

Central Bank of Kenya

Weekly Statistical Bulletin

Key Monetary and Financial Indicators

August 4, 2017

Overall inflation declined significantly for the second consecutive month in July 2017 and converged to the Government target band, largely supported by declining food prices arising from favorable weather conditions and Government interventions.

The money market was fairly liquid during the week ending August 2, 2017, supported by repo transactions under open market operations (OMO) and net government payments. The weighted average interbank rate increased to 8.20 percent in the week ending August 2, 2017 from 7.24 percent recorded in the previous week.

The capital markets recorded mixed performance during the week ending August 3, 2017.

Inflation

Overall inflation declined significantly for the second consecutive month in July 2017 and converged to the Government target band, largely supported by declining food prices. It declined to 7.5 percent in July 2017 from 9.2 percent in June 2017, largely on account of significant declines in price of key food items following favorable weather conditions and continued Government interventions to stabilise in recent months.

Food inflation declined to 11.6 percent in July 2017 from 14.8 percent in June 2017, following improved weather conditions and Government interventions. Improving weather conditions resulted in notable declines in the prices of the following quick growing foods: Irish potatoes (21.4 percent); cabbages (7.7 percent); Spinach (6.4 percent); Onions (4.1 percent); Tomatoes (3.9 percent); sukuma wiki (1.2 percent). In addition, Government interventions supported lower prices of the following; sifted maize flour (2.1 percent); maize flour loose (2.1 percent) and sugar (3.9 percent).

Fuel inflation declined to 2.9 percent in July from 3.4 percent in June 2017, supported by declining energy prices in July compared to June 2017. Meanwhile, Non-food non-fuel (NFnF) inflation remained stable. It declined marginally to 4.1 percent in July 2017 from 4.2 percent in June 2017.

Monetary Policy Operations

Transactions increasing and reducing liquidity were fairly matched during the week ending August 2, 2017. However, due to uneven distribution of liquidity the Central Bank was on both sides of the market. It withdrew excess liquidity from segments of the market with surpluses and used reverse repos to support segments facing temporary liquidity shortages (**Table 1**).

Commercial banks' excess reserves above 5.25 percent averaging requirement stood at KSh 6.1 billion during the week ending July 26, 2017 compared to the previous week's average of KSh 7.4 billion (**Chart A**).

Activity in the Interbank Market

The weighted average interbank rate increased to 8.20 percent in the week ending August 2, 2017 from 7.24 percent recorded in the previous week. The volumes transacted increased from an average of KSh 27.5 billion compared to an average of KSh 21.6 billion the previous week. The number of deals stood at 38 during the week compared to 37 deals transacted the previous week (**Table 2 and Chart B**).

Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate weakened marginally against major international currencies during the week

ending August 3, 2017. In the EAC region the Kenya Shilling strengthened against the Uganda Shilling as well as the Rwanda Franc and the Burundi Francs and remained unchanged against the Tanzania Shilling (**Table 3**).

Equity Market

Stock prices maintained a six-week rally, with gains across all indices during the week ending August 3, 2017. Shareholders' wealth measured by market capitalization grew by 0.6 percent or KSh 13.2 billion in the week. Equity turnover rose by 33.6 percent on account of increased prices as well as high volume of shares traded (**Table 4**). The rally in the stock market may signal positive future prospects in the markets after the expected peaceful elections.

FTSE NSE Kenya Index Series, REITS and Most Active Sectors

Performance of the FTSE NSE Kenya 15 Index and FTSE NSE Kenya 25 Index, which measure performance of the 15 largest companies by market capitalization and the 25 most liquid stocks at the Nairobi Securities Exchange (NSE) recorded gains in the week ending August 3, 2017. The Telecommunication & Technology, Energy & Petroleum and Banking sectors were the most active stocks, together accounting for 85.9 percent of all shares traded in the week.

Appetite for asset-backed securities, Income-Real Estate Investment Trust (I-REIT) rose by 1,061.2 percent in turnover, with deals transacted rising by 112 percent. This may reflect investors' appetite for wider asset classes.

Bond Market

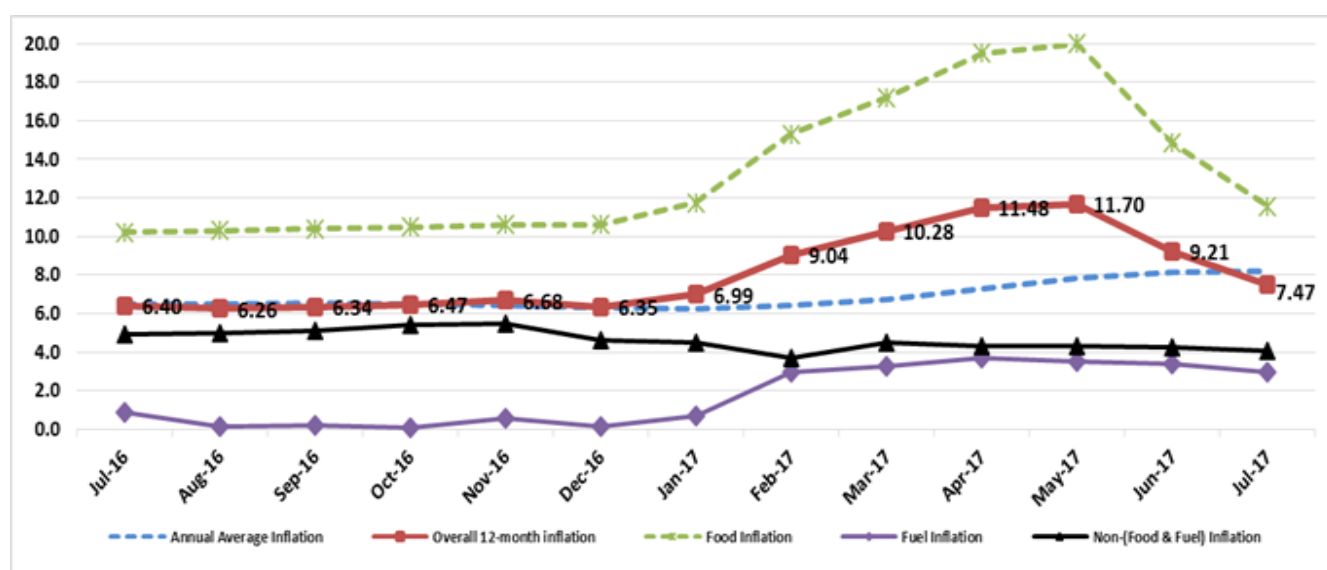
Trading in the bond market declined by 16.2 percent with the number of deals down to 78 from the previous week's 175 deals. The FTSE Bond Index declined by 0.07 percent, reflecting increase in secondary market yields.

¹ FTSE refers to Financial Times Stock Exchange, which is an average of share prices in the 100 largest, most actively traded companies on the London Stock Exchange. The two NSE indices are indexed on FTSE.

² I-REIT is a collective investment vehicle that allows investors to pool capital, which is then invested in a portfolio of selected properties for a return. Investors gain through capital appreciation and rental income, with the latter being distributed to unit-holders annually.

LIST OF TABLES AND CHARTS

Chart A: Developments in Inflation



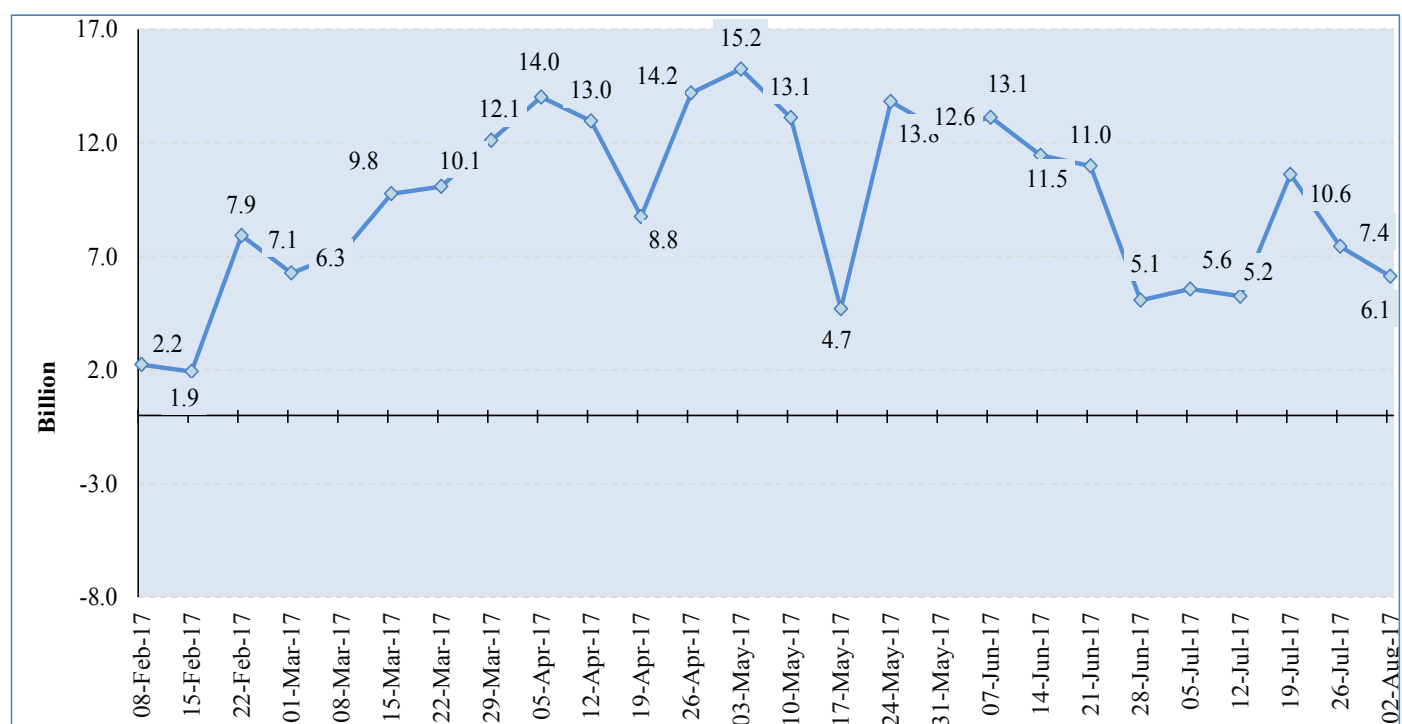
Source: Kenya National Bureau of Statistics and Central Bank of Kenya

Table 1: Liquidity Flows and Open Market Operations (Ksh billion)

	27-Jul-17	28-Jul-17	31-Jul-17	1-Aug-17	2-Aug-17	Total
Liquidity Flows						
Total liquidity injection ¹	6.1	2.6	30.5	15.0	3.9	58.0
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.0	1.7	10.0	0.2	0.0	11.9
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	19.5	0.0	0.0	19.5
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds Interest	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	6.1	1.0	0.9	14.8	3.9	26.6
Total liquidity reduction ¹	8.5	8.9	25.9	9.1	7.0	59.4
T/bills (Primary issues)	0.0	0.0	14.6	0.0	0.0	14.6
Tbonds Sales	0.0	0.0	5.2	0.0	0.0	5.2
T/bills/Tbonds (OMO Tap Sales)	0.0	0.0	0.0	0.0	0.0	0.0
Repos	5.0	0.0	0.0	0.0	0.0	5.0
Reverse Repos maturities	0.0	1.2	0.0	0.2	0.0	1.4
Term Auction Deposit	0.0	0.0	0.0	2.5	0.0	2.5
Transfer from Banks -Taxes	2.1	5.3	6.0	5.1	3.6	22.1
Net liquidity injection (+)/Withdrawal (-)	-2.4	-6.3	4.6	5.9	-3.1	-1.3
Open Market Operations Outcome						
Posted Amount	5.0	0.0	0.0	10.0	0.0	15.0
Realised Amount - Mop up	5.0	0.0	0.0	2.5	0.0	5.0
Repo (-)	5.0	0.0	0.0	0.0	0.0	5.0
Term Auction Deposits (-)	0.0	0.0	0.0	2.5	0.0	0.0
Reserve Money Position						
Reserve money (actual)	411.1	404.8	414.7	416.7	412.6	

¹ Only main transactions increasing or reducing liquidity are included.

Source: Central Bank of Kenya

Chart B: Commercial Banks Excess Reserves

Source: Central Bank of Kenya

Table 2: Open Market Operations (KSh Million)

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)	7 days Average Repo Rate (%)
20-Jul-17	32	17,595	7.38	-
21-Jul-17	40	22,395	7.08	-
24-Jul-17	31	15,845	7.32	-
25-Jul-17	40	25,740	7.18	-
26-Jul-17	43	26,320	7.22	-
July 20, 2017 - July 26, 2017	37	21,579	7.24	-
27-Jul-17	43	29,995	7.28	8.84
28-Jul-17	39	26,220	7.29	-
31-Jul-17	37	30,595	8.54	-
1-Aug-17	32	25,573	8.67	-
2-Aug-17	38	25,225	9.22	-
July 27, 2017 - Aug 02, 2017	38	27,522	8.20	8.84

Source: Central Bank of Kenya

Table 3: Kenya Shilling Exchange Rate

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
21-Jul-17	103.84	134.68	120.15	92.85	34.67	21.56	7.96	16.68
24-Jul-17	103.87	134.91	120.96	93.50	34.66	21.55	7.96	16.68
25-Jul-17	103.88	135.44	121.01	93.58	34.65	21.55	7.99	16.68
26-Jul-17	103.91	135.41	120.97	92.87	34.65	21.54	7.96	16.68
27-Jul-17	103.90	135.51	120.94	92.90	34.70	21.54	7.96	16.68
21-27 July 2017	103.88	135.19	120.81	93.14	34.67	21.55	7.96	16.68
28-Jul-17	103.91	136.50	121.55	93.20	34.74	21.55	8.00	16.70
31-Jul-17	103.91	136.20	121.80	94.03	34.74	21.54	7.96	16.69
1-Aug-17	103.92	137.33	122.89	94.29	34.76	21.55	7.96	16.69
2-Aug-17	103.87	137.12	122.79	93.72	34.75	21.56	7.97	16.70
3-Aug-17	103.86	137.34	123.04	93.84	34.78	21.55	7.97	16.71
28 July -3 August 2017	103.89	136.90	122.41	93.82	34.75	21.55	7.97	16.70

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

Table 4: Key Weekly Market Statistics

INDICATOR	8-Jun-17	15-Jun-17	22-Jun-17	29-Jun-17	7-Jul-17	13-Jul-17	20-Jul-17	27-Jul-17	3-Aug-17	Weekly Change (%)
NASI 100= 2008	149.30	152.94	154.35	153.22	151.50	152.99	154.30	158.40	158.90	0.32
NSE 25 Share Index	3,970.00	4,050.99	4,087.32	4,069.38	3,998.00	4,038.39	4,107.00	4,215.46	4,235.00	0.46
NSE 20 Share Index 100= 1996	3,475.00	3,522.79	3,612.55	3,596.56	3,581.00	3,659.28	3,683.00	3,764.74	3,774.00	0.25
Number of Deals	7,047.00	6,656.00	7,038.00	4,948.00	6,232.00	5,958.00	6,811.00	5,576.00	7,068.00	26.76
Total Shares Traded (Million)	142.80	199.26	276.08	96.88	176.67	296.29	174.07	146.91	215.99	47.02
Equity Turnover (KSh Million)	3,104.07	4,435.70	6,156.12	1,676.56	5,285.45	6,458.15	4,353.84	4,030.47	5,384.87	33.60
Market Capitalization (KSh Billion)	2,168.19	2,221.37	2,242.12	2,225.64	2,201.00	2,236.24	2,255.51	2,315.43	2,328.66	0.57
I-REIT Turnover in (KSh Million)	0.94	1.08	1.85	0.89	0.31	0.61	0.47	0.18	2.08	1,061.17
I-REIT in Units - Total Deals	53.00	31.00	34.00	25.00	27.00	29.00	28.00	25.00	53.00	112.00
Bonds Turnover (KSh Million)	9,722.09	12,248.72	9,169.56	12,684.80	11,303.78	12,624.13	6,037.61	5,197.72	4,354.16	-16.23
FTSE NSE Kenya 15 Index	187.70	190.40	190.88	189.83	188.00	190.10	192.30	197.67	197.90	0.12
FTSE NSE Kenya 25 Index	192.70	196.33	195.19	195.93	194.00	195.94	198.90	205.17	205.30	0.06
FTSE NSE Bond Index	91.60	91.58	91.56	91.54	92.00	91.65	91.70	91.66	91.60	-0.07

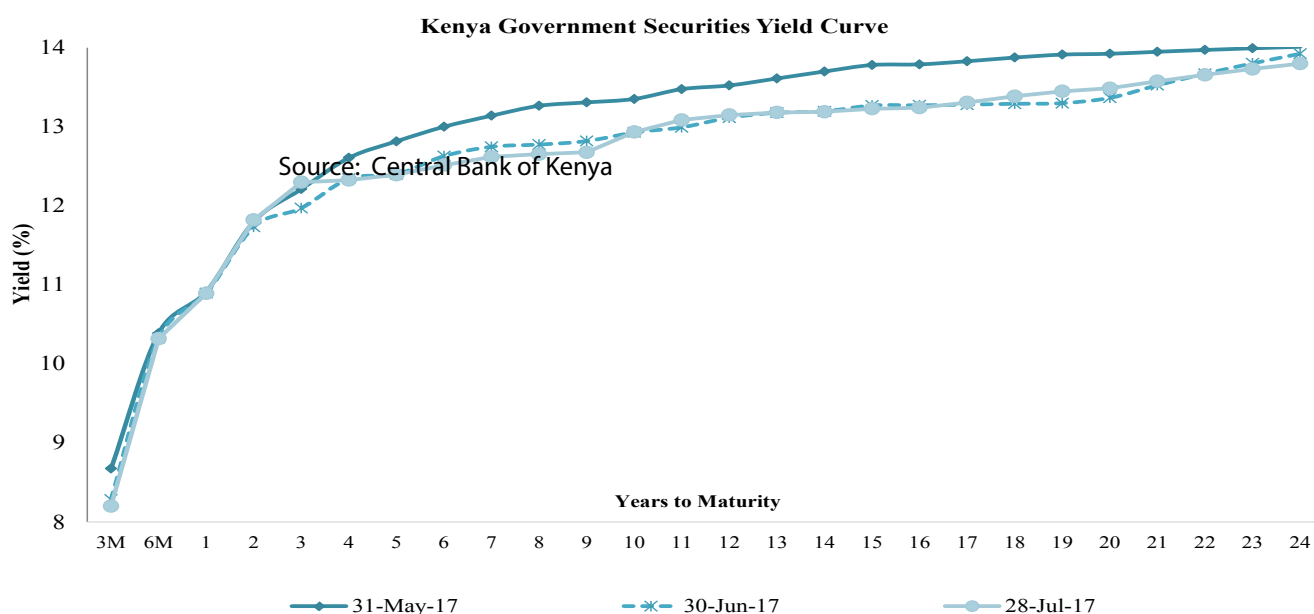
Source: Nairobi Securities Exchange

Table 5: Performance of Government Securities

91-Day Treasury Bills								
Date of Auction	27-Apr-17	25-May-17	29-Jun-17	6-Jul-17	13-Jul-17	20-Jul-17	27-Jul-17	3-Aug-17
Amount offered (Ksh M)	10,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	12,373.49	5,171.56	2,307.78	4,245.92	2,241.25	2,224.60	964.01	9,724.34
Amount Accepted (Ksh M)	11,239.76	2,645.05	2,307.78	4,215.51	2,241.16	2,224.60	857.46	1,474.52
Maturities (Ksh M)	5,657.35	5,910.50	7,201.70	11,574.20	8,879.35	6,835.20	11,427.00	3,655.30
Average interest Rate (%) - 91 Days	8.78	8.61	8.28	8.22	8.21	8.21	8.20	8.20
182-Day Treasury Bills								
Date of Auction	26-Apr-17	24-May-17	28-Jun-17	6-Jul-17	14-Jul-17	22-Jul-17	30-Jul-17	7-Aug-17
Amount offered (Ksh M)		10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)		15,070.38	10,064.50	15,258.51	4,190.65	4,004.42	4,751.78	15,082.94
Amount Accepted (Ksh M)		13,608.16	9,713.05	14,768.06	4,070.86	3,054.54	4,416.32	4,541.27
Maturities (Ksh M)		7,053.20	1,199.70	2,034.40	1,619.55	5,845.20	2,297.80	15,876.50
Average interest Rate (%) - 182 days		10.37	10.33	10.31	10.32	10.31	10.32	10.32
364-Day Treasury Bills								
Date of Auction	26-Apr-17	24-May-17	28-Jun-17	6-Jul-17	14-Jul-17	22-Jul-17	30-Jul-17	7-Aug-17
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	8,245.61	13,821.28	5,174.05	8,418.59	1,623.54	1,290.26	9,780.73	3,432.04
Amount Accepted (Ksh M)	7,987.54	11,869.87	5,053.19	5,918.12	1,527.56	1,228.56	9,366.10	3,155.54
Maturities (Ksh M)	8,932.50	6,562.55	1,454.50	1,202.00	7,355.00	3,647.80	6,827.91	6,793.65
Average interest Rate (%) - 364 days	10.94	10.91	10.90	10.89	10.89	10.89	10.89	10.89
Treasury Bonds								
Date of Auction	27-Apr-17							
Tenor	FXD1/2009/11						FXD 1/2007/10	TAP Sale FXD 1/2007/11
Amount offered (Ksh M)	7,000.00						30,000.0	25,000.0
Bids received (Ksh M)	6,143.05						19,043.3	7,015.9
Amount Accepted (Ksh M)	4,009.60						5,190.8	7,015.4
Maturities (Ksh M)	0.00						0.0	0.0
Average interest Rate (%)	11.97						12.966	12.966

Source: Central Bank of Kenya

Chart C: Structure of Interest Rates



Source: Central Bank of Kenya

Table 6: Government Domestic Debt (KSh Billion)

	31-Mar-17	28-Apr-17	26-May-17	02-Jun-17	30-Jun-17	07-Jul-17	14-Jul-17	21-Jul-17	28-Jul-17
1. Treasury Bills (Excluding Repos)	615.77	626.90	673.30	684.07	744.15	752.41	763.78	754.13	744.46
(As % of total securities)	32.69	32.25	33.96	34.04	35.84	36.10	36.44	36.15	35.85
2. Treasury Bonds	1,268.16	1,317.02	1,309.35	1,325.28	1,331.98	1,331.98	1,331.98	1,331.98	1,331.98
(As % of total securities)	67.31	67.75	66.04	65.96	64.16	63.90	63.56	63.85	64.15
3. Total Securities (1+2)	1,883.93	1,943.92	1,982.65	2,009.35	2,076.13	2,084.39	2,095.76	2,086.10	2,076.43
4. Overdraft at Central Bank	30.27	-	-	0.03	-	-	-	-	-
5. Other Domestic debt*	31.06	30.75	35.93	35.94	36.15	36.12	36.11	36.10	35.56
6. Gross Domestic Debt (3+4+5)	1,945.25	1,974.67	2,018.58	2,045.33	2,112.28	2,120.51	2,131.87	2,122.21	2,112.00

* 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 7: Composition of Government Domestic Debt by Instrument (In Percent)

	26-May-17	16-Jun-17	23-Jun-17	30-Jun-17	7-Jul-17	14-Jul-17	21-Jul-17	28-Jul-17
Treasury bills (Excluding Repos)	33.4	34.5	35.1	35.2	35.5	35.8	35.5	35.2
Treasury bonds	64.9	63.7	63.1	63.1	62.8	62.5	62.8	63.1
CBK Overdraft to Govt	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other domestic debt	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

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

	31-Mar-17	28-Apr-17	26-May-17	23-Jun-17	30-Jun-17	7-Jul-17	14-Jul-17	21-Jul-17	28-Jul-17
Banking Institutions	54.1	55.1	56.2	56.6	56.2	56.2	56.3	56.1	56.1
Insurance Companies	7.1	7.0	6.9	6.7	6.6	6.6	6.5	6.6	6.6
Parastatals	6.5	6.5	6.6	6.4	6.4	6.4	6.5	6.6	6.6
Pension funds	28.2	27.5	27.9	27.8	28.1	28.1	28.0	28.0	28.0
Other investors	4.0	3.9	2.4	2.5	2.7	2.7	2.7	2.7	2.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

TABLE 9: Official Foreign Reserves US\$ Million (Usable)

	31-May-17	8-Jun-17	15-Jun-17	22-Jun-17	29-Jun-17	6-Jul-17	13-Jul-17	20-Jul-17	27-Jul-17	3-Aug-17
1. CBK Usable Foreign Exchange Reserves (USD Million)*	8,259	8,197	8,188	8,105	7,964	7,920	7,869	7,781	7,705	7,524
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	5.48	5.44	5.44	5.38	5.29	5.26	5.23	5.17	5.12	5.00

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya