



Central Bank of Kenya

Weekly Bulletin

December 31, 2021



RECENT MONETARY AND FINANCIAL DEVELOPMENTS

GDP Growth

Recent Kenya National Bureau of Statistics (KNBS) data confirm the continuation of strong performance in the third quarter of 2021, growing by 9.9 percent compared to a contraction of 2.1 percent in the third quarter of 2020. The strong performance was supported by continued recovery in manufacturing, construction, transport and storage, education, accommodation and food services, and wholesale and retail trade. The agricultural sector declined marginally compared to 2020 on account of record performance in 2020 and unfavorable weather conditions.

At the same time, KNBS revised GDP data for the first and second quarters of 2021 to 2.0 percent and 11.9 percent, respectively. Taken together, the economy expanded in the first three quarters of 2021 by 7.8 percent compared to a contraction of 0.8 percent in a similar period of 2020 (**Table 1**). This was supported by easing of COVID-19 restrictions and government interventions.

Inflation

Overall inflation declined to 5.7 percent in December, from 5.8 percent in November, due to easing food prices. Food inflation declined to 9.1 percent from 9.9 percent in November. Fuel inflation stood at 10.5 percent compared to 10.4 percent in November, as a result of stable pump prices. Non-food non-fuel inflation increased marginally to 2.0 percent from 1.9 percent, reflecting economic recovery (**Chart 1**).

Exchange Rates

The Kenya Shilling remained stable against major international and regional currencies during the week ending December 30. It exchanged at KSh 113.13 per US dollar on December 30, compared to KSh 113.06 per US dollar on December 23 (**Table 2**).

Foreign Exchange Reserves

The usable foreign exchange reserves remained adequate at USD 8,817 million (5.39 months of import cover) as at December 30. This meets the CBK's statutory requirement to endeavor to maintain at least 4 months of import cover, and the EAC region's convergence criteria of 4.5 months of import cover (**Table 3**).

Money Market

The money market was relatively liquid during the week ending December 30 partly reflecting tax remittances, which offset government payments. Commercial banks' excess reserves stood at KSh 10.5 billion in relation to the 4.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was 5.32 percent on December 30 compared to 5.65 percent on December 23. During the week, the average number of interbank deals declined to 23 from 30 in the previous week, while the average value traded increased to KSh 15.1 billion from KSh 11.8 billion (**Table 4**).

Government Securities Market

The Treasury bill auction of December 30 received bids totaling KSh 7.8 billion against an advertised amount of KSh 24.0 billion, representing a performance of 32.6 percent. Interest rates on the Treasury bills increased marginally (**Table 5**).

Equity Market

At the Nairobi Securities Exchange, the NASI declined by 2.9 percent while the NSE 20 share price index increased by 0.4 percent. Market capitalization, equity turnover and total shares traded declined by 2.9 percent, 69.5 percent and 61.7 percent, respectively, during the week ending December 30 (**Table 7**).

Bonds Market

Bonds turnover in the domestic secondary market declined by 99.8 percent during the week ending December 30 (**Table 7**). In the international market, yields on Kenya's Eurobonds declined marginally by an average of 11.1 basis points. The yield on the 10-year Eurobonds for Ghana and Angola also declined (**Chart 2**).

Global Trends

There was limited trading in the main global financial markets on account of the holidays. Concerns about the spread of the Omicron variant and remedial measures remain dominant.

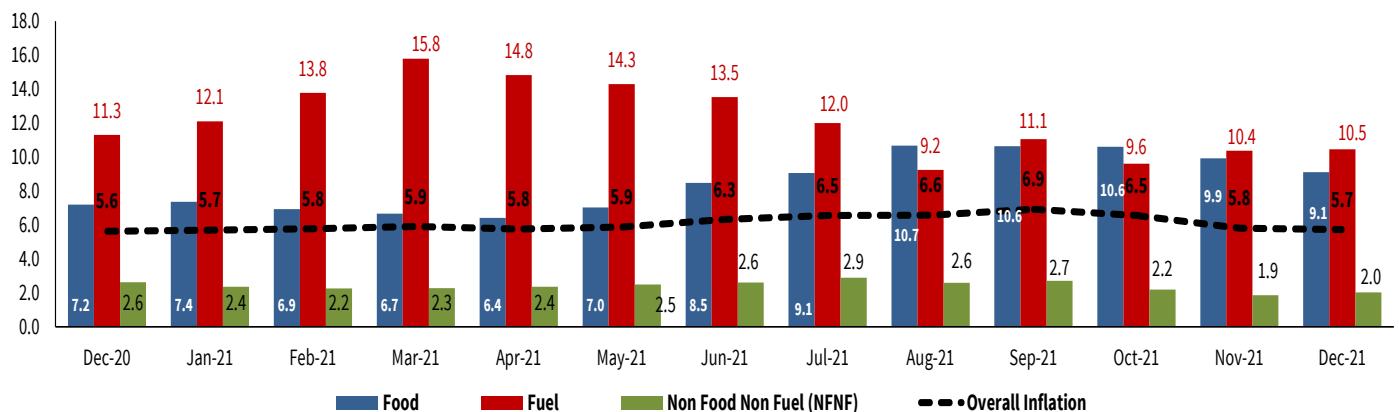
International oil prices increased during the week ending December 30, despite the US crude oil inventory draw down. Murban oil prices rose to USD 78.92 per barrel on December 30 compared to USD 75.18 per barrel on December 23.

Table 1: Real GDP Growth (percent)

	2020				2021			2020	2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1-Q3	Q1-Q3
Agriculture	4.3	4.9	4.2	5.8	-0.1	-0.7	-1.8	4.5	-0.8
2. Non-Agriculture (o/w)	4.4	-7.2	-3.4	0.3	2.6	15.7	12.5	-2.1	10.1
2.1 Industry	4.8	-0.3	3.5	7.8	4.5	8.4	8.5	2.7	7.1
Mining & Quarrying	6.4	4.4	7.0	9.2	16.4	17.7	25.1	5.9	19.6
Manufacturing	2.2	-4.7	-1.7	3.8	1.6	9.4	9.5	-1.4	6.7
Electricity & water supply	1.5	-4.7	0.2	3.5	2.0	5.2	4.5	-1.0	3.9
Construction	10.4	8.2	12.5	16.2	7.9	6.5	6.4	10.4	6.9
2.2 Services	4.2	-7.1	-4.7	-0.9	2.0	17.3	13.0	-2.6	10.6
Wholesale & Retail Trade	4.9	-4.2	-5.0	2.6	7.4	9.5	6.9	-1.4	7.9
Accommodation & Food Services	-8.1	-56.8	-63.4	-62.2	-48.6	9.4	24.8	-42.0	-19.5
Transport & Storage	2.2	-16.8	-10.1	-6.1	-9.1	17.4	13.0	-8.4	6.3
Information & Communication	5.6	2.6	3.2	7.6	16.1	25.3	5.8	3.8	15.2
Financial & Insurance	7.5	4.4	3.0	7.4	8.3	12.3	6.7	4.9	9.1
Public administration	4.0	2.7	6.3	8.4	9.1	13.0	6.9	4.3	9.7
Professional, Administration & Support Services	0.3	-27.5	-19.7	-12.1	-14.4	17.7	13.5	-16.0	4.1
Real estate	5.4	4.6	3.7	2.7	4.5	4.9	5.2	4.6	4.9
Education	1.8	-22.4	-17.4	-5.3	10.0	67.6	64.7	-12.6	44.3
Health	7.4	9.8	5.2	4.7	9.1	10.0	8.4	7.5	9.2
Other services	-1.5	-22.1	-12.9	-20.4	-16.1	20.2	13.3	-12.1	4.4
FISIM	-2.9	0.5	-2.3	-2.9	0.3	-3.8	-2.0	-1.6	-1.8
2.3 Taxes on products	5.1	-20.8	-8.5	-6.4	2.0	21.9	18.2	-8.5	13.4
Real GDP Growth	4.4	-4.7	-2.1	1.2	2.0	11.9	9.9	-0.8	7.8
Previous Release (November 2021)	4.4	-4.7	-2.1	1.2	0.7	10.1	-	-	-
Deviation	0.0	0.0	0.0	0.0	1.3	1.9	-	-	-

Source: Kenya National Bureau of Statistics (KNBS)

Chart 1: Inflation



Source: Kenya National Bureau of Statistics (KNBS) and CBK Staff Calculations

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

	USD	Sterling Pound	Euro	100 Japanese Yen	Uganda Shilling*	Tanzania Shilling*	Rwandese Franc*	Burundi Franc*
17-Dec-21	113.01	150.41	127.87	99.56	31.54	20.35	9.17	17.64
20-Dec-21	113.03	150.38	127.97	99.74	31.45	20.40	9.17	17.64
21-Dec-21	113.04	149.70	127.53	99.52	31.40	20.38	9.17	17.64
22-Dec-21	113.05	149.80	127.63	99.06	31.40	20.39	9.17	17.64
23-Dec-21	113.06	150.23	127.68	99.00	31.40	20.39	9.17	17.63
December 17-23	113.04	150.10	127.74	99.37	31.44	20.38	9.17	17.64
24-Dec-21	113.08	151.05	127.95	98.96	31.31	20.38	9.17	17.63
27-Dec-21	PUBLIC HOLIDAY							
28-Dec-21	113.10	151.25	128.12	98.51	31.30	20.39	9.17	17.63
29-Dec-21	113.11	151.61	128.09	98.47	31.30	20.38	9.17	17.63
30-Dec-21	113.13	151.72	127.88	98.32	31.28	20.38	9.17	17.63
December 24-30	113.10	151.41	128.01	98.56	31.30	20.38	9.17	17.63

*Units of currency per Kenya Shilling

Source: Central Bank of Kenya

Table 3: Official Foreign Exchange Reserves (USD Million)

	02-Dec-21	09-Dec-21	16-Dec-21	23-Dec-21	30-Dec-21
1. CBK Usable Foreign Exchange Reserves (USD Million)	8,737	8,730	8,643	8,556	8,817
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	5.34	5.34	5.28	5.23	5.39

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

Source: Central Bank of Kenya

Table 4: Money Markets

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
17-Dec-21	30	17,630.00	4.92
20-Dec-21	32	16,350.00	4.96
21-Dec-21	50	17,400.00	5.22
22-Dec-21	17	3,910.00	5.57
23-Dec-21	19	3,870.00	5.65
December 17-23	30	11,832.00	5.26
24-Dec-21	31	16,180.00	5.87
27-Dec-21	PUBLIC HOLIDAY		
28-Dec-21	23	16,110.00	5.97
29-Dec-21	22	16,280.00	5.63
30-Dec-21	14	11,670.00	5.32
December 24-30	23	15,060.00	5.70

Source: Central Bank of Kenya

Table 5: Performance of Treasury Bills Auctions

91-Day Treasury Bills						
Date of Auction	25-Nov-21	02-Dec-21	09-Dec-21	16-Dec-21	23-Dec-21	30-Dec-21
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)	3,936.66	8,692.10	5,073.82	4,532.99	1,590.99	572.28
Amount Accepted (KSh M)	3,936.28	6,708.43	5,073.63	3,545.63	1,583.72	572.08
Maturities (KSh M)	1,779.40	4,047.60	7,009.80	3,398.40	4,857.05	2,670.95
Average Interest Rate (%)	7.181	7.232	7.280	7.265	7.264	7.271
182-Day Treasury Bills						
Date of Auction	25-Nov-21	02-Dec-21	09-Dec-21	16-Dec-21	23-Dec-21	30-Dec-21
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)	2,520.43	5,252.36	5,517.39	11,215.31	796.64	2,320.06
Amount Accepted (KSh M)	2,520.19	5,252.36	1,676.98	9,255.41	796.64	2,320.06
Maturities (KSh M)	4,586.90	10,257.55	8,165.85	7,489.65	5,753.85	14,403.60
Average Interest Rate (%)	7.835	7.854	7.984	7.977	7.982	8.095
364-Day Treasury Bills						
Date of Auction	25-Nov-21	02-Dec-21	09-Dec-21	16-Dec-21	23-Dec-21	30-Dec-21
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)	9,034.51	8,898.88	5,165.86	5,226.07	3,996.40	4,936.06
Amount Accepted (KSh M)	6,547.11	7,587.92	5,164.77	5,131.79	3,995.48	4,936.06
Maturities (KSh M)	4,285.40	5,086.50	5,586.20	5,362.50	2,194.20	4,283.05
Average Interest Rate (%)	8.944	9.016	9.091	9.164	9.265	9.367

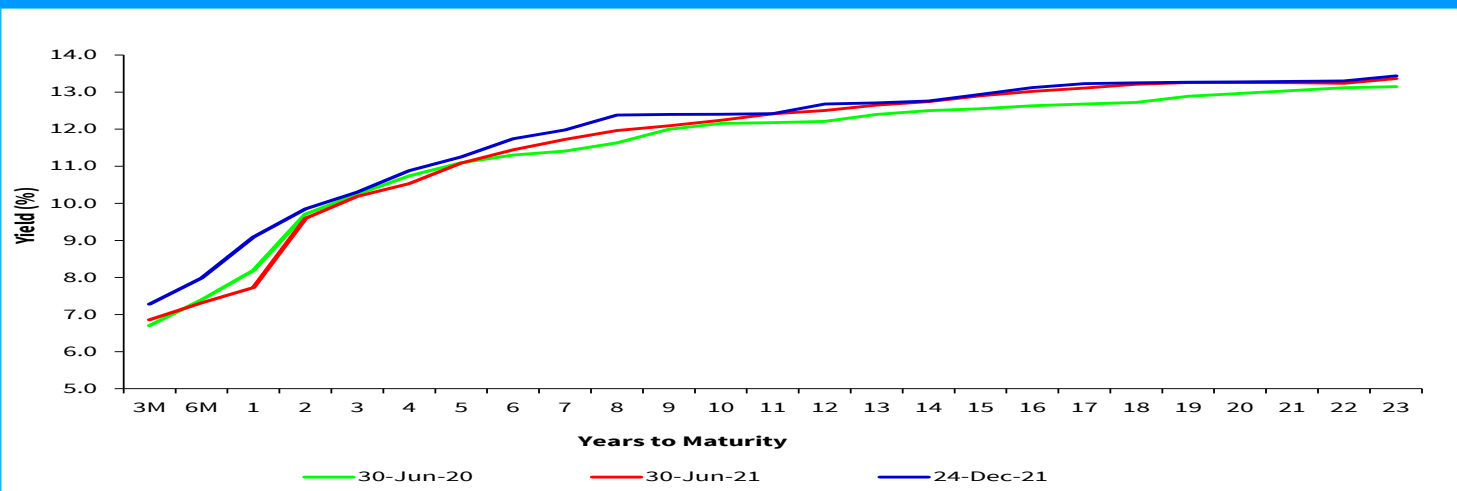
Source: Central Bank of Kenya

Table 6: Performance of Treasury Bond Auctions

Date of Auction	6-Oct-21			10-Nov-21		8-Dec-21	
	REOPEN			REOPEN		REOPEN	
Tenor	FXD1/ 2013/15	FXD3/ 2019/15	FXD1/ 2021/25	FXD1/ 2021/5	FXD1/ 2019/20	FXD4/ 2019/10	FXD1/ 2018/20
Amount offered (KSh M)	60,000.00			50,000.00		40,000.00	
Bids received (KSh M)	23,414.98	3,390.35	28,669.87	66,603.14	17,567.66	20,269.28	20,906.41
Amount Accepted (KSh M)	22,876.63	3,267.29	25,904.96	53,661.88	15,845.49	20,262.52	17,564.98
Maturities (KSh M)	0.00			0.00		0.00	
Average interest Rate (%)	11.88	12.85	13.82	11.28	13.41	12.64	13.37

Source: Central Bank of Kenya

Chart 2: Government Securities Yield Curve



Source: Nairobi Securities Exchange (NSE)

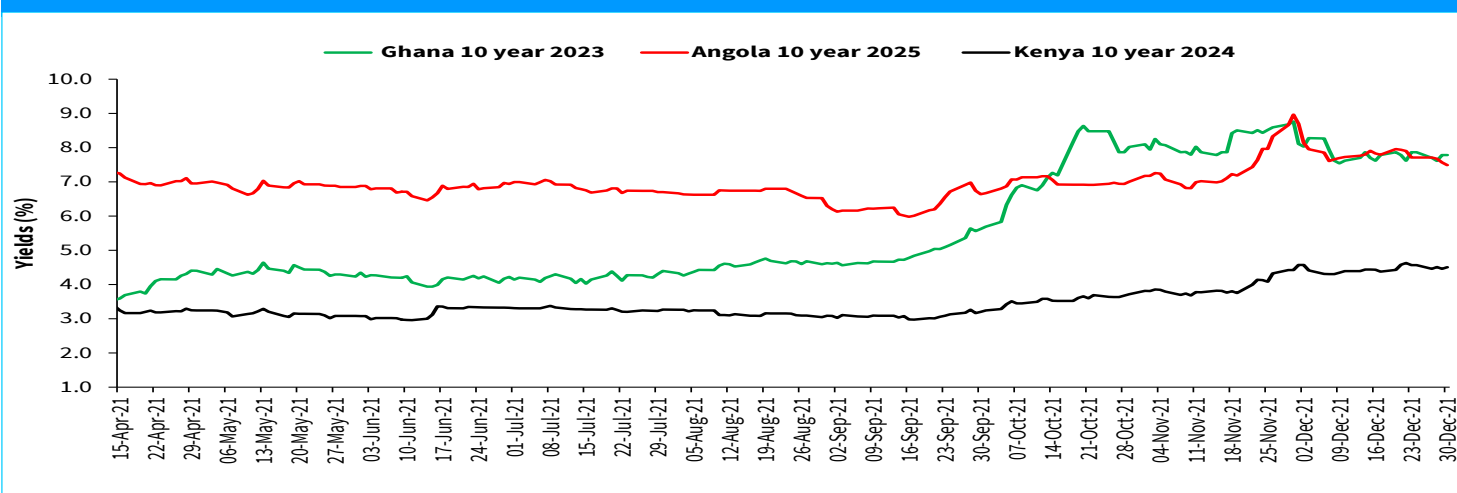
Table 7: Key Weekly Market Indicators

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
17-Dec-21	163.64	3625.08	1854.55	1,139.00	14.59	696.90	2,548.84	1,788.35	5.769	4.376	5.858	6.814	6.659	8.190
20-Dec-21	164.09	3637.61	1865.84	898.00	12.99	523.07	2,555.91	1,332.10	5.893	4.425	5.951	6.813	6.675	8.190
21-Dec-21	164.92	3670.42	1871.02	916.00	6.75	230.03	2,568.89	3,397.90	5.822	4.577	5.974	6.865	6.739	8.236
22-Dec-21	166.79	3698.61	1872.60	916.00	8.85	331.63	2,598.02	4,185.30	5.804	4.627	5.975	6.848	6.723	8.213
23-Dec-21	170.12	3741.95	1890.21	800.00	9.86	334.09	2,650.06	4,441.00	5.742	4.568	5.903	6.812	6.675	8.190
December 17-23	170.12	3741.95	1890.21	4669.00	53.04	2,115.71	2650.06	15,144.65	5.742	4.568	5.903	6.812	6.675	8.190
24-Dec-21	170.57	3759.84	1901.97	863.00	8.40	305.12	2,657.06	3,018.80	5.733	4.565	5.902	6.812	6.675	8.190
27-Dec-21	PUBLIC HOLIDAY								5.800	4.459	5.925	6.829	6.675	8.098
28-Dec-21	169.10	3748.11	1890.05	876.00	6.11	191.71	2,834.13	2,303.65	5.857	4.509	5.924	6.864	6.644	8.098
29-Dec-21	167.88	3740.80	1899.29	739.00	3.21	74.53	2,615.01	685.45	5.668	4.457	5.854	6.759	6.644	8.121
30-Dec-21	165.27	3715.09	1897.62	753.00	2.58	74.85	2,574.32	1,332.90	5.602	4.502	5.759	6.706	6.580	8.075
December 24-30	165.27	3715.09	1897.62	3231.00	20.30	646.20	2574.32	28.66	5.602	4.502	5.759	6.706	6.580	8.075
Weekly Changes (%)	-2.85	-0.72	0.39	-30.80	-61.73	-69.46	-2.86	-99.81	-0.140*	-0.066*	-0.144*	-0.106*	-0.095*	-0.115*

* Percentage points

Source: Nairobi Securities Exchange (NSE) and Thomson Reuters

Chart 3: Yields on 10 year Eurobonds for Selected Countries



Source: Thomson Reuters

Table 8: Government Domestic Debt (KSh Billion)

	31-Dec-20	30-Jun-21	24-Sep-21	26-Nov-21	10-Dec-21	17-Dec-21	24-Dec-21
1. Treasury Bills (Excluding Repos)	855.71	765.37	763.00	716.69	720.89	712.63	715.18
<i>(As % of total securities)</i>	25.04	21.17	19.77	18.28	18.37	18.02	18.07
2. Treasury Bonds	2,561.33	2,849.94	3,096.84	3,203.90	3,203.90	3,242.24	3,242.24
<i>(As % of total securities)</i>	74.96	78.83	80.23	81.72	81.63	81.98	81.93
3. Total Securities (1+2)	3,417.05	3,615.31	3,859.84	3,920.59	3,924.80	3,954.88	3,957.42
4. Overdraft at Central Bank	47.60	59.28	55.26	62.82	60.38	67.28	65.64
5. Other Domestic debt*	23.90	22.50	23.91	23.09	23.08	23.91	23.91
6. Gross Domestic Debt (3+4+5)	3,488.54	3,697.09	3,939.01	4,006.50	4,008.26	4,046.07	4,046.96

* Other domestic debt includes clearing items in transit, advances from commercial banks and Pre-1997 Government Overdraft.

Source: Central Bank of Kenya

Table 9: Composition of Government Domestic Debt by Instrument (Percent)

	31-Dec-20	30-Jun-21	24-Sep-21	26-Nov-21	10-Dec-21	17-Dec-21	24-Dec-21
Treasury bills (Excluding Repos)	24.53	20.70	19.37	17.89	17.99	17.61	17.67
Treasury bonds	73.42	77.09	78.62	79.97	79.93	80.13	80.12
Overdraft at Central Bank	1.36	1.60	1.40	1.57	1.51	1.66	1.62
Other domestic debt	0.69	0.61	0.61	0.58	0.58	0.59	0.59
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

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

	31-Dec-20	30-Jun-21	24-Sep-21	26-Nov-21	10-Dec-21	17-Dec-21	24-Dec-21
Banking Institutions	52.83	51.24	50.83	50.25	50.19	50.34	50.18
Insurance Companies	6.44	6.66	6.60	6.70	6.70	6.77	6.76
Parastatals	5.69	5.54	5.38	5.56	5.57	5.49	5.54
Pension Funds	30.32	30.60	31.24	31.40	31.45	31.26	31.39
Other Investors	4.73	5.96	5.95	6.09	6.08	6.14	6.13
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

Table 11: Indicators of Government Debt

	Jun-20	Sep-20	Dec-20	Mar-21	Apr-21	May-21	Jun-21
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)	6,692.78	7,120.60	7,281.83	7,339.71	7,411.05	7,485.91	7,712.39

Source: National Treasury and Central Bank of Kenya