



Central Bank of Kenya

Weekly Bulletin

June 30, 2023



RECENT MONETARY AND FINANCIAL DEVELOPMENTS

Inflation

Overall inflation remained sticky at 7.9 percent in June 2023 compared to 8.0 percent in May, mainly driven by higher food prices. Food inflation increased marginally to 10.3 percent from 10.2 percent in May, reflecting high prices of select vegetables and sugar. Fuel inflation declined significantly to 12.9 percent from 13.6 percent in May, largely on account of lower gas/LPG prices. Meanwhile, non-food-non-fuel (NFNF) inflation declined to 4.1 percent from 4.3 percent in May (**Chart 1**).

Monetary Policy Committee

The Monetary Policy Committee (MPC) met on June 26, 2023, and noted the sustained inflationary pressures, increased risks to the inflation outlook, the elevated global risks, and their potential impact on the domestic economy. The MPC concluded that there was scope for a further tightening of the monetary policy to anchor inflation expectations. The MPC, therefore, raised the Central Bank Rate (CBR) from 9.50 percent to 10.50 percent. The Committee will closely monitor the impact of the policy measures, as well as developments in the global and domestic economy, and stands ready to take further action as necessary. The Committee will meet again in July 2023.

Exchange Rates

The Kenya Shilling remained relatively stable against major international and regional currencies during the week ending June 29. It exchanged at KSh 140.45 per US dollar on June 29, compared to KSh 140.31 per US dollar on June 22 (**Table 1**).

Foreign Exchange Reserves

The usable foreign exchange reserves remained adequate at USD 7,476 million (4.12 months of import cover) as at June 29. This meets the CBK's statutory requirement to endeavor to maintain at least 4 months of import cover (**Table 2**).

Money Market

Liquidity in the money market remained adequate during the week ending June 29, supported by government

payments. Commercial banks' excess reserves stood at KSh 59.3 billion in relation to the 4.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was 10.02 percent on June 29 compared to 9.85 percent on June 22. During the week, the average number of interbank deals increased to 31 from 22 in the previous week, while the average value traded increased to KSh 13.8 billion from KSh 9.4 billion in the previous week (**Table 3**).

Government Securities Market

The Treasury bill auction of June 29, received bids totaling KSh 9.5 billion against an advertised amount of KSh 24.0 billion, representing a performance of 39.5 percent. Interest rates remained stable, with 91-day, 182-day and 364-day rates increasing marginally (**Table 4**).

During the Treasury bond tap sale of June 23, the 3-year fixed rate Treasury bonds received bids totaling KSh 18.6 billion against an advertised amount of KSh 15 billion, representing a performance rate of 123.7 percent (**Table 5**).

Equity Market

At the Nairobi Securities Exchange, the NASI and NSE 25 share price indices increased by 0.3 percent and 1.2 percent, respectively, during the week ending June 29. Similarly, market capitalisation increased by 0.3 percent. However, equity turnover, total shares traded and NSE 20 share price index declined by 28.6 percent, 37.8 percent and 0.1 percent, respectively (**Table 6**).

Bond Market

Bond turnover in the domestic secondary market rose by 1.7 percent during the week ending June 29 (**Table 6**). In the international market, yields on Kenya's Eurobonds rose by an average of 2.68 basis points, with the 2024 maturity declining by 3.70 basis points. The yield on the 10-Year Eurobonds for Angola and Ghana increased (**Chart 3**).

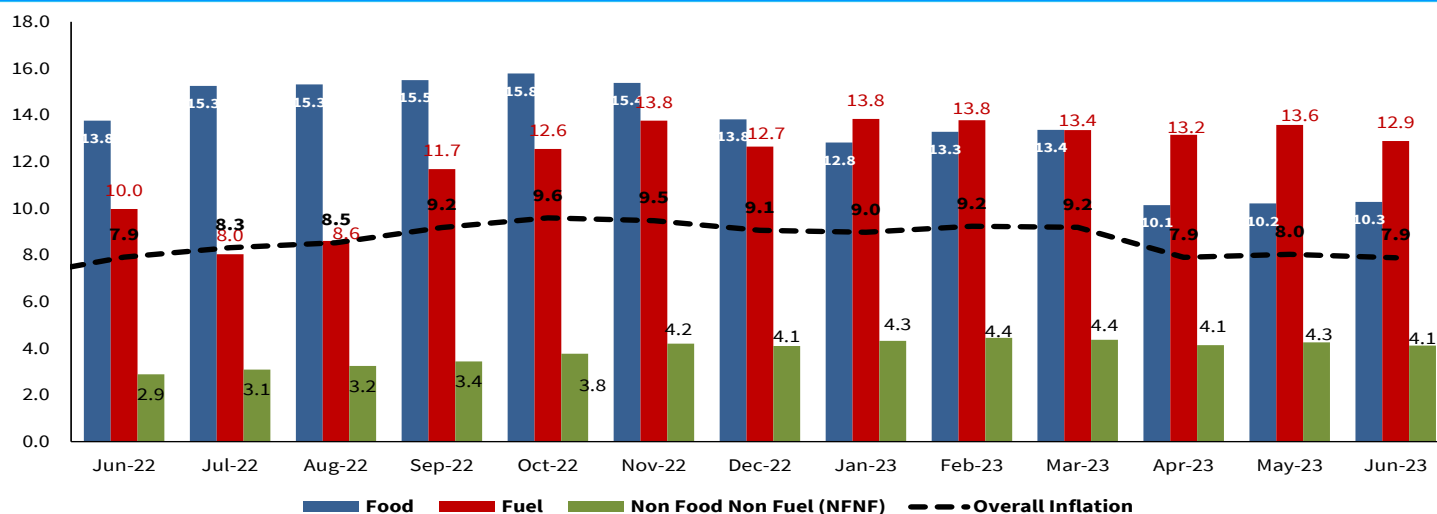
Global Trends

Inflation concerns in advanced economies remain mainly due to persistent core inflationary pressures. The U.S.

economy grew stronger than expected at 2 percent in the first quarter of 2023. The US dollar index strengthened by 0.93 percent against a basket of major currencies during the week ending June 29.

International oil prices decreased during the week ending June 29 due to low demand. Murban oil price dropped to USD 74.93 per barrel on June 28 from USD 77.80 per barrel on June 22.

Chart 1: Inflation (Percent)



Source: Central Bank of Kenya and Kenya National Bureau of Statistics

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

	USD	Sterling Pound	Euro	100 Japanese Yen	Uganda Shilling*	Tanzania Shilling*	Rwandese Franc*	Burundi Franc*
16-Jun-23	139.87	177.18	151.89	99.39	26.38	17.09	8.16	20.19
19-Jun-23	140.04	179.40	153.31	99.12	26.31	17.06	8.15	20.17
20-Jun-23	140.12	179.48	153.08	98.78	26.41	16.99	8.19	20.16
21-Jun-23	140.20	178.74	153.06	98.86	26.43	17.03	8.20	20.15
22-Jun-23	140.31	178.41	153.34	98.96	26.41	17.07	8.21	20.14
June 16-22	140.11	178.64	152.94	99.02	26.39	17.05	8.18	20.16
23-Jun-23	140.40	179.08	154.17	98.43	26.21	17.08	8.20	20.12
26-Jun-23	140.44	178.61	153.16	97.95	26.21	17.12	8.23	20.12
27-Jun-23	140.44	178.62	153.32	97.88	26.18	17.10	8.24	20.12
28-Jun-23	Public Holiday							
29-Jun-23	140.45	179.04	154.00	97.86	26.19	17.15	8.30	20.13
June 23-29	140.43	178.84	153.66	98.03	26.20	17.11	8.24	20.12

*Units of currency per Kenya Shilling

Source: Central Bank of Kenya

Table 2: Official Foreign Exchange Reserves (USD Million)

	31-May-23	8-Jun-23	15-Jun-23	22-Jun-23	29-Jun-23
1. CBK Usable Foreign Exchange Reserves (USD Million)	6,512	7,532	7,459	7,375	7,476
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	3.62	4.15	4.11	4.06	4.12

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

Source: Central Bank of Kenya

Table 3: Money Markets

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
16-Jun-23	22	8,720.00	9.57
19-Jun-23	20	11,310.00	9.64
20-Jun-23	15	5,320.00	9.71
21-Jun-23	23	7,760.00	9.80
22-Jun-23	32	13,820.00	9.85
Jun 16-22	22	9,386.00	9.72
23-Jun-23	52	25,420.00	9.97
26-Jun-23	22	7,020.00	10.02
27-Jun-23	25	8,620.00	10.05
28-Jun-23	Public Holiday		
29-Jun-23	24	14,220.00	10.05
Jun 23-29	31	13,820.00	10.02

Source: Central Bank of Kenya

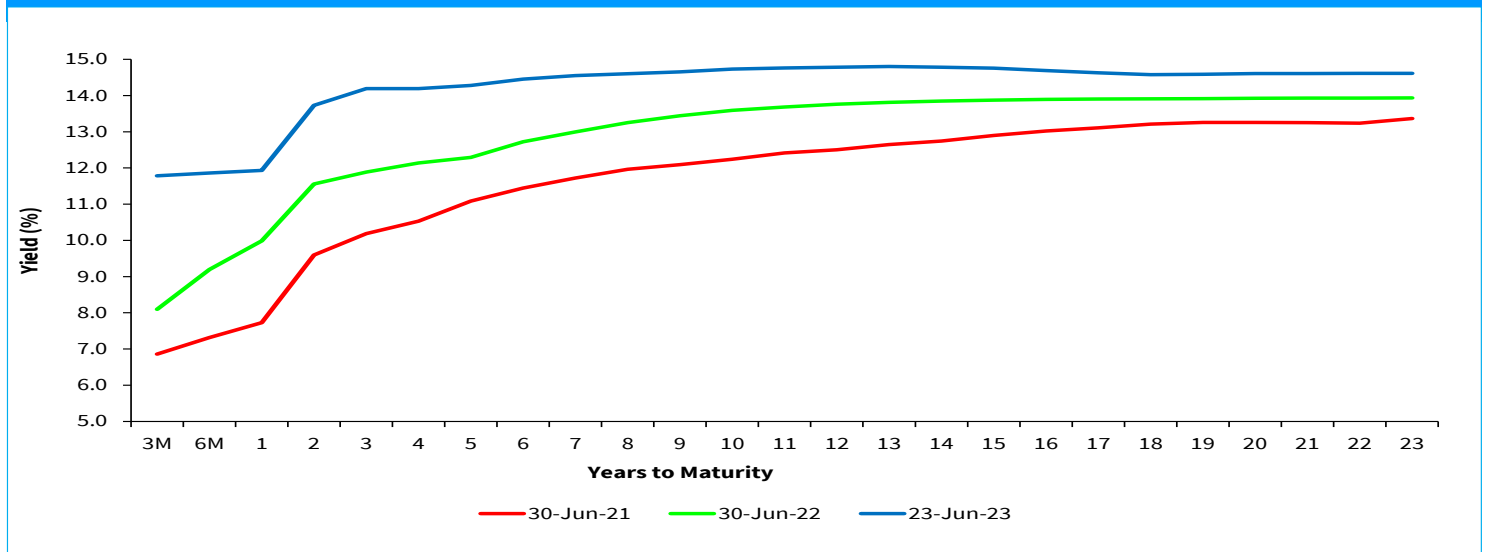
Table 4: Performance of Treasury Bill Auctions						
91-Day Treasury Bills						
Date of Auction	29-Sep-22	29-Dec-22	30-Mar-23	31-May-23	22-Jun-23	29-Jun-23
Amount Offered (KSh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids Received (KSh M)	5,129.43	2,180.21	2,904.04	20,452.21	11,013.68	5,779.97
Amount Accepted (KSh M)	2,487.10	2,120.42	2,765.00	17,535.04	10,970.08	2,705.12
Maturities (KSh M)	4,035.00	2,539.95	2,158.40	13,568.35	8,098.30	2,814.15
Average Interest Rate (%)	8.952	9.369	9.907	11.103	11.785	11.904
182-Day Treasury Bills						
Date of Auction	29-Sep-22	29-Dec-22	30-Mar-23	31-May-23	22-Jun-23	29-Jun-23
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)	3,049.07	434.69	3,547.05	549.74	1,989.27	2,195.96
Amount Accepted (KSh M)	3,039.53	434.69	3,457.80	549.74	1,987.77	1,300.96
Maturities (KSh M)	3,248.05	1,660.95	3,176.30	4,079.55	946.30	442.15
Average Interest Rate (%)	9.631	9.834	10.399	11.112	11.863	11.947
364-Day Treasury Bills						
Date of Auction	29-Sep-22	29-Dec-22	30-Mar-23	31-May-23	22-Jun-23	29-Jun-23
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)	1,133.80	1,691.33	1,810.42	2,562.94	2,335.01	1,514.41
Amount Accepted (KSh M)	1,124.70	1,691.33	1,810.42	2,562.05	2,334.61	1,514.41
Maturities (KSh M)	1,775.15	5,396.40	2,660.05	5,507.00	7,329.00	2,417.65
Average Interest Rate (%)	9.905	10.308	10.800	11.497	11.934	12.157

Source: Central Bank of Kenya

Table 5: Performance of Treasury Bond Auctions					
Date of Auction	10-May-23	19-May-23	26-May-23	14-Jun-23	23-Jun-23
		TAP	TAP		TAP
Tenor	FXD1/2023/03	FXD1/2023/03	FXD1/2023/03	IFB1/2023/007	FXD1/2023/03
Amount offered (KSh M)	20,000.00	10,000.00	20,000.00	60,000.00	15,000.00
Bids received (KSh M)	20,744.34	10,603.25	27,206.35	220,518.51	18,560.05
Amount Accepted (KSh M)	20,293.99	10,602.30	27,201.72	213,399.35	18,552.07
Maturities (KSh M)	8,245.00			39,248.20	
Average interest Rate (%)	14.23	14.23	14.23	15.84	14.23

Source: Central Bank of Kenya

Chart 2: Government Securities Yield Curve



Source: Nairobi Securities Exchange (NSE)

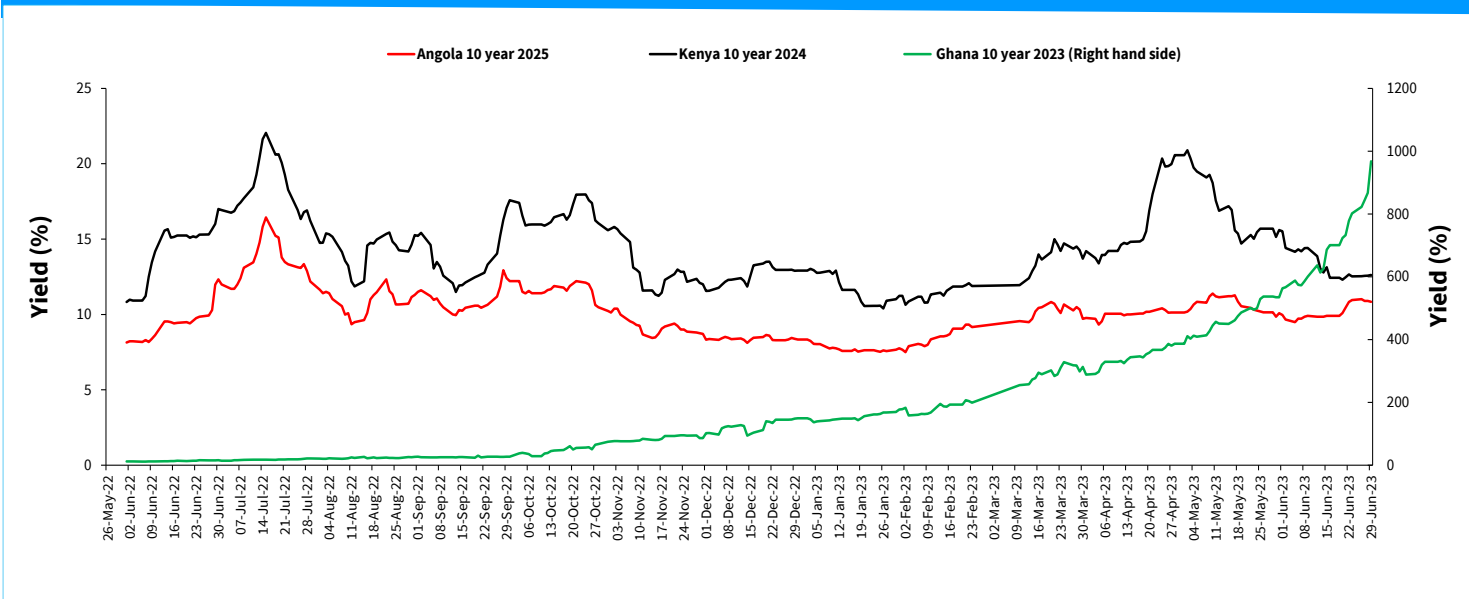
Table 6: Performance of Key Market Indicators

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 Capital- ization (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
16-Jun-23	100.35	2634.7	1564.72	1,149.00	23.61	351.19	1,562.35	1,048.90	11.145	12.437	10.894	11.04	10.183	10.927
19-Jun-23	103.39	2672.21	1562.27	825.00	5.91	53.74	1,609.82	1,274.29	11.145	12.437	10.894	11.04	10.183	10.927
20-Jun-23	103.73	2666.57	1558.54	1,015.00	9.18	101.26	1,615.24	1,798.10	11.148	12.312	10.858	10.96	10.208	10.908
21-Jun-23	105.29	2690.8	1567.39	984.00	8.37	169.97	1,639.53	7,351.90	11.264	12.469	10.974	11.015	10.257	10.964
22-Jun-23	106.9	2705.6	1573.32	1,157.00	14.90	379.82	1,664.67	4,117.40	11.33	12.657	11.056	11.044	10.283	11.019
June 16-22	106.90	2705.60	1573.32	5,130.00	61.97	1,055.98	1,664.67	15,590.59	11.330	12.657	11.056	11.044	10.283	11.019
23-Jun-23	107.24	2716.9	1582.47	1,135.00	15.53	290.94	1,670.05	2,469.35	11.39	12.529	11.096	11.072	10.333	11.038
26-Jun-23	107.21	2718.44	1576.37	1,050.00	14.47	323.83	1,669.61	4,535.85	11.394	12.54	11.137	11.127	10.358	11.075
27-Jun-23	107.19	2735.58	1576.93	1,056.00	4.01	93.47	1,669.30	4,550.25	11.342	12.559	11.1	11.073	10.335	11.057
28-Jun-23	Public Holiday								11.345	12.574	11.102	11.074	10.336	11.076
29-Jun-23	107.17	2738.31	1571.42	938.00	4.54	45.99	1,668.99	4,295.85	11.413	12.62	11.07	11.076	10.314	11.057
June 23-29	107.17	2738.31	1571.42	4,179.00	38.55	754.23	1,668.99	15,851.30	11.413	12.620	11.070	11.076	10.314	11.057
Weekly Changes (%)	0.25	1.21	-0.12	-18.54	-37.79	-28.57	0.26	1.67	0.083*	-0.037*	0.014*	0.032*	0.031*	0.038*

* Percentage points

Source: Nairobi Securities Exchange (NSE) and Thomson Reuters

Chart 3: Yields on 10-Year Eurobonds for Selected Countries



Source: Thomson Reuters

Table 7: Government Domestic Debt (KSh Billion)

	31-Mar-22	24-Jun-22	30-Sep-22	30-Dec-22	31-Mar-23	26-May-23	16-Jun-23	23-Jun-23
1. Treasury Bills (Excluding Repos)	656.45	620.28	672.28	671.51	665.86	627.57	627.12	615.31
<i>(As % of total securities)</i>	16.02	14.88	15.61	15.32	15.01	14.16	14.10	13.35
2. Treasury Bonds	3,440.61	3,549.53	3,634.86	3,710.62	3,771.03	3,804.12	3,821.34	3,995.34
<i>(As % of total securities)</i>	83.98	85.12	84.39	84.68	84.99	85.84	85.90	86.65
3. Total Securities (1+2)	4,097.06	4,169.81	4,307.14	4,382.13	4,436.89	4,431.69	4,448.46	4,610.65
4. Overdraft at Central Bank	68.40	65.86	27.25	58.50	77.98	74.15	75.06	75.17
5. Other Domestic debt*	26.32	30.55	30.90	32.76	24.73	25.41	25.61	25.59
6. Gross Domestic Debt (3+4+5)	4,191.77	4,266.23	4,365.29	4,473.39	4,539.59	4,531.24	4,549.13	4,711.42

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

Source: Central Bank of Kenya

Table 8: Composition of Government Domestic Debt by Instrument (Percent)

	25-Mar-22	24-Jun-22	30-Sep-22	30-Dec-22	31-Mar-23	26-May-23	16-Jun-23	23-Jun-23
Treasury bills (Excluding Repos)	15.81	14.54	15.40	15.01	14.67	13.85	13.79	13.06
Treasury bonds	82.09	83.20	83.27	82.95	83.07	83.95	84.00	13.06
Overdraft at Central Bank	1.46	1.54	0.62	1.31	1.72	1.64	1.65	1.60
Other domestic debt	0.64	0.72	0.71	0.73	0.54	0.56	0.56	0.54
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	28.26

Source: Central Bank of Kenya

Table 9: Government Domestic Debt by Holder (Percent)

	30-Sep-22	30-Dec-22	31-Mar-23	28-Apr-23	26-May-23	9-Jun-23	16-Jun-23	23-Jun-23
Banking Institutions	47.60	46.84	46.13	45.65	45.39	45.39	45.25	46.35
Insurance Companies	7.32	7.37	7.39	7.50	7.61	7.57	7.56	7.34
Parastatals	6.09	6.06	6.04	6.14	6.19	6.18	6.16	6.00
Pension Funds	32.75	33.31	33.42	33.64	33.82	34.21	34.16	33.53
Other Investors	6.24	6.43	7.01	7.08	6.99	6.66	6.87	6.77
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

Table 10: Government Debt

	Mar-22	Jun-22	Sep-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
Domestic debt (KSh Bn)	4,191.77	4,288.33	4,366.30	4,472.84	4,501.71	4,551.56	4,539.59	4,541.64
Public & Publicly Guaranteed External debt (USD Bn)	36.82	36.58	36.00	37.88	37.63	37.13	36.66	37.47
Public & Publicly Guaranteed External debt (KSh Bn)	4,209.56	4,290.73	4,334.80	4,673.14	4,681.12	4,709.72	4,851.09	5,092.50
Public debt (KSh Bn)	8,401.33	8,579.06	8,701.10	9,145.98	9,182.83	9,261.28	9,390.69	9,634.14

* Provisional

Source: The National Treasury and Central Bank of Kenya