



Central Bank of Kenya

# Weekly Bulletin

February 3, 2023



## RECENT MONETARY AND FINANCIAL DEVELOPMENTS

### Monetary Policy Committee

The Monetary Policy Committee met on January 30, 2023, and noted that the impact of the further tightening of monetary policy in November 2022 to anchor inflationary pressures was still transmitting in the economy. Additionally, the MPC noted that this action will be complemented by the recently announced Government measures to allow limited duty-free imports on specific food items, which are expected to moderate prices and further ease domestic inflationary pressures. The MPC concluded that the current monetary policy stance remains appropriate, and therefore decided to retain the Central Bank Rate (CBR) at 8.75 percent.

### Inflation

Overall inflation declined further to 9.0 percent in January 2023 from 9.1 percent in December 2022, supported by easing food prices. Food inflation declined to 12.8 percent from 13.8 percent in December. However, Fuel inflation increased to 13.8 percent from 12.7 percent in December while Non-Food-Non-Fuel (NFNF) inflation increased marginally to 4.3 percent from 4.1 percent in December (**Chart 1**).

### Current Account

Provisional data on balance of payments shows that the current account deficit was estimated at 4.9 percent of GDP in 2022, from 5.2 percent in 2021 (**Chart 2**). The narrower deficit reflects strong performance of export of goods and services as well as significant increases of remittances inflows.

### Exchange Rates

The Kenya Shilling remained stable against major international and regional currencies during the week ending February 2. It exchanged at KSh 124.52 per US dollar on February 2, compared to KSh 124.30 per US dollar on January 26 (**Table 1**).

### Foreign Exchange Reserves

The usable foreign exchange reserves remained adequate at USD 6,967 million (3.90 months of import cover) as at February 2. 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 increased during the week ending February 2, as government payments were more than tax remittances. Commercial banks' excess reserves stood at KSh 11.8 billion in relation to the 4.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was 6.47 percent on February 2 compared to 6.36 percent on January 26. During the week, the average number of interbank deals increased to 31 from 29 in the previous week, while the average value traded increased to KSh 24.1 billion from KSh 15.5 billion (**Table 3**).

### Government Securities Market

The Treasury bill auction of February 2 received, bids totaling KSh 50.1 billion against an advertised amount of KSh 24.0 billion, representing a performance of 208.9 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 and NSE 25 share price indices increased by 1.5 percent and 0.6 percent, respectively, while NSE 20 share price index declined by 0.5 percent during the week ending February 2. Market capitalization increased by 1.5 percent, while equity turnover and total shares traded declined by 33.5 percent and 45.4 percent, respectively (**Table 6**).

### Bonds Market

Bond turnover in the domestic secondary market declined by 14.6 percent during the week ending February 2 (**Table 6**). In the international market, yields on Kenya's Eurobonds increased by an average of 16.8 basis points, with 2024 maturity increasing by 24.4 basis points. The yield on the 10-Year Eurobonds for Ghana increased, while that for Angola declined (**Chart 4**).

### Global Trends

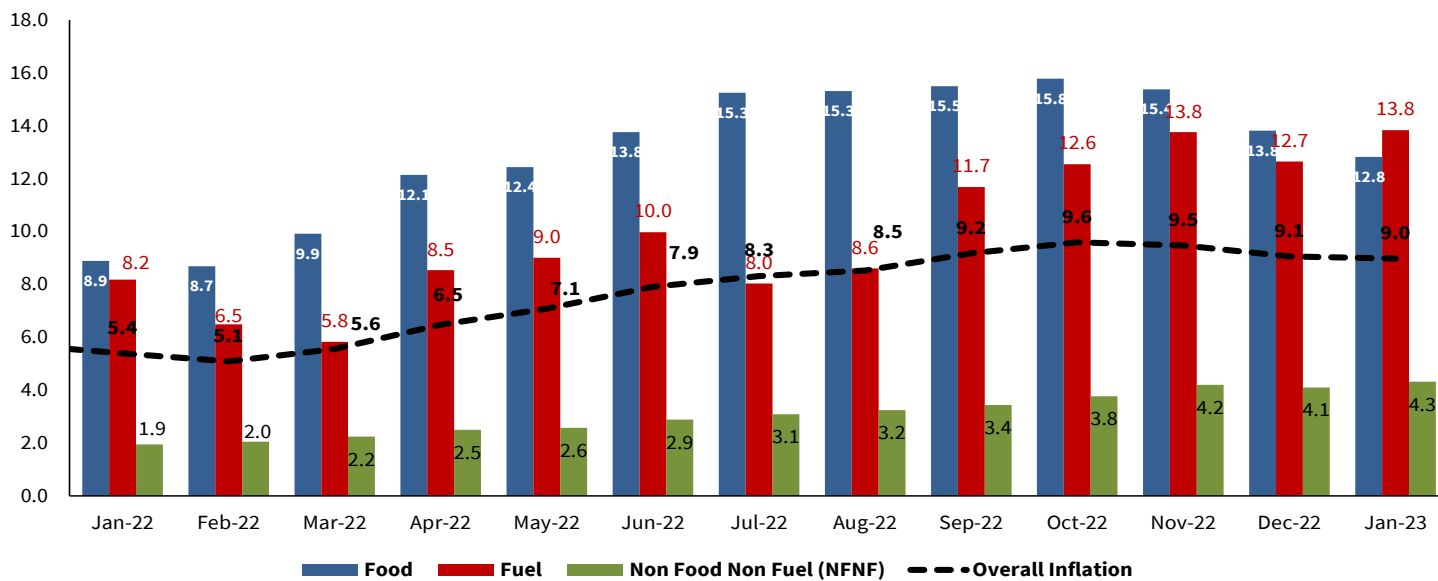
Concerns about inflation in major economies continue to ease as major central banks reduced the pace of policy rate hikes. The Fed increased policy rate by 25 basis points while the European Central Bank and the Bank of England increased their rates by 50 basis points. The IMF's World Economic Outlook (WEO) update for January 2023, projects

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the global output to slow down from an estimate of 3.4 percent in 2022 to 2.9 percent in 2023, reflecting reduced economic activities in the advanced economies. The US dollar index weakened by 0.09 percent against a basket of major currencies during the week ending February 2.

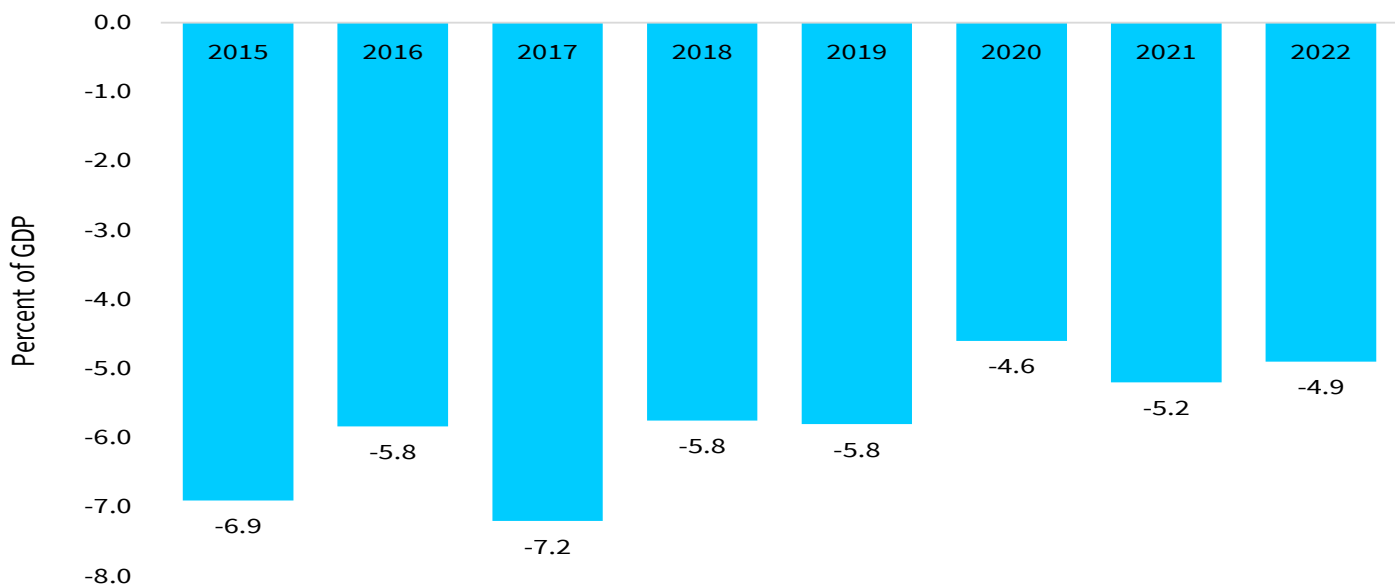
International oil prices decreased during the week ending February 2, on account of US oil inventory. Murban oil price decreased to USD 82.26 per barrel on February 2 from USD 84.99 per barrel on January 26.

### Chart 1: Inflation



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

### Chart 2: Current Account



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*
20-Jan-23	124.09	153.21	134.21	96.51	29.66	18.83	8.68	16.71
23-Jan-23	124.13	153.36	134.34	95.40	29.61	18.84	8.66	16.71
24-Jan-23	124.17	153.64	135.01	95.14	29.61	18.82	8.68	16.70
25-Jan-23	124.25	152.99	135.20	95.18	29.58	18.81	8.68	16.70
26-Jan-23	124.30	153.13	135.22	95.73	29.63	18.80	8.68	16.69
<b>Jan 20- Jan 26</b>	<b>124.19</b>	<b>153.26</b>	<b>134.79</b>	<b>95.59</b>	<b>29.62</b>	<b>18.82</b>	<b>8.68</b>	<b>16.70</b>
27-Jan-23	124.35	154.21	135.60	95.81	29.59	18.77	8.68	16.68
30-Jan-23	124.39	154.00	135.33	95.92	29.62	18.80	8.70	16.68
31-Jan-23	124.40	154.00	135.33	95.44	29.65	18.79	8.69	16.68
1-Feb-23	124.48	153.52	134.92	95.43	29.63	18.78	8.68	16.67
2-Feb-23	124.52	153.57	135.56	96.86	29.59	18.77	8.69	16.66
<b>Jan 27- Feb 02</b>	<b>124.43</b>	<b>153.86</b>	<b>135.35</b>	<b>95.89</b>	<b>29.62</b>	<b>18.78</b>	<b>8.69</b>	<b>16.67</b>

\*Units of currency per Kenya Shilling

Source: Central Bank of Kenya

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

	5-Jan-23	12-Jan-23	19-Jan-23	26-Jan-23	2-Feb-23
1. CBK Usable Foreign Exchange Reserves (USD Million)	7,381	7,415	7,382	7,005	6,967
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	4.13	4.15	4.13	3.92	3.90

\*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 (%)
20-Jan-23	28	12,400.00	6.12
23-Jan-23	26	19,470.00	6.08
24-Jan-23	32	15,920.00	6.18
25-Jan-23	31	17,970.00	6.20
26-Jan-23	30	11,620.00	6.36
<b>Jan 20-26</b>	<b>29</b>	<b>15,476.00</b>	<b>6.19</b>
27-Jan-23	27	14,520.00	6.39
30-Jan-23	31	27,100.00	6.39
31-Jan-23	33	23,781.00	6.44
1-Feb-23	36	27,750.00	6.48
2-Feb-23	30	27,390.00	6.47
<b>Jan 27-Feb 2</b>	<b>31</b>	<b>24,108.20</b>	<b>6.43</b>

Source: Central Bank of Kenya

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

91-Day Treasury Bills						
Date of Auction	24-Nov-22	29-Dec-22	12-Jan-23	19-Jan-23	26-Jan-23	2-Feb-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)	12,673.21	2,180.21	15,693.69	14,171.56	18,357.67	28,742.76
Amount Accepted (KSh M)	11,186.00	2,120.42	15,690.56	14,167.27	16,154.81	15,332.70
Maturities (KSh M)	8,539.25	2,539.95	10,084.25	14,135.90	12,234.40	16,906.65
<b>Average Interest Rate (%)</b>	<b>9.237</b>	<b>9.369</b>	<b>9.425</b>	<b>9.474</b>	<b>9.538</b>	<b>9.581</b>
182-Day Treasury Bills						
Date of Auction	24-Nov-22	29-Dec-22	12-Jan-23	19-Jan-23	26-Jan-23	2-Feb-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)	6,846.75	434.69	5,770.27	13,096.49	10,264.50	10,848.82
Amount Accepted (KSh M)	4,463.71	434.69	5,765.51	13,095.40	10,263.50	6,561.39
Maturities (KSh M)	2,942.70	1,660.95	5,297.85	15,118.95	1,934.70	2,109.15
<b>Average Interest Rate (%)</b>	<b>9.733</b>	<b>9.834</b>	<b>9.859</b>	<b>9.891</b>	<b>9.954</b>	<b>9.997</b>
364-Day Treasury Bills						
Date of Auction	24-Nov-22	29-Dec-22	12-Jan-23	19-Jan-23	26-Jan-23	2-Feb-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)	7,688.32	1,691.33	4,667.69	2,189.28	5,676.29	10,533.03
Amount Accepted (KSh M)	5,747.65	1,691.33	4,658.67	2,126.55	5,676.29	10,533.03
Maturities (KSh M)	7,129.50	5,396.40	14,237.95	15,178.95	19,296.80	15,642.95
<b>Average Interest Rate (%)</b>	<b>10.219</b>	<b>10.308</b>	<b>10.434</b>	<b>10.470</b>	<b>10.504</b>	<b>10.550</b>

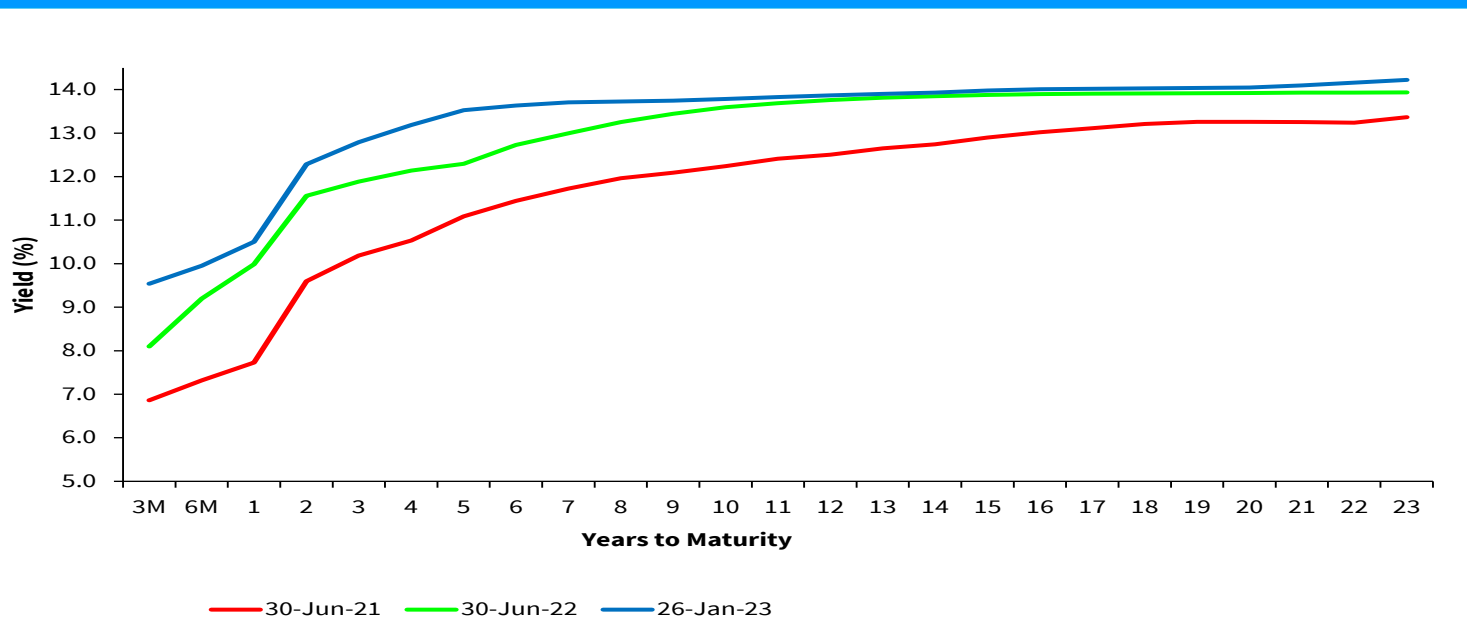
Source: Central Bank of Kenya

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

Date of Auction	23-Nov-22	1-Dec-22	7-Dec-22		22-Dec-22	11-Jan-23		20-Jan-23	
		TAP	RE-OPEN		TAP	RE-OPEN		TAP	
Tenor	IFB1/ 2022/14	IFB1/ 2022/6	IFB1/ 2008/20	FXD1/ 2022/25	IFB1/ 2022/06	FXD1/ 2020/005	FXD1/ 2022/015	FXD1/ 2020/005	FXD1/ 2022/015
Amount offered (KSh M)	5,000.00	87,800.00	40,000.00		20,000.00	50,000.00		10,000.00	
Bids received (KSh M)	19,136.05	52,903.55	17,322.80	13,239.43	10,814.55	27,620.35	14,011.92	13,902.65	4,119.30
Amount Accepted (KSh M)	19,132.80	49,110.22	17,265.60	7,068.38	10,812.28	24,352.62	7,160.39	13,571.35	4,056.03
Maturities (KSh M)			0.00						
Average interest Rate (%)	13.94	13.22	13.83	14.44	13.22	12.88	14.19	12.88	14.19

Source: Central Bank of Kenya

**Chart 3: Government Securities Yield Curve**



Source: Nairobi Securities Exchange (NSE)

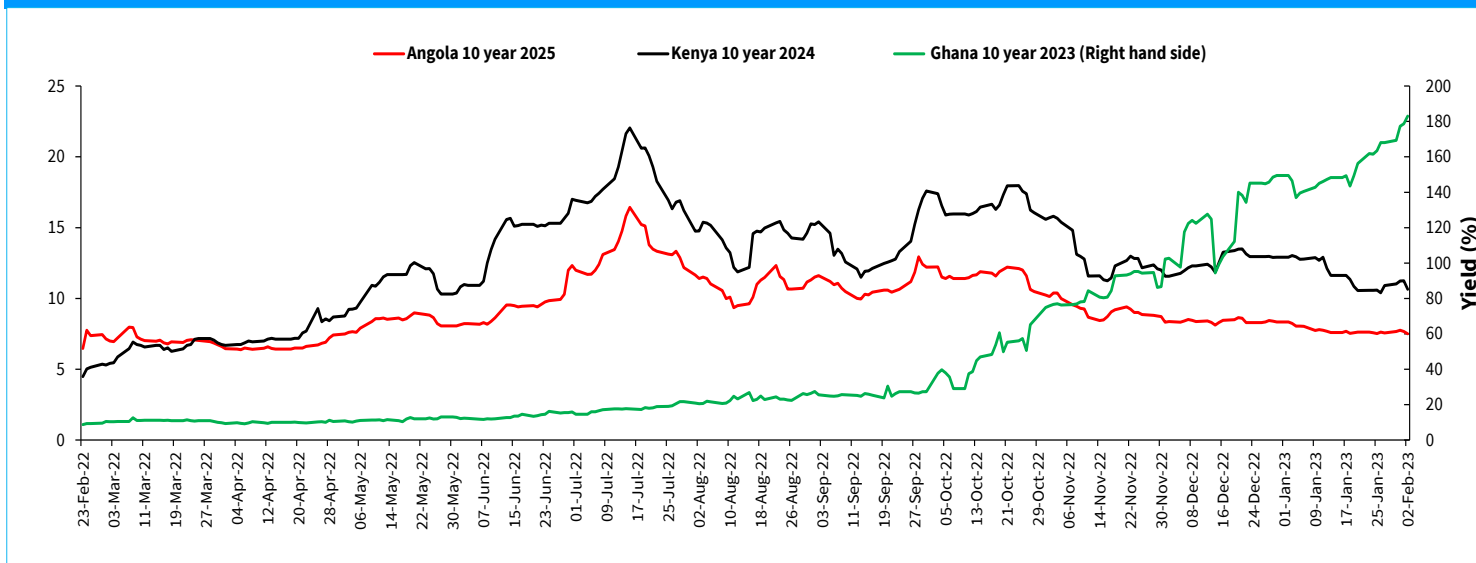
**Table 6: Key Market Indicators**

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 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-Jan-23	124.27	3115.35	1683.55	940.00	8.99	191.25	1,936.13	1,680.00	9.706	10.563	9.617	9.977	9.309	10.225
23-Jan-23	125.67	3142.22	1692.91	868.00	3.89	85.14	1,957.98	1,556.30	9.661	10.571	9.652	9.929	9.375	10.242
24-Jan-23	125.31	3121.64	1675.49	1,685.00	13.20	325.18	1,952.30	3,177.72	9.71	10.577	9.687	9.919	9.376	10.225
25-Jan-23	126.63	3139.06	1675.07	1,161.00	18.91	471.95	1,972.95	4,159.65	9.712	10.583	9.655	9.93	9.333	10.258
26-Jan-23	125.81	3128.78	1665.87	1,079.00	7.25	93.38	1,960.18	2,977.79	9.766	10.402	9.726	10.028	9.356	10.325
<b>Jan 20-26</b>	<b>125.81</b>	<b>3128.78</b>	<b>1665.87</b>	<b>5,733.00</b>	<b>52.25</b>	<b>1,166.90</b>	<b>1,960.18</b>	<b>13,551.47</b>	<b>9.766</b>	<b>10.402</b>	<b>9.726</b>	<b>10.028</b>	<b>9.356</b>	<b>10.325</b>
27-Jan-23	126.07	3137.01	1674.24	897.00	2.46	71.90	1,964.28	2,232.00	9.814	10.91	9.76	10.028	9.444	10.392
30-Jan-23	125.54	3127.13	1666.03	1,099.00	5.95	86.04	1,955.99	1,889.30	10.008	11.021	9.931	10.102	9.511	10.409
31-Jan-23	125.91	3115.29	1657.32	1,219.00	5.85	152.28	1,961.63	2,641.90	10.351	11.233	10.104	10.35	9.806	10.702
1-Feb-23	127.64	3145.05	1656.2	961.00	8.97	219.74	1,988.69	2,591.85	10.451	11.241	10.175	10.301	9.784	10.597
2-Feb-23	127.66	3146.97	1658.33	848.00	5.30	245.94	1,989.02	2,219.70	10.117	10.646	9.903	10.031	9.536	10.376
<b>Jan 27-Feb 2</b>	<b>127.66</b>	<b>3146.97</b>	<b>1658.33</b>	<b>5,024.00</b>	<b>28.54</b>	<b>775.89</b>	<b>1,989.02</b>	<b>11,574.75</b>	<b>10.117</b>	<b>10.646</b>	<b>9.903</b>	<b>10.031</b>	<b>9.536</b>	<b>10.376</b>
<b>Weekly Changes (%)</b>	<b>1.47</b>	<b>0.58</b>	<b>-0.45</b>	<b>-12.37</b>	<b>-45.38</b>	<b>-33.51</b>	<b>1.47</b>	<b>-14.59</b>	<b>0.351*</b>	<b>0.244*</b>	<b>0.177*</b>	<b>0.003*</b>	<b>0.180*</b>	<b>0.051*</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)**

	31-Dec-21	30-Sep-22	25-Nov-22	30-Dec-22	13-Jan-23	20-Jan-23	27-Jan-23
1. Treasury Bills (Excluding Repos)	709.15	672.28	683.90	671.51	675.31	672.89	658.93
<i>(As % of total securities)</i>	<b>17.95</b>	<b>15.61</b>	<b>15.76</b>	<b>15.32</b>	<b>15.46</b>	<b>15.30</b>	<b>14.97</b>
2. Treasury Bonds	3,242.24	3,634.86	3,654.77	3,710.62	3,693.83	3,726.04	3,744.05
<i>(As % of total securities)</i>	<b>82.05</b>	<b>84.39</b>	<b>84.24</b>	<b>84.68</b>	<b>84.54</b>	<b>84.70</b>	<b>85.03</b>
3. Total Securities (1+2)	3,951.39	4,307.14	4,338.67	4,382.13	4,369.14	4,398.93	4,402.98
4. Overdraft at Central Bank	59.31	27.25	57.37	58.50	55.57	34.32	64.51
5. Other Domestic debt*	21.66	30.90	32.39	32.76	32.21	32.22	32.21
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>4,032.37</b>	<b>4,365.29</b>	<b>4,428.44</b>	<b>4,473.39</b>	<b>4,456.92</b>	<b>4,465.47</b>	<b>4,499.70</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)**

	31-Dec-21	30-Sep-22	30-Dec-22	6-Jan-23	13-Jan-23	20-Jan-23	27-Jan-23
Treasury bills (Excluding Repos)	17.59	15.40	15.01	14.93	15.15	15.07	14.64
Treasury bonds	80.41	83.27	82.95	83.14	82.88	83.44	83.21
Overdraft at Central Bank	1.47	0.62	1.31	1.21	1.25	0.77	1.43
Other domestic debt	0.54	0.71	0.73	0.72	0.72	0.72	0.72
<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-Jun-21	31-Dec-21	30-Dec-22	6-Jan-23	13-Jan-23	20-Jan-23	27-Jan-23
Banking Institutions	51.24	50.20	46.84	46.80	46.61	46.62	46.83
Insurance Companies	6.66	6.79	7.37	7.39	7.40	7.40	7.38
Parastatals	5.54	5.57	6.06	6.07	5.97	6.05	6.01
Pension Funds	30.60	31.34	33.31	33.33	33.37	33.46	33.27
Other Investors	5.96	6.10	6.43	6.42	6.65	6.48	6.50
<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: Government Debt**

	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Oct-22	Nov-22	Dec-22
Domestic debt (KSh Bn)	3,937.80	4,032.37	4,191.77	4,288.33	4,366.30	4,386.09	4,435.57	4,472.84
Public & Publicly Guaranteed External debt (USD Bn)	36.73	36.90	36.82	36.58	36.00	35.93	36.45	37.88
Public & Publicly Guaranteed External debt (KSh Bn)	4,058.50	4,174.37	4,209.56	4,290.73	4,334.80	4,359.57	4,462.89	4,673.14
Public debt (KSh Bn)	<b>7,996.30</b>	<b>8,206.74</b>	<b>8,401.33</b>	<b>8,579.06</b>	<b>8,701.10</b>	<b>8,745.66</b>	<b>8,898.46</b>	<b>9,145.98</b>

\* Provisional

Source: The National Treasury and Central Bank of Kenya