



Central Bank of Kenya

Weekly Statistical Bulletin

Key Monetary and Financial Indicators

September 28, 2018

Inflation

Overall inflation rose to 5.7 percent in September 2018, from 4.0 percent in August 2018, owing to rising fuel prices and a mild pickup in food prices.

Fuel inflation rose to 17.4 percent in September 2018 from 14.2 percent in August 2018, mainly driven by rising electricity, charcoal and pump prices. Moreover, transport fares and house rents rose during the month. The increase in pump prices and transport fares followed the implementation of the Value added tax (VAT) on petroleum products.

Food inflation rose to 0.9 percent in September 2018 from -0.6 percent in August 2018, largely due to price increases of a few items such as Irish potatoes, kale (sukuma wiki), beef with bones and sugar. Non Food Non Fuel (NFNF) inflation marginally increased to 4.7 percent from 4.2 percent in August 2018, reflecting minimal demand pressures in the economy (**Chart 1**).

Real GDP Growth

The economy grew by 6.3 percent in the second quarter of 2018 compared to 4.7 percent in the second quarter of 2017, driven by strong growth in agriculture and services. The Agriculture sector grew by 5.6 percent in the second quarter of 2018, a significant improvement from a growth of 0.8 percent in a similar quarter of 2017. Growth in the sector largely reflects increased output of tea, coffee, canes delivered to millers, fruits and dairy production.

The industry sector performance also improved to 4.7 percent in the second quarter of 2018 compared to 3.6 percent in a similar quarter of 2017. The improved performance was reflected in

the manufacturing, electricity and water supply sectors. The services sector grew by 6.9 percent in second quarter of 2018, almost similar to growth of 7.0 percent in the second quarter of 2017. Strong performance was recorded in the Wholesale and Retail trade, Accommodation and Restaurant, Information and Communication, Public administration, Real Estate and Education (**Table 1**).

Interbank Market

Activity in the interbank market decreased during the week ending September 26, 2018. The average volumes traded decreased to KSh 11.3 billion during the week compared to KSh 14.3 billion in the previous week, while the average number of deals decreased to 20 from 25. However, the weighted average interbank rate increased to 4.39 percent from 3.62 percent in the previous week, partly reflecting increased demand for funds by banks towards the end of the week to facilitate tax remittances (**Table 2**).

Exchange Rate

The Kenya Shilling remained relatively steady against major international and regional currencies during the week ending September 27, 2018. The shilling strengthened against the Japanese Yen, and remained stable against the US Dollar. It however, weakened against the Sterling Pound and the Euro. In the EAC region, the Kenya Shilling remained stable against all the currencies (**Table 3**).

Government Securities Market

The Treasury bills auction for the week achieved a subscription rate of 85.9 percent rate compared to 123.9 percent in the previous week due to

low liquidity on account of tax payments. The auction received bids totaling KSh 20.6 billion against an advertised amount of KSh 24.0 billion. Nevertheless, only the 182-day Treasury bill was undersubscribed at 50.9 percent. The 91-day tenor was over subscribed at 127.4 percent and 364-day tenor also achieved a subscription rate of 104.3 percent. Interest rates on the three Treasury bills declined further during the September 27, 2018 auction (**Table 6**).

Equity Market

Share prices rose during the week ending September 27, 2018, with the NASI, NSE 25 and NSE 20 share indices closing marginally higher by 1.4 percent, 2.3 percent, and 1.2 percent, respectively. The equity market recorded increased activity with the total number of shares traded going up by 28.8 percent, leading to a rise in equity turnover by 62.1 percent. Shareholders' wealth, measured by market capitalization, rose by 1.4 percent, on account of increased demand pushing up share prices (**Table 4**).

Bond Market

The bond market recorded subdued performance as indicated by 11.3 percent decrease in bond turnover (**Table 4**) and a drop in the number of bonds traded from 217 in the previous week to 197 in the week ending September 27, 2018.

Yields on Kenya's 5-year, 10-year Eurobond (2024), 10-year (2028) and 30-year Eurobonds reduced in the week ending September 20, 2018 (**Table 4**), just like yields on Eurobonds of selected Africa countries (**Chart 2**).

Global Financial Markets

The global financial markets showed signs of improved performance during the week. The FTSE 100 continued to show gains with an increase of 2.33 percent while the Standard & Poor 500 showed marginal declines of 0.57 percent. Emerging markets ended the week stronger compared to the previous week. Equities in Asia ended the week higher with the (MSCI-EM) closing at 1,051.30 from 1,036.927 showing 1.4 percent increase in the week ending September 27, 2018. The rise may be attributed to the boost in China's mainland stock and the opening of new accounts, after the MSCI Inc. announcement that it is considering increasing the weight of the shares in its global indices from 2019. Improved bilateral relations with the US and Germany have also seen strengthening of the Turkish lira. However, the Argentinian peso showed declines, despite a revised loan package from the International Monetary Fund aimed at easing investor concerns.

Table 1: Real GDP Growth

	Quarterly						2017H1	2018H1
	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2		
1. Agriculture	0.9	0.8	3.7	1.4	5.2	5.6	0.8	5.4
2. Non-Agriculture (o/w)	6.0	6.0	5.0	6.2	5.9	6.5	6.0	6.2
2.1 Industry	4.1	3.6	2.5	4.1	4.1	4.7	3.8	4.4
Mining & Quarrying	7.1	6.0	6.4	5.0	4.6	3.5	6.6	4.0
Manufacturing	1.3	-0.2	0.0	-0.4	2.3	3.1	0.5	2.7
Construction	6.1	6.0	4.5	5.8	5.1	8.6	6.1	6.9
Electricity & water supply	8.3	9.5	5.6	10.9	7.2	6.1	8.9	6.6
2.2 Services	7.2	7.0	6.2	7.0	6.8	6.9	7.1	6.9
Wholesale & Retail Trade	4.3	5.6	6.7	6.5	6.2	7.7	5.0	7.0
Accommodation & restaurant	24.5	12.6	12.4	9.5	13.5	15.7	19.6	14.3
Transport & Storage	9.5	8.0	5.3	7.0	7.1	7.8	8.7	7.5
Information & Communication	12.5	10.8	10.7	10.1	12.0	12.6	11.7	12.2
Financial & Insurance	4.7	3.5	1.7	2.4	2.6	2.3	4.1	2.5
Public administration	4.6	5.3	5.0	6.1	4.6	5.8	5.0	5.3
Professional, Administration & Support Services	4.2	5.6	2.4	4.0	4.4	5.4	4.9	4.9
Real estate	6.1	6.0	6.1	6.3	6.8	6.6	6.1	6.7
Education	5.7	6.0	5.7	6.8	6.8	6.3	5.8	6.5
Health	4.0	6.8	6.4	6.3	6.1	6.1	5.5	6.1
Other services	6.6	5.2	4.5	3.7	2.4	2.5	5.9	2.5
FISIM	-1.5	-6.4	-5.0	-7.4	-0.6	2.1	-3.9	0.7
2.3 Taxes on products	4.6	6.1	4.0	6.1	5.4	7.8	5.3	6.6
Real GDP Growth	4.7	4.7	4.7	5.4	5.7	6.3	4.7	6.0

H1: refers to first half of the year

Source: KNBS and CBK Staff computations

Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
13-Sep-18	34	19,525	3.47
14-Sep-18	33	19,600	3.63
17-Sep-18	21	11,570	3.63
18-Sep-18	20	13,100	3.55
19-Sep-18	16	7,700	3.82
September 13- 19, 2018	25	14,299	3.62
20-Sep-18	17	6,475	3.55
21-Sep-18	19	9,515	3.84
24-Sep-18	16	10,900	4.23
25-Sep-18	22	14,850	4.89
26-Sep-18	25	14,765	5.43
September 20- 26, 2018	20	11,301	4.39

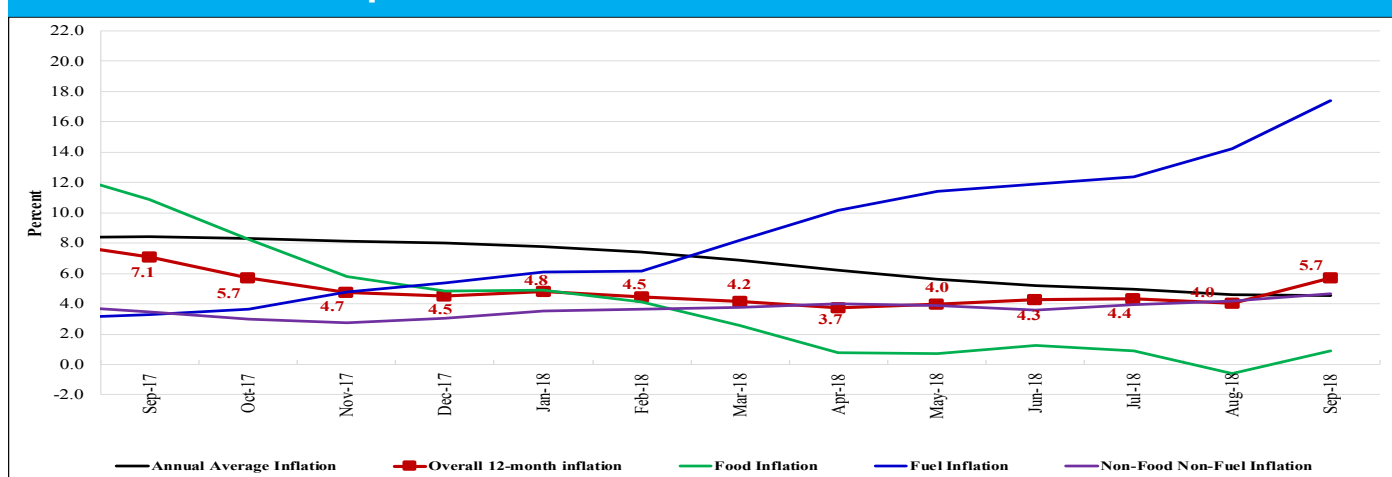
Source: Central Bank of Kenya

Table 3: Kenya Shilling Exchange Rates (Indicative Mean Rates)

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
14-Sep-18	101.18	132.63	118.32	90.65	37.63	22.61	8.71	17.51
17-Sep-18	100.96	132.24	117.82	90.10	37.69	22.58	8.59	17.68
18-Sep-18	100.84	132.52	117.82	90.03	37.86	22.69	8.74	17.57
19-Sep-18	100.80	132.64	117.94	89.82	37.95	22.66	8.74	17.58
20-Sep-18	100.79	132.44	117.63	89.85	37.94	22.65	8.75	17.58
September 14- 20, 2018	100.91	132.49	117.91	90.09	37.81	22.64	8.71	17.58
21-Sep-18	100.80	133.45	118.37	89.85	37.93	22.66	8.75	17.72
24-Sep-18	100.86	132.09	118.43	89.59	37.80	22.69	8.74	17.57
25-Sep-18	100.98	132.80	119.14	89.73	37.78	22.62	8.73	17.55
26-Sep-18	101.06	132.87	119.02	89.54	37.83	22.61	8.73	17.54
27-Sep-18	100.91	132.95	118.51	89.41	37.88	22.68	8.74	17.56
September 21- 27, 2018	100.92	132.83	118.69	89.62	37.84	22.65	8.74	17.59

* Units of currency per Kenya Shilling

Source :Central Bank of Kenya

Chart 1: Inflation Developments

Source: KNBS and CBK staff calculations

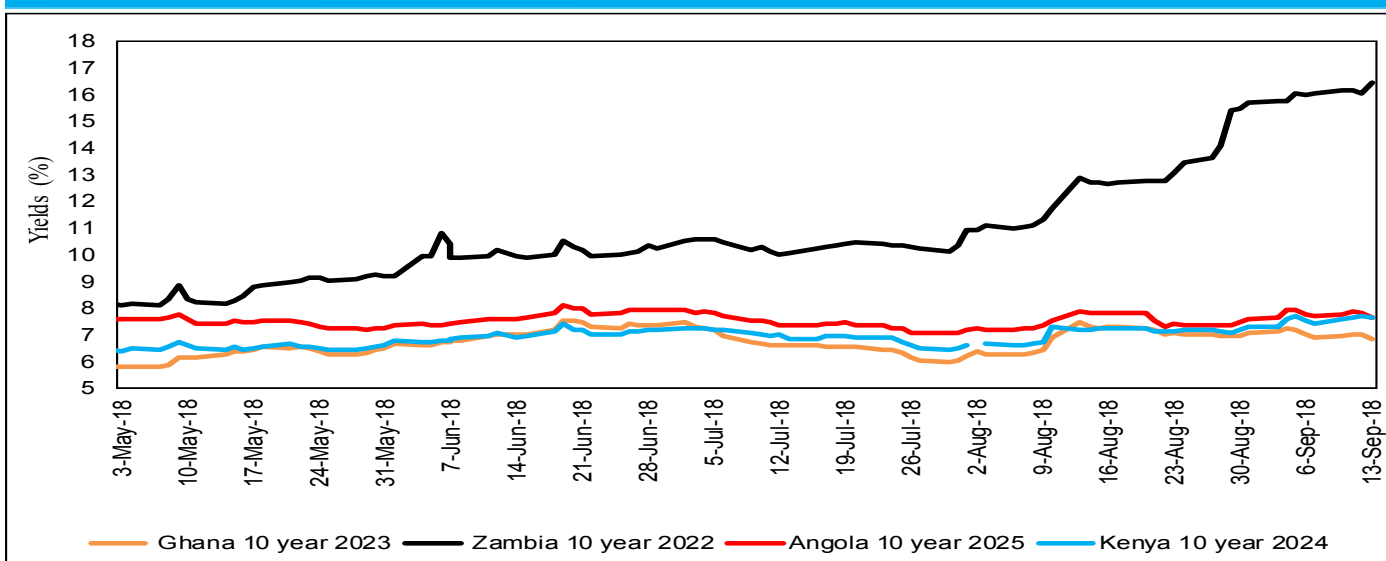
Table 4: Key Weekly Market Indicators

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 Euro-bond Yield (%)	10-Year Euro-bond Yield (%) - 2024	10-Year Euro-bond Yield (%) - 2028	30-Year Euro-bond Yield (%)
14-Sep-18	158.13	4033.64	2993.38	1,262	38.20	1,092.86	2,336.65	1,239.32	5.356	7.556	8.294	9.216
17-Sep-08	157.57	4011.26	2969.69	1,207	17.76	321.10	2,328.35	2,601.58	5.354	7.606	8.314	9.229
18-Sep-08	157.75	4008.73	2962.01	1,376	24.30	607.35	2,330.97	1,240.22	5.352	7.661	8.436	9.339
19-Sep-08	155.86	3947.4	2929.51	1,061	15.65	409.80	2,302.97	2,371.61	5.351	7.601	8.335	9.286
20-Sep-08	148.52	3763.57	2858.46	1,308	13.56	364.04	2,194.31	2,740.35	4.629	7.403	8.15	9.049
Sept. 14-20 Sept, 2018	148.52	3763.57	2858.46	6,214	109.47	2,795.15	2,194.31	10,193.08	4.629	7.403	8.150	9.049
21-Sep-18	145.49	3704.55	2832.48	1,316	32.43	1,040.93	2.15	1,125.90	4.761	7.386	8.086	9.019
24-Sep-08	149.35	3787.33	2873.04	1,500	41.90	1,175.26	2.21	534.40	4.62	7.277	8.015	8.99
25-Sep-08	149.05	3797.99	2873.03	1,266	18.64	617.79	2.20	1,412.41	4.649	7.217	7.936	8.9
26-Sep-08	150.1	3835.46	2889.24	1,321	23.06	967.13	2.22	2,851.43	4.473	6.968	7.756	8.689
27-Sep-08	150.6	3850.13	2891.4	1,498	25.02	729.82	2,225.13	3,118.00	4.457	6.819	7.616	8.521
Sept. 21- 27 Sept, 2018	150.60	3850.13	2891.40	6,901	141.05	4,530.93	2,225.13	9,042.13	4.457	6.819	7.616	8.521
Weekly Change (%)	1.40	2.30	1.15	11.06	28.84	62.10	1.40	-11.29	-0.172*	-0.584*	-0.534*	-0.528*

* Percentage points

Source: Central Bank of Kenya, NSE and Thompson Reuters

Chart 2: Yields on 10 year Eurobonds in Selected African Countries



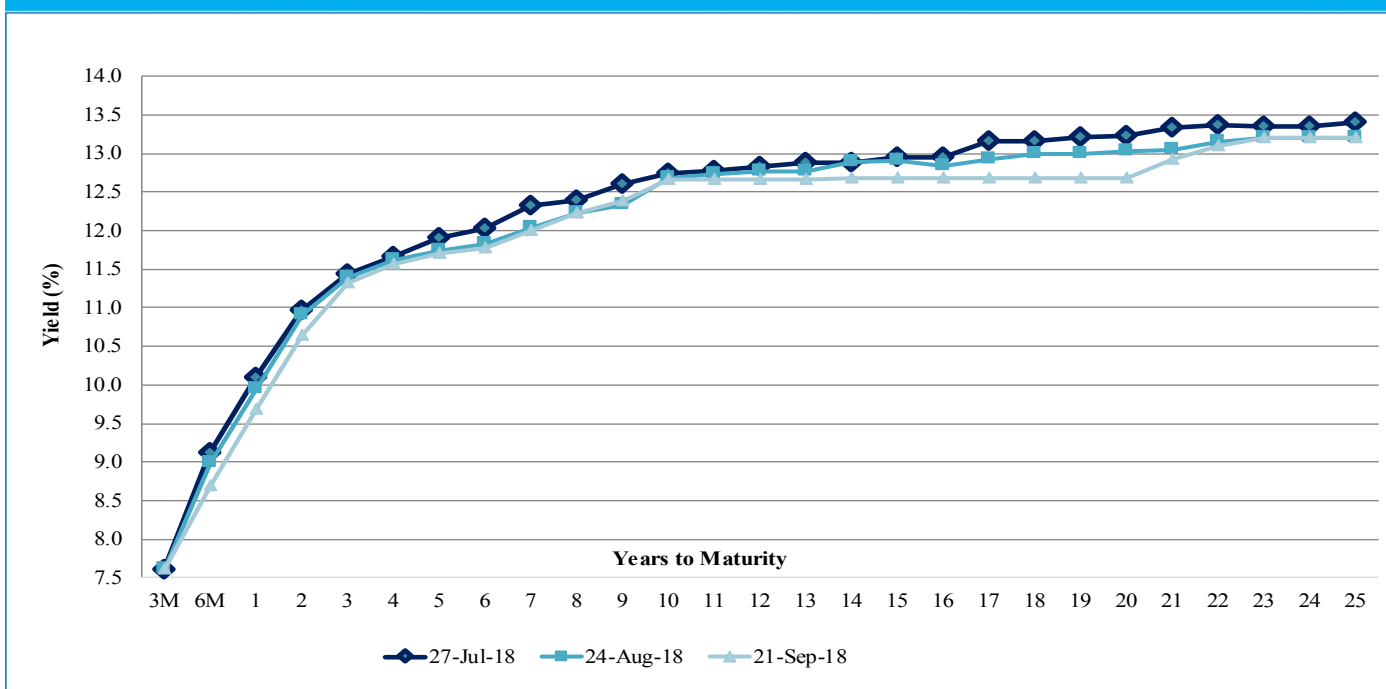
Source: Thompson Reuters

Table 5: Performance of Treasury Bonds Auctions

Date of Auction	25-Apr-18		23-May-18		20-Jun-18	25-Jul-18	22-Aug-18	19-Sep-18
	REOPEN FXD 1/2008/15	REOPEN FXD 1/2018/20	FXD1/2018/15	FXD1/2018/25	FXD2/2018/20	FXD1/2018/10	REOPEN FXD FXD12/2008/10	REOPEN FXD FXD1/2018/20
Amount offered (Ksh M)	40,000.0		40,000.0		40,000.0	40,000.0	40,000.0	40,000.0
Bids received (Ksh M)	22,864.2	9,904.2	20,217.0	10,130.7	13,860.3	29,825.3	32,466.5	
Amount Accepted (Ksh M)	20,152.6	6,786.1	12,863.5	5,171.8	10,512.4	19,362.2	21,244.6	5,308.4
Maturities (Ksh M)	0.0	0.0	0.0	26,340.1	0.0	0.0	0.0	0.0
Average interest Rate (%)	12.317	13.327	13.078	13.451	13.371	12.686	12.665	12.931

Source: Central Bank of Kenya

Chart 3: Kenya Government Securities Yield Curve



Source: Central Bank of Kenya and NSE

Table 6: Performance of Treasury Bills Auctions**91-Day Treasury Bills**

Date of Auction	06-Sep-18	13-Sep-18	20-Sep-18	27-Sep-18
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	2,559.93	7,316.61	5,741.21	5,096.36
Amount Accepted (Ksh M)	2,559.93	7,310.13	3,931.83	5,061.43
Maturities (Ksh M)	881.25	3,622.60	5,555.00	3,629.35
Average interest Rate (%) - 91 Days	7.649	7.642	7.618	7.609

182-Day Treasury Bills

Date of Auction	06-Sep-18	13-Sep-18	20-Sep-18	27-Sep-18
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	12,615.61	17,090.86	11,157.80	5,086.11
Amount Accepted (Ksh M)	9,700.77	7,271.23	8,003.47	5,056.99
Maturities (Ksh M)	12,153.90	8,880.65	7,501.55	3,905.45
Average interest Rate (%) - 182 days	8.876	8.770	8.683	8.646

364-Day Treasury Bills

Date of Auction	06-Sep-18	13-Sep-18	20-Sep-18	27-Sep-18
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	20,512.59	19,066.23	12,828.05	10,429.49
Amount Accepted (Ksh M)	15,135.04	11,429.22	9,549.24	9,417.98
Maturities (Ksh M)	10,671.70	8,195.05	4,045.95	3,804.75
Average interest Rate (%) - 364 days	9.825	9.735	9.676	9.670

Source: Central Bank of Kenya

Table 7: Government Domestic Debt (KSh Billion)

	29-Jun-18	27-Jul-18	24-Aug-18	31-Aug-18	07-Sep-18	14-Sep-18	21-Sep-18
1. Treasury Bills (Excluding Repos)	878.62	946.99	927.97	922.48	918.86	924.46	931.33
(As % of total securities)	36.75	38.73	38.14	37.70	37.61	37.75	38.27
2. Treasury Bonds	1,511.87	1,498.37	1,505.10	1,524.47	1,524.47	1,524.47	1,502.34
(As % of total securities)	63.25	61.27	61.86	62.30	62.39	62.25	61.73
3. Total Securities (1+2)	2,390.49	2,445.36	2,433.07	2,446.94	2,443.32	2,448.93	2,433.67
4. Overdraft at Central Bank	56.85	30.24	7.84	15.06	20.64	16.99	33.82
5. Other Domestic debt*	31.44	31.49	32.07	32.08	32.07	31.70	31.70
6. Gross Domestic Debt (3+4+5)	2,478.78	2,507.09	2,472.98	2,494.08	2,496.03	2,497.63	2,499.19

* 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 (Percent)

	29-Jun-18	27-Jul-18	24-Aug-18	31-Aug-18	07-Sep-18	14-Sep-18	21-Sep-18
Treasury bills (Excluding Repos)	35.4	37.8	37.5	37.0	36.8	37.0	37.3
Treasury bonds	61.0	59.8	60.9	61.1	61.1	61.0	60.1
CBK Overdraft to Govt	2.3	1.2	0.3	0.6	0.8	0.7	1.4
Other domestic debt	1.3	1.3	1.3	1.3	1.3	1.3	1.3
TOTAL	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 (In Percent)

	29-Jun-18	27-Jul-18	24-Aug-18	31-Aug-18	07-Sep-18	14-Sep-18	21-Sep-18
Banking Institutions	55.2	55.7	55.1	55.2	55.2	55.5	55.4
Insurance Companies	6.2	6.1	6.2	6.2	6.1	6.1	6.1
Parastatals	7.0	7.1	7.1	7.1	7.2	7.2	7.3
Pension funds	27.1	26.6	27.2	27.1	26.9	26.7	26.6
Other investors	4.4	4.4	4.5	4.5	4.5	4.5	4.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

Table 10: Indicators of Total Government Debt

	Jun-17	Sep-17	Dec-17	Mar-18	Apr-18	May-18	Jun-18
Domestic debt (KSh Billion)	2,111.71	2,172.84	2,220.35	2,371.65	2,415.25	2,447.58	2,478.84
Public & Publicly Guaranteed External debt (US \$ Billion)	22.1	22.4	22.8	24.9	25.5	25.3	25.3
Public & Publicly Guaranteed External debt (KSh Billion)	2,294.40	2,310.20	2,349.28	2,512.43	2,562.18	2,573.13	2,560.20
Total public debt (KSh Billion)	4,406.11	4,483.03	4,569.63	4,884.08	4,977.43	5,020.70	5,039.03

Source: National Treasury and Central Bank of Kenya

Table 11: Official Foreign Exchange Reserves in US\$ Million (Usable)

	23-Aug-18	30-Aug-18	06-Sep-18	13-Sep-18	20-Sep-18	27-Sep-18
1. CBK Usable Foreign Exchange Reserves (USD Million)*	8,676	8,652	8,565	8,536	8,464	8,436
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	5.78	5.76	5.71	5.69	5.64	5.58

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya