



Central Bank of Kenya

# Weekly Bulletin

July 5, 2019

## KEY MONETARY AND FINANCIAL INDICATORS

### Economic Growth

The economy recorded strong performance in the first quarter of 2019, despite delayed onset of rainfall. Real GDP grew by 5.6 percent compared to 6.0 percent in the previous quarter, mainly on account of strong performance of agricultural sector and resilient services sector, which grew by 5.3 percent and 6.3 percent, respectively (Chart 1).

### Exchange Rate

The Kenya Shilling remained stable against major international and regional currencies during the week ending July 4. It exchanged at KSh 102.29 per US Dollar on July 4, compared to KSh 102.17 on June 27 (Table 1).

### Foreign Exchange Reserves

The CBK usable foreign exchange reserves remained strong at USD 9,023 million (5.7 months of import cover) as at July 4. 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).

### Money Market

The money market was liquid during the week ending July 4, largely supported by government payments. Commercial banks' excess reserves stood at KSh 16.4 billion in relation to the 5.25 percent Cash Reserves Requirement (CRR). The average interbank rate declined to 2.20 percent on July 4 from 2.23 percent on June 27. The average number of interbank deals remained stable at 14, while the value traded increased to KSh 9.73 billion from KSh 6.82 billion in the previous week (Table 3).

### Government Securities Market

The Treasury bills auctions of July 4 received bids totaling KSh 31.9 billion against an advertised amount of KSh 24.0 billion, representing a performance of 133.3 percent. The 182-day Treasury bill attracted the highest bids with a performance of 250.2 percent. Interest rates on all Treasury bill tenures declined (Table 4).

### Equity Market

Trading activity at the NSE improved in the week ending July 4. The NASI, NSE 25 share index, market capitalization, total equity turnover and total shares traded rose by 0.51, 0.62, 0.51, 24.56 and 78.56 percent, respectively. However, the NSE 20 share index declined by 0.15 percent during the week (Table 6).

### Bonds Market

Trading activity on the domestic secondary bond market declined by 16.37 percent during the week ending July 4. In the international market, yields on Kenya's 7-year, 10-year (2024), 10-year (2028), 12-year and 30-year Eurobonds declined by 26.00, 29.80, 29.70, 27.70 and 23.00 basis points, respectively (Table 7). The yields on 10-year Eurobonds for Ghana and Angola also declined during the week (Chart 3).

### NSE Derivatives Market (NEXT)

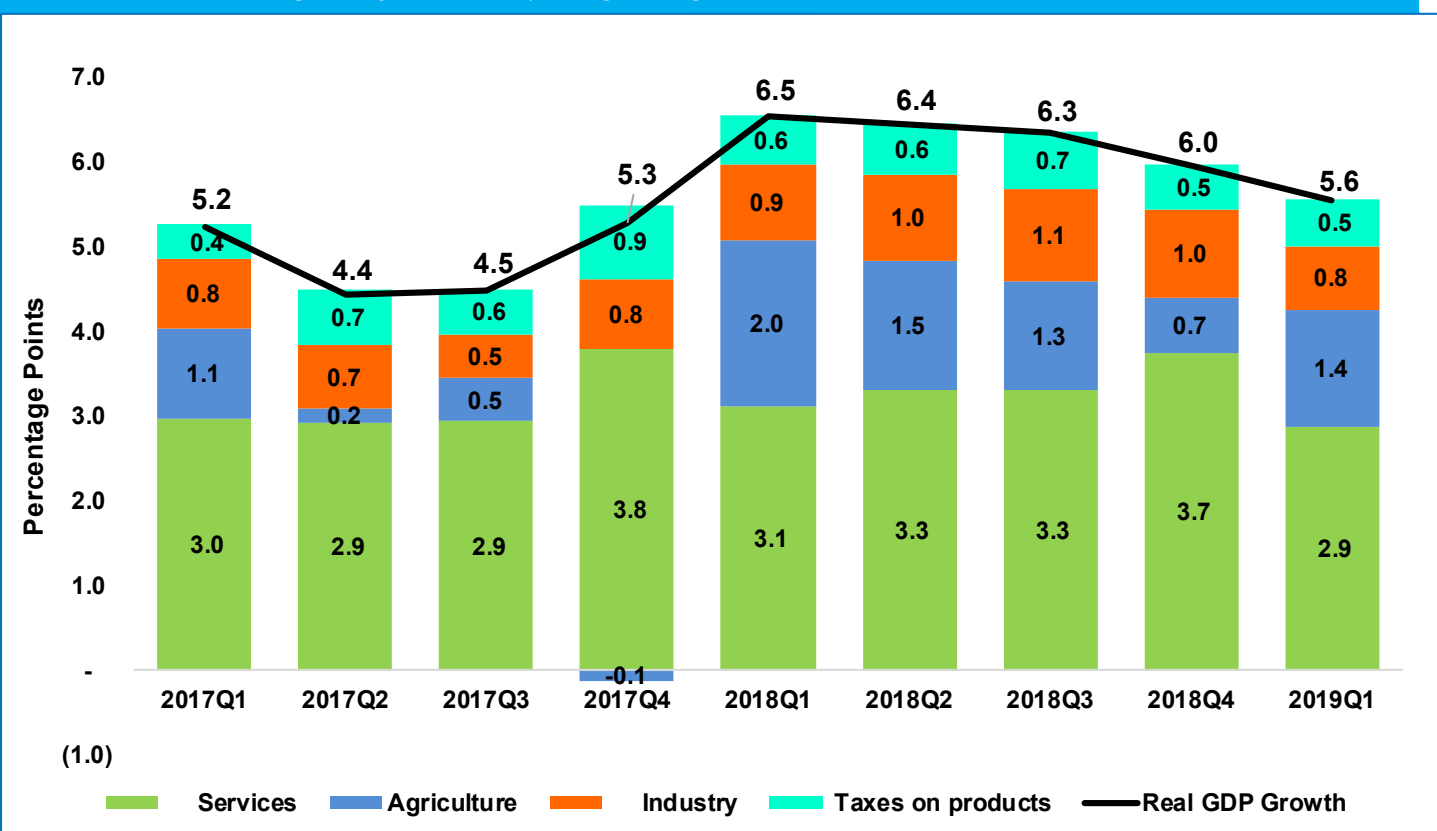
As part of deepening the capital markets, Nairobi Securities Exchange commenced trading of futures on the NSE Derivatives Market (NEXT) on July 4, with official launch slated for July 11, 2019. Index futures and single stock futures contracts are drawn on the NSE 25 Share Index and selected stocks to provide investors with risk management tools in the wake of unexpected volatility in asset prices. On July 4, a single stock futures contract each on Safaricom and EABL expiring in 77 days traded at KSh 28.9 and KSh 199.74, respectively.

### Global Trends

Global markets reacted positively after the US and Chinese Presidents agreed to resume trade talks and to hold off on new tariffs during their meeting on the sidelines of G-20 Summit in Japan. In addition, the nomination of members to the Board of Governors of the Federal Reserve System, who are inclined to looser monetary policy, as well as that of the current International Monetary Fund Managing Director Christine Lagarde as the head of the European Central Bank provided a boost to the markets.

International oil prices declined during the week due to weak oil demand prospects and an unsettled US-China trade row despite the OPEC's deal to extend the production cuts to 2020. Murban oil price decreased to US\$ 63.33 per barrel on July 4 from US\$ 65.32 per barrel on June 27.

**Chart 1: Contributions to Quarterly GDP Growth, 2017Q1-2019Q1**



Source: Kenya National Bureau of Statistics

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

|                       | USD           | Sterling Pound | Euro          | 100 Japanese Yen | USHS*        | TSHS*        | RWF*        | BIF*         |
|-----------------------|---------------|----------------|---------------|------------------|--------------|--------------|-------------|--------------|
| 21-Jun-19             | 101.87        | 129.28         | 115.08        | 95.09            | 36.22        | 22.58        | 8.94        | 18.03        |
| 24-Jun-19             | 101.88        | 129.13         | 115.34        | 94.81            | 36.17        | 22.58        | 8.94        | 18.03        |
| 25-Jun-19             | 102.19        | 129.92         | 116.26        | 95.11            | 36.35        | 22.51        | 8.92        | 17.97        |
| 26-Jun-19             | 101.91        | 129.67         | 116.01        | 95.30            | 36.16        | 22.57        | 8.94        | 18.02        |
| 27-Jun-19             | 102.17        | 129.64         | 116.07        | 94.92            | 36.31        | 22.50        | 8.92        | 17.98        |
| <b>June 21-27</b>     | <b>102.01</b> | <b>129.53</b>  | <b>115.75</b> | <b>95.05</b>     | <b>36.24</b> | <b>22.55</b> | <b>8.93</b> | <b>18.01</b> |
| 28-Jun-19             | 102.30        | 129.96         | 116.31        | 94.87            | 36.12        | 22.51        | 8.91        | 17.96        |
| 1-Jul-19              | 102.36        | 130.11         | 116.54        | 95.00            | 36.10        | 22.47        | 8.92        | 17.95        |
| 2-Jul-19              | 102.72        | 130.08         | 116.53        | 94.86            | 36.04        | 22.39        | 8.89        | 17.89        |
| 3-Jul-19              | 103.00        | 130.17         | 116.42        | 95.21            | 35.97        | 22.32        | 8.87        | 17.89        |
| 4-Jul-19              | 102.29        | 128.71         | 115.48        | 94.91            | 36.17        | 22.51        | 8.93        | 17.97        |
| <b>June 28-July 4</b> | <b>102.53</b> | <b>129.81</b>  | <b>116.25</b> | <b>94.97</b>     | <b>36.08</b> | <b>22.44</b> | <b>8.90</b> | <b>17.93</b> |

\* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

**Table 2: Official Usable Foreign Exchange Reserves**

|   | 30-May-19 | 06-Jun-19 | 13-Jun-19 | 20-Jun-19 | 27-Jun-19 | 04-Jul-19 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| 1. CBK Usable Foreign Exchange Reserves (USD Million)             | 10,062    | 10,065    | 10,083    | 9,153     | 9,131     | 9,023     |
| 2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)* | 6.40      | 6.40      | 6.41      | 5.82      | 5.81      | 5.74      |

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

Source: Central Bank of Kenya

**Table 3: Money Market**

| Date                   | Number of Deals | Value (KSh M) | Average Interbank Rate (%) |
|------------------------|-----------------|---------------|----------------------------|
| 21-Jun-19              | 22              | 12,670        | 2.78                       |
| 24-Jun-19              | 18              | 6,200         | 2.94                       |
| 25-Jun-19              | 13              | 4,400         | 2.71                       |
| 26-Jun-19              | 14              | 6,230         | 2.48                       |
| 27-Jun-19              | 9               | 4,600         | 2.23                       |
| <b>June 21- 27</b>     | <b>15</b>       | <b>6,820</b>  | <b>3.53</b>                |
| 28-Jun-19              | 12              | 13,500        | 1.94                       |
| 1-Jul-19               | 14              | 11,400        | 1.93                       |
| 2-Jul-19               | 15              | 9,005         | 1.86                       |
| 3-Jul-19               | 15              | 8,700         | 2.08                       |
| 4-Jul-19               | 12              | 6,050         | 2.20                       |
| <b>June 28- July 4</b> | <b>14</b>       | <b>9,731</b>  | <b>2.02</b>                |

Source :Central Bank of Kenya

**Table 4: Performance of Treasury Bills Auctions****91-Day Treasury Bills**

| Date of Auction                  | 28-Mar-19    | 25-Apr-19    | 30-May-19    | 27-Jun-19    | 04-Jul-19    |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Amount offered (Ksh M)           | 4,000.00     | 4,000.00     | 4,000.00     | 4,000.00     | 4,000.00     |
| Bids received (Ksh M)            | 6,693.92     | 7,454.68     | 2,334.49     | 4,143.64     | 2,151.49     |
| Amount Accepted (Ksh M)          | 966.23       | 7,454.68     | 2,334.39     | 4,142.56     | 2,149.72     |
| Maturities (Ksh M)               | 1,044.15     | 5,024.95     | 2,927.95     | 983.55       | 2,868.35     |
| <b>Average interest Rate (%)</b> | <b>7.500</b> | <b>7.298</b> | <b>6.995</b> | <b>6.738</b> | <b>6.685</b> |

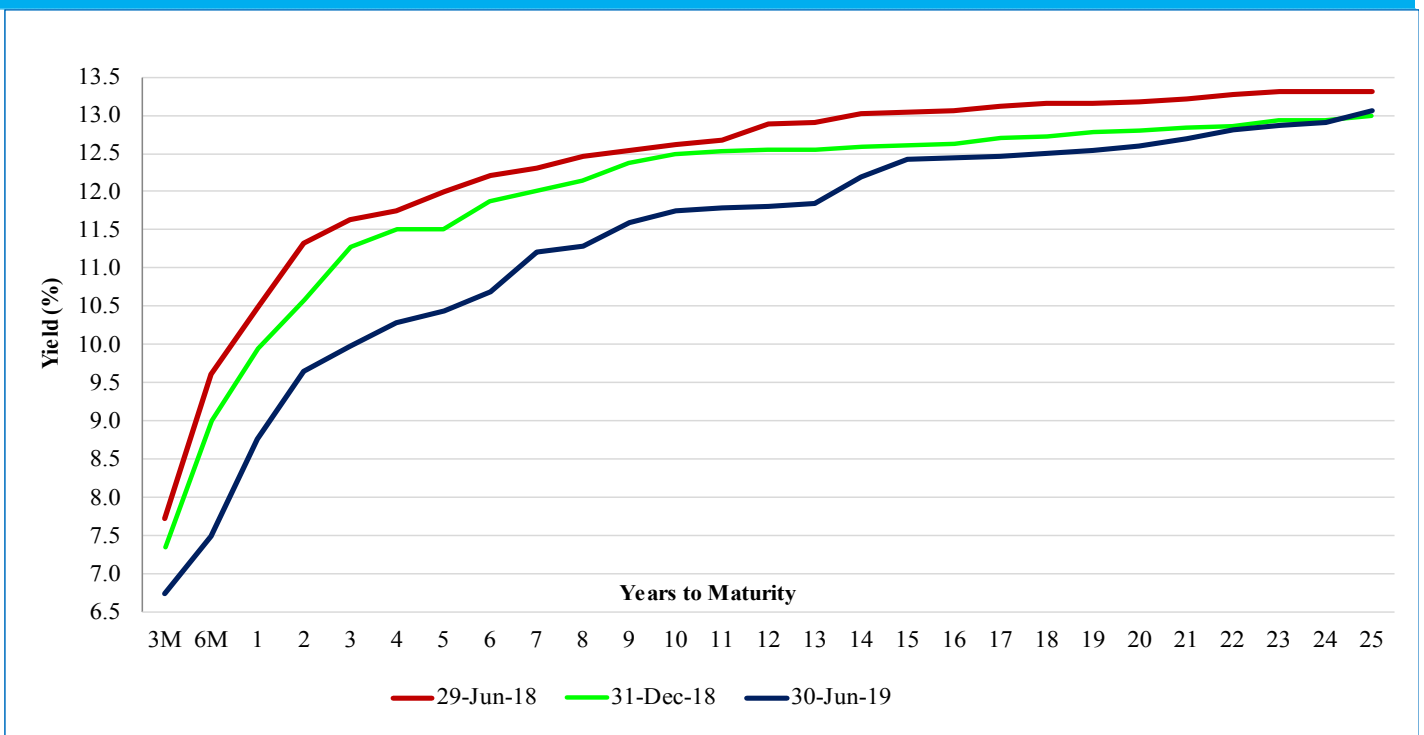
**182-Day Treasury Bills**

|                                  |              |              |              |              |              |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Amount offered (Ksh M)           | 10,000.00    | 10,000.00    | 10,000.00    | 10,000.00    | 10,000.00    |
| Bids received (Ksh M)            | 7,343.75     | 14,193.85    | 2,465.66     | 3,519.12     | 4,816.64     |
| Amount Accepted (Ksh M)          | 5,908.18     | 14,120.79    | 2,462.80     | 3,519.12     | 4,816.64     |
| Maturities (Ksh M)               | 5,245.70     | 3,129.85     | 4,516.50     | 2,696.35     | 3,453.20     |
| <b>Average interest Rate (%)</b> | <b>8.204</b> | <b>8.006</b> | <b>7.651</b> | <b>7.487</b> | <b>7.397</b> |

**364-Day Treasury Bills**

|                                  |              |              |              |              |              |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Amount offered (Ksh M)           | 10,000.00    | 10,000.00    | 10,000.00    | 10,000.00    | 10,000.00    |
| Bids received (Ksh M)            | 30,046.91    | 5,657.52     | 26,261.69    | 52,155.78    | 25,023.13    |
| Amount Accepted (Ksh M)          | 23,655.49    | 4,466.63     | 23,511.75    | 23,425.49    | 23,168.97    |
| Maturities (Ksh M)               | 6,923.80     | 10,080.10    | 9,351.95     | 19,230.40    | 23,305.50    |
| <b>Average interest Rate (%)</b> | <b>9.408</b> | <b>9.315</b> | <b>9.311</b> | <b>8.759</b> | <b>8.610</b> |

Source: Central Bank of Kenya

**Chart 2: Government Securities Yield Curve**

Source: Central Bank of Kenya

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

| Date of Auction           | 20-Mar-19     | 10-Apr-19     | 8-May-19       |              | 13-Jun-19      |               |                |
|---------------------------|---------------|---------------|----------------|--------------|----------------|---------------|----------------|
|                           |               |               |                |              | REOPEN         |               |                |
| Tenor                     | IFB 1/2019/25 | FXD 2/2019/10 | FXD 1/ 2019/20 | FXD 2/2019/5 | FXD 2/ 2019/15 | FXD 1/2012/15 | FXD 1/ 2018/15 |
| Amount offered (Ksh M)    | 50,000.00     | 50,000.00     |                | 50,000.00    |                | 40,000.00     |                |
| Bids received (Ksh M)     | 29,376.22     | 85,615.54     |                | 70,841.20    |                | 85,615.66     |                |
| Amount Accepted (Ksh M)   | 16,303.06     | 51,326.72     | 9,022.76       | 39,210.55    | 19,316.16      | 21,211.35     | 17,727.97      |
| Maturities (Ksh M)        | 0.00          | 0.00          | 0.00           | 0.00         | 0.00           | 0.00          | 0.00           |
| Average interest Rate (%) | 12.66         | 12.30         | 12.87          | 10.87        | 12.73          | 11.59         | 12.46          |

Source: Central Bank of Kenya

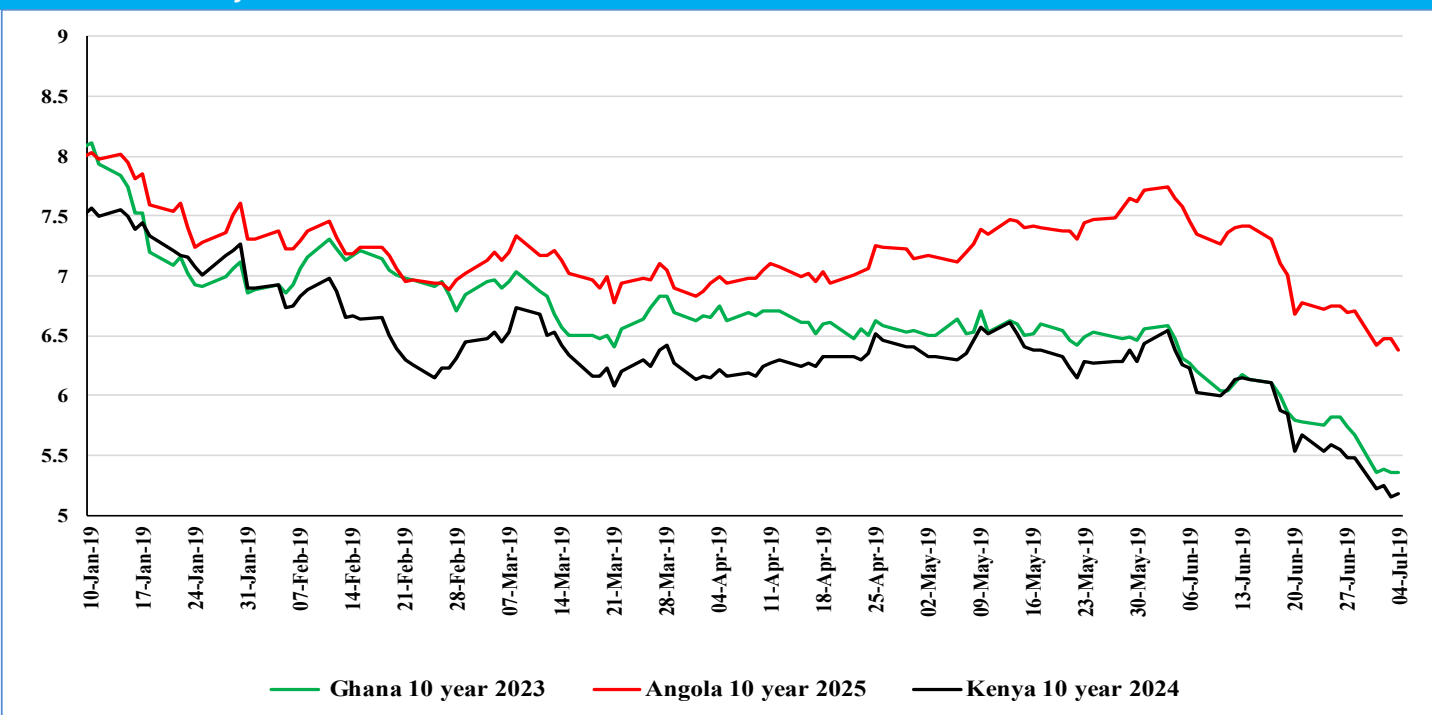
**Table 6: Key Weekly Market Indicators**

| INDICATOR                     | NASI<br>100=2008 | NSE 25<br>Share<br>Index | NSE 20<br>Share<br>Index<br>100=1996 | Total<br>Deals<br>(Equity) | Total<br>Shares<br>Traded<br>(Mil-<br>lion) | Equity<br>Turnover<br>(KSh<br>Million) | Market<br>Capital-<br>ization<br>(KSh<br>Billion) | Bonds<br>Turnover<br>(KSh<br>Million) | 5-Year<br>Euro-<br>bond<br>Yield<br>(%) | 7-Year<br>Euro-<br>bond<br>Yield<br>(%) | 10-Year<br>Euro-<br>bond<br>Yield<br>(%)-<br>2024 | 10-Year<br>Euro-<br>bond<br>Yield<br>(%)-<br>2028 | 12-<br>Year<br>Euro-<br>bond<br>Yield<br>(%) | 30-<br>Year<br>Euro-<br>bond<br>Yield<br>(%) |
|-------------------------------|------------------|--------------------------|--------------------------------------|----------------------------|---|--|---|---------------------------------------|---|---|---|---|--|--|
| 21-Jun-19                     | 147.35           | 3559.5                   | 2647.3                               | 782                        | 4.85  | 204.87                                 | 2,244.21  | 4,649.52                              | 6.564                                   | 5.679                                   | 6.923   | 7.532   | 8.068  | 8.470  |
| 24-Jun-19                     | 147.69           | 3566.1                   | 2639.2                               | 971                        | 9.10  | 273.04                                 | 2,249.39  | 3,046.61                              | 6.467                                   | 5.541                                   | 6.785   | 7.438   | 7.991  | 8.422  |
| 25-Jun-19                     | 148.41           | 3584.4                   | 2649.1                               | 934                        | 21.83                                       | 643.13                                 | 2,260.75  | 4,648.16                              | 6.504                                   | 5.597                                   | 6.850   | 7.470   | 8.017  | 8.470  |
| 26-Jun-19                     | <b>148.38</b>    | <b>3581.3</b>            | <b>2647.6</b>                        | <b>905</b>                 | <b>6.51</b>                                 | <b>178.06</b>                          | <b>2,260.08</b>                                   | <b>4,608.84</b>                       | 6.483                                   | 5.547                                   | 6.842   | 7.469   | 8.020  | 8.518  |
| 27-Jun-19                     | 148.34           | 3572.2                   | 2650.6                               | 827                        | 15.80                                       | 643.76                                 | 2,259.43  | 3,399.52                              | 6.406                                   | 5.482                                   | 6.777   | 7.421   | 7.976  | 8.572  |
| <b>June 21-27</b>             | <b>148.34</b>    | <b>3572.24</b>           | <b>2650.57</b>                       | <b>4,419.00</b>            | <b>58.09</b>                                | <b>1,942.87</b>                        | <b>2,259.43</b>                                   | <b>20,352.65</b>                      | <b>6.406</b>                            | <b>5.482</b>                            | <b>6.777</b>                                      | <b>7.421</b>                                      | <b>7.976</b>                                 | <b>8.572</b>                                 |
| 28-Jun-19                     | 149.61           | 3586.58                  | 2633.32                              | 1,050.00                   | 33.88                                       | 1,008.62                               | 2,278.90  | 5,399.69                              | 6.41                                    | 5.481                                   | 6.784   | 7.42  | 7.891  | 8.547  |
| 1-Jul-19                      | 150.01           | 3601.09                  | 2652.78                              | 881.00                     | 6.64  | 222.38                                 | 2,284.93  | 1,927.35                              | 6.13                                    | 5.229                                   | 6.447   | 7.06  | 7.712  | 8.530  |
| 2-Jul-19                      | 150.13           | 3604.73                  | 2653.09                              | 917.00                     | 19.79                                       | 375.95                                 | 2,286.80  | 2,955.26                              | 6.19                                    | 5.253                                   | 6.515   | 7.13  | 7.782  | 8.340  |
| 3-Jul-19                      | <b>150.11</b>    | <b>3606.06</b>           | <b>2650.75</b>                       | <b>899.00</b>              | <b>9.60</b>                                 | <b>260.36</b>                          | <b>2,286.67</b>                                   | <b>2,717.53</b>                       | 6.18                                    | 5.155                                   | 6.505   | 7.14  | 7.785  | 8.214  |
| 4-Jul-19                      | 149.09           | 3594.51                  | 2646.69                              | 933.00                     | 33.82                                       | 552.73                                 | 2,271.05  | 4,021.24                              | 6.15                                    | 5.184                                   | 6.480   | 7.14  | 7.746  | 7.981  |
| <b>June 28-<br/>July 1</b>    | <b>149.09</b>    | <b>3594.51</b>           | <b>2646.69</b>                       | <b>4,680.00</b>            | <b>103.73</b>                               | <b>2,420.05</b>                        | <b>2,271.05</b>                                   | <b>17,021.06</b>                      | <b>6.146</b>                            | <b>5.184</b>                            | <b>6.480</b>                                      | <b>7.144</b>                                      | <b>7.746</b>                                 | <b>7.981</b>                                 |
| <b>Weekly<br/>Changes (%)</b> | <b>0.51</b>      | <b>0.62</b>              | <b>-0.15</b>                         | <b>5.91</b>                | <b>78.56</b>                                | <b>24.56</b>                           | <b>0.51</b>                                       | <b>-16.37</b>                         | <b>-0.26*</b>                           | <b>-0.30*</b>                           | <b>-0.30*</b>                                     | <b>-0.28*</b>                                     | <b>-0.23*</b>                                | <b>-0.602*</b>                               |

\*Percentage points, \*\* Matures on June 24, 2019, thus closed from trading, \*\*\* Yields from Bloomberg

Source: Nairobi Securities Exchange, Thompson Reuters and Central Bank of Kenya

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



Source: Thomson Reuters

**Table 7: Government Domestic Debt (KSh Billion)**

|                                       | 28-Sep-18       | 28-Dec-18       | 29-Mar-19       | 26-Apr-19       | 31-May-19       | 28-Jun-19       |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1. Treasury Bills (Excluding Repos)   | 867.51          | 904.10          | 949.66          | 994.76          | 965.63          | 954.25          |
| <i>(As % of total securities)</i>     | <b>37.14</b>    | <b>36.90</b>    | <b>36.04</b>    | <b>37.01</b>    | <b>35.61</b>    | <b>35.31</b>    |
| 2. Treasury Bonds                     | 1,468.50        | 1,546.29        | 1,685.66        | 1,692.89        | 1,746.21        | 1,748.60        |
| <i>(As % of total securities)</i>     | <b>62.86</b>    | <b>63.10</b>    | <b>63.96</b>    | <b>62.99</b>    | <b>64.39</b>    | <b>64.69</b>    |
| 3. Total Securities (1+2)             | 2,336.00        | 2,450.39        | 2,635.31        | 2,687.65        | 2,711.84        | 2,702.85        |
| 4. Overdraft at Central Bank          | 36.29           | 45.86           | 36.90           | 14.44           | 35.97           | 57.33           |
| 5. Other Domestic debt*               | 168.54          | 31.61           | 26.88           | 26.88           | 31.45           | 25.28           |
| <b>6. Gross Domestic Debt (3+4+5)</b> | <b>2,540.83</b> | <b>2,527.86</b> | <b>2,699.09</b> | <b>2,728.97</b> | <b>2,779.26</b> | <b>2,785.46</b> |

\* 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-Sep-18     | 28-Dec-18     | 29-Mar-19     | 26-Apr-19     | 31-May-19     | 28-Jun-19     |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Treasury bills (Excluding Repos) | 34.14         | 35.77         | 35.12         | 36.45         | 34.74         | 34.26         |
| Treasury bonds                   | 57.80         | 61.17         | 62.34         | 62.03         | 62.83         | 62.78         |
| CBK Overdraft to Government      | 1.43          | 1.81          | 1.36          | 0.53          | 1.29          | 2.06          |
| Other domestic debt              | 6.63          | 1.25          | 1.18          | 0.99          | 1.13          | 0.91          |
| <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> |

Source: Central Bank of Kenya

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

|                      | 28-Dec-18     | 29-Mar-19     | 26-Apr-19     | 31-May-19     | 14-Jun-19     | 28-Jun-19     |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Banking Institutions | 54.53         | 54.88         | 52.50         | 54.22         | 54.32         | 54.37         |
| Insurance Companies  | 6.06          | 6.16          | 6.50          | 6.18          | 6.17          | 6.13          |
| Parastatals          | 7.25          | 7.10          | 7.11          | 7.08          | 7.06          | 6.98          |
| Pension funds        | 27.59         | 27.49         | 27.49         | 28.22         | 28.14         | 28.24         |
| Other investors      | 4.57          | 4.37          | 6.41          | 4.30          | 4.30          | 4.28          |
| <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> |

Source: Central Bank of Kenya

**Table 10: Indicators of Total Government Debt**

|  | Jun-18          | Sep-18          | Dec-18          | Jan-19          | Feb-19          | Mar-19          |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Domestic debt (KSh Billion)                                | 2,478.84        | 2,540.70        | 2,548.77        | 2,604.19        | 2,691.61        | 2,699.09        |
| Public & Publicly Guaranteed External debt (US \$ Billion) | 25.34           | 25.81           | 26.74           | 27.05           | 27.05           | 27.01           |
| Public & Publicly Guaranteed External debt (KSh Billion)   | 2,560.20        | 2,605.33        | 2,723.73        | 2,729.48        | 2,707.29        | 2,721.60        |
| <b>Total public debt (KSh Billion)</b>                     | <b>5,039.03</b> | <b>5,146.04</b> | <b>5,272.50</b> | <b>5,333.67</b> | <b>5,398.90</b> | <b>5,420.68</b> |

Source: National Treasury and Central Bank of Kenya