



Central Bank of Kenya

Weekly Bulletin

July 29, 2022



RECENT MONETARY AND FINANCIAL DEVELOPMENTS

Monetary Policy Committee Meeting

The Monetary Policy Committee (MPC) meeting of July 27 noted that its action of tightening monetary policy in May 2022 was timely in anticipating inflationary pressures, and its impact was still transmitting through the economy. This action was subsequently complemented by an additional package of measures by the Government to moderate the prices of specific items. The MPC also noted that international commodity prices, particularly oil, wheat and edible oils, had begun to moderate. These developments are expected to ease domestic inflationary pressures in the near term. The MPC, therefore, decided to maintain the Central Bank Rate (CBR) at 7.50 percent.

Inflation

Overall inflation increased to 8.3 percent in July from 7.9 percent in June 2022, due to significant increases in food prices. Food inflation increased to 15.3 percent from 13.8 percent in June. However, fuel inflation declined to 7.3 percent from 10.0 percent while non-food-non-fuel inflation remained stable at 2.9 percent (**Chart 1**).

Exchange Rates

The Kenya Shilling remained stable against major international and regional currencies during the week ending July 28. It exchanged at KSh 118.76 per US dollar on July 28, compared to KSh 118.52 per US dollar on July 21 (**Table 1**).

Foreign Exchange Reserves

The usable foreign exchange reserves remained adequate at USD 7,740 million (4.46 months of import cover) as of July 28. 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 decreased during the week ending July 28, as tax remittances more than offset government payments. Commercial banks' excess reserves stood at KSh 27.2 billion in relation to the 4.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was 5.47 percent on July 28 compared to 5.20 percent on July 21. During the week, the average number of interbank deals decreased to 35 from 42 in the previous week, while the average value traded decreased to KSh 23.8 billion from

KSh 30.1 billion (**Table 3**).

Government Securities Market

The Treasury bill auction of July 28, received bids totalling KSh 19.7 billion against an advertised amount of KSh 24.0 billion, representing a performance of 82.1 percent. Interest rates remained stable, with 91-day Treasury bills increasing marginally while the 182-day and 364-day Treasury bills rates declined (**Table 4**).

Equity Market

At the Nairobi Securities Exchange, NASI, NSE 25 and NSE 20 share price indices increased by 4.0 percent, 4.1 percent and 0.4 percent, respectively, during the week ending July 28. Market capitalization also increased by 4.0 percent while total shares traded and equity turnover, declined by 17.4 percent and 46.0 percent, respectively (**Table 6**).

Bonds Market

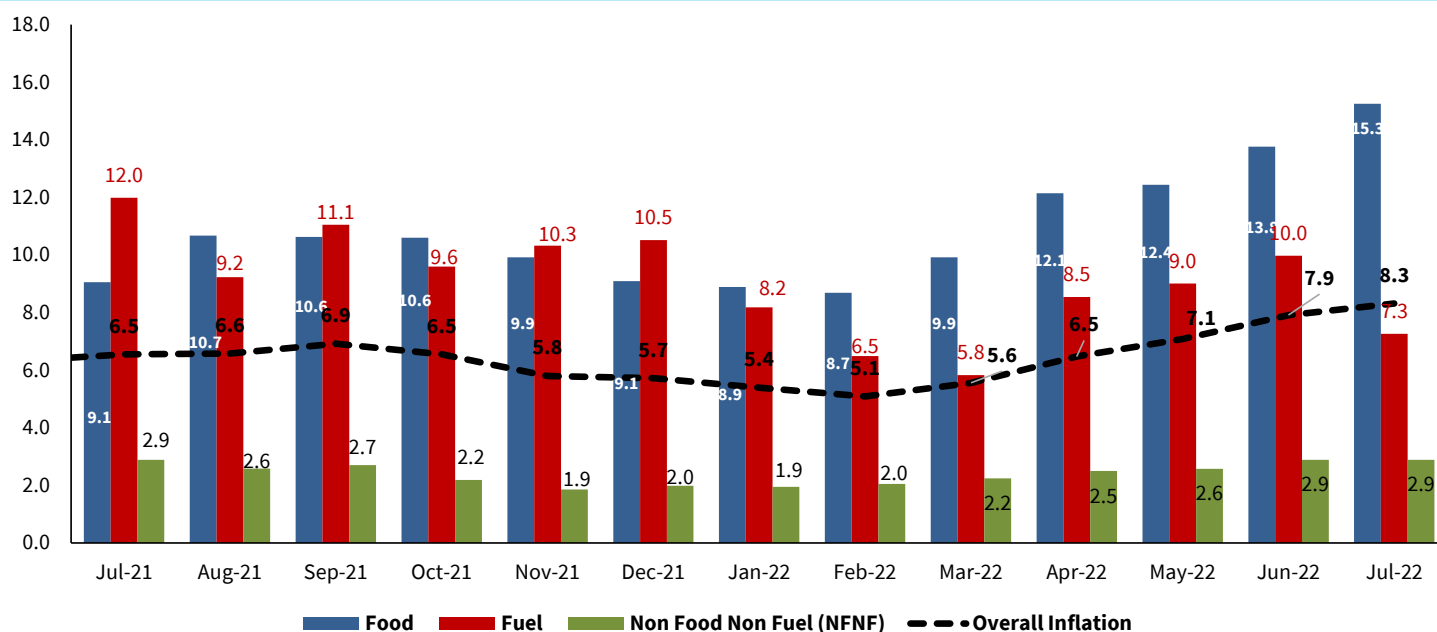
Bond turnover in the domestic secondary market increased by 48.6 percent during the week ending July 28 (**Table 6**). In the international market, the yields on Kenya's Eurobonds declined by an average of 89.8 basis points, with the 2024 maturity declining by a further 196 basis points. The yield on the 10-Year Eurobond for Angola also declined, while that for Ghana increased (**Chart 3**).

Global Trends

The IMF's World Economic Outlook (WEO) update for July 2022, projects the global output to slow from an estimated 6.1 percent in 2021 to 3.2 percent in 2022 and 2.9 percent in 2023. This outlook is 0.4 percentage points and 0.7 percentage points lower for 2022 and 2023, respectively, than was projected in January. This slowdown reflects a drop in economic activity, especially in the US, Euro Area, and China, attributed to the war in Ukraine as well as the impact of COVID-19. The Fed increased its benchmark rate by 75 basis points to address inflationary concerns. Subsequently, US GDP data showed that the economy contracted by 0.2 percent in the second quarter of 2022.

International oil prices declined during the week ending July 28. Murban oil prices declined to USD 105.61 per barrel on July 28, compared to USD 106.0 per barrel on July 21.

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*
15-Jul-22	118.27	140.31	118.63	85.14	31.83	19.72	8.72	17.41
18-Jul-22	118.33	140.05	118.77	85.61	31.86	19.70	8.66	17.40
19-Jul-22	118.39	141.16	119.61	85.54	32.01	19.70	8.71	17.39
20-Jul-22	118.45	141.91	120.66	86.05	32.08	19.69	8.79	17.38
21-Jul-22	118.52	142.07	121.02	85.78	32.13	19.68	8.65	17.38
Jul 15-21	118.39	141.10	119.74	85.62	31.98	19.70	8.71	17.39
22-Jul-22	118.57	141.61	120.88	85.99	32.27	19.67	8.65	17.37
25-Jul-22	118.62	141.74	120.73	86.79	32.27	19.66	8.70	17.36
26-Jul-22	118.66	142.70	121.24	86.88	32.42	19.65	8.70	17.36
27-Jul-22	118.72	142.69	120.80	86.92	32.40	19.64	8.64	17.35
28-Jul-22	118.76	143.05	120.59	86.88	32.67	19.64	8.67	17.35
Jul 22-28	118.67	142.36	120.85	86.69	32.41	19.65	8.67	17.36

*Units of currency per Kenya Shilling

Source: Central Bank of Kenya

Table 2: Official Foreign Exchange Reserves (USD Million)

	30-Jun-22	7-Jul-22	14-Jul-22	21-Jul-22	28-Jul-22
1. CBK Usable Foreign Exchange Reserves (USD Million)	7,982	7,997	7,953	7,727	7,740
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	4.74	4.61	4.59	4.46	4.46

*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 (%)
15-Jul-22	38	31,856.00	5.34
18-Jul-22	38	28,250.00	5.31
19-Jul-22	42	28,230.00	5.32
20-Jul-22	45	33,210.00	5.38
21-Jul-22	45	28,900.00	5.20
Jul 15-21	42	30,089.20	5.31
22-Jul-22	38	28,740.00	5.10
25-Jul-22	30	19,270.00	5.24
26-Jul-22	34	20,440.00	5.34
27-Jul-22	34	22,670.00	5.39
28-Jul-22	41	27,830.00	5.47
July 22-28	35	23,790.00	5.31

Source: Central Bank of Kenya

Table 4: Performance of Treasury Bill Auctions

91-Day Treasury Bills						
Date of Auction	19-May-22	26-May-22	30-Jun-22	14-Jul-22	21-Jul-22	28-Jul-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)	5,475.21	494.30	4,727.43	13,191.02	15,534.07	14,077.49
Amount Accepted (KSh M)	2,523.79	468.31	3,959.52	13,141.70	13,475.76	14,076.49
Maturities (KSh M)	1,442.85	2,021.00	1,539.65	4,840.85	8,303.25	10,361.10
Average Interest Rate (%)	7.758	7.744	8.097	8.248	8.322	8.399
182-Day Treasury Bills						
Date of Auction	19-May-22	26-May-22	30-Jun-22	14-Jul-22	21-Jul-22	28-Jul-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)	10,251.80	2,845.90	1,751.07	5,088.16	14,648.62	3,250.20
Amount Accepted (KSh M)	8,337.33	2,845.42	1,600.03	5,088.16	14,457.58	1,856.22
Maturities (KSh M)	6,804.35	2,614.95	2,412.35	14,261.20	12,723.25	5,258.45
Average Interest Rate (%)	8.832	8.901	9.196	9.305	9.393	9.392
364-Day Treasury Bills						
Date of Auction	19-May-22	26-May-22	30-Jun-22	14-Jul-22	21-Jul-22	28-Jul-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)	12,184.59	9,721.48	2,435.86	7,106.54	4,395.18	2,379.39
Amount Accepted (KSh M)	12,006.44	9,198.39	2,260.74	7,096.45	2,822.53	2,377.03
Maturities (KSh M)	11,778.25	15,009.20	5,888.60	5,601.20	3,656.20	2,968.30
Average Interest Rate (%)	9.879	9.881	9.985	9.986	9.968	9.946

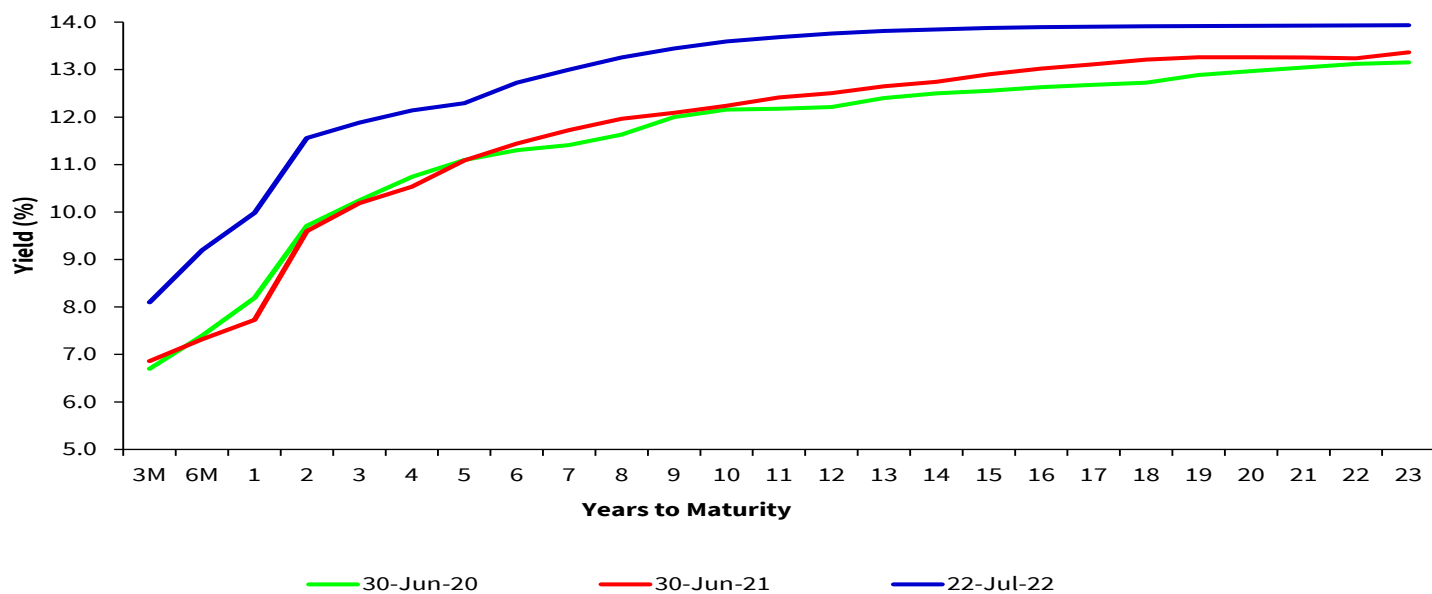
Source: Central Bank of Kenya

Table 5: Performance of Treasury Bond Auctions

Date of Auction	20-May-22		8-Jun-22	23-Jun-22		7-Jul-22	20/7/2022	
	TAP			TAP		TAP		
Tenor	FXD1/ 2022/010	FXD1/ 2021/025	IFB1/ 2022/018	FXD1/ 2022/03	FXD1/ 2022/015	IFB1/ 2022/018	FXD2 2013/15	FXD2/ 2018/15
Amount offered (KSh M)	10,000.00		75,000.00	25,000.00		20,000.00	40,000.00	
Bids received (KSh M)	5,967.65	11,044.75	76,369.63	3,621.30	15,985.45	6,418.15	5,449.54	5,121.65
Amount Accepted (KSh M)	5,967.17	11,003.44	73,770.99	3,619.82	15,976.98	6,416.29	5,219.84	4,085.63
Maturities (KSh M)			35,273.70	0.00				
Average interest Rate (%)	13.49	13.92	13.74	11.77	13.94	13.74	13.21	13.89

Source: Central Bank of Kenya

Chart 2: Government Securities Yield Curve



Source: Nairobi Securities Exchange (NSE)

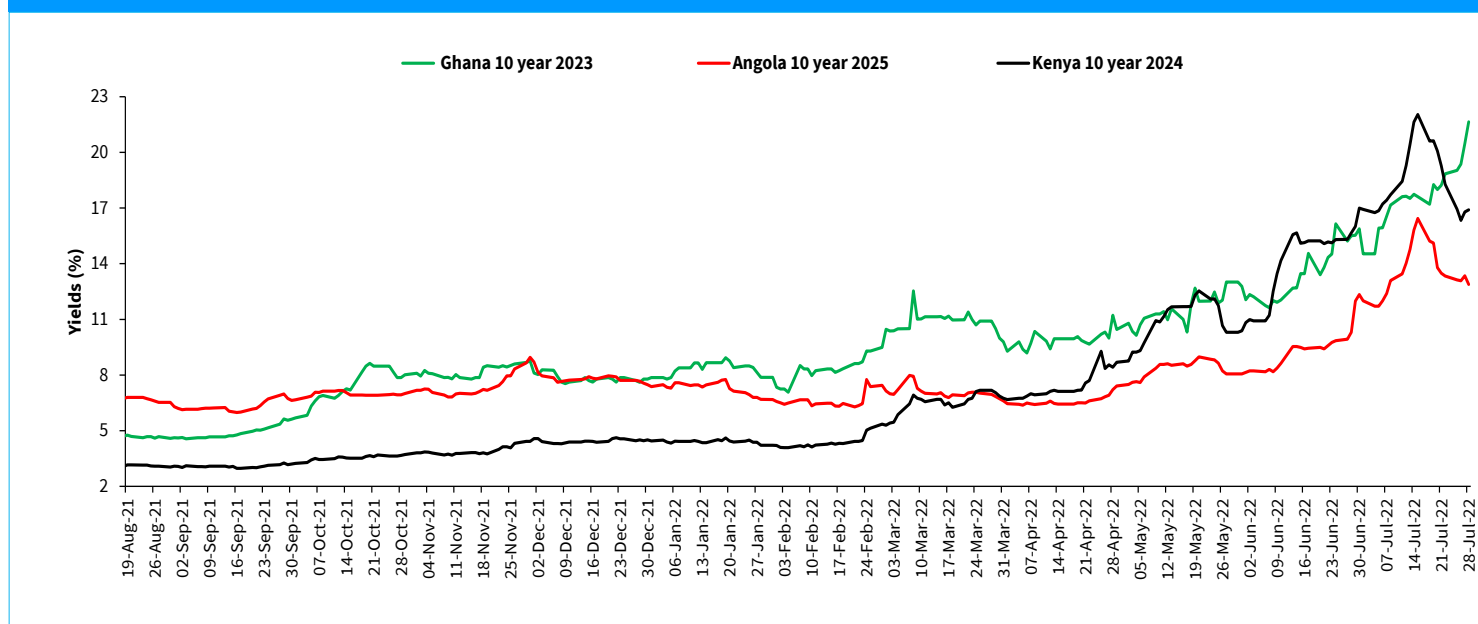
Table 6: Key Weekly Market Indicators

INDICATOR	NASI 100=2008	NSE 25 Share Index	NSE 20 Share Index 100=1996	Total Deals (Equity)	Total Shares Traded (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
15-Jul-22	142.33	3213.80	1682.49	1,535.00	17.01	398.39	2,218.30	934.70	19.796	22.042	17.080	16.042	15.269	16.179
18-Jul-22	138.52	3161.18	1674.98	1,100.00	10.97	385.40	2,158.78	2,860.60	19.366	20.607	16.899	15.858	15.052	15.811
19-Jul-22	135.38	3111.76	1671.38	1,053.00	5.09	124.11	2,109.71	4,248.20	19.004	20.625	16.857	15.641	14.955	15.597
20-Jul-22	133.83	3097.43	1671.45	1,030.00	15.22	475.00	2,085.44	2,986.15	18.647	20.073	16.360	15.356	14.744	15.221
21-Jul-22	135.07	3119.82	1675.02	1,039.00	11.99	407.37	2,104.80	2,789.50	17.895	19.279	15.553	14.569	14.744	14.277
July 15-21	135.07	3119.82	1675.02	5757.00	60.27	1790.27	2104.80	13819.15	17.895	19.279	15.553	14.569	14.744	14.277
22-Jul-22	136.57	3,151.28	1,676.51	841	17	437	2128.20	2,079	17.494	18.28	15.41	14.537	13.812	14.102
25-Jul-22	138.08	3,173.76	1,680.63	925	4	93	2151.91	2,343	16.591	16.942	15.243	14.307	13.299	13.643
26-Jul-22	136.58	3,145.45	1,659.30	211	5	114	2128.34	6,142	16.925	16.337	14.993	14.145	13.363	13.819
27-Jul-22	138.51	3,191.45	1,676.18	1,480	12	291	2158.54	4,165	17.604	16.793	15.165	14.277	13.556	13.932
28-Jul-22	140.48	3,246.22	1,681.71	1,308	12	32	2189.29	5,810	16.954	16.908	15.256	14.378	13.475	13.96
July 22-28	140.48	3246.22	1681.71	4765.00	49.81	967.34	2189.29	20538.50	16.954	16.908	15.256	14.378	13.475	13.960
Weekly Changes (%)	4.01	4.05	0.40	-17.23	-17.35	-45.97	4.01	48.62	-0.941*	-2.371*	-0.297*	-0.191*	-1.269*	-0.317*

* 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)

	30-Jun-21	31-Dec-21	31-Mar-22	27-May-22	24-Jun-22	15-Jul-22	22-Jul-22
1. Treasury Bills (Excluding Repos)	765.37	709.15	656.45	637.37	620.28	638.25	639.68
<i>(As % of total securities)</i>	21.17	17.95	16.02	15.24	14.88	15.15	15.18
2. Treasury Bonds	2,849.94	3,242.24	3,440.61	3,543.87	3,549.53	3,575.30	3,575.30
<i>(As % of total securities)</i>	78.83	82.05	83.98	84.76	85.12	84.85	84.82
3. Total Securities (1+2)	3,615.31	3,951.39	4,097.06	4,181.24	4,169.81	4,213.55	4,214.98
4. Overdraft at Central Bank	59.28	59.31	68.40	55.84	65.86	50.89	51.01
5. Other Domestic debt*	22.50	21.66	26.32	26.26	30.55	29.99	29.98
6. Gross Domestic Debt (3+4+5)	3,697.09	4,032.37	4,191.77	4,263.34	4,266.23	4,294.43	4,295.98

* 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	24-Jun-22	15-Jul-22	22-Jul-22
Treasury bills (Excluding Repos)	27.93	20.70	17.59	15.81	14.54	14.86	14.89
Treasury bonds	69.86	77.09	80.41	82.09	83.20	83.25	83.22
Overdraft at Central Bank	1.48	1.60	1.47	1.46	1.54	1.19	1.19
Other domestic debt	0.73	0.61	0.54	0.64	0.72	0.70	0.70
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00

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	24-Jun-22	15-Jul-22	22-Jul-22
Banking Institutions	54.18	51.24	50.20	49.29	48.74	48.34	48.34
Insurance Companies	6.05	6.66	6.79	6.87	7.14	7.18	7.18
Parastatals	5.73	5.54	5.57	5.72	5.84	5.96	5.82
Pension Funds	29.04	30.60	31.34	31.75	32.39	32.51	32.66
Other Investors	5.00	5.96	6.10	6.37	5.89	6.01	6.01
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

Table 10: Indicators of Government Debt

	Sep-20	Dec-20	Jun-21	Sep-21	Dec-21	Mar-22	May-22
Domestic debt (KSh Bn)	3,457.11	3,488.54	3,697.09	3,937.80	4,032.37	4,191.77	4,268.66
Public & Publicly Guaranteed External debt (USD Bn)	33.77	34.75	37.08	36.73	36.90	36.82	36.71
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	4,295.10
Public debt (KSh Bn)	7,120.60	7,281.83	7,696.63	7,996.30	8,206.74	8,401.33	8,563.76

Source: The National Treasury and Central Bank of Kenya