



Central Bank of Kenya

Weekly Bulletin

October 4, 2019

KEY MONETARY AND FINANCIAL INDICATORS

Conclusion of Demonetisation Exercise

The CBK successfully completed the withdrawal (demonetisation) of the older series KSh 1,000 notes on September 30. The exercise was aimed at addressing the concern of illicit financial flows, and the emerging risk of counterfeits. From a total of 217,047,000 on June 1, the CBK received 209,661,000 pieces. As a result, 7,386,000 pieces valued at KSh 7,386 million, were rendered worthless.

Inflation

Overall inflation declined to 3.8 percent in September from 5.0 percent in August, supported by declining food prices following good weather conditions (Chart 1).

Economic Growth

The economy grew by 5.6 percent in the second quarter of 2019, despite delayed onset and below average long rains which affected agriculture (Table 1).

Exchange Rate

The Kenya Shilling remained stable against major international and regional currencies during the week ending October 3. It exchanged at KSh 103.86 per US Dollar on October 3 (Table 2).

Foreign Exchange Reserves

The CBK usable foreign exchange reserves remained adequate at USD 8,935 million (5.58 months of import cover) as at October 3. 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 3).

Current Account

Preliminary data shows that the current account deficit narrowed to 4.0 percent of GDP in the 12 months to August 2019 from 4.2 percent in July, reflecting resilient exports of horticulture, diaspora remittances, higher receipts from tourism and transport services, and slower growth of imports of food, machinery and transport equipment (Chart 2).

Money Market

The money market remained liquid during the week

ending October 3, supported by Government payments and net redemption of government securities. Commercial banks' excess reserves stood at KSh 13.0 billion in relation to the 5.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate increased to 7.35 percent on October 3 from 7.31 percent on September 26. The average number of interbank deals per day decreased to 14 from 18 in the previous week, while the value traded decreased to KSh 6.2 billion compared to KSh 7.8 billion (Table 4).

Government Securities Market

The Treasury bills auctions of October 3 received bids totaling KSh 20.7 billion against an advertised amount of KSh 24.0 billion representing a performance of 86.4 percent. Interest rates on all tenors increased marginally (Table 5).

Treasury bonds tap sale of October 3, for the two 15-year fixed rate bonds, received bids totaling KSh 9.3 billion against an advertised amount of KSh 30.0 billion, representing a performance of 31.1 percent (Table 6).

Equity Market

Performance of the Nairobi Securities Exchange improved across most of the leading indicators during the week ending October 3. The NASI, NSE 25, NSE20 share price indices, market capitalization and shares traded increased by 2.1 percent, 1.3 percent, 0.2 percent, 2.1 percent and 2.1 percent, respectively. However, equity turnover declined by 8.5 percent (Table 7).

Bond Market

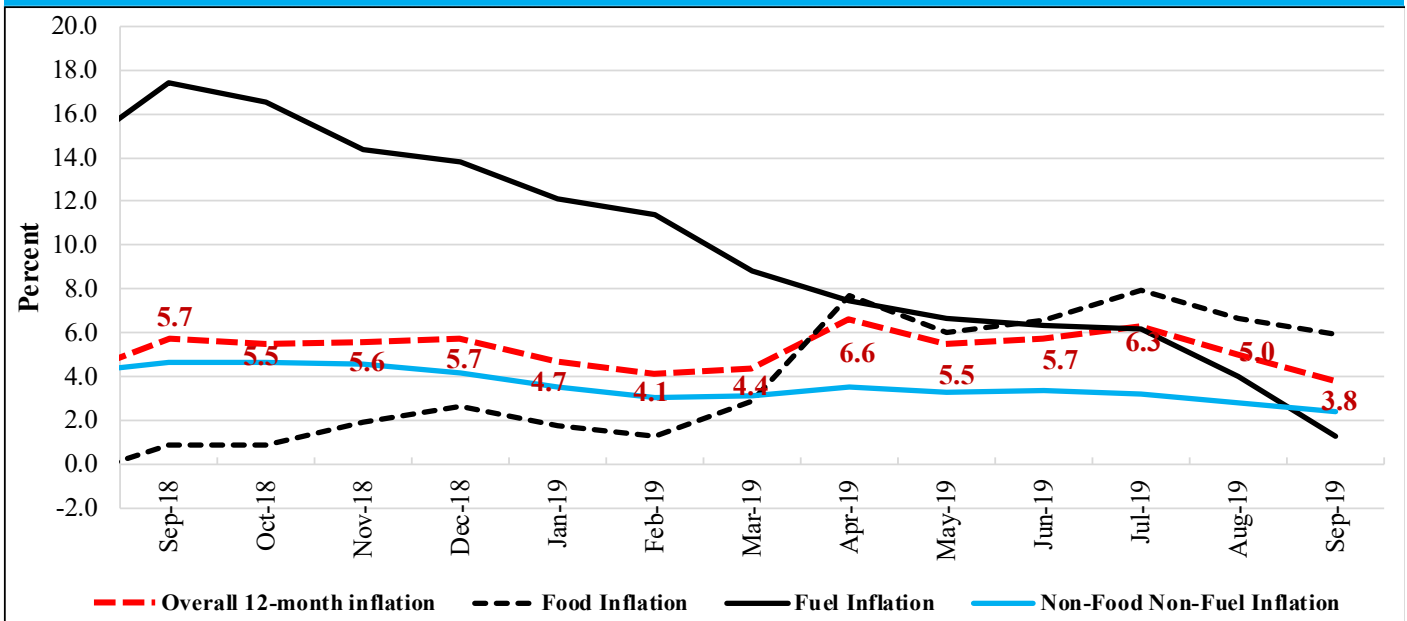
The value of bonds traded in the domestic secondary market increased by 39.6 percent during the week ending October 3. Accorn holdings successfully raised KSh 4.3 billion against a target of KSh 5 billion in the first ever Kenya Green bond. In the international market, yields on Kenya's 7-year, 10-year (2024), 10-year (2028), 12-year and 30-year Eurobonds increased by 6.0, 8.4, 11.6, 7.9 and 3.3 basis points, respectively. Yields on 10-year Eurobonds for Angola and Ghana also increased (Chart 4).

Global Trends

Global financial markets remained unsettled during the week ending October 3 largely due to deepening trade tensions and continued fears of a global recession. The WTO allowed the US to impose tariffs on USD 7.5 billion of EU exports. The new UK Prime Minister revealed his Brexit offer to the EU with a proposal to allow Northern Ireland to remain in the EU.

International oil prices continued to decline during the week, reflecting higher US supplies and weak global demand. The Murban oil prices declined to USD 59.05 per barrel on October 3 from USD 64.03 per barrel on September 26.

Chart 1: Inflation



Source: KNBS AND CBK

Table 1: Real GDP Growth (%)

	Annual		2017				2018				2019	
	2017	2018	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1. Agriculture	1.9	6.4	4.1	0.7	2.7	-0.7	7.5	6.5	6.9	3.9	5.2	4.1
2. Non-Agriculture (o/w)	5.7	6.3	5.7	5.6	4.9	6.6	6.2	6.4	6.2	6.4	5.7	6.1
2.1 Industry	3.8	5.3	4.4	3.9	2.6	4.4	4.9	5.4	5.7	5.5	4.2	5.3
Mining & Quarrying	4.5	2.8	5.8	4.3	4.5	3.4	2.4	2.9	3.3	2.7	2.2	5.7
Manufacturing	0.5	4.2	1.6	0.1	0.10	0.1	3.8	4.7	4.6	3.7	3.2	4.2
Construction	7.0	7.9	8.2	8.3	5.8	5.4	6.5	8.4	7.8	8.7	6.1	5.6
Electricity & water supply	8.5	6.6	7.9	9.1	5.5	11.3	6.6	5.4	7.0	7.3	5.6	7.2
2.2 Services	6.5	6.9	6.6	6.3	5.9	7.4	6.9	7.1	6.6	7.2	6.3	6.7
Wholesale & Retail Trade	5.7	6.3	3.4	5.0	6.6	7.5	5.9	6.2	6.5	6.5	5.5	5.8
Accommodation & restaurant	14.3	16.6	24.2	12.3	12.0	8.9	13.1	15.4	15.7	21.3	10.1	10.6
Transport & Storage	7.2	8.8	7.3	6.5	5.1	9.7	8.5	8.4	9.0	9.3	6.7	7.2
Information & Communication	11.0	11.4	13.4	11.5	10.8	9.2	12.5	11.0	9.8	11.8	10.5	11.6
Financial & Insurance	2.8	5.6	3.8	3.3	2.3	2.0	5.2	4.6	5.4	7.0	5.0	6.7
Public administration	6.5	6.1	3.8	4.8	6.5	11.0	6.2	5.9	6.1	6.4	6.5	6.0
Professional, Administration & Support Services	3.7	5.9	3.9	5.5	2.1	3.3	4.0	15.9	3.2	0.9	4.8	7.6
Real estate	6.1	4.1	6.4	6.3	6.1	5.7	5.3	4.6	3.8	2.8	4.2	5.4
Education	5.1	5.8	5.3	4.7	4.4	5.9	5.0	5.7	6.0	6.7	5.4	6.0
Health	4.3	4.5	3.3	5.0	4.6	4.2	4.6	4.1	5.5	4.0	4.0	5.2
Other services	5.1	4.9	6.0	4.7	4.6	4.9	4.2	5.1	4.9	5.3	3.2	2.3
FISIM	-3.3	1.1	-1.2	-4.9	-1.2	-5.7	0.2	0.1	1.7	2.2	-3.5	4.0
2.3 Taxes on products	5.4	5.2	4.0	6.0	4.6	6.9	5.7	5.5	5.6	4.3	5.8	4.5
Real GDP Growth	4.9	6.3	5.2	4.4	4.5	5.3	6.5	6.4	6.4	5.9	5.6	5.6

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

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
20-Sep-19	103.83	129.67	114.88	96.13	35.40	22.13	8.88	17.79
23-Sep-19	103.83	129.70	114.89	96.40	35.39	22.14	8.88	17.79
24-Sep-19	103.86	128.97	114.13	96.43	35.38	22.13	8.88	17.78
25-Sep-19	103.83	129.72	114.19	96.44	35.40	22.13	8.89	17.79
26-Sep-19	103.86	128.71	114.14	96.45	35.38	22.14	8.89	17.78
September 20-26	103.84	129.35	114.44	96.37	35.39	22.14	8.88	17.78
27-Sep-19	103.82	128.19	113.70	96.56	35.45	22.15	8.89	17.80
30-Sep-19	103.89	128.01	113.54	96.37	35.47	22.13	8.89	17.78
1-Oct-19	103.86	127.85	113.26	96.10	35.46	22.13	8.76	17.79
2-Oct-19	103.86	126.96	113.23	95.82	35.44	22.13	8.91	17.79
3-Oct-19	103.86	127.54	113.63	96.98	35.44	22.14	8.91	17.79
September 27- Oct 3	103.86	127.71	113.47	96.37	35.45	22.13	8.87	17.79

* Units of currency per Kenya Shilling

Source :Central Bank of Kenya

Table 3: Official Usable Foreign Exchange Reserves

	29-Aug-19	05-Sep-19	12-Sep-19	19-Sep-19	26-Sep-19	03-Oct-19
1. CBK Usable Foreign Exchange Reserves (USD Million)	9,252	9,218	9,196	9,148	8,985	8,935
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	5.78	5.76	5.75	5.72	5.61	5.58

*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 (%)
20-Sep-19	24	8,400	6.99
23-Sep-19	18	11,350	7.45
24-Sep-19	18	8,080	7.14
25-Sep-19	18	5,930	7.42
26-Sep-19	13	5,300	7.31
September 20-26	18	7,812	7.26
27-Sep-19	15	5,900	7.35
30-Sep-19	15	10,870	7.95
1-Oct-19	11	3,765	7.41
2-Oct-19	13	4,910	7.41
3-Oct-19	17	5,330	7.35
September 27-Oct 3	14	6,155	7.49

Source :Central Bank of Kenya

Table 5: Performance of Treasury Bills Auctions**91-Day Treasury Bills**

Date of Auction	29-Aug-19	12-Sep-19	19-Sep-19	26-Sep-19	03-Oct-19
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	5,318.73	6,270.38	684.12	3,294.99	2,385.07
Amount Accepted (Ksh M)	5,318.73	6,270.38	681.19	3,294.99	2,385.07
Maturities (Ksh M)	2,370.60	1,078.20	2,399.85	4,205.85	2,183.85
Average interest Rate (%)	6.385	6.315	6.368	6.307	6.378

182-Day Treasury Bills

Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	4,821.89	1,081.14	708.67	436.44	1,276.90
Amount Accepted (Ksh M)	4,821.89	1,081.14	708.01	436.44	1,276.90
Maturities (Ksh M)	8,025.60	4,910.70	5,822.85	6,129.75	10,440.15
Average interest Rate (%)	7.011	7.143	7.150	7.175	7.200

364-Day Treasury Bills

Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	8,683.06	11,503.65	23,498.55	19,878.31	17,063.96
Amount Accepted (Ksh M)	7,769.72	7,222.72	19,868.53	11,581.85	7,773.70
Maturities (Ksh M)	16,078.65	12,533.60	12,757.65	10,320.85	16,531.55
Average interest Rate (%)	9.392	9.582	9.705	9.777	9.798

Source: Central Bank of Kenya

Table 6: Performance of Treasury Bonds Auctions

Date of Auction	24-Jul-19			14-Aug-19		18-Sep-19		25-Sep-19	
	FXD 3/2019/15	FXD 3/2019/10	FXD 1/2019/20	FXD 1/2018/15	FXD 2/2019/15	FXD 1/2018/15	FXD 2/2019/15		
Tenor				REOPEN		REOPEN			
Amount offered (Ksh M)	40,000.00	50,000.00		50,000.00		30,000.00			
Bids received (Ksh M)	86,674.56	67,441.35		32,624.57		9,320.40			
Amount Accepted (Ksh M)	50,578.30	45,014.80	14,671.97	15,256.19	17,368.38	3,453.83	5,906.13		
Maturities (Ksh M)	0.00	0.00	0.00	46,205.50		3,453.83	5,906.13		
Average interest Rate (%)	12.34	11.52	12.74	12.56	12.67	12.56	12.67		

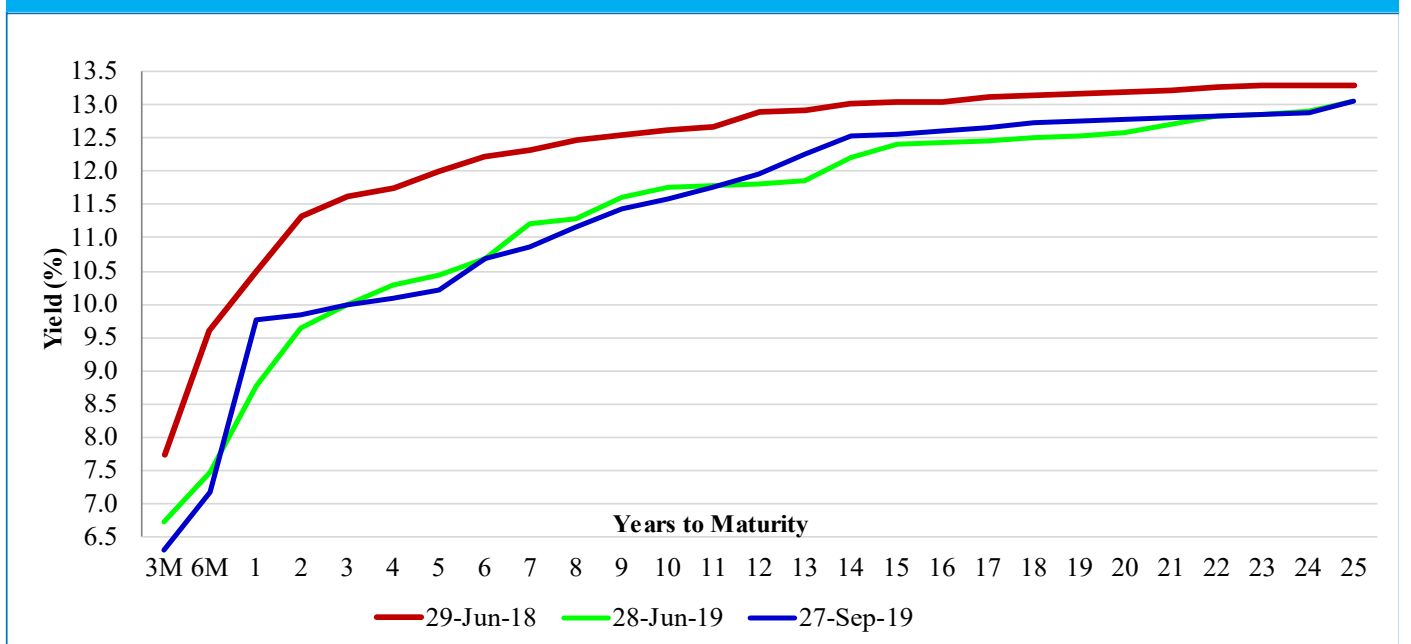
Source: Central Bank of Kenya

Chart 2: Current Account



Source: Central Bank of Kenya

Chart 3: Government Securities Yield Curve



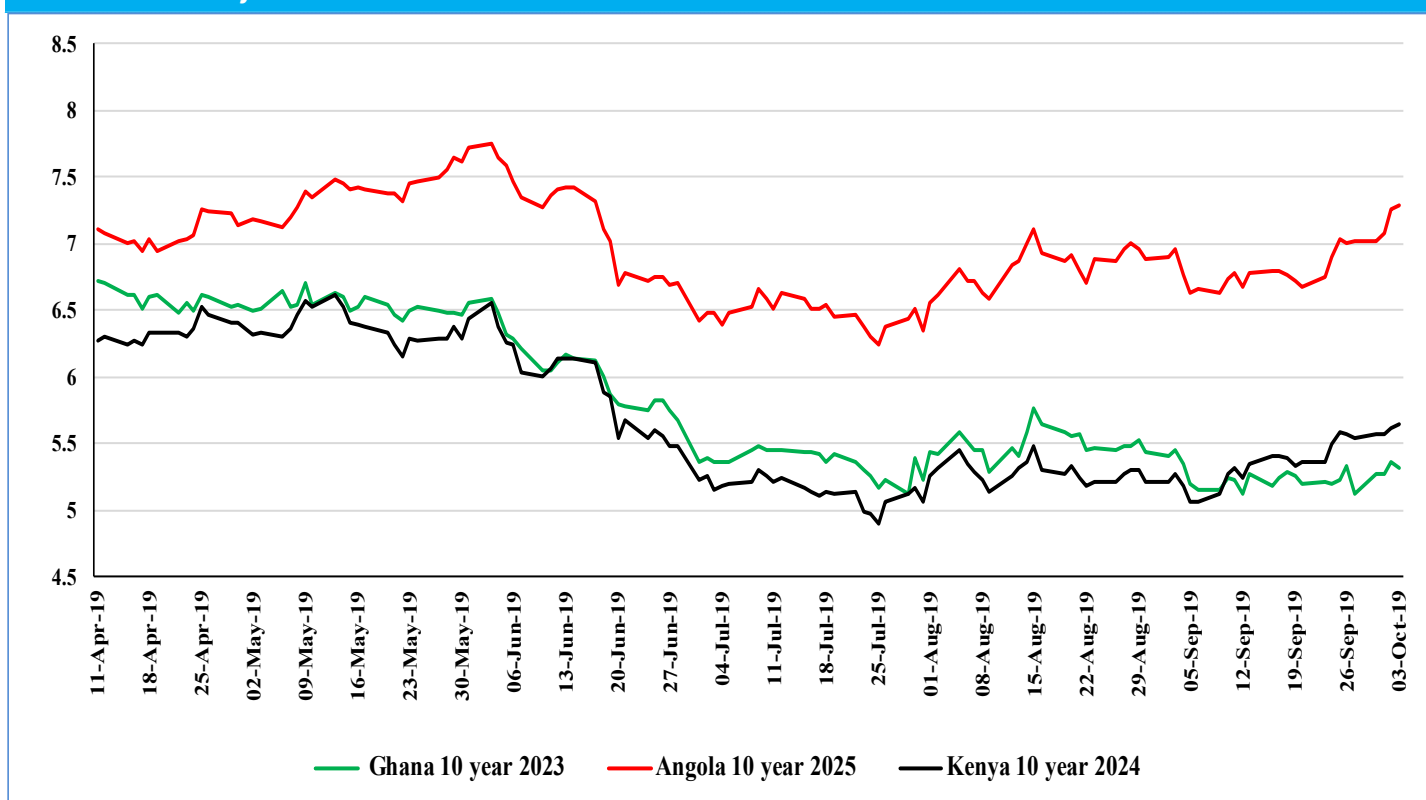
Source: Nairobi Securities Exchange (NSE)

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 (Mil- lion)	Equity Turnover (KSh Million)	Market Capital- ization (KSh Billion)	Bonds Turnover (KSh Million)	7-Year Euro- bond Yield (%)	10-Year Euro- bond Yield (%) 2024	10-Year Euro- bond Yield (%) 2028	12-Year Euro- bond Yield (%)	30-Year Euro- bond Yield (%)
20-Sep-19	144.98	3,474.47	2,442.50	1,065	20.90	646.28	2,182.70	1,058.53	6.203	5.364	6.527	7.196	7.926
23-Sep-19	145.30	3,472.43	2,432.79	766	6.95	172.12	2,187.60	892.29	6.229	5.354	6.565	7.242	7.927
24-Sep-19	145.72	3,488.29	2,455.42	1,041	12.10	384.63	2,193.93	2,004.56	6.351	5.501	6.698	7.414	8.102
25-Sep-19	145.70	3,487.63	2,447.56	913	38.20	1,220.59	2,193.59	2,526.05	6.448	5.580	6.834	7.509	8.238
26-Sep-19	144.50	3,461.86	2,439.71	895	8.45	273.25	2,175.52	2,553.86	6.412	5.565	6.736	7.461	8.181
Sep 20-26	144.50	3461.86	2439.71	4,680	86.60	2,696.87	2,175.52	9,035.28	6.412	5.565	6.736	7.461	8.181
27-Sep-19	144.27	3,457.24	2,435.92	1,041	19.41	571.03	2,171.96	5,822.08	6.351	5.542	6.659	7.351	8.102
30-Sep-19	145.46	3,474.97	2,431.97	847	6.30	183.39	2,189.98	2,872.33	6.411	5.565	6.680	7.398	8.068
1-Oct-19	145.89	3,482.42	2,440.81	1,038	18.42	367.37	2,196.43	772.27	6.411	5.563	6.716	7.429	8.080
2-Oct-19	146.26	3,488.96	2,445.95	940	20.38	581.60	2,202.04	1,033.89	6.494	5.618	6.819	7.604	8.215
3-Oct-19	147.53	3,506.70	2,443.85	840	23.91	764.05	2,221.15	2,081.57	6.473	5.649	6.852	7.540	8.214
Sep 27-Oct 3	147.53	3506.70	2443.85	4,706	88.40	2,467.44	2,221.15	12,582.14	6.473	5.649	6.852	7.540	8.214
Weekly Changes (%)	2.10	1.30	0.17	1	2.09	-8.51	2.10	39.26	0.06*	0.084*	0.116*	0.079*	0.033*

*Percentage points

Source: Nairobi Securities Exchange, Thompson Reuters and Central Bank of Kenya

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


Source: Thomson Reuters

Table 8: Government Domestic Debt (KSh Billion)						
	28-Jun-19	26-Jul-19	30-Aug-19	13-Sep-19	20-Sep-19	27-Sep-19
1. Treasury Bills (Excluding Repos)	954.25	954.25	947.89	947.89	931.42	933.10
(As % of total securities)	35.31	35.31	33.97	33.97	33.58	33.78
2. Treasury Bonds	1,748.15	1,748.15	1,842.38	1,842.38	1,842.64	1,828.78
(As % of total securities)	64.69	64.69	66.03	66.03	66.42	66.22
3. Total Securities (1+2)	2,702.40	2,702.40	2,790.26	2,790.26	2,774.06	2,761.88
4. Overdraft at Central Bank	57.33	57.33	59.55	59.55	60.94	52.58
5. Other Domestic debt*	25.76	25.76	25.69	25.69	25.69	25.68
6. Gross Domestic Debt (3+4+5)	2,785.48	2,785.48	2,875.50	2,875.50	2,860.68	2,840.13

* 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	26-Jul-19	30-Aug-19	13-Sep-19	20-Sep-19	27-Sep-19
Treasury bills (Excluding Repos)	34.26	34.13	32.96	32.60	32.55	32.80
Treasury bonds	62.78	62.63	64.08	64.28	64.42	64.46
CBK Overdraft to Government	2.06	2.31	2.07	2.22	2.13	1.85
Other domestic debt	0.91	0.92	0.89	0.90	0.90	0.90
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

Table 10: Composition of Government Domestic Debt by Holder (Percent)						
	28-Jun-19	26-Jul-19	30-Aug-19	13-Sep-19	20-Sep-19	27-Sep-19
Banking Institutions	54.37	54.57	54.35	53.94	53.81	53.28
Insurance Companies	6.13	6.11	6.18	6.21	6.23	6.40
Parastatals	6.98	7.00	6.98	7.13	7.09	7.32
Pension funds	28.24	28.05	28.19	28.43	28.62	28.70
Other investors	4.28	4.27	4.29	4.29	4.24	4.30
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

Table 11: Indicators of Total Government Debt						
	Sep-18	Dec-18	Mar-19	Apr-19	May-19	Jun-19
Domestic debt (KSh Billion)	2,540.70	2,548.77	2,699.09	2,741.68	2,773.06	2,785.94
Public & Publicly Guaranteed External debt (US \$ Billion)	25.81	26.74	27.01	28.04	27.97	29.55
Public & Publicly Guaranteed External debt (KSh Billion)	2,605.33	2,723.73	2,721.60	2,842.48	2,834.84	3,023.14
Total public debt (KSh Billion)	5,146.04	5,272.50	5,420.68	5,584.16	5,607.91	5,809.08

Source: National Treasury and Central Bank of Kenya