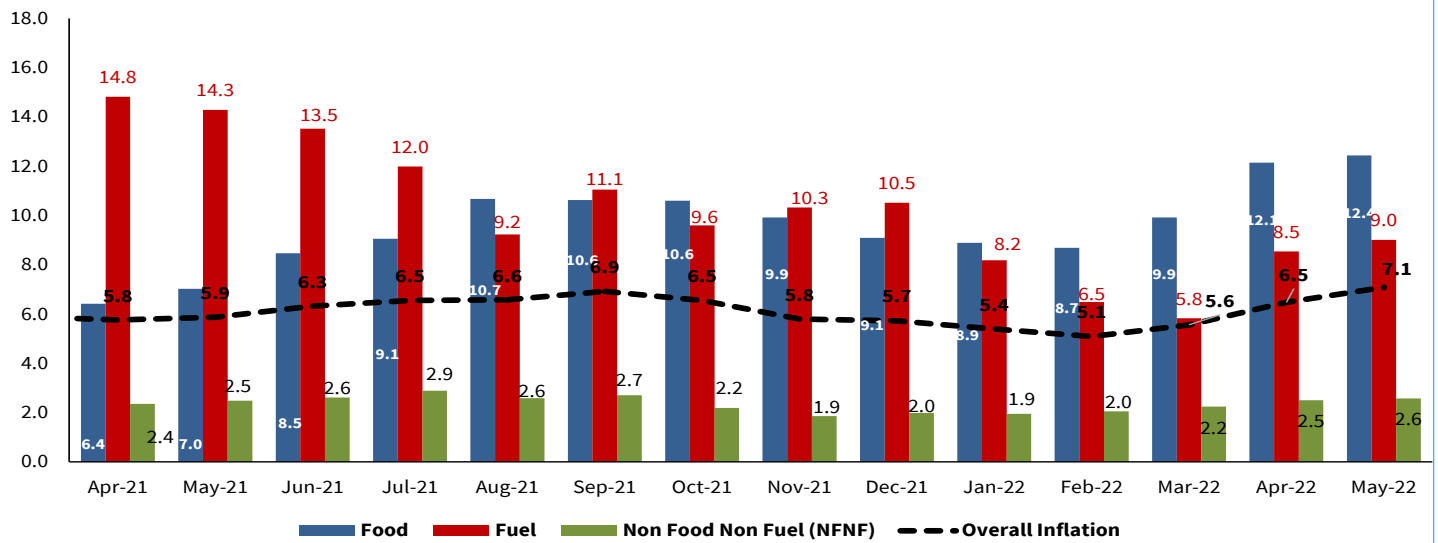
Bond turnover in the domestic secondary market declined by 12.3 percent during the week ending June 2 (**Table 6**). In the international market, the yields on Kenya's Eurobonds rose by an average of 16.4 basis points. The yield on the 10-Year Eurobond for Ghana also rose while that for Angola declined (**Chart 3**).

### Global Trends

Concerns about inflation in the advanced economies linger, as Eurozone inflation increased to 8.1 percent in May from 7.5 percent in April, and the Bank of Canada lifted its benchmark interest rate to 1.5 percent.

International oil prices rose during the week ending June 2, with Murban oil prices increasing to USD 111.71 per barrel, which is comparable to USD 111.19 per barrel on May 26.

**Chart 1: Inflation**



Source: Central Bank of Kenya

**Table 1: Kenya Shilling Exchange Rates (Indicative Mean Rates)**

|                      | USD            | Sterling Pound | Euro          | 100 Japanese Yen | Uganda Shilling* | Tanzania Shilling* | Rwandese Franc* | Burundi Franc* |
|----------------------|----------------|----------------|---------------|------------------|------------------|--------------------|-----------------|----------------|
| 20-May-22            | 116.47         | 145.68         | 123.16        | 91.35            | 31.36            | 19.97              | 8.76            | 17.65          |
| 23-May-22            | 116.47         | 145.68         | 123.16        | 91.35            | 31.36            | 19.97              | 8.76            | 17.65          |
| 24-May-22            | 116.52         | 146.55         | 123.87        | 91.15            | 31.39            | 19.96              | 8.76            | 17.64          |
| 25-May-22            | 116.58         | 146.16         | 124.58        | 91.52            | 31.44            | 19.97              | 8.81            | 17.63          |
| 26-May-22            | 116.62         | 146.28         | 124.44        | 91.67            | 31.63            | 19.95              | 8.75            | 17.63          |
| <b>May 20-26</b>     | <b>116.53</b>  | <b>146.07</b>  | <b>123.84</b> | <b>91.41</b>     | <b>31.44</b>     | <b>19.97</b>       | <b>8.77</b>     | <b>17.64</b>   |
| 27-May-22            | 116.69         | 147.13         | 124.76        | 91.83            | 31.63            | 19.95              | 8.81            | 17.62          |
| 30-May-22            | 116.71         | 147.45         | 125.02        | 91.78            | 31.96            | 19.93              | 8.74            | 17.37          |
| 31-May-22            | 116.74         | 147.45         | 125.60        | 91.43            | 32.31            | 19.93              | 8.74            | 17.61          |
| 1-Jun-22             | Public Holiday |                |               |                  |                  |                    |                 |                |
| 2-Jun-22             | 116.81         | 147.21         | 125.09        | 89.82            | 32.51            | 19.92              | 8.74            | 17.60          |
| <b>May 27- Jun 2</b> | <b>116.74</b>  | <b>147.31</b>  | <b>125.12</b> | <b>91.22</b>     | <b>32.10</b>     | <b>19.93</b>       | <b>8.76</b>     | <b>17.55</b>   |

\*Units of currency per Kenya Shilling

Source: Central Bank of Kenya

**Table 2: Official Foreign Exchange Reserves (USD Million)**

|   | 5-May-22 | 12-May-22 | 19-May-22 | 26-May-22 | 2-Jun-22 |
|---|----------|-----------|-----------|-----------|----------|
| 1. CBK Usable Foreign Exchange Reserves (USD Million)             | 8,401    | 8,372     | 8,294     | 8,177     | 8,219    |
| 2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)* | 4.99     | 4.98      | 4.93      | 4.86      | 4.89     |

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

Source: Central Bank of Kenya

**Table 3: Money Markets**

| Date                | Number of Deals       | Value (KSh M)    | Average Interbank Rate (%) |
|---------------------|-----------------------|------------------|----------------------------|
| 20-May-22           | 27                    | 17,400.00        | 4.35                       |
| 23-May-22           | 19                    | 14,210.00        | 4.38                       |
| 24-May-22           | 28                    | 18,600.00        | 4.40                       |
| 25-May-22           | 32                    | 11,915.00        | 4.64                       |
| 26-May-22           | 27                    | 11,725.00        | 4.63                       |
| <b>May 20-26</b>    | <b>27</b>             | <b>14,770.00</b> | <b>4.48</b>                |
| 27-May-22           | 26                    | 15,500.00        | 4.82                       |
| 30-May-22           | 20                    | 15,700.00        | 4.84                       |
| 31-May-22           | 27                    | 22,500.00        | 4.76                       |
| 1-Jun-22            | <b>Public Holiday</b> |                  |                            |
| 2-Jun-22            | 19                    | 16,400.00        | 4.74                       |
| <b>May 27-Jun 2</b> | <b>23</b>             | <b>17,525.00</b> | <b>4.79</b>                |

Source: Central Bank of Kenya

**Table 4: Performance of Treasury Bill Auctions**

| <b>91-Day Treasury Bills</b>     |              |              |              |              |              |              |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Date of Auction                  | 21-Apr-22    | 28-Apr-22    | 12-May-22    | 19-May-22    | 26-May-22    | 2-Jun-22     |
| Amount Offered (KSh M)           | 4,000.00     | 4,000.00     | 4,000.00     | 4,000.00     | 4,000.00     | 4,000.00     |
| Bids Received (KSh M)            | 8,180.05     | 10,183.46    | 5,278.68     | 5,475.21     | 494.30       | 8,405.31     |
| Amount Accepted (KSh M)          | 8,171.92     | 10,182.29    | 5,278.19     | 2,523.79     | 468.31       | 3,505.97     |
| Maturities (KSh M)               | 1,718.35     | 1,528.15     | 2,779.75     | 1,442.85     | 2,021.00     | 10,000.80    |
| <b>Average Interest Rate (%)</b> | <b>7.448</b> | <b>7.497</b> | <b>7.683</b> | <b>7.758</b> | <b>7.744</b> | <b>7.811</b> |
| <b>182-Day Treasury Bills</b>    |              |              |              |              |              |              |
| Date of Auction                  | 21-Apr-22    | 28-Apr-22    | 12-May-22    | 19-May-22    | 26-May-22    | 2-Jun-22     |
| Amount Offered (KSh M)           | 10,000.00    | 10,000.00    | 10,000.00    | 10,000.00    | 10,000.00    | 10,000.00    |
| Bids Received (KSh M)            | 9,018.64     | 8,700.64     | 7,926.39     | 10,251.80    | 2,845.90     | 7,273.94     |
| Amount Accepted (KSh M)          | 9,018.64     | 8,700.64     | 7,924.77     | 8,337.33     | 2,845.42     | 2,495.14     |
| Maturities (KSh M)               | 4,775.35     | 5,695.65     | 5,396.75     | 6,804.35     | 2,614.95     | 5,453.70     |
| <b>Average Interest Rate (%)</b> | <b>8.373</b> | <b>8.458</b> | <b>8.722</b> | <b>8.832</b> | <b>8.901</b> | <b>8.974</b> |
| <b>364-Day Treasury Bills</b>    |              |              |              |              |              |              |
| Date of Auction                  | 21-Apr-22    | 28-Apr-22    | 12-May-22    | 19-May-22    | 26-May-22    | 2-Jun-22     |
| Amount Offered (KSh M)           | 10,000.00    | 10,000.00    | 10,000.00    | 10,000.00    | 10,000.00    | 10,000.00    |
| Bids Received (KSh M)            | 6,537.28     | 9,394.85     | 11,341.10    | 12,184.59    | 9,721.48     | 5,030.89     |
| Amount Accepted (KSh M)          | 6,535.46     | 9,285.89     | 9,897.73     | 12,006.44    | 9,198.39     | 5,011.66     |
| Maturities (KSh M)               | 8,490.30     | 17,297.30    | 17,684.05    | 11,778.25    | 15,009.20    | 12,678.75    |
| <b>Average Interest Rate (%)</b> | <b>9.755</b> | <b>9.776</b> | <b>9.860</b> | <b>9.879</b> | <b>9.881</b> | <b>9.935</b> |

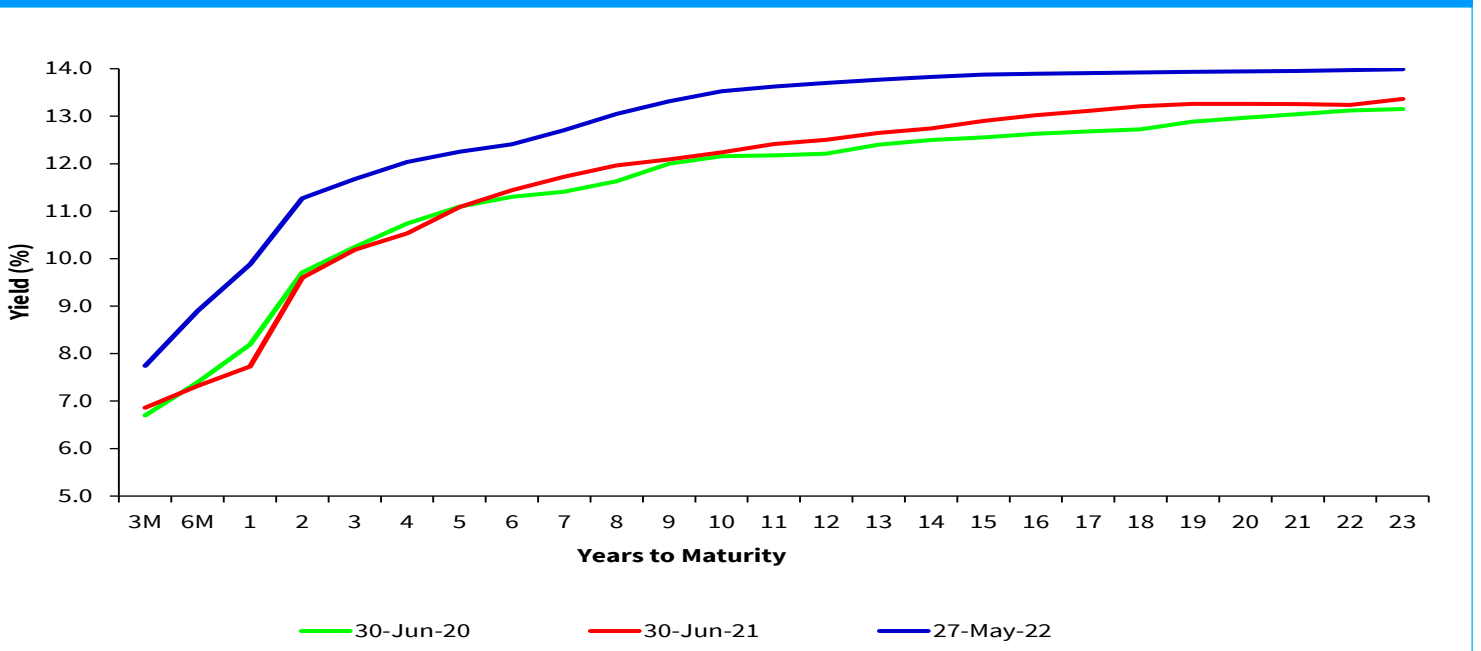
Source: Central Bank of Kenya

**Table 5: Performance of Treasury Bond Auctions**

| Date of Auction           | 18-Mar-22         |                   | 6-Apr-22         | 20-Apr-22         | 11-May-22        |                   | 20-May-22         |                   |
|---------------------------|-------------------|-------------------|------------------|-------------------|------------------|-------------------|-------------------|-------------------|
|                           | TAP               |                   |                  |                   | REOPEN           |                   | TAP               |                   |
| Tenor                     | FXD1/<br>2020/015 | FXD1/<br>2021/025 | FXD1/<br>2022/03 | FXD1/<br>2022/015 | FXD1/<br>2022/10 | FXD1/<br>2021/025 | FXD1/<br>2022/010 | FXD1/<br>2021/025 |
| Amount offered (KSh M)    | 31,500.00         |                   | 40,000.00        | 30,000.00         | 60,000.00        |                   | 10,000.00         |                   |
| Bids received (KSh M)     | 15,563.15         | 5,394.15          | 34,045.50        | 32,545.90         | 32,893.01        | 10,225.98         | 5,967.65          | 11,044.75         |
| Amount Accepted (KSh M)   | 14,651.62         | 5,373.44          | 33,137.89        | 27,637.05         | 28,675.32        | 3,064.50          | 5,967.17          | 11,003.44         |
| Maturities (KSh M)        | 0.00              |                   | 2,866.08         | 0.00              |                  |                   |                   |                   |
| Average interest Rate (%) | 12.76             | 13.92             | 11.78            | 13.94             | 13.49            | 13.92             | 13.49             | 13.92             |

Source: Central Bank of Kenya

**Chart 2: Government Securities Yield Curve**



Source: Nairobi Securities Exchange (NSE)

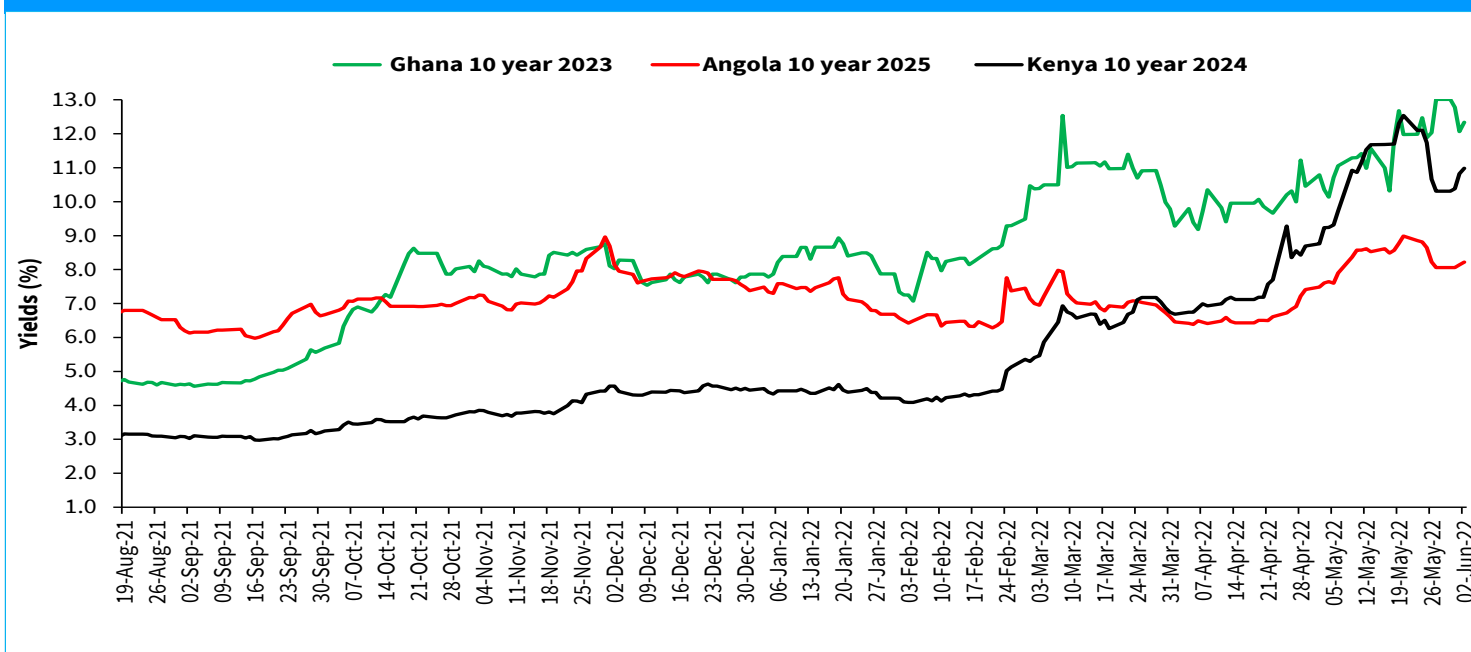
**Table 6: Key Weekly Market Indicators**

| INDICATOR                     | NASI<br>100=2008      | NSE 25<br>Share<br>Index | NSE 20<br>Share<br>Index<br>100=1996 | Total<br>Deals<br>(Equity) | Total<br>Shares<br>Traded<br>(Million) | Equity<br>Turnover<br>(KSh<br>Million) | Market<br>Capitaliza-<br>tion (KSh<br>Billion) | Bonds<br>Turnover<br>(KSh<br>Million) | Eurobond Yields<br>(%) |                 |                 |                 |                 |                 |
|-------------------------------|-----------------------|--------------------------|--------------------------------------|----------------------------|--|--|--|---------------------------------------|------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                               |                       |                          |                                      |                            |  |  |  |                                       | 7-Year<br>2027         | 10-Year<br>2024 | 10-Year<br>2028 | 12-Year<br>2032 | 13-Year<br>2034 | 30-Year<br>2048 |
| 20-May-22                     | 132.52                | 3087.10                  | 1680.53                              | 1,137.00                   | 7.95                                   | 272.70                                 | 2,064.95                                       | 1,242.60                              | 12.596                 | 12.539          | 11.548          | 11.710          | 10.940          | 11.982          |
| 23-May-22                     | 129.06                | 3020.44                  | 1672.27                              | 1,077.00                   | 13.06                                  | 446.62                                 | 2,010.96                                       | 4,268.75                              | 12.157                 | 12.099          | 11.379          | 11.499          | 10.620          | 11.855          |
| 24-May-22                     | 128.34                | 3012.96                  | 1669.94                              | 1,596.00                   | 39.72                                  | 2,310.22                               | 1,999.67                                       | 3,193.35                              | 11.827                 | 12.105          | 11.245          | 11.343          | 10.599          | 11.649          |
| 25-May-22                     | 129.02                | 3023.77                  | 1677.03                              | 1,163.00                   | 16.33                                  | 580.76                                 | 2,010.33                                       | 2,611.70                              | 11.337                 | 11.741          | 10.979          | 11.164          | 10.188          | 11.428          |
| 26-May-22                     | 130.18                | 3052.16                  | 1678.69                              | 1,192.00                   | 27.20                                  | 567.16                                 | 2,028.38                                       | 1,607.20                              | 10.543                 | 10.663          | 10.363          | 10.326          | 9.659           | 10.954          |
| <b>May 20-26</b>              | <b>130.18</b>         | <b>3,052.16</b>          | <b>1,678.69</b>                      | <b>6,165.00</b>            | <b>104.26</b>                          | <b>4,177.46</b>                        | <b>2,028.38</b>                                | <b>12,923.60</b>                      | <b>10.543</b>          | <b>10.663</b>   | <b>10.363</b>   | <b>10.326</b>   | <b>9.659</b>    | <b>10.954</b>   |
| 27-May-22                     | 129.84                | 3066.72                  | 1687.81                              | 1,333.00                   | 13.96                                  | 323.31                                 | 2,023.07                                       | 2,487.74                              | 10.352                 | 10.309          | 10.014          | 10.160          | 9.550           | 10.755          |
| 30-May-22                     | 129.68                | 3077.82                  | 1688.60                              | 1,274.00                   | 5.12                                   | 123.97                                 | 2,020.60                                       | 4,140.45                              | 10.385                 | 10.309          | 10.014          | 10.160          | 9.550           | 10.755          |
| 31-May-22                     | 128.75                | 3055.90                  | 1681.80                              | 1,626.00                   | 30.57                                  | 919.04                                 | 2,006.14                                       | 1,914.65                              | 10.599                 | 10.385          | 10.079          | 10.255          | 9.758           | 10.738          |
| 1-Jun-22                      | <b>Public Holiday</b> |                          |                                      |                            |  |  |  |                                       | 10.609                 | 10.824          | 10.271          | 10.423          | 9.830           | 10.899          |
| 2-Jun-22                      | 128.66                | 3051.37                  | 1685.84                              | 1,301.00                   | 20.97                                  | 694.05                                 | 2,004.67                                       | 2,793.00                              | 10.831                 | 10.986          | 10.306          | 10.472          | 9.924           | 10.972          |
| <b>May 27-<br/>June 2</b>     | <b>128.66</b>         | <b>3,051.37</b>          | <b>1,685.84</b>                      | <b>5,534.00</b>            | <b>70.62</b>                           | <b>2,060.36</b>                        | <b>2,004.67</b>                                | <b>11,335.84</b>                      | <b>10.831</b>          | <b>10.986</b>   | <b>10.306</b>   | <b>10.472</b>   | <b>9.924</b>    | <b>10.972</b>   |
| <b>Weekly<br/>Changes (%)</b> | <b>-1.17</b>          | <b>-0.03</b>             | <b>0.43</b>                          | <b>-10.24</b>              | <b>-32.27</b>                          | <b>-50.68</b>                          | <b>-1.17</b>                                   | <b>-12.29</b>                         | <b>0.288*</b>          | <b>0.323*</b>   | <b>-0.057*</b>  | <b>0.146*</b>   | <b>0.265*</b>   | <b>0.018*</b>   |

\* Percentage points

Source: Nairobi Securities Exchange (NSE) and Thomson Reuters

**Chart 3: Yields on 10 year Eurobonds for Selected Countries**



Source: Thomson Reuters

**Table 7: Government Domestic Debt (KSh Billion)**

|                                       | 30-Jun-21       | 30-Sep-21       | 31-Dec-21       | 31-Mar-22       | 28-Apr-22       | 20-May-22       | 27-May-22       |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1. Treasury Bills (Excluding Repos)   | 765.37          | 763.45          | 709.15          | 656.45          | 640.60          | 633.02          | 637.37          |
| <i>(As % of total securities)</i>     | <b>21.17</b>    | <b>19.78</b>    | <b>17.95</b>    | <b>16.02</b>    | <b>15.47</b>    | <b>15.22</b>    | <b>15.24</b>    |
| 2. Treasury Bonds                     | 2,849.94        | 3,096.84        | 3,242.24        | 3,440.61        | 3,501.35        | 3,526.89        | 3,543.87        |
| <i>(As % of total securities)</i>     | <b>78.83</b>    | <b>80.22</b>    | <b>82.05</b>    | <b>83.98</b>    | <b>84.53</b>    | <b>84.78</b>    | <b>84.76</b>    |
| 3. Total Securities (1+2)             | 3,615.31        | 3,860.29        | 3,951.39        | 4,097.06        | 4,141.95        | 4,159.92        | 4,181.24        |
| 4. Overdraft at Central Bank          | 59.28           | 55.11           | 59.31           | 68.40           | 58.63           | 58.59           | 55.84           |
| 5. Other Domestic debt*               | 22.50           | 22.37           | 21.66           | 26.32           | 26.32           | 26.27           | 26.26           |
| <b>6. Gross Domestic Debt (3+4+5)</b> | <b>3,697.09</b> | <b>3,937.78</b> | <b>4,032.37</b> | <b>4,191.77</b> | <b>4,226.89</b> | <b>4,244.78</b> | <b>4,263.34</b> |

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

Source: Central Bank of Kenya

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

|                                  | 30-Jun-21     | 30-Sep-21     | 31-Dec-21     | 25-Mar-22     | 28-Apr-22     | 20-May-22     | 27-May-22     |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Treasury bills (Excluding Repos) | 20.70         | 19.39         | 17.59         | 15.81         | 15.16         | 14.91         | 14.95         |
| Treasury bonds                   | 77.09         | 78.64         | 80.41         | 82.09         | 82.83         | 83.09         | 83.12         |
| Overdraft at Central Bank        | 1.60          | 1.40          | 1.47          | 1.46          | 1.39          | 1.38          | 1.31          |
| Other domestic debt              | 0.61          | 0.57          | 0.54          | 0.64          | 0.62          | 0.62          | 0.62          |
| <b>TOTAL</b>                     | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> |

Source: Central Bank of Kenya

**Table 9: Composition of Government Domestic Debt by Holder (Percent)**

|                      | 30-Jun-21     | 30-Sep-21     | 31-Dec-21     | 25-Mar-22     | 28-Apr-22     | 20-May-22     | 27-May-22     |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Banking Institutions | 51.24         | 50.82         | 50.20         | 49.29         | 49.03         | 48.85         | 48.50         |
| Insurance Companies  | 6.66          | 6.60          | 6.79          | 6.87          | 6.96          | 7.01          | 7.07          |
| Parastatals          | 5.54          | 5.39          | 5.57          | 5.72          | 5.77          | 5.79          | 5.81          |
| Pension Funds        | 30.60         | 31.24         | 31.34         | 31.75         | 31.92         | 31.97         | 32.25         |
| Other Investors      | 5.96          | 5.95          | 6.10          | 6.37          | 6.32          | 6.38          | 6.37          |
| <b>Total</b>         | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> |

Source: Central Bank of Kenya

**Table 10: Indicators of Government Debt**

|   | Sep-20          | Dec-20          | Mar-21          | Jun-21          | Sep-21          | Dec-21          | Mar-22          |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Domestic debt (KSh Bn)                              | 3,457.11        | 3,488.54        | 3,569.84        | 3,697.09        | 3,937.80        | 4,032.37        | 4,191.77        |
| Public & Publicly Guaranteed External debt (USD Bn) | 33.77           | 34.75           | 34.42           | 37.08           | 36.73           | 36.90           | 36.82           |
| Public & Publicly Guaranteed External debt (KSh Bn) | 3,663.49        | 3,793.29        | 3,769.87        | 3,999.54        | 4,058.50        | 4,174.37        | 4,209.56        |
| Public debt (KSh Bn)                                | <b>7,120.60</b> | <b>7,281.83</b> | <b>7,339.71</b> | <b>7,696.63</b> | <b>7,996.30</b> | <b>8,206.74</b> | <b>8,401.33</b> |

Source: National Treasury and Central Bank of Kenya