



Central Bank of Kenya

Weekly Bulletin

October 6, 2023



RECENT MONETARY AND FINANCIAL DEVELOPMENTS

Monetary Policy Committee (MPC) meeting

At its meeting on October 3, 2023, the Monetary Policy Committee (MPC) noted that inflation was expected to remain within the target range, supported by lower food prices in view of improved supply. Additionally, the MPC observed that NFNF inflation was expected to decline, indicative of easing underlying inflationary pressures. The Committee further assessed that the impact of the tightening of monetary policy in June 2023 was still transmitting in the economy. In view of these considerations, the MPC decided to retain the Central Bank Rate (CBR) at 10.50 percent.

Inflation Overall

Overall inflation remained broadly unchanged at 6.8 percent in September compared to 6.7 percent in August. The marginal increase was largely on account of increase in food inflation mainly driven by higher prices of a few key vegetable items. Food inflation increased to 7.9 percent from 7.5 percent in August. Fuel inflation remained elevated in September reflecting higher energy prices. It declined to 13.1 percent from 14.2 percent in August, moderated by lower cooking gas/LPG prices. NFNF inflation remained stable at 3.7 percent in August and September, reflecting muted demand pressures (**Chart 1**).

GDP Growth

The economy recorded strong growth in the second quarter of 2023, largely supported by the continued rebound of the agriculture sector. It grew by 5.4 percent, compared to 5.2 percent in a similar quarter of 2022. The agriculture sector continued to recover strongly, growing by 7.7 percent compared to a contraction of 2.4 percent in a similar quarter of 2022. The services sector maintained the strong growth, mainly supported by financial and insurance, real estate, wholesale and trade, information and communication, and accommodation and food services. It grew by 5.9 percent compared to 8.0 percent in a similar quarter of 2022 (**Table 1**).

Exchange Rates

The Kenya Shilling remained relatively stable against major international and regional currencies during the week ending October 5. It exchanged at KSh 148.56 per US dollar on October 5, compared to KSh 147.94 per US dollar on September 28 (**Table 2**).

Foreign Exchange Reserves

The usable foreign exchange reserves remained adequate at USD 6,913 million (3.71 months of import cover) as at October 5. This meets the CBK's statutory requirement to endeavor to maintain at least 4 months of import cover (**Table 3**).

Money Market

Liquidity in the money market increased during the week ending October 5, supported by government payments. Commercial banks' excess reserves stood at KSh 21.5 billion in relation to the 4.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was 11.93 percent on October 5 compared to 12.34 percent on September 28. During the week, the average number of interbank deals decreased to 37 from 40 in the previous week, while the average value traded increased to KSh 24.1 billion from KSh 22.5 billion in the previous week (**Table 4**).

Government Securities Market

The Treasury bill auction of October 5 received bids totaling KSh 33.1 billion against an advertised amount of KSh 24.0 billion, representing a performance of 138.1 percent. Interest rates remained stable, with the 91-day, 182-day and 364-day rates increasing marginally (**Table 5**).

Equity Market

At the Nairobi Securities Exchange, the NASI and NSE 20 share price indices declined by 0.2 percent and 0.7 percent, while NSE 25 share index increased by 0.3 percent, respectively during the week ending October 5. Market capitalization, equity turnover and total shares traded declined by 0.2 percent, 21.2 percent and 1.7 percent, respectively (**Table 7**).

Bond Market

Bond turnover in the domestic secondary market declined by 57.0 percent during the week ending October 5 (**Table 7**). In the international market, yields on Kenya's Eurobonds increased by an average of 63.3 basis points, with the 2024 maturity increasing by 58.5 basis points. The yield on the 10- Year Eurobond for Zambia declined while that for Angola increased (**Chart 3**).

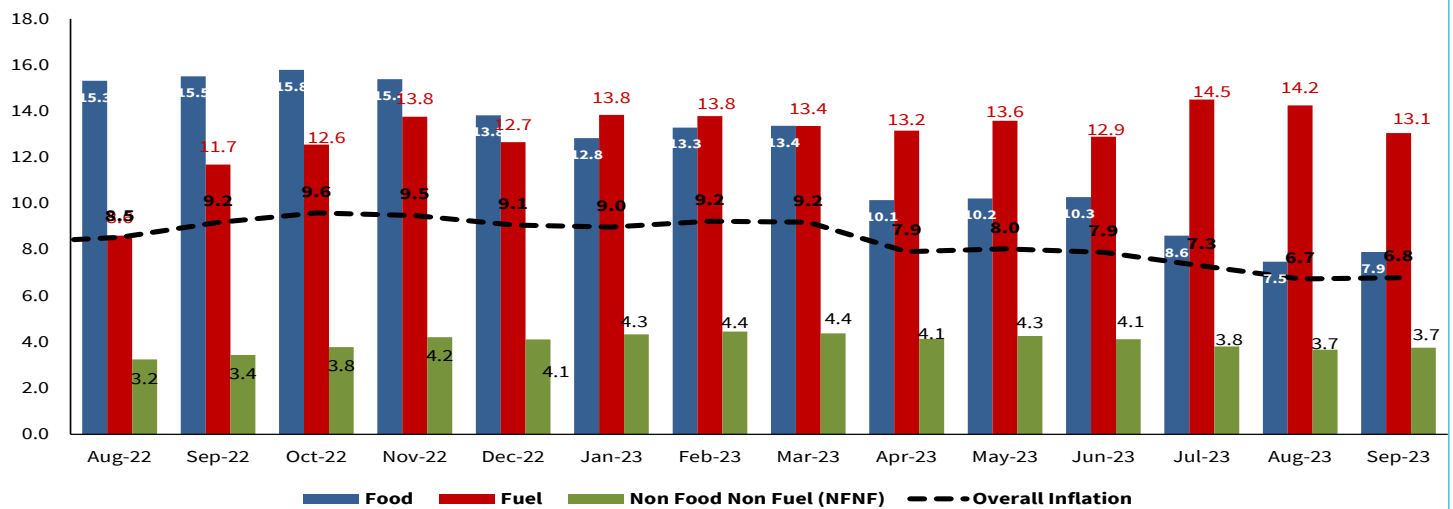
Global Trends

Inflation concerns in advanced economies continue to moderate. Euro Area inflation slowed down to 4.3 percent in September from 5.2 percent in August. The US labor

market remained resilient as Nonfarm payrolls rose to 170,000 in September from 187,000 in August and unemployment benefit remained all time low in September. The US dollar index strengthened by 0.1 percent against a basket of major currencies during the week ending October 5.

International oil prices decreased during the week ending October 5, on account of weak oil demand and build-up of oil inventories. Murban oil price decreased to USD 87.83 per barrel on October 5 from USD 97.35 per barrel on September 28.

Chart 1: Inflation (Percent)



Source: Central Bank of Kenya and Kenya National Bureau of Statistics

Table 1: Real GDP Growth by Sector (Percent)

	2022			2023	
	Q2	Q3	Q4	Q1	Q2
Agriculture	-2.4	-1.3	-0.9	6.0	7.7
2. Non-Agriculture (o/w)	7.1	5.3	4.6	5.3	4.9
2.1 Industry	5.0	2.6	2.4	2.5	2.0
Mining & Quarrying	16.6	-4.5	1.6	3.3	5.3
Manufacturing	3.6	1.8	1.8	2.0	1.5
Electricity & water supply	5.6	6.0	4.9	2.5	0.8
Construction	4.5	3.5	2.4	3.1	2.6
2.2 Services	8.0	5.9	5.2	6.3	5.9
Wholesale & Retail Trade	4.1	3.6	2.7	5.7	4.2
Accommodation & Food Services	44.0	16.9	14.9	21.5	12.2
Transport & Storage	7.2	5.1	2.7	6.2	3.0
Information & Communication	11.2	11.8	8.0	9.0	6.4
Financial & Insurance	16.1	9.6	9.4	5.8	13.5
Public administration	3.8	3.4	4.7	6.6	3.8
Professional, Administration & Support Services	10.9	9.0	5.3	7.3	5.5
Real estate	5.0	4.0	2.9	5.2	5.8
Education	4.4	3.9	6.1	3.6	4.5
Health	4.4	3.7	4.3	5.4	5.0
Other services	4.3	5.7	4.0	3.2	1.6
FISIM	1.3	2.3	1.6	0.6	6.1
2.3 Taxes on products	6.1	7.3	5.3	5.3	3.8
Real GDP Growth	5.2	4.3	3.7	5.5	5.4

Source: Kenya National Bureau of Statistics

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

	USD	Sterling Pound	Euro	100 Japanese Yen	Uganda Shilling*	Tanzania Shilling*	Rwandese Franc*	Burundi Franc*
22-Sep-23	147.36	181.02	156.94	99.84	25.47	16.97	8.15	19.23
25-Sep-23	147.47	180.83	157.11	99.51	25.46	16.99	8.16	19.22
26-Sep-23	147.64	180.39	156.80	99.22	25.50	16.97	8.16	19.20
27-Sep-23	147.81	180.07	156.60	99.21	25.51	16.95	8.16	19.18
28-Sep-23	147.94	179.63	155.79	99.08	25.38	16.93	8.17	19.16
Sep 22-28	147.64	180.39	156.65	99.37	25.46	16.96	8.16	19.20
29-Sep-23	148.10	180.56	156.00	99.17	25.35	16.91	8.17	19.14
2-Oct-23	148.20	181.46	156.93	98.98	25.37	16.94	8.22	19.17
3-Oct-23	148.32	180.25	156.25	98.95	25.32	16.89	8.18	19.12
4-Oct-23	148.45	179.21	155.45	99.48	25.21	16.87	8.18	19.10
5-Oct-23	148.56	180.73	156.32	99.79	25.17	16.90	8.18	19.09
Sep 29-Oct 5	148.33	180.44	156.19	99.27	25.28	16.90	8.19	19.12

*Units of currency per Kenya Shilling

Source: Central Bank of Kenya

Table 3: Official Foreign Exchange Reserves (USD Million)

	7-Sep-23	14-Sep-23	21-Sep-23	28-Sep-23	5-Oct-23
1. CBK Usable Foreign Exchange Reserves (USD Million)	7,051	7,067	6,955	6,939	6,913
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	3.81	3.82	3.76	3.75	3.71

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

Source: Central Bank of Kenya

Table 4: Money Markets

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
22-Sep-23	42	17,086.00	12.47
25-Sep-23	37	20,270.00	12.86
26-Sep-23	40	23,920.00	12.95
27-Sep-23	38	25,182.00	12.85
28-Sep-23	41	26,210.00	12.34
Sep 22-28	40	22,533.60	12.70
29-Sep-23	32	20,000.00	12.44
2-Oct-23	40	25,834.00	12.36
3-Oct-23	40	22,970.00	12.20
4-Oct-23	37	31,570.00	12.05
5-Oct-23	36	20,212.00	11.93
Sep 29-Oct 5	37	24,117.20	12.20

Source: Central Bank of Kenya

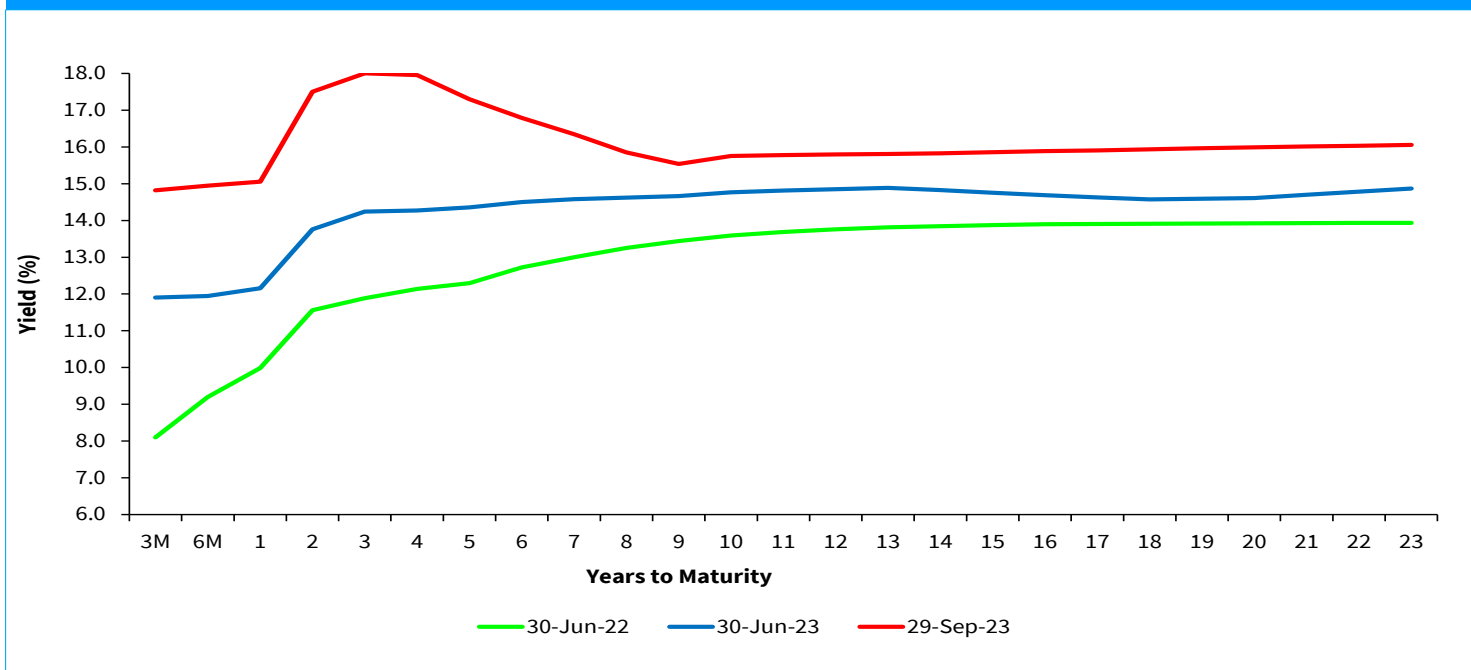
Table 5: Performance of Treasury Bill Auctions						
91-Day Treasury Bills						
Date of Auction	30-Mar-23	29-Jun-23	31-Aug-23	21-Sep-23	28-Sep-23	5-Oct-23
Amount Offered (KSh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids Received (KSh M)	2,904.04	5,779.97	21,591.12	16,066.87	11,007.63	28,581.13
Amount Accepted (KSh M)	2,765.00	2,705.12	21,517.69	15,533.51	3,303.25	24,285.45
Maturities (KSh M)	2,158.40	2,814.15	18,020.65	11,270.55	2,741.45	27,462.10
Average Interest Rate (%)	9.907	11.904	13.985	14.787	14.821	14.873
182-Day Treasury Bills						
Date of Auction	30-Mar-23	29-Jun-23	31-Aug-23	21-Sep-23	28-Sep-23	5-Oct-23
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)	3,547.05	2,195.96	960.53	1,582.86	809.28	1,405.90
Amount Accepted (KSh M)	3,457.80	1,300.96	958.52	1,581.72	542.27	930.51
Maturities (KSh M)	3,176.30	442.15	6,306.75	3,566.70	3,616.00	603.30
Average Interest Rate (%)	10.399	11.947	13.939	14.940	14.950	14.978
364-Day Treasury Bills						
Date of Auction	30-Mar-23	29-Jun-23	31-Aug-23	21-Sep-23	28-Sep-23	5-Oct-23
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)	1,810.42	1,514.41	623.87	2,527.32	1,841.12	3,158.70
Amount Accepted (KSh M)	1,810.42	1,514.41	621.00	1,672.60	670.62	2,018.02
Maturities (KSh M)	2,660.05	2,417.65	3,565.55	1,142.00	1,229.50	1,536.00
Average Interest Rate (%)	10.800	12.157	13.765	15.221	15.054	15.187

Source: Central Bank of Kenya

Table 6: Performance of Treasury Bond Auctions										
Date of Auction	21-Jul-23		16-Aug-23		24-Aug-23		13-Sep-23		28-Sep-23	
	TAP		RE-OPENED		TAP		RE-OPEN		TAP	
Tenor	FXD1/ 2016/10	FXD1/ 2023/05	FXD1/ 2023/02	FXD1/ 2023/05	FXD1/ 2023/02	FXD1/ 2023/05	FXD1/ 2023/02	FXD1/ 2016/10	FXD1/ 2023/002	FXD1/ 2016/010
Amount offered (KSh M)	20,000.00		40,000.00		21,000.00		35,000.00		15,000.00	
Bids received (KSh M)	32,216.95	12,212.15	38,301.96	14,704.44	17,375.70	6,225.05	18,014.85	15,994.38	2,631.25	814.90
Amount Accepted (KSh M)	31,230.14	12,210.68	11,659.58	7,456.28	17,373.51	6,123.42	15,012.62	6,616.01	2,631.25	763.17
Maturities (KSh M)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Average interest Rate (%)	16.33	16.84	16.97	17.95	16.97	17.95	17.45	17.93	17.45	17.93

Source: Central Bank of Kenya

Chart 2: Government Securities Yield Curve



Source: Nairobi Securities Exchange (NSE)

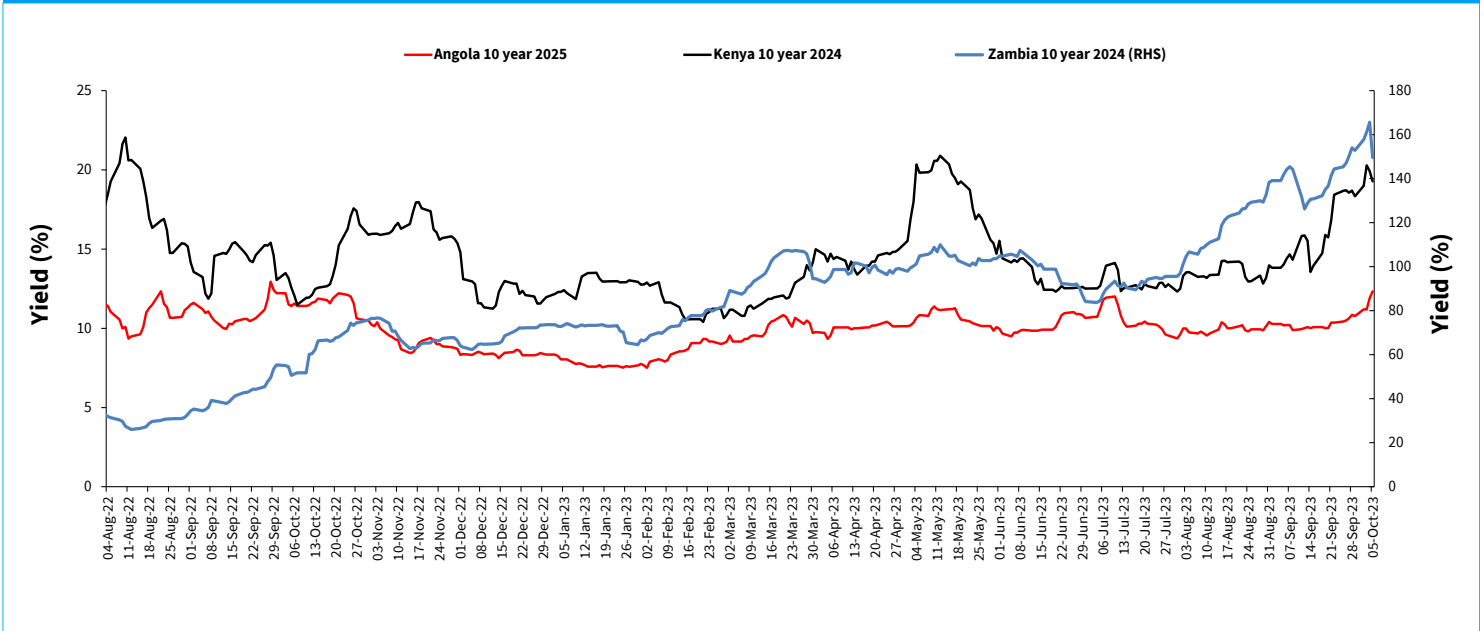
Table 7: Performance of Key Market Indicators

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	13-Year 2034	30- Year 2048
22-Sep-23	96.79	2,505.69	1,519.26	798.00	10.19	174.66	1,512.23	3,949.75	14.579	18.431	13.427	12.628	12.229	12.339
25-Sep-23	96.73	2,508.41	1,521.78	922.00	5.93	140.12	1,511.33	7,103.05	14.587	18.675	13.474	12.691	12.289	12.384
26-Sep-23	96.63	2,508.45	1,526.53	1,030.00	6.12	100.86	1,509.79	4,067.55	14.528	18.719	13.389	12.723	12.349	12.453
27-Sep-23	95.78	2,488.08	1,517.26	923.00	10.42	125.42	1,496.46	10,976.65	14.469	18.562	13.436	12.755	12.379	12.499
28-Sep-23	95.30	2,476.17	1,514.10	892.00	3.63	61.41	1,488.89	16,570.82	14.558	18.696	13.49	12.884	12.501	12.615
Sep 22-28	95.30	2476.17	1514.10	4,565.00	36.3	602.5	1,488.89	42,667.82	14.558	18.696	13.49	12.884	12.501	12.615
29-Sep-23	95.22	2,473.71	1,508.75	893.00	5.07	84.84	1,487.67	9,616.05	14.299	18.332	13.273	12.698	12.296	12.453
2-Oct-23	95.54	2,483.09	1,511.65	915.00	4.40	62.67	1,492.706	1,646.88	14.574	18.993	13.452	12.855	12.474	12.615
3-Oct-23	95.39	2,475.61	1,505.47	1,022.00	15.35	227.58	1,490.388	2,280.70	15.536	20.293	14.176	13.495	12.992	13.026
4-Oct-23	95.43	2,486.02	1,502.28	929.00	7.47	45.36	1,490.934	2,464.50	15.614	19.924	14.456	13.66	13.118	13.076
5-Oct-23	95.10	2,484.57	1,503.91	950.00	3.37	54.11	1,485.877	2,340.45	15.441	19.281	14.286	13.535	12.998	13.002
Sep 29-Oct 5	95.10	2484.57	1503.91	4,709.00	35.7	474.5	1,485.88	18,348.58	15.441	19.281	14.286	13.535	12.998	13.002
Weekly Changes (%)	-0.21	0.34	-0.67	3.15	-1.70	-21.23	-0.20	-57.00	0.883*	0.585*	0.796*	0.651*	0.497*	0.387*

* Percentage points

Source: Nairobi Securities Exchange (NSE) and Thomson Reuters

Chart 3: Yields on 10-Year Eurobonds for Selected Countries



Source: Thomson Reuters

Table 8: Government Domestic Debt (KSh Billion)

	24-Jun-22	30-Sep-22	30-Dec-22	31-Mar-23	30-Jun-23	25-Aug-23	22-Sep-23	29-Sep-23
1. Treasury Bills (Excluding Repos)	620.28	672.28	671.51	665.86	614.73	569.67	554.80	558.21
<i>(As % of total securities)</i>	14.88	15.61	15.32	15.01	13.28	12.16	11.79	11.86
2. Treasury Bonds	3,549.53	3,634.86	3,710.62	3,771.03	4,013.89	4,116.24	4,149.81	4,149.81
<i>(As % of total securities)</i>	85.12	84.39	84.68	84.99	86.72	87.84	88.21	88.14
3. Total Securities (1+2)	4,169.81	4,307.14	4,382.13	4,436.89	4,628.62	4,685.92	4,704.61	4,708.02
4. Overdraft at Central Bank	65.86	27.25	58.50	77.98	76.46	69.08	78.19	75.70
5. Other Domestic debt*	30.55	30.90	32.76	24.73	31.52	31.50	32.33	32.35
6. Gross Domestic Debt (3+4+5)	4,266.23	4,365.29	4,473.39	4,539.59	4,736.60	4,786.50	4,815.13	4,816.08

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

Source: Central Bank of Kenya

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

	24-Jun-22	30-Sep-22	30-Dec-22	31-Mar-23	30-Jun-23	25-Aug-23	22-Sep-23	29-Sep-23
Treasury bills (Excluding Repos)	14.54	15.40	15.01	14.67	12.98	11.90	11.52	11.59
Treasury bonds	83.20	83.27	82.95	83.07	84.74	86.00	86.18	86.17
Overdraft at Central Bank	1.54	0.62	1.31	1.72	1.61	1.44	1.62	1.57
Other domestic debt	0.72	0.71	0.73	0.54	0.67	0.66	0.67	0.67
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

Table 10: Government Domestic Debt by Holder (Percent)

	24-Jun-22	30-Sep-22	30-Dec-22	31-Mar-23	30-Jun-23	25-Aug-23	22-Sep-23	29-Sep-23
Banking Institutions	48.74	47.60	46.84	46.13	46.17	44.96	45.14	45.18
Insurance Companies	7.14	7.32	7.37	7.39	7.31	7.33	7.35	7.35
Parastatals	5.84	6.09	6.06	6.04	5.98	6.09	5.94	5.95
Pension Funds	32.39	32.75	33.31	33.42	33.42	33.14	32.31	32.23
Other Investors	5.89	6.24	6.43	7.01	7.13	8.48	9.26	9.30
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

Table 11: Government Debt

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Apr-23	May-23	Jun-23*
Domestic debt (KSh Bn)	4,191.77	4,288.33	4,366.30	4,472.84	4,539.59	4,541.64	4,549.65	4,736.60
Public & Publicly Guaranteed External debt (USD Bn)	36.82	36.58	36.00	37.88	36.66	37.47	37.09	38.80
Public & Publicly Guaranteed External debt (KSh Bn)	4,209.56	4,290.73	4,334.80	4,673.14	4,851.09	5,092.50	5,137.16	5,452.94
Public debt (KSh Bn)	8,401.33	8,579.06	8,701.10	9,145.98	9,390.69	9,634.14	9,686.81	10,189.53

* Provisional

Source: The National Treasury and Central Bank of Kenya