



Central Bank of Kenya

Weekly Bulletin

December 31, 2020

KEY MONETARY AND FINANCIAL INDICATORS

Inflation

Overall inflation increased to 5.7 percent compared to 5.3 percent in November largely driven by increases in food prices during the festive season (Chart 1)

Real GDP Growth

The economy started to recover in 2020q3 as the contraction narrowed to -1.1 percent compared to -5.5 percent in 2020q2. The recovery was mostly a result of the impressive performance of agriculture sector which grew by 6.3 percent. There was noticeable recovery of industry to 4.9 percent, from -0.5 percent in the previous quarter.

The services sector contracted by -5.5 percent in 2020q3 largely driven by sharp contraction of accommodation and restaurant (-57.9 percent), and education (-41.9 percent) as a result of Covid-19 pandemic disruptions (Table 1).

Exchange Rates

The Kenya Shilling remained stable against major international and regional currencies during the week ending December 31. It exchanged at KSh 109.17 per US dollar on December 31, compared to KSh 108.79 per US dollar on December 24 (Table 2).

Foreign Exchange Reserves

The usable foreign exchange reserves remained adequate at USD 7,750 million (4.76 months of import cover) as at December 31. 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 3).

Money Markets

The money market was liquid during the week ending December 31, supported by government payments. Commercial banks' excess reserves stood at KSh 16.8 billion in relation to the 4.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was 6.05 percent on December 31 compared to 5.92 percent on December 24. The average number of interbank deals per day increased marginally to 30 from 27 in the previous

week, while the average value traded increased to KSh 17.8 billion from KSh 10.5 billion in the previous week (Table 4).

Government Securities Market

The Treasury bills auction of December 30 received bids totaling KSh 5.2 billion against an advertised amount of KSh 24.0 billion, representing a performance of 21.6 percent. Interest rates on all the Treasury bills tenors remained stable, with marginal changes where the 91-day and 182-day Treasury bills rate decreased while the 364-day Treasury bill rate increased (Table 5).

The tap sale for the 15-year Treasury bonds of December 23 received bids totaling KSh 10.0 billion against an advertised amount of KSh 22.0 billion, representing a performance of 45.5 percent (Table 6).

Equity Market (to be updated)

At the Nairobi Securities Exchange, the NASI, NSE 25, NSE 20 share price indices and market capitalization increased by 2.6 percent, 2.2 percent, 2.4 percent, and 2.7 percent, respectively, during the week ending December 24. However, the total shares traded and the equity turnover declined by 39.3 percent and 3.5 percent, respectively (Table 7).

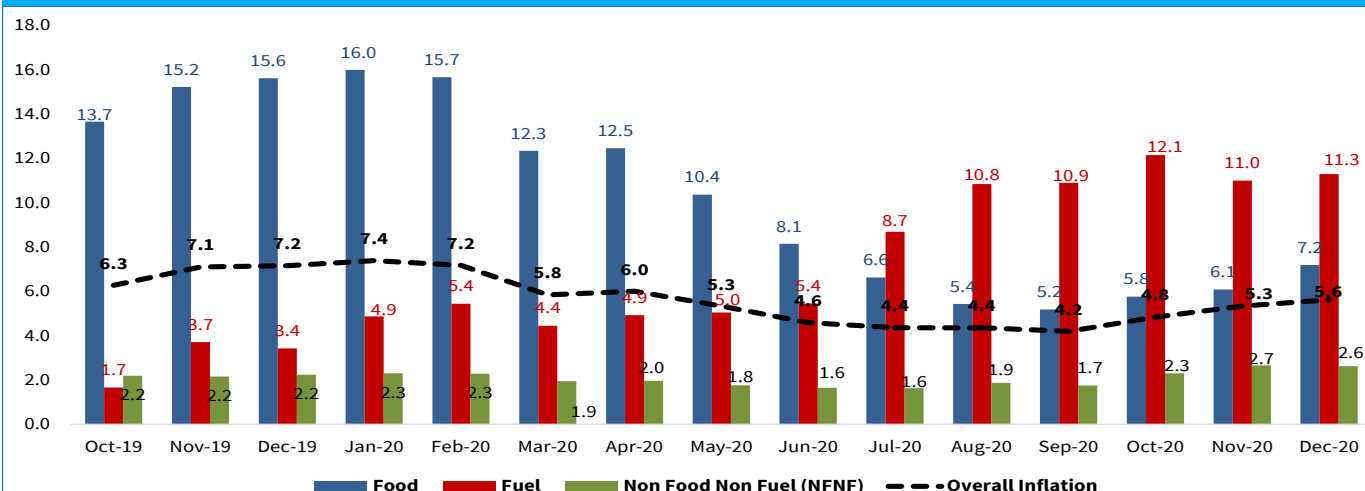
Bonds Market (to be updated)

Turnover of bonds traded in the domestic secondary market increased by 61.0 percent during the week ending December 24 (Table 8). In the international market, yields on Kenya's Eurobonds remained stable, increasing by an average of 1.4 basis points. The yields on the 10-year Eurobonds for Ghana and Angola also remained relatively stable (Chart 2).

Global Trends

Global financial markets sentiment remained largely positive during the week ending December 31. The Fed Reserve extended its main street lending programme which was targeting small and small sized business affected by corona virus pandemic. Sentiments were also driven by the exit of the United Kingdom from European union.

Asian shares are expected to end the year on a positive note with sentiments being lifted by hopes of a vaccinated economic recovery. International oil prices declined during the week ending December 31. Murban oil prices fell to 51.23 on December 30 from 51.43 on December 24.

Chart 1: Inflation


Source: Kenya National Bureau of Statistics (KNBS)

Table 1: Gross domestic product (GDP) growth by activity (%)

	2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1. Agriculture	4.0	2.0	5.0	3.6	5.8	7.3	6.3
2. Non-Agriculture (o/w)	5.6	6.0	6.0	5.8	4.9	-9.2	-2.7
2.1 Industry	4.1	5.5	5.0	4.0	4.4	-0.5	4.9
Mining & Quarrying	1.4	5.0	3.4	0.3	9.5	10.0	18.2
Manufacturing	2.3	4.1	3.9	2.6	2.9	-3.9	-3.2
Electricity & water supply	7.8	7.3	6.4	6.4	6.3	-0.6	4.7
Construction	6.1	7.2	6.6	5.7	5.3	3.9	16.2
2.2 Services	6.4	6.7	6.7	6.8	5.5	-11.6	-5.3
Wholesale & Retail Trade	6.3	7.8	6.1	6.4	6.4	-7.0	-2.5
Accommodation & restaurant	11.0	12.1	9.9	9.0	-9.3	-83.2	-57.9
Transport & Storage	6.4	7.6	7.6	9.2	6.1	-11.4	2.9
Information & Communication	10.0	7.5	8.0	9.1	9.8	4.6	7.3
Financial & Insurance	6.3	5.2	8.1	6.6	6.2	4.2	5.3
Public administration	8.9	8.7	8.4	6.2	6.7	5.7	9.6
Professional, Administration & Support Services	5.5	4.2	4.8	4.9	4.4	-15.3	-12.3
Real estate	4.7	6.0	5.5	5.1	4.4	2.3	5.3
Education	4.3	6.0	6.0	5.5	5.3	-56.2	-41.9
Health	5.4	6.2	5.5	6.2	5.8	10.3	5.6
Other services	5.6	5.6	5.3	3.8	2.2	-8.5	-4.5
FISIM	4.6	7.3	6.8	5.7	5.0	3.7	7.7
2.3 Taxes on products	4.7	4.0	4.2	4.5	3.4	-14.2	-4.2
Real GDP Growth	5.2	5.1	5.8	5.4	5.2	-5.5	-1.1

Source: Kenya National Bureau of Statistics (KNBS)

Table 2: Kenya Shilling Exchange Rates (Indicative Mean Rates)

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
18-Dec-20	111.57	151.71	136.30	107.84	32.60	20.78	8.88	17.38
21-Dec-20	111.45	150.72	136.47	107.71	32.84	20.81	8.89	17.40
22-Dec-20	111.04	147.49	135.03	107.28	32.85	20.88	8.92	17.47
23-Dec-20	109.44	146.91	133.73	105.90	33.40	21.19	9.05	17.72
24-Dec-20	108.79	146.11	132.65	105.18	33.57	21.32	9.11	17.83
Dec 18-24	110.46	148.59	134.83	106.78	33.05	21.00	8.97	17.56
25-Dec-20	Public Holiday							
28-Dec-20	108.77	147.63	132.68	105.06	33.53	21.32	9.11	17.83
29-Dec-20	108.77	146.82	132.76	104.90	33.50	21.32	9.11	17.83
30-Dec-20	109.04	147.21	133.52	105.55	33.43	21.27	9.09	17.79
31-Dec-20	109.17	148.36	133.90	105.93	33.38	21.24	9.08	17.77
Dec 28-31	108.94	147.50	133.21	105.36	33.46	21.29	9.10	17.81

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

Table 3: Official Foreign Exchange Reserves (US\$ Million)

	3-Dec-20	10-Dec-20	17-Dec-20	24-Dec-20	31-Dec-20
1. CBK Usable Foreign Exchange Reserves (USD Million)	7,954	7,849	7,837	7,788	7,750
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	4.89	4.82	4.81	4.78	4.76

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

Source: Central Bank of Kenya

Table 4: Money Market

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
18-Dec-20	31	7,975.00	5.88
21-Dec-20	30	19,335.00	5.88
22-Dec-20	31	10,255.00	5.84
23-Dec-20	19	6,460.00	5.83
24-Dec-20	22	8,640.00	5.92
Dec 18-23, 2020	27	10,533.00	5.87
25-Dec-20	Public Holiday		
28-Dec-20	32	18,600.00	6.04
29-Dec-20	24	15,350.00	6.05
30-Dec-20	33	19,520.00	6.05
31-Dec-20			
Dec 18-23, 2020	30	17,823.33	6.05

Source: Central Bank of Kenya

Table 5: Performance of Treasury Bills Auctions

91-Day Treasury Bills						
Date of Auction	26-Nov-20	3-Dec-20	10-Dec-20	17-Dec-20	23-Dec-20	30-Dec-20
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)	4,578.36	2,971.03	1,550.67	8,629.93	5,752.66	668.93
Amount Accepted (KSh M)	3,595.33	2,479.53	1,550.67	8,513.96	5,601.50	667.31
Maturities (KSh M)	4,042.30	2,271.80	7,324.95	6,126.25	1,115.70	4,960.35
Average Interest Rate (%)	6.730	6.861	6.901	6.916	6.929	6.906
182-Day Treasury Bills						
Date of Auction	26-Nov-20	3-Dec-20	10-Dec-20	17-Dec-20	23-Dec-20	30-Dec-20
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)	6,371.30	2,687.18	3,019.91	7,856.58	2,520.92	564.90
Amount Accepted (KSh M)	5,888.93	2,686.51	2,979.90	7,856.58	2,443.21	564.90
Maturities (KSh M)	1,457.90	9,218.30	6,966.00	4,375.55	1,583.90	11,153.65
Average Interest Rate (%)	7.193	7.333	7.363	7.399	7.403	7.400
364-Day Treasury Bills						
Date of Auction	26-Nov-20	3-Dec-20	10-Dec-20	17-Dec-20	23-Dec-20	30-Dec-20
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)	4,476.58	5,258.63	5,280.71	5,207.09	4,400.22	3,953.88
Amount Accepted (KSh M)	3,965.10	4,727.59	5,188.48	4,972.92	2,093.79	3,953.88
Maturities (KSh M)	4,374.00	5,178.95	6,074.95	7,679.10	3,790.80	9,385.40
Average Interest Rate (%)	8.151	8.204	8.246	8.283	8.338	8.348

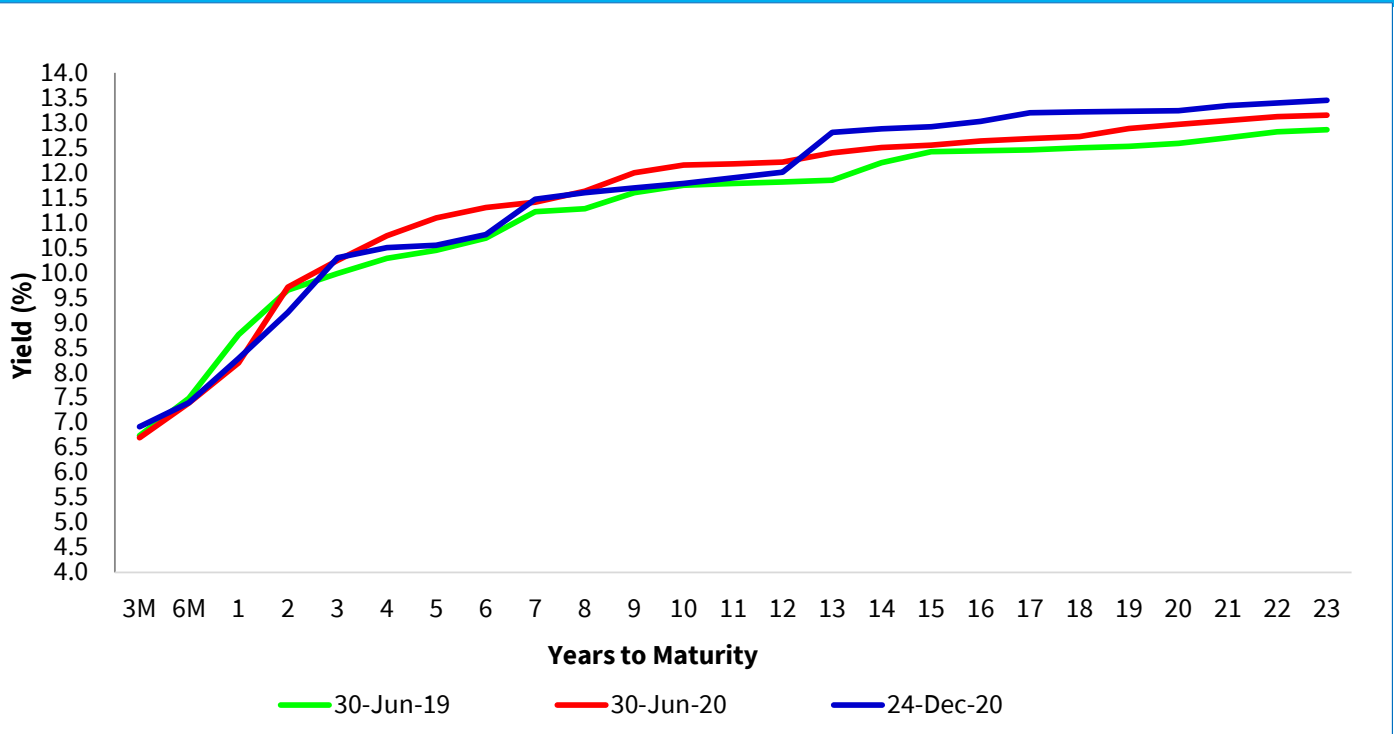
Source: Central Bank of Kenya

Table 6: Performance of Treasury Bond Auctions

Date of Auction	11-Nov-20	18-Nov-20		9-Dec-20		23-Dec-20	
	TAP	REOPEN		REOPEN		TAP	
Tenor	FXD1/ 2018/25	FXD2/ 2013/15	FXD1/ 2018/20	FXD1/ 2012/15	FXD2/ 2019/15	FXD1/ 2012/15	FXD2/ 2019/15
Amount offered (KSh M)	20,000.00	40,000.00		40,000.00		22,000.00	
Bids received (KSh M)	7,959.90	27,102.68	28,877.58	9,259.23	15,079.12	2,578.40	7,433.65
Amount Accepted (KSh M)	7,904.66	26,226.46	27,490.59	8,549.51	9,706.88	2,522.81	7,396.48
Maturities (KSh M)	0.00	30,673.85		0.00		0.00	
Average interest Rate (%)	13.49	11.45	13.25	11.46	12.81	11.00	12.73

Source: Central Bank of Kenya

Chart 2: Government Securities Yield Curve



Source: Nairobi Securities Exchange (NSE)

Table 7: Key Weekly Market Indicators

INDICATOR	NASI 100=2008	NSE 25 Share Index	NSE 20 Share Index 100=1996	Total Deals (Equity)	Total Shares Traded (Million)	Equity Turnover (KSh Million)	Market Capital- ization (KSh Billion)	Bonds Turnover (KSh Million)	Eurobond Yields (%)				
									7-Year 2027	10-Year 2024	10-Year 2028	12-Year 2032	30-Year 2048
11-Dec-20	147.12	3296.62	1794.06	825.00	23.21	423.66	2,259.35	2,669.80	4.908	4.070	5.247	5.890	7.044
14-Dec-20	147.48	3303.40	1799.49	829.00	10.78	179.04	2,264.82	2,069.80	4.975	4.068	5.227	5.875	7.025
15-Dec-20	146.96	3292.49	1785.73	889.00	31.47	714.33	2,257.21	2,105.45	4.986	4.139	5.246	5.919	7.053
16-Dec-20	146.23	3270.40	1801.97	942.00	14.24	479.04	2,245.88	3,567.15	5.005	4.137	5.285	5.963	7.081
17-Dec-20	146.32	3271.76	1796.41	983.00	14.86	374.84	2,247.28	2,302.29	4.964	4.168	5.283	5.961	7.091
Dec 10- 17	146.32	3271.76	1796.41	4,468.00	94.6	1,747.3	2,247.28	12,714.49	4.964	4.168	5.283	5.961	7.091
18-Dec-20	148.04	3,298.82	1,796.88	753.00	12.85	311.21	2,273.77	5,003.80	4.929	4.166	5.282	5.961	7.081
21-Dec-20	147.52	3,292.13	1,810.82	941.00	7.03	149.13	2,266.05	3,719.85	5.003	4.164	5.321	5.990	7.100
22-Dec-20	149.06	3,315.26	1,812.00	930.00	15.24	475.88	2,289.74	6,940.05	4.988	4.126	5.341	5.990	7.109
23-Dec-20	149.82	3,331.96	1,823.07	628.00	9.13	238.39	2,301.53	3,035.25	4.981	4.118	5.319	5.988	7.109
24-Dec-20	150.18	3,344.26	1,839.51	655.00	13.11	511.05	2,306.99	1,771.75	4.981	4.118	5.319	5.988	7.109
Dec 18-24	150.18	3,344.26	1,839.51	3,907.00	57.36	1,685.66	2,306.99	20,470.70	4.981	4.118	5.319	5.988	7.109
Weekly Changes (%)	2.64	2.22	2.40	-12.56	-39.34	-3.53	2.66	61.00	0.017*	-0.050*	0.036*	0.027*	0.018*

* Percentage points

Source: Nairobi Securities Exchange (NSE) and Thompson Reuters

Table 8: Government Domestic Debt (KSh Billion)

	28-Jun-19	31-Dec-19	31-Mar-20	30-Jun-20	30-Sep-20	18-Dec-20	24-Dec-20
1. Treasury Bills (Excluding Repos)	954.25	878.94	900.62	887.14	894.73	847.83	851.81
<i>(As % of total securities)</i>	35.29	30.80	30.09	28.55	26.50	24.94	25.03
2. Treasury Bonds	1,749.71	1,974.69	2,092.64	2,220.34	2,482.24	2,551.34	2,551.34
<i>(As % of total securities)</i>	64.71	69.20	69.91	71.45	73.50	75.06	74.97
3. Total Securities (1+2)	2,703.96	2,853.63	2,993.26	3,107.48	3,376.98	3,399.17	3,403.16
4. Overdraft at Central Bank	57.33	63.72	54.18	47.15	56.21	56.81	53.67
5. Other Domestic debt*	25.76	24.75	25.10	23.24	23.92	24.16	24.17
6. Gross Domestic Debt (3+4+5)	2,787.04	2,942.10	3,072.54	3,177.87	3,457.11	3,480.15	3,481.15

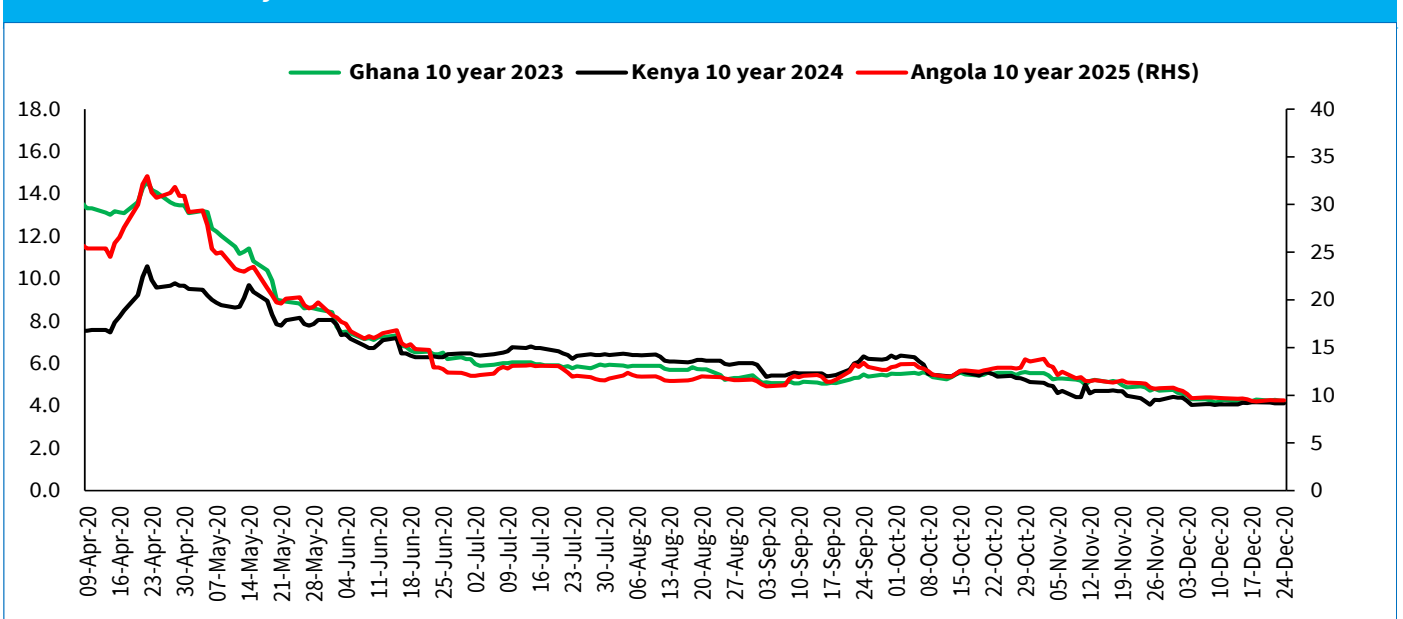
* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government Overdraft and Tax Reserve Certificates

Source: Central Bank of Kenya

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

	28-Jun-19	31-Dec-19	31-Mar-20	30-Jun-20	30-Sep-20	18-Dec-20	24-Dec-20
Treasury bills (Excluding Repos)	34.24	29.87	29.31	27.92	25.88	24.36	24.47
Treasury bonds	62.78	67.12	68.11	69.87	71.80	73.31	73.29
Overdraft at Central Bank	2.06	2.17	1.76	1.48	1.63	1.63	1.54
Other domestic debt	0.92	0.84	0.82	0.73	0.69	0.69	0.69
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

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

Source: Thomson Reuters

Table 10: Composition of Government Domestic Debt by Holder (In Percent)

	30-Jun-19	31-Dec-19	31-Mar-20	30-Jun-20	30-Sep-20	18-Dec-20	24-Dec-20
Banking Institutions	54.38	54.33	54.33	54.86	55.15	53.95	53.67
Insurance Companies	6.13	6.42	6.30	6.05	6.16	6.36	6.36
Parastatals	6.97	6.49	6.13	5.73	5.47	5.67	5.66
Pension Funds	28.24	28.60	29.04	29.05	28.52	29.74	30.04
Other Investors	4.28	4.17	4.20	4.32	4.71	4.27	4.26
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

Table 11: Indicators of Government Debt

	2,787.04	2,851.64	2,942.10	3,072.54	3,177.87	3,401.61	3,457.11
Domestic debt (KSh Bn)	29.55	29.95	30.66	30.69	33.01	33.88	33.77
Public & Publicly Guaranteed External debt (US \$ Bn)	3,023.14	3,111.80	3,106.82	3,212.63	3,515.81	3,666.32	3,663.49
Public & Publicly Guaranteed External debt (KSh Bn)	5,810.18	5,963.44	6,048.93	6,285.18	6,693.68	7,067.93	7,120.60
Public debt (KSh Bn)	5,810.18	5,963.44	6,048.93	6,285.18	6,693.68	7,067.93	7,120.60

Source: National Treasury and Central Bank of Kenya