



Central Bank of Kenya

# Weekly Bulletin

September 3, 2021



## RECENT MONETARY AND FINANCIAL DEVELOPMENTS

### Inflation

Overall inflation remained within the target range. It increased to 6.6 percent in August 2021 from 6.5 percent in July, mainly driven by higher food prices (**Chart 1**).

### Exchange Rates

The Kenya Shilling remained stable against major international and regional currencies during the week ending September 2. It exchanged at KSh 109.93 per US dollar on September 2, compared to KSh 109.71 per US dollar on August 26 (**Table 1**).

### Foreign Exchange Reserves

The usable foreign exchange reserves remained adequate at USD 8,883 million (5.43 months of import cover) as at September 2. 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**).

### 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 July 2021 compared to 4.9 percent of GDP in the 12 months to July 2020 (**Chart 2**). The higher deficit was attributed to lower service receipts as well as high imports, which more than offset increased receipts from agricultural exports and remittances.

### Money Market

The money market was liquid during the week ending September 2, supported by government payments, which offset tax remittances. Commercial banks' excess reserves stood at KSh 13.0 billion in relation to the 4.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was 3.28 percent on September 2 compared to 3.55 percent on August 26. During the week, the average number of interbank deals

per day decreased to 21 from 23 in the previous week, while the average value traded increased to KSh 10.7 billion from KSh 7.5 billion (**Table 3**).

### Government Securities Market

The Treasury bill auction of September 2 received bids totaling KSh 23.9 billion against an advertised amount of KSh 24.0 billion, representing a performance of 99.5 percent. Interest rates on the Treasury bills remained stable, with the 91-day, 182-day and 364-day rates increasing marginally (**Table 4**).

### Equity Market

At the Nairobi Securities Exchange, the NSE 25, NSE 20 and NASI share price indices declined by 3.0 percent, 0.7 percent and 3.4 percent, respectively during the week ending September 2. Similarly, market capitalization, equity turnover and total share traded also declined by 3.4 percent, 22.9 percent and 17.1 percent, respectively (**Table 6**).

### Bonds Market

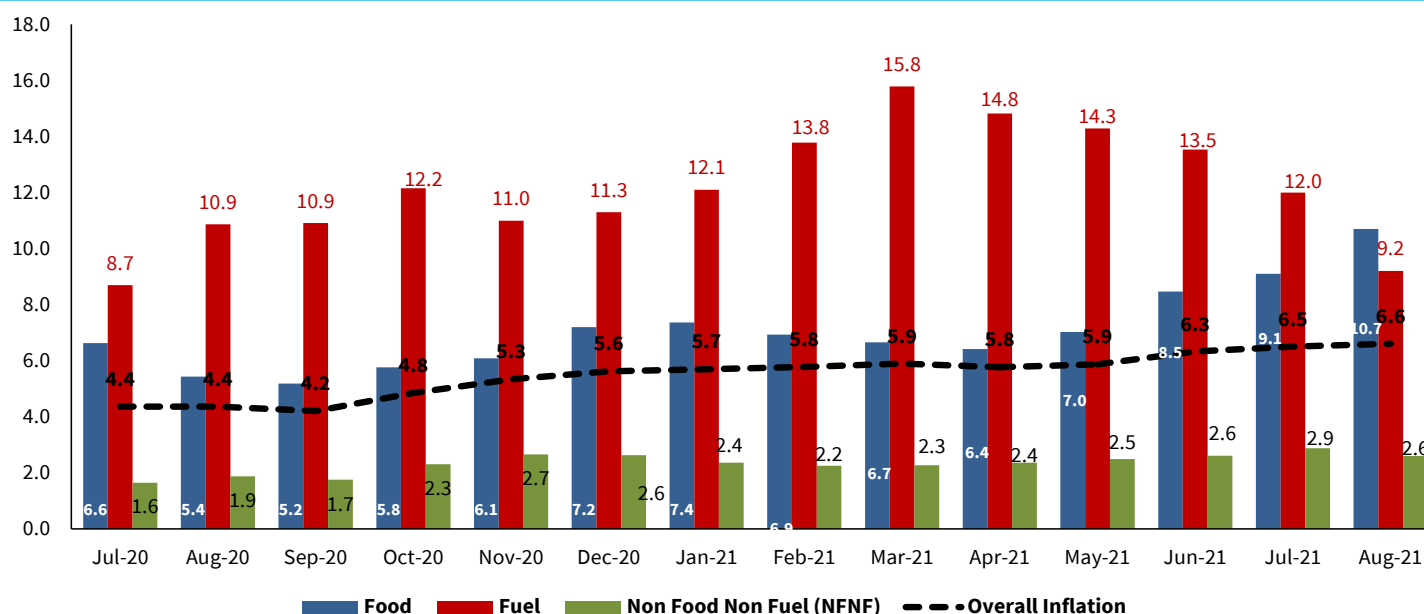
Turnover of bonds in the domestic secondary market declined by 19.7 percent during the week ending September 2 (**Table 6**). In the international market, yields on Kenya's Eurobonds declined by an average of 18.8 basis points. The yield on the 10-year Eurobonds for Angola declined, while that of Ghana rose marginally (**Chart 4**).

### Global Trends

Global financial markets sentiment edged up during the week ending September 2, as the market awaited key US employment data that will influence the direction of Federal Reserve policy.

International oil prices remained stable during the week ending September 2. Murban oil price was USD 70.48 per barrel on September 2 compared with USD 70.56 per barrel on August 26.

### Chart 1: Inflation (Percent)



Source: Kenya National Bureau of Statistics (KNBS) and CBK Staff Calculations

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

	USD	Sterling Pound	Euro	100 Japanese Yen	Uganda Shilling*	Tanzania Shilling*	Rwandese Franc*	Burundi Franc*
20-Aug-21	109.53	150.00	128.09	99.89	32.25	21.17	9.21	18.11
23-Aug-21	109.55	149.23	127.92	99.86	32.26	21.17	9.20	18.11
24-Aug-21	109.60	149.91	128.38	99.54	32.24	21.16	9.20	18.10
25-Aug-21	109.63	150.36	128.68	99.96	32.27	21.15	9.20	18.10
26-Aug-21	109.71	150.46	128.83	99.76	32.22	21.14	9.19	18.09
<b>August 20-26</b>	<b>109.60</b>	<b>149.99</b>	<b>128.38</b>	<b>99.80</b>	<b>32.25</b>	<b>21.16</b>	<b>9.20</b>	<b>18.10</b>
27-Aug-21	109.78	150.75	129.10	99.65	32.26	21.12	9.19	18.07
30-Aug-21	109.82	150.62	129.13	100.07	32.19	21.12	9.19	18.07
31-Aug-21	109.87	151.13	129.59	99.99	32.17	21.11	9.18	18.07
1-Sep-21	109.89	151.51	130.05	100.02	32.17	21.10	9.18	18.06
2-Sep-21	109.93	151.42	130.03	99.84	32.22	21.09	9.18	18.05
<b>August 27 - September 2</b>	<b>109.86</b>	<b>151.09</b>	<b>129.58</b>	<b>99.91</b>	<b>32.20</b>	<b>21.11</b>	<b>9.18</b>	<b>18.06</b>

\*Units of currency per Kenya Shilling

Source: Central Bank of Kenya

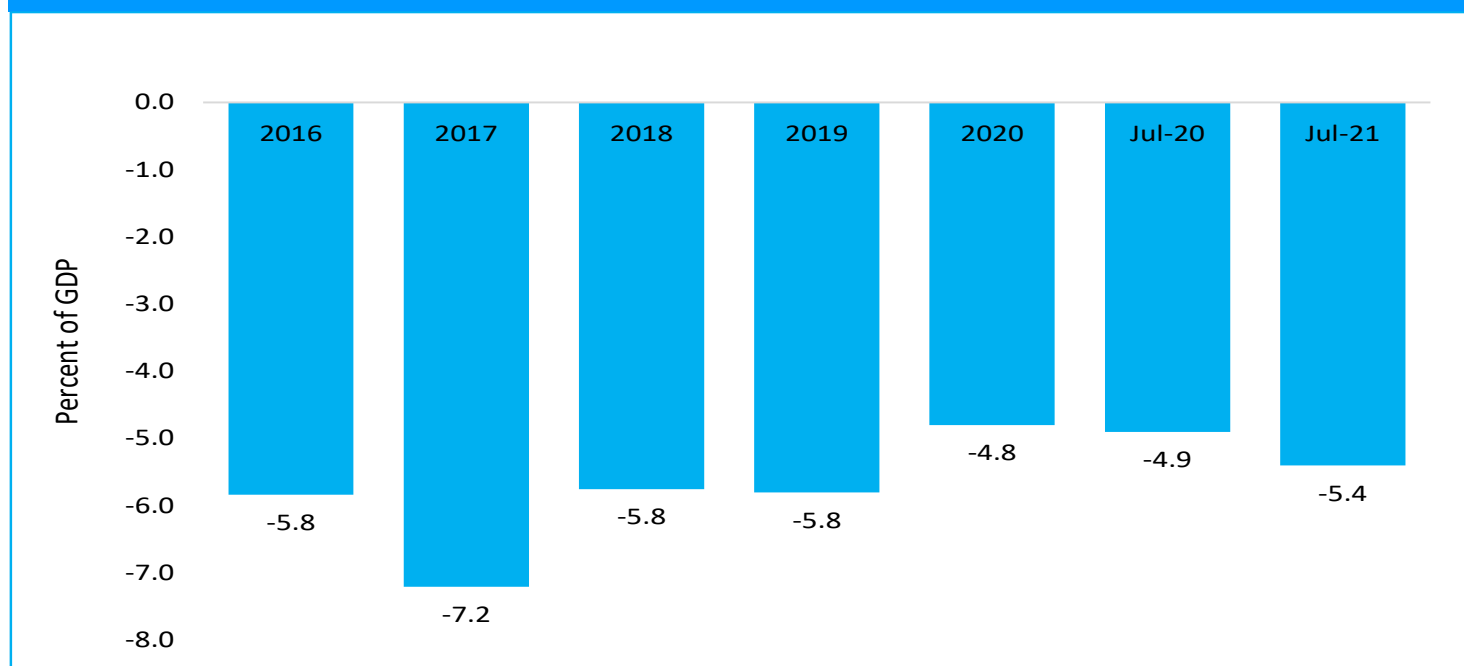
**Table 2: Official Foreign Exchange Reserves (USD Million)**

	5-Aug-21	12-Aug-21	19-Aug-21	26-Aug-21	2-Sep-21
1. CBK Usable Foreign Exchange Reserves (USD Million)*	9,352	9,296	9,189	8,986	8,883
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	5.72	5.68	5.62	5.49	5.43

\*Excludes Encumbered Reserves. Additionally, SDR 520.2 million (about USD 738 million) related to the IMF's SDR allocation on August 23, 2021, have not been captured

\*\*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 (%)
20-Aug-21	27	7,415.00	3.54
23-Aug-21	22	9,170.00	3.39
24-Aug-21	18	6,425.00	3.57
25-Aug-21	21	6,535.00	3.46
26-Aug-21	27	8,140.00	3.55
<b>August 20-26</b>	<b>23</b>	<b>7,537.00</b>	<b>3.50</b>
27-Aug-21	25	8,555.00	3.59
30-Aug-21	19	6,970.00	3.48
31-Aug-21	22	12,455.00	3.36
1-Sep-21	17	12,600.00	3.27
2-Sep-21	20	13,070.00	3.28
<b>August 27 - September 2</b>	<b>21</b>	<b>10,730.00</b>	<b>3.40</b>

Source: Central Bank of Kenya

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

91-Day Treasury Bills						
Date of Auction	29-Jul-21	5-Aug-21	12-Aug-21	19-Aug-21	26-Aug-21	2-Sep-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)	8,495.36	6,093.72	2,812.42	12,145.57	1,766.44	4,031.46
Amount Accepted (KSh M)	8,490.35	6,083.47	2,782.71	12,145.23	1,764.98	4,028.51
Maturities (KSh M)	1,738.20	1,867.30	1,389.70	4,706.70	2,441.50	1,364.30
Average Interest Rate (%)	6.486	6.513	6.527	6.599	6.741	6.774
182-Day Treasury Bills						
Date of Auction	29-Jul-21	5-Aug-21	12-Aug-21	19-Aug-21	26-Aug-21	2-Sep-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)	6,498.46	15,019.57	3,134.61	15,233.45	2,023.03	9,948.96
Amount Accepted (KSh M)	6,443.79	14,044.36	3,134.61	15,233.45	2,021.10	9,948.87
Maturities (KSh M)	2,042.10	2,082.40	4,377.00	11,090.40	7,616.80	7,064.60
Average Interest Rate (%)	6.966	7.046	7.117	7.104	7.195	7.226
364-Day Treasury Bills						
Date of Auction	29-Jul-21	5-Aug-21	12-Aug-21	19-Aug-21	26-Aug-21	2-Sep-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)	2,809.45	2,829.82	1,088.70	999.59	4,964.01	9,894.53
Amount Accepted (KSh M)	2,809.35	2,820.97	1,088.43	999.59	4,037.62	9,894.44
Maturities (KSh M)	10,883.20	14,323.90	5,702.95	6,648.85	1,963.35	6,442.70
Average Interest Rate (%)	7.426	7.418	7.418	7.420	7.492	7.517

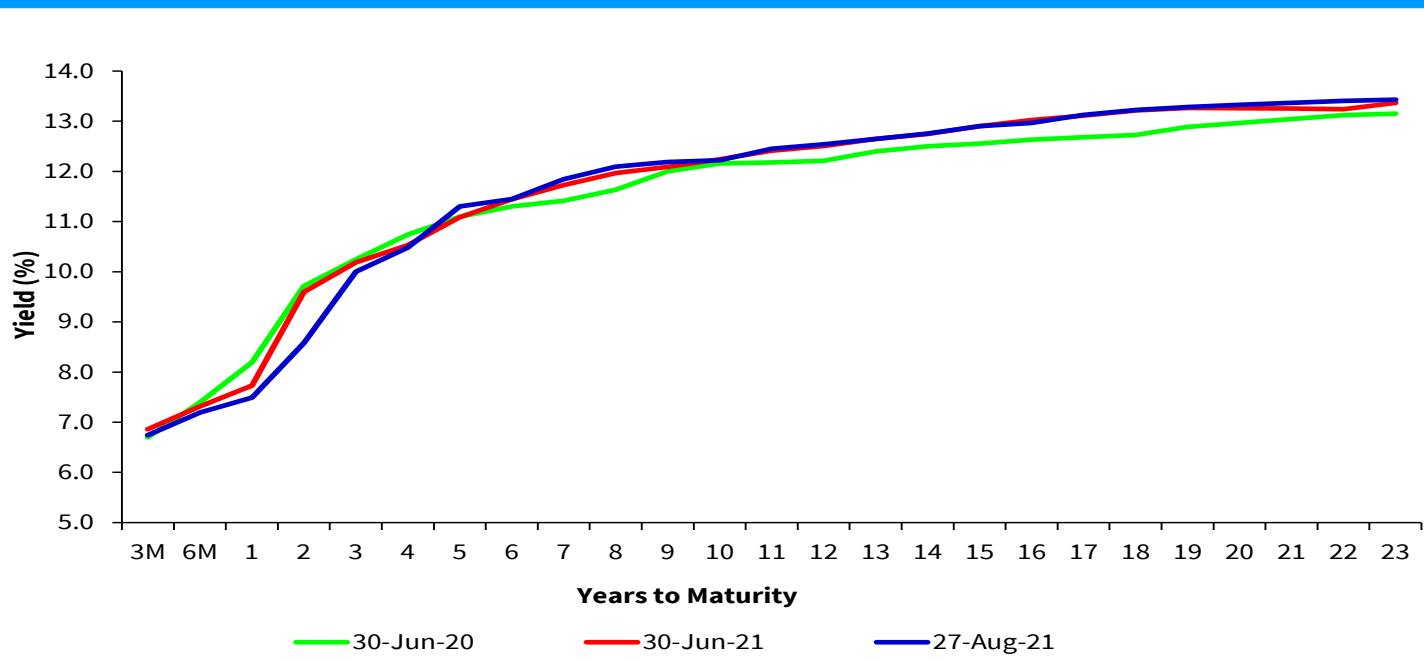
Source: Central Bank of Kenya

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

Date of Auction	30-Jun-21		14-Jul-21			11-Aug-21		
	REOPEN		REOPEN			REOPEN		
Tenor	FXD1/ 2019/20	FXD1/ 2012/20	FXD1/ 2012/15	FXD1/ 2018/15	FXD1/ 2021/25	FXD3/ 2019/10	FXD1/ 2018/20	FXD1/ 2021/20
Amount offered (KSh M)	50,000.00		60,000.00			60,000.00		
Bids received (KSh M)	29,845.00	8,638.85	48,805.43	28,212.38	39,906.96	38,313.49	22,818.80	43,504.73
Amount Accepted (KSh M)	29,045.75	8,378.30	30,091.53	27,203.05	22,640.58	22,968.26	17,783.62	39,539.41
Maturities (KSh M)	0.00		24,395.3			0.00		
Average interest Rate (%)	13.26	12.50	11.47	12.61	13.68	12.17	13.19	13.44

Source: Central Bank of Kenya

### Chart 3: Government Securities Yield Curve



Source: Nairobi Securities Exchange (NSE)

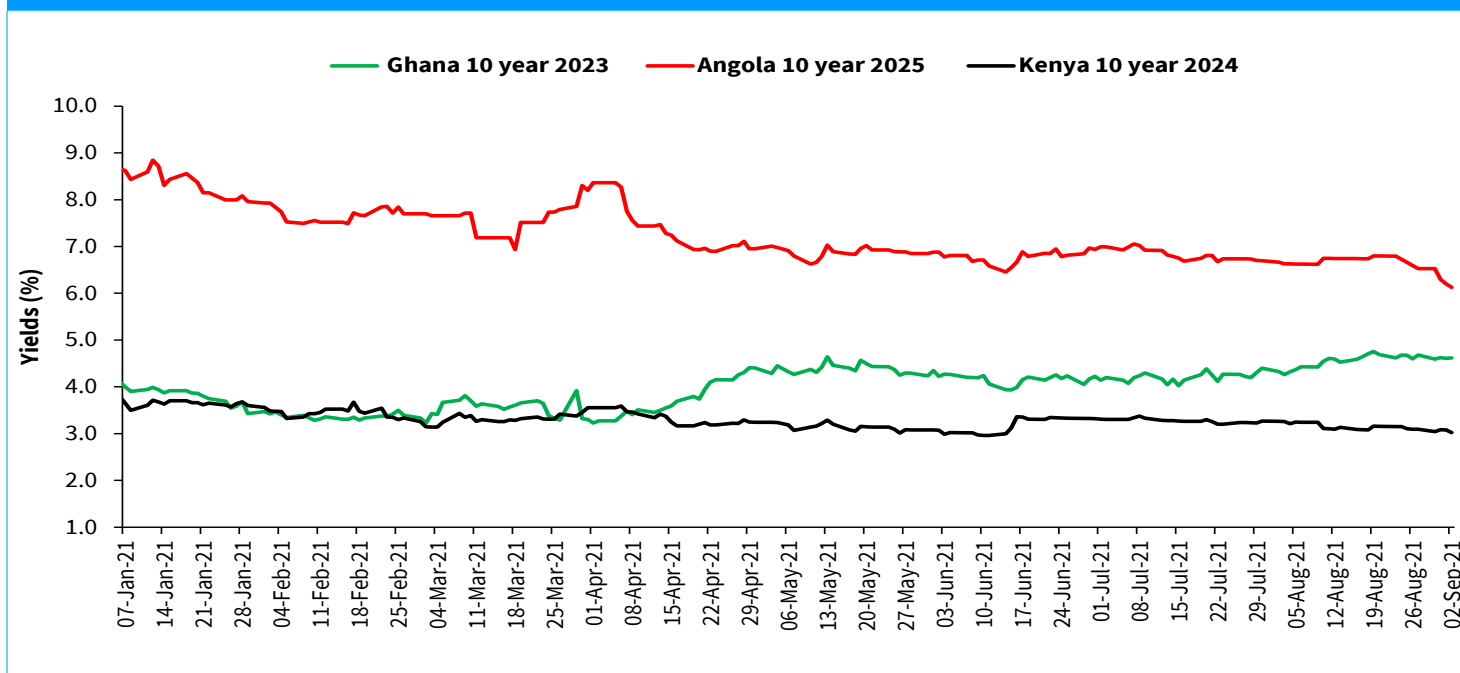
### Table 6: Key Weekly Market Indicators

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 Capitaliza- tion (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
20-Aug-21	186.33	4056.31	2015.77	1,164.00	13.97	545.95	2,903.81	4,072.00	4.812	3.155	5.277	6.198	6.148	7.325
23-Aug-21	187.86	4081.23	2020.37	1,316.00	20.52	659.29	2,927.67	1,812.95	4.831	3.152	5.255	6.214	6.148	7.335
24-Aug-21	188.20	4088.73	2030.87	1,255.00	7.47	300.26	2,932.99	5,414.05	4.836	3.149	5.233	6.197	6.133	7.305
25-Aug-21	187.22	4071.48	2032.09	1,327.00	11.04	396.44	2,917.78	2,110.45	4.804	3.102	5.211	6.165	6.089	7.295
26-Aug-21	187.40	4092.00	2038.77	1,428.00	21.73	662.25	2,920.47	1,210.10	4.793	3.092	5.187	6.180	6.089	7.285
<b>August 20-26</b>	<b>187.40</b>	<b>4092.00</b>	<b>2038.77</b>	<b>6,490.00</b>	<b>74.71</b>	<b>2,564.19</b>	<b>2,920.47</b>	<b>14,619.55</b>	<b>4.793</b>	<b>3.092</b>	<b>5.187</b>	<b>6.180</b>	<b>6.089</b>	<b>7.285</b>
27-Aug-21	187.20	4093.06	2034.30	1,371.00	10.70	334.31	2,917.37	2,244.40	4.75	3.09	5.14	6.15	6.06	7.24
30-Aug-21	185.71	4077.76	2032.02	1,202.00	8.78	198.10	2,894.16	3,163.15	4.76	3.04	5.10	6.16	6.04	7.23
31-Aug-21	182.33	4018.77	2020.77	1,424.00	18.56	793.11	2,841.40	4,354.00	4.63	3.09	4.99	6.04	5.94	7.14
1-Sep-21	182.03	4004.08	2026.14	1,352.00	17.03	502.27	2,836.64	731.70	4.60	3.08	4.91	6.00	5.90	7.08
2-Sep-21	180.97	3969.97	2024.40	1,075.00	6.85	149.81	2,820.14	1,243.30	4.60	3.02	4.88	6.00	5.90	7.09
<b>August 27- September 2</b>	<b>180.97</b>	<b>3,969.97</b>	<b>2,024.40</b>	<b>6,424.00</b>	<b>61.92</b>	<b>1,977.60</b>	<b>2,820.14</b>	<b>11,736.55</b>	<b>4.60</b>	<b>3.02</b>	<b>4.88</b>	<b>6.00</b>	<b>5.90</b>	<b>7.09</b>
<b>Weekly Changes (%)</b>	<b>(3.43)</b>	<b>(2.98)</b>	<b>(0.70)</b>	<b>(1.02)</b>	<b>(17.12)</b>	<b>(22.88)</b>	<b>(3.44)</b>	<b>(19.72)</b>	<b>-0.197*</b>	<b>-0.068*</b>	<b>-0.303*</b>	<b>-0.177*</b>	<b>-0.191*</b>	<b>-0.193*</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-Jun-21	13-Aug-21	20-Aug-21	27-Aug-21
1. Treasury Bills (Excluding Repos)	894.73	855.71	761.90	765.37	760.59	756.30	763.00
<i>(As % of total securities)</i>	<b>26.50</b>	<b>25.04</b>	<b>21.79</b>	<b>21.17</b>	<b>20.53</b>	<b>20.00</b>	<b>20.14</b>
2. Treasury Bonds	2,482.24	2,561.33	2,734.47	2,849.94	2,943.98	3,025.01	3,025.01
<i>(As % of total securities)</i>	<b>73.50</b>	<b>74.96</b>	<b>78.21</b>	<b>78.83</b>	<b>79.47</b>	<b>80.00</b>	<b>79.86</b>
3. Total Securities (1+2)	3,376.98	3,417.05	3,496.37	3,615.31	3,704.57	3,781.31	3,788.02
4. Overdraft at Central Bank	56.21	47.60	49.28	59.28	65.85	58.43	52.54
5. Other Domestic debt*	23.92	23.90	24.19	22.50	23.68	23.67	23.67
<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>3,697.09</b>	<b>3,794.10</b>	<b>3,863.41</b>	<b>3,864.23</b>

\* 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)**

	30-Sep-20	31-Dec-20	31-Mar-21	30-Jun-21	13-Aug-21	20-Aug-21	27-Aug-21
Treasury bills (Excluding Repos)	25.88	24.53	21.34	20.70	20.05	19.58	19.75
Treasury bonds	71.80	73.42	76.60	77.09	77.59	78.30	78.28
Overdraft at Central Bank	1.63	1.36	1.38	1.60	1.74	1.51	1.36
Other domestic debt	0.69	0.69	0.68	0.61	0.62	0.61	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-Sep-20	31-Dec-20	31-Mar-21	30-Jun-21	13-Aug-21	20-Aug-21	27-Aug-21
Banking Institutions	54.55	52.83	51.75	51.24	51.44	50.82	50.58
Insurance Companies	6.16	6.44	6.57	6.66	6.64	6.69	6.69
Parastatals	5.47	5.69	5.62	5.54	5.11	5.30	5.51
Pension Funds	28.53	30.32	30.46	30.60	30.89	31.04	31.09
Other Investors	5.30	4.73	5.59	5.96	5.91	6.15	6.14
<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-20	Sep-20	Dec-20	Mar-21	Apr-21	May-21	Jun-21
Domestic debt (KSh Bn)	3,176.97	3,457.11	3,488.54	3,569.84	3,632.91	3,686.89	3,697.09
Public & Publicly Guaranteed External debt (USD Bn)	33.01	33.77	34.75	34.42	35.13	35.31	37.23
Public & Publicly Guaranteed External debt (KSh Bn)	3,515.81	3,663.49	3,793.29	3,769.87	3,788.94	3,799.02	4,015.30
Public debt (KSh Bn)	<b>6,692.78</b>	<b>7,120.60</b>	<b>7,281.83</b>	<b>7,339.71</b>	<b>7,421.85</b>	<b>7,485.91</b>	<b>7,712.39</b>

Source: National Treasury and Central Bank of Kenya