



Central Bank of Kenya

# Weekly Bulletin

March 1, 2019

## KEY MONETARY AND FINANCIAL INDICATORS

### Inflation

Overall inflation continued declining to 4.1 percent in February 2019 from 4.7 percent in January, largely supported by low food prices and declining cost of energy (Chart 1).

### Exchange Rate

The Kenya Shilling strengthened against major international and regional currencies during the week ending February 28. It exchanged at KSh 100.09 per US Dollar on February 28 compared to KSh 100.24 on February 21 (Table 1).

### Foreign Exchange Reserves

The CBK usable foreign exchange reserves remained adequate at USD 8,196 million (5.4 months of import cover) as at February 28. This meets the 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 Market

Activity in the interbank market increased during the week ending February 28, as banks were mobilising funds to pay for government securities and tax remittances. Commercial banks' excess reserves stood at KSh 13.5 billion in relation to the 5.25 percent cash reserves requirement (CRR). The average interbank rate increased to 5.07 percent on February 28 from 1.98 percent on February 21. The average number of interbank deals increased to 34 from 19 in the previous week and the average volumes traded in the interbank increased to KSh 19.2 billion from KSh 10.7 billion (Table 3).

### Government Securities Market

The Treasury bills auction of February 28 received bids totaling KSh 18.8 billion against an advertised amount of KSh 24.0 billion, representing a performance of 78.2 percent. Interest rates on the three Treasury bills continued edging downwards (Table 4).

### Equity Market

The number of shares traded at the NSE increased by 2.87 percent during the week ending February 28. However, the NASI, NSE 25 & NSE 20 share price indices reduced by 1.53 percent, 2.48 percent and 3.68 percent, respectively. Consequently, market capitalization reduced by 1.53 percent (Table 6).

### Bond Markets

The trading activity in the secondary bond market decreased by 5.42 percent during the week ending February 28. In the international markets, the decline in yields of Kenya's Eurobonds continued with the 5-year, 10-year (2024), 10-year (2028) and 30-year Eurobond yields reducing by 27.9, 0.9, 5.7 and 0.7 basis points, respectively (Table 6). The 10-year Eurobond yields for Ghana and Angola also declined during the week under review (Chart 3).

### Global Trends

Global equity markets remained steady during the week as the tariff increase on Chinese goods set to take effect on March 1, 2019 was put on hold by the US President, due to good progress in the ongoing trade discussions. Remarks by the Fed Chairman during his semiannual testimony to the US Congress reiterating a patient approach to future policy rate increases, and signaling an end to the normalization of the Fed's balance sheet provided further support to markets. While the uncertainty surrounding Brexit remained, the likelihood that the eventual departure of Britain from the EU could be delayed provided optimism to investors.

Global oil prices eased during the week due to weakening industrial output in China and Japan and an increase in U.S. crude oil production, despite the effects of OPEC production cuts. Murban crude oil price declined to USD 67.49 per barrel on February 28 from USD 68.38 on February 21.

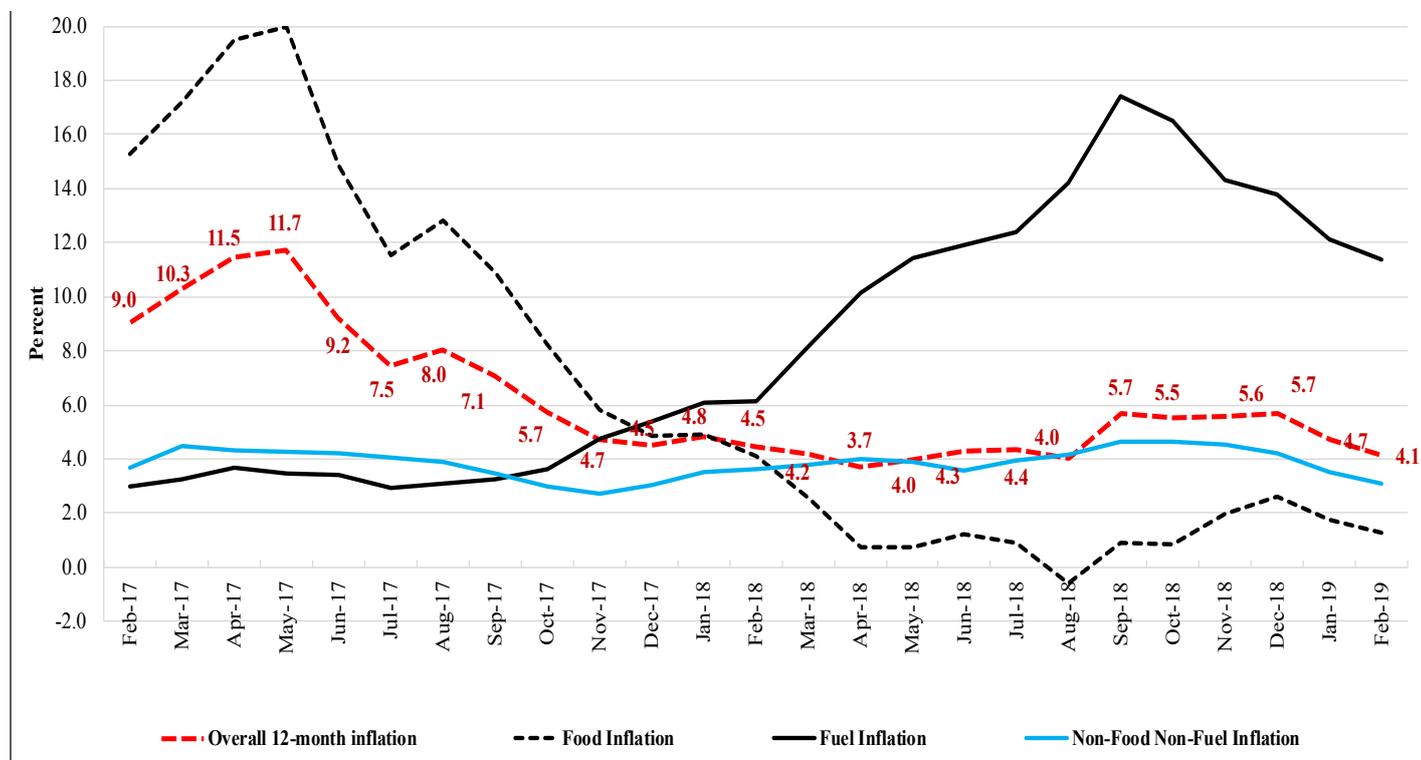
**Table 1: Kenya Shilling Exchange Rates (Indicative Mean Rates)**

|                       | USD           | Sterling Pound | Euro          | 100 Japanese Yen | USHS*        | TSHS*        | RWF*        | BIF*         |
|-----------------------|---------------|----------------|---------------|------------------|--------------|--------------|-------------|--------------|
| 15-Feb-19             | 100.24        | 128.46         | 113.33        | 90.51            | 36.66        | 23.24        | 8.95        | 17.94        |
| 18-Feb-19             | 100.19        | 128.21         | 112.58        | 90.59            | 36.68        | 23.26        | 8.96        | 17.95        |
| 19-Feb-19             | 100.17        | 129.44         | 113.44        | 90.60            | 36.69        | 23.26        | 8.96        | 17.96        |
| 20-Feb-19             | 100.27        | 129.68         | 113.26        | 90.57            | 36.60        | 23.24        | 8.96        | 17.94        |
| 21-Feb-19             | 100.24        | 130.70         | 113.70        | 90.45            | 36.58        | 23.26        | 8.97        | 17.94        |
| <b>February 15-21</b> | <b>100.22</b> | <b>129.30</b>  | <b>113.26</b> | <b>90.55</b>     | <b>36.64</b> | <b>23.25</b> | <b>8.96</b> | <b>17.95</b> |
| 22-Feb-19             | 100.22        | 131.15         | 113.81        | 90.49            | 36.62        | 23.35        | 8.83        | 17.95        |
| 25-Feb-19             | 100.18        | 130.35         | 113.58        | 90.52            | 36.58        | 23.41        | 8.83        | 18.15        |
| 26-Feb-19             | 100.07        | 130.79         | 113.61        | 90.30            | 36.67        | 23.43        | 8.99        | 18.02        |
| 27-Feb-19             | 100.13        | 132.03         | 113.81        | 90.46            | 36.73        | 23.42        | 8.84        | 18.16        |
| 28-Feb-19             | 100.09        | 133.24         | 113.89        | 90.29            | 36.82        | 23.43        | 8.99        | 18.02        |
| <b>February 22-28</b> | <b>100.14</b> | <b>131.51</b>  | <b>113.74</b> | <b>90.41</b>     | <b>36.69</b> | <b>23.41</b> | <b>8.89</b> | <b>18.06</b> |

\* Units of currency per Kenya Shilling

Source :Central Bank of Kenya

**Chart 1: Inflation Trends**



Source: CBK & KNBS

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

|   | 17-Jan-19 | 24-Jan-19 | 31-Jan-19 | 07-Feb-19 | 14-Feb-19 | 21-Feb-19 | 28-Feb-19 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1. CBK Usable Foreign Exchange Reserves (USD Million)             | 8,047     | 8,076     | 8,136     | 8,232     | 8,143     | 8,109     | 8,196     |
| 2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)* | 5.27      | 5.29      | 5.33      | 5.39      | 5.34      | 5.31      | 5.37      |

\*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 (%) |
|-----------------------------|-----------------|---------------|----------------------------|
| 15-Feb-19                   | 21              | 11,715        | 1.77                       |
| 18-Feb-19                   | 19              | 13,390        | 1.83                       |
| 19-Feb-19                   | 17              | 8,695         | 1.86                       |
| 20-Feb-19                   | 16              | 7,905         | 1.92                       |
| 21-Feb-19                   | 21              | 11,765        | 1.98                       |
| <b>February 15-21, 2019</b> | <b>19</b>       | <b>10,694</b> | <b>1.87</b>                |
| 22-Feb-19                   | 26              | 16,375        | 2.62                       |
| 25-Feb-19                   | 43              | 21,855        | 3.12                       |
| 26-Feb-19                   | 37              | 19,467        | 3.73                       |
| 27-Feb-19                   | 36              | 20,225        | 4.53                       |
| 28-Feb-19                   | 30              | 18,170        | 5.07                       |
| <b>February 22-28, 2019</b> | <b>34</b>       | <b>19,218</b> | <b>3.81</b>                |

Source: Central Bank of Kenya

**Table 4: Performance of Treasury Bills Auctions****91-Day Treasury Bills**

| Date of Auction                  | 27-Dec-18   | 31-Jan-19   | 07-Feb-19   | 14-Feb-19   | 21-Feb-19   | 28-Feb-19   |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 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)            | 1,022.73    | 2,385.99    | 3,337.47    | 4,860.38    | 5,104.84    | 2,936.05    |
| Amount Accepted (Ksh M)          | 1,022.73    | 2,385.99    | 3,337.47    | 4,860.28    | 5,104.84    | 2,936.05    |
| Maturities (Ksh M)               | 5,135.05    | 5,226.45    | 1,998.90    | 7,415.15    | 1,272.20    | 10,458.05   |
| <b>Average interest Rate (%)</b> | <b>7.34</b> | <b>7.06</b> | <b>7.04</b> | <b>7.02</b> | <b>6.96</b> | <b>6.89</b> |

**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)            | 5,419.17    | 8,097.64    | 14,927.17   | 11,706.83   | 11,573.10   | 7,761.43    |
| Amount Accepted (Ksh M)          | 2,550.75    | 8,031.57    | 8,936.82    | 9,688.95    | 9,940.81    | 7,713.51    |
| Maturities (Ksh M)               | 6,004.40    | 5,366.55    | 2,137.55    | 7,574.10    | 7,512.05    | 6,961.05    |
| <b>Average interest Rate (%)</b> | <b>9.00</b> | <b>8.78</b> | <b>8.57</b> | <b>8.48</b> | <b>8.38</b> | <b>8.32</b> |

**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)            | 9,166.14    | 29,688.86   | 29,318.88   | 17,093.95   | 8,434.18    | 8,078.76    |
| Amount Accepted (Ksh M)          | 7,349.57    | 21,921.84   | 16,641.81   | 16,054.10   | 7,848.75    | 6,253.42    |
| Maturities (Ksh M)               | 5,336.65    | 12,736.30   | 19,024.55   | 13,263.65   | 12,013.60   | 10,504.65   |
| <b>Average interest Rate (%)</b> | <b>9.95</b> | <b>9.86</b> | <b>9.64</b> | <b>9.55</b> | <b>9.49</b> | <b>9.48</b> |

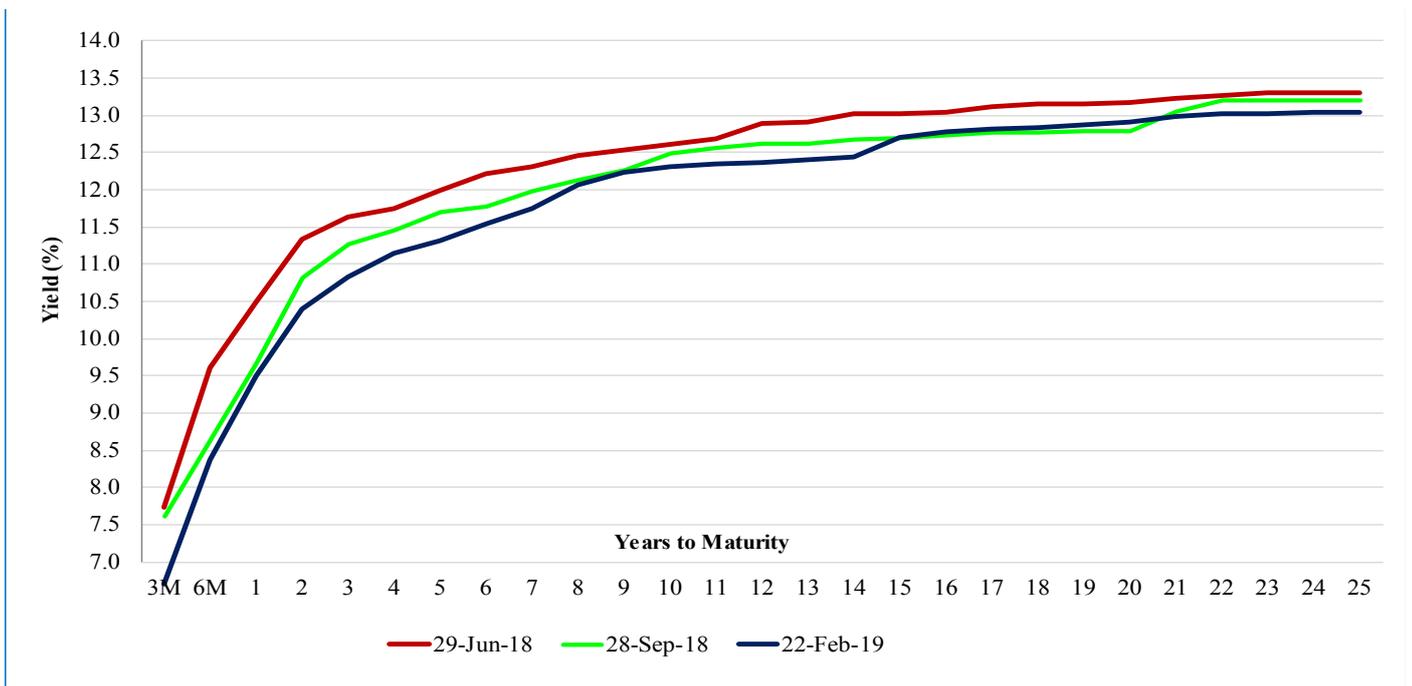
Source: Central Bank of Kenya

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

| Date of Auction           | 27-Dec-18    |              | 23-Jan-19     |              | 06-Feb-19     |              | 20-Feb-19     |  |
|---------------------------|--------------|--------------|---------------|--------------|---------------|--------------|---------------|--|
|                           | REOPEN       |              | REOPEN        |              | REOPEN        |              | REOPEN        |  |
| Tenor                     | FXD2/2018/10 | FXD 1/2019/2 | FXD 1/2019/15 | FXD 1/2019/2 | FXD 1/2019/15 | FXD 1/2019/5 | FXD 1/2019/10 |  |
| Amount offered (Ksh M)    | 13,840.00    | 40,000.00    |               | 12,000.00    |               | 50,000.00    |               |  |
| Bids received (Ksh M)     | 6,623.89     | 101,973.00   |               | 66,603.10    |               | 78,259.02    |               |  |
| Amount Accepted (Ksh M)   | 6,623.89     | 23,774.63    | 14,719.75     | 7,470.38     | 15,961.36     | 20,593.62    | 32,808.00     |  |
| Maturities (Ksh M)        | 0.00         | 0.00         | 0.00          | 0.00         | 0.00          | 0.00         | 0.00          |  |
| Average interest Rate (%) | 12.50        | 10.70        | 12.86         | 10.33        | 12.77         | 11.30        | 12.44         |  |

Source: Central Bank of Kenya

**Chart 2: Kenya Government Securities Yield Curve**



Source: Nairobi Securities Exchange

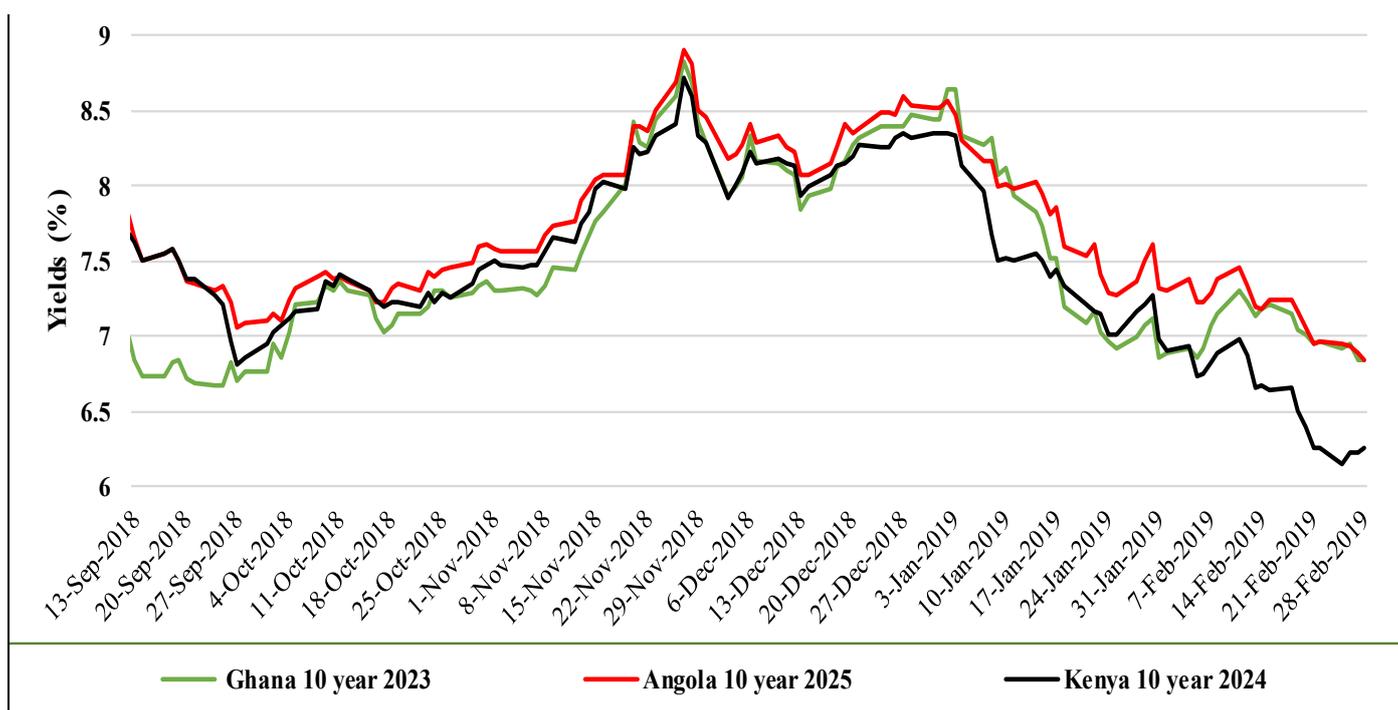
**Table 6: Key Weekly Market Indicators**

| INDICATOR                   | NASI 100= 2008 | NSE 25 Share Index | NSE 20 Share Index 100= 1996 | Number of Deals (Shares) | Total Shares Traded (Million) | Equity Turnover (KSh Million) | Market Capitalization (KSh Billion) | Bonds Turnover (KSh Million) | 5-Year Euro-bond Yield (%) | 10-Year Eurobond Yield (%) - 2024 | 10-Year Eurobond Yield (%) - 2028 | 30-Year Euro-bond Yield (%) |
|-----------------------------|----------------|--------------------|------------------------------|--------------------------|-------------------------------|-------------------------------|-------------------------------------|------------------------------|----------------------------|-----------------------------------|-----------------------------------|-----------------------------|
| 15-Feb-19                   | 157.29         | 4,003.18           | 3,045.40                     | 1,138                    | 9.41                          | 507.57                        | 2,355.02                            | 2,912.97                     | 5.455                      | 6.647                             | 7.404                             | 8.347                       |
| 18-Feb-19                   | 156.63         | 3,969.90           | 3,047.35                     | 1,193                    | 21.48                         | 569.04                        | 2,345.14                            | 1,726.77                     | 5.090                      | 6.656                             | 7.413                             | 8.324                       |
| 19-Feb-19                   | 156.20         | 3,956.92           | 3,022.93                     | 1,069                    | 10.78                         | 553.85                        | 2,338.55                            | 1,618.00                     | 5.083                      | 6.507                             | 7.326                             | 8.240                       |
| 20-Feb-19                   | 155.54         | 3,928.15           | 3,011.41                     | 1,190                    | 11.14                         | 458.72                        | 2,328.64                            | 2,087.58                     | 4.928                      | 6.396                             | 7.212                             | 8.227                       |
| 21-Feb-19                   | 154.93         | 3,911.03           | 3,005.16                     | 1,184                    | 17.74                         | 466.12                        | 2,319.62                            | 1,431.52                     | 4.995                      | 6.297                             | 7.125                             | 8.159                       |
| <b>February 15-21, 2019</b> | <b>154.93</b>  | <b>3,911.03</b>    | <b>3,005.16</b>              | <b>5774.00</b>           | <b>70.55</b>                  | <b>2,555.30</b>               | <b>2,319.62</b>                     | <b>9,776.85</b>              | <b>4.995</b>               | <b>6.297</b>                      | <b>7.125</b>                      | <b>8.159</b>                |
| 22-Feb-19                   | 154.36         | 3,891.17           | 2,977.02                     | 990                      | 11.38                         | 270.69                        | 2,310.94                            | 1,080.54                     | 5.018                      | 6.257                             | 7.060                             | 8.151                       |
| 25-Feb-19                   | 155.03         | 3,882.85           | 2,956.87                     | 1,225                    | 10.27                         | 260.01                        | 2,321.05                            | 1,200.47                     | 4.656                      | 6.147                             | 7.004                             | 8.094                       |
| 26-Feb-19                   | 155.23         | 3,879.43           | 2,947.31                     | 924                      | 8.72                          | 203.08                        | 2,323.98                            | 1,900.27                     | 5.003                      | 6.233                             | 7.041                             | 8.126                       |
| 27-Feb-19                   | 154.59         | 3,846.12           | 2,932.40                     | 934                      | 8.57                          | 405.55                        | 2,314.49                            | 2,466.96                     | 4.979                      | 6.229                             | 7.022                             | 8.140                       |
| 28-Feb-19                   | 152.56         | 3,814.13           | 2,894.20                     | 1,713                    | 33.64                         | 892.81                        | 2,284.05                            | 2,598.25                     | 4.955                      | 6.255                             | 7.022                             | 8.141                       |
| <b>February 22-28, 2019</b> | <b>152.56</b>  | <b>3,814.13</b>    | <b>2,894.20</b>              | <b>5786.00</b>           | <b>72.58</b>                  | <b>2032.13</b>                | <b>2284.05</b>                      | <b>9246.49</b>               | <b>4.955</b>               | <b>6.255</b>                      | <b>7.022</b>                      | <b>8.141</b>                |
| <b>Weekly Change(%)</b>     | <b>-1.53</b>   | <b>-2.48</b>       | <b>-3.69</b>                 | <b>0.21</b>              | <b>2.87</b>                   | <b>-20.47</b>                 | <b>-1.53</b>                        | <b>-5.42</b>                 | <b>-0.279*</b>             | <b>-0.009*</b>                    | <b>-0.057*</b>                    | <b>-0.007*</b>              |

\* Percentage points

Source: Central Bank of Kenya, NSE and Thompson Reuters

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



Source: Thomson Reuters

Table 7: Government Domestic Debt (KSh Billion)

|                                       | 29-Jun-18       | 28-Dec-18       | 25-Jan-19       | 01-Feb-19       | 08-Feb-19       | 15-Feb-19       | 22-Feb-19       |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1. Treasury Bills (Excluding Repos)   | 878.62          | 904.10          | 935.92          | 943.94          | 956.05          | 963.83          | 968.21          |
| <b>(As % of total securities)</b>     | <b>36.75</b>    | <b>36.90</b>    | <b>37.60</b>    | <b>37.23</b>    | <b>37.53</b>    | <b>37.38</b>    | <b>37.49</b>    |
| 2. Treasury Bonds                     | 1,511.87        | 1,546.29        | 1,552.92        | 1,591.34        | 1,591.34        | 1,614.60        | 1,614.60        |
| <b>(As % of total securities)</b>     | <b>63.25</b>    | <b>63.10</b>    | <b>62.40</b>    | <b>62.77</b>    | <b>62.47</b>    | <b>62.62</b>    | <b>62.51</b>    |
| 3. Total Securities (1+2)             | 2,390.49        | 2,450.39        | 2,488.84        | 2,535.28        | 2,547.39        | 2,578.43        | 2,582.81        |
| 4. Overdraft at Central Bank          | 56.85           | 45.86           | 37.57           | 36.89           | 27.93           | 22.69           | 15.06           |
| 5. Other Domestic debt*               | 31.44           | 31.61           | 31.61           | 32.25           | 31.61           | 31.41           | 31.42           |
| <b>6. Gross Domestic Debt (3+4+5)</b> | <b>2,478.78</b> | <b>2,527.86</b> | <b>2,558.01</b> | <b>2,604.41</b> | <b>2,606.93</b> | <b>2,632.52</b> | <b>2,629.30</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)**

|                                  | 29-Jun-18     | 28-Dec-18     | 25-Jan-19     | 01-Feb-19     | 08-Feb-19     | 15-Feb-19     | 22-Feb-19     |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Treasury bills (Excluding Repos) | 35.45         | 35.77         | 36.59         | 36.24         | 36.67         | 36.61         | 36.82         |
| Treasury bonds                   | 60.99         | 61.17         | 60.71         | 61.10         | 61.04         | 61.33         | 61.41         |
| CBK Overdraft to Government      | 2.29          | 1.81          | 1.47          | 1.42          | 1.07          | 0.86          | 0.57          |
| Other domestic debt              | 1.27          | 1.25          | 1.24          | 1.24          | 1.21          | 1.19          | 1.20          |
| <b>TOTAL</b>                     | <b>100.00</b> |

Source: Central Bank of Kenya

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

|                      | 29-Jun-18     | 28-Dec-18     | 25-Jan-19     | 01-Feb-19     | 08-Feb-19     | 15-Feb-19     | 22-Feb-19     |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Banking Institutions | 55.19         | 54.53         | 54.38         | 54.36         | 54.43         | 54.56         | 54.51         |
| Insurance Companies  | 6.23          | 6.06          | 5.98          | 6.01          | 6.09          | 6.06          | 6.19          |
| Parastatals          | 7.04          | 7.25          | 7.36          | 7.36          | 7.31          | 7.22          | 7.11          |
| Pension funds        | 27.09         | 27.59         | 27.77         | 27.79         | 27.57         | 27.59         | 27.62         |
| Other investors      | 4.44          | 4.57          | 4.50          | 4.49          | 4.60          | 4.57          | 4.57          |
| <b>Total</b>         | <b>100.00</b> |

Source: Central Bank of Kenya

**Table 10: Indicators of Total Government Debt**

|  | Jun-17          | Dec-17          | Jun-18          | Sep-18          | Oct-18          | Nov-18          | Dec-18          |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Domestic debt (KSh Billion)                                | 2,111.71        | 2,220.35        | 2,478.84        | 2,540.70        | 2,535.75        | 2,563.42        | 2,548.77        |
| Public & Publicly Guaranteed External debt (US \$ Billion) | 22.12           | 22.76           | 25.34           | 25.81           | 26.07           | 26.42           | 26.74           |
| Public & Publicly Guaranteed External debt (KSh Billion)   | 2,294.40        | 2,349.28        | 2,560.20        | 2,605.33        | 2,654.69        | 2,709.01        | 2,723.73        |
| <b>Total public debt (KSh Billion)</b>                     | <b>4,406.11</b> | <b>4,569.63</b> | <b>5,039.03</b> | <b>5,146.04</b> | <b>5,190.44</b> | <b>5,272.43</b> | <b>5,272.50</b> |

Source: National Treasury and Central Bank of Kenya