



Central Bank of Kenya

Weekly Bulletin

July 30, 2020

KEY MONETARY AND FINANCIAL INDICATORS (REVISED)

Monetary Policy Committee Meeting

The Monetary Policy Committee (MPC) met on July 29 and noted that the package of policy measures implemented since March were having the intended effect on the economy, and will be augmented by the implementation of the measures in the FY 2020/2021 budget. The MPC concluded that the current accommodative monetary policy stance remains appropriate, and therefore decided to retain the Central Bank Rate (CBR) at 7.00 percent.

Inflation

Overall inflation declined to 4.4 percent in July from 4.6 percent in June, mainly driven by a general decline in food prices. Food inflation declined to 6.6 percent in July from 8.1 percent in June (Chart 1).

Exchange Rates

The Kenya Shilling strengthened against major international and regional currencies during the week ending July 30. It exchanged at KSh 107.71 per US dollar on July 30 compared to KSh 108.13 per US dollar on July 23 (Table 1).

Foreign Exchange Reserves

The usable foreign exchange reserves remained adequate at USD 9,336 million (5.66 months of import cover) as at July 30. 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 Markets

The money market remained liquid during the week ending July 30, supported by government payments. Commercial banks' excess reserves stood at KSh 28.0 billion in relation to the 4.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was relatively stable at 2.30 percent on July 30 compared to 2.32 percent on July 23. The average number of interbank deals per day increased to 29 from 13 the previous week while the value traded increased to KSh 20.3 billion from KSh 6.2 billion in the previous week (Table 3).

Government Securities Market

The Treasury bills auction of July 30 received bids totalling KSh 28.5 billion against an advertised amount of KSh 24.0 billion, representing a performance of 118.7 percent. Interest rates on all the Treasury bills tenors remained stable (Table 4).

Equity Market

At the Nairobi Securities Exchange, both NASI and market capitalization increased by 0.6 percent during the week ending July 30 (Table 6). The NSE 25 and NSE 20 share price indices declined by 0.4 percent and 4.1 percent, respectively. Total shares traded also declined by 52.2 percent.

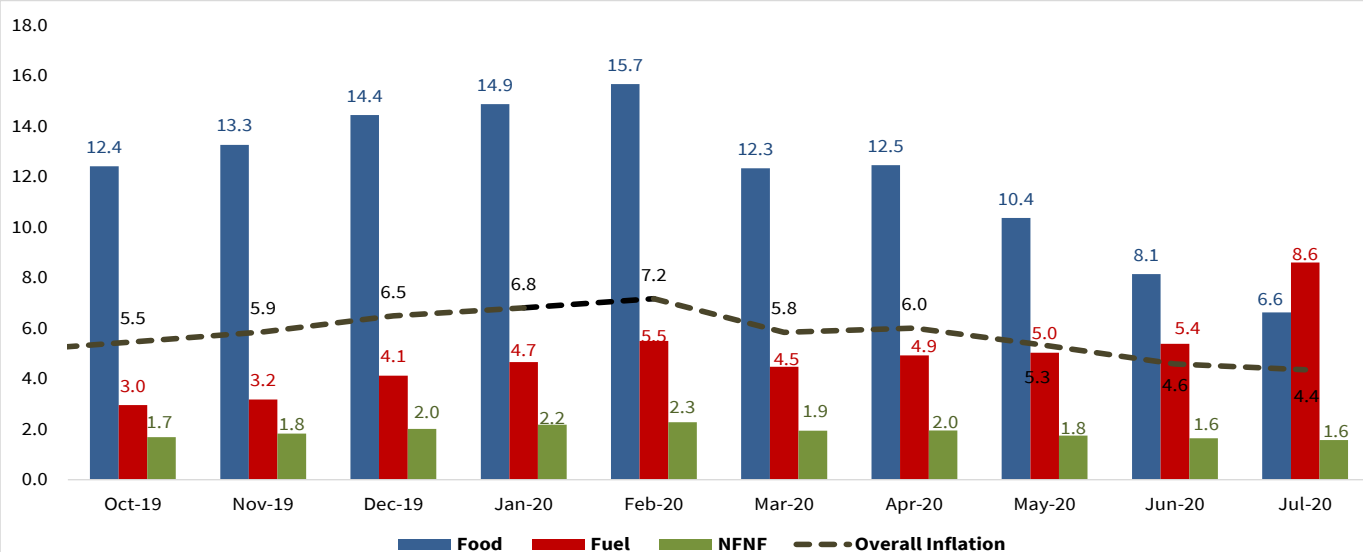
Bond Market

Turnover of bonds traded in the domestic secondary market increased by 108.6 percent during the week ending July 30 (Table 6). In the international market, yields on Kenya's Eurobonds remained stable, rising by an average of 21.8 basis points. The yields on the 10-year Eurobonds for Ghana and Angola also remained stable (Chart 3).

Global Trends

The impact of Coronavirus on the global economy was evident in the newly released Q2 output data for the US and euro-area economies. The US economy contracted by 32.9 percent during the quarter, the biggest decline since 1947 when records were started. The euro-area economy plunged into an unprecedented slump in the second quarter, contracting by 12.1 percent, with the German economy contracting by 10.1 percent, the biggest contraction since the 1970.

International oil prices declined marginally during the week on account of fledgling global demand. Murban oil price declined to USD 43.38 per barrel on July 28 from USD 44.55 per barrel on July 22.

Chart 1: Inflation


Source: Central Bank of Kenya

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

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
17-Jul-20	107.46	134.92	122.61	100.26	34.34	21.58	8.91	17.92
20-Jul-20	107.43	134.56	122.45	100.16	34.39	21.59	8.91	17.93
21-Jul-20	107.62	135.90	123.23	100.44	34.43	21.55	8.90	17.90
22-Jul-20	107.88	136.95	123.41	100.54	34.25	21.52	8.88	17.86
23-Jul-20	108.13	137.48	125.26	100.88	34.19	21.46	8.86	17.82
Jul 17-23	107.70	135.96	123.39	100.46	34.32	21.54	8.89	17.89
24-Jul-20	108.02	137.42	125.16	101.46	34.21	21.51	8.87	17.84
27-Jul-20	107.79	137.47	125.08	102.02	34.28	21.57	8.81	17.72
28-Jul-20	107.72	138.58	126.36	102.00	34.30	21.58	8.90	17.89
29-Jul-20	107.71	138.67	126.27	102.50	34.29	21.57	8.90	17.89
30-Jul-20	107.71	139.63	126.39	102.32	34.21	21.51	8.90	17.89
Jul 24-30	107.79	138.35	125.85	102.06	34.26	21.55	8.88	17.84

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

Table 2: Official Usable Foreign Exchange Reserves

	18-Jun-20	25-Jun-20	2-Jul-20	9-Jul-20	16-Jul-20	23-Jul-20	30-Jul-20
1. CBK Usable Foreign Exchange Reserves (USD Million)	9,278	9,229	9,717	9,704	9,669	9,421	9,336
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	5.58	5.55	5.84	5.83	5.87	5.72	5.66

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

Source: Central Bank of Kenya

Table 3: Money Market

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
17-Jul-20	10	8,850.00	1.87
20-Jul-20	18	4,250.00	2.33
21-Jul-20	13	6,000.00	2.33
22-Jul-20	13	6,500.00	2.29
23-Jul-20	9	5,500.00	2.32
Jul 17-23	13	6,220.00	2.22
24-Jul-20	13	8,800.00	2.16
27-Jul-20	33	24,725.00	2.21
28-Jul-20	34	26,850.00	2.22
29-Jul-20	37	22,815.00	2.35
30-Jul-20	28	18,350.00	2.30
Jul 24-30	29	20,308.00	2.25

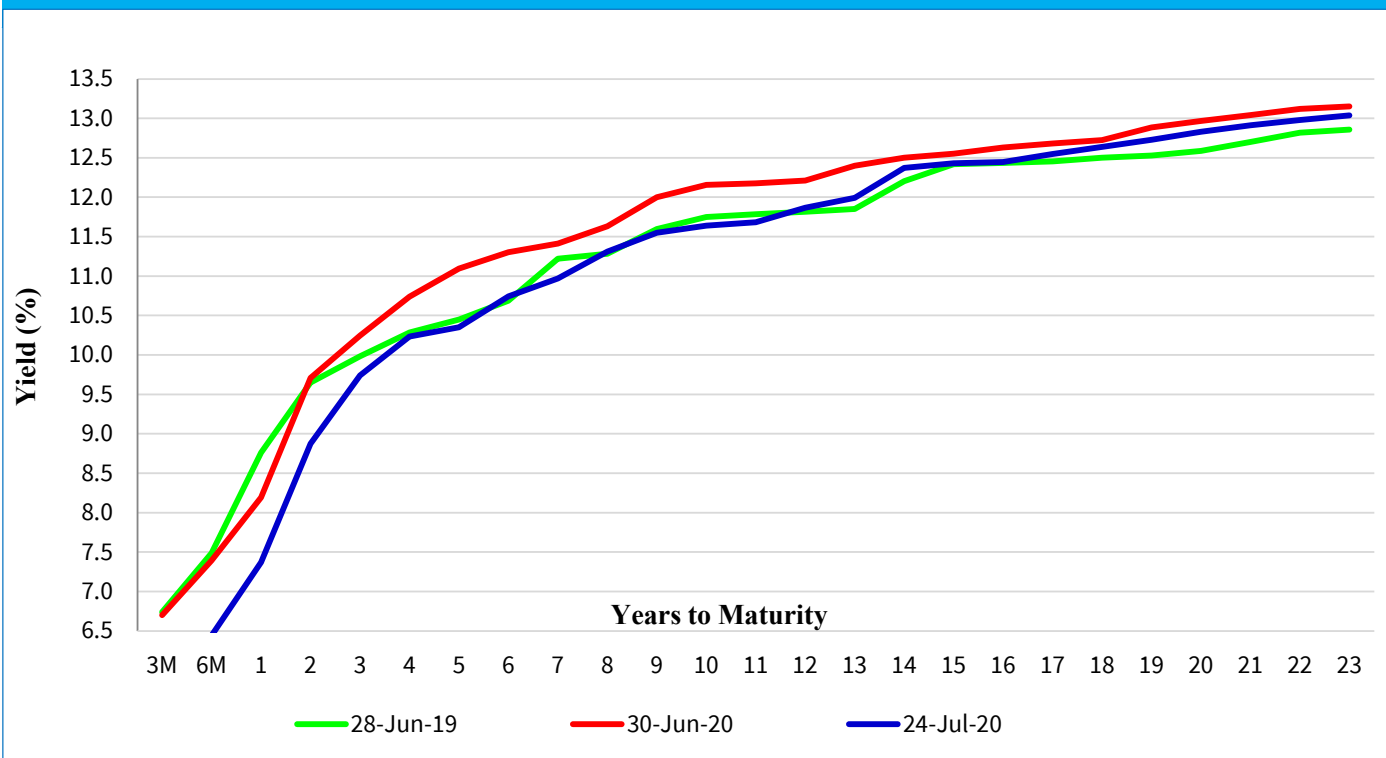
Source :Central Bank of Kenya

Table 4: Performance of Treasury Bills Auctions

91-Day Treasury Bills						
Date of Auction	25-Jun-20	2-Jul-20	9-Jul-20	16-Jul-20	23-Jul-20	30-Jul-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)	16,481.51	20,453.02	37,923.99	29,877.61	10,817.60	15,860.12
Amount Accepted (Ksh M)	685.99	9,446.15	18,419.97	29,876.33	10,816.32	11,922.94
Maturities (Ksh M)	3,434.55	910.70	518.95	2,630.45	8,924.35	2,542.80
Average interest Rate (%)	6.700	6.546	6.274	6.011	6.112	6.121
182-Day Treasury Bills						
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)	14,025.30	26,752.97	27,373.63	10,781.05	1,388.27	2,474.12
Amount Accepted (Ksh M)	1,543.33	10,783.81	7,155.78	9,780.79	1,388.27	1,509.71
Maturities (Ksh M)	293.25	1,107.00	2,277.90	6,612.05	5,344.90	6,302.15
Average interest Rate (%)	7.395	7.048	6.759	6.524	6.440	6.455
364-Day Treasury Bills						
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)	28,443.82	28,976.63	20,665.88	24,511.06	23,689.66	10,147.35
Amount Accepted (Ksh M)	11,530.06	23,680.06	20,648.03	5,858.26	23,633.05	10,147.35
Maturities (Ksh M)	25,463.50	25,153.35	32,335.05	11,533.15	17,883.35	12,955.85
Average interest Rate (%)	8.194	7.769	7.700	7.464	7.370	7.391

Source: Central Bank of Kenya

Chart 2: Kenya Government Securities Yield Curve



Source: Nairobi Securities Exchange

Table 5: Performance of Treasury Bonds Auctions

Date of Auction	6-May-20	20-May-20	27-May-20	17-Jun-20		22-Jul-20		
	REOPEN			REOPEN	REOPEN	REOPEN		
Tenor	FXD1/2020/5	FXD1/2020/5	IFB1/2020/6	FXD3/2019/5	FXD4/2019/10	FXD1/2020/5	FXD2/2018/10	FXD1/2019/15
Amount offered (Ksh M)	50,000.00	30,000.00	25,600.00	40,000.00		60,000.00		
Bids received (Ksh M)	34,531.50	20,581.07	21,164.29	105,135.63		65,336.90	55,488.14	60,947.80
Amount Accepted (Ksh M)	20,777.17	8,948.12	19,275.46	16,527.35	32,795.89	9,344.71	21,267.34	50,242.43
Maturities (Ksh M)	0.00	0.00	20,226.65	0.00		0.00		
Average interest Rate (%)	11.67	11.75	11.60	11.19	12.42	10.26	11.45	12.34

Source: Central Bank of Kenya

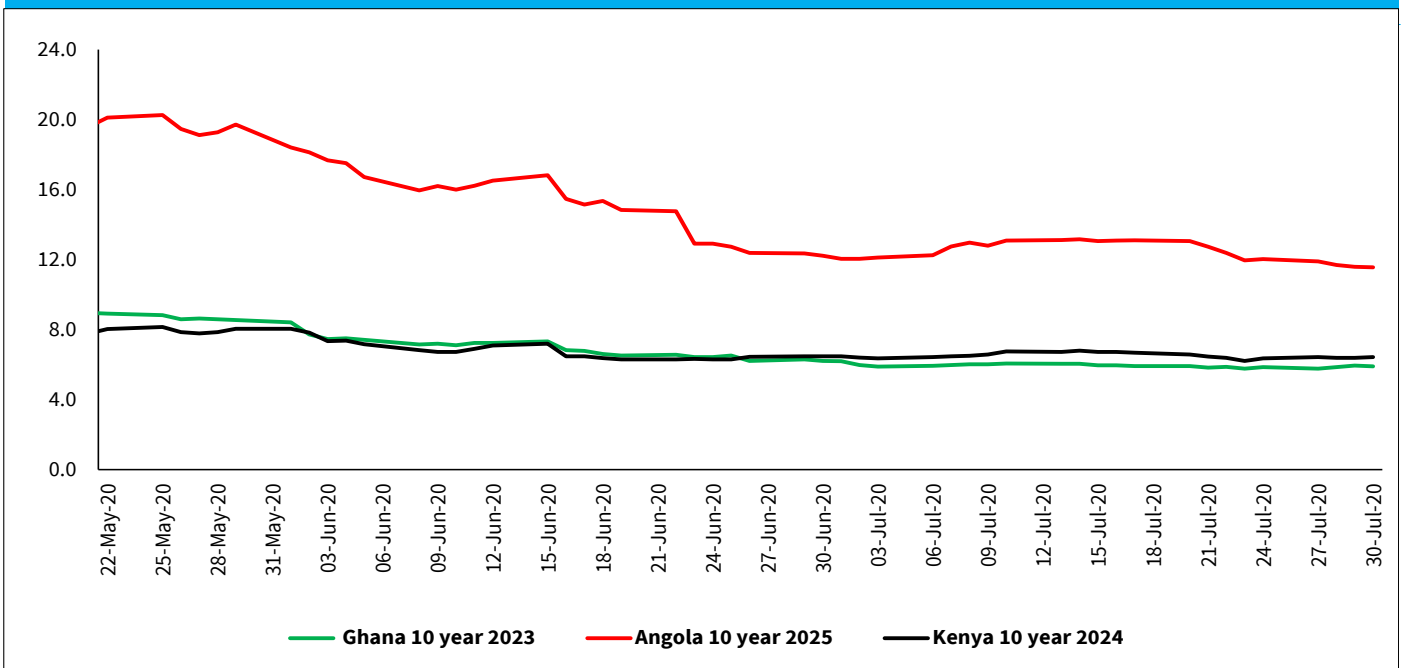
Table 6: Key Weekly Market Indicators

INDICATOR	NASI 100=2008	NSE 25 Share Index	NSE 20 Share Index 100=1996	Total Deals (Equity)	Total Shares Traded (Million)	Equity Turn- over (KSh Million)	Market Capital- ization (KSh Billion)	Bonds Turnover (KSh Million)	Eurobond Yield (%)				
									7-Year 2027	10-Year 2024	10-Year 2028	12-Year 2032	30-Year 2048
17-Jul-20	132.25	3107.31	1909.36	1,125	23.20	543.54	2021.08	2239.72	7.536	6.689	7.621	8.335	8.533
20-Jul-20	132.22	3105.80	1909.63	837	11.31	548.04	2020.54	895.07	7.486	6.579	7.599	8.263	8.497
21-Jul-20	130.79	3076.64	1906.25	1,476	39.17	1013.37	1998.69	5508.39	7.293	6.470	7.445	8.068	8.354
22-Jul-20	131.03	3064.48	1886.45	1,167	38.78	1074.20	2002.32	1861.52	7.211	6.397	7.335	7.998	8.330
23-Jul-20	132.44	3072.52	1880.84	1,092	17.00	446.68	2024.05	1436.36	7.100	6.215	7.205	7.893	8.249
Jul 17-23	132.44	3072.52	1880.84	5,697	129.46	3625.84	2024.05	11941.05	7.100	6.215	7.205	7.893	8.249
24-Jul-20	134.59	3121.55	1886.84	966	9.60	221.70	2056.98	3229.04	7.209	6.360	7.248	7.980	8.319
27-Jul-20	134.48	3101.28	1811.29	979	16.48	524.18	2099.59	1420.15	7.209	6.432	7.292	8.015	8.354
28-Jul-20	134.80	3111.87	1879.34	1,083	12.87	327.17	2060.09	6235.60	7.179	6.395	7.314	8.050	8.378
29-Jul-20	134.48	3101.28	1811.29	1,009	7.94	247.53	2055.25	5292.91	7.254	6.395	7.358	8.085	8.389
30-Jul-20	133.23	3059.56	1804.10	1,131	14.96	426.87	2036.04	8728.31	7.355	6.430	7.402	8.138	8.425
Jul 24- 30	133.23	3059.56	1804.10	5,168	61.86	1747.45	2036.04	24906.00	7.355	6.430	7.402	8.138	8.425
Weekly Changes (%)	0.60	-0.42	-4.08	-9.29	-52.21	-51.81	0.59	108.57	0.255*	0.215*	0.197*	0.245*	0.176*

* Percentage points

Source: Nairobi Securities Exchange (NSE)

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



Source: Thomson Reuters

Table 7: Government Domestic Debt (KSh Billion)

	28-Jun-19	30-Sep-19	31-Dec-19	31-Mar-20	30-Jun-20	17-Jul-20	24-Jul-20**
1. Treasury Bills (Excluding Repos)	954.25	928.91	878.94	900.62	887.14	919.38	945.17
<i>(As % of total securities)</i>	35.31	33.68	30.80	30.11	28.56	29.29	29.87
2. Treasury Bonds	1,748.15	1,828.78	1,974.69	2,090.29	2,219.44	2,219.44	2,219.44
<i>(As % of total securities)</i>	64.69	66.32	69.20	69.89	71.44	70.71	70.13
3. Total Securities (1+2)	2,702.40	2,757.69	2,853.63	2,990.91	3,106.59	3,138.82	3,164.61
4. Overdraft at Central Bank	57.33	68.23	63.72	54.18	47.15	22.80	-
5. Other Domestic debt*	25.76	25.72	24.75	25.10	23.79	23.22	23.23
6. Gross Domestic Debt (3+4+5)	2,785.48	2,851.64	2,942.10	3,070.19	3,177.53	3,184.85	3,187.84

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

** Revised

Source: Central Bank of Kenya

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

	28-Jun-19	30-Sep-19	31-Dec-19	31-Mar-20	30-Jun-20	17-Jul-20	24-Jul-20*
Treasury bills (Excluding Repos)	34.26	32.57	29.87	29.33	27.92	28.87	29.65
Treasury bonds	62.76	64.13	67.12	68.08	69.85	69.69	69.62
CBK Overdraft to Govt	2.06	2.39	2.17	1.76	1.48	0.72	0.00
Other domestic debt	0.92	0.90	0.84	0.82	0.75	0.73	0.73
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00

* Revised

Source: Central Bank of Kenya

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

	28-Jun-19	30-Sep-19	31-Dec-19	31-Mar-20	30-Jun-20	17-Jul-20	24-Jul-20*
Banking Institutions	54.38	53.63	54.33	54.33	54.86	54.87	54.46
Insurance Companies	6.13	6.33	6.42	6.30	6.05	6.04	6.02
Parastatals	6.97	7.13	6.49	6.13	5.73	5.72	5.62
Pension funds	28.24	28.77	28.60	29.04	29.05	29.09	29.61
Other investors	4.28	4.13	4.17	4.20	4.32	4.29	4.28
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

* Revised

Source: Central Bank of Kenya

Table 10: Indicators of Total Government Debt

	Jun-19	Sep-19	Dec-19	Mar-20	Apr-20	May-20	Jun-20
Domestic debt (KSh Billion)	2,785.48	2,851.64	2,942.10	3,070.19	3,119.42	3,153.14	3,177.53
Public & Publicly Guaranteed External debt (US \$ Billion)	29.55	29.95	30.66	30.69	30.89	32.67	33.01
Public & Publicly Guaranteed External debt (KSh Billion)	3,023.14	3,111.80	3,106.82	3,212.63	3,317.33	3,496.43	3,515.81
Total public debt (KSh Billion)	5,808.62	5,963.44	6,048.93	6,282.82	6,436.75	6,649.57	6,693.34

Source: National Treasury and Central Bank of Kenya