



Central Bank of Kenya

Weekly Bulletin

August 4, 2023



RECENT MONETARY AND FINANCIAL DEVELOPMENTS

Inflation

Overall inflation declined significantly in July 2023 and converged to the medium-term target band for the first time since June 2022. It declined to 7.3 percent from 7.9 percent in June, mainly driven by a notable decline in food prices, despite increased pump prices. Food inflation declined to 8.6 percent from 10.3 percent in June. Fuel inflation increased, mainly on account of higher pump prices following implementation of 16 percent VAT. However, non-food-non-fuel (NFNF) inflation declined, reflecting muted demand pressures (**Chart 1**).

Exchange Rates

The Kenya Shilling remained relatively stable against major international and regional currencies during the week ending August 3. It exchanged at KSh 142.78 per US dollar on August 3, compared to KSh 142.20 per US dollar on July 27 (**Table 1**).

Foreign Exchange Reserves

The usable foreign exchange reserves remained adequate at USD 7,330 million (4.0 months of import cover) as at August 3. This meets the CBK's statutory requirement to endeavor to maintain at least 4 months of import cover (**Table 2**).

Money Market

Liquidity in the money market decreased during the week ending August 3, as government receipts more than offset government payments. Commercial banks' reserves stood at a shortfall of KSh 4.7 billion in relation to the 4.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was 17.38 percent on August 3 compared to 14.84 percent on July 27. During the week, the average number of interbank deals decreased to 52 from 54 in the previous week, while the average value traded increased to KSh 22.9 billion from KSh 12.0 billion in the previous week (**Table 3**).

Government Securities Market

The Treasury bill auction of August 3 received bids totaling KSh 11.3 billion against an advertised amount of KSh 24.0 billion, representing a performance of 47.1 percent. Interest rates remained stable, with 91-day, 182-day and 364-day rates increasing marginally (**Table 4**).

Equity Market

At the Nairobi Securities Exchange, the NASI and NSE 25 share price indices declined by 1.3 percent and 1.1 percent, respectively, while NSE 20 share index remained stable during the week ending August 3. Market capitalization decreased by 1.3 percent. However, equity turnover and total shares traded increased by 322.0 percent and 433.9 percent, respectively (**Table 6**).

Bond Market

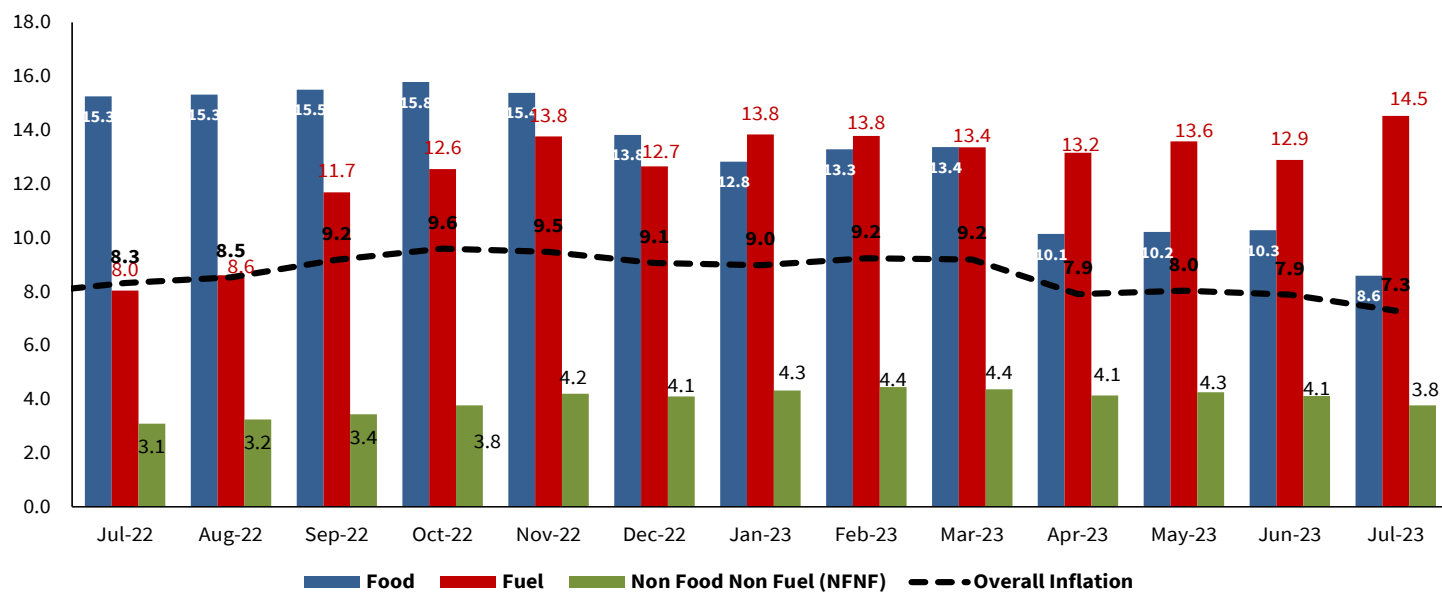
Bond turnover in the domestic secondary market declined by 49.6 percent during the week ending August 3 (**Table 7**). In the international market, yields on Kenya's Eurobonds increased by an average of 39.3 basis points, with the 2024 maturity rising by 92.7 basis points. The yield on the 10- Year Eurobonds for Ghana and Angola also increased (**Chart 3**).

Global Trends

Inflation concerns in major economies have continued to ease. However, the Bank of England raised its policy rate by 0.25 percent. The US dollar index strengthened by 0.8 percent against a basket of major currencies during the week ending August 3.

International oil prices increased during the week ending August 3, on account of increased global oil demand and inventories draw-down. Murban oil price rose to USD 84.93 per barrel on August 3 from USD 84.74 per barrel on July 27.

Chart 1: Inflation (Percent)



Source: Central Bank of Kenya and Kenya National Bureau of Statistics

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

	USD	Sterling Pound	Euro	100 Japanese Yen	Uganda Shilling*	Tanzania Shilling*	Rwandese Franc*	Burundi Franc*
21-Jul-23	141.77	182.51	158.63	101.57	25.67	17.29	8.26	19.96
24-Jul-23	141.84	182.43	157.96	100.30	25.66	17.28	8.26	19.95
25-Jul-23	142.00	182.20	157.39	100.60	25.67	17.22	8.25	19.93
26-Jul-23	142.12	182.38	156.87	100.58	25.66	17.20	8.26	19.93
27-Jul-23	142.20	183.64	157.39	101.33	25.49	17.26	8.27	19.96
Jul 21-27	141.99	182.63	157.65	100.88	25.63	17.25	8.26	19.95
28-Jul-23	142.30	182.87	156.68	101.05	25.35	17.25	8.25	19.90
31-Jul-23	142.36	182.97	156.61	100.36	26.13	17.21	8.31	19.86
1-Aug-23	142.53	183.02	157.10	99.96	25.40	17.30	8.34	19.85
2-Aug-23	142.64	182.21	156.47	99.86	25.41	17.21	8.24	19.86
3-Aug-23	142.78	181.53	156.45	99.24	25.32	17.19	8.24	19.84
Jul 28-Aug 3	142.52	182.52	156.66	100.09	25.52	17.23	8.28	19.86

*Units of currency per Kenya Shilling

Source: Central Bank of Kenya

Table 2: Official Foreign Exchange Reserves (USD Million)

	6-Jul-23	13-Jul-23	20-Jul-23	27-Jul-23	3-Aug-23
1. CBK Usable Foreign Exchange Reserves (USD Million)	7,462	7,481	7,885	7,377	7,330
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	4.08	4.09	4.31	4.03	4.00

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

Source: Central Bank of Kenya

Table 3: Money Markets

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
21-Jul-23	67	15,595.00	10.40
24-Jul-23	50	12,955.00	11.25
25-Jul-23	65	12,875.00	12.40
26-Jul-23	46	8,375.00	13.52
27-Jul-23	44	10,225.00	14.84
Jul 21-Jul 27	54	12,005.00	12.48
28-Jul-23	56	11,360.00	15.91
31-Jul-23	50	18,080.00	16.55
1-Aug-23	39	18,970.00	17.00
2-Aug-23	54	28,485.00	17.21
3-Aug-23	60	37,550.00	17.38
Jul 28-Aug 3	52	22,889.00	16.81

Source: Central Bank of Kenya

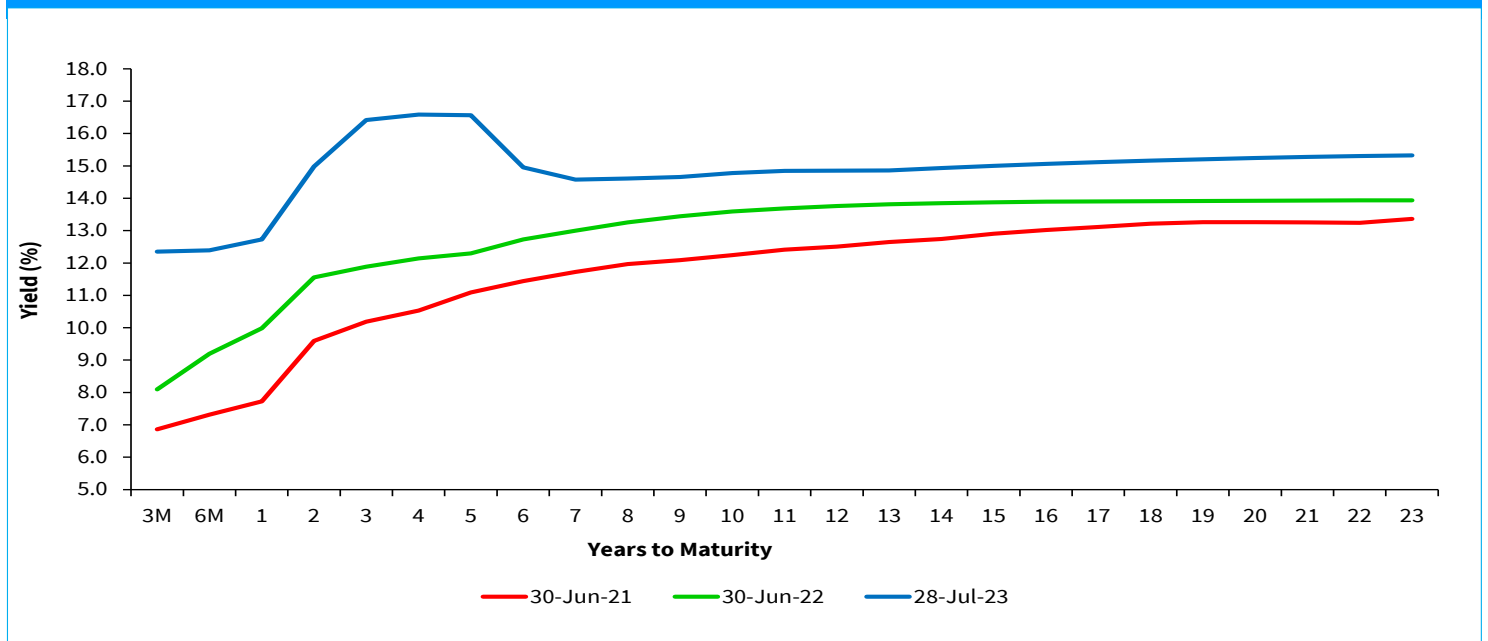
Table 4: Performance of Treasury Bill Auctions						
91-Day Treasury Bills						
Date of Auction	29-Sep-22	29-Dec-22	30-Mar-23	29-Jun-23	27-Jul-23	3-Aug-23
Amount Offered (KSh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids Received (KSh M)	5,129.43	2,180.21	2,904.04	5,779.97	7,073.73	6,694.71
Amount Accepted (KSh M)	2,487.10	2,120.42	2,765.00	2,705.12	6,818.70	5,727.07
Maturities (KSh M)	4,035.00	2,539.95	2,158.40	2,814.15	6,781.90	19,759.05
Average Interest Rate (%)	8.952	9.369	9.907	11.904	12.352	12.686
182-Day Treasury Bills						
Date of Auction	29-Sep-22	29-Dec-22	30-Mar-23	29-Jun-23	27-Jul-23	3-Aug-23
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)	3,049.07	434.69	3,547.05	2,195.96	1,362.70	4,347.51
Amount Accepted (KSh M)	3,039.53	434.69	3,457.80	1,300.96	1,362.19	4,347.43
Maturities (KSh M)	3,248.05	1,660.95	3,176.30	442.15	10,738.80	6,886.10
Average Interest Rate (%)	9.631	9.834	10.399	11.947	12.392	12.558
364-Day Treasury Bills						
Date of Auction	29-Sep-22	29-Dec-22	30-Mar-23	29-Jun-23	27-Jul-23	3-Aug-23
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)	1,133.80	1,691.33	1,810.42	1,514.41	707.97	256.30
Amount Accepted (KSh M)	1,124.70	1,691.33	1,810.42	1,514.41	703.94	256.30
Maturities (KSh M)	1,775.15	5,396.40	2,660.05	2,417.65	2,600.70	2,103.85
Average Interest Rate (%)	9.905	10.308	10.800	12.157	12.728	13.107

Source: Central Bank of Kenya

Table 5: Performance of Treasury Bond Auctions						
Date of Auction	26-May-23	23-Jun-23	12-Jul-23		21-Jul-23	
	TAP	TAP	RE-OPENED		TAP	
Tenor	FXD1/2023/03	FXD1/2023/03	FXD1/2016/10	FXD1/2023/05	FXD1/2016/10	FXD1/2023/05
Amount offered (KSh M)	20,000.00	15,000.00	40,000.00		20,000.00	
Bids received (KSh M)	27,206.35	18,560.05	22,663.75	29,099.83	32,216.95	12,212.15
Amount Accepted (KSh M)	27,201.72	18,552.07	15,740.47	22,832.72	31,230.14	12,210.68
Maturities (KSh M)						
Average interest Rate (%)	14.23	14.23	16.33	16.84	16.33	16.84

Source: Central Bank of Kenya

Chart 2: Government Securities Yield Curve



Source: Nairobi Securities Exchange (NSE)

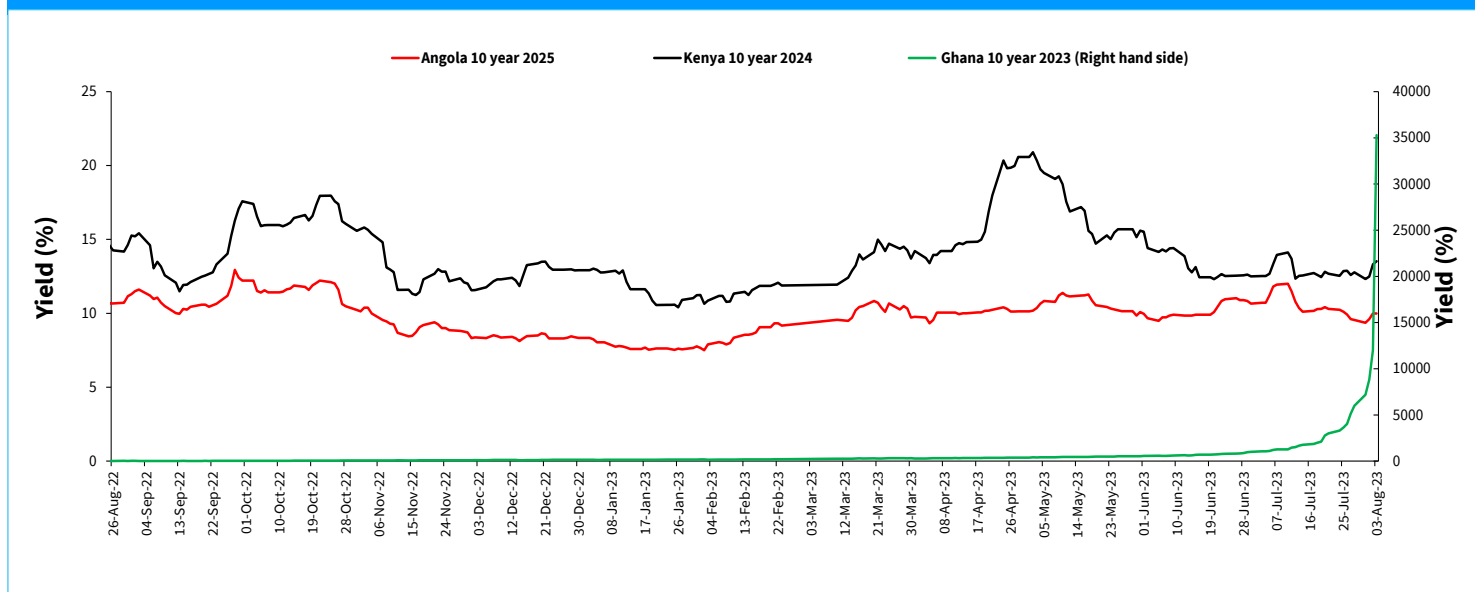
Table 6: Performance of Key Market Indicators

INDICATOR	NASI 100=2008	NSE 25 Share Index	NSE 20 Share Index 100=1996	Total Deals (Equity)	Total Shares Traded (Million)	Equity Turnover (KSh Million)	Market Capital- ization (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
21-Jul-23	110.65	2,864.72	1,613.08	924.00	9.38	101.29	1,723.27	4,065.50	11.965	12.674	11.388	11.312	10.757	11.308
24-Jul-23	110.27	2,856.04	1,603.39	967.00	5.74	107.14	1,717.28	1,651.55	11.91	12.535	11.312	11.229	10.732	11.231
25-Jul-23	107.52	2,822.84	1,597.89	1,260.00	11.64	226.89	1,674.40	4,972.80	11.74	12.863	11.236	11.093	10.607	11.155
26-Jul-23	105.16	2,769.62	1,590.07	1,196.00	10.35	331.19	1,637.48	5,181.35	11.569	12.881	11.121	11.012	10.557	11.079
27-Jul-23	107.34	2,773.96	1,582.03	985.00	9.95	156.10	1,671.58	2,971.15	11.404	12.602	10.931	10.906	10.459	11.005
Jul 21-27	107.34	2773.96	1582.03	5,332.00	47.06	922.61	1,671.58	18,842.35	11.404	12.602	10.931	10.906	10.459	11.005
28-Jul-23	105.29	2,739.20	1,577.75	1,215.00	212.27	3,508.42	1,639.53	3,967.25	11	12.776	10.933	10.906	10.46	10.987
31-Jul-23	105.49	2,729.12	1,577.25	998.00	3.54	66.59	1,642.71	37.60	11.181	12.321	10.743	10.667	10.264	10.786
1-Aug-23	106.88	2,750.86	1,579.30	969.00	22.54	182.44	1,664.45	431.25	11.3	12.495	10.821	10.774	10.338	10.841
2-Aug-23	105.80	2,734.07	1,584.91	1,022.00	9.50	78.40	1,647.50	368.00	11.653	13.308	11.172	11.044	10.587	11.043
3-Aug-23	105.94	2,744.97	1,582.44	881.00	3.40	57.47	1,649.68	4,718.15	11.783	13.529	11.336	11.156	10.741	11.118
Jul 28-Aug 3	105.94	2744.97	1582.44	5,085.00	251.24	3,893.33	1,649.68	9,522.25	11.783	13.529	11.336	11.156	10.741	11.118
Weekly Changes (%)	-1.30	-1.05	0.03	-4.63	433.92	321.99	-1.31	-49.46	0.379*	0.927*	0.405*	-0.250*	0.282*	0.113*

* Percentage points

Source: Nairobi Securities Exchange (NSE) and Thomson Reuters

Chart 3: Yields on 10-Year Eurobonds for Selected Countries



Source: Thomson Reuters

Table 7: Government Domestic Debt (KSh Billion)

	31-Mar-22	24-Jun-22	30-Sep-22	30-Dec-22	31-Mar-23	30-Jun-23	21-Jul-23	28-Jul-23
1. Treasury Bills (Excluding Repos)	656.45	620.28	672.28	671.51	665.86	614.73	607.61	597.66
<i>(As % of total securities)</i>	16.02	14.88	15.61	15.32	15.01	13.28	13.04	12.73
2. Treasury Bonds	3,440.61	3,549.53	3,634.86	3,710.62	3,771.03	4,013.89	4,052.88	4,097.24
<i>(As % of total securities)</i>	83.98	85.12	84.39	84.68	84.99	86.72	86.96	87.27
3. Total Securities (1+2)	4,097.06	4,169.81	4,307.14	4,382.13	4,436.89	4,628.62	4,660.49	4,694.91
4. Overdraft at Central Bank	68.40	65.86	27.25	58.50	77.98	76.46	66.46	48.18
5. Other Domestic debt*	26.32	30.55	30.90	32.76	24.73	25.61	31.49	31.49
6. Gross Domestic Debt (3+4+5)	4,191.77	4,266.23	4,365.29	4,473.39	4,539.59	4,730.69	4,758.43	4,774.58

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

Source: Central Bank of Kenya

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

	25-Mar-22	24-Jun-22	30-Sep-22	30-Dec-22	31-Mar-23	30-Jun-23	21-Jul-23	28-Jul-23
Treasury bills (Excluding Repos)	15.81	14.54	15.40	15.01	14.67	12.99	12.77	12.52
Treasury bonds	82.09	83.20	83.27	82.95	83.07	84.85	85.17	85.81
Overdraft at Central Bank	1.46	1.54	0.62	1.31	1.72	1.62	1.40	1.01
Other domestic debt	0.64	0.72	0.71	0.73	0.54	0.54	0.66	0.66
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

Table 9: Government Domestic Debt by Holder (Percent)

	30-Sep-22	30-Dec-22	31-Mar-23	28-Apr-23	26-May-23	30-Jun-23	21-Jul-23	28-Jul-23
Banking Institutions	47.60	46.84	46.13	45.65	45.39	46.23	45.88	45.25
Insurance Companies	7.32	7.37	7.39	7.50	7.61	7.30	7.35	7.36
Parastatals	6.09	6.06	6.04	6.14	6.19	5.97	5.96	5.96
Pension Funds	32.75	33.31	33.42	33.64	33.82	33.37	33.71	33.83
Other Investors	6.24	6.43	7.01	7.08	6.99	7.13	7.09	7.59
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

Table 10: Government Debt

	Mar-22	Jun-22	Sep-22	Dec-22	Feb-23	Mar-23	Apr-23	May-23
Domestic debt (KSh Bn)	4,191.77	4,288.33	4,366.30	4,472.84	4,551.56	4,539.59	4,541.64	4,549.65
Public & Publicly Guaranteed External debt (USD Bn)	36.82	36.58	36.00	37.88	37.13	36.66	37.47	37.09
Public & Publicly Guaranteed External debt (KSh Bn)	4,209.56	4,290.73	4,334.80	4,673.14	4,709.72	4,851.09	5,092.50	5,137.16
Public debt (KSh Bn)	8,401.33	8,579.06	8,701.10	9,145.98	9,261.28	9,390.69	9,634.14	9,686.81

* Provisional

Source: The National Treasury and Central Bank of Kenya