



Central Bank of Kenya

Weekly Bulletin

June 26, 2020

KEY MONETARY AND FINANCIAL INDICATORS

Monetary Policy Committee Meeting

The Monetary Policy Committee (MPC) met on June 25 and noted that the package of policy measures adopted by CBK since March were having the intended effect on the economy, and will be augmented by the fiscal measures announced in the FY 2020/2021 budget. The MPC concluded that its current accommodative monetary policy stance remains appropriate, and therefore decided to retain the Central Bank Rate (CBR) at 7.00 percent.

Exchange Rates

The Kenya Shilling remained stable against major international and regional currencies during the week ending June 25. It exchanged at KSh 106.40 per US dollar on June 25 compared to KSh 106.32 per US dollar on June 18 (Table 1).

Foreign Exchange Reserves

The CBK usable foreign exchange reserves remained adequate at USD 9,229 million (5.55 months of import cover) as at June 25. 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 2).

Remittances

Remittance inflows recovered in May 2020 to USD 258.2 million from USD 208.2 million in April, an increase of 24 percent (Chart 1). The cumulative inflows in the 12 months to May totaled USD 2,816 million compared to USD 2,739 million in the 12 months to May 2019, reflecting a growth of 2.8 percent. The highest increases in inflows came from the US and South Africa. Other significant increases were realized from Saudi Arabia, United Kingdom, Qatar, Australia and Switzerland.

Money Market

The money market was liquid during the week ending June 25, supported by government payments, which offset tax receipts. Commercial banks' excess reserves stood at KSh 41.1 billion in relation to the 4.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was 3.89 percent on June 25 compared to 3.48 percent on June 18. The average number of interbank deals per day increased to 21 from 11

in the previous week, while the value traded increased to KSh 7.1 billion from KSh 3.7 in the previous week (Table 3).

Government Securities Market

The Treasury bills auction of June 25 received bids totalling KSh 59.0 billion against an advertised amount of KSh 24.0 billion, representing a performance of 245.6 percent. Interest rates on all the Treasury bills tenors decreased (Table 4). The Government's net domestic borrowing target for FY 2019/20, of KSh 409.7 billion, has now been achieved with borrowing of KSh 409.0 billion.

Equity Market

At the Nairobi Securities Exchange, the number of shares traded increased by 25.1 percent. However, the NASI and the NSE 20 share price index declined by 5.1 percent and 1.7 percent, respectively, during the week ending June 25. Similarly, market capitalization and equity turnover declined by 5.1 percent and 1.1 percent, respectively (Table 6).

Bonds Market

Turnover of bonds traded in the domestic secondary market increased by 35.6 percent during the week (Table 6). In the international market, yields on Kenya's Eurobonds declined by an average of 4.2 basis points. The yields on the 10-year Eurobonds for Angola and Ghana also declined (Chart 3).

Global Trends

The global economic outlook has deteriorated further and remains highly uncertain. In its update of the World Economic Outlook released on June 24, the IMF projects the global economy to contract by 4.9 percent in 2020 compared to a projected contraction of 3 percent in April. The downgrade was attributed to expected deeper contraction in economic activity in the first and second quarters of 2020.

International oil prices increased gradually during the week on account of subdued demand as markets reacted to increasing virus infections in a number of countries. Murban oil price increased to USD 42.86 per barrel on June 25 from USD 41.24 per barrel on June 18.

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

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
12-Jun-20	106.50	134.92	120.99	99.41	35.07	21.74	8.96	17.81
15-Jun-20	106.45	134.44	120.53	99.17	34.95	21.75	8.97	17.82
16-Jun-20	106.49	133.54	119.80	99.15	34.98	21.74	8.96	17.82
17-Jun-20	106.49	134.62	120.32	99.29	35.00	21.74	8.96	17.82
18-Jun-20	106.32	133.47	119.53	99.48	35.02	21.77	8.98	17.85
Jun 12-18	106.45	134.20	120.23	99.30	35.00	21.75	8.97	17.82
19-Jun-20	106.29	132.76	119.46	99.40	35.03	21.78	8.98	17.86
22-Jun-20	106.33	131.63	119.28	99.51	35.08	21.76	8.98	17.97
23-Jun-20	106.42	132.21	119.51	99.62	35.05	21.76	8.82	17.96
24-Jun-20	106.37	132.78	120.49	100.06	35.16	21.77	8.98	18.09
25-Jun-20	106.40	132.85	120.04	99.66	35.10	21.76	8.98	18.08
Jun 19-25	106.36	132.45	119.76	99.65	35.09	21.77	8.95	17.99

* Units of currency per Kenya Shilling

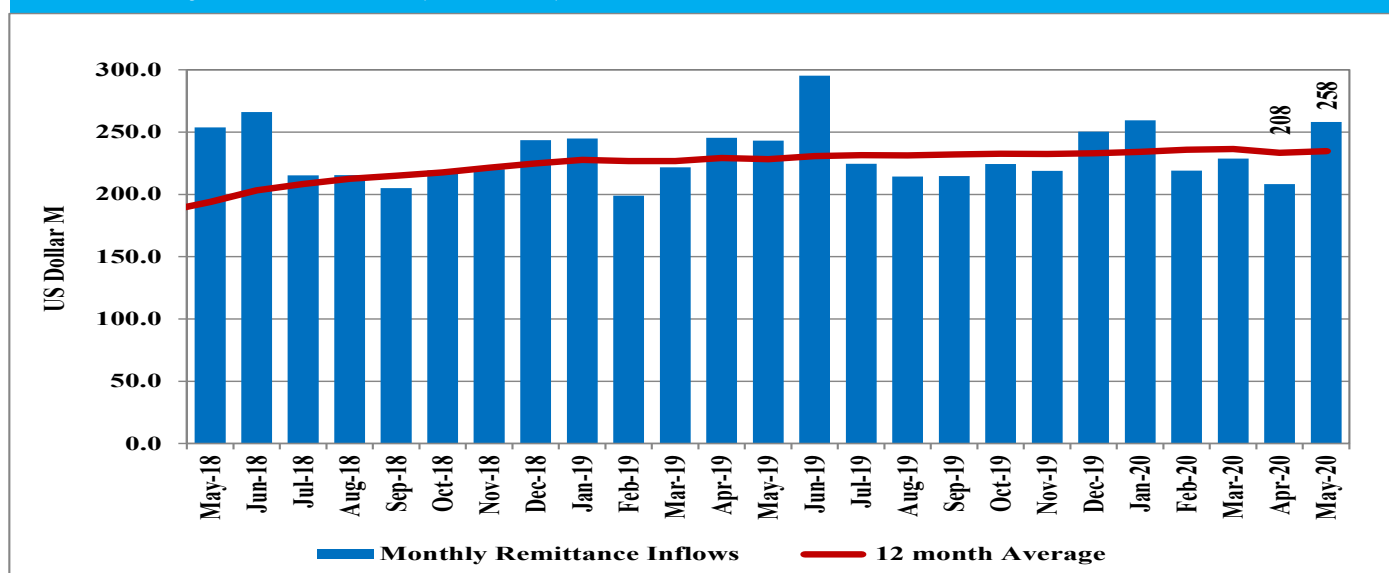
Source :Central Bank of Kenya

Table 2: Official Usable Foreign Exchange Reserves

	14-May-20	21-May-20	28-May-20	4-Jun-20	11-Jun-20	18-Jun-20	25-Jun-20
1. CBK Usable Foreign Exchange Reserves (USD Million)	8,532	8,489	8,331	9,261	9,302	9,278	9,229
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	5.14	5.11	4.99	5.56	5.59	5.58	5.55

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

Source: Central Bank of Kenya

Chart 1: Monthly Remittance Inflows (USD Million)

Source: Central Bank of Kenya

Table 3: Money Market

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
12-Jun-20	9	1,700.00	2.34
15-Jun-20	15	10,410.00	2.46
16-Jun-20	10	2,130.00	2.53
17-Jun-20	8	1,350.00	3.00
18-Jun-20	14	2,700.00	3.48
June 12 - 18	11	3,658.00	2.76
19-Jun-20	13	2,600.00	4.35
22-Jun-20	23	6,800.00	4.53
23-Jun-20	23	8,350.00	4.23
24-Jun-20	24	11,600.00	3.75
25-Jun-20	20	6,350.00	3.89
June 19 - 25	21	7,140.00	4.15

Source :Central Bank of Kenya

Table 4: Performance of Treasury Bills Auctions

91-Day Treasury Bills						
Date of Auction	21-May-20	28-May-20	4-Jun-20	11-Jun-20	18-Jun-20	25-Jun-20
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)	10,837.82	3,251.08	10,221.82	11,761.25	13,374.46	16,481.51
Amount Accepted (Ksh M)	7,859.34	2,269.17	4,253.87	3,858.82	6,357.09	685.99
Maturities (Ksh M)	1,907.10	2,380.05	769.70	2,235.10	543.55	3,434.55
Average interest Rate (%)	7.319	7.333	7.325	7.259	7.089	6.700
182-Day Treasury Bills						
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)	10,490.21	5,840.86	21,304.04	26,495.03	13,056.50	14,025.30
Amount Accepted (Ksh M)	5,518.38	1,404.01	8,860.38	6,723.69	4,238.45	1,543.33
Maturities (Ksh M)	3,504.05	576.50	650.75	3,603.60	3,964.95	293.25
Average interest Rate (%)	8.227	8.248	8.200	8.060	7.739	7.395
364-Day Treasury Bills						
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)	14,495.87	15,498.70	18,650.21	31,465.74	18,774.71	28,443.82
Amount Accepted (Ksh M)	13,181.28	11,456.58	4,668.38	12,290.15	4,124.73	11,530.06
Maturities (Ksh M)	20,211.35	5,332.05	16,272.80	7,689.40	6,883.75	25,463.50
Average interest Rate (%)	9.195	9.198	9.165	9.030	8.667	8.194

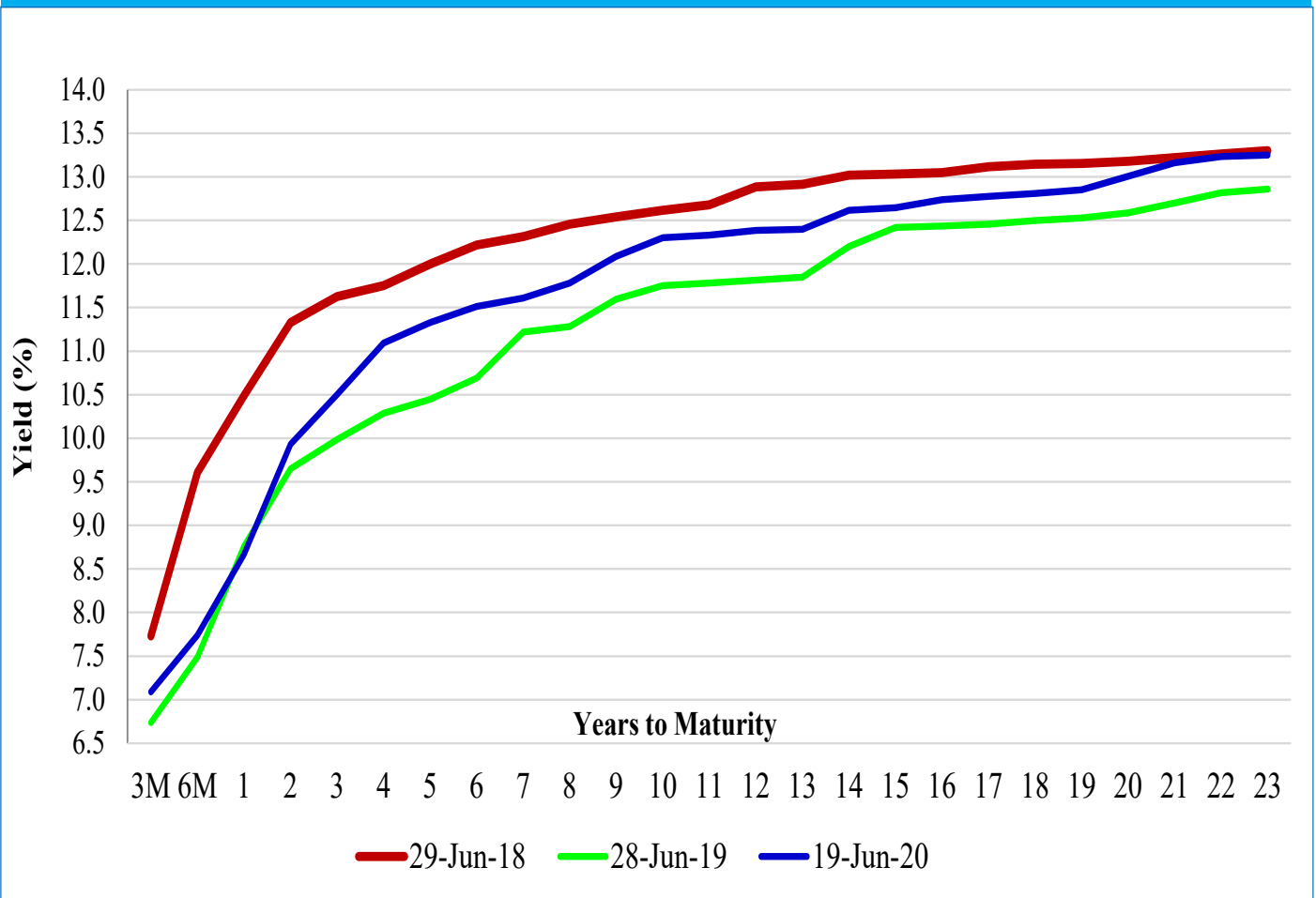
Source: Central Bank of Kenya

Table 5: Performance of Treasury Bonds Auctions

Date of Auction	8-Apr-20	22-Apr-20	6-May-20	20-May-20	27-May-20	17-Jun-20	
	TAP		REOPEN		REOPEN		REOPEN
Tenor	IFB1/2020/9	IFB1/2020/9	FXD1/2020/5	FXD1/2020/5	IFB1/2020/6	FXD3/2019/5	FXD4/2019/10
Amount offered (Ksh M)	60,000.00	21,000.00	50,000.00	30,000.00	25,600.00	40,000.00	
Bids received (Ksh M)	68,413.78	35,387.16	34,531.50	20,581.07	21,164.29	105,135.63	
Amount Accepted (Ksh M)	39,010.13	35,387.16	20,777.17	8,948.12	19,275.46	16,527.35	32,795.89
Maturities (Ksh M)	0.00	0.00	0.00	0.00	20,226.65	0.00	
Average interest Rate (%)	12.05	12.05	11.67	11.75	11.60	11.19	12.42

Source: Central Bank of Kenya

Chart 2: Kenya Government Securities Yield Curve



Source: Nairobi Securities Exchange

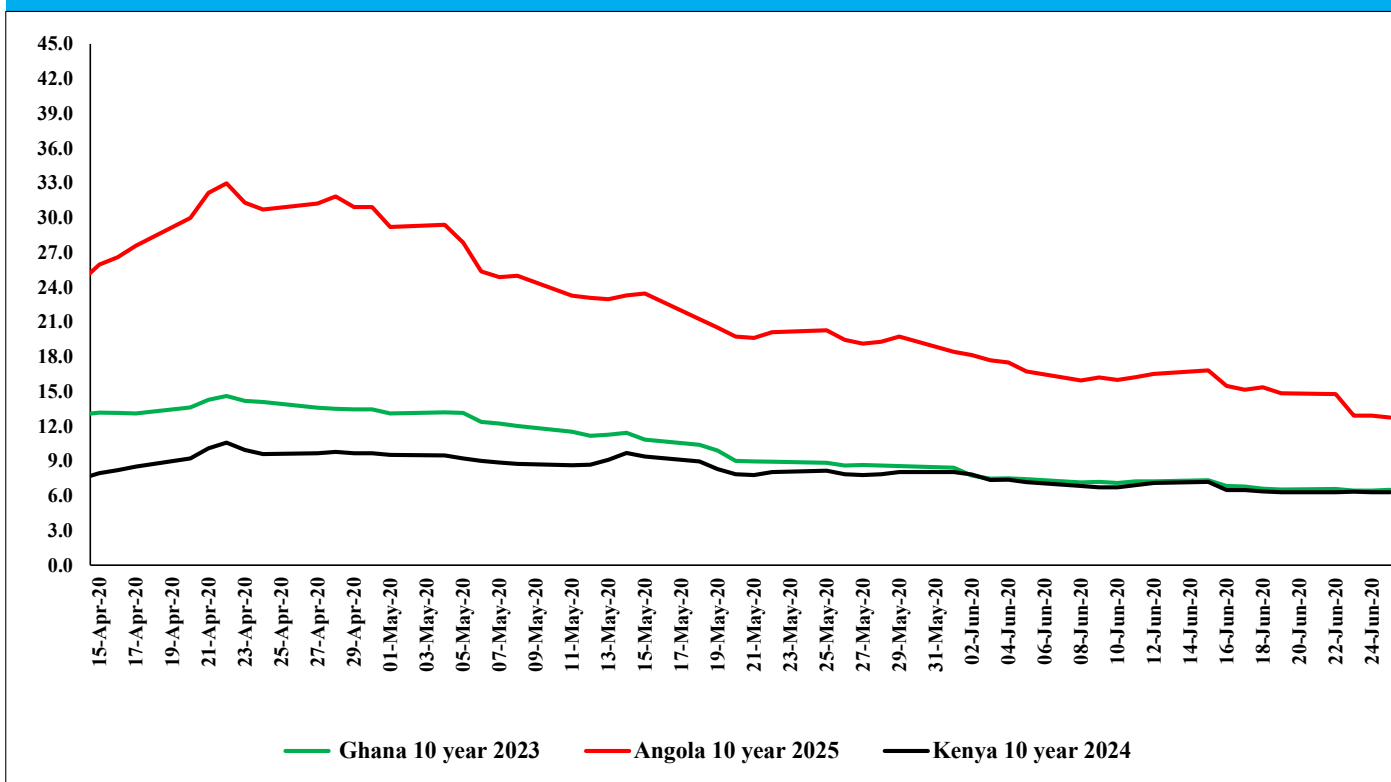
Table 6: Key Weekly Market Indicators

INDICATOR	NASI 100=2008	NSE 25 Share Index	NSE 20 Share Index 100=1996	Total Deals (Equi- ty)	Total Shares Traded (Mil- lion)	Equity Turnover (KSh Million)	Market Capital- ization (KSh Billion)	Bonds Turnover (KSh Million)	Eurobond Yield (%)				
									7-Year 2027	10-Year 2024	10-Year 2028	12-Year 2032	30-Year 2048
12-Jun-20	142.88	3285.90	2011.77	1,224	47.76	1,114.50	2,183.92	2,938.6	7.693	7.092	7.817	8.626	8.717
15-Jun-20	143.25	3300.18	2022.95	1,084	42.58	887.83	2,189.56	3,901.2	7.851	7.202	8.020	8.774	8.806
16-Jun-20	144.74	3327.14	2025.55	1,094	16.80	473.65	2,212.44	3,048.6	7.297	6.480	7.486	8.245	8.436
17-Jun-20	144.90	3340.23	2004.36	1,221	16.93	414.71	2,214.97	1,293.2	7.169	6.480	7.399	8.209	8.412
18-Jun-20	144.92	3344.27	1971.93	1,172	15.48	510.88	2,215.22	1,459.8	7.268	6.373	7.464	8.245	8.460
June 12-18	144.92	3344.27	1971.93	5,795	139.55	3,401.56	2,215.22	12,641.4	7.268	6.373	7.464	8.245	8.460
19-Jun-20	144.58	3332.27	1969.45	1,348	41.6	936.9	2,202.0	2,266.9	7.144	6.302	7.442	8.174	8.424
22-Jun-20	142.54	3298.34	1957.54	1,185	9.7	202.5	2,178.8	2,770.9	7.201	6.302	7.464	8.139	8.412
23-Jun-20	140.47	3269.51	1949.82	1,066	29.9	397.2	2,147.0	5,694.7	7.239	6.337	7.399	8.121	8.412
24-Jun-20	138.46	3241.78	1943.50	1,377	64.0	1,129.9	2,116.2	3,202.5	7.087	6.301	7.377	8.051	8.318
25-Jun-20	137.56	3235.27	1937.96	1,174	29.4	696.6	2,102.4	3,202.5	7.299	6.299	7.486	8.174	8.341
June 19-25	137.56	3235.27	1937.96	6,150	174.63	3,362.93	2,102.38	17,137.5	7.299	6.299	7.486	8.174	8.341
Weekly Changes (%)	-5.08	-3.26	-1.72	6.13	25.14	-1.14	-5.09	35.57	0.031*	-0.074*	0.022*	-0.071*	-0.119*

* Percentage points

Source: Nairobi Securities Exchange (NSE)

Chart 3: Yields on 10 year Eurobonds for Selected African Countries



Source: Thomson Reuters

Table 7: Government Domestic Debt (KSh Billion)

	28-Jun-19	30-Sep-19	31-Dec-19	31-Mar-20	05-Jun-20	12-Jun-20	19-Jun-20
1. Treasury Bills (Excluding Repos)	954.25	928.91	878.94	902.29	885.45	886.93	897.68
<i>(As % of total securities)</i>	35.31	33.68	30.80	30.15	28.69	28.72	28.97
2. Treasury Bonds	1,748.15	1,828.78	1,974.69	2,090.29	2,201.13	2,201.13	2,201.13
<i>(As % of total securities)</i>	64.69	66.32	69.20	69.85	71.31	71.28	71.03
3. Total Securities (1+2)	2,702.40	2,757.69	2,853.63	2,992.58	3,086.58	3,088.06	3,098.81
4. Overdraft at Central Bank	57.33	68.23	63.72	54.18	44.34	44.28	34.97
5. Other Domestic debt*	25.76	25.72	24.75	25.10	25.27	25.28	25.29
6. Gross Domestic Debt (3+4+5)	2,785.48	2,851.64	2,942.10	3,071.85	3,156.18	3,157.61	3,159.08

* 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 8: Composition of Government Domestic Debt by Instrument (Percent)

	28-Jun-19	30-Sep-19	31-Dec-19	31-Mar-20	5-Jun-20	12-Jun-20	19-Jun-20
Treasury bills (Excluding Repos)	34.26	32.57	29.87	29.37	28.05	28.08	28.97
Treasury bonds	62.76	64.13	67.12	68.05	69.73	69.70	69.08
CBK Overdraft to Government	2.06	2.39	2.17	1.76	1.40	1.40	1.13
Other domestic debt	0.92	0.90	0.84	0.82	0.82	0.82	0.82
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

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

	28-Jun-19	30-Sep-19	31-Dec-19	31-Mar-20	5-Jun-20	12-Jun-20	19-Jun-20
Banking Institutions	54.38	53.63	54.33	54.31	54.48	54.43	53.30
Insurance Companies	6.13	6.33	6.42	6.30	6.11	6.11	6.49
Parastatals	6.97	7.13	6.49	6.13	5.64	5.64	5.96
Pension funds	28.24	28.77	28.60	29.01	29.48	29.52	29.93
Other investors	4.28	4.13	4.17	4.25	4.29	4.30	4.33
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

Table 10: Indicators of Total Government Debt

	Jun-18	Jun-19	Sep-19	Dec-19	Jan-20	Feb-20	Mar-20
Domestic debt (KSh Billion)	2,478.84	2,785.48	2,851.64	2,942.10	3,003.70	3,040.96	3,071.85
Public & Publicly Guaranteed External debt (US \$ Billion)	25.34	29.55	29.95	30.66	30.95	30.87	30.69
Public & Publicly Guaranteed External debt (KSh Billion)	2,560.20	3,023.14	3,111.80	3,106.82	3,112.90	3,117.04	3,212.63
Total public debt (KSh Billion)	5,039.03	5,808.62	5,963.44	6,048.93	6,116.60	6,158.00	6,284.49

Source: National Treasury and Central Bank of Kenya