



Central Bank of Kenya

Weekly Statistical Bulletin

Key Monetary and Financial Indicators

October 6, 2017

The Kenyan economy recorded robust growth in the Second Quarter of 2017, despite adverse weather conditions which affected agriculture. The economy expanded by 5.0 percent compared to 4.7 percent in the first quarter of 2017.

Overall inflation declined to 7.1 percent in September 2017 after a temporary increase to 8.0 percent in August 2017. The decline was largely supported by improved weather conditions which supported increased supply and lower prices of key food items.

The Kenya shilling exchange rate strengthened against all major international currencies and all the EAC currencies during the week ending October 5, 2017

The capital markets registered mixed performance during the week ending October 5, 2017, with only Bonds turnover recording gains. Yields on the 5-and 10-year Kenya Eurobonds declined during the week ending October 5, 2017.

GDP Growth in The Second Quarter of 2017

The Kenyan economy recorded robust growth of 5.0 percent in the Second Quarter of 2017, despite adverse weather conditions which affected agriculture. The strong performance was largely supported by modest recovery in agriculture sector following improved weather conditions. In addition, the ongoing government investment in infrastructure development, low international oil prices and robust growth in tourist arrivals supported improved economic activity during the quarter.

The economy remains resilient supported by diversification with non-agriculture sectors growing at 6.1 percent while the agriculture sector posted mild recovery of 1.4 percent (**Table 1**). Services Sectors remain the main source of growth contributing 3.2 percentage points to real GDP growth in the Second Quarter of 2017 largely supported by the Real Estate (0.8 percentage points) and Transport and Storage (0.6 percentage points) (**Chart 1**).

Inflation

Overall inflation declined significantly and converged to the government target band in September 2017, after a temporary increase in August. It declined to 7.1 percent from 8.0 percent in August 2017, largely supported by improved weather conditions in recent months and

Government measures which supported increased supply and lower prices of key food items.

Food inflation declined to 10.9 percent in September 2017 from 12.8 percent in August 2017. The improved weather conditions and Government measures resulted in further price decreases of key food items in September 2017 compared to August 2017 as follows: carrots (31.9 percent), cabbages (13.1 percent), Irish potatoes (7 percent), sukuma wiki (1.7 percent), loose maize flour (4 percent), loose maize grain (1.9 percent), and sugar (1.9 percent).

Non-food non-fuel (NFNF) inflation declined to 3.5 percent in September 2017 from 3.9 percent in August 2017, reflective of muted demand pressures in the economy. Fuel inflation remained low at 3.3 percent, supported by lower electricity prices arising from a fall in the foreign exchange cost adjustment (**Chart 2**).

Monetary Policy Operations

Liquidity conditions improved slightly during week ending October 4, 2017 compared to the previous week. The slight improvement in liquidity was due to government spending of up to KSh 55.6 billion which was partly offset by tax payments of KSh 19.4 billion in the week (**Table 2**). There were significant Reverse Repo maturities of KSh 45.2 billion but the Central Bank

also supported the market with Reverse Repo purchases of KSh 25.3 billion.

Commercial banks' excess reserves above 5.25 percent averaging requirement increased to KSh 5.0 billion during the week ending October 4, 2017 from the previous week's average of KSh 3.0 billion, signifying improved liquidity conditions compared to the previous week (**Chart 3**).

Activity in the Interbank Market

Relatively tight liquidity conditions in the interbank market saw the weighted average interbank rate rise to 8.13 percent in the week ending October 4, 2017 from 7.16 percent recorded in the previous week. The increase in the weighted average interbank rate was relatively small compared to the increase witnessed between the week ending September 20, 2017 and September 27, 2017. This underscores the fact that liquidity conditions had slightly improved in the week ending October 04, 2017.

The volumes transacted ranged from KSh 14.5 billion to KSh 27.8 billion during the week, giving an average of KSh 19.9 billion compared to an average of KSh 17.9 billion the previous week. The number of deals remained unchanged at 43 (**Table 3 and Chart 4**).

Kenya Shilling Exchange Rate

The Kenya Shilling strengthened against all major international currencies during the week ending October 5, 2017. The performance of the Kenya Shilling was mainly boosted by foreign exchange receipts from the agriculture sector. The Kenya Shilling also strengthened against all EAC currencies during the review period (**Table 4**).

Equity Market

The equity market segment reported declines across all its leading indicators. Shareholders' wealth, measured by market capitalization was down 1.48 percent, with equity turnover shedding 10.11 percent on account

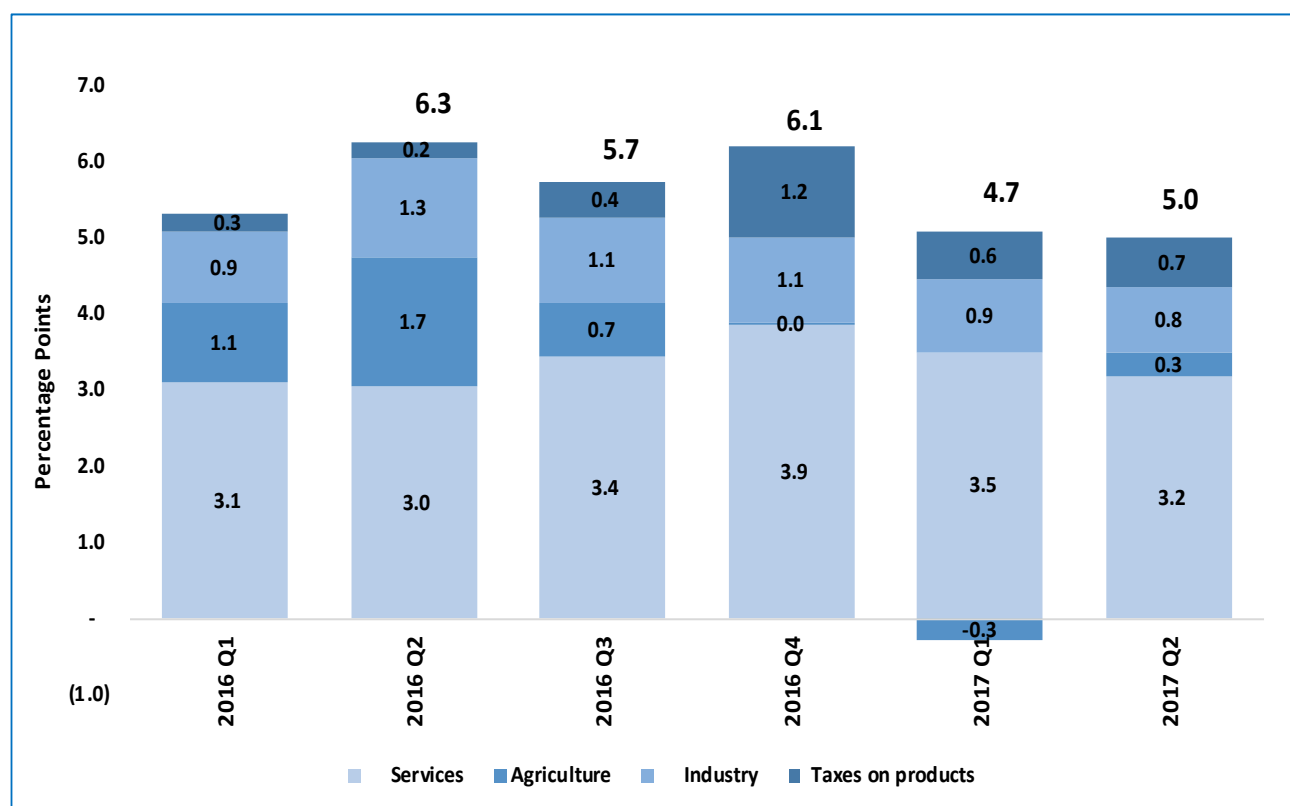
of a 27.24 percent decline in total shares traded. This performance may reflect continued uncertainty as the country awaits for Presidential elections (**Table 5**).

Bond Market and Eurobond Yields

The bond market segment was very active with the volume traded increasing by 65.5 percent in the week ending October 5, 2017 compared to the previous week. Kenya's 5-year and 10-year Eurobond yields declined by 0.173 percentage points and 0.169 percentage points, respectively. This may be a reflection of global liquidity conditions and continued positive investor sentiments on Kenya's bonds.

LIST OF TABLES AND CHARTS

Chart 1: Evolution of Real GDP Growth



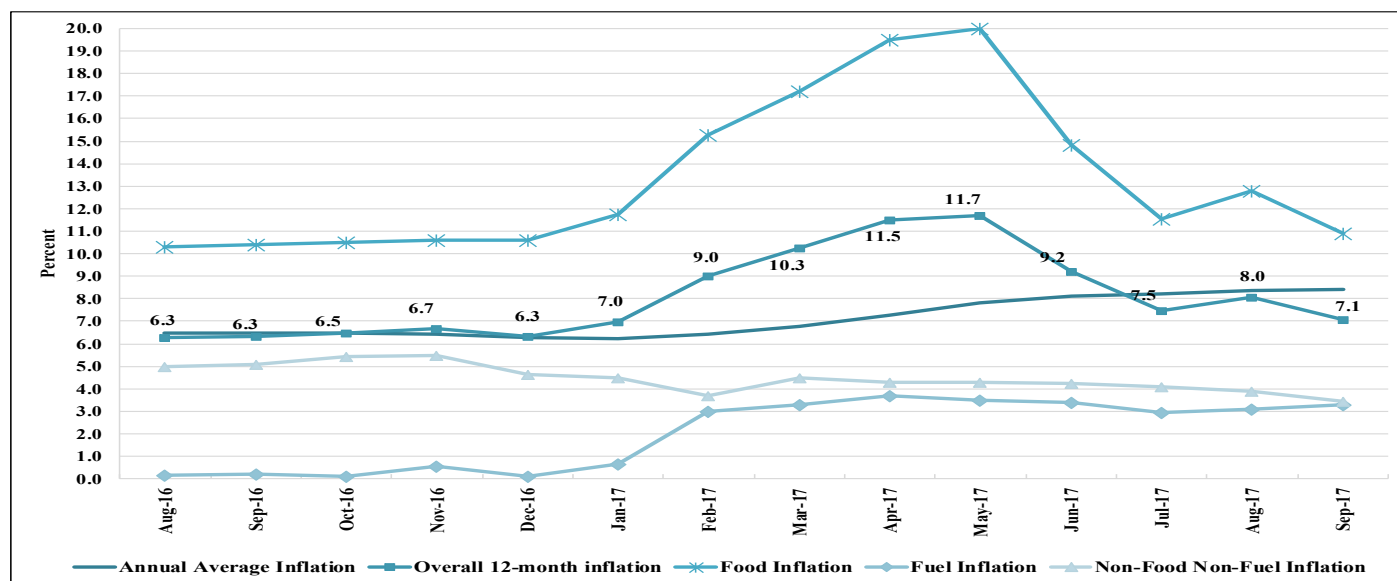
Source: Kenya National Bureau of Statistics

Table 1: Real GDP Growth by Activity (%)

	2016				2017	
1. Agriculture	4.0	7.1	3.8	0.1	(1.1)	1.4
2. Non-Agriculture (o/w)	5.8	6.0	6.2	7.5	6.8	6.1
2.1 Industry	5.0	6.8	5.7	5.8	5.0	4.4
Mining & Quarrying	6.7	10.6	9.8	11.2	9.7	5.7
Manufacturing	1.7	5.3	4.4	2.5	2.9	2.3
Construction	10.2	7.6	7.8	11.5	8.4	7.5
Electricity & water supply	8.6	9.6	5.4	4.7	5.1	6.1
2.2 Services	7.0	6.7	7.0	7.6	7.7	6.8
Wholesale & Retail Trade	3.6	2.3	4.3	5.0	6.1	2.8
Accommodation & restaurant	10.4	15.7	13.5	14.2	15.8	13.4
Transport & Storage	8.9	7.1	7.1	10.4	9.9	8.2
Information & Communication	10.9	9.1	8.8	9.8	11.4	9.2
Financial & Insurance	8.2	8.1	7.1	4.1	5.3	4.3
Public administration	5.7	6.6	5.1	3.6	5.4	6.3
Professional, Administration & Support Services	3.3	5.4	3.8	4.7	4.8	6.4
Real estate	8.8	8.2	8.5	9.5	9.3	9.7
Education	6.2	6.0	6.9	6.3	5.9	5.6
Health	5.1	6.6	7.1	4.5	4.5	5.5
Other services	5.0	4.6	4.3	2.8	3.5	1.2
FISIM	8.4	5.2	1.7	(2.7)	3.3	(0.8)
2.3 Taxes on products	2.5	2.0	3.7	9.7	6.0	6.1
Real GDP Growth	5.3	6.3	5.7	6.1	4.7	5.0

Source: Kenya National Bureau of Statistics

Chart 2: Developments in Inflation



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

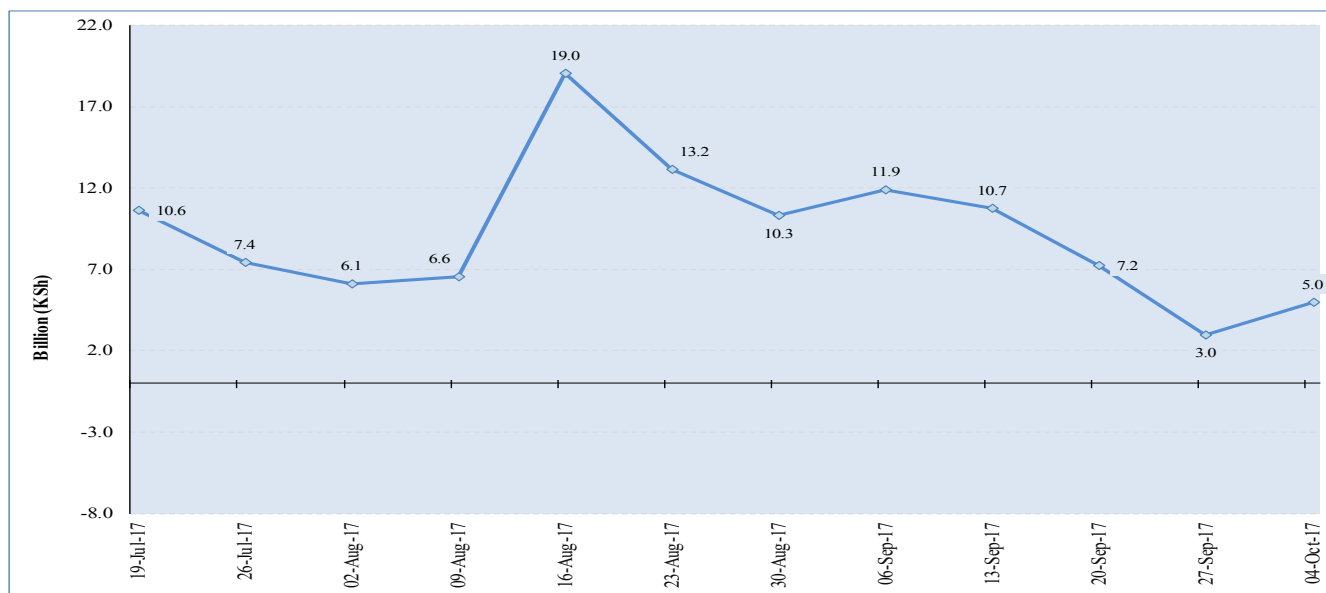
Table 2: Liquidity Flows and Open Market Operations (Ksh billion)

	28-Sep-17	29-Sep-17	2-Oct-17	3-Oct-17	4-Oct-17	Total
Liquidity Flows						
Total liquidity injection ¹	23.5	23.6	25.3	11.2	7.6	91.3
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.3	18.8	0.0	4.5	1.7	25.3
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	0.0	0.0	0.0	0.0
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	10.4	0.0	0.0	10.4
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	23.2	4.8	15.0	6.8	5.9	55.6
Total liquidity reduction ¹	11.9	21.1	50.1	2.5	4.2	89.7
T/bills (Primary issues)	0.0	0.0	12.7	0.0	0.0	12.7
Tbonds Sales	0.0	0.0	0.0	0.0	0.0	0.0
T/bills/Tbonds (OMO Tap Sales)	0.0	0.0	11.8	0.0	0.0	11.8
Repos	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repos maturities	8.8	15.0	19.7	0.0	1.7	45.2
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	2.5	6.1	5.9	2.5	2.5	19.4
Net liquidity injection (+)/Withdrawal (-)	11.6	2.5	-24.7	8.7	3.4	1.6
Open Market Operations Outcome						
Posted Amount	0.0	0.0	0.0	0.0	0.0	0.0
Realised Amount - Mop up	0.0	0.0	0.0	0.0	0.0	0.0
Repo (-)	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposits (-)	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Money Position						
Reserve money (actual)	413.2	420.0	395.3	400.8	404.8	

¹ Only main transactions increasing or reducing liquidity are included.

Source: Central Bank of Kenya

Chart 3: Commercial Banks Excess Reserves



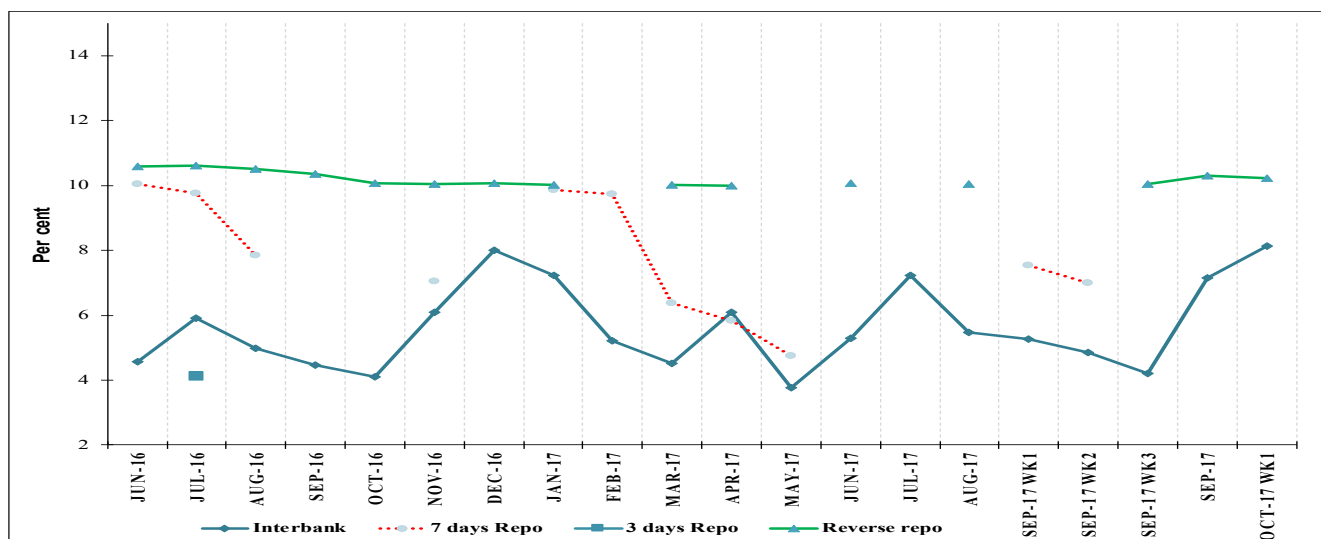
Source: Central Bank of Kenya

Table 3: Interbank Deals, Volumes & Interest Rates

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)	Reverse Repo Rate (%)
21-Sep-17	48	21,230	6.09	10.30
22-Sep-17	44	17,470	7.10	10.42
25-Sep-17	39	13,750	7.48	10.47
26-Sep-17	42	20,905	7.41	10.05
27-Sep-17	42	15,980	7.71	-
Sept 21-Sept 27, 2017	43	17,867	7.16	10.31
28-Sep-17	45	14,455	7.91	-
29-Sep-17	36	15,205	8.16	10.37
2-Oct-17	32	17,350	8.16	-
3-Oct-17	48	24,585	8.20	10.31
4-Oct-17	52	27,775	8.23	10.00
Sept 27-Oct 04, 2017	43	19,874	8.13	10.23

Source: Central Bank of Kenya

Chart 4: Interest Rates



Source: Central Bank of Kenya

Table 4: Kenya Shilling Exchange Rate

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
22-Sep-17	103.29	139.52	123.12	92.09	34.90	21.74	8.06	16.92
25-Sep-17	103.26	139.47	123.60	92.24	34.89	21.73	8.06	16.92
26-Sep-17	103.27	139.18	122.25	92.56	34.91	21.74	8.05	16.91
27-Sep-17	103.34	138.94	121.85	92.15	34.84	21.72	8.06	16.92
28-Sep-17	103.34	138.44	121.21	91.47	34.86	21.72	8.06	16.92
22-28 September 2017	103.30	139.11	122.41	92.10	34.88	21.73	8.06	16.92
29-Sep-17	103.25	138.61	121.67	91.69	34.87	21.74	8.07	16.86
2-Oct-17	103.22	138.01	121.94	91.80	34.92	21.74	8.07	16.95
3-Oct-17	103.22	137.00	121.29	91.58	34.90	21.75	8.16	16.95
4-Oct-17	103.31	136.93	121.52	91.81	34.87	21.73	8.07	16.94
5-Oct-17	103.31	137.11	121.55	91.72	34.89	21.73	8.16	16.94
29 September-5 October 2017	103.26	137.53	121.59	91.72	34.89	21.74	8.10	16.93

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

Table 5: Key Weekly Market Statistics

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 Eurobond Yield (%)	10-Year Eurobond Yield (%)
22-Sep-17	165.91	4,339.96	3,764.44	1,033.00	10.03	214.05	2,430.92	2,321.32	4.30	6.44
25-Sep-17	165.72	4,335.54	3,750.35	1,002.00	10.96	254.19	2,428.23	2,181.92	4.29	6.46
26-Sep-17	166.02	4,331.65	3,733.04	1,065.00	36.25	910.80	2,432.52	1,265.95	4.29	6.58
27-Sep-17	165.01	4,315.92	3,729.84	1,161.00	27.20	510.12	2,417.80	937.32	4.29	6.55
28-Sep-17	163.38	4,286.95	3,716.72	1,089.00	11.45	237.35	2,393.89	996.07	4.28	6.46
22-28 September 2017	163.38	4,286.95	3,716.72	5,350.00	95.89	2,126.51	2,393.89	7,702.58	4.28	6.46
29-Sep-17	162.21	4,272.27	3,751.46	1,170.00	18.09	521.50	2,376.69	3,879.59	4.28	6.36
2-Oct-17	161.17	4,257.04	3,732.16	903.00	13.66	370.64	2,361.33	1,909.08	4.20	6.34
3-Oct-17	162.09	4,258.41	3,732.19	1,008.00	19.38	496.73	2,374.87	2,600.26	4.12	6.31
4-Oct-17	161.56	4,233.89	3,691.87	967.00	8.90	268.15	2,367.04	2,773.74	4.12	6.29
5-Oct-17	160.97	4,224.03	3,702.51	908.00	9.75	254.53	2,358.44	1,589.17	4.11	6.29
29 Sept-5 Oct 2017	160.97	4,224.03	3,702.51	4,956.00	69.77	1,911.55	2,358.44	12,751.83	4.11	6.29
Weekly Change (%)	-1.48	-1.47	-0.38	-7.36	-27.24	-10.11	-1.48	65.55	*(0.17)	*(0.17)

* Percentage points

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

Table 6: Performance of Government Securities

TREASURY BILLS							
91-Day Treasury Bills							
Date of Auction	27-Jul-17	31-Aug-17	07-Sep-17	14-Sep-17	21-Sep-17	28-Sep-17	05-Oct-17
Amount offered (Ksh M)	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)	964.01	2,773.01	4,042.20	4,121.97	2,580.50	4,023.90	4,873.66
Amount Accepted (Ksh M)	857.46	1,577.59	3,996.05	3,521.74	2,580.50	4,023.90	4,336.04
Maturities (Ksh M)	11,427.00	3,167.80	14,028.70	10,251.80	3,386.80	2,296.35	4,293.85
Average interest Rate (%) - 91 Days	8.202	8.139	8.130	8.134	8.129	8.130	8.129
182-Day Treasury Bills							
Date of Auction	27-Jul-17	31-Aug-17	07-Sep-17	14-Sep-17	21-Sep-17	28-Sep-17	05-Oct-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)	4,751.78	14,540.81	22,672.85	9,548.96	3,528.61	5,262.62	2,223.64
Amount Accepted (Ksh M)	4,416.32	11,463.28	20,797.68	8,299.01	2,497.99	5,241.99	2,141.98
Maturities (Ksh M)	2,297.80	22,446.95	0.00	0.00	0.00	0.00	0.00
Average interest Rate (%) - 182 days	10.321	10.316	10.313	10.314	10.317	10.317	10.319
364-Day Treasury Bills							
Date of Auction	27-Jul-17	31-Aug-17	07-Sep-17	14-Sep-17	21-Sep-17	28-Sep-17	05-Oct-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)	9,780.73	15,343.16	10,132.67	8,351.03	3,774.10	3,448.87	8,067.79
Amount Accepted (Ksh M)	9,366.10	13,019.38	9,626.96	6,124.85	3,773.92	3,448.87	6,717.29
Maturities (Ksh M)	6,827.91	9843.8	12870.4	12676.35	8046.45	8085.2	8365.3
Average interest Rate (%) - 364 days	10.894	10.922	10.920	10.930	10.959	10.958	10.975

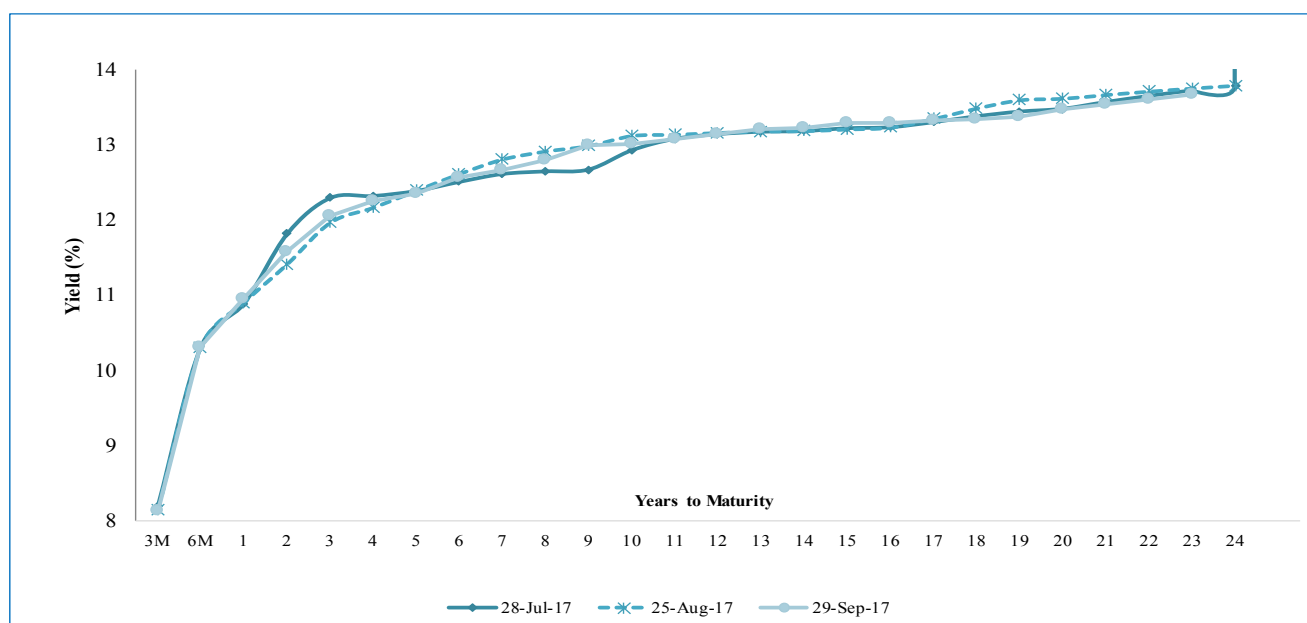
Source: Central Bank of Kenya

Table 7: Performance on Treasury Bonds

TREASURY BONDS					
Date of Auction	21-Jun-17	27-Jul-17	31-Aug-17	28-Sep-17	
Tenor	FXD2/2007/15	FXD 1/2007/10	FXD 1/2017/5	TAP SALE FXD 1/2017/2	TAP SALE FXD 1/2017/10
Amount offered (Ksh)	30,000.0	30,000.0	13,000.0	13,000.0	
Bids received (Ksh M)	39,073.2	19,043.3	17,490.0	11,137.6	635.0
Amount Accepted (Ksh)	26,409.9	5,190.8	17,530.8	11,137.6	635.0
Maturities (Ksh M)	18,746.8	0.0	0.0	0.0	0.0
Average interest Rate	12.520	12.966	12.465	11.619	13.072

Source: Central Bank of Kenya

Chart 5: Government Securities Yield



Source: Central Bank of Kenya

Table 8: Government Domestic Debt (KSh Billion)

	30-Jun-17	28-Jul-17	25-Aug-17	08-Sep-17	15-Sep-17	22-Sep-17	29-Sep-17
1. Treasury Bills (Excluding Repos)	744.15	744.46	727.40	718.22	727.88	726.97	724.80
(As % of total securities)	35.84	35.85	35.20	34.33	34.69	34.66	34.33
2. Treasury Bonds	1,331.98	1,331.98	1,339.04	1,374.13	1,370.34	1,370.34	1,386.56
(As % of total securities)	64.16	64.15	64.80	65.67	65.31	65.34	65.67
3. Total Securities (1+2)	2,076.13	2,076.43	2,066.44	2,092.34	2,098.23	2,097.31	2,111.36
4. Overdraft at Central Bank	-	-	13.39	27.27	19.80	22.08	24.72
5. Other Domestic debt*	36.15	35.56	36.71	36.71	36.47	36.47	36.47
6. Gross Domestic Debt (3+4+5)	2,112.28	2,112.00	2,116.54	2,156.32	2,154.50	2,155.86	2,172.55

* 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 (In Percent)

	30-Jun-17	28-Jul-17	25-Aug-17	08-Sep-17	15-Sep-17	22-Sep-17	29-Sep-17
Treasury bills (Excluding Repos)	35.2	35.2	34.4	33.3	33.8	33.7	33.4
Treasury bonds	63.1	63.1	63.3	63.7	63.6	63.6	63.8
CBK Overdraft to Govt	0.0	0.0	0.6	1.3	0.9	1.0	1.1
Other domestic debt	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

Source: Central Bank of Kenya

Table 10: Composition of Government Domestic Debt by Holder (In Percent)

	30-Jun-17	28-Jul-17	25-Aug-17	08-Sep-17	15-Sep-17	22-Sep-17	29-Sep-17
Banking Institutions	56.2	56.1	55.9	56.1	55.8	55.8	55.9
Insurance Companies	6.6	6.6	6.2	6.2	6.2	6.2	6.2
Parastatals	6.4	6.6	6.5	6.1	6.3	6.3	6.3
Pension funds	28.1	28.0	27.2	27.3	27.5	27.4	27.3
Other investors	2.7	2.7	4.3	4.3	4.2	4.3	4.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

TABLE 11: Official Foreign Exchange Reserves US\$ Million (Usable)

	10-Aug-17	17-Aug-17	24-Aug-17	31-Aug-17	07-Sep-17	14-Sep-17	21-Sep-17	28-Sep-17	05-Oct-17
1. CBK Usable Foreign Exchange Reserves (USD Million)*	7,446	7,420	7,464	7,487	7,482	7,545	7,511	7,482	7,412
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.94	4.93	4.96	4.97	4.97	5.01	4.98	4.97	4.92

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya