



Central Bank of Kenya

# Weekly Bulletin

December 3, 2021



## RECENT MONETARY AND FINANCIAL DEVELOPMENTS

### Monetary Policy Committee

The Monetary Policy Committee (MPC) meeting on November 29 noted the strong rebound in economic activity from the second quarter of 2021, with leading economic indicators showing continued robust performance. The MPC also observed that inflation expectations remained anchored within the target range and concluded that the current accommodative monetary policy stance remains appropriate, and therefore decided to retain the Central Bank Rate (CBR) at 7.00 percent.

### Inflation

Overall inflation declined to 5.8 percent in November from 6.5 percent in October, mainly due to easing food prices. Food inflation declined to 9.9 percent from 10.6 percent in October. Fuel inflation increased to 10.4 percent from 9.6 percent in October reflecting higher pump prices compared to the same period in 2020 (**Chart 1**).

### Exchange Rates

The Kenya Shilling remained stable against major international and regional currencies during the week ending December 2. It exchanged at KSh 112.56 per US dollar on December 2, compared to KSh 112.36 per US dollar on November 25 (**Table 1**).

### Foreign Exchange Reserves

The usable foreign exchange reserves remained adequate at USD 8,737 million (5.34 months of import cover) as at December 2. This meets the CBK's statutory requirement to endeavour 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 October 2021 compared to 4.8 percent of GDP in the 12 months to October 2020 (**Chart 2**). The wider deficit was due to a higher import bill, particularly oil and other intermediate goods imports, which more than offset increased receipts from agricultural and services exports, and remittances.

### Money Market

The money market was liquid during the week ending December 2, supported by government payments. Commercial banks' excess reserves stood at KSh 13.9 billion in relation to the 4.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was 5.23 percent on December 2 compared to 5.21 percent on November 25. During the week, the average number of interbank deals per day decreased to 23 from 30 the previous week, while the average value traded decreased to KSh 7.1 billion from KSh 10.1 billion in the previous week (**Table 3**).

### Government Securities Market

The Treasury bill auction of December 2 received bids totaling KSh 22.8 billion against an advertised amount of KSh 24.0 billion, representing a performance of 95.2 percent. Interest rates on the Treasury bills remained stable with only marginal increases (**Table 4**).

### Equity Market

At the Nairobi Securities Exchange, the NASI and market capitalization increased by 0.1 percent. The total shares traded and equity turnover also increased by 17.9 percent and 24.8 percent, respectively. However, NSE 25 and NSE 20 share price indices declined by 1.8 percent and 1.5 percent, respectively, during the week ending December 2 (**Table 6**).

### Bonds Market

Bonds turnover in the domestic secondary market declined by 9.0 percent during the week ending December 2 (**Table 6**). In the international market, yields on Kenya's Eurobonds increased by an average of 14.4 basis points. The yields on the 10-year Eurobonds for Ghana and Angola also increased (**Chart 4**).

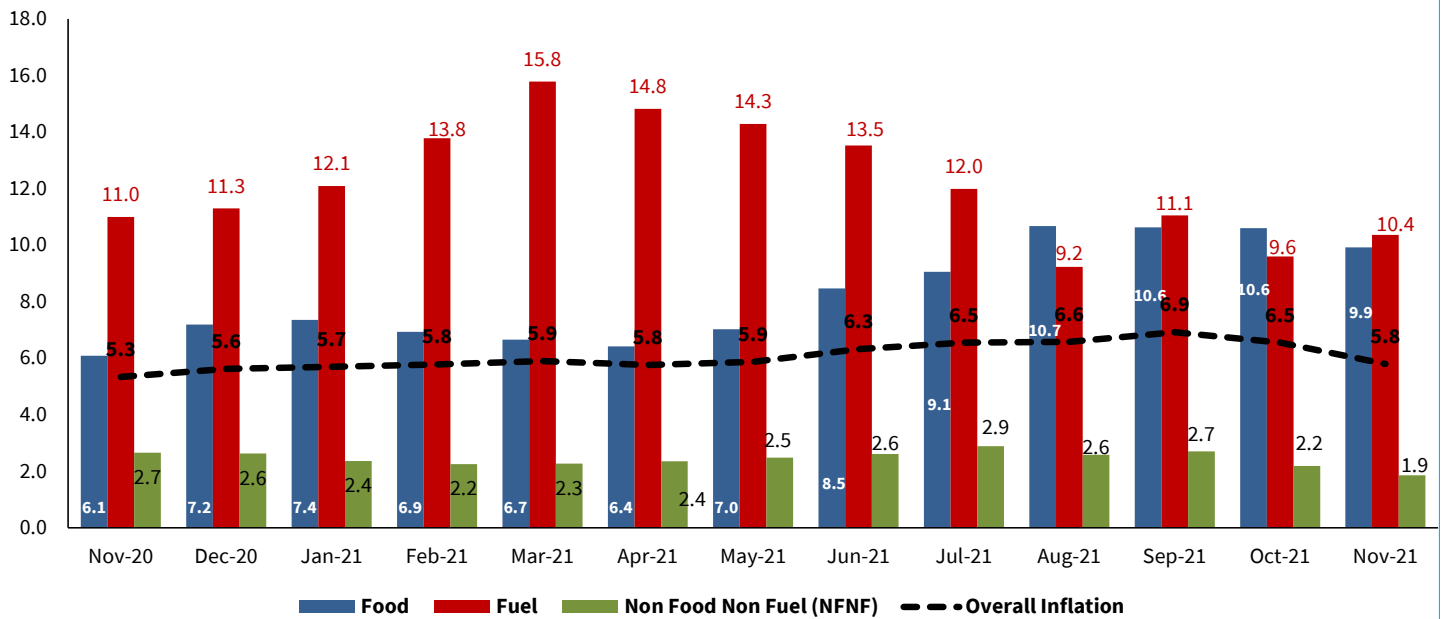
### Global Trends

Global financial markets sentiment was shaken by the news of a new COVID-19 variant (Omicron) during the week ending December 2, as investors also responded negatively to the Fed's comments on the transitory nature of the sustained inflationary pressures.

International oil prices decreased during the week ending December 2, on account of concern of worldwide spread of Omicron COVID-19 variant. Murban oil price declined

to US\$ 70.07 per barrel on December 2, compared to US\$ 83.20 per barrel on November 25.

**Chart 1: Inflation**



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*
19-Nov-21	112.18	151.29	127.15	98.28	31.85	20.52	9.09	17.75
22-Nov-21	112.25	151.00	126.84	98.62	31.85	20.51	9.22	17.74
23-Nov-21	112.29	151.00	126.79	97.57	31.81	20.48	9.22	17.73
24-Nov-21	112.35	150.42	126.48	97.72	31.78	20.47	9.21	17.73
25-Nov-21	112.36	150.42	126.30	97.70	31.78	20.50	9.21	17.72
<b>November 19-25</b>	<b>112.29</b>	<b>150.82</b>	<b>126.71</b>	<b>97.98</b>	<b>31.81</b>	<b>20.50</b>	<b>9.19</b>	<b>17.73</b>
26-Nov-21	112.39	149.97	126.15	97.43	31.66	20.49	9.21	17.72
29-Nov-21	112.44	149.90	126.66	98.73	31.70	20.47	9.21	17.71
30-Nov-21	112.49	150.11	126.96	99.13	31.69	20.46	9.21	17.71
1-Dec-21	112.52	150.05	127.49	99.54	31.68	20.47	9.20	17.70
2-Dec-21	112.56	149.99	127.45	99.30	31.67	20.45	9.20	17.70
<b>Nov 26-Dec 2</b>	<b>112.48</b>	<b>150.00</b>	<b>126.94</b>	<b>98.83</b>	<b>31.68</b>	<b>20.47</b>	<b>9.21</b>	<b>17.71</b>

\*Units of currency per Kenya Shilling

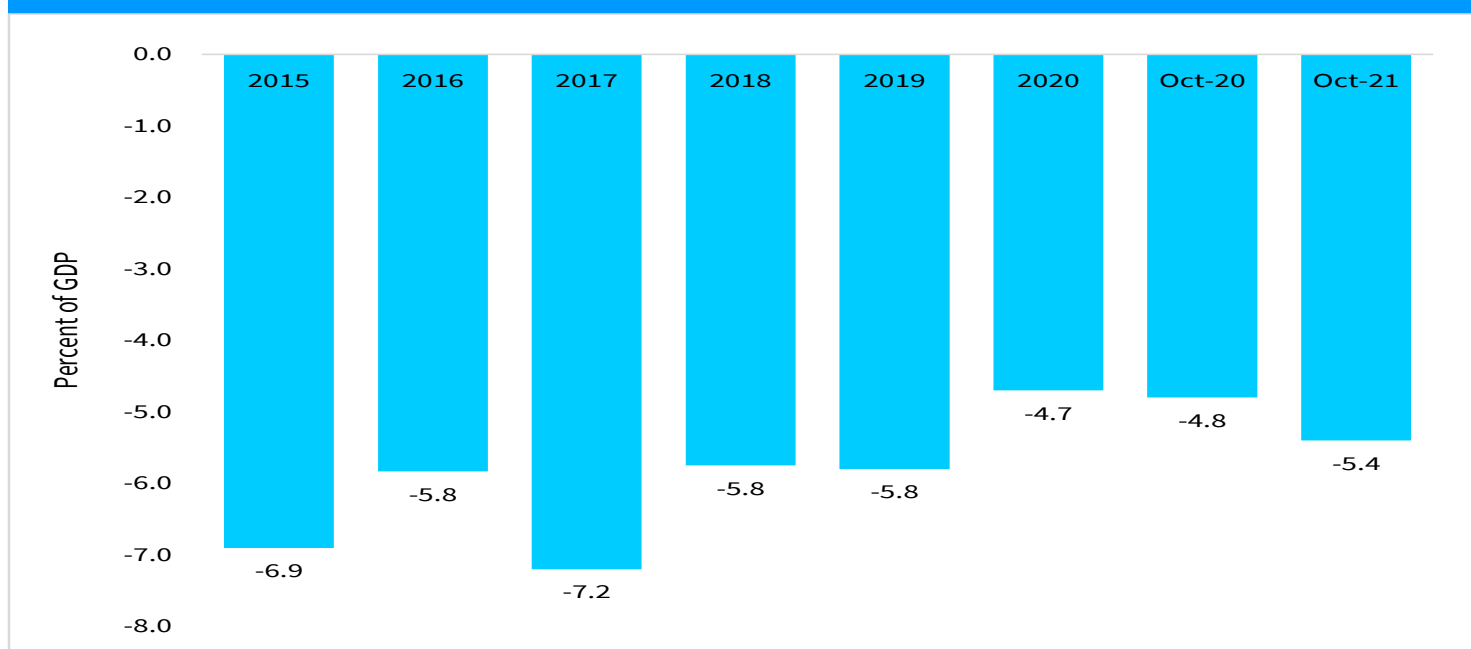
Source: Central Bank of Kenya

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

	4-Nov-21	11-Nov-21	18-Nov-21	25-Nov-21	2-Dec-21
1. CBK Usable Foreign Exchange Reserves (USD Million)*	9,068	9,094	8,873	8,773	8,737
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	5.54	5.56	5.42	5.36	5.34

\*\*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 (%)
19-Nov-21	34	9,520.00	5.07
22-Nov-21	32	11,070.00	5.24
23-Nov-21	30	11,550.00	5.19
24-Nov-21	26	8,260.00	5.25
25-Nov-21	27	9,850.00	5.21
<b>November 19-25</b>	<b>30</b>	<b>10,050.00</b>	<b>5.19</b>
26-Nov-21	31	7,830.00	5.30
29-Nov-21	17	4,330.00	5.25
30-Nov-21	14	5,350.00	4.90
1-Dec-21	20	5,100.00	5.23
2-Dec-21	32	13,050.00	5.23
<b>Nov 26-Dec 2</b>	<b>23</b>	<b>7,132.00</b>	<b>5.18</b>

Source: Central Bank of Kenya

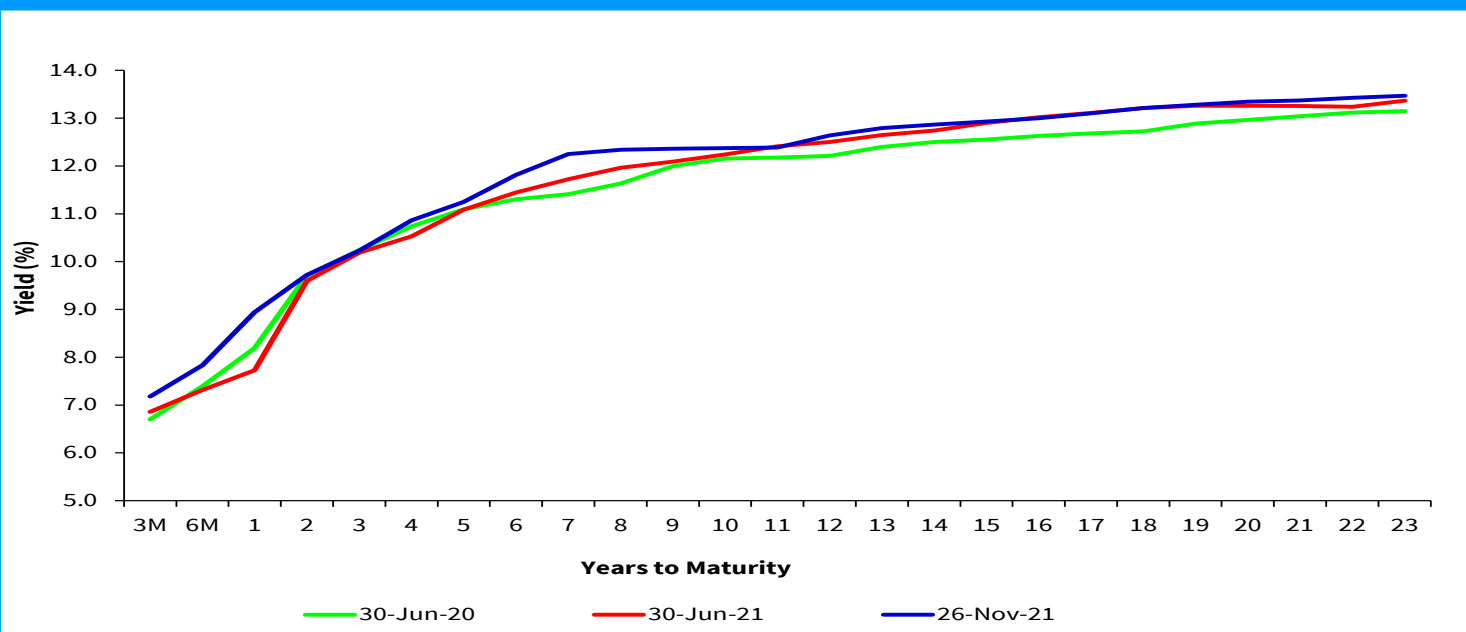
<b>Table 4: Performance of Treasury Bills Auctions</b>						
<b>91-Day Treasury Bills</b>						
<b>Date of Auction</b>	<b>21-Oct-21</b>	<b>28-Oct-21</b>	<b>11-Nov-21</b>	<b>18-Nov-21</b>	<b>25-Nov-21</b>	<b>2-Dec-21</b>
Amount Offered (KSh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids Received (KSh M)	6,520.29	2,638.83	3,990.32	8,397.66	3,936.66	8,692.10
Amount Accepted (KSh M)	6,520.29	2,117.68	3,990.32	8,395.70	3,936.28	6,708.43
Maturities (KSh M)	10,234.55	8,621.10	2,772.55	12,315.45	1,779.40	4,047.60
<b>Average Interest Rate (%)</b>	<b>7.020</b>	<b>7.040</b>	<b>7.070</b>	<b>7.114</b>	<b>7.181</b>	<b>7.232</b>
<b>182-Day Treasury Bills</b>						
<b>Date of Auction</b>	<b>21-Oct-21</b>	<b>28-Oct-21</b>	<b>11-Nov-21</b>	<b>18-Nov-21</b>	<b>25-Nov-21</b>	<b>2-Dec-21</b>
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)	6,532.62	7,416.10	5,201.79	8,475.80	2,520.43	5,252.36
Amount Accepted (KSh M)	4,609.24	5,169.24	5,201.79	6,551.96	2,520.19	5,252.36
Maturities (KSh M)	2,071.30	2,901.75	2,942.75	7,182.90	4,586.90	10,257.55
<b>Average Interest Rate (%)</b>	<b>7.417</b>	<b>7.486</b>	<b>7.683</b>	<b>7.747</b>	<b>7.835</b>	<b>7.854</b>
<b>364-Day Treasury Bills</b>						
<b>Date of Auction</b>	<b>21-Oct-21</b>	<b>28-Oct-21</b>	<b>11-Nov-21</b>	<b>18-Nov-21</b>	<b>25-Nov-21</b>	<b>2-Dec-21</b>
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)	4,762.89	5,790.32	7,433.54	9,199.67	9,034.51	8,898.88
Amount Accepted (KSh M)	4,724.45	2,628.17	7,330.05	8,306.67	6,547.11	7,587.92
Maturities (KSh M)	8,765.65	11,503.85	14,109.70	13,064.10	4,285.40	5,086.50
<b>Average Interest Rate (%)</b>	<b>8.355</b>	<b>8.489</b>	<b>8.745</b>	<b>8.840</b>	<b>8.944</b>	<b>9.016</b>

Source: Central Bank of Kenya

<b>Table 5: Performance of Treasury Bond Auctions</b>						
<b>Date of Auction</b>	<b>8-Sep-21</b>	<b>6-Oct-21</b>			<b>10-Nov-21</b>	
		<b>REOPEN</b>			<b>REOPEN</b>	
<b>Tenor</b>	<b>IFB1/ 2021/21</b>	<b>FXD1/ 2013/15</b>	<b>FXD3/ 2019/15</b>	<b>FXD1/ 2021/25</b>	<b>FXD1/ 2021/5</b>	<b>FXD1/ 2019/20</b>
Amount offered (KSh M)	75,000.00	60,000.00			50,000.00	
Bids received (KSh M)	151,256.13	23,414.98	3,390.35	28,669.87	66,603.14	17,567.66
Amount Accepted (KSh M)	106,752.53	22,876.63	3,267.29	25,904.96	53,661.88	15,845.49
Maturities (KSh M)	0.00	0.00			0.00	
Average interest Rate (%)	12.74	11.88	12.85	13.82	11.28	13.41

Source: Central Bank of Kenya

### Chart 3: Government Securities Yield Curve



Source: Nairobi Securities Exchange (NSE)

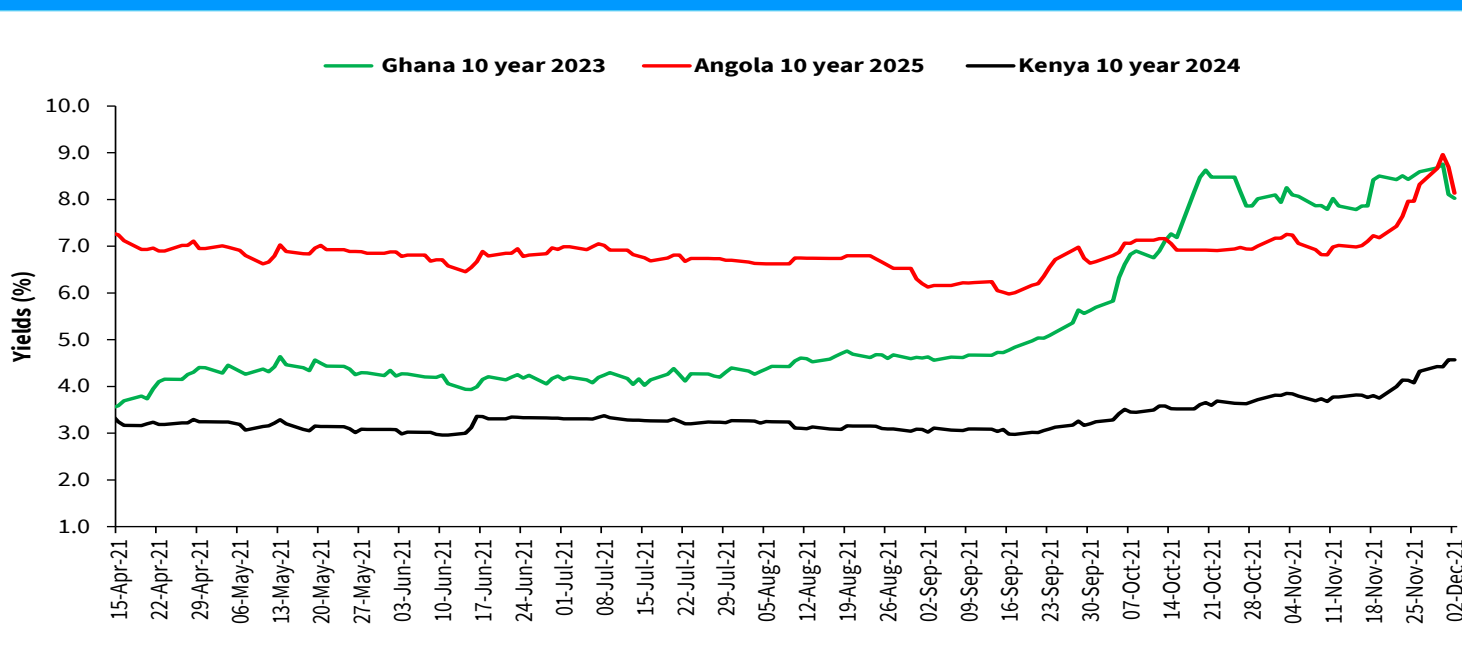
### Table 6: Key Weekly Market Indicators

INDICATOR	NASI	NSE 25 Share Index	NSE 20 Share Index	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
19-Nov-21	168.43	3742.47	1893.65	1,373	28.57	849.72	2,628.14	2,442.20	5.475	3.752	5.642	6.600	6.421	7.885
22-Nov-21	164.81	3679.83	1876.11	1127	18.61	585.90	2,571.42	3,271.43	5.568	3.994	5.710	6.701	6.499	7.918
23-Nov-21	163.78	3667.92	1878.46	999	11.92	391.62	2,555.44	2,828.15	5.744	4.137	5.893	6.803	6.656	8.064
24-Nov-21	161.85	3630.33	1866.97	1,057	31.36	960.62	2,525.10	1,852.50	5.763	4.129	5.962	6.854	6.705	8.144
25-Nov-21	162.14	3635.00	1871.93	1,373	39.49	1,522.84	2,525.39	4,883.85	5.723	4.079	5.938	6.820	6.705	8.121
<b>November 19-25</b>	<b>162.14</b>	<b>3635.00</b>	<b>1871.93</b>	<b>5,929.00</b>	<b>129.95</b>	<b>4,310.69</b>	<b>2,525.39</b>	<b>15,278.13</b>	<b>5.723</b>	<b>4.079</b>	<b>5.938</b>	<b>6.820</b>	<b>6.705</b>	<b>8.121</b>
26-Nov-21	164.77	3668.11	1888.35	1,273	68.02	2,501.34	2,566.45	5,570.95	5.827	4.326	6.031	7.011	6.935	8.190
29-Nov-21	164.77	3664.47	1888.29	1,256	23.95	645.71	2,566.45	1,822.05	5.926	4.424	6.149	7.099	6.915	8.272
30-Nov-21	163.90	3633.46	1871.31	1,412	28.28	1,128.98	2,552.93	1,858.45	6.005	4.422	6.195	7.134	6.964	8.366
1-Dec-21	163.20	3605.51	1866.08	1,164	16.05	570.29	2,542.03	2,187.55	5.878	4.571	6.148	7.081	6.899	8.354
2-Dec-21	162.24	3569.30	1844.03	1,412	16.90	532.26	2,527.03	2,469.80	5.480	4.412	6.099	7.062	6.876	8.319
<b>Nov 26-Dec 2</b>	<b>162.24</b>	<b>3569.30</b>	<b>1844.03</b>	<b>6,517.00</b>	<b>153.20</b>	<b>5,378.57</b>	<b>2,527.03</b>	<b>13,908.80</b>	<b>5.480</b>	<b>4.412</b>	<b>6.099</b>	<b>7.062</b>	<b>6.876</b>	<b>8.319</b>
<b>Weekly Changes (%)</b>	<b>0.06</b>	<b>-1.81</b>	<b>-1.49</b>	<b>9.92</b>	<b>17.89</b>	<b>24.77</b>	<b>0.06</b>	<b>-8.96</b>	<b>0.243*</b>	<b>0.333*</b>	<b>0.161*</b>	<b>0.242*</b>	<b>0.171*</b>	<b>0.198*</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	24-Sep-21	19-Nov-21	26-Nov-21
1. Treasury Bills (Excluding Repos)	894.73	855.71	761.90	765.37	763.00	724.91	716.69
<i>(As % of total securities)</i>	<b>26.50</b>	<b>25.04</b>	<b>21.79</b>	<b>21.17</b>	<b>19.77</b>	<b>18.43</b>	<b>18.28</b>
2. Treasury Bonds	2,482.24	2,561.33	2,734.47	2,849.94	3,096.84	3,209.29	3,203.90
<i>(As % of total securities)</i>	<b>73.50</b>	<b>74.96</b>	<b>78.21</b>	<b>78.83</b>	<b>80.23</b>	<b>81.57</b>	<b>81.72</b>
3. Total Securities (1+2)	3,376.98	3,417.05	3,496.37	3,615.31	3,859.84	3,934.20	3,920.59
4. Overdraft at Central Bank	56.21	47.60	49.28	59.28	55.26	53.47	62.82
5. Other Domestic debt*	23.92	23.90	24.19	22.50	23.91	23.08	23.09
<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>3,939.01</b>	<b>4,010.76</b>	<b>4,006.50</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	24-Sep-21	19-Nov-21	26-Nov-21
Treasury bills (Excluding Repos)	25.88	24.53	21.34	20.70	19.37	18.07	17.89
Treasury bonds	71.80	73.42	76.60	77.09	78.62	80.02	79.97
Overdraft at Central Bank	1.63	1.36	1.38	1.60	1.40	1.33	1.57
Other domestic debt	0.69	0.69	0.68	0.61	0.61	0.58	0.58
<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

<b>Table 9: Composition of Government Domestic Debt by Holder (Percent)</b>							
	<b>30-Sep-20</b>	<b>31-Dec-20</b>	<b>31-Mar-21</b>	<b>30-Jun-21</b>	<b>24-Sep-21</b>	<b>19-Nov-21</b>	<b>26-Nov-21</b>
Banking Institutions	54.55	52.83	51.75	51.24	50.83	50.14	50.25
Insurance Companies	6.16	6.44	6.57	6.66	6.60	6.72	6.70
Parastatals	5.47	5.69	5.62	5.54	5.38	5.54	5.56
Pension Funds	28.53	30.32	30.46	30.60	31.24	31.48	31.40
Other Investors	5.30	4.73	5.59	5.96	5.95	6.12	6.09
<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

<b>Table 10: Indicators of Government Debt</b>							
	<b>Jun-20</b>	<b>Sep-20</b>	<b>Dec-20</b>	<b>Mar-21</b>	<b>Apr-21</b>	<b>May-21</b>	<b>Jun-21</b>
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	3,778.13	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>7,411.05</b>	<b>7,485.91</b>	<b>7,712.39</b>

Source: National Treasury and Central Bank of Kenya