



Central Bank of Kenya

# Weekly Bulletin

July 30, 2021



## RECENT MONETARY AND FINANCIAL DEVELOPMENTS

### Monetary Policy Committee Meeting

The Monetary Policy Committee (MPC) met on July 28 and noted that inflation expectations remained well anchored within the target range, and the economy continued to operate below its potential level. 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 remained stable within the target band. It increased marginally to 6.4 percent from 6.3 percent in June. The increase is on account of higher food, fuel and transport prices (**Chart 1**).

### Exchange Rates

The Kenya Shilling remained stable against major international and regional currencies during the week ending July 29. It exchanged at KSh 108.59 per US dollar on July 29, compared to KSh 108.20 per US dollar on July 22 (**Table 1**).

### Foreign Exchange Reserves

The usable foreign exchange reserves remained adequate at USD 9,341 million (5.71 months of import cover) as at July 29. This meets the CBK's statutory requirement to endeavour 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**).

### Current Account

Provisional data on balance of payments shows that the current account deficit was 5.4 percent of GDP in the 12 months to June 2021 compared to 5.2 percent of GDP in the 12 months to June 2020 (**Chart 2**). The higher deficit was attributed to lower service receipts, which more than offset the increased receipts from exports and remittances.

### Money Market

The money market was liquid during the week ending July 29, supported by government payments, which partly offset tax remittances. Commercial banks' excess reserves stood at KSh 16.2 billion in relation to the 4.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was 3.32 percent on July

29 compared to 3.05 percent on July 22. During the week, the average number of interbank deals per day increased marginally to 12 from 11 in the previous week, while the average value traded decreased to KSh 4.1 billion compared to KSh 4.6 billion (**Table 3**).

### Government Securities Market

The Treasury bills auction of July 29 received bids totalling KSh 17.8 billion against an advertised amount of KSh 24.0 billion, representing a performance of 74.2 percent. Interest rates on all Treasury bills tenures remained stable (**Table 4**).

### Equity Market

At the Nairobi Securities Exchange, the NSE 25 and the NSE 20 share price indices rose by 0.3 percent and 0.4 percent, respectively, during the week ending July 29. However, NASI, total shares traded, market capitalization and equity turnover, declined by 0.7 percent, 3.8 percent, 0.7 percent and 24.6 percent, respectively (**Table 6**).

### Bonds Market

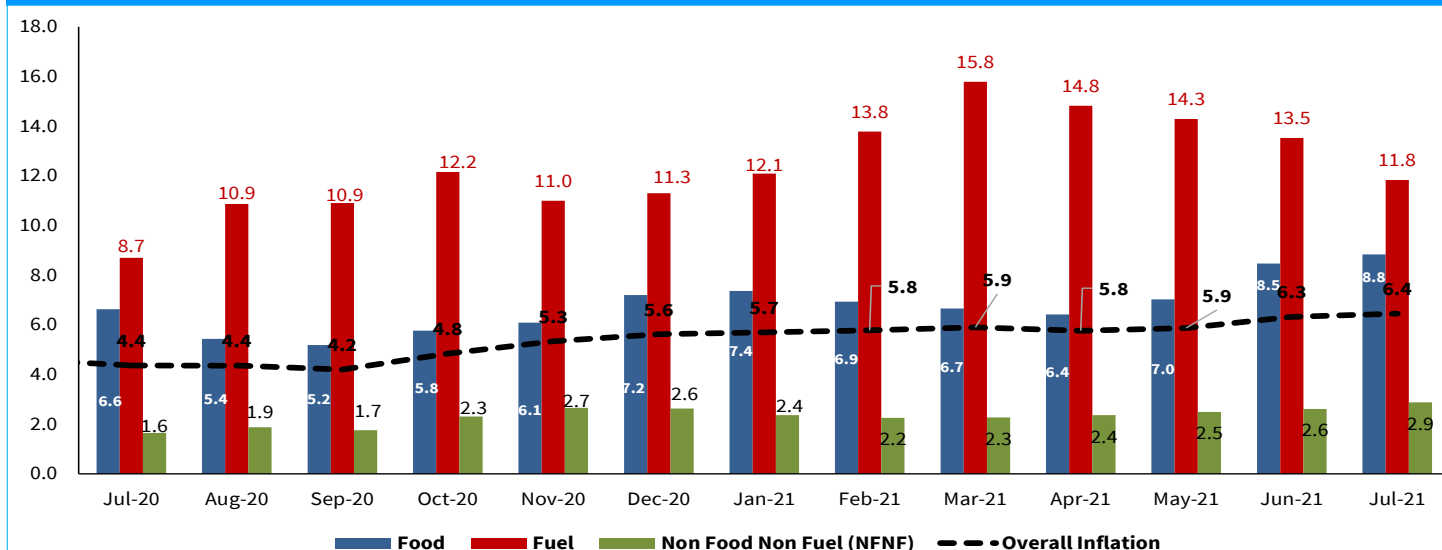
Turnover of bonds in the domestic secondary market rose by 20.7 percent during the week ending July 29 (**Table 6**). In the international market, yields on Kenya's Eurobonds remained stable, declining by an average of 1.4 basis points. The yields on the 10-year Eurobonds for Ghana and Angola also remained stable (**Chart 4**).

### Global Trends

Global financial markets sentiment was positive during the week ending July 29, as investors internalized the IMF's latest release of the World Economic Outlook (WEO) that showed that the global economy is expected to rebound strongly at 6.0 percent. Sentiment was further boosted by the US Fed decision to hold the interest rates steady despite concerns about Covid-19 delta variant and inflation pressures.

International oil prices increased during the week supported by inventory drawdowns due to lower imports and a decline in oil production. Murban oil price increased to USD 74.65 per barrel on July 29, from USD 72.25 per barrel on July 22.

**Chart 1: Inflation (Percent)**



Source: Kenya National Bureau of Statistics and 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*
16-Jul-21	108.19	149.84	127.90	98.35	32.74	21.43	9.31	18.31
19-Jul-21	108.20	149.61	127.81	98.20	32.86	21.43	9.31	18.31
20-Jul-21	Public Holiday							
21-Jul-21	108.20	148.81	127.65	98.71	32.90	21.43	9.30	18.31
22-Jul-21	108.20	148.14	127.48	98.10	32.87	21.43	9.31	18.31
<b>July 16-22</b>	<b>108.20</b>	<b>149.10</b>	<b>127.71</b>	<b>98.34</b>	<b>32.84</b>	<b>21.43</b>	<b>9.31</b>	<b>18.31</b>
23-Jul-21	108.20	148.77	127.65	98.30	32.79	21.43	9.31	18.31
26-Jul-21	108.29	148.92	127.48	97.96	32.70	21.41	9.30	18.30
27-Jul-21	108.49	149.52	127.91	98.39	32.67	21.37	9.28	18.27
28-Jul-21	108.52	149.75	128.03	98.57	32.76	21.37	9.28	18.26
29-Jul-21	108.59	150.63	128.24	98.99	32.74	21.36	9.28	18.25
<b>July 23-29</b>	<b>108.42</b>	<b>149.52</b>	<b>127.86</b>	<b>98.44</b>	<b>32.73</b>	<b>21.39</b>	<b>9.29</b>	<b>18.28</b>

\*Units of currency per Kenya Shilling

Source: Central Bank of Kenya

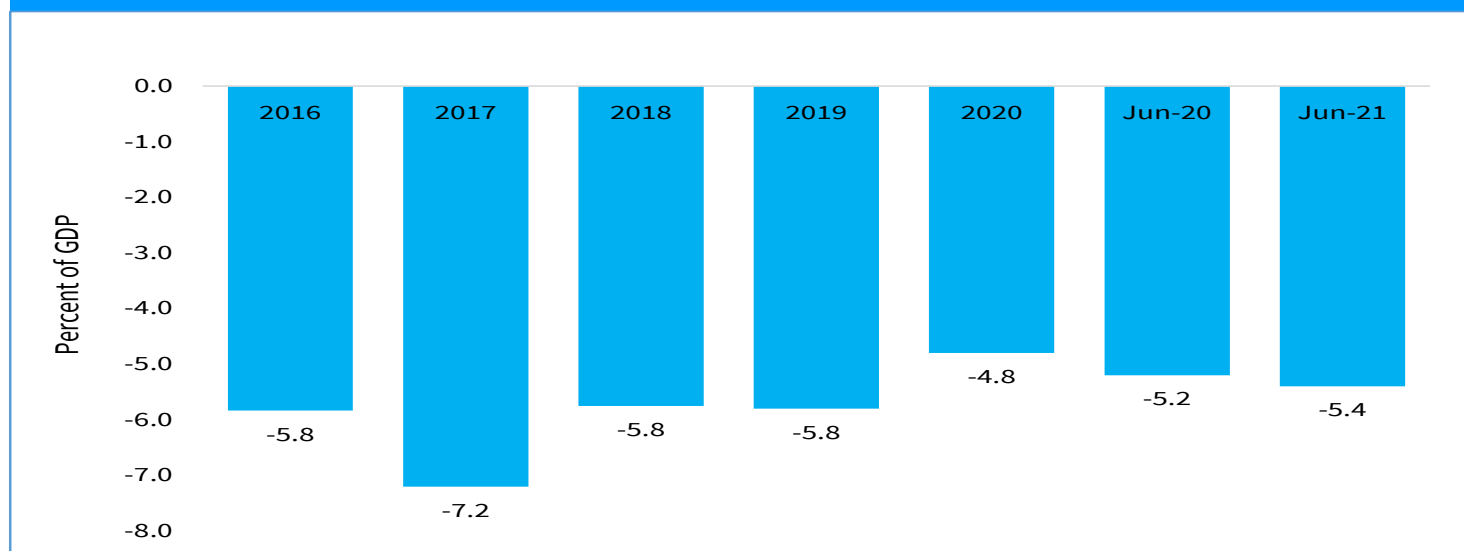
**Table 2: Official Foreign Exchange Reserves (USD Million)**

	1-Jul-21	8-Jul-21	15-Jul-21	22-Jul-21	29-Jul-21
1. CBK Usable Foreign Exchange Reserves (USD Million)*	9,494	9,590	9,621	9,371	9,341
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	5.81	5.86	5.87	5.73	5.71

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya

**Chart 2: Current Account**

Source: Central Bank of Kenya

**Table 3: Money Markets**

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
16-Jul-21	21	9,550.00	3.76
19-Jul-21	5	400.00	3.52
20-Jul-21	Public Holiday		
21-Jul-21	9	3,210.00	3.34
22-Jul-21	8	5,310.00	3.05
<b>July 16-22</b>	<b>11</b>	<b>4,617.50</b>	<b>3.42</b>
23-Jul-21	14	4,805.00	3.19
26-Jul-21	8	3,650.00	3.14
28-Jul-21	13	6,520.00	3.15
28-Jul-21	12	3,860.00	3.18
29-Jul-21	11	1,660.00	3.32
<b>July 23-29</b>	<b>12</b>	<b>4,099.00</b>	<b>3.20</b>

Source: Central Bank of Kenya

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

91-Day Treasury Bills						
Date of Auction	24-Jun-21	1-Jul-21	8-Jul-21	15-Jul-21	22-Jul-21	29-Jul-21
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)	10,708.40	10,080.95	11,308.01	2,673.05	10,082.46	8,495.36
Amount Accepted (KSh M)	2,000.00	6,049.87	11,307.42	2,667.88	10,082.46	8,490.35
Maturities (KSh M)	3,357.20	2,046.00	3,214.00	4,161.45	3,720.50	1,738.20
<b>Average Interest Rate (%)</b>	<b>6.860</b>	<b>6.728</b>	<b>6.614</b>	<b>6.520</b>	<b>6.477</b>	<b>6.486</b>
182-Day Treasury Bills						
Date of Auction	24-Jun-21	1-Jul-21	8-Jul-21	15-Jul-21	22-Jul-21	29-Jul-21
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)	5,603.56	13,949.68	19,411.26	11,325.32	3,211.47	6,498.46
Amount Accepted (KSh M)	5,562.79	13,924.67	11,667.74	11,295.82	3,207.51	6,443.79
Maturities (KSh M)	2,506.15	591.75	3,173.50	8,400.30	937.00	2,042.10
<b>Average Interest Rate (%)</b>	<b>7.317</b>	<b>7.228</b>	<b>7.101</b>	<b>6.984</b>	<b>6.955</b>	<b>6.966</b>
364-Day Treasury Bills						
Date of Auction	24-Jun-21	1-Jul-21	8-Jul-21	15-Jul-21	22-Jul-21	29-Jul-21
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)	9,037.50	7,322.10	4,324.18	5,269.95	3,404.08	2,809.45
Amount Accepted (KSh M)	9,034.46	5,472.94	4,275.77	5,219.89	3,403.99	2,809.35
Maturities (KSh M)	12,470.10	25,503.90	22,209.20	6,160.90	25,369.30	10,883.20
<b>Average Interest Rate (%)</b>	<b>7.729</b>	<b>7.661</b>	<b>7.576</b>	<b>7.506</b>	<b>7.432</b>	<b>7.426</b>

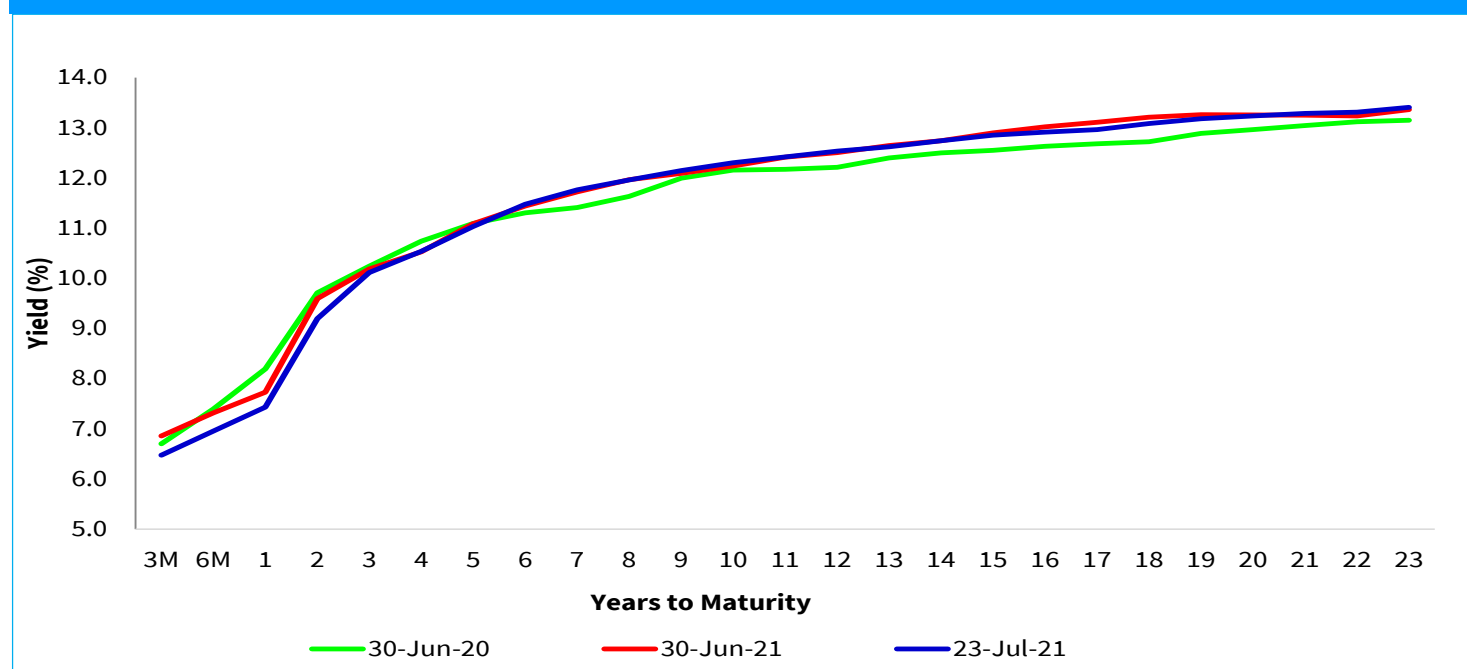
Source: Central Bank of Kenya

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

Date of Auction	16-Jun-21		30-Jun-21		14-Jul-21		
	REOPEN		TAP		REOPEN		
	FXD2/ 2019/20	FXD1/ 2012/20	FXD1/ 2019/20	FXD1/ 2012/20	FXD1/ 2012/15	FXD1/ 2018/15	FXD1/ 2021/25
Amount offered (KSh M)	20,000.00		50,000.00		60,000.00		
Bids received (KSh M)	41,045.42	23,879.71	29,845.00	8,638.85	48,805.43	28,212.38	39,906.96
Amount Accepted (KSh M)	13,400.65	6,294.65	29,045.75	8,378.30	30,091.53	27,203.05	22,640.58
Maturities (KSh M)	0.00		0.00		24,395.30		
Average interest Rate (%)	13.26	12.50	13.26	12.50	11.47	12.61	13.68

Source: Central Bank of Kenya

**Chart 3: Government Securities Yield Curve**



Source: Nairobi Securities Exchange (NSE)

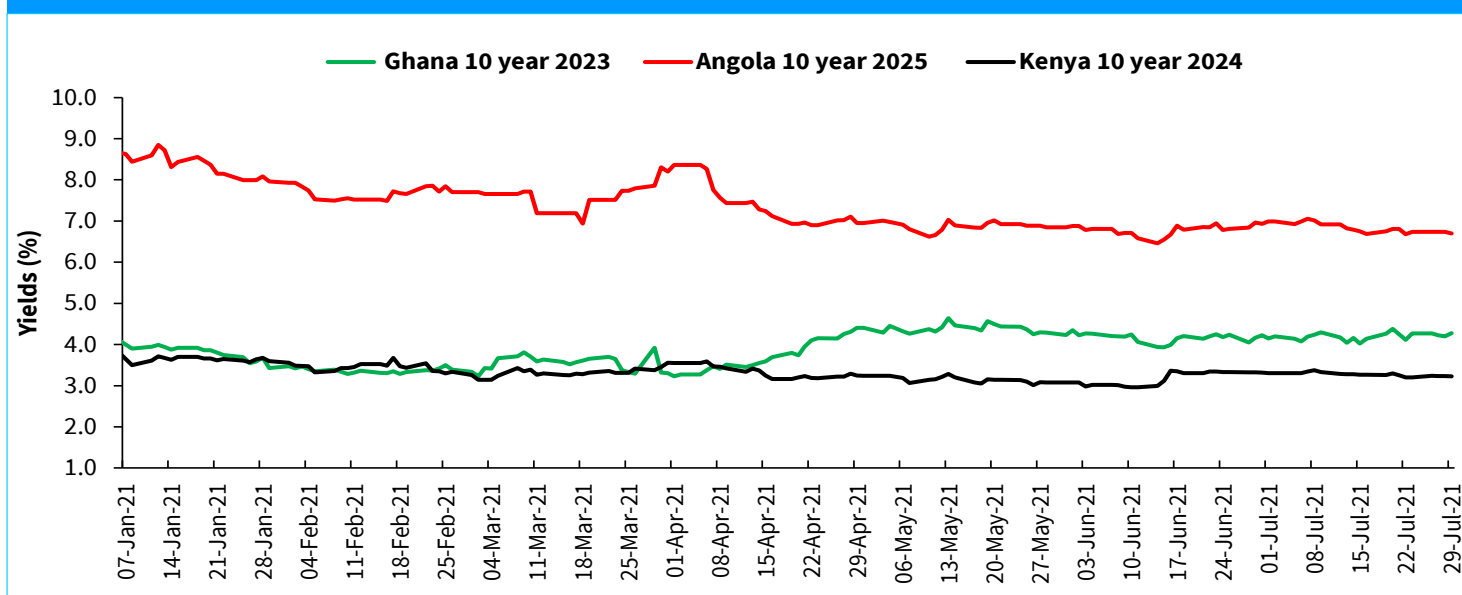
**Table 6: Key Weekly Market Indicators**

INDICATOR	NASI	NSE 25 Share Index	NSE 20 Share Index	Total Deals (Equity)	Total Shares Traded (Million)	Equity Turnover (KSh Million)	Market Capitalization (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
16-Jul-21	179	3,902	3,902	1,182	12.13	433.12	2,783.85	3,691.65	4.79	3.27	5.34	6.19	6.21	7.33
19-Jul-21	179	3,897	3,897	1,211	17.12	612.05	2,783.21	5,328.70	4.82	3.26	5.36	6.21	6.21	7.34
20-Jul-21	Public Holiday								4.83	3.30	5.38	6.26	6.24	7.37
21-Jul-21	179	3,893	3,893	1,200	14.70	612.47	2,787.72	4,071.90	4.86	3.26	5.38	6.26	6.24	7.36
22-Jul-21	179	3,897	1,979	921	7.28	270.89	2,789.51	4,052.05	4.83	3.20	5.36	6.24	6.21	7.35
<b>July 16 -22</b>	<b>179.01</b>	<b>3,896.89</b>	<b>1,978.99</b>	<b>4,514.00</b>	<b>51.24</b>	<b>1,928.54</b>	<b>2,789.51</b>	<b>17,144.30</b>	<b>4.829</b>	<b>3.203</b>	<b>5.359</b>	<b>6.240</b>	<b>6.208</b>	<b>7.345</b>
23-Jul-21	179	3,896	1,982	1,044	9.53	340.84	2,789.04	4,235.85	4.82	3.20	5.34	6.21	6.21	7.35
26-Jul-21	179	3,912	1,982	1,161	3.93	79.82	2,796.40	5,402.35	4.81	3.24	5.34	6.21	6.18	7.32
28-Jul-21	177	3,885	1,984	1,279	12.19	427.29	2,760.28	2,726.30	4.83	3.24	5.36	6.23	6.18	7.33
28-Jul-21	177	3,881	1,978	1,077	9.16	214.85	2,756.82	3,479.20	4.81	3.23	5.38	6.21	6.21	7.34
29-Jul-21	178	3,907	1,988	1,106	14.51	390.93	2,770.78	4,840.45	4.80	3.23	5.36	6.21	6.18	7.34
<b>July 23-29</b>	<b>177.81</b>	<b>3,906.56</b>	<b>1,987.50</b>	<b>5,667.00</b>	<b>49.31</b>	<b>1,453.73</b>	<b>2,770.78</b>	<b>20,684.15</b>	<b>4.800</b>	<b>3.227</b>	<b>5.355</b>	<b>6.206</b>	<b>6.179</b>	<b>7.335</b>
<b>Weekly Changes (%)</b>	<b>-0.67</b>	<b>0.25</b>	<b>0.43</b>	<b>25.54</b>	<b>-3.76</b>	<b>-24.62</b>	<b>-0.67</b>	<b>20.65</b>	<b>-0.029*</b>	<b>0.024*</b>	<b>-0.004*</b>	<b>-0.034*</b>	<b>-0.029*</b>	<b>-0.010*</b>

\* Percentage points

Source: Nairobi Securities Exchange (NSE) and Thomson Reuters

**Chart 4: Yields on 10 year Eurobonds for Selected Countries**



Source: Thomson Reuters

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

	30-Sep-20	31-Dec-20	31-Mar-21	30-Apr-21	28-May-21	30-Jun-21	23-Jul-21
1. Treasury Bills (Excluding Repos)	894.73	855.71	761.90	747.16	759.10	765.37	764.37
<i>(As % of total securities)</i>	<b>26.50</b>	<b>25.04</b>	<b>21.79</b>	<b>21.08</b>	<b>21.15</b>	<b>21.17</b>	<b>20.61</b>
2. Treasury Bonds	2,482.24	2,561.33	2,734.47	2,796.71	2,829.73	2,849.94	2,943.98
<i>(As % of total securities)</i>	<b>73.50</b>	<b>74.96</b>	<b>78.21</b>	<b>78.92</b>	<b>78.85</b>	<b>78.83</b>	<b>79.39</b>
3. Total Securities (1+2)	3,376.98	3,417.05	3,496.37	3,543.87	3,588.83	3,615.31	3,708.35
4. Overdraft at Central Bank	56.21	47.60	49.28	65.84	60.17	59.28	64.27
5. Other Domestic debt*	23.92	23.90	24.19	23.20	23.20	24.00	23.06
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>3,457.11</b>	<b>3,488.54</b>	<b>3,569.84</b>	<b>3,632.91</b>	<b>3,672.20</b>	<b>3,698.59</b>	<b>3,795.68</b>

\* 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)**

	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21	28-May-21	30-Jun-21	23-Jul-21
Treasury bills (Excluding Repos)	27.92	25.88	24.53	21.34	20.67	20.69	20.14
Treasury bonds	69.86	71.80	73.42	76.60	77.06	77.05	77.56
Overdraft at Central Bank	1.48	1.63	1.36	1.38	1.64	1.60	1.69
Other domestic debt	0.73	0.69	0.69	0.68	0.63	0.65	0.61
<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-20	30-Sep-20	31-Dec-20	31-Mar-21	28-May-21	30-Jun-21	23-Jul-21
Banking Institutions	54.84	54.55	52.83	51.75	51.45	51.26	51.15
Insurance Companies	6.05	6.16	6.44	6.57	6.64	6.66	6.65
Parastatals	5.73	5.47	5.69	5.62	5.43	5.54	5.37
Pension Funds	29.04	28.53	30.32	30.46	30.59	30.59	30.91
Other Investors	4.34	5.30	4.73	5.59	5.90	5.96	5.92
<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**

	Jun-19	Jun-20	Sep-20	Dec-20	Mar-21	May-21	Jun-21
Domestic debt (KSh Bn)	2,785.94	3,176.97	3,457.11	3,488.54	3,569.84	3,686.89	3,697.72
Public & Publicly Guaranteed External debt (USD Bn)	29.55	33.01	33.77	34.75	34.42	35.31	37.23
Public & Publicly Guaranteed External debt (KSh Bn)	3,023.14	3,515.81	3,663.49	3,793.29	3,769.87	3,799.02	4,015.30
Public debt (KSh Bn)	<b>5,809.08</b>	<b>6,692.78</b>	<b>7,120.60</b>	<b>7,281.83</b>	<b>7,339.71</b>	<b>7,485.91</b>	<b>7,713.02</b>

Source: National Treasury and Central Bank of Kenya