



Central Bank of Kenya

Weekly Bulletin

July 3, 2020

KEY MONETARY AND FINANCIAL INDICATORS

Inflation

Overall inflation declined to 4.6 percent in June from a revised 5.3 percent in May, mainly driven by a general decline in food prices. Food inflation declined from 10.4 percent in May to 8.1 percent in June (Chart 1).

Real GDP Growth

The economy remained resilient in the first quarter of 2020, and grew by 4.9 percent compared to 5.5 percent in the first quarter of 2019. The performance was attributed to significant improvement in agricultural production arising from favorable weather conditions and resilient services sector (Table 1). The effects of COVID-19 pandemic on the economy are expected to be felt more significantly in the second quarter of 2020.

Exchange Rates

The Kenya Shilling remained stable against major international and regional currencies during the week ending July 2. It exchanged at KSh 106.54 per US dollar on July 2 compared to KSh 106.40 per US dollar on June 25 (Table 2).

Foreign Exchange Reserves

The usable foreign exchange reserves remained adequate at USD 9,717 million (5.84 months of import cover) as at July 2. 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 3).

Current Account

Provisional data on balance of payments shows that the current account deficit narrowed to 5.2 percent of GDP in the 12 months to May 2020 compared to 5.6 percent of GDP in the 12 months to April (Chart 2). This reflected lower oil imports and improvement in exports of tea, horticulture as well as remittances.

Money Markets

The money market was liquid during the week ending July 2, supported by government payments. Commercial banks' excess reserves stood at KSh 35.3 billion in relation to the 4.25 percent cash reserves requirement

(CRR). Open market operations remained active. The average interbank rate declined to 2.25 percent on July 2 compared to 3.89 percent on June 25. The average number of interbank deals per day decreased to 11 compared to 21 in the previous week, while the value traded decreased to KSh 5.3 billion compared to KSh 7.1 billion in the previous week (Table 4).

Government Securities Market

The Treasury bills auction of July 2 received bids totalling KSh 76.2 billion against an advertised amount of KSh 24.0 billion, representing a performance of 317.4 percent. Interest rates on all the Treasury bills tenors decreased (Table 5).

Equity Market

At the Nairobi Securities Exchange, the NASI and NSE 20 share price index rose by 0.2 percent and 0.4 percent, respectively, during the week ending July 2. Market capitalization also rose by 0.2 percent. However, the number of shares traded and equity turnover declined by 59.9 percent and 48.6 percent, respectively (Table 6).

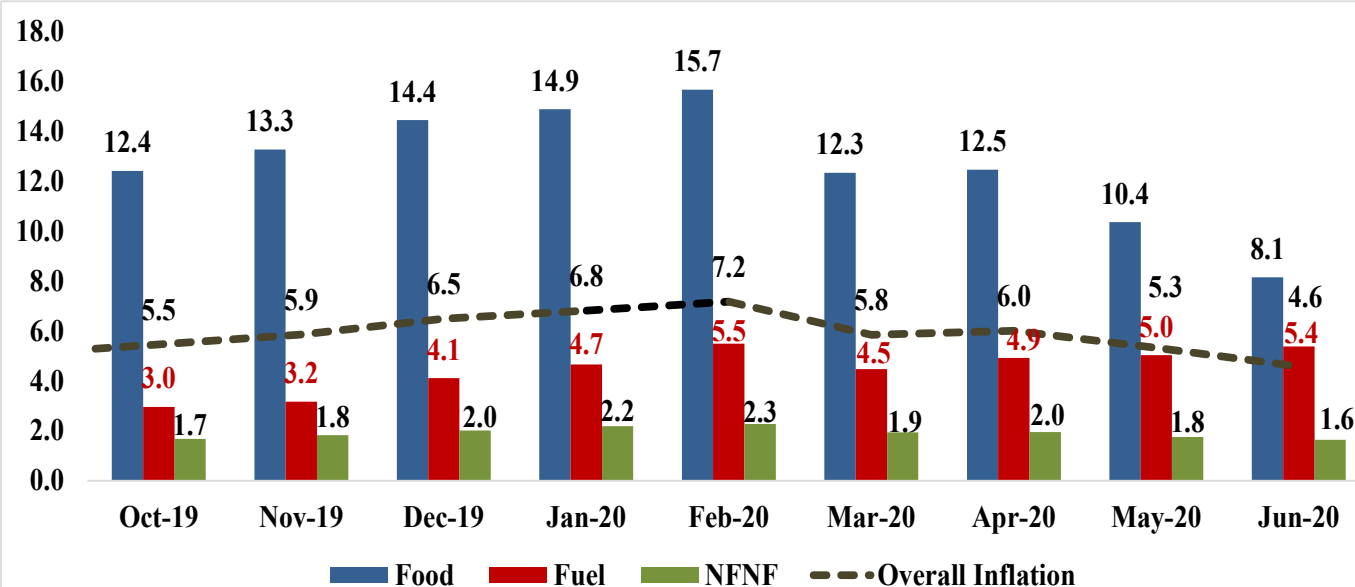
Bond Market

Turnover of bonds traded in the domestic secondary market declined by 30.9 percent during the week ending July 2 (Table 6). In the international market, yields on Kenya's Eurobonds remained stable, declining by an average of 0.34 basis points. The yields on the 10-year Eurobonds for Angola and Ghana also declined (Chart 4).

Global Trends

Global financial markets sentiment improved towards the end of the week following positive news on the COVID-19 vaccine front, expectations of continued policy support and better than expected economic data for some major economies.

International oil prices increased during the week on account of lower oil production by OPEC + countries. Murban oil price increased to USD 42.91 per barrel on July 2 from USD 40.83 per barrel on June 25.

Chart 1: Inflation


Source :Kenya National Bureau of Statistics

Table 1: Economic Growth (%)

	Annual				2018				2019				2020
	2016	2017	2018	2019	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
1. Agriculture	4.7	1.6	6.0	3.6	6.7	5.9	6.8	3.9	4.7	2.9	2.4	4.0	4.9
2. Non-Agriculture (o/w)	6.2	5.7	6.4	5.9	6.0	6.0	6.5	7.1	5.7	6.1	5.9	5.8	4.9
2.1 Industry	5.9	3.9	5.5	4.7	4.5	5.0	6.0	6.4	4.7	5.4	4.7	3.8	4.4
Mining & Quarrying	9.5	4.5	2.7	2.5	3.1	3.5	3.2	1.2	1.4	5.0	3.4	0.3	9.5
Manufacturing	3.1	0.7	4.3	3.3	3.2	3.9	5.1	5.2	3.5	4.0	3.2	2.3	2.9
Electricity & water supply	8.4	7.0	8.0	7.0	6.1	8.3	8.1	9.5	7.8	7.3	6.4	6.4	6.3
Construction	9.9	8.4	6.9	6.4	6.7	5.6	7.3	7.7	6.1	7.2	6.6	5.7	5.3
2.2 Services	6.8	6.5	7.0	6.7	6.7	6.4	6.8	8.0	6.4	6.8	6.8	6.8	5.5
Wholesale & Retail Trade	3.7	5.8	6.9	6.6	5.6	6.5	7.3	7.9	6.3	7.8	6.1	6.4	6.4
Accommodation & restaurant	13.3	14.3	16.6	10.3	13.3	15.1	15.5	21.5	11.0	12.1	9.9	9.0	-9.3
Transport & Storage	6.5	7.2	8.5	7.8	6.5	6.6	8.5	11.8	6.4	7.6	7.6	9.2	6.2
Information & Communication	9.9	11.0	11.3	9.0	13.2	11.7	9.8	10.6	10.2	7.8	8.1	9.4	9.8
Financial & Insurance	6.9	2.6	5.3	6.6	4.0	3.5	5.1	8.5	6.3	5.2	8.1	6.6	6.0
Public administration	5.6	4.7	6.7	8.1	5.5	6.1	7.1	8.1	8.9	8.7	8.4	6.2	6.7
Professional, Administration & Support Services	4.5	3.7	5.9	4.9	6.2	7.5	6.6	3.5	5.5	4.2	4.8	4.9	4.4
Real estate	8.8	6.1	4.1	5.3	5.2	4.5	3.8	3.1	4.8	6.0	5.5	5.1	4.3
Education	5.3	5.2	5.8	5.4	5.3	5.2	5.5	7.0	4.3	6.0	6.0	5.5	5.3
Health	4.8	4.3	4.4	5.8	4.1	3.4	5.3	4.5	5.4	6.2	5.5	6.2	5.8
Other services	4.3	5.1	4.9	5.1	3.5	4.5	5.0	6.7	2.9	6.4	6.3	4.7	3.5
FISIM	0.5	-4.3	0.9	6.1	-3.1	-2.4	1.9	7.4	4.6	7.3	6.8	5.7	4.7
2.3 Taxes on products	4.4	5.7	5.6	4.4	6.1	6.0	6.2	4.3	4.7	4.0	4.2	4.5	3.4
Real GDP Growth	5.9	4.8	6.3	5.4	6.2	6.0	6.6	6.5	5.5	5.3	5.2	5.5	4.9

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*
19-Jun-20	106.29	132.76	119.46	99.40	35.03	21.78	8.98	17.86
22-Jun-20	106.33	131.63	119.28	99.51	35.08	21.76	8.98	17.97
23-Jun-20	106.42	132.21	119.51	99.62	35.05	21.76	8.82	17.96
24-Jun-20	106.37	132.78	120.49	100.06	35.16	21.77	8.98	18.09
25-Jun-20	106.40	132.85	120.04	99.66	35.10	21.76	8.98	18.08
Jun 19-25	106.36	132.45	119.76	99.65	35.09	21.77	8.95	17.99
26-Jun-20	106.51	132.57	119.54	99.44	35.01	21.76	8.97	18.07
29-Jun-20	106.46	131.80	119.44	99.30	35.13	21.74	8.97	18.08
30-Jun-20	106.52	131.17	120.14	99.14	35.02	21.74	8.79	18.07
1-Jul-20	106.55	131.18	119.65	99.04	35.01	21.76	8.97	18.06
2-Jul-20	106.54	132.01	119.68	99.15	34.96	21.77	8.97	18.07
Jun 26- Jul 2	106.52	131.74	119.69	99.21	35.03	21.75	8.93	18.07

* Units of currency per Kenya Shilling

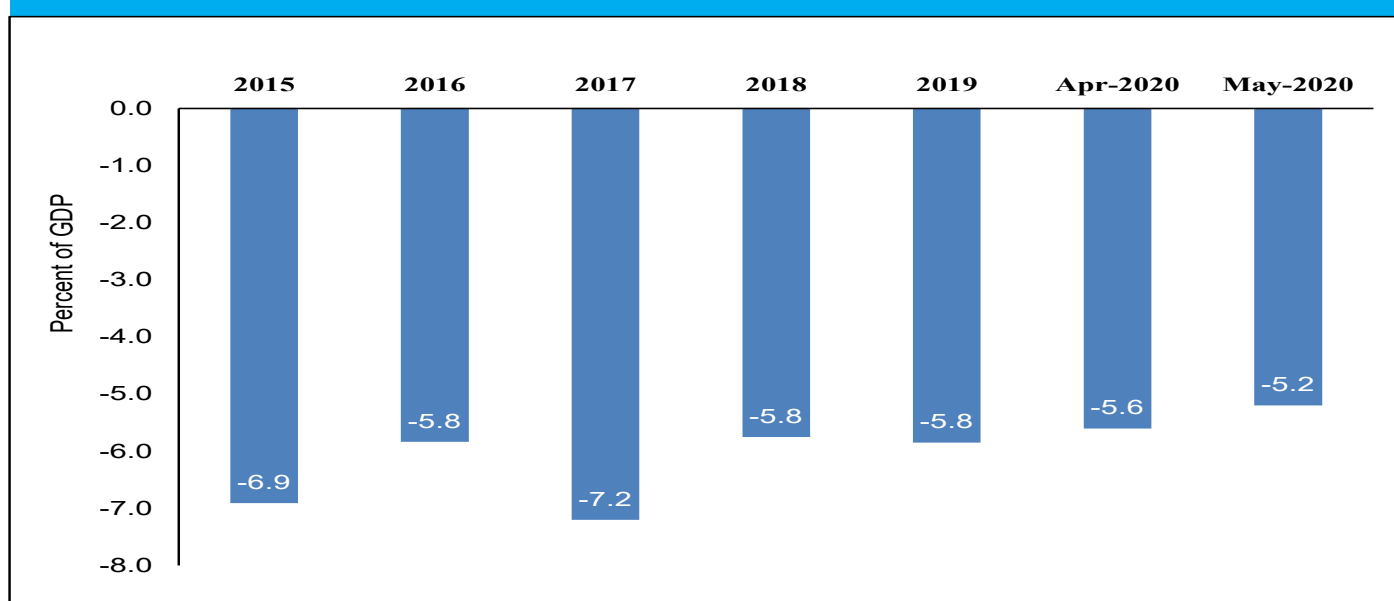
Source :Central Bank of Kenya

Table 3: Official Usable Foreign Exchange Reserves

	21-May-20	28-May-20	4-Jun-20	11-Jun-20	18-Jun-20	25-Jun-20	2-Jul-20
1. CBK Usable Foreign Exchange Reserves (USD Million)	8,489	8,331	9,261	9,302	9,278	9,229	9,717
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	5.11	4.99	5.56	5.59	5.58	5.55	5.84

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

Source: Central Bank of Kenya

Chart 2: Current Account Balance

Source: Central Bank of Kenya

Table 4: Money Market

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
19-Jun-20	13	2,600.00	4.35
22-Jun-20	23	6,800.00	4.53
23-Jun-20	23	8,350.00	4.23
24-Jun-20	24	11,600.00	3.75
25-Jun-20	20	6,350.00	3.89
June 19 - 25	21	7,140.00	4.15
26-Jun-20	25	11,530.00	3.26
29-Jun-20	12	4,740.00	3.14
30-Jun-20	11	6,650.00	2.77
1-Jul-20	3	400.00	4.44
2-Jul-20	2	3,000.00	2.25
June 26 - July 2	11	5,264.00	3.17

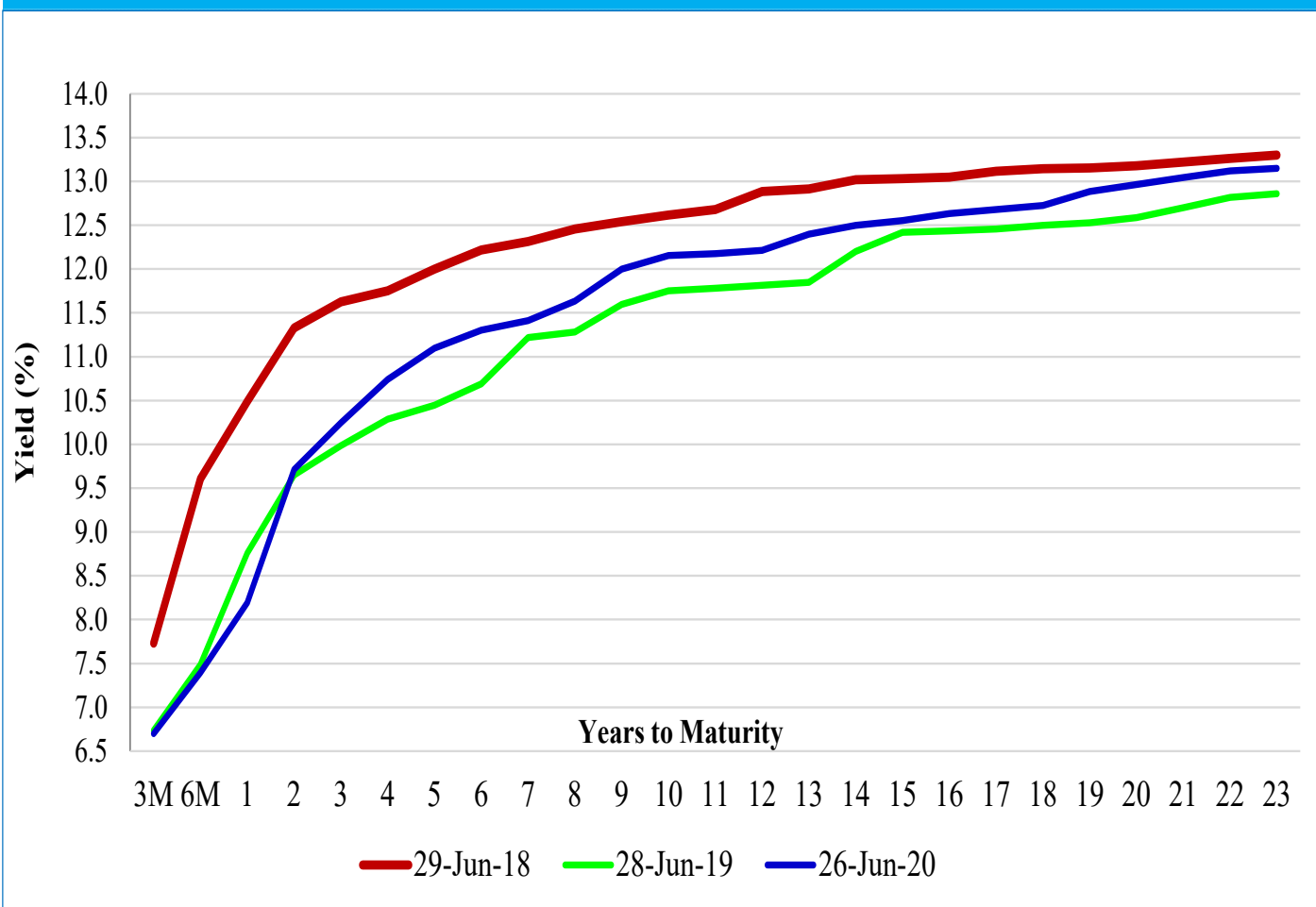
Source :Central Bank of Kenya

Table 5: Performance of Treasury Bills Auctions

91-Day Treasury Bills						
Date of Auction	28-May-20	4-Jun-20	11-Jun-20	18-Jun-20	25-Jun-20	2-Jul-20
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	3,251.08	10,221.82	11,761.25	13,374.46	16,481.51	20,453.02
Amount Accepted (Ksh M)	2,269.17	4,253.87	3,858.82	6,357.09	685.99	9,446.15
Maturities (Ksh M)	2,380.05	769.70	2,235.10	543.55	3,434.55	910.70
Average interest Rate (%)	7.333	7.325	7.259	7.089	6.700	6.546
182-Day Treasury Bills						
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	5,840.86	21,304.04	26,495.03	13,056.50	14,025.30	26,752.97
Amount Accepted (Ksh M)	1,404.01	8,860.38	6,723.69	4,238.45	1,543.33	10,783.81
Maturities (Ksh M)	576.50	650.75	3,603.60	3,964.95	293.25	1,107.00
Average interest Rate (%)	8.248	8.200	8.060	7.739	7.395	7.048
364-Day Treasury Bills						
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	15,498.70	18,650.21	31,465.74	18,774.71	28,443.82	28,976.63
Amount Accepted (Ksh M)	11,456.58	4,668.38	12,290.15	4,124.73	11,530.06	23,680.06
Maturities (Ksh M)	5,332.05	16,272.80	7,689.40	6,883.75	25,463.50	25,153.35
Average interest Rate (%)	9.198	9.165	9.030	8.667	8.194	7.769

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	Total Deals (Equi- ty)	Total Shares Traded (Mil- lion)	Equity Turnover (KSh Million)	Market Capital- ization (KSh Billion)	Bonds Turnover (KSh Million)	Eurobond Yield (%)				
									7-Year 2027	10-Year 2024	10-Year 2028	12-Year 2032	30-Year 2048
19-Jun-20	144.58	3332.27	1969.45	1,348	41.6	936.9	2,202.0	2,266.9	7.144	6.302	7.442	8.174	8.424
22-Jun-20	142.54	3298.34	1957.54	1,185	9.7	202.5	2,178.8	2,770.9	7.201	6.302	7.464	8.139	8.412
23-Jun-20	140.47	3269.51	1949.82	1,066	29.9	397.2	2,147.0	5,694.7	7.239	6.337	7.399	8.121	8.412
24-Jun-20	138.46	3241.78	1943.50	1,377	64.0	1,129.9	2,116.2	3,202.5	7.087	6.301	7.377	8.051	8.318
25-Jun-20	137.56	3235.27	1937.96	1,174	29.4	696.6	2,102.4	4,305.7	7.299	6.299	7.486	8.174	8.341
June 19-25	137.56	3235.27	1937.96	6,150	174.6	3,362.9	2,102.4	18,240.6	7.299	6.299	7.486	8.174	8.341
26-Jun-20	137.75	3231.32	1938.62	953	13.3	347.6	2,105.4	4,620.5	7.263	6.442	7.443	8.192	8.365
29-Jun-20	138.79	3546.93	1952.26	1,053	8.5	253.3	2,121.3	1,174.5	7.330	6.477	7.531	8.245	8.412
30-Jun-20	137.68	3217.11	1942.12	1,294	15.5	359.0	2,104.3	2,430.7	7.300	6.477	7.509	8.209	8.412
1-Jul-20	137.73	3215.67	1947.64	1,018	19.6	480.5	2,105.0	2,346.3	7.299	6.475	7.487	8.174	8.401
2-Jul-20	137.77	3196.17	1945.64	1,596	13.2	289.7	2,105.6	2,040.7	7.221	6.403	7.443	8.138	8.377
June 26- July 1	137.77	3196.17	1945.64	5,914	70.1	1,730.1	2,105.6	12,612.8	7.221	6.403	7.443	8.138	8.377
Weekly Changes (%)	0.15	-1.21	0.40	-3.84	-59.85	-48.55	0.16	-30.85	-0.078*	0.104*	-0.043*	-0.036*	0.036*

* Percentage points

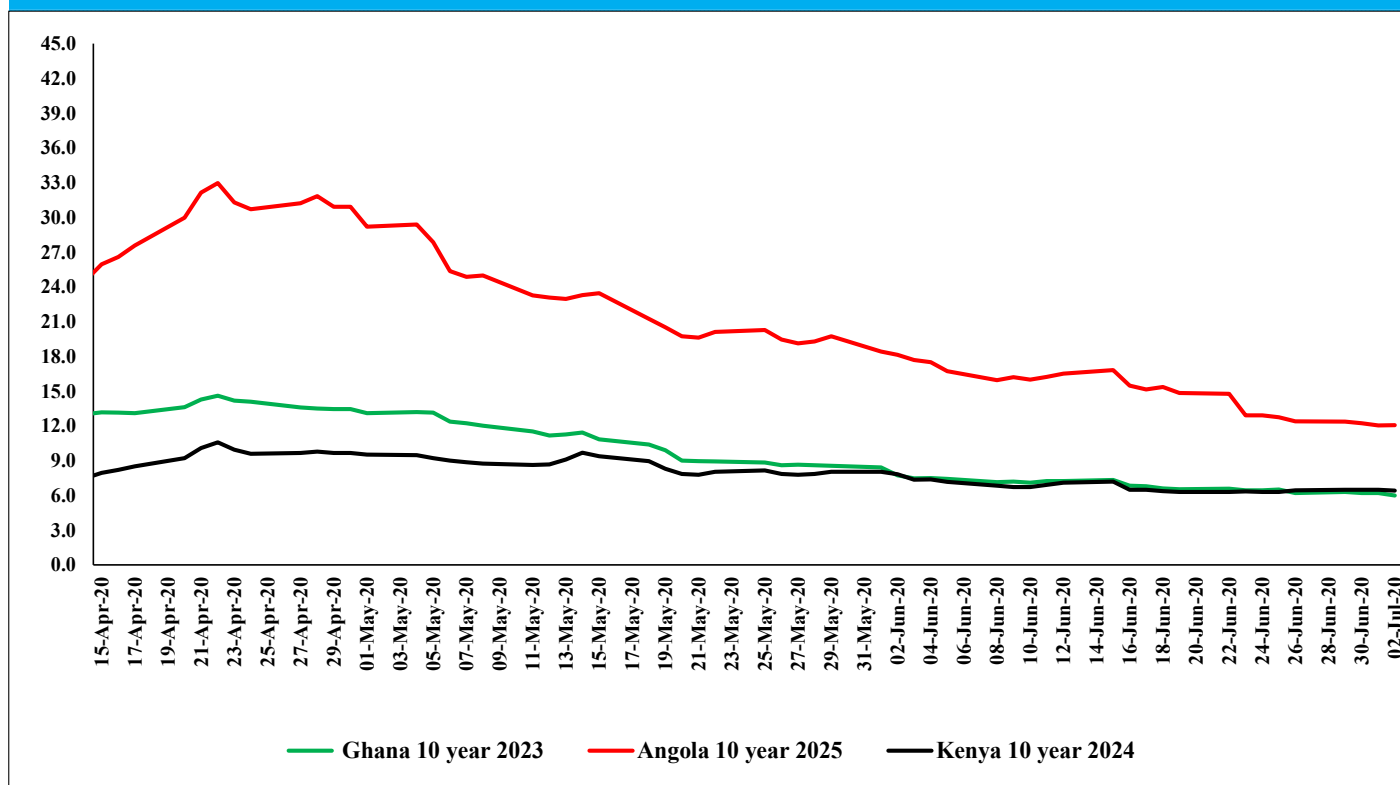
Source: Nairobi Securities Exchange (NSE)

Table 7: Performance of Treasury Bonds Auctions

Date of Auction	8-Apr-20	22-Apr-20	6-May-20	20-May-20	27-May-20	17-Jun-20	
Tenor	TAP		REOPEN		REOPEN		REOPEN
	IFB1/2020/9	IFB1/2020/9	FXD1/2020/5	FXD1/2020/5	IFB1/2020/6	FXD3/2019/5	FXD4/2019/10
Amount offered (Ksh M)	60,000.00	21,000.00	50,000.00	30,000.00	25,600.00	40,000.00	
Bids received (Ksh M)	68,413.78	35,387.16	34,531.50	20,581.07	21,164.29	105,135.63	
Amount Accepted (Ksh M)	39,010.13	35,387.16	20,777.17	8,948.12	19,275.46	16,527.35	32,795.89
Maturities (Ksh M)	0.00	0.00	0.00	0.00	20,226.65	0.00	
Average interest Rate (%)	12.05	12.05	11.67	11.75	11.60	11.19	12.42

Source: Central Bank of Kenya

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



Source: Thomson Reuters

Table 8: Government Domestic Debt (KSh Billion)

	28-Jun-19	30-Sep-19	31-Dec-19	31-Mar-20	12-Jun-20	19-Jun-20	26-Jun-20
1. Treasury Bills (Excluding Repos)	954.25	928.91	878.94	902.29	886.93	897.68	901.58
<i>(As % of total securities)</i>	35.31	33.68	30.80	30.15	28.72	28.97	28.89
2. Treasury Bonds	1,748.15	1,828.78	1,974.69	2,090.29	2,201.13	2,201.13	2,219.44
<i>(As % of total securities)</i>	64.69	66.32	69.20	69.85	71.28	71.03	71.11
3. Total Securities (1+2)	2,702.40	2,757.69	2,853.63	2,992.58	3,088.06	3,098.81	3,121.03
4. Overdraft at Central Bank	57.33	68.23	63.72	54.18	44.28	34.97	31.70
5. Other Domestic debt*	25.76	25.72	24.75	25.10	25.28	25.29	25.28
6. Gross Domestic Debt (3+4+5)	2,785.48	2,851.64	2,942.10	3,071.85	3,157.61	3,159.08	3,178.00

* 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-Jun-19	30-Sep-19	31-Dec-19	31-Mar-20	12-Jun-20	19-Jun-20	26-Jun-20
Treasury bills (Excluding Repos)	34.26	32.57	29.87	29.37	28.08	28.97	28.37
Treasury bonds	62.76	64.13	67.12	68.05	69.70	69.08	69.84
CBK Overdraft to Government	2.06	2.39	2.17	1.76	1.40	1.13	1.00
Other domestic debt	0.92	0.90	0.84	0.82	0.82	0.82	0.80
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

Table 10: Composition of Government Domestic Debt by Holder (Percent)

	28-Jun-19	30-Sep-19	31-Dec-19	31-Mar-20	12-Jun-20	19-Jun-20	26-Jun-20
Banking Institutions	54.38	53.63	54.33	54.31	54.43	53.30	54.80
Insurance Companies	6.13	6.33	6.42	6.30	6.11	6.49	6.05
Parastatals	6.97	7.13	6.49	6.13	5.64	5.96	5.72
Pension funds	28.24	28.77	28.60	29.01	29.52	29.93	29.12
Other investors	4.28	4.13	4.17	4.25	4.30	4.33	4.31
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

Table 11: Indicators of Total Government Debt

	Jun-18	Jun-19	Sep-19	Dec-19	Jan-20	Feb-20	Mar-20
Domestic debt (KSh Billion)	2,478.84	2,785.48	2,851.64	2,942.10	3,003.70	3,040.96	3,071.85
Public & Publicly Guaranteed External debt (US \$ Billion)	25.34	29.55	29.95	30.66	30.95	30.87	30.69
Public & Publicly Guaranteed External debt (KSh Billion)	2,560.20	3,023.14	3,111.80	3,106.82	3,112.90	3,117.04	3,212.63
Total public debt (KSh Billion)	5,039.03	5,808.62	5,963.44	6,048.93	6,116.60	6,158.00	6,284.49

Source: National Treasury and Central Bank of Kenya