



Central Bank of Kenya

# Weekly Bulletin

November 1, 2019

## KEY MONETARY AND FINANCIAL INDICATORS

### Inflation

Overall inflation in October, remained within the medium term target band. It increased to 4.95 percent from 3.83 percent in September, mainly driven by increases in prices of a few food items. Food inflation increased to 8.1 percent from 5.9 percent in September, following increases in prices of maize products and tomatoes. However, fuel inflation remained low at 1.4 percent compared to 1.3 percent in September, in line with trends in both domestic and international energy prices. Non-Food-Non Fuel inflation increased marginally to 2.6 percent from 2.4 percent in September, mainly driven by increases in prices of cigarettes, spirits, beer, wines, and airtime (Chart 1).

### Exchange Rate

The Kenya Shilling remained stable against major international and regional currencies during the week ending October 31. It exchanged at KSh 103.21 per US Dollar on October 31, compared to KSh 103.51 on October 24 (Table 1).

### Current Account

Preliminary data shows that the current account deficit narrowed to 4.1 percent of GDP in the 12 months to September 2019 from 5.0 percent in December 2018. This reflects slower growth of imports and resilient diaspora remittances (Chart 2).

### Foreign Exchange Reserves

The CBK usable foreign exchange reserves remained adequate at USD 8,961 million (5.6 months of import cover) as at October 31. 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 remained liquid during the week ending October 31, supported by government payments. The open market operations remained active. Commercial banks' excess reserves stood at KSh 17.3 billion in relation to the 5.25 percent cash reserves requirement (CRR). The average interbank rate decreased to 6.13 percent on October 31 from 6.76 percent on October 24. The average number of interbank deals per

day increased to 25 from 19 the previous week, while the value traded also increased to KSh 16.5 billion from KSh 12.4 billion in the previous week (Table 3).

### Government Securities Market

The Treasury bills auctions of October 31 received bids totalling KSh 27.4 billion against an advertised amount of KSh 24.0 billion, representing a performance of 114.3 percent. Interest rates on the 91-day and 182-day Treasury bills decreased while that on the 364-day Treasury bill remained the same as in the previous auction (Table 4).

The 16-year infrastructure bond and valued dated October 28, received bids totaling KSh 86.9 billion against an advertised amount of KSh 60.0 billion, representing a performance of 144.9 percent. On the second day of its listing in the secondary market, the NSE trading activity recorded a historically high turnover of KSh 11.8 billion, mainly on account of the infrastructure bond signaling appreciation of this bond by investors.

### Equity Market

Trading activity at the Nairobi Securities Exchange improved during the week ending October 31. The NASI, NSE 20, and the NSE25 share price indices increased by 6.3 percent, 6.4 percent, and 9.2 percent, respectively. Similarly, market capitalization increased by 6.5 percent (Table 6).

### Bond Market

Turnover in the domestic secondary bond market increased by 347.9 percent during the week ending (Table 6). In the international market, yields on Kenya's 7-year, 10-year (2024), 10-year (2028), and 30-year Eurobonds declined by 4.5, 3.8, 8.2 and 7.8 basis points, respectively. Yields on the 10-year Eurobonds for Angola and Ghana also declined during the week (Chart 4).

### Kenya Economic Update

The World Bank released its bi-annual report 'the Kenya Economic Update' and observed that despite the strong growth in 2018 at 6.3 percent, the momentum softened in 2019 with the economy expected to grow

by 5.8 percent. The softening was occasioned by delayed rains in Q1 2019, but growth momentum was sustained by the services sector and a resurgence in manufacturing. In the medium term, growth is projected at 6.0 percent in 2020 and 5.8 percent in 2021, however, risks remain including, incidences of drought, fiscal slippages, and unanticipated spillover effects from ongoing global developments.

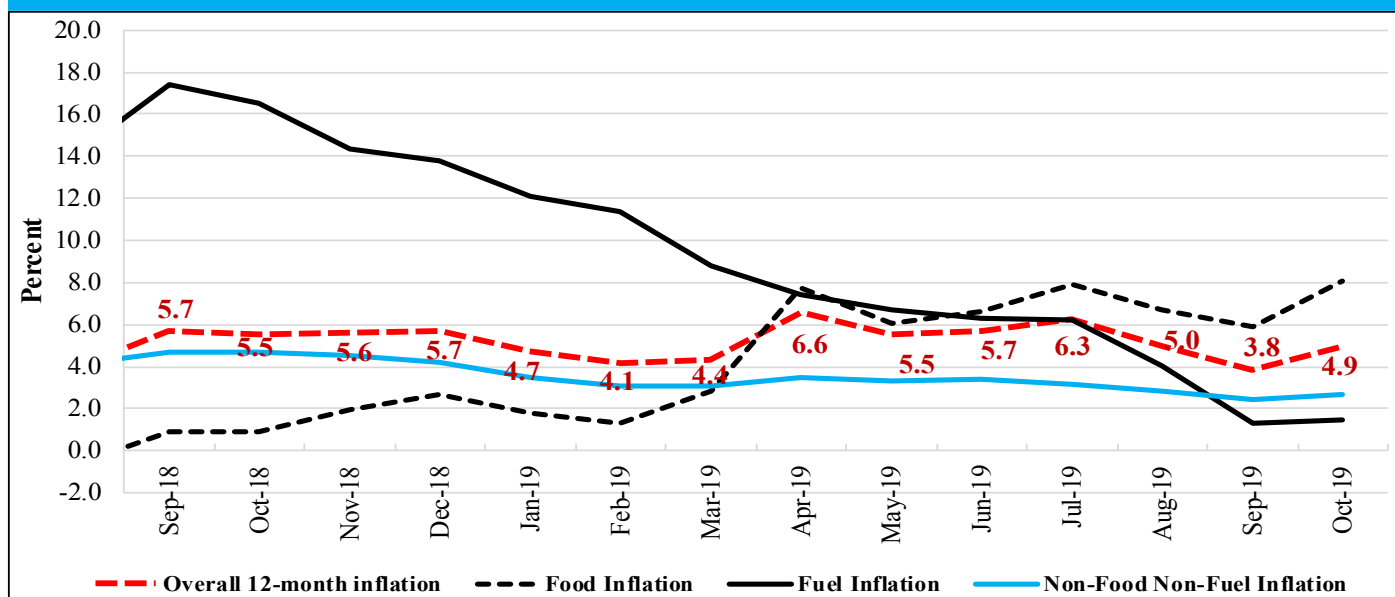
### Regional Economic Outlook

The IMF also released its Regional Economic Outlook for Sub-Saharan Africa (SSA) on October 28, 2019 in Nairobi, Kenya. Growth for the SSA is projected to remain at 3.2 percent in 2019 and increase to 3.6 percent in 2020. These growth rates are lower than envisaged in April 2019 due to a more challenging global environment, disruptions in oil-exporting countries and weaker than anticipated growth in South Africa. Growth in non-resource intensive countries is expected to remain strong. Downside risks to the outlook include an intensification of trade tensions and weather related shocks.

### Global Trends

The Fed cut its policy rate for the third time this year but signaled it was unlikely to adjust the rate further since the US economy remains broadly consistent with the outlook. The EU extended the Brexit deadline to January 31, 2020 to give the UK parliament more time to ratify the proposed exit deal. However, the nature of the Brexit deal will largely depend on the outcome of the UK snap elections scheduled for December 12.

International oil prices declined during the week on account of supply-demand imbalances. The Murban oil price decreased to USD 62.34 per barrel on October 31 from USD 63.30 per barrel on October 24.

**Chart 1: Inflation**


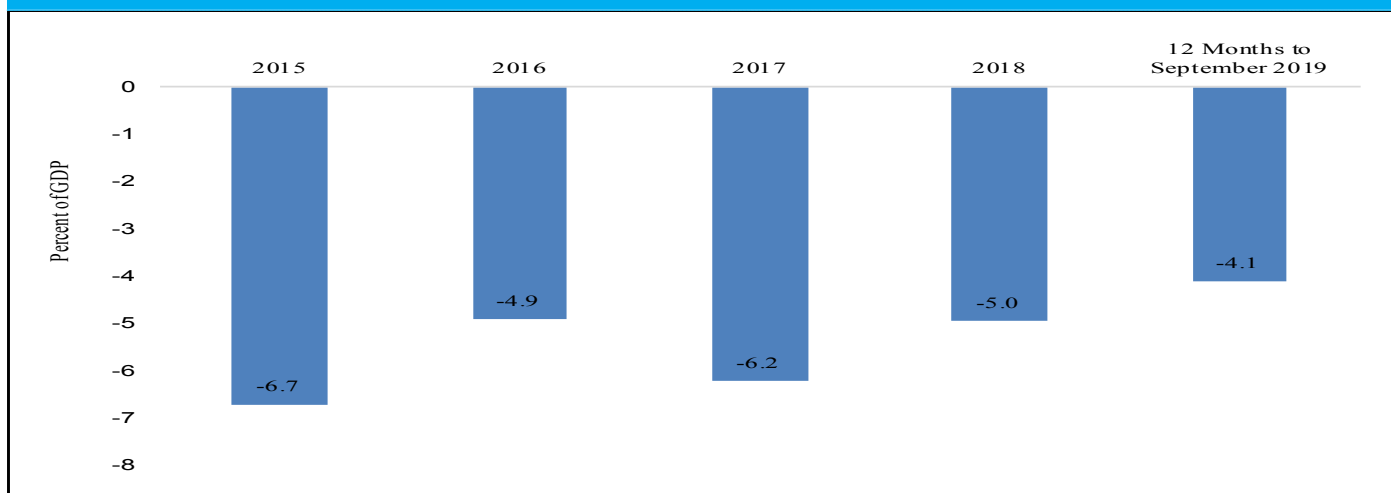
Source: KNBS AND CBK

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

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
18-Oct-19	103.70	132.92	115.37	95.53	35.58	22.20	8.93	17.83
21-Oct-19	Public Holiday							
22-Oct-19	103.73	133.51	115.57	95.61	35.56	22.19	8.93	17.83
23-Oct-19	103.58	133.85	115.38	95.45	35.65	22.23	8.94	17.85
24-Oct-19	103.51	133.48	115.16	95.30	35.84	22.22	8.81	18.02
<b>October 18 - 24</b>	<b>103.63</b>	<b>133.44</b>	<b>115.37</b>	<b>95.47</b>	<b>35.66</b>	<b>22.21</b>	<b>8.90</b>	<b>17.88</b>
25-Oct-19	103.25	132.60	114.70	95.15	36.09	22.30	8.83	18.07
28-Oct-19	103.52	132.39	114.66	95.20	35.96	22.25	8.81	18.03
29-Oct-19	103.56	132.97	114.87	95.11	35.78	22.25	8.81	18.02
30-Oct-19	103.41	133.29	114.80	95.00	35.78	22.26	8.83	18.05
31-Oct-19	103.21	132.98	114.71	94.79	35.95	22.31	8.93	18.10
<b>October 25 - 31</b>	<b>103.39</b>	<b>132.85</b>	<b>114.75</b>	<b>95.05</b>	<b>35.91</b>	<b>22.28</b>	<b>8.84</b>	<b>18.05</b>

\* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

**Chart 2: Current Account**


**Table2: Official Usable Foreign Exchange Reserves**

	26-Sep-19	03-Oct-19	10-Oct-19	17-Oct-19	24-Oct-19	31-Oct-19
1. CBK Usable Foreign Exchange Reserves (USD Million)	8,985	8,935	9,000	8,925	8,944	8,961
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	5.61	5.58	5.62	5.58	5.59	5.60

\*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 (%)
18-Oct-19	15	10,090	7.54
21-Oct-19	Public Holiday		
22-Oct-19	24	12,335	7.36
23-Oct-19	18	11,100	7.01
24-Oct-19	20	15,950	6.76
<b>October 18 - 24</b>	<b>19</b>	<b>12,369</b>	<b>7.17</b>
25-Oct-19	20	12,850	6.58
28-Oct-19	31	21,450	6.53
29-Oct-19	31	19,670	6.51
30-Oct-19	24	16,390	6.28
31-Oct-19	18	12,200	6.13
<b>October 25 - 31</b>	<b>25</b>	<b>16,512</b>	<b>6.41</b>

Source: Central Bank of Kenya

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

Date of Auction	29-Aug-19	26-Sep-19	17-Oct-19	24-Oct-19	31-Oct-19
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	5,318.73	3,294.99	4,404.44	544.18	6,813.64
Amount Accepted (Ksh M)	5,318.73	3,294.99	4,404.44	544.18	6,813.64
Maturities (Ksh M)	2,370.60	4,205.85	7,603.10	5,210.65	8,338.70
<b>Average interest Rate (%)</b>	<b>6.385</b>	<b>6.307</b>	<b>6.362</b>	<b>6.424</b>	<b>6.390</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)	4,821.89	436.44	1,050.85	3,413.28	4,612.98
Amount Accepted (Ksh M)	4,821.89	436.44	1,050.27	2,931.66	4,133.29
Maturities (Ksh M)	8,025.60	6,129.75	4,868.90	14,630.95	1,236.45
<b>Average interest Rate (%)</b>	<b>7.011</b>	<b>7.175</b>	<b>7.241</b>	<b>7.223</b>	<b>7.189</b>

**364-Day Treasury Bills**

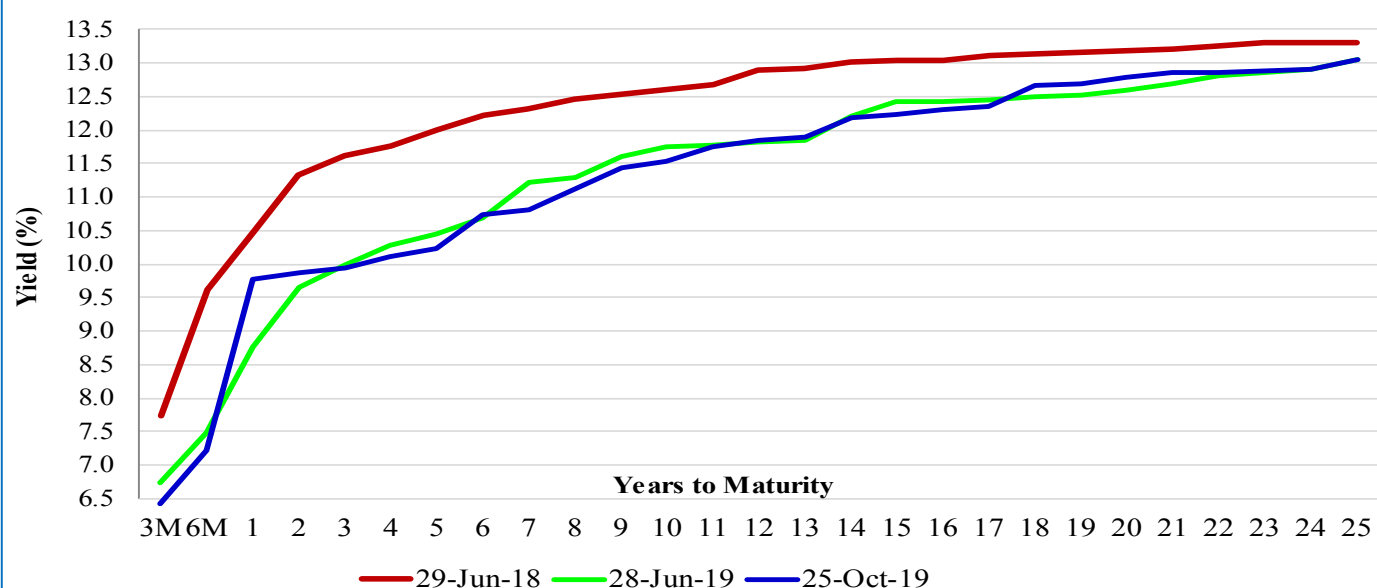
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	8,683.06	19,878.31	13,878.38	13,516.54	16,004.60
Amount Accepted (Ksh M)	7,769.72	11,581.85	7,648.24	12,996.78	12,781.75
Maturities (Ksh M)	16,078.65	10,320.85	5,139.80	11,567.75	15,795.65
<b>Average interest Rate (%)</b>	<b>9.392</b>	<b>9.777</b>	<b>9.787</b>	<b>9.780</b>	<b>9.780</b>

Source: Central Bank of Kenya

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

Date of Auction	13-Jun-19		18-Sep-19		25-Sep-19		23-Oct-19
	REOPEN		REOPEN		TAP		
Tenor	FXD 1/2012/15	FXD 1/2018/15	FXD 1/2018/15	FXD 2/2019/15	FXD 1/2018/15	FXD 2/2019/15	IFB1/2019/16
Amount offered (Ksh M)	40,000.00		50,000.00		30,000.00		60,000.00
Bids received (Ksh M)	85,615.66		32,624.57		9,320.40		86,946.69
Amount Accepted (Ksh M)	21,211.35	17,727.97	15,256.19	17,368.38	3,453.83	5,906.13	68,466.07
Maturities (Ksh M)	0.00	0.00	46,205.50		3,453.83	5,906.13	0.00
Average interest Rate (%)	11.59	12.46	12.56	12.67	12.56	12.67	12.39

Source: Central Bank of Kenya

**Chart 3: Government Securities Yield Curve**

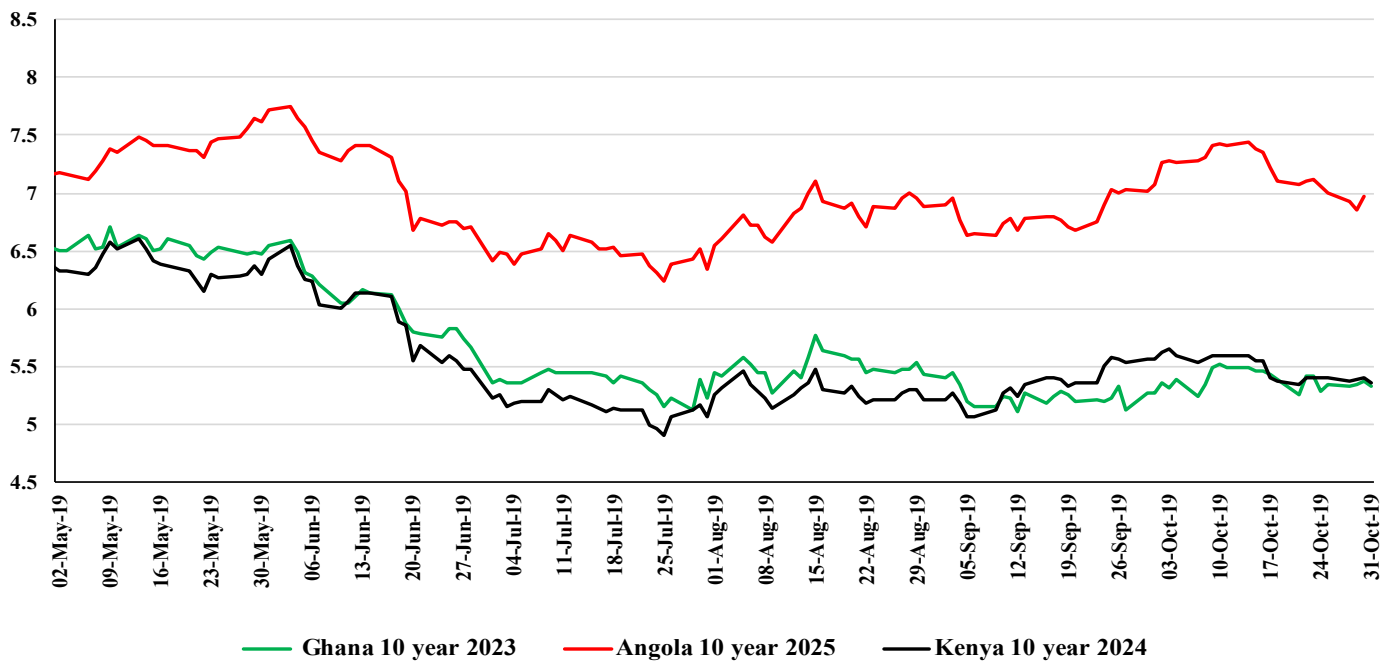
Source: Nairobi Securities Exchange (NSE)

**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 (Mil- lion)	Equity Turnover (KSh Million)	Market Capital- ization (KSh Billion)	Bonds Turnover (KSh Million)	7-Year Euro- bond Yield (%)	10-Year Euro- bond Yield (%) 2024	10-Year Euro- bond Yield (%) 2028	12-Year Euro- bond Yield (%)	30-Year Euro- bond Yield (%)
18-Oct-19	148.36	3549.46	2460.75	1,000.00	28.32	1,004.77	2,338.50	2,406.00	6.276	5.372	6.445	7.116	7.860
21-Oct-19	PUBLIC HOLIDAY								6.245	5.345	6.407	7.086	7.829
22-Oct-19	149.32	3570.64	2479.44	984.00	38.38	1,438.20	2,278.59	549.78	6.285	5.401	6.444	7.116	7.840
23-Oct-19	149.46	3573.99	2479.58	899.00	7.52	292.81	2,280.68	286.57	6.264	5.402	6.463	7.193	7.893
24-Oct-19	150.07	3595.69	2484.36	936.00	23.11	856.35	2,290.03	496.86	6.263	5.403	6.482	7.193	7.904
<b>October 18-24</b>	<b>150.07</b>	<b>3595.69</b>	<b>2484.36</b>	<b>3,819</b>	<b>97.33</b>	<b>3,592.13</b>	<b>2,290.03</b>	<b>3,739</b>	<b>6.263</b>	<b>5.403</b>	<b>6.482</b>	<b>7.193</b>	<b>7.904</b>
25-Oct-19	150.07	3604.21	2489.95	880.00	38.37	1,450.41	2,293.43	1,433.36	6.250	5.399	6.462	7.162	7.882
28-Oct-19	148.08	3635.76	2518.44	783.00	9.16	334.54	2,310.86	277.56	6.203	5.367	6.389	7.162	7.812
29-Oct-19	151.57	3642.76	2527.46	892.00	12.99	412.39	2,314.60	380.19	6.225	5.392	6.386	7.162	7.818
30-Oct-19	155.23	3777.38	2580.66	1,440.00	44.19	1,777.84	2,370.60	11,858.91	6.243	5.396	6.421	7.193	7.847
31-Oct-19	159.55	3927.17	2643.39	1,947.00	62.19	2,417.39	2,438.09	2,796.68	6.218	5.365	6.400	7.193	7.826
<b>October 25-31</b>	<b>159.55</b>	<b>3927.17</b>	<b>2643.39</b>	<b>5,942</b>	<b>166.90</b>	<b>6,392.56</b>	<b>2,438.09</b>	<b>16,747</b>	<b>6.218</b>	<b>5.365</b>	<b>6.400</b>	<b>7.193</b>	<b>7.826</b>
<b>Weekly Changes (%)</b>	<b>6.32</b>	<b>9.22</b>	<b>6.40</b>	<b>55.59</b>	<b>71.47</b>	<b>77.96</b>	<b>6.47</b>	<b>347.87</b>	<b>-0.045*</b>	<b>-0.038*</b>	<b>-0.082*</b>	<b>0.000*</b>	<b>-0.078*</b>

\* Percentage points

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

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


Source: Thomson Reuters

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

	28-Jun-19	26-Jul-19	30-Aug-19	27-Sep-19	18-Oct-19	25-Oct-19
1. Treasury Bills (Excluding Repos)	954.25	952.98	947.89	933.10	914.11	910.38
<i>(As % of total securities)</i>	<b>35.31</b>	<b>35.27</b>	<b>33.97</b>	<b>33.72</b>	<b>33.15</b>	<b>33.06</b>
2. Treasury Bonds	1,748.60	1,748.60	1,842.87	1,833.78	1,843.11	1,843.11
<i>(As % of total securities)</i>	<b>64.69</b>	<b>64.73</b>	<b>66.03</b>	<b>66.28</b>	<b>66.85</b>	<b>66.94</b>
3. Total Securities (1+2)	2,702.85	2,701.58	2,790.76	2,766.88	2,757.22	2,753.50
4. Overdraft at Central Bank	57.33	64.52	62.19	52.58	59.40	50.55
5. Other Domestic debt*	25.28	25.76	22.82	25.56	25.73	25.73
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>2,785.46</b>	<b>2,791.87</b>	<b>2,875.76</b>	<b>2,845.01</b>	<b>2,842.35</b>	<b>2,829.78</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-Jun-19	26-Jul-19	30-Aug-19	27-Sep-19	18-Oct-19	25-Oct-19
Treasury bills (Excluding Repos)	34.26	34.13	32.96	32.80	32.16	32.17
Treasury bonds	62.78	62.63	64.08	64.46	64.84	65.13
CBK Overdraft to Government	2.06	2.31	2.07	1.85	2.09	1.79
Other domestic debt	0.91	0.92	0.89	0.90	0.91	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-Jun-19	26-Jul-19	30-Aug-19	27-Sep-19	18-Oct-19	25-Oct-19
Banking Institutions	54.37	54.57	54.35	53.28	53.18	52.11
Insurance Companies	6.13	6.11	6.18	6.40	6.50	6.89
Parastatals	6.98	7.00	6.98	7.32	7.17	7.23
Pension funds	28.24	28.05	28.19	28.70	28.81	29.55
Other investors	4.28	4.27	4.29	4.30	4.34	4.23
<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	Mar-19	Jun-19	Jul-19	Aug-19
Domestic debt (KSh Billion)	2,478.84	2,548.77	2,699.09	2,785.94	2,844.12	2,876.00
Public & Publicly Guaranteed External debt (US \$ Billion)	25.34	26.74	27.01	29.55	30.32	30.26
Public & Publicly Guaranteed External debt (KSh Billion)	2,560.20	2,723.73	2,721.60	3,023.14	3,160.06	3,133.54
<b>Total public debt (KSh Billion)</b>	<b>5,039.03</b>	<b>5,272.50</b>	<b>5,420.68</b>	<b>5,809.08</b>	<b>6,004.18</b>	<b>6,009.54</b>

Source: National Treasury and Central Bank of Kenya