



Central Bank of Kenya

Weekly Bulletin

May 29, 2020

KEY MONETARY AND FINANCIAL INDICATORS

Monetary Policy Committee Meeting

The Monetary Policy Committee (MPC) met on May 27 and noted that the measures deployed in March and April to mitigate the adverse impact of COVID-19 were having the intended effect on the economy, and were still being transmitted. The MPC also noted the additional fiscal measures under the Economic Stimulus Programme announced by the Government to cushion vulnerable citizens and businesses from the adverse effects of the pandemic. The Committee concluded that its monetary policy stance remained appropriate, and retained the Central Bank Rate (CBR) at 7.00 percent. The Committee will reconvene within a month.

Inflation

Overall inflation declined marginally to 5.5 percent in May from 5.6 percent in April, mainly driven by low fuel prices, impact of the VAT reduction in April and muted demand pressures in the economy. Despite the favorable weather conditions the prices of some food items remained elevated because of the supply disruptions arising from the COVID-19 containment measures (Chart 1).

Exchange Rate

The Kenya Shilling remained relatively stable against major international and regional currencies during the week ending May 28. It exchanged at KSh 107.03 per US dollar on May 28 compared to KSh 106.89 per US dollar on May 21 (Table 1).

Foreign Exchange Reserves

The CBK usable foreign exchange reserves remained adequate at USD 8,331 million (4.99 months of import cover) as at May 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 2).

Money Market

The money market was liquid during the week ending May 28, supported by government payments. Commercial banks' excess reserves stood at KSh 35.2

billion in relation to the 4.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate declined to 3.37 percent on May 28 from 4.19 percent on May 21. The average number of interbank deals per day increased to 27 from 18 in the previous week, while the value traded increased to KSh 19.9 billion from KSh 10.6 billion in the previous week (Table 3).

Government Securities Market

The Treasury bills auction of May 28 received bids totalling KSh 24.6 billion against an advertised amount of KSh 24.0 billion, representing a performance of 102.5 percent. Interest rates on all the Treasury bills tenors increased marginally (Table 4).

The 6-year Infrastructure bond offered at the auction of May 28 received bids totalling KSh 21.2 billion against an advertised amount of KSh 25.6 billion, representing a performance of 82.7 percent (Table 5). The interest rates for the bond declined slightly compared to the previous issue of a similar instrument.

Equity Market

At the Nairobi Securities Exchange, the NASI, NSE 25 and NSE 20 share price indices decreased by 1.6 percent, 1.0 percent and 2.0 percent, respectively, during the week ending May 28. Similarly, market capitalization, equity turnover and number of shares traded declined by 1.6 percent, 39.0 percent and 25.7 percent, respectively (Table 6).

Bonds Market

Turnover of bonds traded in the domestic secondary market increased by 7.7 percent during the week (Table 6). In the international market, yields on Kenya's Eurobonds remained stable, edging up by an average of 5.4 basis points. The yields on the 10-year Eurobonds for Angola and Ghana also remained fairly stable (Chart 3).

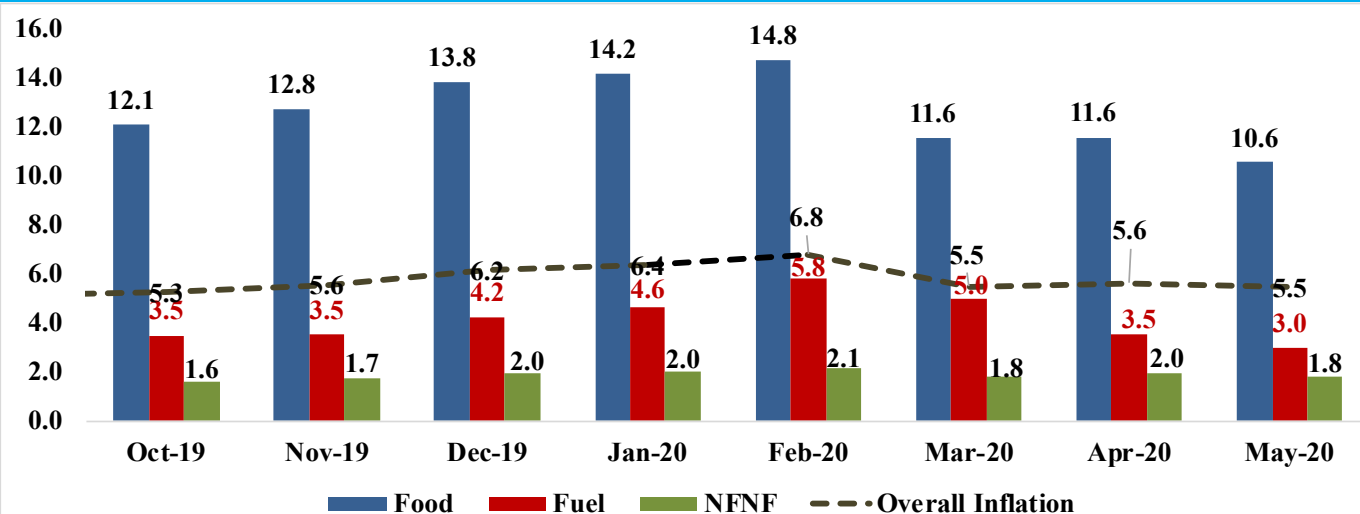
Global Trends

Global financial markets remained edgy during the week

as optimism for a quick economic recovery following the gradual reopening of economies was overshadowed by growing tensions between the US and China .

International oil prices declined towards the end of the week following a steep and surprise build up in crude stock piles in the US, dampening the hopes of a quick recovery in demand as some economies continue the gradual easing of lockdowns. Murban oil price decreased to USD 33.22 per barrel on May 28 from USD 34.12 per barrel on May 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	USHS*	TSHS*	RWF*	BIF*
15-May-20	106.81	130.32	115.28	99.91	35.44	21.66	8.72	17.84
18-May-20	107.04	130.35	115.66	100.01	35.36	21.62	8.86	17.82
19-May-20	106.69	129.97	115.36	99.35	35.50	21.70	8.94	17.74
20-May-20	106.80	130.78	116.99	99.14	35.53	21.68	8.73	17.84
21-May-20	106.89	131.10	117.14	99.41	35.44	21.66	8.92	17.71
May 15-21	106.85	130.50	116.08	99.57	35.45	21.66	8.83	17.79
22-May-20	106.97	130.80	117.55	99.30	35.43	21.64	8.91	17.81
25-May-20	Public Holiday							
26-May-20	107.01	130.38	116.72	99.22	35.39	21.62	8.91	17.69
27-May-20	107.11	131.61	117.26	99.59	35.18	21.61	8.90	17.68
28-May-20	107.03	131.86	117.96	99.37	35.37	21.63	8.91	17.69
May 22-28	107.03	131.16	117.37	99.37	35.34	21.63	8.91	17.72

*Unit of currency per Kenya Shilling

Source: Central Bank of Kenya

Table 2: Official Foreign Exchange Reserves US\$ Million (Usable)

	9-Apr-20	16-Apr-20	23-Apr-20	30-Apr-20	14-May-20	21-May-20	28-May-20
1. CBK Usable Foreign Exchange Reserves (USD Million)	7,974	7,913	7,858	7,744	8,532	8,489	8,331
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	4.84	4.78	4.75	4.66	5.14	5.11	4.99

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

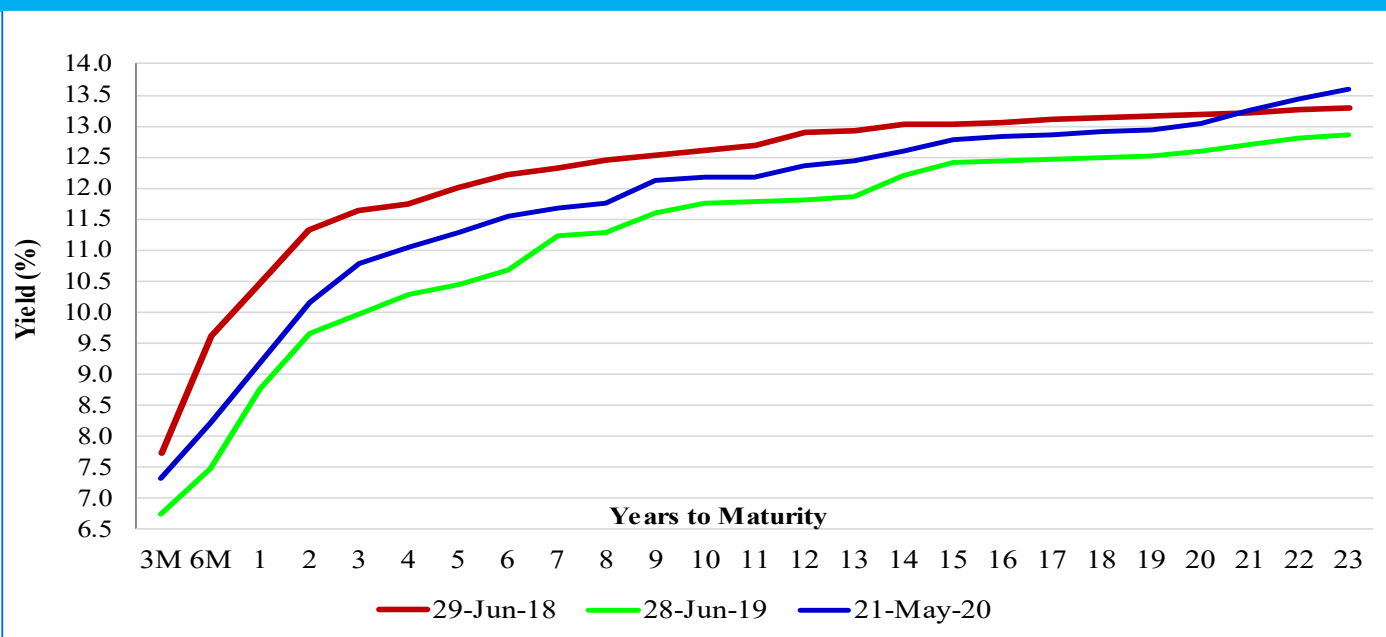
Source: Central Bank of Kenya

Table 3: Money Market

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
15-May-20	27	13,150.00	4.34
18-May-20	15	9,450.00	4.30
19-May-20	15	11,950.00	4.37
20-May-20	15	9,450.00	4.21
21-May-20	18	9,150.00	4.19
May 15- 21	18	10,630.00	4.28
22-May-20	29	17,400.00	3.92
25-May-20		Public Holiday	
26-May-20	23	14,200.00	3.66
27-May-20	31	27,495.00	3.45
28-May-20	26	20,450.00	3.37
May 22- 28	27	19,886.25	3.60

Source :Central Bank of Kenya

Chart 2: Government Securities Yield Curve



Source: Nairobi Securities Exchange (NSE)

Table 4: Treasury Bills Auctions

91-Day Treasury Bills						
Date of Auction	30-Apr-20	7-May-20	14-May-20	21-May-20	28-May-20	
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)	4,472.71	2,442.83	7,670.62	10,837.82	3,251.08	
Amount Accepted (Ksh M)	2,505.61	2,441.95	7,651.31	7,859.34	2,269.17	
Maturities (Ksh M)	4,640.00	3,422.55	1,701.20	1,907.10	2,380.05	
Average interest Rate (%)	7.242	7.253	7.266	7.319	7.333	
182-Day Treasury Bills						
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)	2,674.78	3,795.10	4,485.22	10,490.21	5,840.86	
Amount Accepted (Ksh M)	2,536.41	3,795.10	4,433.36	5,518.38	1,404.01	
Maturities (Ksh M)	4,239.50	3,342.15	1,578.75	3,504.05	576.50	
Average interest Rate (%)	8.134	8.151	8.192	8.227	8.248	
364-Day Treasury Bills						
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)	10,750.99	8,779.00	11,932.41	14,495.87	15,498.70	
Amount Accepted (Ksh M)	10,613.69	8,552.61	11,892.94	13,181.28	11,456.58	
Maturities (Ksh M)	10,320.05	6,485.45	15,039.65	20,211.35	5,332.05	
Average interest Rate (%)	9.115	9.161	9.173	9.195	9.198	

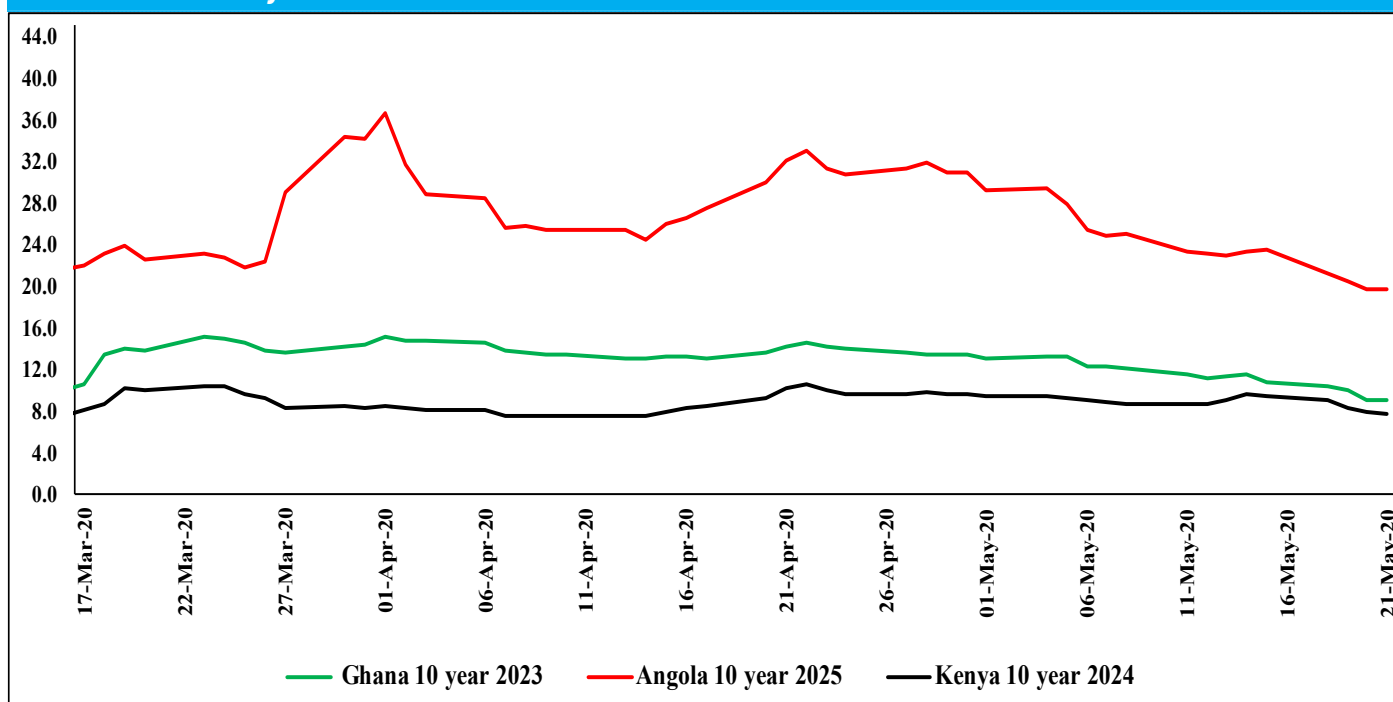
Source: Central Bank of Kenya

Table 5: Treasury Bonds Auctions

Date of Auction	18-Mar-20		8-Apr-20	22-Apr-20	6-May-20	20-May-20	27-May-20
	REOPEN			TAP		REOPEN	
Tenor	FXD1/2018/20	FXD1/2018/25	IFB1/2020/9	IFB1/2020/9	FXD1/2020/5	FXD1/2020/5	IFB1/2020/6
Amount offered (Ksh M)	50,000.00		60,000.00	21,000.00	50,000.00	30,000.00	25,600.00
Bids received (Ksh M)	35,155.99		68,413.78	35,387.16	34,531.50	20,581.07	21,164.29
Amount Accepted (Ksh M)	8,274.69	14,638.57	39,010.13	35,387.16	20,777.17	8,948.12	19,275.46
Maturities (Ksh M)	0.00		0.00	0.00	0.00	0.00	20,226.65
Average interest Rate (%)	13.29	13.82	12.05	12.05	11.67	11.75	11.60

Source: Central Bank of Kenya

Chart 3: Yields on 10 year Eurobonds for Selected African Countries



Source: Thomson Reuters

Table 6: Key Weekly Market Indicators

INDICATOR	NASI 100=2008	NSE 25 Share Index	NSE 20 Share Index 100=1996	Total Deals (Equi- ty)	Total Shares Traded (Mil- lion)	Equity Turnover (KSh Million)	Market Capital- ization (KSh Billion)	Bonds Turnover (KSh Million)	Eurobond Yield (%)				
									7-Year 2027	10-Year 2024	10-Year 2028	12-Year 2032	30-Year 2048
15-May-20	135.33	3179.99	1975.30	1,570	37.39	1,681.06	2,068.30	2,966.57	9.227	9.380	9.312	9.646	9.436
18-May-20	139.28	3252.26	1993.90	920	11.84	337.82	2,128.80	1,953.14	8.754	8.951	8.994	9.230	9.282
19-May-20	140.68	3296.63	2007.49	1,020	19.24	584.78	2,150.18	1,982.58	8.381	8.301	8.426	8.885	8.960
20-May-20	139.94	3282.63	2009.15	834	9.63	264.45	2,138.89	1,908.76	8.027	7.853	7.992	8.533	8.742
21-May-20	138.66	3248.43	2004.01	1,031	17.74	586.50	2,119.26	1,935.16	7.864	7.782	7.970	8.551	8.704
May 15-21	138.66	3248.43	2004.01	5,375	95.83	3,454.61	2,119.26	10,746.21	7.864	7.782	7.970	8.551	8.704
22-May-20	140.39	3279.67	2014.88	1,011	22.48	635.16	2,145.80	2,547.86	8.080	8.043	8.197	8.792	8.831
25-May-20	PUBLIC HOLIDAY								8.084	8.156	8.266	8.867	8.882
26-May-20	138.94	3244.67	2009.60	1,321	18.13	588.34	2,123.61	2,483.92	7.855	7.857	7.993	8.588	8.754
27-May-20	137.81	3222.96	1976.50	1,364	16.36	490.70	2,106.30	3,465.77	7.797	7.783	7.948	8.479	8.692
28-May-20	136.51	3214.53	1964.46	1,096	14.23	392.18	2,086.36	3,078.00	7.913	7.859	8.016	8.588	8.767
May 22-28	136.51	3214.53	1964.46	4,792	71.19	2,106.38	2,086.36	11,575.56	7.913	7.859	8.016	8.588	8.767
Weekly Changes (%)	-1.55	-1.04	-1.97	-10.85	-25.71	-39.03	-1.55	7.72	0.049*	0.077*	0.046*	0.037*	0.063*

* Percentage points

Source: Nairobi Securities Exchange (NSE)

Table 7: Government Domestic Debt (KSh Billion)

	28-Jun-19	30-Sep-19	31-Dec-19	31-Mar-20	15-May-20	22-May-20
1. Treasury Bills (Excluding Repos)	954.25	928.91	878.94	902.29	890.42	897.45
(As % of total securities)	35.31	33.68	30.80	30.15	29.09	29.25
2. Treasury Bonds	1,748.15	1,828.78	1,974.69	2,090.29	2,170.49	2,170.49
(As % of total securities)	64.69	66.32	69.20	69.85	70.91	70.75
3. Total Securities (1+2)	2,702.40	2,757.69	2,853.63	2,992.58	3,060.92	3,067.95
4. Overdraft at Central Bank	57.33	68.23	63.72	54.18	56.68	51.06
5. Other Domestic debt*	25.76	25.72	24.75	25.10	26.35	26.35
6. Gross Domestic Debt (3+4+5)	2,785.94	2,851.64	2,942.10	3,071.85	3,143.95	3,145.35

* 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	30-Sep-19	31-Dec-19	31-Mar-20	15-May-20	22-May-20
Treasury bills (Excluding Repos)	34.26	32.57	29.87	29.37	28.32	28.53
Treasury bonds	62.76	64.13	67.12	68.03	69.04	69.01
CBK Overdraft to Government	2.06	2.39	2.17	1.76	1.80	1.62
Other domestic debt	0.92	0.90	0.84	0.84	0.84	0.84
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	30-Sep-19	31-Dec-19	31-Mar-20	15-May-20	22-May-20
Banking Institutions	54.38	53.63	54.33	54.31	54.81	54.56
Insurance Companies	6.13	6.33	6.42	6.30	6.16	6.15
Parastatals	6.97	7.13	6.49	6.13	5.61	5.62
Pension funds	28.24	28.77	28.60	29.01	28.91	29.20
Other investors	4.28	4.13	4.17	4.25	4.51	4.46
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	Jun-19	Sep-19	Dec-19	Jan-20	Feb-20	Mar-20
Domestic debt (KSh Billion)	2,478.84	2,785.48	2,851.64	2,942.10	3,003.70	3,040.96	3,071.85
Public & Publicly Guaranteed External debt (US \$ Billion)	25.34	29.55	29.95	30.66	30.95	30.87	30.69
Public & Publicly Guaranteed External debt (KSh Billion)	2,560.20	3,023.14	3,111.80	3,106.82	3,112.90	3,117.04	3,212.63
Total public debt (KSh Billion)	5,039.03	5,808.62	5,963.44	6,048.93	6,116.60	6,158.00	6,284.49

Source: National Treasury and Central Bank of Kenya