



Central Bank of Kenya

# Weekly Bulletin

January 29, 2021

## KEY MONETARY AND FINANCIAL INDICATORS

### Monetary Policy Committee Meeting

The Monetary Policy Committee (MPC) met on January 27 and noted that the package of policy measures implemented since March 2020 were having the intended effect on the economy, and are being augmented by implementation of the fiscal measures in the FY2020/21 budget. The MPC concluded that the current monetary policy stance remains appropriate, and therefore retained the Central Bank Rate (CBR) at 7.00 percent.

### Economic Growth

Data released by KNBS indicate that economic performance improved in the third quarter compared to the second quarter of 2020. The economy contracted by 1.1 percent in the third quarter, an improvement from the contraction of 5.5 percent in the second quarter. Growth was supported by strong performance of Agriculture, Construction, Real Estate, Information and Communication, Financial and Insurance, and Public Administration sectors. However, activity remained subdued in most service sectors, with Wholesale and Retail Trade, Accommodation and Restaurant, and Education sectors recording contractions during the quarter (Table 1).

### Inflation

Overall inflation increased to 5.7 percent in January 2021 compared to 5.6 percent in December 2020 largely driven by increases in food and fuel prices (Chart 1).

### Exchange Rates

The Kenya Shilling remained stable against major international and regional currencies during the week ending January 28. It exchanged at KSh 110.15 per US dollar on January 28, compared to KSh 110.19 per US dollar on January 21 (Table 2).

### Foreign Exchange Reserves

The usable foreign exchange reserves remained adequate at USD 7,663 million (4.71 months of import cover) as at January 28. 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).

### Current Account

Provisional data on the balance of payments shows that the current account deficit narrowed to 4.8 percent of GDP in 2020 compared to 5.8 percent of GDP in 2019. This reflected savings from lower oil import bill, strong performance of agricultural exports, and resilient remittances (Chart 2).

### Money Markets

The money market was relatively liquid during the week ending January 28, supported by government payments which partly offset tax remittances. Commercial banks' excess reserves stood at KSh 13.7 billion in relation to the 4.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was 5.71 percent on January 28 compared to 4.98 percent on January 21. The average number of interbank deals per day increased to 30 from 26 in the previous week, while the average value traded increased to KSh 9.9 billion compared to KSh 9.6 billion in the previous week (Table 4).

### Government Securities Market

The Treasury bills auction of January 28 received bids totalling KSh 15.9 billion against an advertised amount of KSh 24.0 billion, representing a performance of 66.2 percent. Interest rates remained stable, with the 91-day Treasury bill rate decreasing while the 182-day and 364-day rates increased marginally (Table 5).

### Equity Market

At the Nairobi Securities Exchange, the NASI, NSE 25 share price index and market capitalisation increased by 1.6 percent, 0.6 percent and 1.6 percent, respectively, during the week ending January 28. However, the equity turnover, total shares traded and total deals declined by 25.9 percent, 22.4 percent and 8.2 percent, respectively (Table 7).

### Bonds Market

Turnover of bonds traded in the domestic secondary market declined by 15.2 percent during the week ending January 28 (Table 7). In the international market, yields on Kenya's Eurobonds remained stable, increasing by an average of 1.02 basis points. Yields on the 10-year Eurobonds for Ghana and Angola also remained stable (Chart 4).

## Global Trends

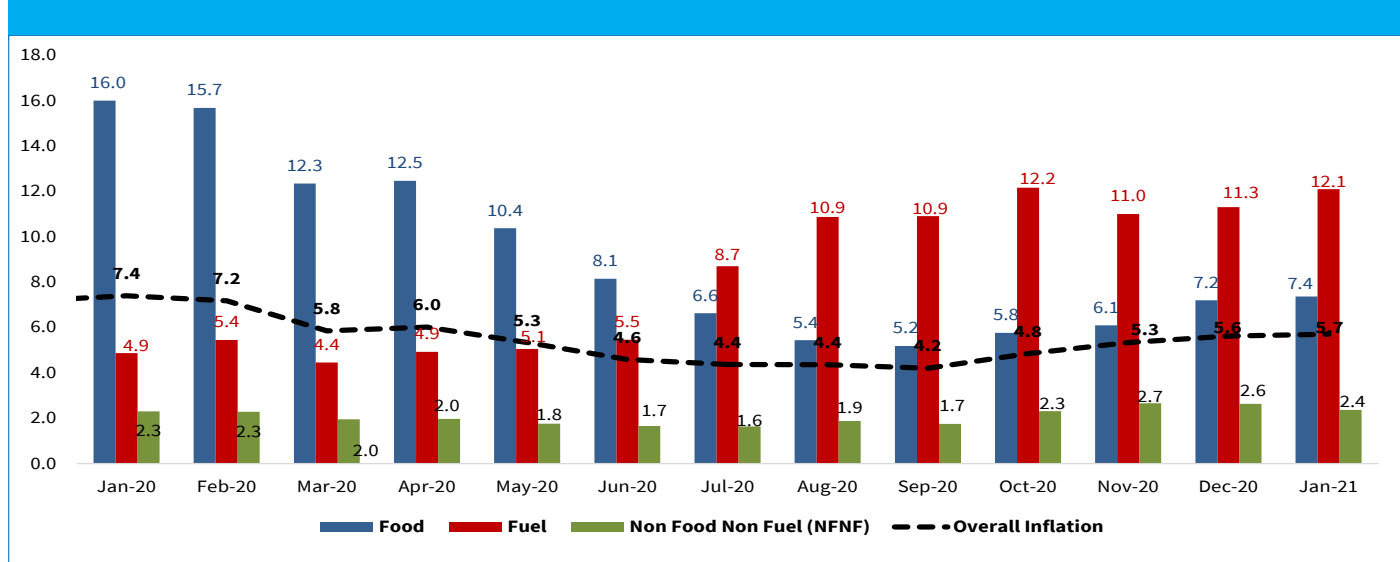
The global economic outlook has improved but remains highly uncertain with vulnerabilities arising from the new variants of COVID-19 and new lockdowns in some advanced economies. In its January 2021 World Economic Outlook (WEO) update, the IMF projects a global growth of 5.5 percent in 2021 from an estimated contraction of 3.5 percent in 2020, reflecting optimism of strengthening activity on account of vaccine rollout in many countries. Advanced economies are projected to grow by 4.3 percent while emerging markets and developing countries and Sub-Saharan Africa are expected to grow by 6.3 percent and 3.9 percent in 2021, respectively.

International oil prices declined during the week ending January 28 on account of emergence of new variants of COVID-19 and renewed lockdowns in some advanced economies. Murban oil price declined to USD 54.90 per barrel on January 28 from USD 55.76 per barrel on January 21.

**Table 1: Real GDP Growth by Sector**

	2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>1. Agriculture</b>	<b>4.0</b>	<b>2.0</b>	<b>5.0</b>	<b>3.6</b>	<b>5.8</b>	<b>7.3</b>	<b>6.3</b>
<b>2. Non-Agriculture (o/w)</b>	<b>5.6</b>	<b>6.0</b>	<b>6.0</b>	<b>5.8</b>	<b>4.9</b>	<b>-9.2</b>	<b>-2.7</b>
<b>2.1 Industry</b>	<b>4.1</b>	<b>5.5</b>	<b>5.0</b>	<b>4.0</b>	<b>4.4</b>	<b>-0.5</b>	<b>4.9</b>
Mining & Quarrying	1.4	5.0	3.4	0.3	9.5	10.0	18.2
Manufacturing	2.3	4.1	3.9	2.6	2.9	-3.9	-3.2
Electricity & water supply	7.8	7.3	6.4	6.4	6.3	-0.6	4.7
Construction	6.1	7.2	6.6	5.7	5.3	3.9	16.2
<b>2.2 Services</b>	<b>6.4</b>	<b>6.7</b>	<b>6.7</b>	<b>6.8</b>	<b>5.5</b>	<b>-11.6</b>	<b>-5.3</b>
Wholesale & Retail Trade	6.3	7.8	6.1	6.4	6.4	-7.0	-2.5
Accommodation & restaurant	11.0	12.1	9.9	9.0	-9.3	-83.2	-57.9
Transport & Storage	6.4	7.6	7.6	9.2	6.1	-11.4	2.9
Information & Communication	10.0	7.5	8.0	9.1	9.8	4.6	7.3
Financial & Insurance	6.3	5.2	8.1	6.6	6.2	4.2	5.3
Public administration	8.9	8.7	8.4	6.2	6.7	5.7	9.6
Professional, Administration & Support Services	5.5	4.2	4.8	4.9	4.4	-15.3	-12.3
Real estate	4.7	6.0	5.5	5.1	4.4	2.3	5.3
Education	4.3	6.0	6.0	5.5	5.3	-56.2	-41.9
Health	5.4	6.2	5.5	6.2	5.8	10.3	5.6
Other services	5.6	5.6	5.3	3.8	2.2	-8.5	-4.5
FISIM	4.6	7.3	6.8	5.7	5.0	3.7	7.7
<b>2.3 Taxes on products</b>	<b>4.7</b>	<b>4.0</b>	<b>4.2</b>	<b>4.5</b>	<b>3.4</b>	<b>-14.2</b>	<b>-4.2</b>
<b>Real GDP Growth</b>	<b>5.2</b>	<b>5.1</b>	<b>5.8</b>	<b>5.4</b>	<b>5.2</b>	<b>-5.5</b>	<b>-1.1</b>

Source: Kenya National Bureau of Statistics

**Chart 1: Inflation**

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

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

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
15-Jan-21	110.10	150.18	133.99	106.08	33.65	21.06	9.01	17.63
18-Jan-21	110.07	150.11	133.73	106.18	33.66	21.07	9.01	17.64
19-Jan-21	110.10	149.22	132.93	106.13	33.51	21.06	9.01	17.63
20-Jan-21	110.18	150.03	133.56	106.02	33.58	21.05	9.00	17.62
21-Jan-21	110.19	150.61	133.56	106.58	33.50	21.05	9.00	17.62
<b>Jan 15-21</b>	<b>110.13</b>	<b>150.03</b>	<b>133.55</b>	<b>106.20</b>	<b>33.58</b>	<b>21.06</b>	<b>9.00</b>	<b>17.63</b>
22-Jan-21	109.81	150.64	133.34	106.01	33.56	21.12	9.03	17.68
25-Jan-21	110.02	150.24	133.71	105.98	33.49	21.08	9.02	17.65
26-Jan-21	110.09	150.71	133.87	106.03	33.49	21.06	9.01	17.64
27-Jan-21	110.10	150.62	133.69	106.14	33.47	21.06	9.01	17.64
28-Jan-21	110.15	150.96	133.31	106.06	33.36	21.05	9.01	17.63
<b>Jan 22-28</b>	<b>110.03</b>	<b>150.63</b>	<b>133.58</b>	<b>106.04</b>	<b>33.47</b>	<b>21.08</b>	<b>9.02</b>	<b>17.65</b>

\* Units of currency per Kenya Shilling

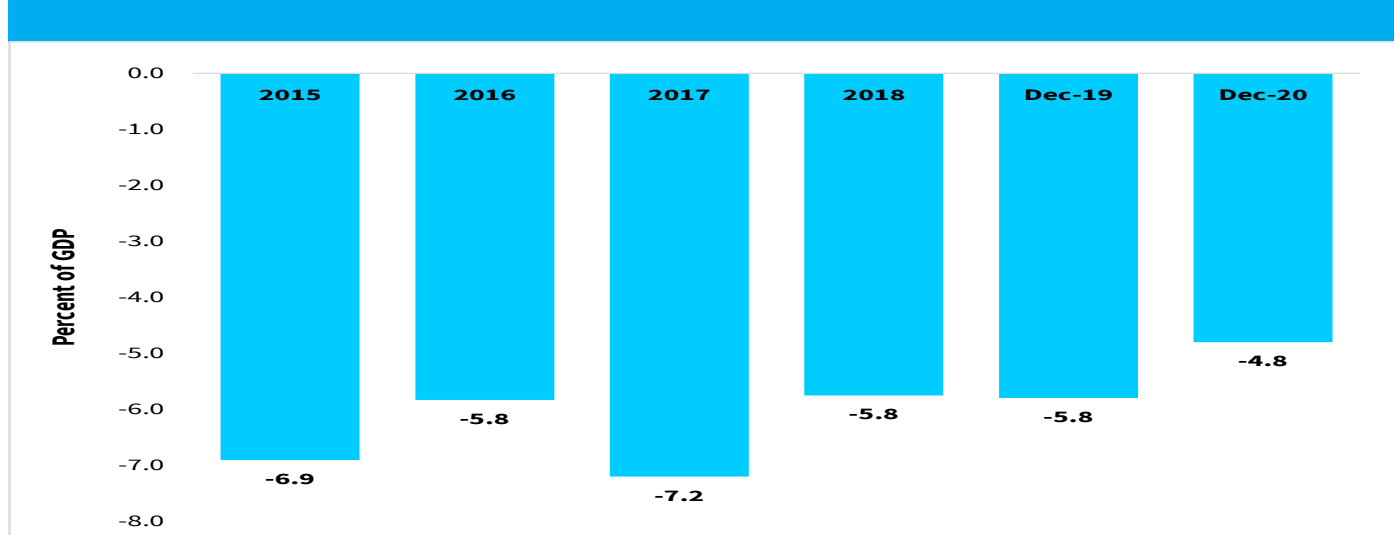
Source: Central Bank of Kenya

**Table 3: Official Foreign Exchange Reserves (US\$ Million)**

	31-Dec-20	7-Jan-21	14-Jan-21	21-Jan-21	28-Jan-21
1. CBK Usable Foreign Exchange Reserves (USD Million)	7,750	7,722	7,807	7,658	7,663
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	4.76	4.74	4.80	4.70	4.71

\*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 4: Money Markets**

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
15-Jan-21	25	14,880.00	3.73
18-Jan-21	20	10,305.00	4.22
19-Jan-21	19	7,940.00	4.09
20-Jan-21	37	8,075.00	4.43
21-Jan-21	29	6,645.00	4.98
<b>Jan 15-21, 2021</b>	<b>26</b>	<b>9,569.00</b>	<b>4.29</b>
22-Jan-21	29	6,540.00	5.25
25-Jan-21	21	5,435.00	5.38
26-Jan-21	25	7,880.00	5.55
27-Jan-21	44	19,130.00	5.62
28-Jan-21	33	10,550.00	5.71
<b>Jan 22-28, 2021</b>	<b>30</b>	<b>9,907.00</b>	<b>5.50</b>

Source: Central Bank of Kenya

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

91-Day Treasury Bills						
Date of Auction	23-Dec-20	30-Dec-20	7-Jan-21	14-Jan-21	21-Jan-21	28-Jan-21
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)	5,752.66	668.93	748.14	5,014.68	2,149.68	508.70
Amount Accepted (KSh M)	5,601.50	667.31	746.52	5,012.96	2,149.68	507.72
Maturities (KSh M)	1,115.70	4,960.35	7,491.25	8,235.20	4,120.95	2,536.00
<b>Average Interest Rate (%)</b>	<b>6.929</b>	<b>6.906</b>	<b>6.895</b>	<b>6.884</b>	<b>6.983</b>	<b>6.897</b>
182-Day Treasury Bills						
Date of Auction	23-Dec-20	30-Dec-20	7-Jan-21	14-Jan-21	21-Jan-21	28-Jan-21
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)	2,520.92	564.90	4,999.74	8,102.11	916.09	1,969.87
Amount Accepted (KSh M)	2,443.21	564.90	3,072.63	8,101.63	910.22	1,969.87
Maturities (KSh M)	1,583.90	11,153.65	7,375.45	10,092.55	1,306.30	1,555.20
<b>Average Interest Rate (%)</b>	<b>7.403</b>	<b>7.400</b>	<b>7.479</b>	<b>7.522</b>	<b>7.508</b>	<b>7.578</b>
364-Day Treasury Bills						
Date of Auction	23-Dec-20	30-Dec-20	7-Jan-21	14-Jan-21	21-Jan-21	28-Jan-21
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)	4,400.22	3,953.88	10,021.31	13,314.91	17,219.73	13,416.65
Amount Accepted (KSh M)	2,093.79	3,953.88	10,021.31	13,303.48	14,473.40	13,414.35
Maturities (KSh M)	3,790.80	9,385.40	40,439.15	12,433.70	20,267.90	22,392.40
<b>Average Interest Rate (%)</b>	<b>8.338</b>	<b>8.348</b>	<b>8.363</b>	<b>8.445</b>	<b>8.508</b>	<b>8.623</b>

Source: Central Bank of Kenya

**Table 6: Performance of Treasury Bond Auctions**

Date of Auction	18-Nov-20	9-Dec-20		23-Dec-20		6-Jan-21	20-Jan-21
	<b>REOPEN</b>	<b>REOPEN</b>		<b>TAP</b>			
Tenor	IFB1/ 2018/20	FXD1/ 2012/15	FXD2/ 2019/15	FXD1/ 2012/15	FXD2/ 2019/15	FXD1/ 2021/02	IFB1/ 2021/016
Amount offered (KSh M)	40,000.00	40,000.00		22,000.00		25,000.00	50,000.00
Bids received (KSh M)	28,877.58	9,259.23	15,079.12	2,578.40	7,433.65	61,150.39	125,472.82
Amount Accepted (KSh M)	27,490.59	8,549.51	9,706.88	2,522.81	7,396.48	55,860.26	81,052.52
Maturities (KSh M)	30,673.85	0.00		0.00		0.00	31,120.85
Average interest Rate (%)	13.25	11.46	12.81	11.00	12.73	9.49	12.26

Source: Central Bank of Kenya

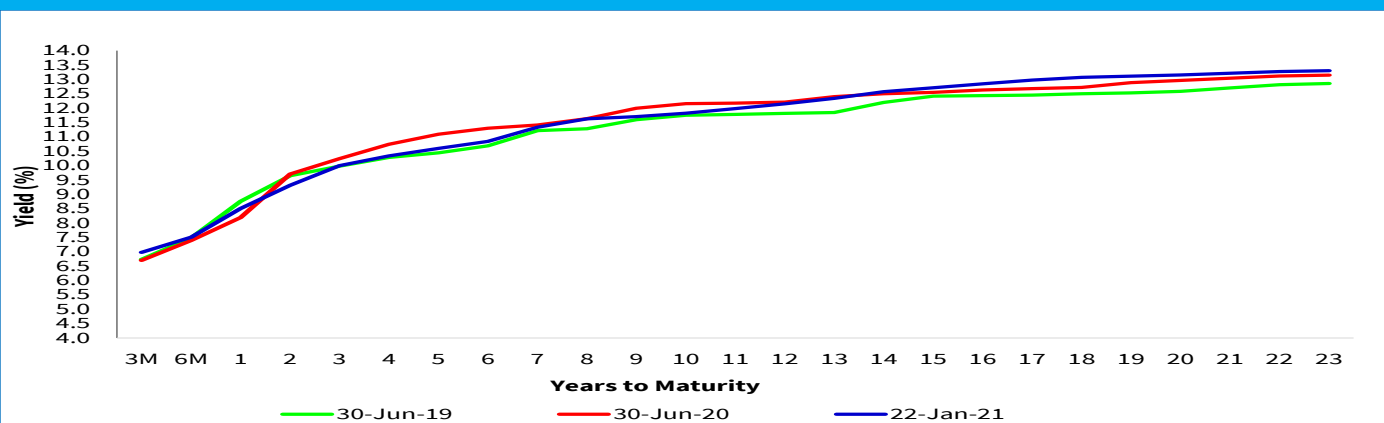
**Table 7: Key Weekly Market Indicators**

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 Capital- ization (KSh Billion)	Bonds Turnover (KSh Million)	Eurobond Yields (%)				
									7-Year 2027	10-Year 2024	10-Year 2028	12-Year 2032	30-Year 2048
15-Jan-21	146.96	3292.49	1785.73	885.00	31.47	714.33	2,257.21	2,268.10	4.946	3.701	5.366	6.116	7.214
18-Jan-21	157.56	3479.81	1906.63	1,035.00	11.54	364.28	2,420.62	1,891.65	4.969	3.701	5.427	6.192	7.281
19-Jan-21	157.16	3463.15	1894.18	1,001.00	18.66	521.72	2,414.54	1,574.75	4.939	3.662	5.406	6.161	7.252
20-Jan-21	155.64	3444.30	1881.57	1,098.00	23.93	864.79	2,391.09	419.05	4.933	3.660	5.365	6.161	7.243
21-Jan-21	154.17	3425.10	1888.89	1,128.00	15.54	562.51	2,368.47	611.25	4.853	3.616	5.323	6.099	7.204
<b>Jan 15-21</b>	<b>154.17</b>	<b>3425.10</b>	<b>1888.89</b>	<b>5,147.00</b>	<b>101.15</b>	<b>3,027.64</b>	<b>2,368.47</b>	<b>6,764.80</b>	<b>4.853</b>	<b>3.616</b>	<b>5.323</b>	<b>6.099</b>	<b>7.204</b>
22-Jan-21	154.84	3432.28	1887.23	879.00	10.13	338.34	2,378.76	241.35	4.849	3.650	5.343	6.053	7.185
25-Jan-21	157.07	3455.98	1882.20	1084.00	19.14	567.68	2,413.12	236.10	4.846	3.611	5.282	6.023	7.156
26-Jan-21	157.45	3461.61	1888.71	854.00	5.77	192.60	2,418.96	10,674.35	4.818	3.572	5.282	6.022	7.147
27-Jan-21	156.95	3450.04	1889.74	999.00	23.48	796.67	2,411.23	8,933.05	4.866	3.643	5.321	6.052	7.156
28-Jan-21	156.56	3445.65	1888.74	909.00	20.00	347.29	2,405.34	7,173.35	4.848	3.676	5.340	6.097	7.185
<b>Jan 22-28</b>	<b>156.56</b>	<b>3445.65</b>	<b>1888.74</b>	<b>4,725.00</b>	<b>78.52</b>	<b>2,242.58</b>	<b>2,405.34</b>	<b>27,258.20</b>	<b>4.848</b>	<b>3.676</b>	<b>5.340</b>	<b>6.097</b>	<b>7.185</b>
<b>Weekly Changes (%)</b>	<b>1.55</b>	<b>0.60</b>	<b>-0.01</b>	<b>-8.20</b>	<b>-22.37</b>	<b>-25.93</b>	<b>1.56</b>	<b>-15.19</b>	<b>-0.005*</b>	<b>0.060*</b>	<b>0.017*</b>	<b>-0.002*</b>	<b>-0.019*</b>

\* Percentage points

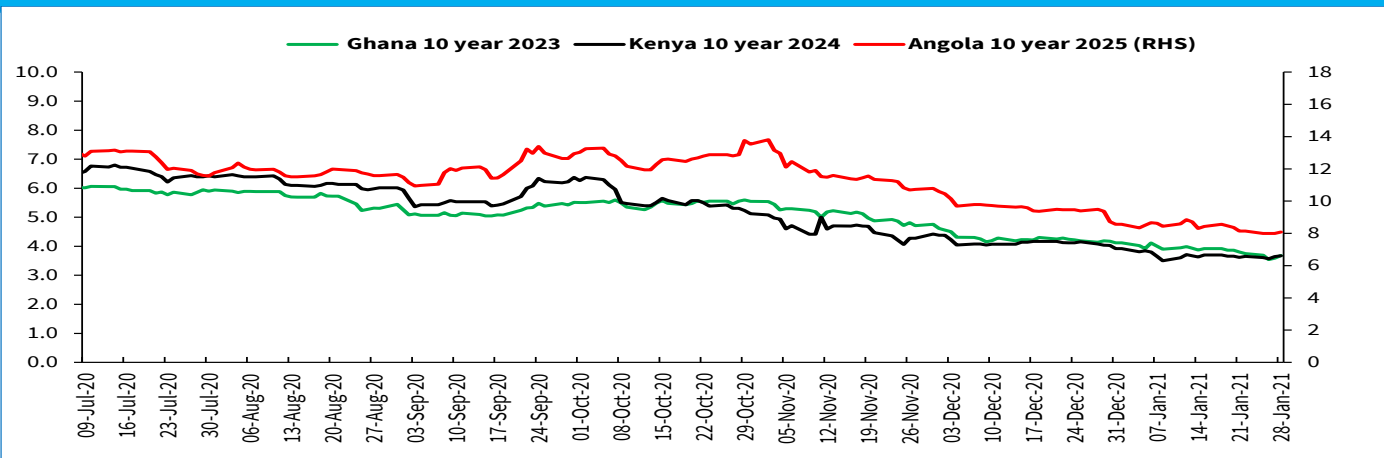
Source: Nairobi Securities Exchange (NSE) and Thompson Reuters

**Chart 3: Government Securities Yield Curve**



Source: Nairobi Securities Exchange (NSE)

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



Source: Thomson Reuters

**Table 8: Government Domestic Debt (KSh Billion)**

	28-Jun-19	31-Dec-19	30-Jun-20	30-Sep-20	31-Dec-20	15-Jan-21	22-Jan-21
1. Treasury Bills (Excluding Repos)	954.25	878.94	887.14	894.73	855.71	795.22	792.34
<i>(As % of total securities)</i>	<b>35.29</b>	<b>30.80</b>	<b>28.55</b>	<b>26.50</b>	<b>25.04</b>	<b>23.30</b>	<b>23.24</b>
2. Treasury Bonds	1,749.71	1,974.69	2,220.34	2,482.24	2,561.33	2,617.18	2,617.18
<i>(As % of total securities)</i>	<b>64.71</b>	<b>69.20</b>	<b>71.45</b>	<b>73.50</b>	<b>74.96</b>	<b>76.70</b>	<b>76.76</b>
3. Total Securities (1+2)	2,703.96	2,853.63	3,107.48	3,376.98	3,417.05	3,412.40	3,409.52
4. Overdraft at Central Bank	57.33	63.72	47.15	56.21	47.60	54.10	55.10
5. Other Domestic debt*	25.76	24.75	23.24	23.92	24.16	23.91	23.91
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>2,787.04</b>	<b>2,942.10</b>	<b>3,177.87</b>	<b>3,457.11</b>	<b>3,488.81</b>	<b>3,490.41</b>	<b>3,488.54</b>

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

	28-Jun-19	31-Dec-19	30-Jun-20	30-Sep-20	31-Dec-20	15-Jan-21	22-Jan-21
Treasury bills (Excluding Repos)	34.24	29.87	27.92	25.88	24.53	22.78	22.71
Treasury bonds	62.78	67.12	69.87	71.80	73.42	74.98	75.02
Overdraft at Central Bank	2.06	2.17	1.48	1.63	1.36	1.55	1.58
Other domestic debt	0.92	0.84	0.73	0.69	0.69	0.68	0.69
<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: Composition of Government Domestic Debt by Holder (Percent)**

	30-Jun-19	31-Dec-19	30-Jun-20	30-Sep-20	31-Dec-20	15-Jan-21	22-Jan-21
Banking Institutions	54.38	54.33	54.86	55.15	53.29	53.34	53.36
Insurance Companies	6.13	6.42	6.05	6.16	6.44	6.44	6.45
Parastatals	6.97	6.49	5.73	5.47	5.68	5.76	5.76
Pension Funds	28.24	28.60	29.05	28.52	30.32	30.20	30.17
Other Investors	4.28	4.17	4.32	4.71	4.27	4.27	4.25
<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 11: Indicators of Government Debt**

	Jun-19	Dec-19	Jun-20	Sep-20	Oct-20	Nov-20	Dec-20
Domestic debt (KSh Bn)	2,787.04	2,942.10	3,177.87	3,457.11	3,457.64	3,482.65	3,488.54
Public & Publicly Guaranteed External debt (USD \$ Bn)	29.55	30.66	33.01	33.77	34.05	34.27	34.75
Public & Publicly Guaranteed External debt (KSh Bn)	3,023.14	3,106.82	3,515.81	3,663.49	3,705.64	3,771.81	3,793.29
<b>Public debt (KSh Bn)</b>	<b>5,810.18</b>	<b>6,048.93</b>	<b>6,693.68</b>	<b>7,120.60</b>	<b>7,163.29</b>	<b>7,254.46</b>	<b>7,281.83</b>

Source: National Treasury and Central Bank of Kenya