



Central Bank of Kenya

Weekly Bulletin

February 28, 2020

KEY MONETARY AND FINANCIAL INDICATORS

Inflation Rate

Inflation increased to 6.4 percent in February from 5.8 percent in January 2020 driven by elevated food prices. The increase in food inflation is attributed to a few food items including tomatoes and maize products. Fuel inflation and Non-Food-Non-Fuel (NFFN) inflation remained low and stable (Chart 1).

Exchange Rate

The Kenya Shilling strengthened against major international and regional currencies during the week ending February 27, supported by inflows from the tea sector. It exchanged at KSh 100.93 per US Dollar on February 27, compared to KSh 101.25 on February 20 (Table 1).

Foreign Exchange Reserves

The CBK usable foreign exchange reserves remained adequate at USD 8,409 million (5.11 months of import cover) as at February 27. 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).

Remittances

Remittance inflows increased to USD 259.4 million in January 2020 from USD 250.3 million in December 2019 (Chart 2). The cumulative inflows in the 12-months to January 2020 increased to USD 2,811 million compared to USD 2,733 million in 2019, reflecting a growth of 2.8 percent. North America, Europe and the Rest of the World accounted for 48 percent, 17 percent and 34 percent, respectively, of the total remittances in January.

Money Market

The money market remained relatively liquid during the week ending February 27, supported by government payments, which offset tax receipts. Open market operations remained active. Commercial banks' excess reserves stood at KSh 23.8 billion in relation to the 5.25 percent cash reserves requirement (CRR). The average interbank rate decreased to 4.0 percent on February 27 from 4.2 percent on February 20. The average number of interbank deals per day increased to 25 from 18 in the previous week, while the value traded increased to KSh

16.0 billion from KSh 6.9 billion in the previous week (Table 3).

Government Securities Market

The Treasury bills auctions of February 27 received bids totalling KSh 54.4 billion against an advertised amount of KSh 24.0 billion, representing a performance of 226.7 percent. Interest rates on the three Treasury bill tenors declined (Table 4).

Equity Market

The number of shares traded, total equity turnover and market capitalisation at the Nairobi Securities Exchange declined by 27 percent, 20 percent and 4.7 percent, respectively during the week ending February 27. The NASI, NSE 25 and NSE 20 share price indices, also declined by 4.7 percent, 4.1 percent and 4.7 percent, respectively. (Table 6).

Bond Market

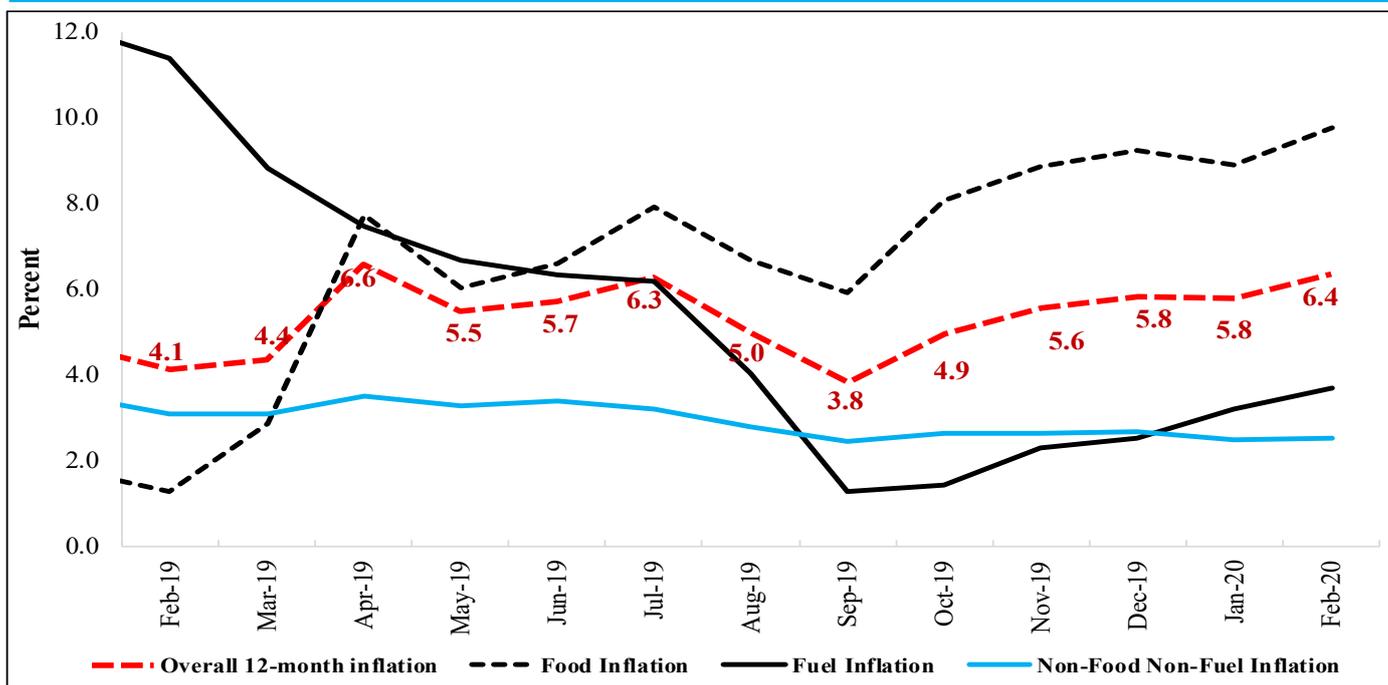
Turnover of bonds traded in the domestic secondary market increased by 39.7 percent during the week ending February 27 (Table 6). In the international market, yields on Kenya's 7-year (2027), 10-year (2024), 10-year (2028), 12-year (2032) and 30-year (2048) Eurobonds rose by 3.6, 3.2, 4.3, 6.0 and 4.1 basis points, respectively. The yields on the 10-year Eurobonds for Angola and Ghana also increased (Chart 4).

Global Trends

Global market sentiment remained weak during the week as coronavirus fears continued to dominate with the Center for Disease Control warning that there was a chance of an outbreak in the US. In addition, the IMF during the G-20 meeting held in February, downgraded the projected global growth to 3.2 percent and that of China to 5.6 percent, a 0.1 percentage point and 0.4 percentage point respectively, below its January 2020 outlook.

International oil prices decreased during the week ending February 27 on continued concerns over the impact of coronavirus. The Murban oil price declined to USD 52.59 per barrel on February 27 from USD 58.67 per barrel on February 20.

Chart 1: Inflation Rate



Source: Central Bank of Kenya

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

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
14-Feb-20	100.58	131.04	109.25	91.66	36.45	22.97	9.45	18.74
17-Feb-20	100.62	130.90	109.08	91.61	36.43	22.96	9.45	18.74
18-Feb-20	100.89	131.18	109.34	91.82	36.33	22.90	9.42	18.69
19-Feb-20	101.08	131.72	109.26	92.09	36.31	22.85	9.41	18.65
20-Feb-20	101.25	131.45	109.32	91.42	36.24	22.82	9.39	18.65
Feb 14 -20	100.88	131.26	109.25	91.72	36.35	22.90	9.43	18.69
21-Feb-20	101.29	130.39	109.37	90.47	36.19	22.80	9.39	18.62
24-Feb-20	101.23	130.83	109.34	90.43	36.27	22.82	9.40	18.63
25-Feb-20	101.15	130.59	109.43	91.06	36.28	22.82	9.40	18.64
26-Feb-20	101.13	131.19	109.66	91.47	36.36	22.79	9.41	18.65
27-Feb-20	100.93	130.53	109.62	91.37	36.51	22.88	9.43	18.69
Feb 21-27	101.14	130.70	109.48	90.96	36.32	22.82	9.40	18.65

* Units of currency per Kenya Shilling

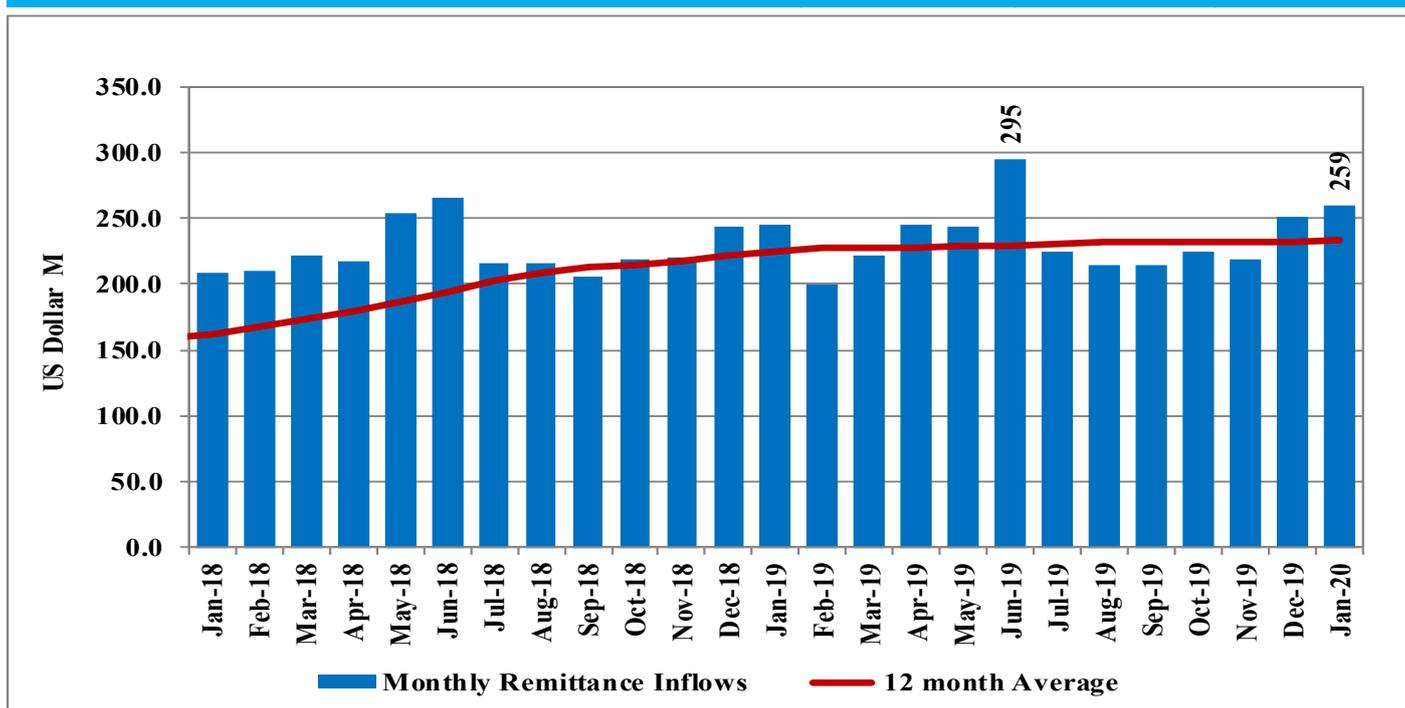
Source: Central Bank of Kenya

Table 2: Official Usable Foreign Exchange Reserves

	23-Jan-20	30-Jan-20	6-Feb-20	13-Feb-20	20-Feb-20	27-Feb-20
1. CBK Usable Foreign Exchange Reserves (USD Million)	8,500	8,500	8,510	8,496	8,508	8,409
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	5.16	5.16	5.17	5.16	5.17	5.11

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

Source: Central Bank of Kenya

Chart 2: Monthly Remittance Inflows (USD Million)

Source: Central Bank of Kenya

Table 3: Money Market

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
14-Feb-20	14	2,450.00	4.20
17-Feb-20	19	7,150.00	3.97
18-Feb-20	21	8,850.00	4.06
19-Feb-20	18	7,500.00	4.18
20-Feb-20	18	8,640.00	4.22
February 14-20	18	6,918.00	4.13
21-Feb-20	30	11,840.00	4.33
24-Feb-20	20	13,890.00	4.30
25-Feb-20	31	20,200.00	4.21
26-Feb-20	18	16,050.00	3.98
27-Feb-20	25	17,900.00	4.00
February 21-27	25	15,976.00	4.17

Source: Central Bank of Kenya

Table 4: Treasury Bills Auctions

91-Day Treasury Bills					
Date of Auction	28-Nov-19	24-Dec-19	30-Jan-20	20-Feb-20	27-Feb-20
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	936.76	346.43	4,577.73	2,868.43	2,337.22
Amount Accepted (Ksh M)	445.55	346.43	4,559.95	1,886.38	2,335.26
Maturities (Ksh M)	5,395.25	3,345.20	6,914.70	3,778.25	453.50
Average interest Rate (%)	7.162	7.200	7.296	7.319	7.315
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)	1,055.83	282.08	6,222.88	7,608.27	3,630.50
Amount Accepted (Ksh M)	553.85	282.08	6,054.82	7,608.27	2,660.49
Maturities (Ksh M)	2,540.45	3,647.65	3,976.15	1,232.25	4,988.75
Average interest Rate (%)	8.204	8.150	8.229	8.258	8.235
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)	6,361.04	3,453.15	21,823.45	39,281.13	48,429.00
Amount Accepted (Ksh M)	3,990.96	3,453.15	20,387.38	25,233.22	10,003.89
Maturities (Ksh M)	2,853.15	8,060.45	24,053.65	8,590.50	6,543.85
Average interest Rate (%)	9.800	9.815	9.879	9.799	9.500

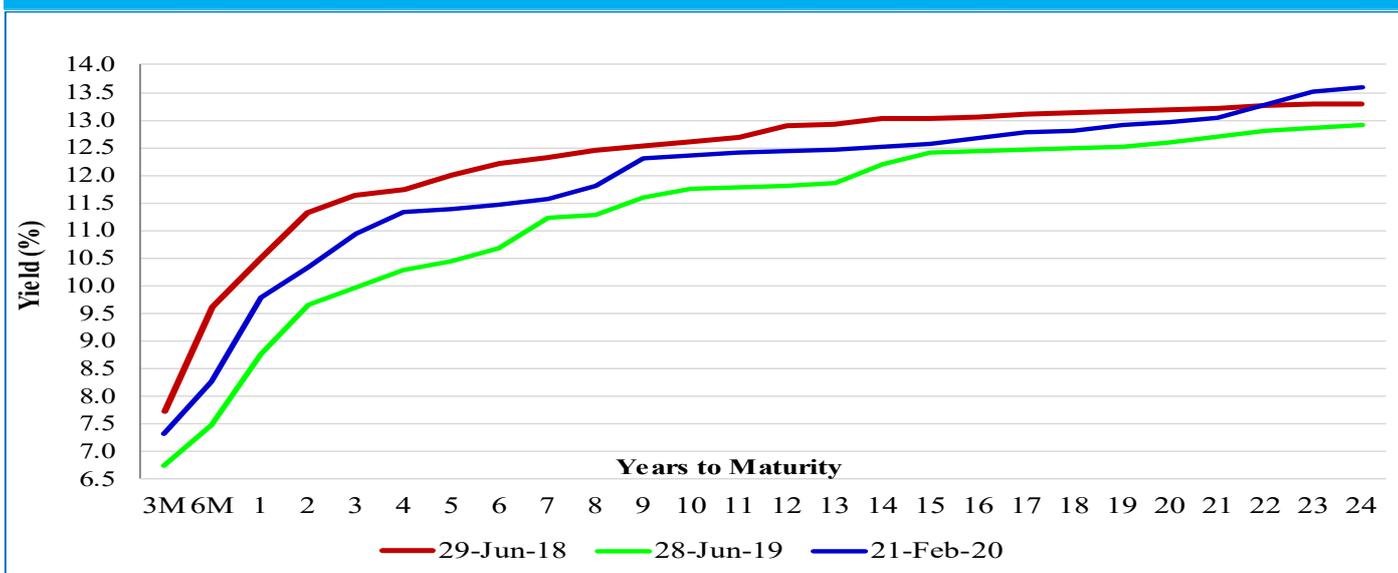
Source: Central Bank of Kenya

Table 5: Treasury Bonds Auctions

Date of Auction	20-Jun-18	23-Jan-19	25-Sep-19	19-Dec-19	22-Jan-20	19-Feb-20	
			TAP	TAP	RE-OPENED	REOPEN	
Tenor	FXD1/2018/25	FXD 1/2019/15	FXD 1/2018/15	FXD3/2019/5	FXD1/2019/10	FXD1/2020/15	FXD1/2018/25
Amount offered (Ksh M)	40,000.00	40,000.00	30,000.00	9,720.00	50,000.00	50,000.00	
Bids received (Ksh M)	10,130.70	101,973.00	9,320.40	9,750.51	69,941.73	42,494.66	
Amount Accepted (Ksh M)	5171.81	14,719.75	3,453.83	9,750.51	19,259.58	5,194.04	22,678.92
Maturities (Ksh M)	26,340.1	0.00	3,453.83	0.00	0.00	0.00	
Average interest Rate (%)	13.45	12.86	12.56	11.49	12.43	12.76	13.60

Source: Central Bank of Kenya

Chart 3: Government Securities Yield Curve



Source: Nairobi Securities Exchange (NSE)

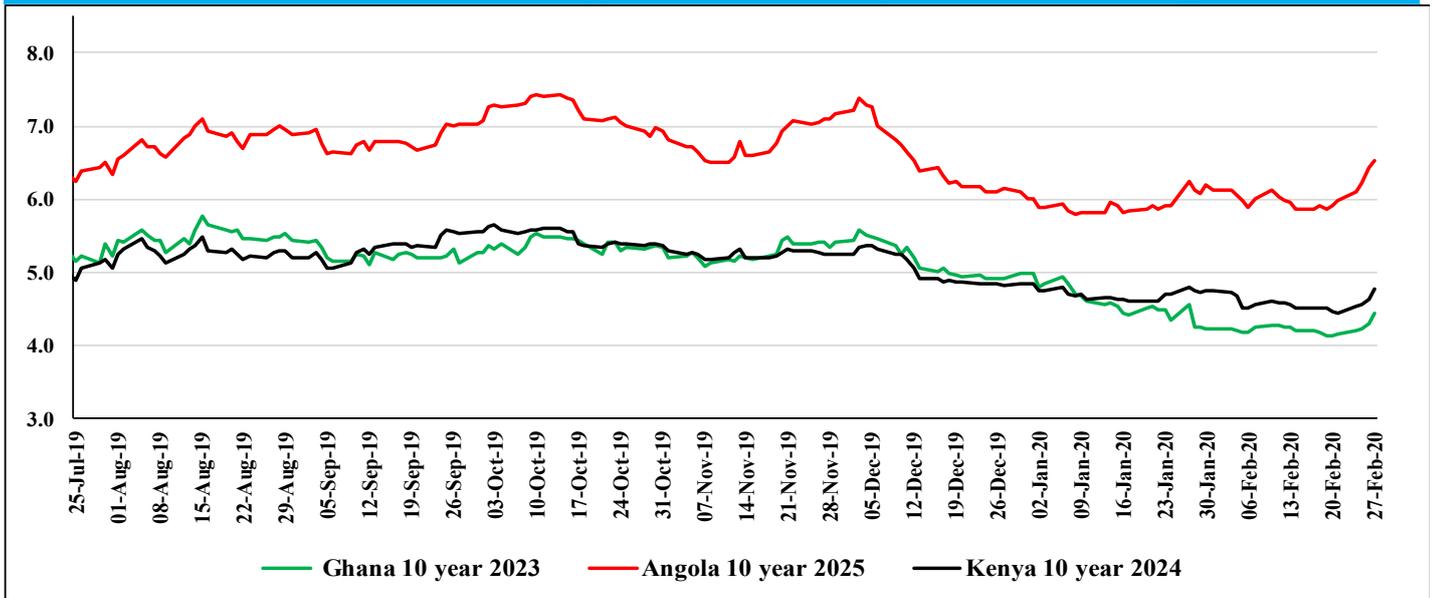
Table 6: Key Weekly Market Indicators

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 (%) 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
14-Feb-20	162.37	4,006	2,559.05	789	36.30	961.41	2,478.22	2,389.51	5.373	4.513	5.534	6.275	7.121
17-Feb-20	162.11	3,998	2,551.17	764	14.44	315.57	2,474.18	2,771.64	5.387	4.518	5.515	6.246	7.108
18-Feb-20	160.87	3,979	2,540.23	903	11.27	357.52	2,455.34	2,250.27	5.361	4.517	5.532	6.260	7.118
19-Feb-20	159.35	3,952	2,523.35	1,024	18.34	492.77	2,432.08	1,824.46	5.292	4.503	5.492	6.245	7.093
20-Feb-20	158.87	3,933	2,521.84	987	27.53	873.09	2,424.63	1,952.87	5.270	4.456	5.505	6.216	7.097
Feb 14-20	158.87	3,933	2,521.84	4,467	107.89	3,000.37	2,424.63	11,189	5.270	4.456	5.505	6.216	7.097
21-Feb-20	158.38	3,917	2,498.94	838	15.42	444.64	2,417.13	2,535.98	5.288	4.452	5.537	6.273	7.131
24-Feb-20	158.39	3,919	2,503.55	840	9.29	290.69	2,417.39	1,056.15	5.398	4.538	5.660	6.447	7.270
25-Feb-20	157.01	3,878	2,452.05	884	16.88	502.59	2,396.24	4,851.89	5.416	4.552	5.715	6.535	7.317
26-Feb-20	152.42	3,798	2,429.19	870	9.12	268.74	2,326.02	2,600.33	5.516	4.621	5.816	6.639	7.394
27-Feb-20	151.49	3,772	2,409.53	998	28.09	893.91	2,311.80	4,584.92	5.632	4.779	5.936	6.820	7.508
Feb 21-27	151.49	3,772	2,409.53	4,430	78.80	2,400.57	2,311.80	15,629.26	5.632	4.779	5.936	6.820	7.508
Weekly Changes (%)	-4.65	-4.11	-4.45	-0.83	-26.97	-19.99	-4.65	39.69	0.362*	0.323*	0.431*	0.604*	0.411*

* Percentage points

Source: Nairobi Securities Exchange (NSE)

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



Source: Thomson Reuters

Table 7: Government Domestic Debt (KSh Billion)

	28-Jun-19	27-Sep-19	27-Dec-19	31-Jan-20	14-Feb-20	21-Feb-20
1. Treasury Bills (Excluding Repos)	954.25	933.10	889.55	880.01	883.12	894.00
(As % of total securities)	35.31	33.78	31.06	30.15	30.22	30.48
2. Treasury Bonds	1,748.15	1,828.78	1,974.69	2,038.71	2,038.71	2,038.71
(As % of total securities)	64.69	66.22	68.94	69.85	69.78	69.52
3. Total Securities (1+2)	2,702.40	2,761.88	2,864.25	2,918.72	2,921.83	2,932.71
4. Overdraft at Central Bank	57.33	52.58	58.96	59.19	59.95	51.52
5. Other Domestic debt*	25.76	25.68	25.86	25.79	25.79	25.81
6. Gross Domestic Debt (3+4+5)	2,785.48	2,840.13	2,949.07	3,003.70	3,007.57	3,010.04

* 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-Sep-19	27-Dec-19	31-Jan-20	14-Feb-20	21-Feb-20
Treasury bills (Excluding Repos)	34.26	32.85	30.16	29.30	29.36	29.70
Treasury bonds	62.76	64.39	66.96	67.87	67.79	67.73
CBK Overdraft to Government	2.06	1.85	2.00	1.97	1.99	1.71
Other domestic debt	0.92	0.90	0.88	0.86	0.86	0.86
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-Sep-19	27-Dec-19	31-Jan-20	14-Feb-20	21-Feb-20
Banking Institutions	54.38	53.51	54.22	54.65	54.89	54.99
Insurance Companies	6.13	6.34	6.41	6.40	6.31	6.18
Parastatals	6.97	7.18	6.50	6.25	6.19	6.16
Pension funds	28.24	28.83	28.70	28.54	28.54	28.51
Other investors	4.28	4.14	4.17	4.17	4.07	4.16
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