



Central Bank of Kenya

Weekly Bulletin

March 27, 2020

KEY MONETARY AND FINANCIAL INDICATORS

Monetary Policy Committee Meeting

The Monetary Policy Committee (MPC) meeting held on March 23, 2020 announced policy measures to prevent the coronavirus health crisis from becoming a severe economic and financial crisis. The Committee lowered the Central Bank Rate (CBR) to 7.25 percent from 8.25 percent and reduced the Cash Reserve Ratio (CRR) to 4.25 percent from 5.25 percent. The additional liquidity availed to banks through the reduction in the CRR will directly support borrowers that are distressed as a result of coronavirus. To provide flexibility on liquidity management facilities provided to banks by CBK, the maximum tenor of Repurchase Agreements (REPOs) was extended from 28 to 91 days. The CBK will also ensure that the interbank market and liquidity management across the sector continues to function smoothly.

Exchange Rate

The Kenya Shilling eased against major international currencies in the early part of the week ending March 26 but recorded gains towards the end of the week. The initial pressure on the Shilling was due to a strengthening of the US dollar against most currencies, and low supply. It exchanged at 106.20 on March 26 compared to 104.22 on March 19 (Table 1).

Foreign Exchange Reserves

The CBK usable foreign exchange reserves remained adequate at USD 7,965 million (4.84 months of import cover) as at March 26. 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).

Current Account

Preliminary data on balance of payments shows the current account deficit remained stable at 4.8 percent of GDP in the 12 months to February 2020 compared to 4.7 percent in the 12 months to February 2019. The marginal increase in the deficit was partly due to lower transport service receipts (Chart 1).

Money Market

The money market was liquid during the week ending March 26, largely due to government payments, which partly offset tax receipts. An additional liquidity of KSh 35.2 billion was

availed to banks from the reduction in the CRR by 1.0 percent on March 23. Commercial banks' excess reserves stood at KSh 38.8 billion in relation to the 4.25 percent CRR. Open market operations remained active. The average interbank rate stood at 4.83 percent on March 26 compared to 4.23 percentage point on March 19. The average number of interbank deals per day decreased to 25 from 27 in the previous week, while the value traded increased to KSh 15.3 billion from KSh 13.4 in the previous week (Table 3).

Government Securities Market

The Treasury bills auction of March 26 received bids totalling KSh 13.7 billion against an advertised amount of KSh 24.0 billion, representing a performance of 57.0 percent. Interest rates on the 91-day and 364-day Treasury bills decreased while that on the 182-day Treasury bill increased marginally (Table 4).

Equity Market

The number of shares traded, equity turnover and market capitalization at the Nairobi Securities Exchange (NSE) declined by 19.6 percent, 23.8 percent and 5.9 percent, respectively during the week ending March 26. Similarly, the NASI, NSE 25 and NSE 20 share price indices, declined by 5.9 percent, 7.9 percent and 6.9 percent, respectively (Table 6).

Bond Market

Turnover of bonds traded in the domestic secondary market increased by 25.3 percent during the week ending March 26 (Table 6). In the international market, yields on Kenya's Eurobonds declined by an average of 122.5 basis points. The yields on the 10-year Eurobonds for Angola and Ghana also declined (Chart 3).

Global Trends

Volatility in the global financial markets eased towards the end of the week.

International oil prices declined further during the week ending March 26 despite the US effort to persuade Saudi Arabia to ease its oil price war. Murban oil price declined to USD 26.83 per barrel on March 26 from USD 28.86 per barrel on March 19.

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

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
13-Mar-20	102.42	129.65	115.09	98.19	36.27	22.49	9.29	18.43
16-Mar-20	102.90	128.45	114.49	96.47	36.12	22.41	9.30	18.44
17-Mar-20	103.39	126.60	115.26	98.01	36.32	22.27	9.09	18.36
18-Mar-20	103.72	125.55	114.46	97.09	36.11	22.20	9.18	18.20
19-Mar-20	104.22	123.00	113.59	96.54	36.24	22.12	9.13	18.19
Mar 13-19	103.33	126.65	114.58	97.26	36.21	22.30	9.20	18.33
20-Mar-20	105.10	122.04	113.44	95.56	36.40	21.93	9.06	17.97
23-Mar-20	106.01	125.00	113.41	95.87	36.03	21.74	8.98	17.82
24-Mar-20	106.54	123.85	114.56	96.46	36.56	21.63	8.94	17.73
25-Mar-20	106.42	125.36	114.85	95.86	36.84	21.67	8.74	17.81
26-Mar-20	106.20	125.54	114.90	95.29	36.77	21.73	8.97	17.79
Mar 20-26	106.05	124.36	114.23	95.81	36.52	21.74	8.94	17.82

*Unit of currency per Kenya Shilling

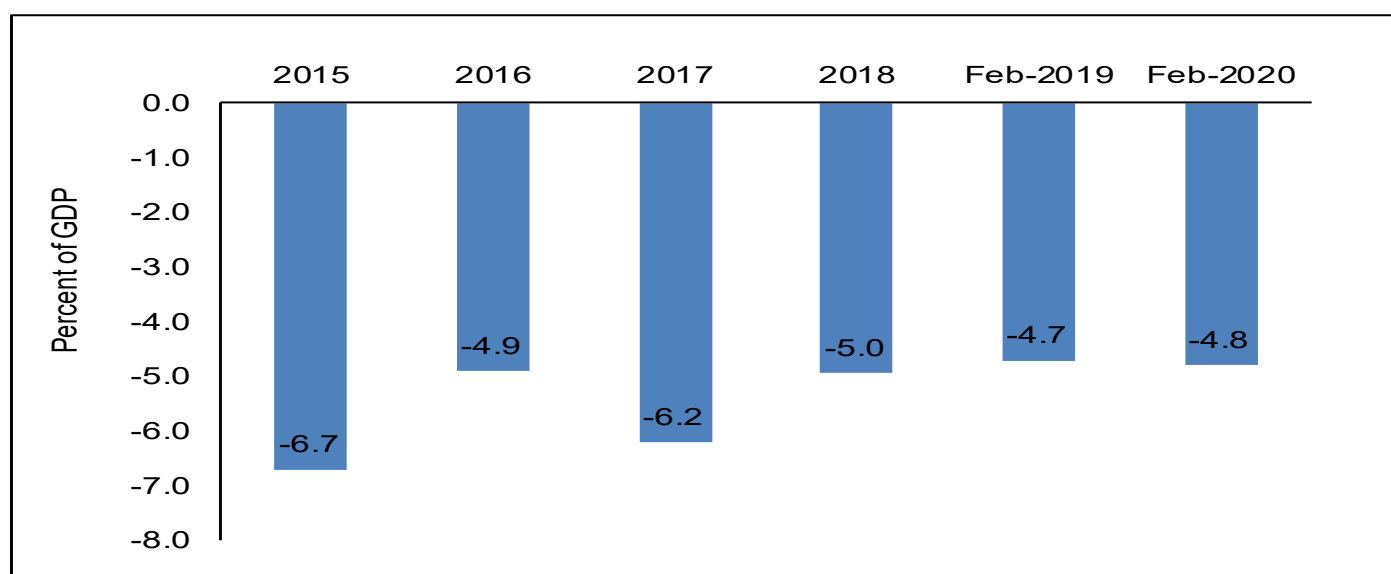
Source: Central Bank of Kenya

Table 2: Official Usable Foreign Exchange Reserves

	20-Feb-20	27-Feb-20	5-Mar-20	12-Mar-20	19-Mar-20	26-Mar-20
1. CBK Usable Foreign Exchange Reserves (USD Million)	8,508	8,409	8,411	8,417	8,298	7,965
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	5.17	5.11	5.11	5.11	5.04	4.84

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

Source: Central Bank of Kenya

Chart 1: Current Account Balance (% of GDP)

Source: Central Bank of Kenya

Table 3: Money Market

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
13-Mar-20	29	10,400.00	4.41
16-Mar-20	22	8,500.00	4.40
17-Mar-20	27	12,250.00	4.07
18-Mar-20	30	16,050.00	4.17
19-Mar-20	29	19,600.00	4.23
March 13 - 19, 2020	27	13,360.00	4.26
20-Mar-20	26	13,650.00	4.42
23-Mar-20	26	11,510.00	4.58
24-Mar-20	23	18,950.00	4.48
25-Mar-20	28	18,930.00	4.56
26-Mar-20	23	13,685.00	4.83
March 20 - 26, 2020	25	15,345.00	4.57

Source :Central Bank of Kenya

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

Date of Auction	27-Feb-20	5-Mar-20	12-Mar-20	19-Mar-20	26-Mar-20
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	2,337.22	856.37	8,071.07	549.29	3,585.60
Amount Accepted (Ksh M)	2,335.26	758.18	2,196.46	549.29	3,409.70
Maturities (Ksh M)	453.50	573.25	3,784.15	4,530.30	352.65
Average interest Rate (%)	7.315	7.310	7.313	7.275	7.240

182-Day Treasury Bills

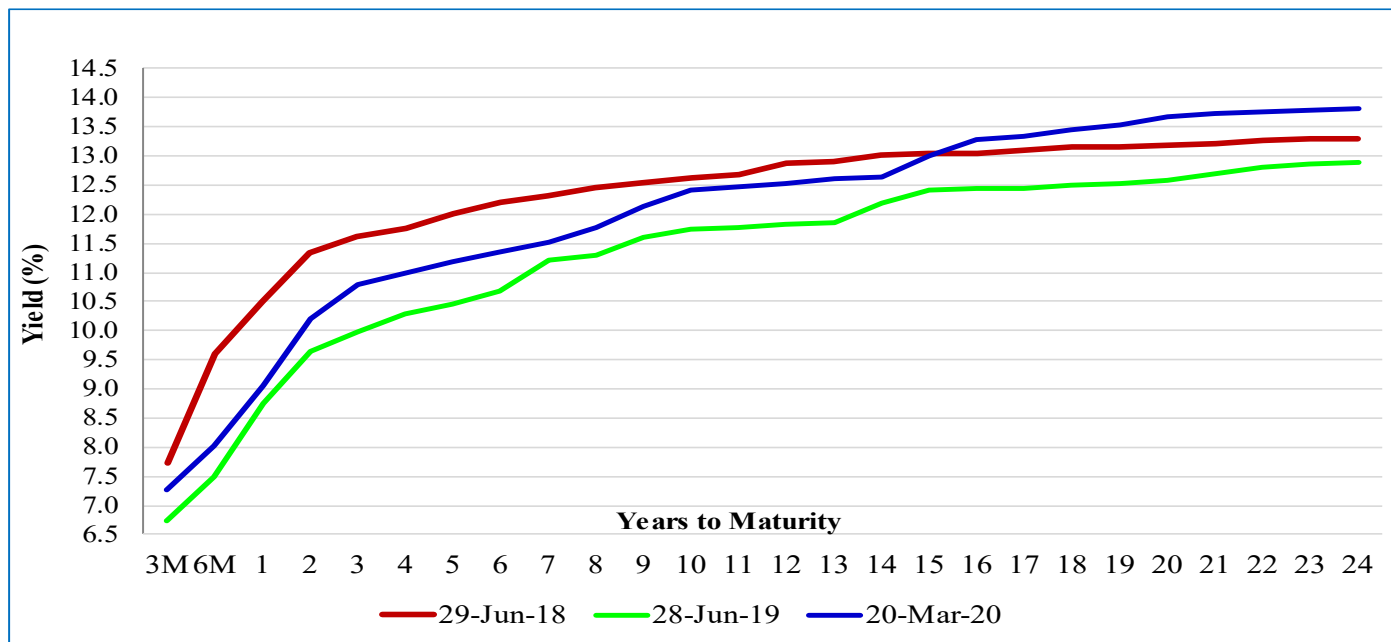
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	3,630.50	9,891.70	9,246.20	3,608.32	3,346.27
Amount Accepted (Ksh M)	2,660.49	1,971.24	2,519.44	3,604.10	3,346.27
Maturities (Ksh M)	4,988.75	2,892.00	1,077.75	726.15	444.35
Average interest Rate (%)	8.235	8.186	8.104	8.030	8.118

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)	48,429.00	36,077.29	46,038.14	16,937.18	6,735.47
Amount Accepted (Ksh M)	10,003.89	18,816.52	17,823.06	16,877.17	4,904.30
Maturities (Ksh M)	6,543.85	16,402.45	17,647.60	29,105.80	25,858.15
Average interest Rate (%)	9.500	9.312	9.100	9.051	9.045

Source: Central Bank of Kenya

Chart 2: Government Securities Yield Curve



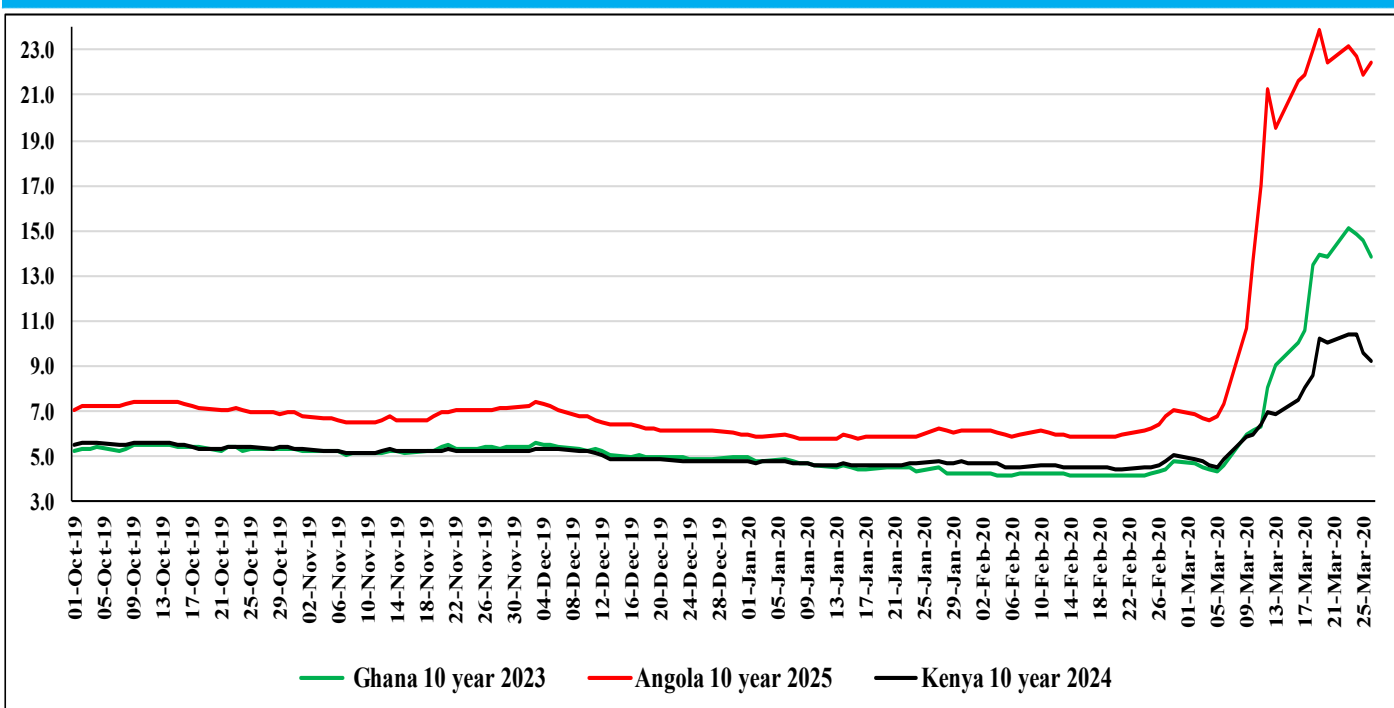
Source: Nairobi Securities Exchange (NSE)

Table 5: Treasury Bonds Auctions

Date of Auction	19-Dec-19	22-Jan-20		19-Feb-20		18-Mar-20	
	TAP	REOPEN		REOPEN		REOPEN	
Tenor	FXD3/2019/5	FXD1/2019/5	FXD1/2019/10	FXD1/2020/15	FXD1/2018/25	FXD1/2018/20	FXD1/2018/25
Amount offered (Ksh M)	9,720.00	50,000.00		50,000.00		50,000.00	
Bids received (Ksh M)	9,750.51	69,941.73		42,494.66		35,155.99	
Amount Accepted (Ksh M)	9,750.51	44,488.60	19,259.58	5,194.04	22,678.92	8,274.69	14,638.57
Maturities (Ksh M)	0.00	0.00		0.00		0.00	
Average interest Rate (%)	11.49	11.50	12.43	12.76	13.60	13.29	13.82

Source: Central Bank of Kenya

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



Source: Thomson Reuters

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 (Mil- lion)	Equity Turnover (KSh Million)	Market Capital- ization (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
13-Mar-20	133.66	3337.61	2124.78	1,894	42.49	1,178.02	2,042.65	1,676.71	7.790	6.852	8.085	8.855	8.917
16-Mar-20	131.84	3253.25	2057.96	1,226	53.89	1,472.49	2,014.74	1,534.05	8.181	7.511	8.477	9.528	9.308
17-Mar-20	133.55	3270.96	2052.85	1,031	15.37	393.00	2,040.92	2,630.73	8.315	8.089	8.592	9.668	9.363
18-Mar-20	133.79	3265.27	2048.87	1,134	35.26	1,236.61	2,044.65	1,168.23	8.970	8.622	9.291	10.269	9.786
19-Mar-20	132.86	3218.07	2032.34	1,298	20.64	802.33	2,030.43	3,768.65	10.974	10.195	10.269	10.750	10.371
March 13-19, 2020	132.86	3218.07	2032.34	6,583	167.63	5,082.44	2,030.43	10,778.37	10.974	10.195	10.269	10.750	10.371
20-Mar-20	132.93	3224.43	2025.31	1,266	24.93	778.82	2,031.41	5,518.50	10.453	10.038	10.114	10.334	9.939
23-Mar-20	128.21	3092.10	1958.55	1,270	18.31	455.83	1,959.20	2,101.47	10.802	10.438	10.805	10.840	10.256
24-Mar-20	124.54	2956.77	1887.17	1,480	39.78	1,008.17	1,902.97	2,913.55	10.628	10.440	10.089	10.400	10.001
25-Mar-20	124.30	2943.60	1873.47	1,057	21.19	616.20	1,899.33	1,224.69	10.046	9.574	9.433	9.812	9.465
26-Mar-20	125.09	2965.17	1891.30	1,508	30.53	1,012.47	1,911.42	1,749.79	9.246	9.193	9.165	9.491	9.338
March 20-26, 2020	125.09	2965.17	1891.30	6581	134.74	3,871.49	1,911.42	13,508.00	9.246	9.193	9.165	9.491	9.338
Weekly Changes (%)	-5.85	-7.86	-6.94	-0.03	-19.62	-23.83	-5.86	25.33	-1.728*	-1.002*	-1.104*	-1.259*	-1.033*

* Percentage points

Source: Nairobi Securities Exchange (NSE)

Table 7: Government Domestic Debt (KSh Billion)

	28-Jun-19	27-Dec-19	31-Jan-20	28-Feb-20	13-Mar-20	20-Mar-20
1. Treasury Bills (Excluding Repos)	954.25	889.55	878.94	917.87	925.50	928.38
(As % of total securities)	35.31	31.06	30.80	30.75	30.93	30.99
2. Treasury Bonds	1,748.15	1,974.69	1,974.69	2,066.89	2,066.89	2,066.89
(As % of total securities)	64.69	68.94	69.20	69.25	69.07	69.01
3. Total Securities (1+2)	2,702.40	2,864.25	2,853.63	2,984.76	2,992.39	2,995.27
4. Overdraft at Central Bank	57.33	58.96	63.72	30.47	25.79	25.78
5. Other Domestic debt*	25.76	25.86	24.75	25.74	25.74	25.73
6. Gross Domestic Debt (3+4+5)	2,785.48	2,949.07	2,942.10	3,040.96	3,043.92	3,046.78

* 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-Dec-19	31-Jan-20	28-Feb-20	13-Mar-20	20-Mar-20
Treasury bills (Excluding Repos)	34.26	30.16	29.30	30.18	30.40	30.47
Treasury bonds	62.76	66.96	67.87	67.97	67.90	67.84
CBK Overdraft to Government	2.06	2.00	1.97	1.00	0.85	0.85
Other domestic debt	0.92	0.88	0.86	0.85	0.85	0.84
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

Table 9: Government Domestic Debt by Holder (Percent)

	28-Jun-19	27-Dec-19	31-Jan-20	28-Feb-20	13-Mar-20	20-Mar-20
Banking Institutions	54.38	54.22	54.65	54.38	54.42	54.54
Insurance Companies	6.13	6.41	6.40	6.29	6.25	6.24
Parastatals	6.97	6.50	6.25	6.23	6.20	6.17
Pension funds	28.24	28.70	28.54	28.86	28.80	28.68
Other investors	4.28	4.17	4.17	4.25	4.33	4.37
Total	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	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
Total public debt (KSh Billion)	5,039.03	5,272.50	5,809.08	5,968.40	6,029.10	6,032.32	6,048.93

Source: National Treasury and Central Bank of Kenya