



Central Bank of Kenya

Weekly Statistical Bulletin

Key Monetary and Financial Indicators

November 2, 2018

Inflation

Overall inflation declined to 5.5 percent in October 2018, from 5.7 percent in September 2018, largely on account of low food prices and a decline in fuel prices following the revision of Value Added Tax (VAT) on petroleum products from 16 percent to 8 percent.

Although fuel inflation remains elevated on account of high energy prices, it declined for the first time since July 2017 to 16.5 percent in October from 17.4 percent in September 2018. Food inflation remained low and stable at 0.9 percent supported by low food prices following good weather conditions experienced across the country. Despite the rising energy prices and tax revisions on key commodities, Non Food Non Fuel (NFFNF) inflation remained stable in October 2018, reflecting muted demand pressures supported by appropriate monetary policy stance. It stabilized at 4.7 percent in September and October 2018 (**Chart 1**).

Interbank Market

The interbank market remained liquid during the week ending October 31, 2018, largely due to increased government payments. As a result, the average interbank rate declined to 2.86 percent compared with 3.83 percent in the week ending October 24, 2018. The average number of interbank deals increased to 28 in the week ending October 31, 2018 from 25 in the previous week, while the average interbank volumes traded increased to KSh 22.5 billion from KSh 20.52 billion (**Table 1**).

Exchange Rate

The Kenya Shilling depicted mixed performance against major international and regional currencies in the week ending November 1, 2018. The Shilling

strengthened against the Sterling Pound and the Euro but weakened against the US Dollar and Japanese Yen. The weakening of the Shilling against the US Dollar was mainly on account of increased demand in the forex market and the appreciation of the US dollar in the global market following positive consumer confidence. In the EAC region, the Kenya Shilling remained stable against the Rwanda Franc and Tanzania Shilling but weakened against the Uganda Shilling, and the Burundi Franc (**Table 2**).

Government Securities Market

The performance of the Government securities market improved during the week ending November 1, 2018 with the Treasury bills auction for the week achieving a subscription rate of 106.4 percent rate compared to 66.8 percent in the previous week. The improvement in performance was due to improved liquidity conditions in the market. The auction received bids totaling KSh 25.5 billion against an advertised amount of KSh 24.0 billion. The 91-day and 364-day tenures were oversubscribed at 128.4 percent and 144.3 percent, respectively. The 182-day tenure was under-subscribed at 59.7 percent. Interest rates on all Treasury bill tenors declined (**Table 5**).

The Treasury bond auction on October 31, 2018 attained a subscription rate of 79.3 percent having received bids worth KSh 25.4 billion out of the KSh 32.0 billion offered (**Table 4**).

Equity Market

Performance of the local equity market remains subdued reflecting the general trends in emerging markets and developing economies. Trading activity at the equity market reduced over the week ending November 1, 2018. The NASI and NSE

25 share price index reduced by 0.46 percent and 24.20 percent respectively. The decline in share prices reduced shareholders wealth as measured by market capitalisation from KSh 2,154 billion to KSh 2,143.69 billion (**Table 3**).

Bond Market

The bond market segment recorded a 2.71 percent increase in bond turnover during the week ending November 1, 2018, as a result of investors preferring fixed income investment compared to variable income investments. In the international capital markets, yields on all of Kenya's Eurobonds increased in the week ending November 1, 2018 (**Table 3**). Similarly, yields on 10-year Eurobonds of selected African countries, like Ghana, Angola and Zambia, increased during the week. The increased in yields may be partly attributed to favourable returns on investment in developed countries relative to emerging and developing markets (**Chart 2**).

Global Financial Markets

The three major U.S. stock indices closed the week ending November 1, 2018 on a positive note, buoyed by strong third quarter earning results from major companies. The Dow Jones Industrial Average closed at 25,380.74, rising 1.6 percent or 396.2 points, the S&P 500 Index gained 1.3 percent to close at 2740.37, while the Nasdaq Composite Index closed at 7,069.17, rising by 0.8 percent or 52.78 points compared to the losses in the week ending October 25, 2018. In the European market, the major stock Indices also recorded gains during the week ending November 1, 2018, following positive company performance in mainly technology, basic resources and automobile sectors. The FTSE 100 was higher by 1.6 percent (110.6 points), while the DAX index was 1.4 percent (161.4 points) higher compared to the previous week.

Table 1: Interbank Deals, Volumes and Interest Rates

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
18-Oct-18	22	15,410	3.82
19-Oct-18	26	20,920	3.84
22-Oct-18	25	20,400	4.09
23-Oct-18	23	18,000	3.82
24-Oct-18	28	27,850	3.57
October 18- 24, 2018	25	20,516	3.83
25-Oct-18	23	18,350	3.33
26-Oct-18	27	20,800	3.05
29-Oct-18	26	15,350	3.55
30-Oct-18	34	29,880	2.33
31-Oct-18	31	28,130	2.05
October 25- 31, 2018	28	22,502	2.86

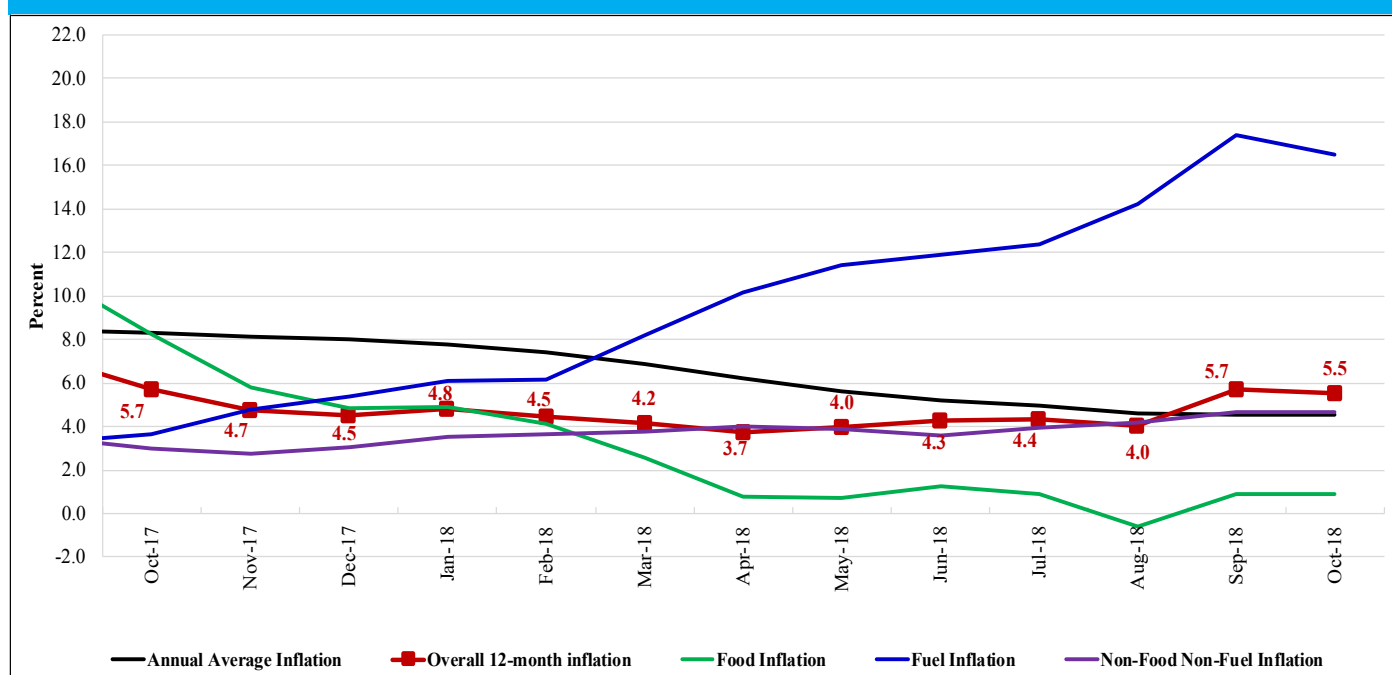
Source :Central Bank of Kenya

Table 2: Kenya Shilling Exchange Rates (Indicative Mean Rates)

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
19-Oct-18	101.03	132.33	116.14	89.75	37.22	22.71	8.63	17.74
22-Oct-18	101.04	131.71	115.83	89.89	37.26	22.71	8.63	17.74
23-Oct-18	101.10	131.25	116.08	89.68	37.17	22.69	8.77	17.58
24-Oct-18	101.13	131.41	115.98	90.16	37.23	22.64	8.77	17.57
25-Oct-18	101.21	130.86	115.50	89.88	37.15	22.63	8.76	17.56
October 19-25, 2018	101.10	131.51	115.90	89.87	37.21	22.68	8.71	17.64
26-Oct-18	101.23	130.36	115.38	89.95	37.15	22.67	8.76	17.56
29-Oct-18	101.32	129.90	115.46	90.57	37.09	22.60	8.75	17.55
30-Oct-18	101.70	130.37	115.67	90.37	36.97	22.57	8.72	17.48
31-Oct-18	101.85	129.91	115.61	90.27	36.91	22.53	8.71	17.46
1-Nov-18	102.05	130.21	115.54	90.01	36.75	22.48	8.70	17.42
October 26-Nov. 1, 2018	101.63	130.15	115.53	90.24	36.98	22.57	8.73	17.49

* Units of currency per Kenya Shilling

Source :Central Bank of Kenya

Chart 1: Inflation Developments

Source: KNBS and CBK staff calculations

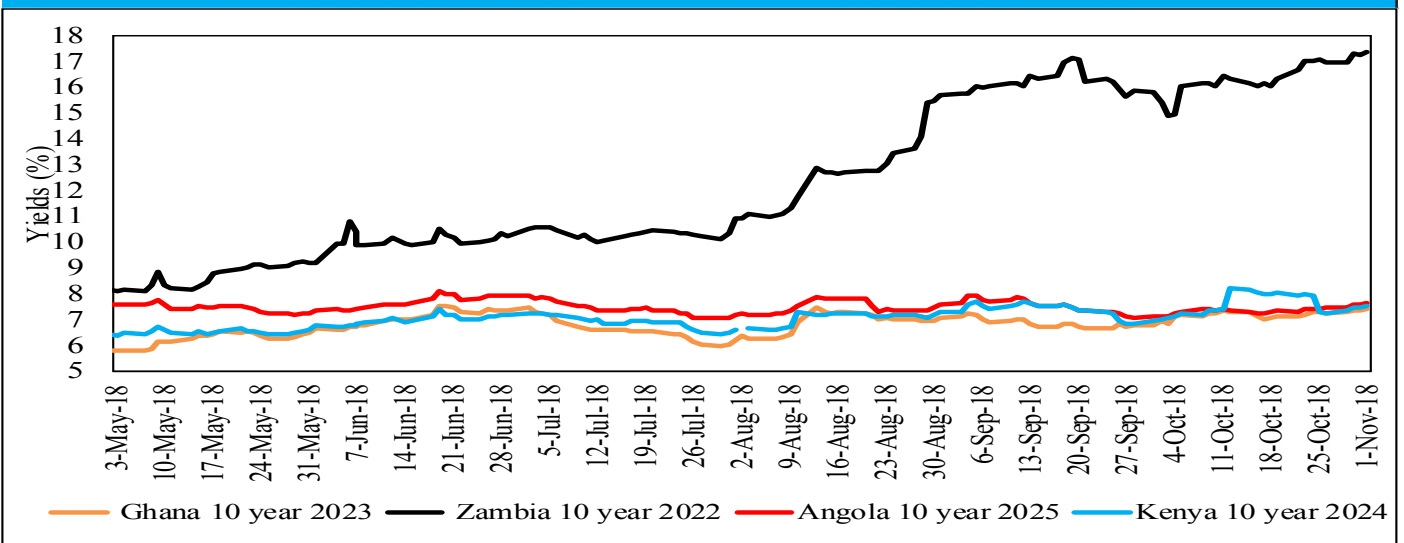
Table 3: Key Weekly Market Indicators

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 Euro-bond Yield (%)	10-Year Euro-bond Yield (%) - 2024	10-Year Euro-bond Yield (%) - 2028	30-Year Euro-bond Yield (%)
19-Oct-18	146.33	3,706.61	2,807.12	999	36.71	671.09	2,162	796.00	4.90	7.24	8.058	8.91
22-Oct-18	146.21	3,717.70	2,803.01	1,136	40.25	651.54	2,160	1,747.01	4.71	7.227	7.915	8.869
23-Oct-18	145.64	3,694.05	2,766.25	1,259	385.45	6,045.55	2,152	4,253.03	4.90	7.262	7.979	8.951
24-Oct-18	145.29	3,702.99	2,801.14	1,180	16.37	331.82	2,146	3,454.04	4.89	7.213	7.959	8.925
25-Oct-18	145.77	3,720.71	2,825.41	986	28.67	436.82	2,154	2,882.47	4.88	7.252	7.995	8.961
13 Oct.-18 Oct., 2018	145.77	3720.71	2825.41	5560.00	507.45	8,136.83	2,153.64	13,132.56	4.879	7.252	7.995	8.961
26-Oct-18	145.89	2,820.55	3,719.51	1,046	24.45	672.25	2,155	3,846.99	4.76	7.255	7.979	8.941
29-Oct-18	145.57	2,811.87	3,712.86	1,069	18.45	407.87	2,151	1,872.01	4.99	7.344	7.987	8.992
30-Oct-18	145.21	2,801.22	3,696.93	1,582	33.06	753.82	2,145	3,189.37	5.27	7.45	8.119	9.095
31-Oct-18	144.35	2,810.32	3,680.99	1,131	14.06	331.90	2,133	2,548.79	5.07	7.478	8.131	9.119
1-Nov-18	145.1	2,820.28	3,687.30	1,184	66.53	1,749.00	2,144	2,031.32	5.06	7.524	8.201	9.151
26 Oct.-1 Nov., 2018	145.10	2820.28	3687.30	6,012	156.55	3,914.84	2,143.69	13,488.48	5.055	7.524	8.201	9.151
Weekly Change (%)	-0.46	-24.20	30.50	8.13	-69.15	-51.89	-0.46	2.71	0.175*	0.272*	0.206*	0.190*

* Percentage points

Source: Central Bank of Kenya, NSE and Thompson Reuters

Chart 2: Yields on 10 year Eurobonds in Selected African Countries



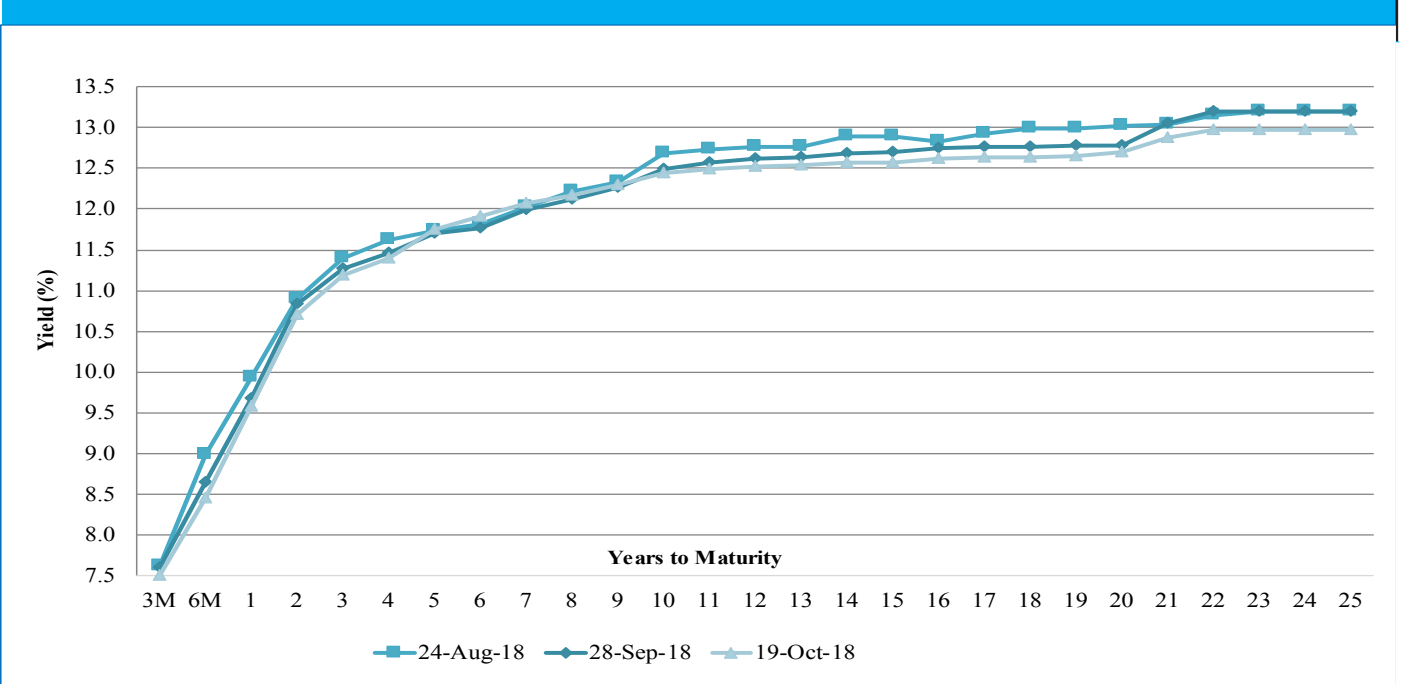
Source: Thompson Reuters

Table 4: Performance of Treasury Bonds Auctions

Date of Auction	20-Jun-18	25-Jul-18	22-Aug-18	19-Sep-18		17-Oct-18	31-Oct-18
				REOPEN	REOPEN		REOPEN
Tenor	FXD1/2018/25	FXD2/2018/20	FXD1/2018/10	FXD1/2018/10	FXD1/2018/20	FXD2/2018/15	FXD2/2018/15
Amount offered (Ksh M)	40,000.0	40,000.0	40,000.0	40,000.0		40,000.0	32,000.0
Bids received (Ksh M)	10,130.7	13,860.3	29,825.3	32,466.5		27,045.4	25,375.6
Amount Accepted (Ksh M)	5,171.8	10,512.4	19,362.2	21,244.6	5,308.4	7,854.1	21,261.9
Maturities (Ksh M)	26,340.1	0.0	0.0	0.0	0.0	0.0	0.0
Average interest Rate (%)	13.451	13.371	12.686	12.665	12.931	12.746	12.734

Source: Central Bank of Kenya

Chart 3: Kenya Government Securities Yield Curve



Source: Central Bank of Kenya and NSE

Table 5: Performance of Treasury Bills Auctions**91-Day Treasury Bills**

Date of Auction	11-Oct-18	18-Oct-18	25-Oct-18	1-Nov-18
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	6,305.57	3,829.82	2,438.93	5,137.52
Amount Accepted (Ksh M)	6,305.57	3,780.98	2,437.55	5,137.52
Maturities (Ksh M)	2,359.40	4,304.55	2,036.80	577.10
Average interest Rate (%) - 91 Days	7.594	7.507	7.494	7.387

182-Day Treasury Bills

Date of Auction	11-Oct-18	18-Oct-18	25-Oct-18	1-Nov-18
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	2,641.89	3,575.02	3,033.74	5,974.57
Amount Accepted (Ksh M)	2,540.19	3,575.02	3,033.74	5,974.97
Maturities (Ksh M)	7,185.80	16,783.85	9,837.10	8,550.55
Average interest Rate (%) - 182 days	8.500	8.450	8.386	8.317

364-Day Treasury Bills

Date of Auction	11-Oct-18	18-Oct-18	25-Oct-18	1-Nov-18
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	6,342.44	4,963.97	10,564.40	14,430.30
Amount Accepted (Ksh M)	6,342.44	4,690.80	10,564.40	14,430.30
Maturities (Ksh M)	3,079.15	5,416.35	5,870.10	8,824.00
Average interest Rate (%) - 364 days	9.607	9.579	9.524	9.519

Source: Central Bank of Kenya

Table 6: Government Domestic Debt (KSh Billion)

	14-Sep-18	21-Sep-18	28-Sep-18	05-Oct-18	12-Oct-18	19-Oct-18	26-Oct-18
1. Treasury Bills (Excluding Repos)	924.46	931.33	867.51	953.44	962.98	966.37	952.56
(As % of total securities)	37.75	38.27	37.14	38.41	38.65	38.73	38.41
2. Treasury Bonds	1,524.47	1,502.34	1,468.50	1,528.77	1,528.77	1,528.77	1,527.62
(As % of total securities)	62.25	61.73	62.86	61.59	61.35	61.27	61.59
3. Total Securities (1+2)	2,448.93	2,433.67	2,336.00	2,482.21	2,491.75	2,495.14	2,480.18
4. Overdraft at Central Bank	16.99	33.82	36.29	0.00	0.01	4.33	23.44
5. Other Domestic debt*	31.70	31.70	168.54	31.70	31.56	31.59	31.56
6. Gross Domestic Debt (3+4+5)	2,497.63	2,499.19	2,540.83	2,513.91	2,523.32	2,531.05	2,535.18

* 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 (Percent)

	14-Sep-18	21-Sep-18	28-Sep-18	5-Oct-18	12-Oct-18	19-Oct-18	26-Oct-18
Treasury bills (Excluding Repos)	37.0	37.3	34.1	37.9	38.2	38.2	37.6
Treasury bonds	61.0	60.1	57.8	60.8	60.6	60.4	60.3
CBK Overdraft to Govt	0.7	1.4	1.4	0.0	0.0	0.2	0.9
Other domestic debt	1.3	1.3	6.6	1.3	1.3	1.2	1.2
TOTAL	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)

	14-Sep-18	21-Sep-18	28-Sep-18	5-Oct-18	12-Oct-18	19-Oct-18	26-Oct-18
Banking Institutions	55.5	55.4	55.0	54.2	54.4	54.3	54.7
Insurance Companies	6.1	6.1	6.1	6.1	6.1	6.1	6.1
Parastatals	7.2	7.3	7.3	7.3	7.4	7.4	7.5
Pension funds	26.7	26.6	27.1	27.7	27.5	27.6	27.1
Other investors	4.5	4.5	4.5	4.6	4.6	4.5	4.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

Table 9: Indicators of Total Government Debt

	Jun-17	Sep-17	Dec-17	Mar-18	Apr-18	May-18	Jun-18
Domestic debt (KSh Billion)	2,111.71	2,172.84	2,220.35	2,371.65	2,415.25	2,447.58	2,478.84
Public & Publicly Guaranteed External debt (US \$ Billion)	22.1	22.4	22.8	24.9	25.5	25.3	25.3
Public & Publicly Guaranteed External debt (KSh Billion)	2,294.40	2,310.20	2,349.28	2,512.43	2,562.18	2,573.13	2,560.20
Total public debt (KSh Billion)	4,406.11	4,483.03	4,569.63	4,884.08	4,977.43	5,020.70	5,039.03

Source: National Treasury and Central Bank of Kenya

Table 10: Official Foreign Exchange Reserves in US\$ Million (Usable)

	27-Sep-18	4-Oct-18	11-Oct-18	18-Oct-18	25-Oct-18	1-Nov-18
1. CBK Usable Foreign Exchange Reserves (USD Million)*	8,436	8,459	8,445	8,407	8,306	8,221
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	5.58	5.60	5.59	5.57	5.50	5.44

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya