



Central Bank of Kenya

Weekly Bulletin

July 1, 2022



RECENT MONETARY AND FINANCIAL DEVELOPMENTS

GDP Growth

Latest Kenya National Bureau of Statistics (KNBS) data confirm the continuation of the strong economic performance in the first quarter of 2022, growing by 6.8 percent compared to 2.7 percent in the first quarter of 2021. The strong performance was supported by continued recovery in manufacturing, construction, transport and storage, education, accommodation and food services, and wholesale and retail trade. The agriculture sector remained subdued on account of unfavorable weather conditions experienced during the quarter under review (**Table 1**).

Inflation

Overall inflation increased to 7.9 percent in June 2022 from 7.1 percent in May, due to increases in food and energy prices. Food inflation increased to 13.8 percent from 12.4 percent in May, on account of unfavourable weather conditions and increasing transport costs. Fuel inflation also increased to 10.0 percent from 9.0 percent in May, reflecting increased international energy prices mainly arising from the war in Ukraine. Meanwhile, Non-Food-Non-Fuel inflation remained low at 2.9 percent compared to 2.6 percent in May, reflective of minimal demand pressures in the economy (**Chart 1**).

Exchange Rates

The Kenya Shilling remained stable against major international and regional currencies during the week ending June 30. It exchanged at KSh 117.83 per US dollar on June 30, compared to KSh 117.57 per US dollar on June 23 (**Table 2**).

Foreign Exchange Reserves

The usable foreign exchange reserves remained adequate at USD 7,982 million (4.74 months of import cover) as of June 30. 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 3**).

Money Market

The money market was liquid during the week ending June 30, partly reflecting government payments, which offset tax remittances. Commercial banks' excess reserves stood at

KSh 31.2 billion in relation to the 4.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was 5.33 percent on June 30 compared to 5.27 percent on June 23. The average number of interbank deals remained relatively stable at 26 compared with 27 in the previous week, while the average value traded increased to KSh 19.0 billion from KSh 16.1 billion in the previous week (**Table 4**).

Government Securities Market

The Treasury bill auction of June 30, received bids totalling KSh 8.9 billion against an advertised amount of KSh 24.0 billion, representing a performance of 37.1 percent. Interest rates remained stable, with all the Treasury bills rates increasing marginally (**Table 5**).

Equity Market

At the Nairobi Securities Exchange, NASI, NSE 20 and NSE 25 share price indices increased by 5.2 percent, 2.8 percent and 6.1 percent, respectively. Similarly, market capitalization and total shares traded also increased by 5.2 percent and 5.5 percent respectively, during the week ending June 30 (**Table 7**).

Bonds Market

Bond turnover in the domestic secondary market rose by 44.7 percent during the week ending June 30 (**Table 7**). In the international market, the yields on Kenya's Eurobonds rose by an average of 106.9 basis points. The yields on the 10-year Eurobonds for Angola and Ghana also rose (**Chart 3**).

Global Trends

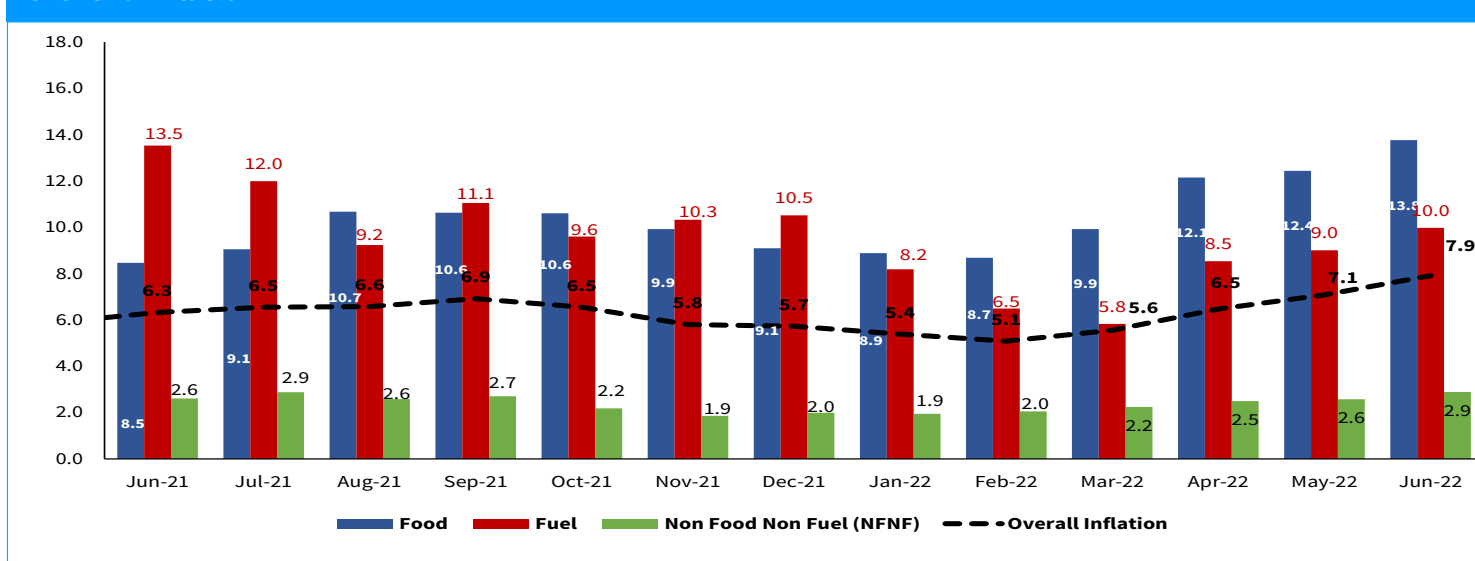
Concerns about inflationary pressures remained elevated during the week ending June 30, despite the rate of inflation in Germany decreasing slightly to 8.2 percent in June from 8.7 percent in May. Global equity and bond markets declined on reduced risk appetite following concerns of major central bank's policy rate hikes.

International oil prices increased during the week ending June 30, supported by increased global oil demand and the drawdown of oil inventories. Murban oil prices rose to USD 118.74 per barrel on June 30, compared to USD 112.14 per barrel on June 24.

Table 1: Real GDP Growth (percent)

	2021Q1	2021Q2	2021Q3	2021Q4	2021 Annual	2022Q1
Agriculture	0.4	-0.5	0.6	-1.2	-0.2	-0.7
2. Non-Agriculture (o/w)	3.2	14.4	11.1	9.2	9.4	8.7
2.1 Industry	4.3	9.2	8.8	6.6	7.2	5.5
Mining & Quarrying	10.7	10.9	16.4	34.5	18.0	22.1
Manufacturing	2.1	11.3	10.2	4.9	6.9	3.7
Electricity & water supply	3.6	7.2	6.4	2.8	5.0	1.9
Construction	6.8	6.8	6.7	6.0	6.6	6.4
2.2 Services	3.1	15.6	11.7	9.2	9.8	9.2
Wholesale & Retail Trade	7.5	9.2	6.4	8.4	7.9	8.7
Accommodation & Food Services	-33.0	90.1	127.5	118.6	52.5	56.2
Transport & Storage	-7.9	18.6	14.2	6.5	7.2	8.1
Information & Communication	10.1	17.1	4.1	5.3	8.8	6.1
Financial & Insurance	11.8	17.3	11.8	9.9	12.5	14.4
Public administration	6.8	7.6	4.8	3.3	5.6	6.4
Professional, Administration & Support Services	-13.0	18.3	13.4	8.1	5.7	14.9
Real estate	6.7	7.4	7.1	5.7	6.7	6.1
Education	11.5	31.6	28.3	18.0	21.4	6.2
Health	5.8	6.2	4.1	7.8	6.0	5.0
Other services	-8.4	28.8	17.7	16.8	12.6	11.1
FISIM	4.9	2.8	5.1	8.7	5.5	6.4
2.3 Taxes on products	1.8	18.5	12.5	15.7	11.9	12.3
Real GDP Growth	2.7	11.0	9.3	7.4	7.5	6.8

Source: Kenya National Bureau of Statistics (KNBS)

Chart 1: Inflation

Source: Nairobi Securities Exchange (NSE)

Table 2: Kenya Shilling Exchange Rates (Indicative Mean Rates)

	USD	Sterling Pound	Euro	100 Japanese Yen	Uganda Shilling*	Tanzania Shilling*	Rwandese Franc*	Burundi Franc*
17-Jun-22	117.33	142.18	122.42	87.57	32.18	19.86	8.71	17.53
20-Jun-22	117.40	143.82	123.20	87.24	31.82	19.85	8.70	17.52
21-Jun-22	117.44	143.68	123.45	87.01	31.63	19.85	8.71	17.52
22-Jun-22	117.51	144.22	123.88	86.27	31.57	19.85	8.70	17.51
23-Jun-22	117.57	143.93	123.68	86.52	31.81	19.85	8.69	17.50
Jun 17-23	117.45	143.56	123.33	86.92	31.80	19.85	8.70	17.52
24-Jun-22	117.66	143.92	123.74	87.27	31.96	19.81	8.69	17.49
27-Jun-22	117.69	144.32	123.90	87.16	31.86	19.82	8.67	17.48
28-Jun-22	117.70	144.36	124.80	86.98	31.82	19.81	8.69	17.48
29-Jun-22	117.79	144.36	124.61	86.46	31.93	19.81	8.69	17.47
30-Jun-22	117.83	143.70	124.02	86.31	31.91	19.79	8.68	17.47
Jun 24-30	117.74	144.13	124.21	86.84	31.89	19.81	8.68	17.48

*Units of currency per Kenya Shilling

Source: Central Bank of Kenya

Table 3: Official Foreign Exchange Reserves (USD Million)

	2-Jun-22	9-Jun-22	16-Jun-22	23-Jun-22	30-Jun-22
1. CBK Usable Foreign Exchange Reserves (USD Million)	8,219	8,210	8,114	8,028	7,982
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	4.89	4.88	4.82	4.77	4.74

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

Source: Central Bank of Kenya

Table 4: Money Markets

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
17-Jun-22	29	13,390.00	5.22
20-Jun-22	31	15,920.00	5.30
21-Jun-22	25	17,498.00	5.15
22-Jun-22	26	16,990.00	5.25
23-Jun-22	26	16,950.00	5.27
June 17-23	27	16,149.60	5.24
24-Jun-22	27	18,150.00	5.23
27-Jun-22	24	23,510.00	5.18
28-Jun-22	23	19,420.00	5.13
29-Jun-22	23	12,970.00	5.21
30-Jun-22	32	21,110.00	5.33
June 24-30	26	19,032.00	5.22

Source: Central Bank of Kenya

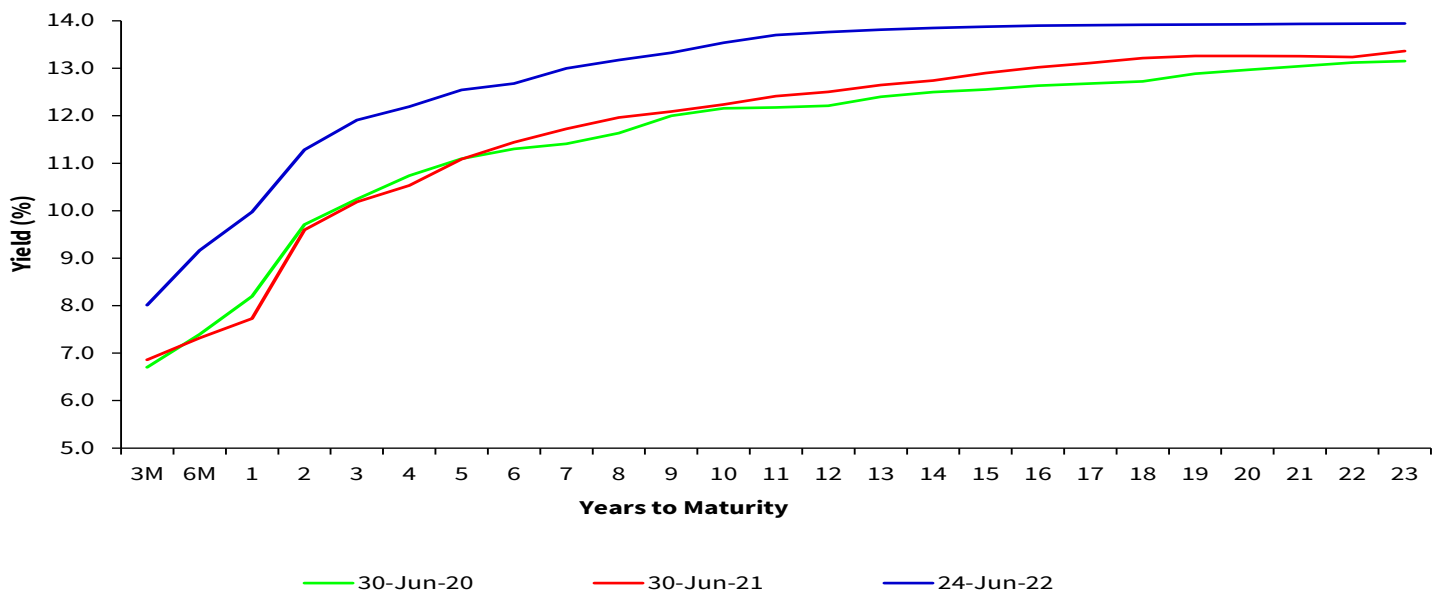
Table 5: Performance of Treasury Bill Auctions						
91-Day Treasury Bills						
Date of Auction	12-May-22	19-May-22	26-May-22	16-Jun-22	23-Jun-22	30-Jun-22
Amount Offered (KSh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids Received (KSh M)	5,278.68	5,475.21	494.30	3,070.87	8,054.61	4,727.43
Amount Accepted (KSh M)	5,278.19	2,523.79	468.31	3,043.36	8,053.64	3,959.52
Maturities (KSh M)	2,779.75	1,442.85	2,021.00	1,735.65	2,352.05	1,539.65
Average Interest Rate (%)	7.683	7.758	7.744	7.925	8.013	8.097
182-Day Treasury Bills						
Date of Auction	12-May-22	19-May-22	26-May-22	16-Jun-22	23-Jun-22	30-Jun-22
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)	7,926.39	10,251.80	2,845.90	7,323.74	4,849.13	1,751.07
Amount Accepted (KSh M)	7,924.77	8,337.33	2,845.42	7,322.40	4,847.84	1,600.03
Maturities (KSh M)	5,396.75	6,804.35	2,614.95	9,613.60	818.55	2,412.35
Average Interest Rate (%)	8.722	8.832	8.901	9.096	9.163	9.196
364-Day Treasury Bills						
Date of Auction	12-May-22	19-May-22	26-May-22	16-Jun-22	23-Jun-22	30-Jun-22
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)	11,341.10	12,184.59	9,721.48	8,998.36	8,289.33	2,435.86
Amount Accepted (KSh M)	9,897.73	12,006.44	9,198.39	7,864.12	7,379.10	2,260.74
Maturities (KSh M)	17,684.05	11,778.25	15,009.20	5,971.80	9,726.30	5,888.60
Average Interest Rate (%)	9.860	9.879	9.881	9.961	9.974	9.985

Source: Central Bank of Kenya

Table 6: Performance of Treasury Bond Auctions							
Date of Auction	11-May-22		20-May-22		8-Jun-22	23-Jun-22	
	REOPEN		TAP			TAP	
Tenor	FXD1/ 2022/010	FXD1/ 2021/025	FXD1/ 2022/010	FXD1/ 2021/025	IFB1/ 2022/018	FXD1/ 2022/03	FXD1/ 2022/015
Amount offered (KSh M)	60,000.00		10,000.00		75,000.00	25,000.00	
Bids received (KSh M)	32,893.01	10,225.98	5,967.65	11,044.75	76,369.63	3,621.30	15,985.45
Amount Accepted (KSh M)	28,675.32	3,064.50	5,967.17	11,003.44	73,770.99	3,619.82	15,976.98
Maturities (KSh M)					35,273.70	0.00	
Average interest Rate (%)	13.49	13.92	13.49	13.92	13.74	11.77	13.94

Source: Central Bank of Kenya

Chart 2: Government Securities Yield Curve



Source: Nairobi Securities Exchange (NSE)

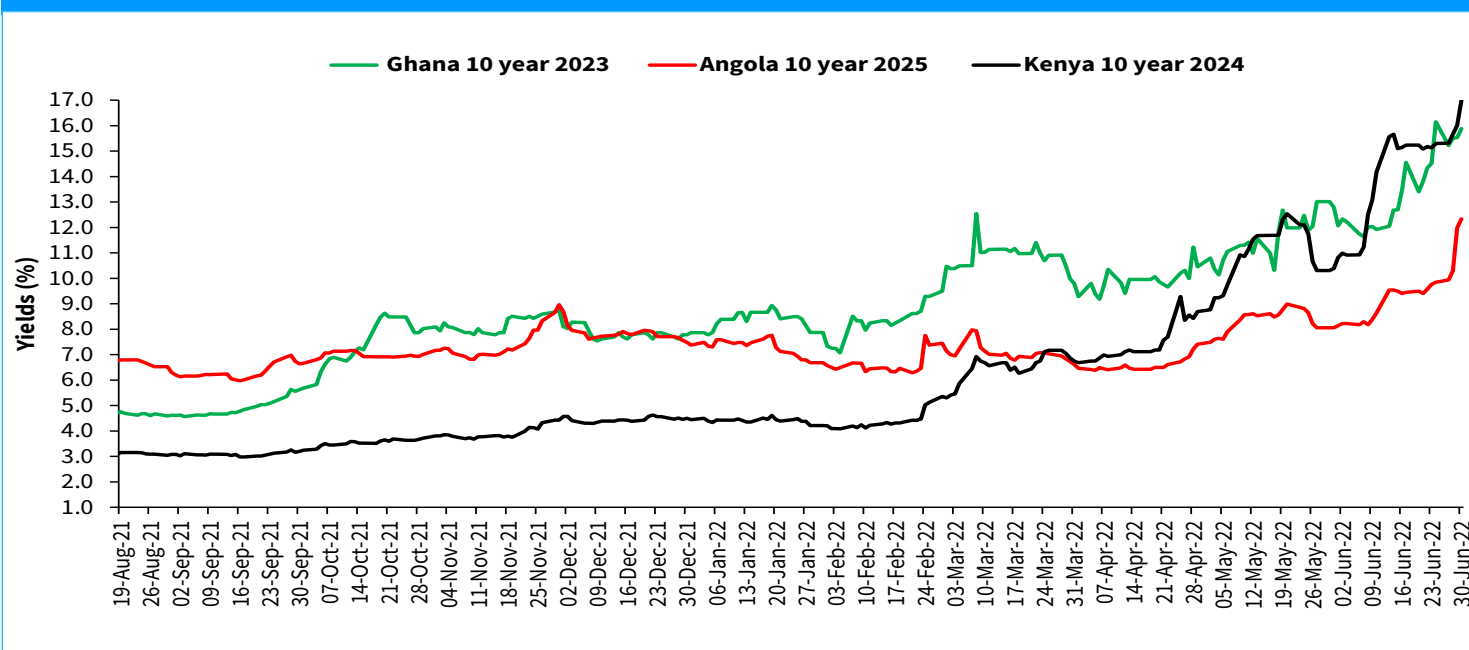
Table 7: Key Weekly Market Indicators

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 Capitaliza- tion (KSh Billion)	Bonds Turnover (KSh Million)	Eurobond Yields (%)					
									7-Year 2027	10-Year 2024	10-Year 2028	12-Year 2032	13-Year 2034	30-Year 2048
17-Jun-22	121.81	2876.34	1626.81	1,268.00	21.08	522.65	1,897.65	3,944.05	14.540	15.236	13.411	12.760	11.903	12.660
20-Jun-22	121.60	2862.63	1616.14	1,041.00	2.96	44.51	1,894.40	3,055.80	14.591	15.236	13.488	12.876	11.786	12.707
21-Jun-22	120.41	2839.48	1597.02	1,466.00	22.76	537.40	1,875.75	2,544.40	14.393	15.083	13.414	12.703	11.688	12.590
22-Jun-22	118.62	2798.77	1580.51	1,325.00	32.83	790.05	1,847.79	2,355.75	14.549	15.177	13.647	12.849	11.960	12.779
23-Jun-22	118.30	2784.96	1569.10	904.00	5.00	120.29	1,842.85	1,766.25	14.983	15.126	13.616	13.028	12.047	12.804
June 17-23	118.30	2784.96	1569.10	6004.00	84.63	2014.90	1842.85	13666.25	14.983	15.126	13.616	13.028	12.047	12.804
24-Jun-22	117.21	2767.45	1573.32	1,403.00	44.78	1,155.50	1,825.82	3,243.15	14.772	15.302	13.657	13.029	11.907	12.828
27-Jun-22	116.88	2752.62	1563.68	1,191.00	13.01	515.60	1,820.59	1,689.03	15.185	15.313	13.776	13.119	12.134	12.975
28-Jun-22	117.90	2783.77	1578.71	1,143.00	9.01	246.07	1,836.62	3,584.38	15.092	15.658	13.936	13.240	12.334	13.151
29-Jun-22	122.83	2880.03	1600.67	1,067.00	8.99	319.99	1,913.62	5,293.48	15.875	16.006	14.176	13.393	12.667	13.409
30-Jun-22	124.47	2953.55	1612.89	1,126.00	13.49	400.96	1,939.21	5,963.15	16.073	16.999	14.672	13.799	12.745	13.732
June 24-30	124.47	2953.55	1612.89	5930.00	89.27	2638.10	1939.21	19773.20	16.073	16.999	14.672	13.799	12.745	13.732
Weekly Changes (%)	5.22	6.05	2.79	-1.23	5.49	30.93	5.23	44.69	1.090*	1.873*	1.056*	0.771*	0.698*	0.928*

* Percentage points

Source: Nairobi Securities Exchange (NSE) and Thomson Reuters

Chart 3: Yields on 10 year Eurobonds for Selected Countries



Source: Thomson Reuters

Table 8: Government Domestic Debt (KSh Billion)

	30-Jun-21	31-Dec-21	31-Mar-22	27-May-22	03-Jun-22	17-Jun-22	24-Jun-22
1. Treasury Bills (Excluding Repos)	765.37	709.15	656.45	637.37	631.20	618.36	620.28
<i>(As % of total securities)</i>	21.17	17.95	16.02	15.24	15.12	14.60	14.88
2. Treasury Bonds	2,849.94	3,242.24	3,440.61	3,543.87	3,543.87	3,617.48	3,549.53
<i>(As % of total securities)</i>	78.83	82.05	83.98	84.76	84.88	85.40	85.12
3. Total Securities (1+2)	3,615.31	3,951.39	4,097.06	4,181.24	4,175.07	4,235.84	4,169.81
4. Overdraft at Central Bank	59.28	59.31	68.40	55.84	54.04	66.63	65.86
5. Other Domestic debt*	22.50	21.66	26.32	26.26	26.26	30.54	30.55
6. Gross Domestic Debt (3+4+5)	3,697.09	4,032.37	4,191.77	4,263.34	4,255.37	4,333.00	4,266.23

* Other domestic debt includes clearing items in transit, advances from commercial banks and Pre-1997 Government Overdraft.

Source: Central Bank of Kenya

Table 9: Composition of Government Domestic Debt by Instrument (Percent)

	30-Jun-20	30-Jun-21	31-Dec-21	25-Mar-22	3-Jun-22	17-Jun-22	24-Jun-22
Treasury bills (Excluding Repos)	27.93	20.70	17.59	15.81	14.83	14.27	14.54
Treasury bonds	69.86	77.09	80.41	82.09	83.28	83.49	83.20
Overdraft at Central Bank	1.48	1.60	1.47	1.46	1.27	1.54	1.54
Other domestic debt	0.73	0.61	0.54	0.64	0.62	0.70	0.72
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)

	30-Jun-20	30-Jun-21	31-Dec-21	25-Mar-22	3-Jun-22	17-Jun-22	24-Jun-22
Banking Institutions	54.18	51.24	50.20	49.29	48.50	48.19	48.74
Insurance Companies	6.05	6.66	6.79	6.87	7.07	7.17	7.14
Parastatals	5.73	5.54	5.57	5.72	5.81	5.81	5.84
Pension Funds	29.04	30.60	31.34	31.75	32.25	32.33	32.39
Other Investors	5.00	5.96	6.10	6.37	6.37	6.51	5.89
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

Table 11: Indicators of Government Debt

	Sep-20	Dec-20	Jun-21	Sep-21	Dec-21	Mar-22	Apr-22
Domestic debt (KSh Bn)	3,457.11	3,488.54	3,697.09	3,937.80	4,032.37	4,191.77	4,226.84
Public & Publicly Guaranteed External debt (USD Bn)	33.77	34.75	37.08	36.73	36.90	36.82	36.65
Public & Publicly Guaranteed External debt (KSh Bn)	3,663.49	3,793.29	3,999.54	4,058.50	4,174.37	4,209.56	4,243.53
Public debt (KSh Bn)	7,120.60	7,281.83	7,696.63	7,996.30	8,206.74	8,401.33	8,470.37

Source: The National Treasury and Central Bank of Kenya