



Central Bank of Kenya

# Weekly Bulletin

January 04, 2019

## KEY MONETARY AND FINANCIAL INDICATORS

### Inflation

Overall inflation increased marginally to 5.7 percent in December 2018 from 5.6 percent in November, but remained within target, mainly driven by increases in food prices and transport costs witnessed during the festive season. However, fuel inflation declined to 13.8 percent from 14.3 percent in November in line with trends in energy prices (Chart 1).

### Economic Growth

The economy grew by 6.0 percent in the third quarter of 2018 compared to 4.7 percent in a similar quarter last year, on account of recovery in agricultural activities following favourable weather conditions and resilience of the services sector (Table 1).

### Exchange Rate

The Kenya Shilling remained stable against major international and regional currencies during the week ending January 3, 2019. The Shilling's value against the US Dollar moved to 102.1 on January 3, from 101.8 on December 27, 2018 (Table 2).

### Foreign Exchange Reserves

The CBK usable foreign exchange reserves remained strong at USD 7,969 million (5.2 months of imports cover) as at January 3. This fulfils the requirement to endeavor to maintain at least 4 months of imports cover, and the EAC region's convergence criteria of 4.5 months of imports cover (Table 3).

### Money Market

The money market was liquid during the week ending January 3, partly due to government payments and net redemption of government securities. Commercial banks' excess reserves stood at KSh 29.7 billion in relation to the 5.25 percent cash reserves requirements (CRR). The average interbank rate declined to 4.06 percent on January 3 from 7.05 percent on December 27. The average number of interbank deals decreased to 21 from 25 in the previous week, while the average interbank volumes traded also fell to KSh 12.1 billion from KSh 16.0 billion (Table 4).

### Government Securities Market

The Treasury bills auction of January 3 received bids totaling KSh 33.0 billion against an advertised amount of KSh 24.0 billion, representing a performance rate of 137.6 percent. The 364-day Treasury bill attracted bids amounting to KSh 24.4 billion. Interest rates on the 91-day and 182-day Treasury bills declined marginally, while that of 364-day Treasury bill rose slightly (Table 5).

### Equity Market

The equities market showed mixed performance during the week ending January 3. The NSE 25 and NSE 20 share price indices increased by 0.1 percent and 1.1 percent, respectively, while the NASI share price index declined by 0.1 percent. However, shares traded and equity turnover declined by 65.5 percent and 60.4 percent, respectively. Consequently, market capitalization declined marginally by 0.1 percent from KSh 2,108.8 billion to KSh 2,091.1 billion (Table 7).

### Bond Markets

In the bonds market segment, the turnover declined by 58.7 percent during the week ending January 3 (Table 6). Yields on Kenya's 5-year Eurobond declined, while yields for the 10-year (2024), 10-Year (2028) and 30-year Eurobonds increased (Table 7). Yields on 10-year Eurobond of Ghana increased during the week.

### Global Trends

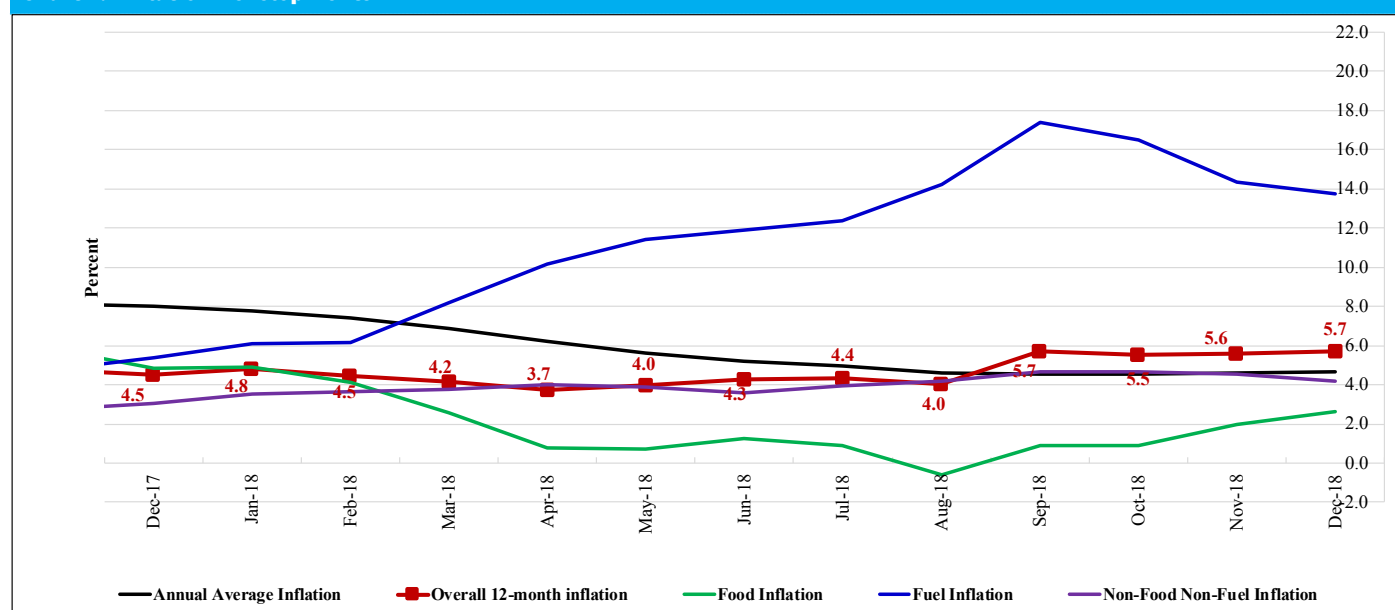
Significant volatility continued in global markets, as trade tensions and the partial shutdown in the federal government in the United States continued. Unexpected corporate news led to fears of slowing global growth.

The price of Murban crude oil increased slightly to USD 57.23 per barrel on January 4 from USD 53.93 per barrel on December 28. This remains far below the peak of USD 88.27 on October 4.

**Table 1: Real GDP Growth by Sector**

	Quarterly						
	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3
1. Agriculture	0.9	0.8	3.7	1.4	5.3	5.4	5.2
2. Non-Agriculture (o/w)	6.0	6.0	4.9	6.2	5.9	6.5	6.1
2.1 Industry	4.1	3.6	2.5	4.1	4.1	4.7	5.3
Mining & Quarrying	7.1	6.0	6.4	5.0	4.6	3.5	8.5
Manufacturing	1.3	-0.2	-0.1	-0.4	2.3	3.1	3.2
Construction	6.1	6.0	4.5	5.8	5.1	8.6	8.5
Electricity & water supply	8.3	9.5	5.6	10.9	7.2	6.1	6.8
2.2 Services	7.2	7.0	6.1	7.1	6.8	6.9	6.0
Wholesale & Retail Trade	4.3	5.6	6.7	6.5	6.2	7.7	6.8
Accommodation & restaurant	24.5	12.6	12.4	9.5	13.5	15.7	16.0
Transport & Storage	9.5	8.0	5.3	7.0	7.1	7.8	5.4
Information & Communication	12.5	10.8	10.7	10.1	12.0	12.6	9.1
Financial & Insurance	4.7	3.5	1.7	2.4	2.6	2.3	2.6
Public administration	4.6	5.3	5.0	6.1	4.6	5.8	6.6
Professional, Administration & Support Services	4.2	5.6	2.4	4.0	4.4	5.4	4.5
Real estate	6.1	6.0	6.1	6.3	6.8	6.6	5.8
Education	5.7	6.0	5.7	6.8	6.8	6.3	6.0
Health	4.0	6.8	6.4	6.3	6.1	6.1	5.1
Other services	6.6	5.2	4.5	3.7	2.4	2.5	2.8
FISIM	-1.5	-6.4	-3.8	-7.9	-0.4	1.5	3.5
2.3 Taxes on products	4.6	6.1	4.0	6.1	5.4	7.8	7.9
<b>Real GDP Growth</b>	<b>4.7</b>	<b>4.7</b>	<b>4.7</b>	<b>5.4</b>	<b>5.8</b>	<b>6.2</b>	<b>6.0</b>

Source :Kenya National Bureau of Statistics

**Chart 1: Inflation Developments**

Source :Kenya National Bureau of Statistics

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

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
21-Dec-18	101.42	128.47	116.20	91.01	36.40	22.66	8.80	17.62
24-Dec-18	101.85	128.83	116.22	91.77	36.28	22.58	8.77	17.72
25-Dec-18	HOLIDAY							
26-Dec-18	HOLIDAY							
27-Dec-18	101.82	128.82	116.05	91.64	36.41	22.59	8.77	17.60
<b>December 21-27, 2018</b>	<b>101.70</b>	<b>128.70</b>	<b>116.16</b>	<b>91.48</b>	<b>36.36</b>	<b>22.61</b>	<b>8.78</b>	<b>17.64</b>
28-Dec-18	101.81	128.66	115.91	91.87	36.49	22.58	8.77	17.61
31-Jan-19	101.85	129.02	116.45	92.27	36.46	22.58	8.77	17.60
1-Jan-19	HOLIDAY							
2-Jan-19	101.83	129.46	116.41	92.51	36.43	22.59	8.77	17.61
3-Jan-19	102.12	128.78	116.17	93.47	36.38	22.52	8.75	17.56
<b>December 28-January 3, 2019</b>	<b>101.90</b>	<b>128.98</b>	<b>116.24</b>	<b>92.53</b>	<b>36.44</b>	<b>22.57</b>	<b>8.77</b>	<b>17.59</b>

\* Units of currency per Kenya Shilling

Source :Central Bank of Kenya

**Table 3: Official Usable Foreign Exchange Reserves**

	29-Nov-18	06-Dec-18	13-Dec-18	20-Dec-18	27-Dec-18	3-Jan-19
1. CBK Usable Foreign Exchange Reserves (USD Million)	8,039	7,965	7,980	8,005	8,001	7,969
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	5.32	5.27	5.23	5.25	5.24	5.22

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

Source: Central Bank of Kenya

**Table 4: Money Market**

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
21-Dec-18	31	20,975	6.63
24-Dec-18	23	15,780	6.60
25-Dec-18	HOLIDAY		
26-Dec-18	HOLIDAY		
27-Dec-18	22	11,250	7.05
<b>December 21-27, 2018</b>	<b>25</b>	<b>16,002</b>	<b>6.76</b>
28-Dec-18	18	8,050	6.46
31-Dec-18	19	6,040	6.73
1-Jan-19	HOLIDAY		
2-Jan-19	23	19,925	4.86
3-Jan-19	23	14,450	4.06
<b>December 28-January 3, 2019</b>	<b>21</b>	<b>12,116</b>	<b>5.53</b>

Source :Central Bank of Kenya

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

Date of Auction	13-Dec-18	20-Dec-18	27-Dec-18	03-Jan-19
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	931.54	2,805.55	1,022.73	1,262.91
Amount Accepted (Ksh M)	931.54	2,805.55	1,022.73	1,262.62
Maturities (Ksh M)	7,445.80	5,541.25	5,135.05	3,982.15
<b>Average interest Rate (%)</b>	<b>7.35</b>	<b>7.34</b>	<b>7.34</b>	<b>7.32</b>

**182-Day Treasury Bills**

Date of Auction	13-Dec-18	20-Dec-18	27-Dec-18	03-Jan-19
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	1,606.83	7,030.64	5,419.17	7,325.98
Amount Accepted (Ksh M)	1,606.83	4,165.64	2,550.75	3,310.29
Maturities (Ksh M)	4,145.80	17,895.35	6,004.40	3,060.85
<b>Average interest Rate (%)</b>	<b>8.24</b>	<b>8.26</b>	<b>9.00</b>	<b>9.00</b>

**364-Day Treasury Bills**

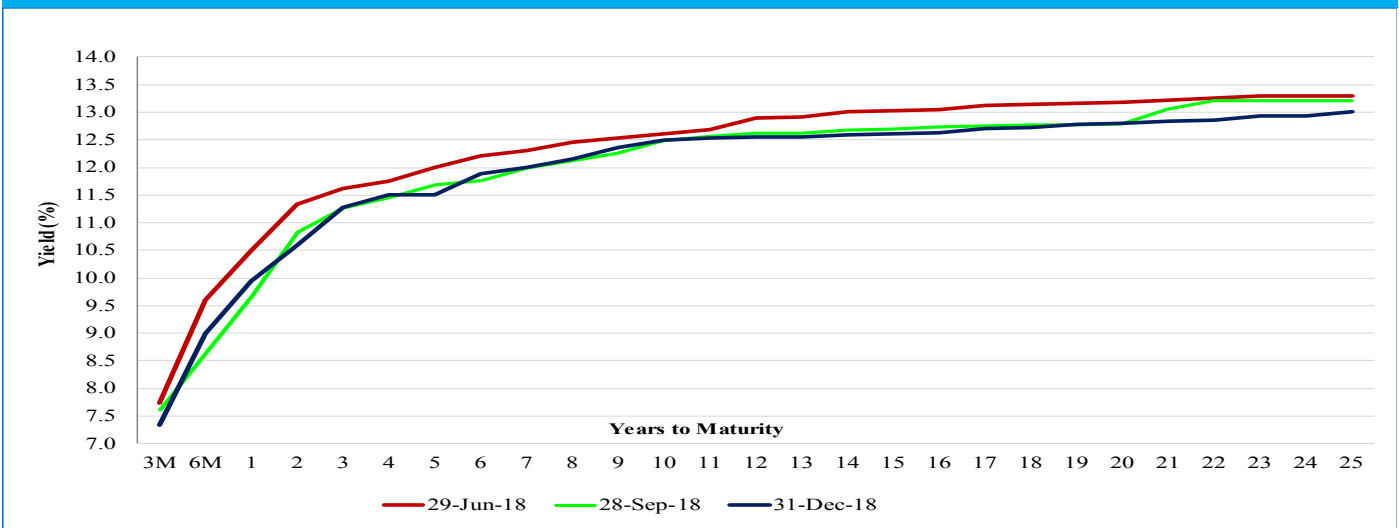
Date of Auction	13-Dec-18	20-Dec-18	27-Dec-18	03-Jan-19
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	3,167.72	12,689.08	9,166.14	24,433.85
Amount Accepted (Ksh M)	2,885.06	12,689.08	7,349.57	11,830.94
Maturities (Ksh M)	8,812.40	10,665.25	5,336.65	5,824.80
<b>Average interest Rate (%)</b>	<b>9.59</b>	<b>9.74</b>	<b>9.95</b>	<b>10.01</b>

Source: Central Bank of Kenya

**Table 6: Performance of Treasury Bonds Auctions**

Date of Auction	17-Oct-18	31-Oct-18	14-Nov-18	28-Nov-18	13-Dec-18	27-Dec-18
	TAP				REOPEN	
Tenor	FXD2/2018/15	FXD2/2018/15	IFB1/2018/20	IFB1/2018/20	FXD2/2018/10	FXD2/2018/10
Amount offered (Ksh M)	40,000.00	32,000.00	50,000.00	22,410.00	40,000.00	13,840.00
Bids received (Ksh M)	27,045.43	25,375.61	40,393.25	8,726.50	28,860.50	6,623.89
Amount Accepted (Ksh M)	7,854.06	21,261.94	27,588.43	8,726.50	26,158.96	6,623.89
Maturities (Ksh M)	0.00	0.00	0.00	0.00	0.00	0.00
Average interest Rate (%)	12.75	12.73	12.16	12.16	12.50	12.50

Source: Central Bank of Kenya

**Chart 2: Kenya Government Securities Yield Curve**

Source: Nairobi Securities Exchange

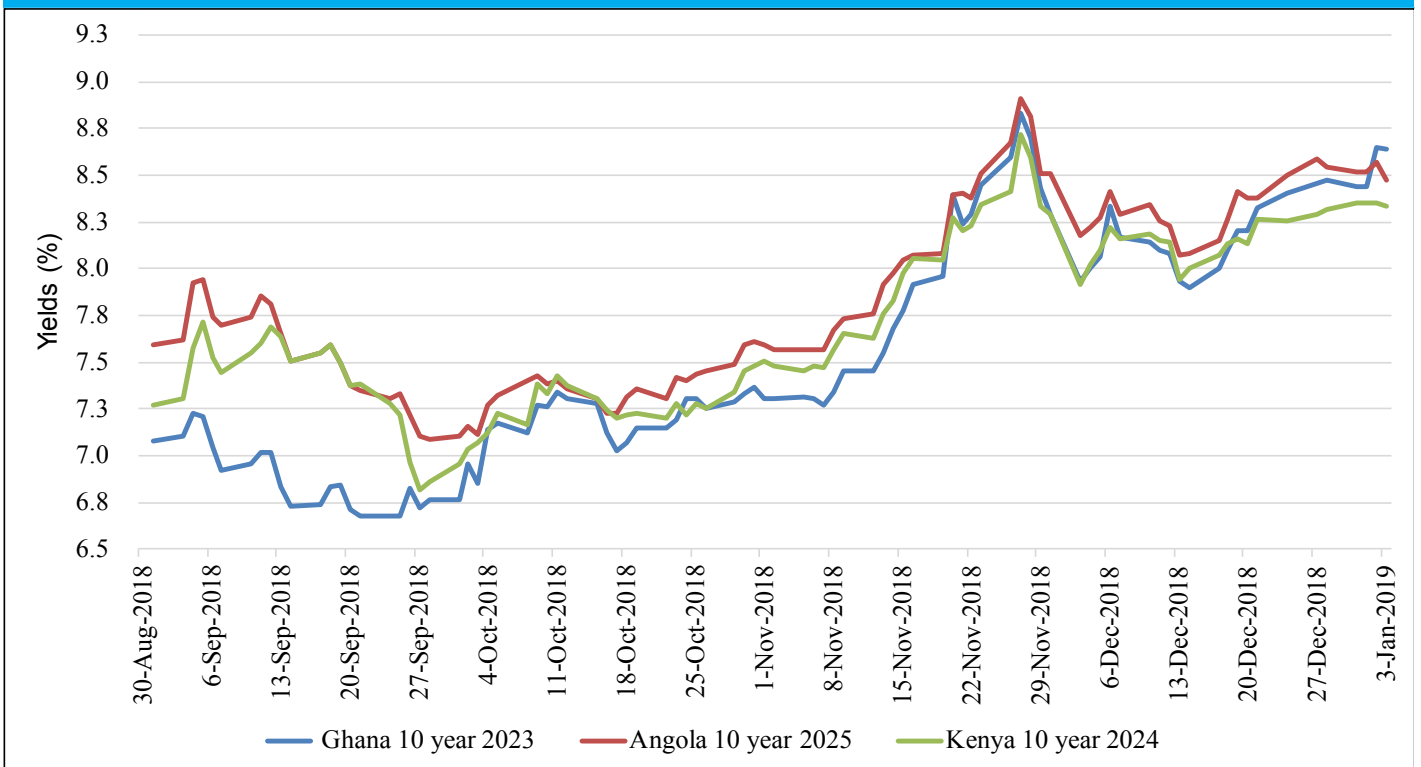
**Table 7: Key Weekly Market Indicators**

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 Eurobond Yield (%)
21-Dec-18	138.95	3497.74	2755.00	961.00	21.92	390.18	2079.81	1747.62	5.872	8.268	8.950	9.738
24-Dec-18	140.87	3542.46	2796.72	697.00	7.66	130.31	2108.80	249.09	6.134	8.256	8.994	9.756
25-Dec-18	PUBLIC HOLIDAY											
26-Dec-18	PUBLIC HOLIDAY											
27-Dec-18	140.83	3546.77	2793.28	664.00	10.67	188.16	2108.03	573.88	5.827	8.288	8.944	9.828
<b>Dec 21-27, 2018</b>	<b>140.83</b>	<b>3546.77</b>	<b>2793.28</b>	<b>2322.00</b>	<b>40.24</b>	<b>708.66</b>	<b>2108.03</b>	<b>2570.59</b>	<b>5.83</b>	<b>8.29</b>	<b>8.94</b>	<b>9.83</b>
<b>Weekly Change(%)</b>	<b>0.72</b>	<b>0.80</b>	<b>0.47</b>	<b>-56.26</b>	<b>-68.00</b>	<b>-73.84</b>	<b>0.72</b>	<b>-61.2</b>	<b>0.16*</b>	<b>0.15*</b>	<b>0.13*</b>	<b>0.13*</b>
28-Dec-18	142.00	3579.32	2800.95	689.00	5.11	107.37	2125.57	142.36	5.82	8.32	9.03	9.75
31-Dec-18	140.43	3551.59	2833.84	992.00	8.94	352.63	2102.02	934.76	5.87	8.35	9.00	9.75
1-Jan-19	PUBLIC HOLIDAY											
2-Jan-19	140.20	3532.03	2822.78	844.00	7.01	129.99	2098.56	571.73	5.76	8.36	9.08	9.87
3-Jan-19	139.71	3521.10	2810.15	1037.00	22.27	483.64	2091.12	1088.24	5.75	8.33	9.06	9.86
<b>Dec 28, 2018-Jan 3, 2019</b>	<b>139.71</b>	<b>3521.10</b>	<b>2810.15</b>	<b>3562.00</b>	<b>43.34</b>	<b>1073.63</b>	<b>2091.12</b>	<b>2737.10</b>	<b>5.75</b>	<b>8.37</b>	<b>9.09</b>	<b>9.86</b>
<b>Weekly Change(%)</b>	<b>-0.08</b>	<b>0.07</b>	<b>1.08</b>	<b>-32.91</b>	<b>-65.53</b>	<b>-60.37</b>	<b>-0.08</b>	<b>-58.67</b>	<b>(0.08)*</b>	<b>0.08*</b>	<b>0.14*</b>	<b>0.04*</b>

\* Percentage points

Source: Central Bank of Kenya, NSE and Thompson Reuters

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



Source: Thomson Reuters

**Table 8: Government Domestic Debt (KSh Billion)**

	28-Sep-18	26-Oct-18	30-Nov-18	07-Dec-18	14-Dec-18	21-Dec-18	28-Dec-18
1. Treasury Bills (Excluding Repos)	867.51	952.56	950.13	943.46	931.76	917.12	904.10
<i>(As % of total securities)</i>	<b>37.14</b>	<b>38.41</b>	<b>38.21</b>	<b>37.90</b>	<b>37.61</b>	<b>37.23</b>	<b>36.90</b>
2. Treasury Bonds	1,468.50	1,527.62	1,536.79	1,545.63	1,545.63	1,546.29	1,546.29
<i>(As % of total securities)</i>	<b>62.86</b>	<b>61.59</b>	<b>61.79</b>	<b>62.10</b>	<b>62.39</b>	<b>62.77</b>	<b>63.10</b>
3. Total Securities (1+2)	2,336.00	2,480.18	2,486.91	2,489.09	2,477.38	2,463.41	2,450.39
4. Overdraft at Central Bank	36.29	23.44	44.89	42.17	44.27	45.86	45.86
5. Other Domestic debt*	168.54	31.56	31.53	31.53	31.62	31.61	31.61
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>2,540.83</b>	<b>2,535.18</b>	<b>2,563.34</b>	<b>2,562.78</b>	<b>2,553.27</b>	<b>2,540.88</b>	<b>2,527.86</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 9: Composition of Government Domestic Debt by Instrument (Percent)**

	28-Sep-18	26-Oct-18	30-Nov-18	07-Dec-18	14-Dec-18	21-Dec-18	28-Dec-18
Treasury bills (Excluding Repos)	34.14	37.57	37.07	36.81	36.49	36.09	35.77
Treasury bonds	57.80	60.26	59.95	60.31	60.54	60.86	61.17
CBK Overdraft to Government	1.43	0.92	1.75	1.65	1.73	1.81	1.81
Other domestic debt	6.63	1.24	1.23	1.23	1.24	1.24	1.25
<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: Composition of Government Domestic Debt by Holder (Percent)**

	28-Sep-18	26-Oct-18	30-Nov-18	07-Dec-18	14-Dec-18	21-Dec-18	28-Dec-18
Banking Institutions	54.97	54.74	54.83	54.65	54.48	54.18	54.53
Insurance Companies	6.07	6.09	5.95	5.96	5.99	6.02	6.06
Parastatals	7.32	7.50	7.54	7.43	7.46	7.35	7.25
Pension funds	27.12	27.15	27.16	27.41	27.51	27.88	27.59
Other investors	4.52	4.52	4.52	4.55	4.56	4.56	4.57
<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 11: Indicators of Total Government Debt**

	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Jun-18	Sep-18
Domestic debt (KSh Billion)	2,111.71	2,172.84	2,220.35	2,371.65	2,478.84	2,478.84	2,540.70
Public & Publicly Guaranteed External debt (US \$ Billion)	22.12	22.38	22.76	24.91	25.34	25.34	25.81
Public & Publicly Guaranteed External debt (KSh Billion)	2,294.40	2,310.20	2,349.28	2,512.43	2,560.20	2,560.20	2,605.33
<b>Total public debt (KSh Billion)</b>	<b>4,406.11</b>	<b>4,483.03</b>	<b>4,569.63</b>	<b>4,884.08</b>	<b>5,039.03</b>	<b>5,039.03</b>	<b>5,146.04</b>

Source: National Treasury and Central Bank of Kenya