



Central Bank of Kenya

# Weekly Bulletin

February 1, 2019

## KEY MONETARY AND FINANCIAL INDICATORS

### Inflation

Overall inflation declined to 4.7 percent in January 2019 from 5.7 percent in December 2018, driven by low prices of food, energy and education related items (Chart 1).

### Exchange Rate

The Kenya Shilling remained stable against major international and regional currencies during the week ending January 31. The Shilling strengthened against the US Dollar to 100.9 from 101.4 on January 24, supported by increased foreign exchange inflows (Table 1).

### Foreign Exchange Reserves

The CBK usable foreign exchange reserves remained strong at USD 8,136 million (5.3 months of import cover) as at January 31. This meets the statutory requirement of maintaining at least 4 months of import cover, and the EAC's convergence criteria of 4.5 months of import cover (Table 2).

### Current Account

Preliminary data on balance of payments shows continued narrowing of the current account, to 4.9 percent of GDP in 2018 from 6.3 percent in 2017. The improvement is mainly due to increased agricultural exports, remittance inflows and tourism receipts, and decline in food imports (Chart 2).

### Money Market

The money market remained liquid during the week ending January 31, mainly supported by government payments. Commercial banks' excess reserves stood at KSh 23.9 billion in relation to the 5.25 percent cash reserves requirement (CRR). The interbank rate increased to 5.00 percent on January 31 from 3.04 percent on January 24. The average number of interbank deals decreased to 15 compared to 22 in the previous week while the average volume traded decreased to KSh 4.4 billion from KSh 14.1 billion (Table 3).

### Government Securities Market

The Treasury bills auction of January 31 received bids totaling KSh 40.2 billion against an advertised amount of KSh 24.0 billion, representing a performance of 167.4 percent. The 364-day Treasury bills attracted the highest bids amounting to KSh 29.7 billion. Interest rates on all Treasury bill tenures declined marginally (Table 4).

### Equity Market

Performance of the equity market improved during the week ending January 31. The NASI, NSE 25 and NSE 20 share indices rose by 3.47 percent, 4.49 percent and 2.81 percent, respectively. The number of shares traded rose by 101.44 percent while market capitalization increased by 3.48 percent (Table 6).

### Bond Markets

Trading activity in the domestic secondary bond market increased by 62.8 percent in the week ending January 31. In the international market, yields on Kenya's 5-Year and 10-Year 2028 Eurobonds increased by 33.1 basis points and 3.2 basis points, respectively, while yields on 10-Year 2024 and 30-Year declined by 1.1 basis points and 6.0 basis points, respectively (Table 6). The yields on 10-year Eurobonds of Ghana and Angola also declined at the close the week (Chart 2).

### Global Trends

The Federal Reserve Bank maintained the policy rate at 2.5 percent during its first policy meeting of 2019 and reaffirmed its cautious stance about further rate increases in light of recent global economic and financial developments, and muted inflation pressures. The policy decision also considered the uncertainty surrounding the U.S-China trade negotiations.

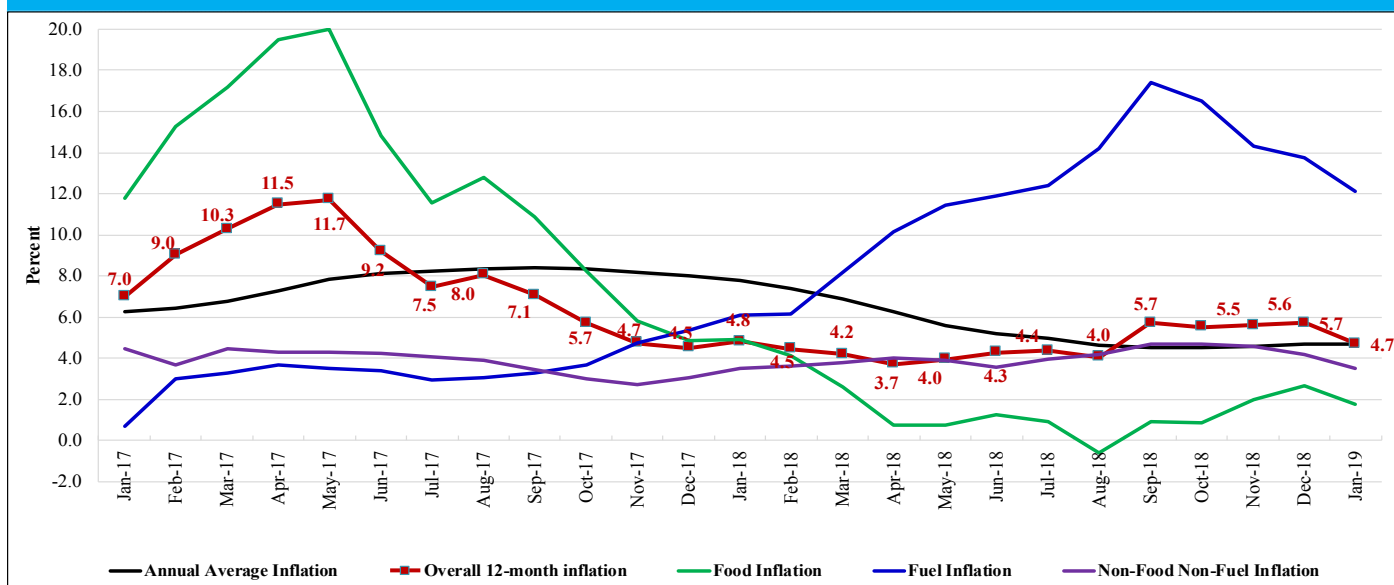
International oil prices rose after U.S imposed sanctions on Venezuela oil exports. Murban crude oil price rose from USD 61.77 on January 24 to USD 63.17 on January 31.

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

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
18-Jan-19	101.73	131.96	115.93	92.97	36.52	22.67	8.80	17.64
21-Jan-19	101.71	131.62	115.98	92.99	36.43	22.68	8.80	17.64
22-Jan-19	101.60	130.77	115.50	92.65	36.35	22.71	8.81	17.66
23-Jan-19	101.60	131.18	115.32	92.85	36.36	22.72	8.81	17.67
24-Jan-19	101.41	132.17	115.24	92.41	36.39	22.78	8.83	17.70
<b>January 18-24</b>	<b>101.61</b>	<b>131.54</b>	<b>115.59</b>	<b>92.77</b>	<b>36.41</b>	<b>22.71</b>	<b>8.81</b>	<b>17.66</b>
25-Jan-19	101.08	131.72	114.56	92.21	36.50	22.86	8.86	17.76
28-Jan-19	100.80	131.98	114.48	91.95	36.49	22.94	8.89	17.81
29-Jan-19	100.71	132.44	115.00	91.87	36.52	22.94	8.90	17.83
30-Jan-19	100.82	132.75	115.15	91.97	36.37	22.94	8.89	17.82
31-Jan-19	100.89	132.01	115.30	92.09	36.35	22.93	8.89	17.81
<b>January 25-31</b>	<b>100.86</b>	<b>132.18</b>	<b>114.90</b>	<b>92.02</b>	<b>36.45</b>	<b>22.92</b>	<b>8.88</b>	<b>17.81</b>

\* Units of currency per Kenya Shilling

Source :Central Bank of Kenya

**Chart 1: Inflation Trends**

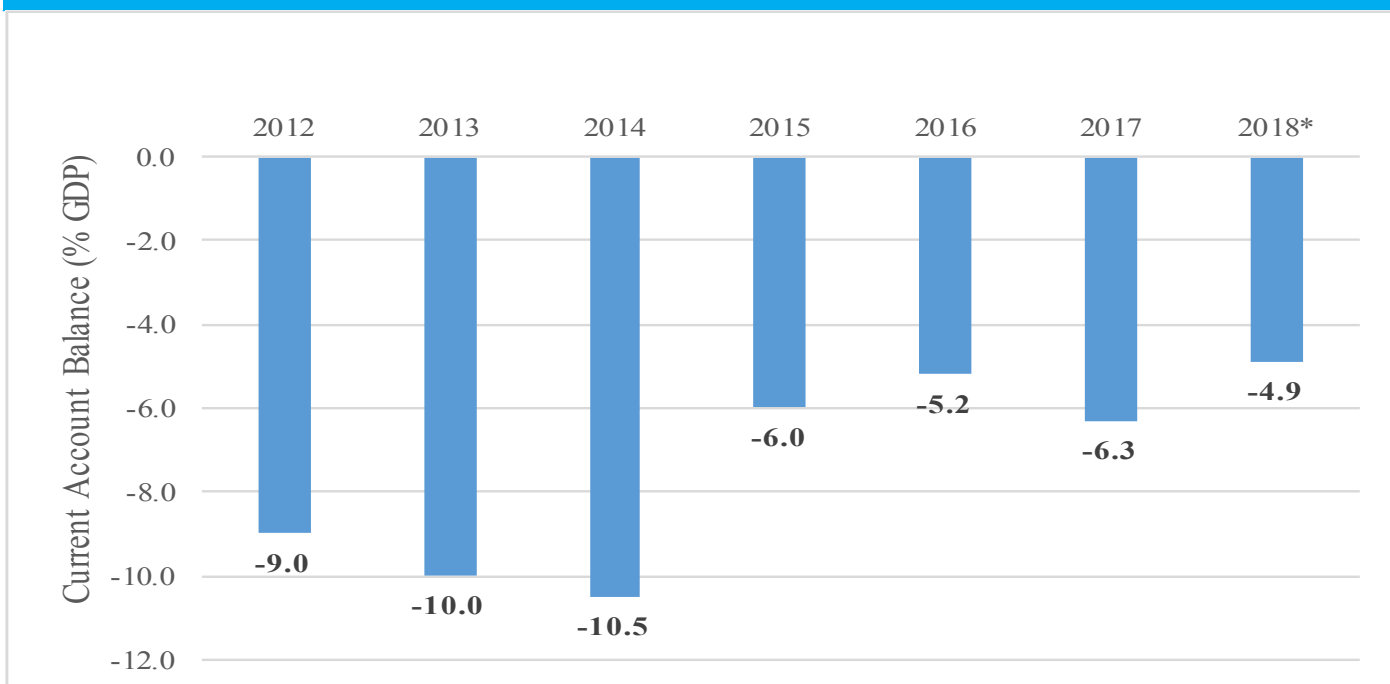
Source: CBK &amp; KNBS

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

	20-Dec-18	27-Dec-18	10-Jan-19	17-Jan-19	24-Jan-19	31-Jan-19
1. CBK Usable Foreign Exchange Reserves (USD Million)	8,005	8,001	7,983	8,047	8,076	8,136
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	5.25	5.24	5.23	5.27	5.29	5.33

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

Source: Central Bank of Kenya

**Chart 2: Current Account Balance**

Source: CBK and KNBS  
\* Preliminary

**Table 3: Money Market**

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
18-Jan-19	23	8,415	3.57
21-Jan-19	20	8,190	3.36
22-Jan-19	24	25,200	3.16
23-Jan-19	27	18,340	3.16
24-Jan-19	18	10,280	3.04
<b>January 18-24</b>	<b>22</b>	<b>14,085</b>	<b>3.26</b>
25-Jan-19	22	12,140	3.39
28-Jan-19	15	2,335	4.51
29-Jan-19	15	3,580	3.86
30-Jan-19	13	2,245	4.98
31-Jan-19	10	1,825	5.00
<b>January 25-31</b>	<b>15</b>	<b>4,425</b>	<b>4.35</b>

Source: Central Bank of Kenya

**Table 4: Performance of Treasury Bills Auctions**

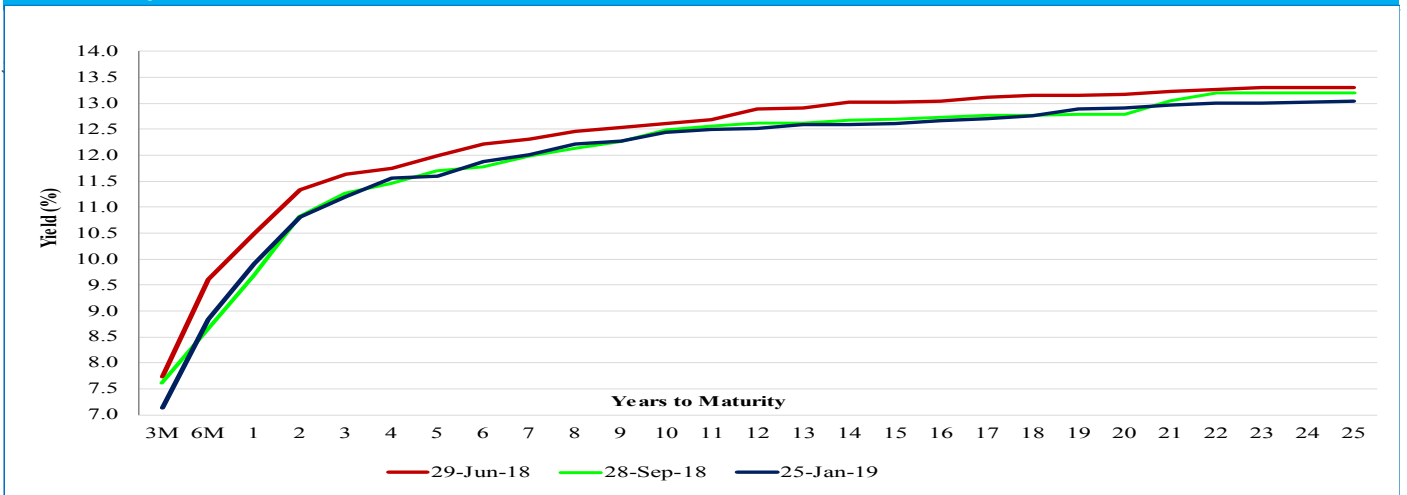
<b>91-Day Treasury Bills</b>					
Date of Auction	10-Jan-19	17-Jan-19	24-Jan-19	31-Jan-19	
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	
Bids received (Ksh M)	14,233.21	7,231.16	4,951.57	2,385.99	
Amount Accepted (Ksh M)	6,451.25	5,657.97	4,951.57	2,385.99	
Maturities (Ksh M)	6,421.85	3,836.45	2,481.90	5,226.45	
<b>Average interest Rate (%)</b>	<b>7.20</b>	<b>7.13</b>	<b>7.12</b>	<b>7.06</b>	
<b>182-Day Treasury Bills</b>					
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00	
Bids received (Ksh M)	24,457.78	13,883.27	10,730.67	8,097.64	
Amount Accepted (Ksh M)	18,763.73	13,389.61	3,119.41	8,031.57	
Maturities (Ksh M)	10,387.65	10,671.95	6,044.75	5,366.55	
<b>Average interest Rate (%)</b>	<b>8.94</b>	<b>8.93</b>	<b>8.83</b>	<b>8.78</b>	
<b>364-Day Treasury Bills</b>					
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00	
Bids received (Ksh M)	28,881.21	17,619.47	25,165.27	29,688.86	
Amount Accepted (Ksh M)	23,728.84	9,474.19	18,464.19	21,921.84	
Maturities (Ksh M)	11,255.45	8,164.25	11,369.55	12,736.30	
<b>Average interest Rate (%)</b>	<b>9.96</b>	<b>9.95</b>	<b>9.91</b>	<b>9.86</b>	

Source: Central Bank of Kenya

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

Date of Auction	14-Nov-18	28-Nov-18	13-Dec-18	27-Dec-18	23-Jan-19	
	TAP		REOPEN			
Tenor	IFB1/2018/20	IFB1/2018/20	FXD2/2018/10	FXD2/2018/10	FXD 1/2019/2	FXD 1/2019/15
Amount offered (Ksh M)	50,000.00	22,410.00	40,000.00	13,840.00	40,000.00	
Bids received (Ksh M)	40,393.25	8,726.50	28,860.50	6,623.89	101,973.00	
Amount Accepted (Ksh M)	27,588.43	8,726.50	26,158.96	6,623.89	23,774.63	14,719.75
Maturities (Ksh M)	0.00	0.00	0.00	0.00	0.00	0.00
Average interest Rate (%)	12.16	12.16	12.50	12.50	10.70	12.86

Source: Central Bank of Kenya

**Chart 3: Kenya Government Securities Yield Curve**

Source: Nairobi Securities Exchange

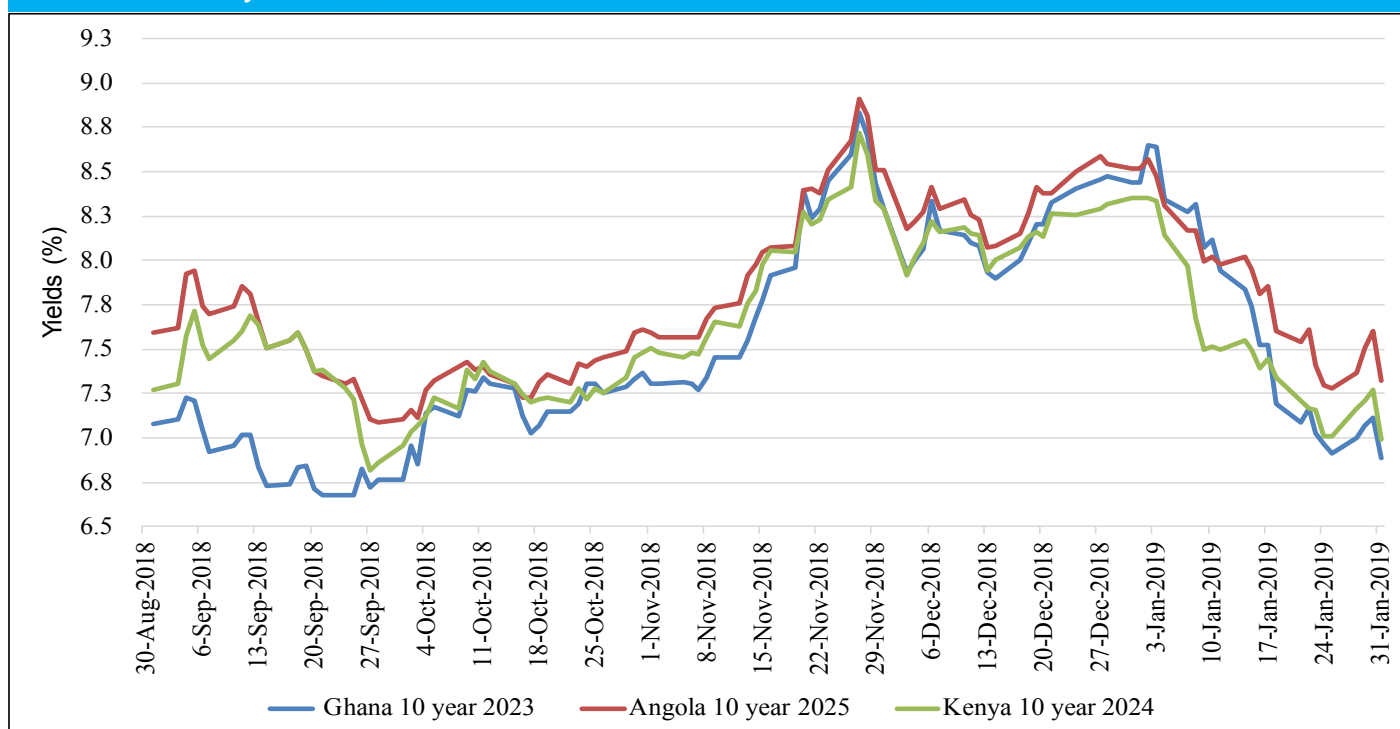
**Table 6: Key Weekly Market Indicators**

INDICATOR	NASI 100=2008	NSE 25 Share Index	NSE 20 Share Index 100=1996	Number of Deals (Shares)	Total Shares Traded (Million)	Equity Turnover (KSh Million)	Market Capitalization (KSh Billion)	Bonds Turnover (KSh Million)	5-Year Eurobond Yield (%)	10-Year Eurobond Yield (%) - 2024	10-Year Eurobond Yield (%) - 2028	30-Year Eurobond Yield (%)
18-Jan-19	145.27	3667.70	2851.77	1046	33.82	893.15	2,174.62	1,016.20	5.096	7.338	8.135	8.954
21-Jan-19	145.54	3698.97	2863.75	1175	30.94	784.44	2,180.11	1,648.51	4.939	7.212	7.892	8.896
22-Jan-19	145.24	3692.79	2870.73	994	10.97	411.14	2,174.09	4,605.49	4.653	7.169	7.844	8.947
23-Jan-19	145.24	3697.49	2877.31	1044	7.52	215.21	2,174.20	1,386.84	4.621	7.156	7.873	8.841
24-Jan-19	145.30	3706.51	2877.54	1069	13.73	1,167.25	2,175.03	1,249.98	4.569	7.006	7.632	8.762
<b>January 18-24</b>	<b>145.30</b>	<b>3706.51</b>	<b>2877.54</b>	<b>5328.00</b>	<b>96.98</b>	<b>3471.19</b>	<b>2,175.03</b>	<b>9907.03</b>	<b>4.569</b>	<b>7.006</b>	<b>7.632</b>	<b>8.762</b>
25-Jan-19	146.48	3739.21	2907.66	1042	25.67	756.16	2,192.81	1,787.20	4.885	7.006	7.714	8.792
28-Jan-19	147.20	3768.67	2897.10	993	31.34	731.84	2,203.59	2,309.24	4.701	7.167	7.734	8.864
29-Jan-19	148.30	3819.60	2940.67	1274	15.41	487.40	2,220.13	3,828.18	4.954	7.211	7.853	8.980
30-Jan-19	149.29	3841.85	2938.78	1178	28.84	1,617.28	2,234.99	5,966.87	5.023	7.271	7.914	8.927
31-Jan-19	150.34	3873.09	2958.36	1453	94.10	2,477.05	2,250.72	2,238.10	4.900	6.995	7.664	8.702
<b>January 25-31</b>	<b>150.34</b>	<b>3873.09</b>	<b>2958.36</b>	<b>5940.00</b>	<b>195.36</b>	<b>6069.72</b>	<b>2250.72</b>		<b>4.900</b>	<b>6.995</b>	<b>7.664</b>	<b>8.702</b>
<b>Weekly Change(%)</b>	<b>3.47</b>	<b>4.49</b>	<b>2.81</b>	<b>11.49</b>	<b>101.44</b>	<b>74.86</b>	<b>3.48</b>	<b>62.81</b>	<b>0.331*</b>	<b>-0.011*</b>	<b>0.032*</b>	<b>-0.060*</b>

\* Percentage points

Source: Central Bank of Kenya, NSE and Thomson Reuters

**Chart 4: Yields on 10 year Eurobonds for Selected African Countries**



Source: Thomson Reuters

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

	21-Dec-18	28-Dec-18	04-Jan-19	11-Jan-19	18-Jan-19	25-Jan-19
1. Treasury Bills (Excluding Repos)	917.12	904.10	899.42	904.30	928.48	935.92
<i>(As % of total securities)</i>	<b>37.23</b>	<b>36.90</b>	<b>36.68</b>	<b>36.80</b>	<b>37.42</b>	<b>37.60</b>
2. Treasury Bonds	1,546.29	1,546.29	1,552.92	1,552.92	1,552.92	1,552.92
<i>(As % of total securities)</i>	<b>62.77</b>	<b>63.10</b>	<b>63.32</b>	<b>63.20</b>	<b>62.58</b>	<b>62.40</b>
3. Total Securities (1+2)	2,463.41	2,450.39	2,452.34	2,457.22	2,481.40	2,488.84
4. Overdraft at Central Bank	45.86	45.86	63.88	60.35	39.47	37.57
5. Other Domestic debt*	31.61	31.61	31.61	31.61	31.62	31.61
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>2,540.88</b>	<b>2,527.86</b>	<b>2,547.82</b>	<b>2,549.18</b>	<b>2,552.49</b>	<b>2,558.01</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)**

	21-Dec-18	28-Dec-18	04-Jan-19	11-Jan-19	18-Jan-19	25-Jan-19
Treasury bills (Excluding Repos)	36.09	35.77	35.30	35.47	36.38	36.59
Treasury bonds	60.86	61.17	60.95	60.92	60.84	60.71
CBK Overdraft to Government	1.81	1.81	2.51	2.37	1.55	1.47
Other domestic debt	1.24	1.25	1.24	1.24	1.24	1.24
<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)**

	21-Dec-18	28-Dec-18	04-Jan-19	11-Jan-19	18-Jan-19	25-Jan-19
Banking Institutions	54.18	54.53	54.86	55.05	54.76	54.38
Insurance Companies	6.02	6.06	6.05	6.03	6.01	5.98
Parastatals	7.35	7.25	7.30	7.21	7.43	7.36
Pension funds	27.88	27.59	27.25	27.21	27.31	27.77
Other investors	4.56	4.57	4.53	4.51	4.49	4.50
<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-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
Domestic debt (KSh Billion)	2,111.71	2,172.84	2,220.35	2,371.65	2,478.84	2,540.70
Public & Publicly Guaranteed External debt (US \$ Billion)	22.12	22.38	22.76	24.91	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	2,605.33
<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>5,146.04</b>

Source: National Treasury and Central Bank of Kenya