



Central Bank of Kenya

# Weekly Bulletin

October 2, 2020

## KEY MONETARY AND FINANCIAL INDICATORS

### Monetary Policy Committee Meeting

The Monetary Policy Committee (MPC) met on September 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 implementation of the fiscal measures in the FY2020/21 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 4.2 percent in September from 4.4 percent in August, mainly driven by low food prices and muted demand pressures. Food inflation declined to 5.2 percent from 5.4 percent (Chart 1).

### Exchange Rates

The Kenya Shilling remained relatively stable against major international and regional currencies during the week ending October 1. It exchanged at KSh 108.45 per US dollar on October 1, compared to KSh 108.41 per US dollar on September 24 (Table 1).

### Foreign Exchange Reserves

The CBK usable foreign exchange reserves remained adequate at USD 8,533 million (5.18 months of import cover) as at October 1. 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 was relatively liquid during the week ending October 1, supported by government payments. Commercial banks' excess reserves stood at KSh 13.5 billion in relation to the 4.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was 3.58 percent on October 1 compared to 3.34 percent on September 24. The average number of interbank deals per day declined to 21 from 24 in the previous week while the value traded declined to KSh 8.7 billion from KSh 13.3 billion in the previous week (Table 3).

### Government Securities Market

The Treasury bills auction of October 1 received bids totalling KSh 15.6 billion against an advertised amount of KSh 24.0 billion, representing a performance of 64.9 percent. Interest rates on the Treasury bills increased marginally (Table 4).

### Equity Market

At the Nairobi Securities Exchange (NSE), all the share price indices remained relatively stable with the NSE 20 share price index increasing by 1.3 percent. The NASI, the NSE 25 share price index, and market capitalization also edged up during the week ending October 1. However, equity turnover and total number of shares traded declined by 47.3 percent and 36.4 percent, respectively (Table 6).

### Bond Market

Turnover of bonds traded in the domestic secondary market increased by 40.4 percent during the week ending October 1 (Table 6). In the international market, yields on Kenya's Eurobonds decreased by an average of 4.8 basis points. Yields on the 10-year Eurobonds for Angola and Ghana also declined marginally (Chart 3).

### Global Trends

Global financial markets sentiment was cautiously optimistic during the week ending October 1, following the possibility of an agreement on additional US fiscal stimulus and lower than expected jobless claims in the US.

International oil prices remained stable during the week. Murban oil price stood at USD 41.39 per barrel on October 1 compared to USD 41.49 per barrel on September 24.

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

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
18-Sept-20	108.39	139.76	128.15	103.63	34.06	21.40	8.94	17.82
21-Sept-20	108.40	140.44	128.40	103.92	34.04	21.40	8.94	17.82
22-Sept-20	108.36	139.37	127.79	103.76	34.05	21.41	8.94	17.83
23-Sept-20	108.42	139.15	127.56	103.73	34.04	21.40	8.94	17.82
24-Sept-20	108.41	137.95	126.82	103.18	34.08	21.40	8.94	17.78
<b>Sept 18-24</b>	<b>108.40</b>	<b>139.34</b>	<b>127.74</b>	<b>103.64</b>	<b>34.05</b>	<b>21.40</b>	<b>8.94</b>	<b>17.81</b>
25-Sept-20	108.47	138.38	126.49	102.84	34.14	21.39	8.94	17.81
28-Sept-20	108.48	138.32	126.56	103.01	34.13	21.39	8.91	17.81
29-Sept-20	108.49	139.62	126.79	102.93	34.18	21.38	8.99	17.81
30-Sept-20	108.50	139.51	126.89	102.70	34.29	21.38	8.99	17.81
1-Oct-20	108.45	139.31	126.99	102.57	34.26	21.39	9.00	17.82
<b>Sept 25-1 Oct</b>	<b>108.48</b>	<b>139.03</b>	<b>126.74</b>	<b>102.81</b>	<b>34.20</b>	<b>21.39</b>	<b>8.96</b>	<b>17.81</b>

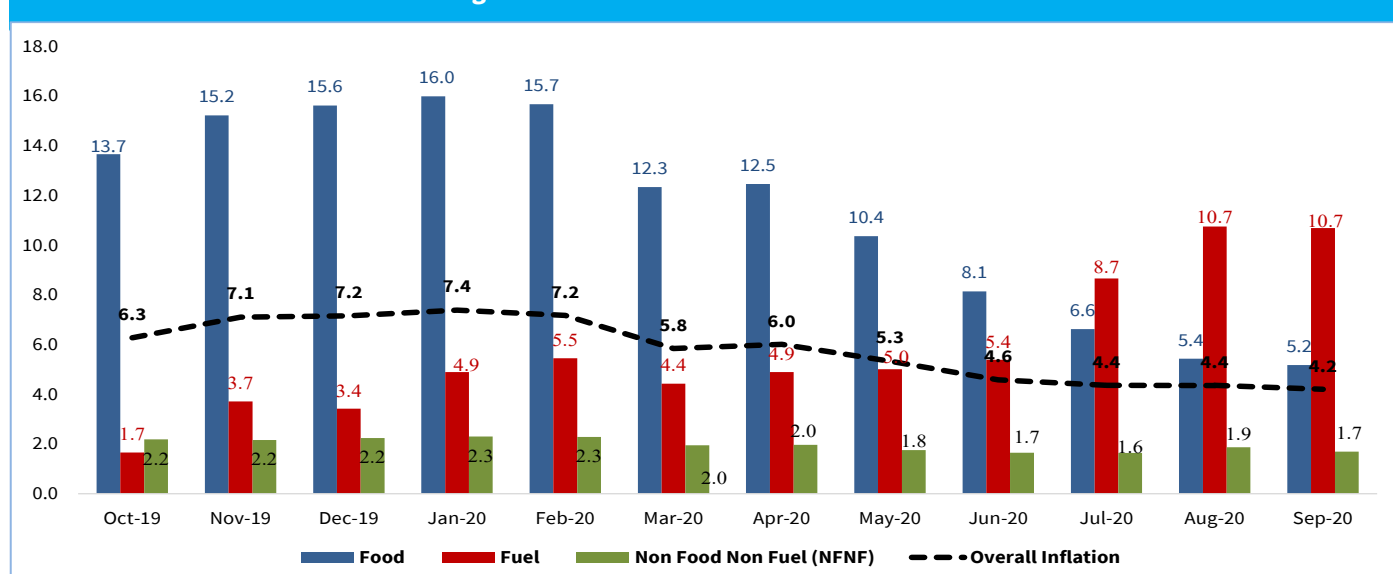
\* Units of currency per Kenya Shilling

**Table 2: Official Usable Foreign Exchange Reserves**

	31-Aug-20	3-Sept-20	10-Sept-20	17-Sept-20	24-Sept-20	1-Oct-20
1. CBK Usable Foreign Exchange Reserves (USD Million)	8,849	8,865	8,877	8,838	8,627	8,533
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	5.37	5.38	5.39	5.36	5.23	5.18

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

Source: Central Bank of Kenya

**Chart 1: Trends in broad inflation categories**

Source: Central Bank of Kenya

**Table 3: Money Market**

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
18-Sept-20	27	19,410.00	2.81
21-Sept-20	28	19,720.00	2.98
22-Sept-20	25	11,535.00	3.25
23-Sept-20	20	7,905.00	3.35
24-Sept-20	20	8,120.00	3.34
<b>Sept 18-24</b>	<b>24</b>	<b>13,338.00</b>	<b>3.15</b>
25-Sept-20	21	4,480.00	3.42
28-Sept-20	21	6,540.00	3.47
29-Sept-20	22	11,490.00	3.62
30-Sept-20	22	11,125.00	3.75
1-Oct-20	21	9,855.00	3.58
<b>Sept 25-1 Oct</b>	<b>21</b>	<b>8,698.00</b>	<b>3.57</b>

Source :Central Bank of Kenya

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

<b>91-Day Treasury Bills</b>						
Date of Auction	27-Aug-20	3-Sept-20	10-Sept-20	17-Sept-20	24-Sept-20	1-Oct-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)	4,531.82	2,738.60	7,227.67	6,049.89	1,121.74	6,186.15
Amount Accepted (Ksh M)	3,988.09	2,248.26	7,214.49	6,048.02	1,101.03	4,887.21
Maturities (Ksh M)	2,285.85	4,309.50	3,924.05	6,465.20	695.40	9,592.90
<b>Average Interest Rate (%)</b>	<b>6.273</b>	<b>6.295</b>	<b>6.267</b>	<b>6.273</b>	<b>6.309</b>	<b>6.400</b>
<b>182-Day Treasury Bills</b>						
Date of Auction	27-Aug-20	3-Sept-20	10-Sept-20	17-Sept-20	24-Sept-20	1-Oct-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)	6,095.76	3,162.21	7,602.49	1,919.00	1,272.08	4,059.29
Amount Accepted (Ksh M)	4,901.01	2,682.80	7,510.40	1,918.09	1,131.97	3,469.83
Maturities (Ksh M)	2,771.45	2,050.40	2,609.25	3,747.10	3,480.25	4,773.35
<b>Average Interest Rate (%)</b>	<b>6.625</b>	<b>6.627</b>	<b>6.689</b>	<b>6.720</b>	<b>6.773</b>	<b>6.839</b>
<b>364-Day Treasury Bills</b>						
Date of Auction	27-Aug-20	3-Sept-20	10-Sept-20	17-Sept-20	24-Sept-20	1-Oct-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)	1,932.63	5,995.46	5,351.49	8,915.21	4,731.14	5,334.48
Amount Accepted (Ksh M)	1,836.51	5,995.46	3,960.39	8,852.01	4,424.96	2,341.85
Maturities (Ksh M)	8,496.70	7,879.45	7,907.80	21,244.20	12,677.60	8,531.60
<b>Average Interest Rate (%)</b>	<b>7.507</b>	<b>7.554</b>	<b>7.564</b>	<b>7.571</b>	<b>7.690</b>	<b>7.744</b>

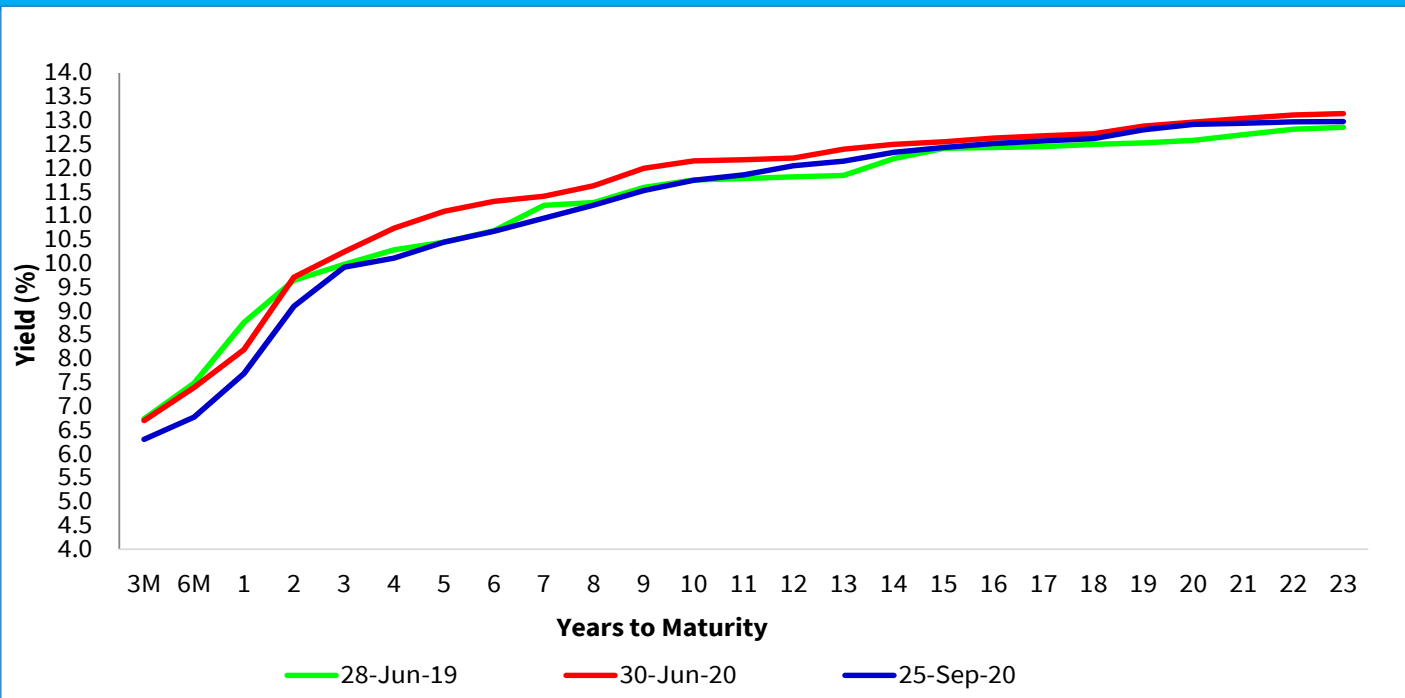
Source: Central Bank of Kenya

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

Date of Auction	22-Jul-20			5-Aug-20	19-Aug-20	16-Sept-20		
	REOPEN			TAP		REOPEN		
Tenor	FXD1/ 2020/5	FXD2/ 2018/10	FXD1/ 2019/15	FXD2/ 2018/20	IFB1/ 2020/11	FXD2/ 2010/15	FXD1/ 2020/15	FXD1/ 2011/20
Amount offered (Ksh M)	60,000.00			40,000.00	70,000.00	50,000.00		
Bids received (Ksh M)	65,336.90	55,488.14	60,947.80	41,006.20	101,471.04	17,841.15	49,791.29	
Amount Accepted (Ksh M)	9,344.71	21,267.34	50,242.43	41,006.20	78,639.89	11,019.41	45,691.75	7,465.13
Maturities (Ksh M)	0.00			0.00	0.00	0.00		
Average interest Rate (%)	10.26	11.45	12.34	12.93	11.30	10.46	12.51	11.87

Source: Central Bank of Kenya

**Chart 2: Government Securities Yield**



Source: Nairobi Securities Exchange (NSE)

**Table 6: Key Weekly Market Indicators**

INDICATOR	NASI	NSE 25 Share Index	NSE 20 Share Index 100=1996	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	30-Year 2048
18-Sept-20	140.24	3238.77	1847.41	808	19.9	452.6	2,153.1	1,589.7	6.485	5.456	6.751	7.497	8.101
21-Sept-20	139.54	3219.29	1848.74	789	8.4	203.4	2,142.3	2,114.3	6.859	5.710	6.814	7.667	8.272
22-Sept-20	139.77	3219.35	1839.96	1,081	23.7	607.1	2,145.8	3,045.1	6.997	6.004	7.161	7.892	8.378
23-Sept-20	139.63	3217.59	1840.68	1,023	25.8	685.6	2,143.7	2,896.0	7.179	6.077	7.205	7.927	8.437
24-Sept-20	139.71	3221.79	1832.00	952	44.5	1,440.6	2,144.9	1,687.8	7.369	6.338	7.493	8.158	8.570
<b>Sept 18-24</b>	<b>139.71</b>	<b>3221.79</b>	<b>1832.00</b>	<b>4653.00</b>	<b>122.25</b>	<b>3389.32</b>	<b>2,144.89</b>	<b>11,332.75</b>	<b>7.369</b>	<b>6.338</b>	<b>7.493</b>	<b>8.158</b>	<b>8.570</b>
25-Sept-20	140.37	3242.38	1847.63	913	19.8	501.1	2,155.0	2,486.0	7.267	6.225	7.359	8.069	8.558
28-Sept-20	140.09	3254.18	1850.21	953	14.8	307.1	2,150.9	4,602.0	7.279	6.187	7.315	8.015	8.509
29-Sept-20	140.00	3252.25	1844.99	969	9.0	182.6	2,149.4	2,945.8	7.311	6.224	7.359	8.051	8.546
30-Sept-20	139.89	3258.78	1852.29	994	25.3	651.6	2,147.7	3,039.1	7.439	6.374	7.493	8.194	8.669
1-Oct-20	139.88	3248.77	1855.53	870	8.8	145.4	2,147.6	2,832.3	7.345	6.260	7.381	8.105	8.595
<b>Sept 25-1 Oct</b>	<b>139.88</b>	<b>3248.77</b>	<b>1855.53</b>	<b>4699.00</b>	<b>77.77</b>	<b>1787.71</b>	<b>2,147.64</b>	<b>15,905.10</b>	<b>7.345</b>	<b>6.260</b>	<b>7.381</b>	<b>8.105</b>	<b>8.595</b>
<b>Weekly Changes (Percent)</b>	<b>0.12</b>	<b>0.84</b>	<b>1.28</b>	<b>0.99</b>	<b>-36.38</b>	<b>-47.25</b>	<b>0.13</b>	<b>40.35</b>	<b>-0.024*</b>	<b>-0.078*</b>	<b>-0.112*</b>	<b>0.053*</b>	<b>0.025*</b>

\* Percentage points

Source: Nairobi Securities Exchange (NSE)

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

	28-Jun-19	30-Jun-20	30-Jul-20	28-Aug-20	11-Sep-20	18-Sep-20	25-Sep-20
1. Treasury Bills (Excluding Repos)	954.25	887.14	950.65	918.77	913.51	918.41	904.54
<b>(As % of total securities)</b>	<b>35.29</b>	<b>28.55</b>	<b>29.26</b>	<b>27.53</b>	<b>27.42</b>	<b>27.53</b>	<b>26.72</b>
2. Treasury Bonds	1,749.71	2,220.34	2,297.85	2,418.32	2,417.43	2,417.43	2,481.35
<b>(As % of total securities)</b>	<b>64.71</b>	<b>71.45</b>	<b>70.74</b>	<b>72.47</b>	<b>72.58</b>	<b>72.47</b>	<b>73.28</b>
3. Total Securities (1+2)	2,703.96	3,107.48	3,248.50	3,337.09	3,330.94	3,335.83	3,385.89
4. Overdraft at Central Bank	57.33	47.15	0.00	29.85	35.54	31.31	46.00
5. Other Domestic debt*	25.76	23.79	25.05	25.04	24.50	24.52	24.51
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>2,787.04</b>	<b>3,178.42</b>	<b>3,273.55</b>	<b>3,391.97</b>	<b>3,390.99</b>	<b>3,391.67</b>	<b>3,456.41</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)**

	28-Jun-19	30-Sept-19	31-Dec-19	31-Mar-20	30-Jun-20	18-Sept-20	25-Sept-20
Treasury bills (Excluding Repos)	34.24	32.57	29.87	29.31	27.91	27.08	26.17
Treasury bonds	62.78	64.13	67.12	68.11	69.86	71.28	71.79
Overdraft at Central Bank	2.06	2.39	2.17	1.76	1.48	0.92	1.33
Other domestic debt	0.92	0.90	0.84	0.82	0.75	0.72	0.71
<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)**

	28-Jun-19	31-Dec-19	31-Mar-20	30-Jun-20	11-Sep-20	18-Sep-20	25-Sep-20
Banking Institutions	54.38	54.33	54.33	54.86	54.95	55.02	54.95
Insurance Companies	6.13	6.42	6.30	6.05	6.12	6.10	6.17
Parastatals	6.97	6.49	6.13	5.73	5.49	5.53	5.44
Pension Funds	28.24	28.60	29.04	29.05	29.24	29.16	28.75
Other Investors	4.28	4.17	4.20	4.32	4.21	4.20	4.68
<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>

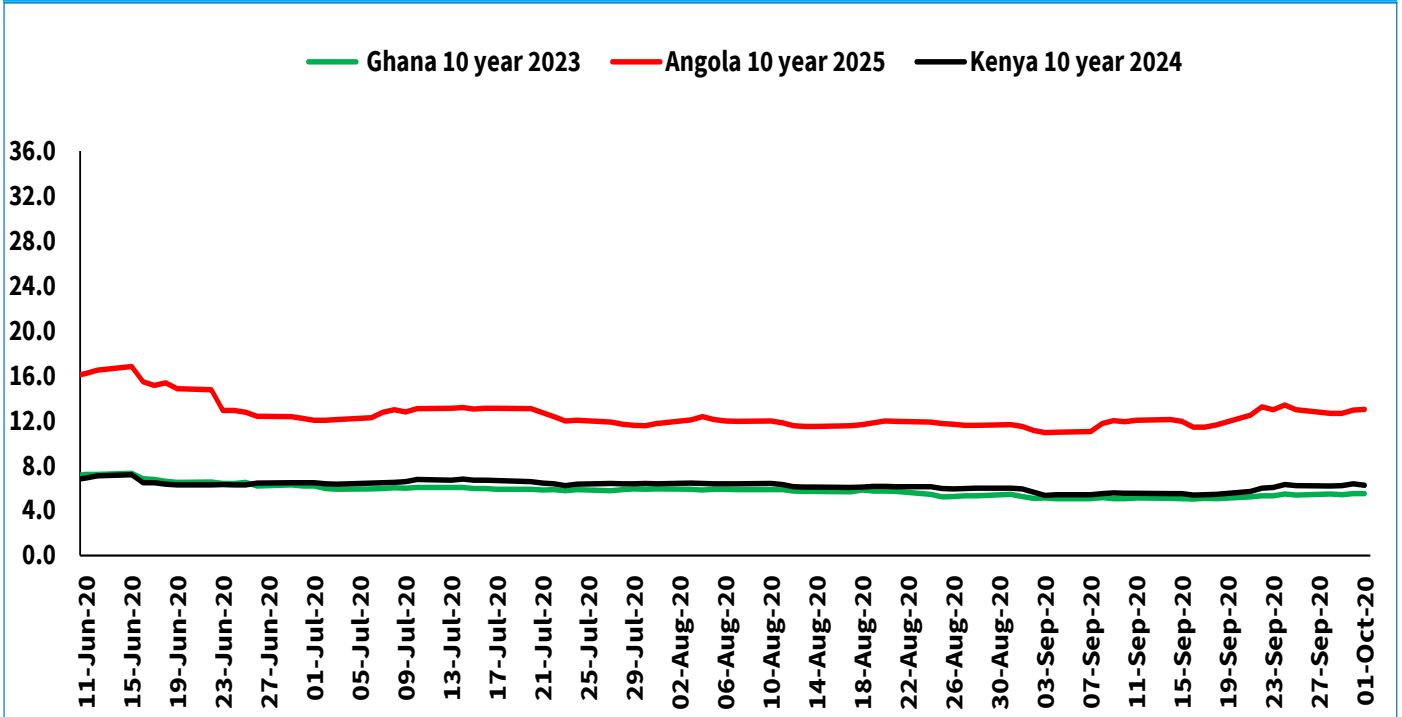
Source: Central Bank of Kenya

**Table 10: Indicators of Government Debt**

	Jun-19	Sep-19	Dec-19	Mar-20	Apr-20	May-20	Jun-20
Domestic Debt (Kshs Bn)	2,787.04	2,851.64	2,942.10	3,072.54	3,119.42	3,153.14	3,178.42
Public & Publicly Guaranteed External Debt (US \$ Bn)	29.55	29.95	30.66	30.69	30.89	32.67	33.01
Public & Publicly Guaranteed External Debt (Ksh Bn)	3,023.14	3,111.80	3,106.82	3,212.63	3,317.33	3,496.43	3,515.81
<b>Public Debt (Ksh Bn)</b>	<b>5,810.18</b>	<b>5,963.44</b>	<b>6,048.93</b>	<b>6,285.18</b>	<b>6,436.75</b>	<b>6,649.57</b>	<b>6,694.23</b>

Source: National Treasury and Central Bank of Kenya

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



Source: Thomson Reuters