



Central Bank of Kenya

# Weekly Bulletin

September 30, 2022



## RECENT MONETARY AND FINANCIAL DEVELOPMENTS

### Monetary Policy Committee Meeting

The Monetary Policy Committee (MPC) meeting of September 29 noted the sustained inflationary pressures, the elevated global risks and their potential impact on the domestic economy and concluded that there was scope for tightening monetary policy to further anchor inflation expectations. In view of these developments, the MPC decided to raise the Central Bank Rate (CBR), from 7.50 percent to 8.25 percent.

### Inflation

Overall inflation increased in September to 9.2 percent from 8.5 percent in August, on account of higher food and energy prices. Food inflation increased to 15.5 percent from 15.3 percent in August. Fuel inflation increased to 11.7 percent from 8.6 percent due to increase in fuel and electricity prices. Non-Food Non-Fuel (NFF) inflation increased modestly to 3.4 percent in September from 3.2 percent in August (**Chart 1**).

### Exchange Rates

The Kenya Shilling remained stable against major international and regional currencies during the week ending September 29. It exchanged at KSh 120.70 per US dollar on September 29, compared to KSh 120.54 per US dollar on September 22 (**Table 1**).

### Foreign Exchange Reserves

The usable foreign exchange reserves remained adequate at USD 7,424 million (4.19 months of import cover) as at September 29. This meets the CBK's statutory requirement to endeavor to maintain at least 4 months of import cover (**Table 2**).

### Current Account

Provisional data on balance of payments shows that the current account deficit was estimated at 5.2 percent of GDP in the 12 months to August 2022, a similar position recorded in August 2021 (**Chart 2**). The stable deficit is supported by receipts from service exports and resilient remittances.

### Money Market

Liquidity in the money market increased during the week ending September 29, as government payments

more than offset tax remittances. Commercial banks' excess reserves stood at KSh 13.4 billion in relation to the 4.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was 5.50 percent on September 29 compared to 5.00 percent on September 22. During the week, the average number of interbank deals declined to 24 from 36 in the previous week, while the average value traded declined to KSh 10.9 billion from KSh 30.7 billion in the previous week (**Table 3**).

### Government Securities Market

The Treasury bill auction of September 29, received bids totalling KSh 9.3 billion against an advertised amount of KSh 24.0 billion, representing a performance of 38.8 percent. Interest rates remained stable, with 91-day and 182-day Treasury bill rates increasing while the 364-day Treasury bill rate declined marginally (**Table 4**).

### Equity Market

At the Nairobi Securities Exchange, NASI share, NSE 25 and NSE 20 share prices price indices declined by 4.4 percent, 2.5 percent and 1.2 percent, respectively. Market capitalization and total shares traded also declined by 4.4 percent and 1.1 percent while equity turnover rose by 7.0 percent, respectively during the week ending September 29 (**Table 6**).

### Bonds Market

Bond turnover in the domestic secondary market increased by 12.33 percent during the week ending September 29 (**Table 6**). In the international market, yields on Kenya's Eurobonds rose by an average of 248.9 basis points, with 2024 maturity rising by 430.6 basis points. The yield on the 10-Year Eurobond for Angola and Ghana also rose (**Chart 4**).

### Global Trends

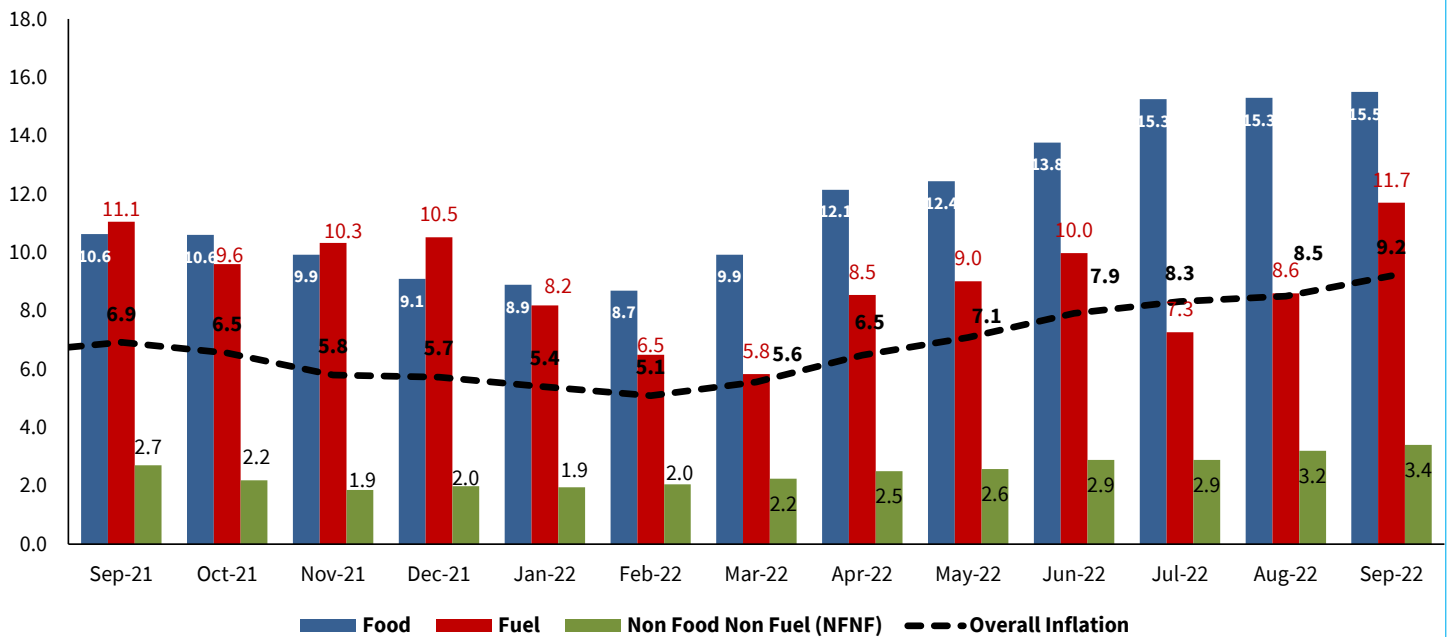
Concerns about inflation persisted during the week ending September 29. Inflation in Germany increased to a record high of 10.9 percent in September from 7.9 percent in August, driven by high energy and food prices. Volatility in the global equity markets persisted, reflecting deteriorating risk sentiment and lingering global recession concerns.

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Business activity in China worsened with manufacturing PMI declining in September to 48.1 from 49.5 in August. The index of the US dollar against a basket of major currencies strengthened by 0.8 percent during the week.

International oil prices declined during the week ending September 29, on account of a drawdown of US crude oil inventories. Murban oil price decreased to USD 88.54 per barrel on September 29 from USD 92.48 per barrel on September 22.

**Chart 1: Inflation**



Source: Central Bank of Kenya

**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-Sep-22        | 120.41        | 138.67         | 120.33        | 83.96            | 31.64            | 19.35              | 8.61            | 17.15          |
| 19-Sep-22        | 120.43        | 137.99         | 120.22        | 84.10            | 31.68            | 19.36              | 8.78            | 17.15          |
| 20-Sep-22        | 120.46        | 137.42         | 120.27        | 84.05            | 31.71            | 19.36              | 8.78            | 17.14          |
| 21-Sep-22        | 120.50        | 137.64         | 120.44        | 83.71            | 31.69            | 19.35              | 8.78            | 17.14          |
| 22-Sep-22        | 120.54        | 136.93         | 119.75        | 83.20            | 31.69            | 19.35              | 8.77            | 17.13          |
| <b>Sep 16-22</b> | <b>120.47</b> | <b>137.73</b>  | <b>120.20</b> | <b>83.80</b>     | <b>31.68</b>     | <b>19.35</b>       | <b>8.74</b>     | <b>17.14</b>   |
| 23-Sep-22        | 120.56        | 136.51         | 119.23        | 85.79            | 31.72            | 19.34              | 8.77            | 17.13          |
| 26-Sep-22        | 120.60        | 134.58         | 118.21        | 84.27            | 31.72            | 19.34              | 8.77            | 17.12          |
| 27-Sep-22        | 120.62        | 129.98         | 116.45        | 83.64            | 31.92            | 19.33              | 8.77            | 17.12          |
| 28-Sep-22        | 120.67        | 130.47         | 116.38        | 83.63            | 31.96            | 19.32              | 8.77            | 17.11          |
| 29-Sep-22        | 120.70        | 128.15         | 115.63        | 83.39            | 32.06            | 19.32              | 8.76            | 17.13          |
| <b>Sep 23-29</b> | <b>120.63</b> | <b>131.94</b>  | <b>117.18</b> | <b>84.14</b>     | <b>31.88</b>     | <b>19.33</b>       | <b>8.77</b>     | <b>17.12</b>   |

\*Units of currency per Kenya Shilling

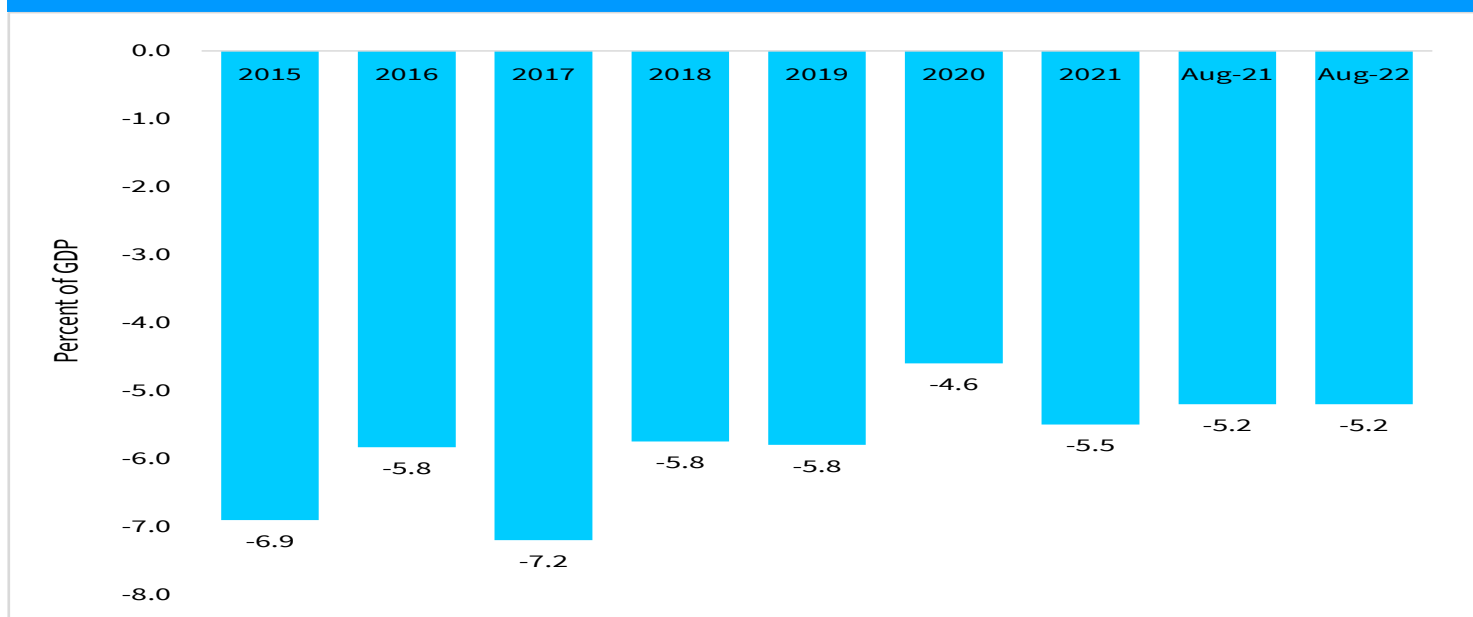
Source: Central Bank of Kenya

**Table 2: Official Foreign Exchange Reserves (USD Million)**

|   | 1-Sep-22 | 8-Sep-22 | 15-Sep-22 | 22-Sep-22 | 29-Sep-22 |
|---|----------|----------|-----------|-----------|-----------|
| 1. CBK Usable Foreign Exchange Reserves (USD Million)             | 7,375    | 7,346    | 7,372     | 7,448     | 7,424     |
| 2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)* | 4.20     | 4.19     | 4.20      | 4.24      | 4.19      |

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

Source: Central Bank of Kenya

**Chart 2: Current Account**

Source: Central Bank of Kenya

**Table 3: Money Markets**

| Date             | Number of Deals | Value (KSh M)    | Average Interbank Rate (%) |
|------------------|-----------------|------------------|----------------------------|
| 16-Sep-22        | 36              | 37,965.00        | 3.86                       |
| 19-Sep-22        | 34              | 31,510.00        | 3.87                       |
| 20-Sep-22        | 39              | 38,215.00        | 4.04                       |
| 21-Sep-22        | 42              | 38,465.00        | 4.06                       |
| 22-Sep-22        | 27              | 7,570.00         | 5.00                       |
| <b>Sep 16-22</b> | <b>36</b>       | <b>30,745.00</b> | <b>4.17</b>                |
| 23-Sep-22        | 21              | 4,625.00         | 5.43                       |
| 26-Sep-22        | 33              | 10,440.00        | 5.54                       |
| 27-Sep-22        | 23              | 9,620.00         | 5.62                       |
| 28-Sep-22        | 19              | 13,520.00        | 5.51                       |
| 29-Sep-22        | 25              | 16,520.00        | 5.50                       |
| <b>Sep 23-29</b> | <b>24</b>       | <b>10,945.00</b> | <b>5.52</b>                |

Source: Central Bank of Kenya

**Table 4: Performance of Treasury Bill Auctions**

| 91-Day Treasury Bills     |           |           |           |           |           |           |
|---------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Date of Auction           | 25-Aug-22 | 1-Sep-22  | 8-Sep-22  | 15-Sep-22 | 22-Sep-22 | 29-Sep-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)     | 10,815.66 | 16,262.43 | 27,014.78 | 9,936.20  | 4,712.88  | 5,129.43  |
| Amount Accepted (KSh M)   | 8,368.63  | 8,438.55  | 20,157.23 | 4,066.08  | 3,733.04  | 2,487.10  |
| Maturities (KSh M)        | 455.40    | 3,562.40  | 3,277.45  | 3,098.00  | 8,206.80  | 4,035.00  |
| Average Interest Rate (%) | 8.767     | 8.860     | 8.910     | 8.950     | 8.951     | 8.952     |
| 182-Day Treasury Bills    |           |           |           |           |           |           |
| Date of Auction           | 25-Aug-22 | 1-Sep-22  | 8-Sep-22  | 15-Sep-22 | 22-Sep-22 | 29-Sep-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)     | 4,162.31  | 11,226.78 | 6,227.02  | 11,391.78 | 5,426.04  | 3,049.07  |
| Amount Accepted (KSh M)   | 2,225.72  | 9,292.97  | 4,318.03  | 11,363.17 | 5,315.83  | 3,039.53  |
| Maturities (KSh M)        | 4,085.40  | 12,779.95 | 6,028.40  | 8,568.15  | 3,996.45  | 3,248.05  |
| Average Interest Rate (%) | 9.532     | 9.576     | 9.599     | 9.615     | 9.625     | 9.631     |
| 364-Day Treasury Bills    |           |           |           |           |           |           |
| Date of Auction           | 25-Aug-22 | 1-Sep-22  | 8-Sep-22  | 15-Sep-22 | 22-Sep-22 | 29-Sep-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)     | 4,437.52  | 3,411.53  | 3,475.66  | 1,957.38  | 1,041.93  | 1,133.80  |
| Amount Accepted (KSh M)   | 4,408.79  | 3,411.44  | 3,475.48  | 1,938.83  | 1,041.66  | 1,124.70  |
| Maturities (KSh M)        | 4,337.10  | 10,634.95 | 3,046.70  | 3,180.20  | 745.35    | 1,775.15  |
| Average Interest Rate (%) | 9.910     | 9.876     | 9.915     | 9.913     | 9.909     | 9.905     |

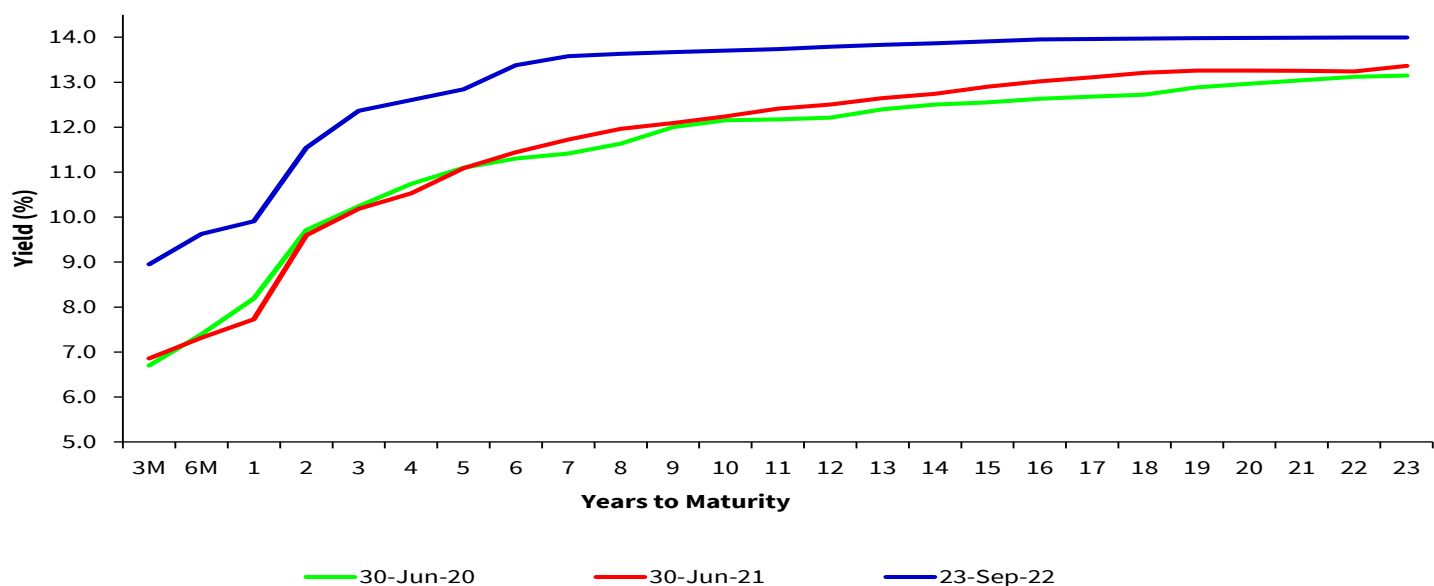
Source: Central Bank of Kenya

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

| Date of Auction           | 7-Jul-22          | 20-Jul-22       |                  | 17-Aug-22        |                  |                  | 14-Sep-22        |                  |
|---------------------------|-------------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                           | TAP               | RE-OPEN         |                  | RE-OPEN          |                  |                  | RE-OPEN          |                  |
| Tenor                     | IFB1/<br>2022/018 | FXD2<br>2013/15 | FXD2/<br>2018/15 | FXD1/<br>2022/03 | FXD2/<br>2019/10 | FXD1/<br>2021/20 | FXD1/<br>2022/10 | FXD1/<br>2022/15 |
| Amount offered (KSh M)    | 20,000.00         | 40,000.00       |                  | 50,000.00        |                  |                  | 50,000.00        |                  |
| Bids received (KSh M)     | 6,418.15          | 5,449.54        | 5,121.65         | 21,817.39        | 8,961.47         | 18,347.49        | 28,516.06        | 17,617.97        |
| Amount Accepted (KSh M)   | 6,416.29          | 5,219.84        | 4,085.63         | 21,800.81        | 8,775.73         | 7,948.69         | 25,619.45        | 13,406.37        |
| Maturities (KSh M)        |                   |                 |                  |                  |                  |                  |                  |                  |
| Average interest Rate (%) | 13.74             | 13.21           | 13.89            | 12.45            | 13.88            | 13.96            | 13.95            | 13.98            |

Source: Central Bank of Kenya

### Chart 3: Government Securities Yield Curve



Source: Nairobi Securities Exchange (NSE)

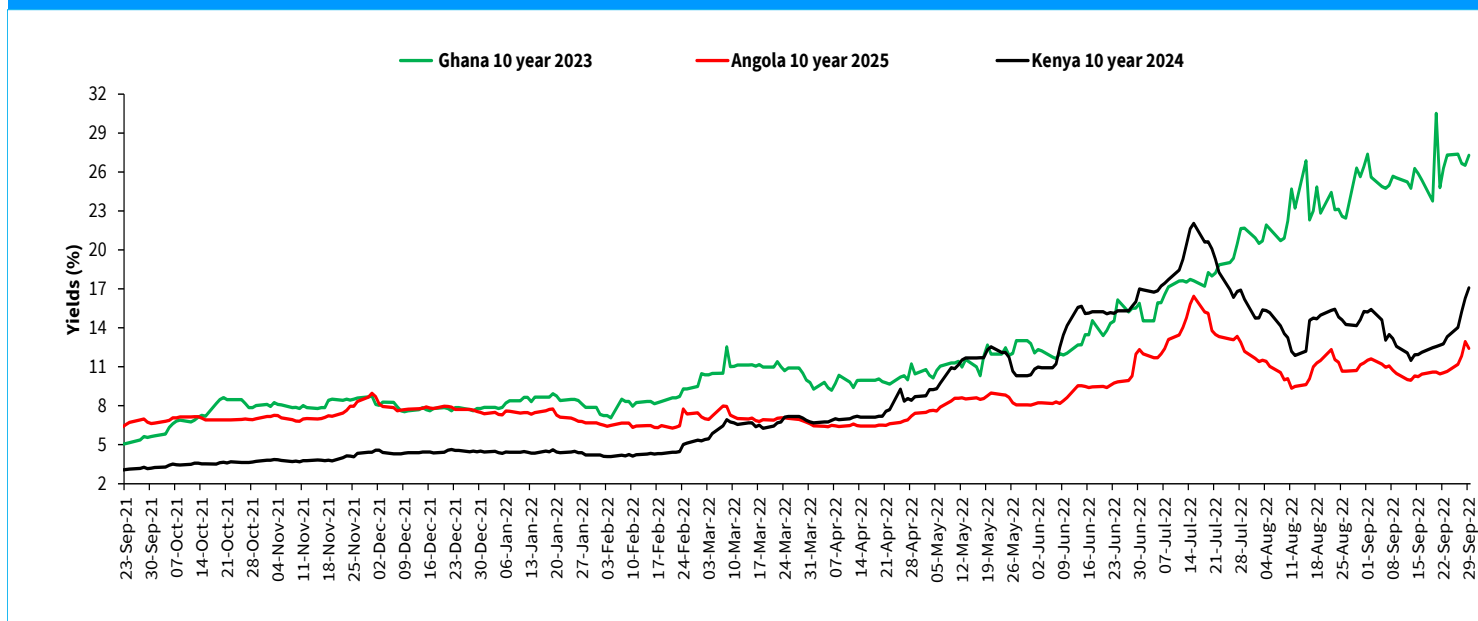
### Table 6: Key Weekly Market Indicators

| INDICATOR                     | NASI<br>100=2008 | NSE 25<br>Share<br>Index | NSE 20<br>Share<br>Index<br>100=1996 | Total<br>Deals<br>(Equity) | Total<br>Shares<br>Traded<br>(Million) | Equity<br>Turnover<br>(KSh<br>Million) | Market<br>Capitaliza-<br>tion (KSh<br>Billion) | Bonds<br>Turnover<br>(KSh<br>Million) | Eurobond Yields<br>(%) |                 |                 |                 |                 |                 |
|-------------------------------|------------------|--------------------------|--------------------------------------|----------------------------|--|--|--|---------------------------------------|------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                               |                  |                          |                                      |                            |  |  |  |                                       | 7-Year<br>2027         | 10-Year<br>2024 | 10-Year<br>2028 | 12-Year<br>2032 | 13-Year<br>2034 | 30-Year<br>2048 |
| 16-Sep-22                     | 132.34           | 3,154.11                 | 1,747.84                             | 1,643.00                   | 26.24                                  | 629.17                                 | 2,062.19                                       | 2,392.50                              | 12.866                 | 12.12           | 12.376          | 12.44           | 10.931          | 11.868          |
| 19-Sep-22                     | 133.04           | 3,162.00                 | 1,753.97                             | 1,200.00                   | 11.35                                  | 294.20                                 | 2,073.14                                       | 1,676.05                              | 13.019                 | 12.472          | 12.527          | 12.585          | 11.032          | 12.039          |
| 20-Sep-22                     | 134.96           | 3,190.62                 | 1,748.95                             | 1,345.00                   | 11.36                                  | 275.79                                 | 2,103.12                                       | 2,549.75                              | 12.874                 | 12.566          | 12.343          | 12.557          | 10.982          | 12.017          |
| 21-Sep-22                     | 134.75           | 3,188.83                 | 1,739.08                             | 967.00                     | 12.28                                  | 340.84                                 | 2,099.86                                       | 3,444.00                              | 13.078                 | 12.663          | 12.531          | 12.762          | 11.213          | 12.104          |
| 22-Sep-22                     | 134.96           | 3,190.63                 | 1,737.96                             | 1,169.00                   | 17.37                                  | 496.54                                 | 2,103.12                                       | 3,200.80                              | 13.141                 | 12.775          | 12.612          | 12.795          | 11.241          | 12.126          |
| <b>Sep 16-22</b>              | <b>134.96</b>    | <b>3190.63</b>           | <b>1737.96</b>                       | <b>6,324.00</b>            | <b>78.60</b>                           | <b>2,036.55</b>                        | <b>2103.12</b>                                 | <b>13,263.10</b>                      | <b>13.141</b>          | <b>12.775</b>   | <b>12.612</b>   | <b>12.795</b>   | <b>11.241</b>   | <b>12.126</b>   |
| 23-Sep-22                     | 134.86           | 3,192.29                 | 1,746.03                             | 1,152.00                   | 33.42                                  | 1,034.55                               | 2,101.53                                       | 3,038.95                              | 13.246                 | 13.312          | 12.765          | 12.884          | 11.372          | 12.192          |
| 26-Sep-22                     | 133.92           | 3,179.06                 | 1,747.27                             | 1,244.00                   | 17.66                                  | 487.67                                 | 2,086.85                                       | 1,286.55                              | 13.761                 | 14.036          | 13.189          | 13.338          | 12.11           | 12.624          |
| 27-Sep-22                     | 131.48           | 3,132.75                 | 1,723.78                             | 1,395.00                   | 10.16                                  | 241.48                                 | 2,048.74                                       | 1,518.35                              | 14.287                 | 15.232          | 13.582          | 13.618          | 12.436          | 12.767          |
| 28-Sep-22                     | 131.11           | 3,142.47                 | 1,733.77                             | 948.00                     | 10.97                                  | 296.87                                 | 2,042.96                                       | 2,680.85                              | 15.81                  | 16.272          | 14.228          | 14.56           | 12.829          | 13.213          |
| 29-Sep-22                     | 129.02           | 3,110.34                 | 1,717.41                             | 1,484.00                   | 5.51                                   | 118.44                                 | 2,010.24                                       | 6,373.75                              | 15.662                 | 17.081          | 14.692          | 14.733          | 13.401          | 14.052          |
| <b>Sep 23-29</b>              | <b>129.02</b>    | <b>3110.34</b>           | <b>1717.41</b>                       | <b>6,223.00</b>            | <b>77.72</b>                           | <b>2,179.02</b>                        | <b>2010.24</b>                                 | <b>14,898.45</b>                      | <b>15.662</b>          | <b>17.081</b>   | <b>14.692</b>   | <b>14.733</b>   | <b>13.401</b>   | <b>14.052</b>   |
| <b>Weekly<br/>Changes (%)</b> | <b>-4.40</b>     | <b>-2.52</b>             | <b>-1.18</b>                         | <b>-1.60</b>               | <b>-1.12</b>                           | <b>7.00</b>                            | <b>-4.42</b>                                   | <b>12.33</b>                          | <b>2.521*</b>          | <b>4.306*</b>   | <b>2.08*</b>    | <b>1.938*</b>   | <b>2.16*</b>    | <b>1.926*</b>   |

\* Percentage points

Source: Nairobi Securities Exchange (NSE) and Thomson Reuters

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



Source: Thomson Reuters

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

|                                       | 30-Jun-20       | 30-Jun-21       | 31-Dec-21       | 31-Mar-22       | 29-Jul-22       | 16-Sep-22       | 23-Sep-22       |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1. Treasury Bills (Excluding Repos)   | 887.70          | 765.37          | 709.15          | 656.45          | 646.95          | 671.42          | 674.73          |
| <i>(As % of total securities)</i>     | <b>28.56</b>    | <b>21.17</b>    | <b>17.95</b>    | <b>16.02</b>    | <b>15.29</b>    | <b>15.74</b>    | <b>15.66</b>    |
| 2. Treasury Bonds                     | 2,220.34        | 2,849.94        | 3,242.24        | 3,440.61        | 3,585.11        | 3,595.25        | 3,634.86        |
| <i>(As % of total securities)</i>     | <b>71.44</b>    | <b>78.83</b>    | <b>82.05</b>    | <b>83.98</b>    | <b>84.71</b>    | <b>84.26</b>    | <b>84.34</b>    |
| 3. Total Securities (1+2)             | 3,108.04        | 3,615.31        | 3,951.39        | 4,097.06        | 4,232.07        | 4,266.67        | 4,309.59        |
| 4. Overdraft at Central Bank          | 47.15           | 59.28           | 59.31           | 68.40           | 45.44           | 42.24           | 37.84           |
| 5. Other Domestic debt*               | 23.24           | 22.50           | 21.66           | 26.32           | 30.01           | 33.17           | 30.89           |
| <b>6. Gross Domestic Debt (3+4+5)</b> | <b>3,178.42</b> | <b>3,697.09</b> | <b>4,032.37</b> | <b>4,191.77</b> | <b>4,307.52</b> | <b>4,342.08</b> | <b>4,378.32</b> |

\* 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)

|                                  | 30-Jun-20     | 30-Jun-21     | 31-Dec-21     | 25-Mar-22     | 29-Jul-22     | 16-Sep-22     | 23-Sep-22     |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Treasury bills (Excluding Repos) | 27.93         | 20.70         | 17.59         | 15.81         | 15.02         | 15.46         | 15.41         |
| Treasury bonds                   | 69.86         | 77.09         | 80.41         | 82.09         | 83.23         | 82.80         | 83.02         |
| Overdraft at Central Bank        | 1.48          | 1.60          | 1.47          | 1.46          | 1.05          | 0.97          | 0.86          |
| Other domestic debt              | 0.73          | 0.61          | 0.54          | 0.64          | 0.70          | 0.76          | 0.71          |
| <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> | <b>100.00</b> |

Source: Central Bank of Kenya

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

|                      | 30-Jun-20     | 30-Jun-21     | 31-Dec-21     | 25-Mar-22     | 29-Jul-22     | 16-Sep-22     | 23-Sep-22     |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Banking Institutions | 54.18         | 51.24         | 50.20         | 49.29         | 48.28         | 48.30         | 47.82         |
| Insurance Companies  | 6.05          | 6.66          | 6.79          | 6.87          | 7.20          | 7.20          | 7.30          |
| Parastatals          | 5.73          | 5.54          | 5.57          | 5.72          | 5.96          | 6.15          | 6.07          |
| Pension Funds        | 29.04         | 30.60         | 31.34         | 31.75         | 32.56         | 32.09         | 32.56         |
| Other Investors      | 5.00          | 5.96          | 6.10          | 6.37          | 6.01          | 6.26          | 6.24          |
| <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> | <b>100.00</b> |

Source: Central Bank of Kenya

**Table 10: Indicators of Government Debt**

|   | Sep-20          | Dec-20          | Jun-21          | Sep-21          | Dec-21          | Mar-22          | Jun-22*         |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Domestic debt (KSh Bn)                              | 3,457.11        | 3,488.54        | 3,697.09        | 3,937.80        | 4,032.37        | 4,191.77        | 4,288.33        |
| Public & Publicly Guaranteed External debt (USD Bn) | 33.77           | 34.75           | 37.08           | 36.73           | 36.90           | 36.82           | 36.58           |
| 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        | 4,290.73        |
| Public debt (KSh Bn)                                | <b>7,120.60</b> | <b>7,281.83</b> | <b>7,696.63</b> | <b>7,996.30</b> | <b>8,206.74</b> | <b>8,401.33</b> | <b>8,579.06</b> |

Source: The National Treasury and Central Bank of Kenya