



Central Bank of Kenya

Weekly Bulletin

March 31, 2023



RECENT MONETARY AND FINANCIAL DEVELOPMENTS

Monetary Policy Committee

The Monetary Policy Committee (MPC) met on March 29, 2023 and noted the sustained inflationary pressures, the elevated global risks and their potential impact on the domestic economy. The Committee concluded that there was scope for a further tightening of the monetary policy to anchor inflation expectations. In view of these developments, the MPC decided to raise the Central Bank Rate (CBR) from 8.75 percent to 9.50 percent.

Inflation

Overall inflation remained unchanged at 9.2 percent in March 2023, mainly driven by elevated food and fuel prices. Food inflation remained elevated at 13.4 percent from 13.3 percent in February, driven by higher prices of fresh produce following the recent drier than expected weather conditions in the country. Fuel inflation declined marginally to 13.4 percent from 13.8 percent in February, while Non-Food-Non-Fuel (NFNF) inflation remained unchanged at 4.4 percent in March (**Chart 1**).

Exchange Rates

The Kenya Shilling remained stable against major international and regional currencies during the week ending March 30. It exchanged at KSh 132.13 per US dollar on March 30, compared to KSh 130.99 per US dollar on March 23 (**Table 1**).

Foreign Exchange Reserves

The usable foreign exchange reserves remained adequate at USD 6,426 million (3.59 months of import cover) as at March 30. 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 March 30, as government receipts were higher than payments. Commercial banks' excess reserves stood at KSh 8.9 billion in relation to the 4.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was 7.69 percent on March 30 compared to 7.25 percent on March 23. During the week, the average number of interbank deals decreased

to 33 from 43 in the previous week, while the average value traded decreased to KSh 20.6 billion from KSh 28.1 billion (**Table 3**).

Government Securities Market

The Treasury bills auction of March 30, received bids totaling KSh 8.3 billion against an advertised amount of KSh 24.0 billion, representing a performance of 34.4 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, NSE 25 and NSE 20 share price indices increased by 0.8 percent, 4.1 percent and 3.4 percent, respectively, during the week ending March 30. Market capitalization increased by 0.8 percent, while equity turnover and total shares traded declined by 91.4 percent and 67.1 percent, respectively (**Table 6**).

Bond Market

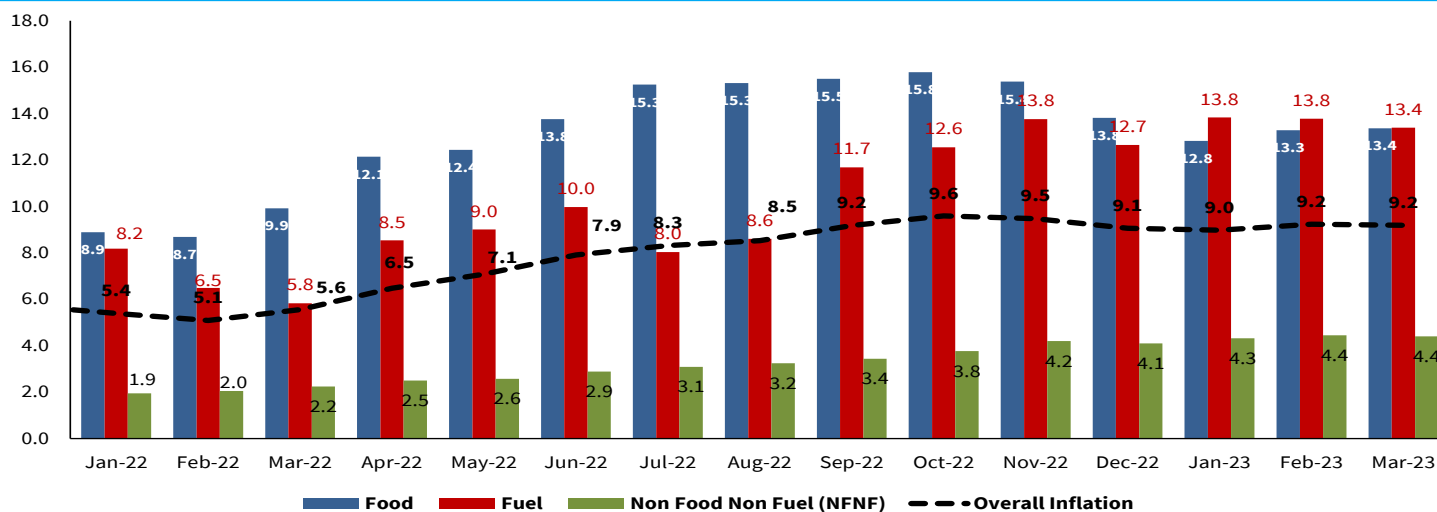
Bond turnover in the domestic secondary market increased by 18.8 percent during the week ending March 30 (Table 6). In the international market, yields on Kenya's Eurobonds declined by an average of 46.6 basis points, with 2024 maturity declining by 51.0 basis points. The yields on the 10-Year Eurobond for Ghana increased while that for Angola declined (**Chart 3**).

Global Trends

Inflation concerns in advanced economies continue to moderate with expectations of slower pace of monetary policy tightening by major central banks. Global equity markets gained during the week as concerns about risks to the banking sector continued to ease. The US dollar index weakened by 0.94 percent against a basket of major currencies during the week ending March 30.

International oil prices increased marginally during the week ending March 30, due to increased global demand and draw-down of US oil inventories. Murban oil price increased to USD 78.71 per barrel on March 30 from USD 75.87 per barrel on March 23.

Chart 1: Inflation



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

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

	USD	Sterling Pound	Euro	100 Japanese Yen	Uganda Shilling*	Tanzania Shilling*	Rwandese Franc*	Burundi Franc*
17-Mar-23	129.88	156.51	137.77	97.84	28.86	18.02	8.41	16.01
20-Mar-23	130.01	157.84	138.25	98.43	28.82	18.00	8.42	15.96
21-Mar-23	130.32	159.29	139.46	99.30	28.78	17.96	8.40	15.96
22-Mar-23	130.62	159.90	140.72	98.66	28.80	17.91	8.38	15.92
23-Mar-23	130.99	160.78	141.33	98.58	28.82	17.86	8.36	15.88
March 17- Mar 23	130.36	158.87	139.51	98.56	28.82	17.95	8.40	15.95
24-Mar-23	131.27	161.73	142.89	100.11	28.74	17.83	8.37	15.84
27-Mar-23	131.40	160.49	141.21	100.99	28.71	17.81	8.36	15.83
28-Mar-23	131.53	161.29	141.75	99.97	28.69	17.79	8.35	15.82
29-Mar-23	131.78	162.22	142.68	100.64	28.67	17.76	8.34	15.79
30-Mar-23	132.13	162.92	143.42	99.71	28.68	17.71	8.32	15.75
March 24-30	131.62	161.73	142.39	100.28	28.70	17.78	8.35	15.80

*Units of currency per Kenya Shilling

Source: Central Bank of Kenya

Table 2: Official Foreign Exchange Reserves (USD Million)

	2-Mar-23	9-Mar-23	16-Mar-23	23-Mar-23	30-Mar-23
1. CBK Usable Foreign Exchange Reserves (USD Million)	6,605	6,566	6,560	6,550	6,426
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	3.69	3.67	3.66	3.66	3.59

*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 (%)
17-Mar-23	52	29,070.00	6.97
20-Mar-23	36	26,960.00	6.99
21-Mar-23	34	29,340.00	7.04
22-Mar-23	46	27,950.00	7.16
23-Mar-23	47	27,000.00	7.25
Mar 17 - 23	43	28,064.00	7.08
24-Mar-23	33	14,350.00	7.41
27-Mar-23	35	22,470.00	7.41
28-Mar-23	29	22,620.00	7.47
29-Mar-23	34	21,920.00	7.55
30-Mar-23	35	21,430.00	7.69
Mar 24 - 30	33	20,558.00	7.51

Source: Central Bank of Kenya

Table 4: Performance of Treasury Bill Auctions

91-Day Treasury Bills						
Date of Auction	23-Feb-23	2-Mar-23	9-Mar-23	16-Mar-23	23-Mar-23	30-Mar-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)	11,362.17	22,229.15	20,041.27	7,291.16	7,177.46	2,904.04
Amount Accepted (KSh M)	10,788.16	13,314.59	16,627.93	7,095.88	7,176.90	2,765.00
Maturities (KSh M)	11,427.55	13,474.40	13,978.00	7,813.70	11,222.05	2,158.40
Average Interest Rate (%)	9.655	9.698	9.742	9.780	9.829	9.907
182-Day Treasury Bills						
Date of Auction	23-Feb-23	2-Mar-23	9-Mar-23	16-Mar-23	23-Mar-23	30-Mar-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)	4,404.63	6,016.16	7,910.92	17,466.21	3,691.85	3,547.05
Amount Accepted (KSh M)	4,402.73	6,016.07	7,882.37	17,256.71	3,406.42	3,457.80
Maturities (KSh M)	2,275.05	9,706.35	4,511.95	11,900.65	5,546.80	3,176.30
Average Interest Rate (%)	10.117	10.165	10.216	10.285	10.344	10.399
364-Day Treasury Bills						
Date of Auction	23-Feb-23	2-Mar-23	9-Mar-23	16-Mar-23	23-Mar-23	30-Mar-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)	3,668.17	4,454.53	7,681.09	4,432.78	930.04	1,810.42
Amount Accepted (KSh M)	3,656.13	4,454.44	7,679.20	4,432.11	920.89	1,810.42
Maturities (KSh M)	7,306.55	4,803.00	9,879.30	9,706.40	7,723.95	2,660.05
Average Interest Rate (%)	10.676	10.690	10.747	10.777	10.787	10.800

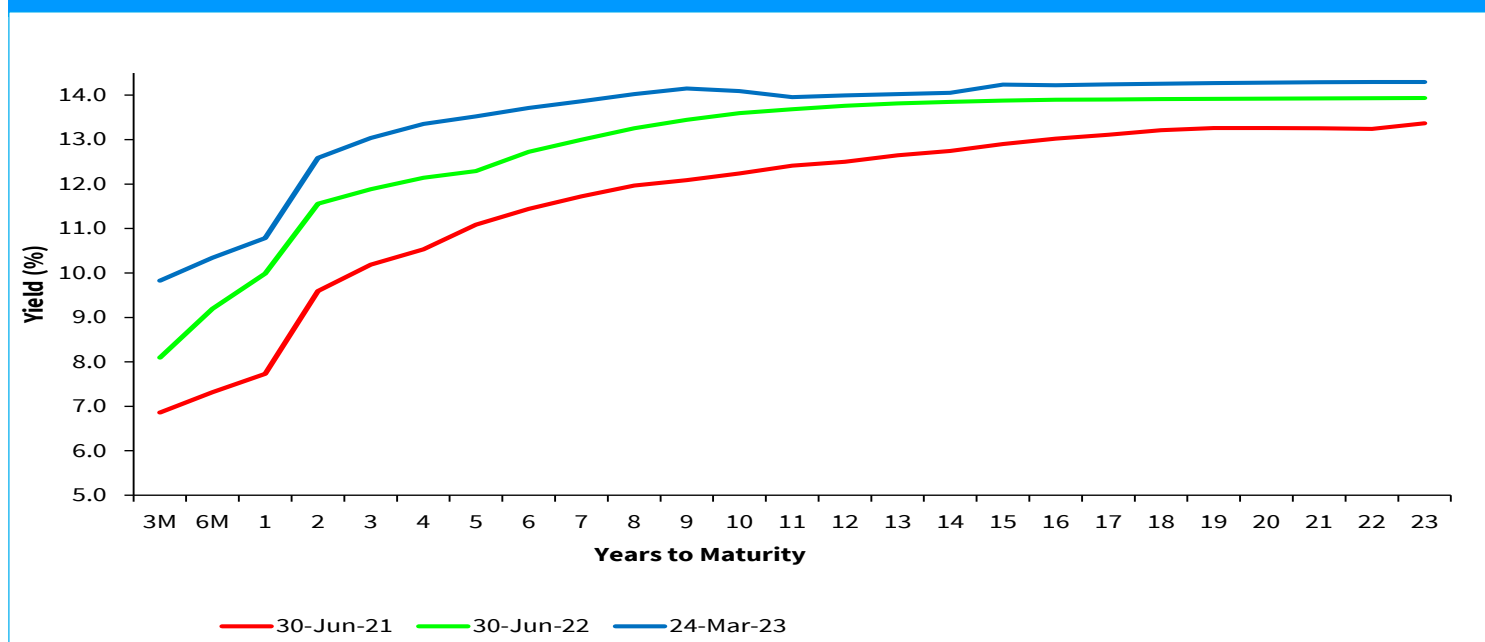
Source: Central Bank of Kenya

Table 5: Performance of Treasury Bond Auctions

Date of Auction	20-Jan-23		8-Feb-23		17-Feb-23		8-Mar-23	17-Mar-23
	TAP		RE-OPEN		TAP		IFB	TAP
Tenor	FXD1/ 2020/005	FXD1/ 2022/015	FXD1/ 2017/10	FXD1/ 2023/10	FXD1/ 2017/10	FXD1/ 2023/10	IFB1/ 2023/017	IFB1/ 2023/017
Amount offered (KSh M)	10,000.00		50,000.00		10,000.00		50,000.00	20,000.00
Bids received (KSh M)	13,902.65	4,119.30	8,030.13	11,514.95	8,855.70	3,607.55	59,772.04	12,712.30
Amount Accepted (KSh M)	13,571.35	4,056.03	7,469.52	9,279.28	8,593.57	3,607.23	50,877.20	12,711.16
Maturities (KSh M)							34,788.90	
Average interest Rate (%)	12.88	14.19	13.88	14.15	13.88	14.15	14.40	14.40

Source: Central Bank of Kenya

Chart 2: Government Securities Yield Curve



Source: Nairobi Securities Exchange (NSE)

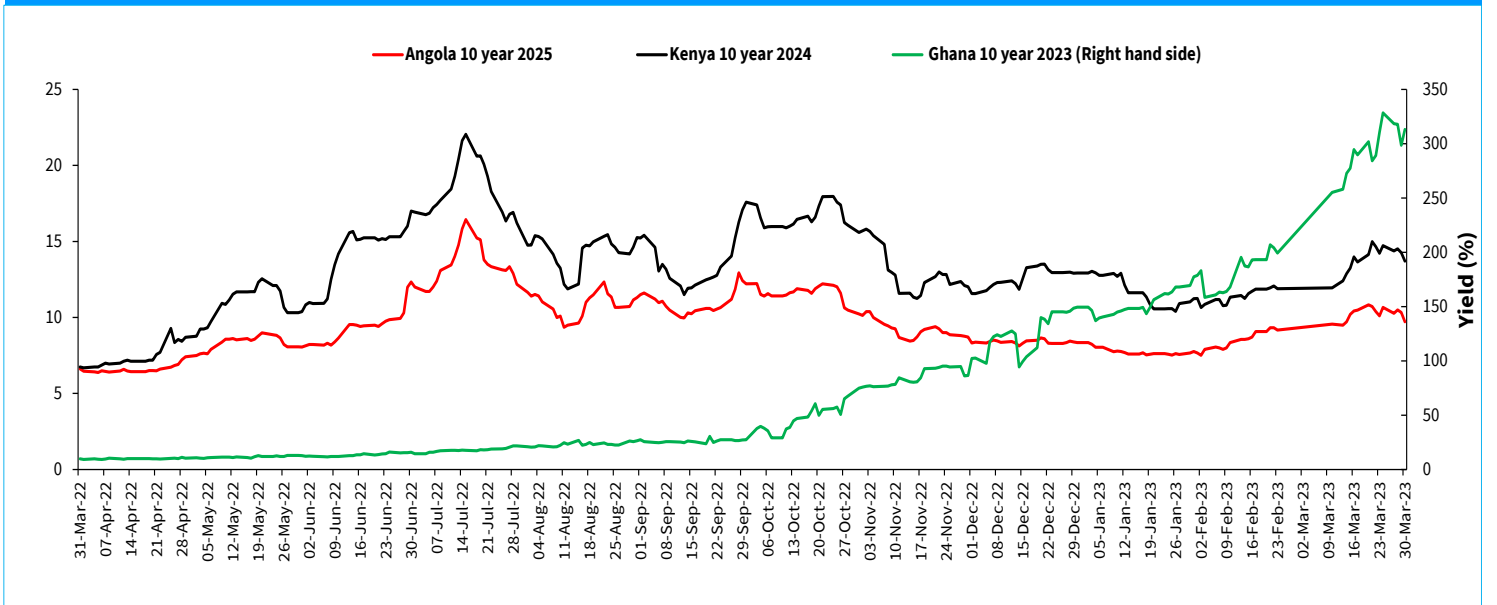
Table 6: Performance of Key Market Indicators

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 Capitalization (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
17-Mar-23	103.41	2,706.28	1,530.17	1,611	83.7	1,424	1,610	3502	13.48	13.649	12.842	12.537	11.693	12.209
20-Mar-23	107.03	2,740.56	1,522.34	1,096	22.9	500	1,667	3450	13.77	14.138	13.209	12.838	11.957	12.434
21-Mar-23	109.90	2,781.15	1,526.39	3,084	159.2	23,539	1,712	2533	13.661	14.993	12.968	12.748	11.75	12.411
22-Mar-23	110.86	2,813.28	1,541.26	1,148	19.1	563	1,727	3184	13.895	14.648	13.092	12.541	11.779	12.298
23-Mar-23	110.91	2,821.21	1,558.87	1,380	14.7	390	1,727	5249	13.740	14.217	12.817	12.338	11.672	11.991
Mar 17-23	110.91	2821.21	1558.87	8,319.00	299.73	26,415.39	1,727.29	17,917.71	13.740	14.217	12.817	12.338	11.672	11.991
24-Mar-23	110.93	2,829.05	1,564.16	1,229	31.5557	668.46	1727.69	4999.4	14.091	14.715	13.102	12.605	11.81	12.143
27-Mar-23	111.83	2,877.94	1,568.94	1,034	7.0602	121.79	1741.76	3111.4	14.039	14.37	13.064	12.576	11.728	12.121
28-Mar-23	111.56	2,892.19	1,581.11	1,271	15.2496	380.17	1737.49	2698.5	14.394	14.507	13.19	12.607	11.84	12.187
29-Mar-23	112.48	2,933.35	1,598.10	1,242	24.8618	695.33	1751.91	5150.0	14.277	14.264	12.945	12.459	11.644	12.077
30-Mar-23	111.74	2,936.72	1,611.15	1,152	19.9788	409.00	1,740.26	5322.0	13.262	13.707	12.353	11.772	11.249	11.636
Mar 24-30	111.74	2936.72	1611.15	5,928.00	98.71	2,274.74	1,740.26	21,281.21	13.262	13.707	12.353	11.772	11.249	11.636
Weekly Changes (%)	0.75	4.09	3.35	-28.74	-67.07	-91.39	0.75	18.77	-0.478*	-0.510*	-0.464*	-0.566*	-0.423*	-0.355*

* 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	28-Feb-23	17-Mar-23	24-Mar-23
1. Treasury Bills (Excluding Repos)	656.45	620.28	672.28	671.51	675.41	677.60	678.45
<i>(As % of total securities)</i>	16.02	14.88	15.61	15.32	15.18	15.17	15.29
2. Treasury Bonds	3,440.61	3,549.53	3,634.86	3,710.62	3,773.45	3,789.21	3,758.41
<i>(As % of total securities)</i>	83.98	85.12	84.39	84.68	84.82	84.83	84.71
3. Total Securities (1+2)	4,097.06	4,169.81	4,307.14	4,382.13	4,448.85	4,466.81	4,436.87
4. Overdraft at Central Bank	68.40	65.86	27.25	58.50	68.73	55.77	69.94
5. Other Domestic debt*	26.32	30.55	30.90	32.76	33.98	33.99	33.97
6. Gross Domestic Debt (3+4+5)	4,191.77	4,266.23	4,365.29	4,473.39	4,551.56	4,556.57	4,540.78

* 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	28-Feb-23	17-Mar-23	24-Mar-23
Treasury bills (Excluding Repos)	15.81	14.54	15.40	15.01	14.84	14.87	14.94
Treasury bonds	82.09	83.20	83.27	82.95	82.90	83.16	82.77
Overdraft at Central Bank	1.46	1.54	0.62	1.31	1.51	1.22	1.54
Other domestic debt	0.64	0.72	0.71	0.73	0.75	0.75	0.75
TOTAL	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)

	25-Mar-22	24-Jun-22	30-Sep-22	30-Dec-22	28-Feb-23	17-Mar-23	24-Mar-23
Banking Institutions	49.29	48.74	47.60	46.84	46.79	46.01	45.95
Insurance Companies	6.87	7.14	7.32	7.37	7.35	7.35	7.36
Parastatals	5.72	5.84	6.09	6.06	6.05	5.95	6.04
Pension Funds	31.75	32.39	32.75	33.31	33.10	33.75	33.69
Other Investors	6.37	5.89	6.24	6.43	6.70	6.94	6.96
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

Table 10: Government Debt

	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Jan-23
Domestic debt (KSh Bn)	3,937.80	4,032.37	4,191.77	4,288.33	4,366.30	4,472.84	4,501.71
Public & Publicly Guaranteed External debt (USD Bn)	36.73	36.90	36.82	36.58	36.00	37.88	37.63
Public & Publicly Guaranteed External debt (KSh Bn)	4,058.50	4,174.37	4,209.56	4,290.73	4,334.80	4,673.14	4,681.12
Public debt (KSh Bn)	7,996.30	8,206.74	8,401.33	8,579.06	8,701.10	9,145.98	9,182.83

* Provisional

Source: The National Treasury and Central Bank of Kenya