



Central Bank of Kenya

# Weekly Bulletin

January 31, 2020

## KEY MONETARY AND FINANCIAL INDICATORS

### Monetary Policy Committee Meeting

The Monetary Policy Committee (MPC) met on January 27 and lowered the Central Bank Rate to 8.25 percent from 8.50 percent. The MPC noted that inflation expectations remained well anchored within the target range, that the economy continued to operate below its potential level, and the fiscal consolidation was on track. The Committee assessed that the effects of the lowering of the CBR in November 2019 continued to be transmitted in the economy, while observing that there was room for further accommodative monetary policy to support economic activity.

### Inflation

Inflation remained stable within the medium term target band in January 2020 and stood at 5.78 percent. Inflation continues to be driven by prices of a few food items including maize and maize related products, tomatoes and onions. Fuel inflation and Non-Food Non-Fuel inflation remained low and stable (Chart 1).

### Exchange Rate

The Kenya Shilling remained stable against major international and regional currencies during the week ending January 30. It exchanged at KSh 100.75 per US Dollar on January 30, compared to KSh 100.87 on January 23 (Table 1).

### Foreign Exchange Reserves

The CBK usable foreign exchange reserves remained adequate at USD 8,500 million (5.20 months of import cover) as at January 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 2).

### Money Market

The money market was relatively liquid during the week ending January 30, supported by government payments. Open market operations remained active. Commercial banks' excess reserves stood at KSh 23.4 billion in relation to the 5.25 percent cash reserves requirement (CRR). The average interbank rate increased to 4.44 percent on January 30 from 3.86 percent on January 23. The average

number of interbank deals per day increased to 34 from 21 in the previous week while the value traded increased to KSh 17.9 billion from KSh 12.7 billion in the previous week (Table 3).

### Government Securities Market

The Treasury bills auctions of January 30 received bids totaling KSh 32.6 billion against an advertised amount of KSh 24.0 billion, representing a performance of 135.9 percent. Interest rates on all Treasury bills tenors remained stable (Table 4).

### Equity Market

Key indicators at the Nairobi securities exchange declined marginally during the week ending January 30. The NASI, NSE 25 and NSE 20 share price indices decreased by 1.9 percent, 1.5 percent and 1.5 percent, respectively. Similarly, market capitalization declined by 1.9 percent (Table 6).

### Bond Market

Turnover of bonds traded in the domestic secondary market declined by 22.1 percent during the week ending January 30 (Table 6). In the international market, yields on Kenya's 7-year (2027), 10-year (2024), 10-year (2028), 12-year (2032) and 30-year (2048) Eurobonds increased by 13, 5.3, 10.3, 9 and 6.4 basis points, respectively. Yield on the 10-year Eurobond for Angola also increased, while that of Ghana declined (Chart 2).

### Global Trends

Global financial markets remained calm during the week despite continued concerns about the coronavirus outbreak in China. The European Parliament on January 29 approved the UK's withdrawal agreement paving way for Britain to formally leave the European Union on January 31. The Federal Reserve left its policy rate unchanged on continued signs of a strong economy.

International oil prices continued their downward trend during the week on fears that the spread of coronavirus would depress oil demand. Murban oil price declined to USD 59.77 per barrel on January 30 from USD 64.53 per barrel on January 23.

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

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
17-Jan-20	100.97	131.88	112.69	91.63	36.40	22.83	9.40	18.63
20-Jan-20	100.95	131.76	112.09	91.62	36.41	22.81	9.40	18.64
21-Jan-20	101.10	131.44	112.02	91.75	36.33	22.81	9.39	18.61
22-Jan-20	101.03	132.02	112.22	91.81	36.40	22.83	9.40	18.63
23-Jan-20	100.87	132.37	111.83	92.05	36.46	22.87	9.41	18.65
<b>Jan 17-23</b>	<b>100.98</b>	<b>131.89</b>	<b>112.17</b>	<b>91.77</b>	<b>36.40</b>	<b>22.83</b>	<b>9.40</b>	<b>18.63</b>
24-Jan-20	100.86	132.39	111.87	92.08	36.46	22.87	9.41	18.66
27-Jan-20	100.88	132.06	111.35	92.48	36.45	22.85	9.41	18.65
28-Jan-20	100.87	131.86	111.30	92.54	36.47	22.85	9.41	18.66
29-Jan-20	100.87	131.26	111.05	92.42	36.48	22.90	9.42	18.65
30-Jan-20	100.75	130.95	110.80	92.31	36.53	22.90	9.43	18.68
<b>Jan 24-30</b>	<b>100.84</b>	<b>131.70</b>	<b>111.27</b>	<b>92.37</b>	<b>36.48</b>	<b>22.87</b>	<b>9.42</b>	<b>18.66</b>

\* Units of currency per Kenya Shilling

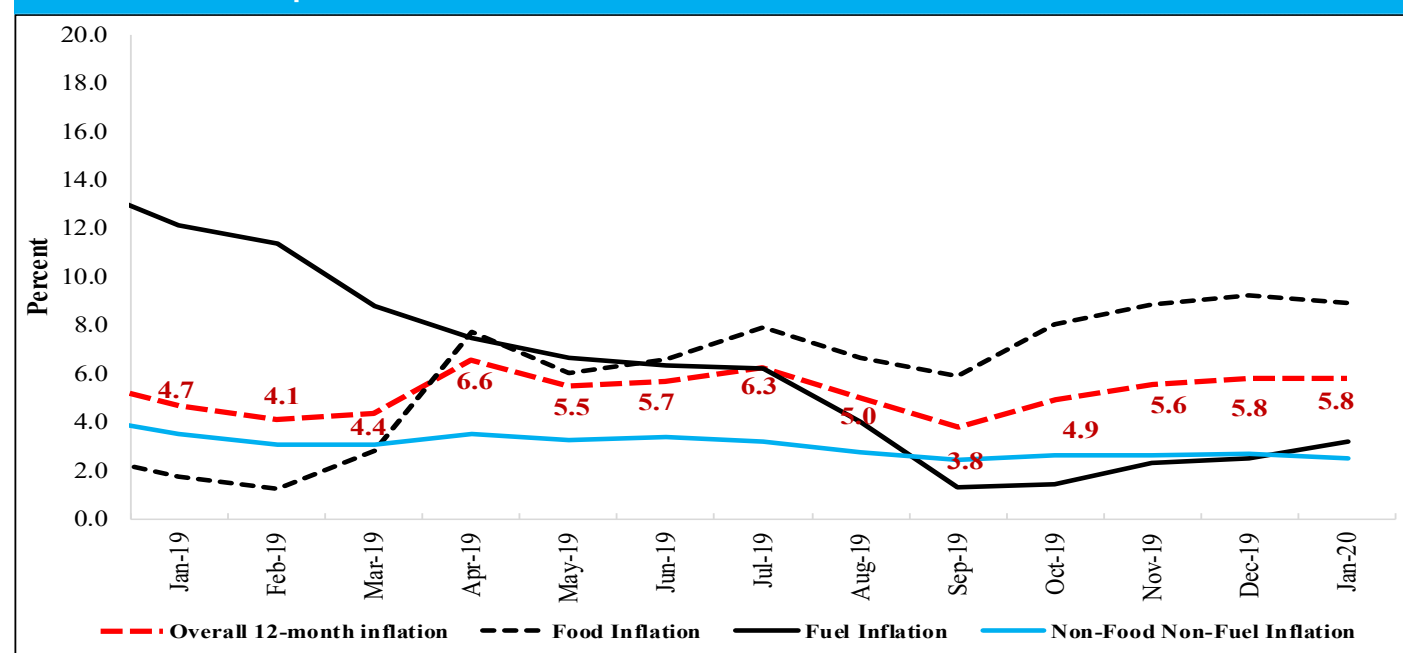
Source: Central Bank of Kenya

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

	24-Dec-19	02-Jan-20	09-Jan-20	16-Jan-20	23-Jan-20	30-Jan-20
1. CBK Usable Foreign Exchange Reserves (USD Million)	8,848	8,758	8,543	8,496	8,500	8,500
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	5.44	5.39	5.26	5.20	5.20	5.20

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

Source: Central Bank of Kenya

**Chart 1 : Inflation Developments**

Source: Central Bank of Kenya

**Table 3: Money Market**

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
17-Jan-20	17	10,850.00	3.79
20-Jan-20	19	9,200.00	3.79
21-Jan-20	20	12,800.00	3.87
22-Jan-20	21	12,650.00	3.84
23-Jan-20	26	18,050.00	3.86
<b>January 17-23, 2020</b>	<b>21</b>	<b>12,710.00</b>	<b>3.83</b>
24-Jan-20	32	18,110.00	4.01
27-Jan-20	32	15,385.00	4.26
28-Jan-20	34	16,080.00	4.37
29-Jan-20	38	19,850.00	4.43
30-Jan-20	36	20,130.00	4.44
<b>January 24-30, 2020</b>	<b>34</b>	<b>17,911.00</b>	<b>4.30</b>

Source :Central Bank of Kenya

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

Date of Auction	31-Oct-19	28-Nov-19	24-Dec-19	23-Jan-20	30-Jan-20
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	6,813.64	936.76	346.43	4,313.17	4,577.73
Amount Accepted (Ksh M)	6,813.64	445.55	346.43	3,329.47	4,559.95
Maturities (Ksh M)	8,338.70	5,395.25	3,345.20	545.90	6,914.70
Average interest Rate (%)	<b>6.390</b>	<b>7.162</b>	<b>7.200</b>	<b>7.279</b>	<b>7.296</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)	4,612.98	1,055.83	282.08	8,978.98	6,222.88
Amount Accepted (Ksh M)	4,133.29	553.85	282.08	5,136.86	6,054.82
Maturities (Ksh M)	1,236.45	2,540.45	3,647.65	2,816.00	3,976.15
Average interest Rate (%)	<b>7.189</b>	<b>8.204</b>	<b>8.150</b>	<b>8.212</b>	<b>8.229</b>

**364-Day Treasury Bills**

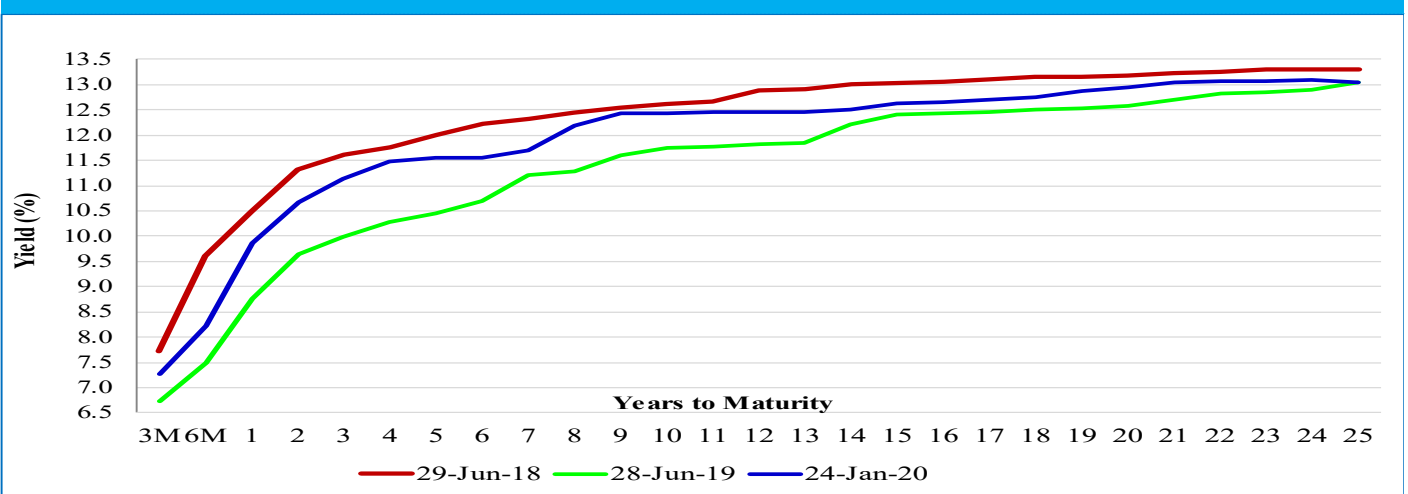
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	16,004.60	6,361.04	3,453.15	21,713.45	21,823.45
Amount Accepted (Ksh M)	12,781.75	3,990.96	3,453.15	18,477.77	20,387.38
Maturities (Ksh M)	15,795.65	2,853.15	8,060.45	20,247.70	24,053.65
Average interest Rate (%)	<b>9.780</b>	<b>9.800</b>	<b>9.815</b>	<b>9.859</b>	<b>9.879</b>

Source: Central Bank of Kenya

**Table 5: Treasury Bonds Auctions**

Date of Auction	23-Oct-19	20-Nov-19	27-Nov-19	11-Dec-19	19-Dec-19	22-Jan-19		
			TAP		TAP		REOPEN	
Tenor	IFB1/2019/16	FXD 4/2019/10	FXD4/2019/10	FXD 3/2019/5	FXD3/2019/5	FXD1/2019/5	FXD1/2019/10	
Amount offered (Ksh M)	60,000.00	50,000.00	21,650.00	25,000.00	9,720.00	50,000.00		
Bids received (Ksh M)	86,946.69	38,372.61	8,115.45	28,468.51	9,750.51	69,941.73		
Amount Accepted (Ksh M)	68,466.07	28,351.81	8,112.45	18,740.55	9,750.51	44,488.60	19,259.58	
Maturities (Ksh M)	0.00	0.00	0.00	0.00	0.00	0.00		
Average interest Rate (%)	12.39	12.28	12.28	11.49	11.49	11.50	12.43	

Source: Central Bank of Kenya

**Chart 2: Government Securities Yield Curve**

Source: Nairobi Securities Exchange (NSE)

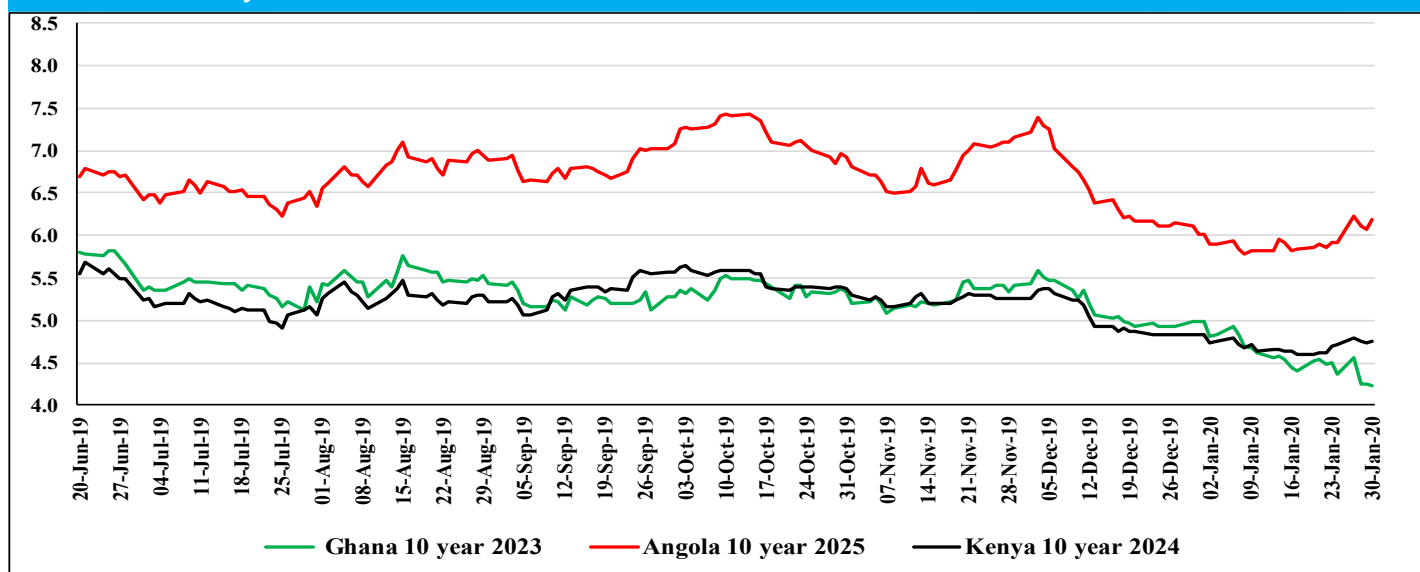
**Table 6: Key Weekly Market Indicators**

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 Capitalization (KSh Billion)	Bonds Turnover (KSh Million)	7-Year Euro-bond Yield (%) 2027	10-Year Euro-bond Yield (%) 2024	10-Year Euro-bond Yield (%) 2028	12-Year Euro-bond Yield (%) 2032	30-Year Euro-bond Yield (%) 2048
17-Jan-20	166.23	4102.13	2669.13	824	15.91	697.59	2,537.24	974.95	5.580	4.601	5.789	6.692	7.470
20-Jan-20	166.34	4110.98	2666.96	991	15.87	737.23	2,538.92	2,714.63	5.582	4.596	5.770	6.692	7.460
21-Jan-20	165.96	4094.90	2659.23	2,075	26.16	407.69	2,533.16	2,401.03	5.618	4.610	5.819	6.721	7.478
22-Jan-20	165.32	4072.40	2647.58	989	14.35	529.88	2,523.35	1,983.42	5.632	4.608	5.844	6.751	7.487
23-Jan-20	165.53	4081.15	2642.31	802.00	23.79	756.33	2,526.53	1,831.39	5.641	4.699	5.907	6.796	7.532
<b>Jan 17-23, 2020</b>	<b>165.53</b>	<b>4081.15</b>	<b>2642.31</b>	<b>5681.00</b>	<b>96.08</b>	<b>3128.73</b>	<b>2526.53</b>	<b>9,905.42</b>	<b>5.641</b>	<b>4.699</b>	<b>5.907</b>	<b>6.796</b>	<b>7.532</b>
24-Jan-20	164.98	4075.32	2642.50	668	11.50	411.58	2,518.11	1,448.17	5.709	4.714	5.930	6.856	7.558
27-Jan-20	163.26	4046.98	2632.48	988	10.63	392.74	2,491.80	1,399.94	5.845	4.795	6.076	6.856	7.672
28-Jan-20	161.32	4021.20	2640.47	991	10.26	319.87	2,462.21	1,361.50	5.787	4.748	5.967	6.902	7.589
29-Jan-20	161.21	4008.66	2603.36	777	21.17	638.69	2,460.48	1,957.08	5.621	4.726	5.967	7.009	7.568
30-Jan-20	162.33	4021.36	2602.01	916	17.98	699.00	2,477.62	1,548.84	5.832	4.752	6.010	6.886	7.596
<b>Jan 24-30, 2020</b>	<b>162.33</b>	<b>4021.36</b>	<b>2602.01</b>	<b>4,340</b>	<b>71.54</b>	<b>2461.88</b>	<b>2,477.62</b>	<b>7,715.53</b>	<b>5.832</b>	<b>4.752</b>	<b>6.010</b>	<b>6.886</b>	<b>7.596</b>
<b>Weekly Changes (%)</b>	<b>-1.93</b>	<b>-1.47</b>	<b>-1.53</b>	<b>-23.60</b>	<b>-25.54</b>	<b>-21.31</b>	<b>-1.94</b>	<b>-22.11</b>	<b>0.130*</b>	<b>0.053*</b>	<b>0.103*</b>	<b>0.090*</b>	<b>0.064*</b>

\* 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	27-Sep-19	25-Oct-19	29-Nov-19	27-Dec-19	24-Jan-20
1. Treasury Bills (Excluding Repos)	954.25	933.10	910.38	896.13	889.55	878.40
(As % of total securities)	35.31	33.78	33.12	31.62	31.06	30.11
2. Treasury Bonds	1,748.15	1,828.78	1,838.11	1,938.13	1,974.69	2,038.71
(As % of total securities)	64.69	66.22	66.88	68.38	68.94	69.89
3. Total Securities (1+2)	2,702.40	2,761.88	2,748.50	2,834.25	2,864.25	2,917.11
4. Overdraft at Central Bank	57.33	52.58	50.55	57.23	58.96	63.14
5. Other Domestic debt*	25.76	25.68	25.73	25.88	25.86	25.79
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>2,785.48</b>	<b>2,840.13</b>	<b>2,824.78</b>	<b>2,917.36</b>	<b>2,949.07</b>	<b>3,006.04</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: Government Domestic Debt by Instrument (Percent)**

	28-Jun-19	27-Sep-19	25-Oct-19	29-Nov-19	27-Dec-19	24-Jan-20
Treasury bills (Excluding Repos)	34.25	32.80	32.17	30.67	30.31	29.77
Treasury bonds	62.77	64.45	65.13	66.48	66.80	67.26
CBK Overdraft to Government	2.06	1.85	1.79	1.96	2.01	2.13
Other domestic debt	0.92	0.90	0.91	0.89	0.88	0.84
<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: Government Domestic Debt by Holder (Percent)**

	28-Jun-19	27-Sep-19	25-Oct-19	29-Nov-19	27-Dec-19	24-Jan-20
Banking Institutions	54.38	53.31	53.15	54.18	54.21	54.45
Insurance Companies	6.13	6.42	6.54	6.50	6.47	6.42
Parastatals	6.98	7.33	7.06	6.92	6.64	6.39
Pension funds	28.23	28.76	29.00	28.16	28.46	28.43
Other investors	4.28	4.19	4.25	4.24	4.22	4.31
<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	Dec-18	Jun-19	Sep-19	Oct-19	Nov-19	Dec-19
Domestic debt (KSh Billion)	2,478.84	2,548.77	2,785.94	2,856.60	2,901.50	2,917.36	2,942.10
Public & Publicly Guaranteed External debt (US \$ Billion)	25.34	26.74	29.55	29.95	30.30	30.30	30.66
Public & Publicly Guaranteed External debt (KSh Billion)	2,560.20	2,723.73	3,023.14	3,111.80	3,127.60	3,114.96	3,106.82
<b>Total public debt (KSh Billion)</b>	<b>5,039.03</b>	<b>5,272.50</b>	<b>5,809.08</b>	<b>5,968.40</b>	<b>6,029.10</b>	<b>6,032.32</b>	<b>6,048.93</b>

Source: National Treasury and Central Bank of Kenya