



Central Bank of Kenya

# Weekly Bulletin

August 11, 2023



## RECENT MONETARY AND FINANCIAL DEVELOPMENTS

### Monetary Policy Committee (MPC)

The Monetary Policy Committee (MPC) met on August 9, 2023 and noted that inflation pressures had eased. The overall inflation declined to the target band in July and is expected to decline further as food prices continue to fall. The Committee further noted that the impact of the tightening of monetary policy in June 2023 to anchor inflationary expectations was still transmitting in the economy. In view of these developments, the MPC decided to retain the Central Bank Rate (CBR) at 10.50 percent.

In line with the reforms outlined in the White Paper on Modernisation of the Monetary Policy Framework and Operations, the MPC considered and approved measures aimed at improving the monetary policy implementation and transmission. Accordingly, the MPC approved introduction of an interbank interest rate corridor around the Central Bank Rate (CBR) set at  $CBR \pm 2.5$  percent. To improve access to the CBK Discount (Overnight) Window facility, the Committee approved changes to the terms and conditions for the facility, including reducing interest rate on the facility from 600 basis points above the CBR to 400 basis points above the CBR.

### Exchange Rates

The Kenya Shilling remained relatively stable against major international and regional currencies during the week ending August 10. It exchanged at KSh 143.44 per US dollar on August 10, compared to KSh 142.78 per US dollar on August 3 (**Table 1**).

### Foreign Exchange Reserves

The usable foreign exchange reserves remained adequate at USD 7,357 million (4.02 months of import cover) as at August 10. 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 improved during the week ending August 10. Commercial banks' excess reserves stood at KSh 14.6 billion in relation to the 4.25 percent

cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was 8.80 percent on August 10 compared to 17.38 percent on August 3. During the week, the average number of interbank deals decreased to 35 from 52 in the previous week, while the average value traded decreased to KSh 22.2 billion from KSh 22.9 billion in the previous week (**Table 3**).

### Government Securities Market

The Treasury bill auction of August 10 received bids totaling KSh 47.9 billion against an advertised amount of KSh 24.0 billion, representing a performance of 199.7 percent. Interest rates remained stable, with 91-day, 182-day and 364-day rates increasing marginally (**Table 4**).

### Equity Market

At the Nairobi Securities Exchange, the NASI and NSE 25 share price indices declined by 1.5 percent and 1.0 percent, respectively, while NSE 20 Share index increased by 0.8 percent, during the week ending August 10. Market capitalization, equity turnover and total shares traded declined by 1.5 percent, 73.1 percent and 79.9 percent, respectively (**Table 6**).

### Bond Market

Bond turnover in the domestic secondary market increased by 74.5 percent during the week ending August 10 (**Table 7**). In the international market, yields on Kenya's Eurobonds declined by an average of 29.6 basis points, with the 2024 maturity declining by 35.0 basis points. The yield on the 10- Year Eurobonds for Ghana and that of Angola declined (**Chart 2**).

### Global Trends

Inflation in major economies remained elevated. The US and headline inflation declined to 3.0 percent in June before increasing slightly to 3.2 percent in July. The US dollar index weakened slightly by 0.02 percent against a basket of major currencies during the week ending August 10.

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International oil prices increased during the week ending August 10 on account of increased global oil demand and inventories draw-down. Murban oil price rose to USD 90.10 per barrel on August 10 from USD 84.93 per barrel on August 3.

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

	USD	Sterling Pound	Euro	100 Japanese Yen	Uganda Shilling*	Tanzania Shilling*	Rwandese Franc*	Burundi Franc*
28-Jul-23	142.30	182.87	156.68	101.05	25.35	17.25	8.25	19.90
31-Jul-23	142.36	182.97	156.61	100.36	26.13	17.21	8.31	19.86
1-Aug-23	142.53	183.02	157.10	99.96	25.40	17.30	8.34	19.85
2-Aug-23	142.64	182.21	156.47	99.86	25.41	17.21	8.24	19.86
3-Aug-23	142.78	181.53	156.45	99.24	25.32	17.19	8.24	19.84
<b>July 28-Aug 3</b>	<b>142.52</b>	<b>182.52</b>	<b>156.66</b>	<b>100.09</b>	<b>25.52</b>	<b>17.23</b>	<b>8.28</b>	<b>19.86</b>
4-Aug-23	142.89	181.25	156.25	100.35	25.30	17.46	8.24	19.82
7-Aug-23	142.99	182.21	157.09	100.62	25.24	17.45	8.21	19.75
8-Aug-23	143.12	182.57	157.30	99.89	25.26	17.29	8.23	19.80
9-Aug-23	143.27	181.97	156.80	100.10	25.27	17.24	8.23	19.78
10-Aug-23	143.44	182.68	157.51	100.01	25.48	17.43	8.22	19.76
<b>4 - 10 Aug</b>	<b>143.14</b>	<b>182.14</b>	<b>156.99</b>	<b>100.20</b>	<b>25.31</b>	<b>17.37</b>	<b>8.23</b>	<b>19.78</b>

\*Units of currency per Kenya Shilling

Source: Central Bank of Kenya

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

	13-Jul-23	20-Jul-23	27-Jul-23	3-Aug-23	10-Aug-23
1. CBK Usable Foreign Exchange Reserves (USD Million)	7,481	7,885	7,377	7,330	7,357
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	4.09	4.31	4.03	4.00	4.02

\*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 (%)
28-Jul-23	56	11,360.00	15.91
31-Jul-23	50	18,080.00	16.55
1-Aug-23	39	18,970.00	17.00
2-Aug-23	54	28,485.00	17.21
3-Aug-23	60	37,550.00	17.38
<b>Jul 28-Aug 3</b>	<b>52</b>	<b>22,889.00</b>	<b>16.81</b>
4-Aug-23	52	30,550.50	17.07
7-Aug-23	20	13,607.00	16.31
8-Aug-23	34	19,350.00	13.51
9-Aug-23	33	17,600.00	10.39
10-Aug-23	38	29,850.00	8.80
<b>Aug 4-Aug 10</b>	<b>35</b>	<b>22,191.50</b>	<b>13.21</b>

Source: Central Bank of Kenya

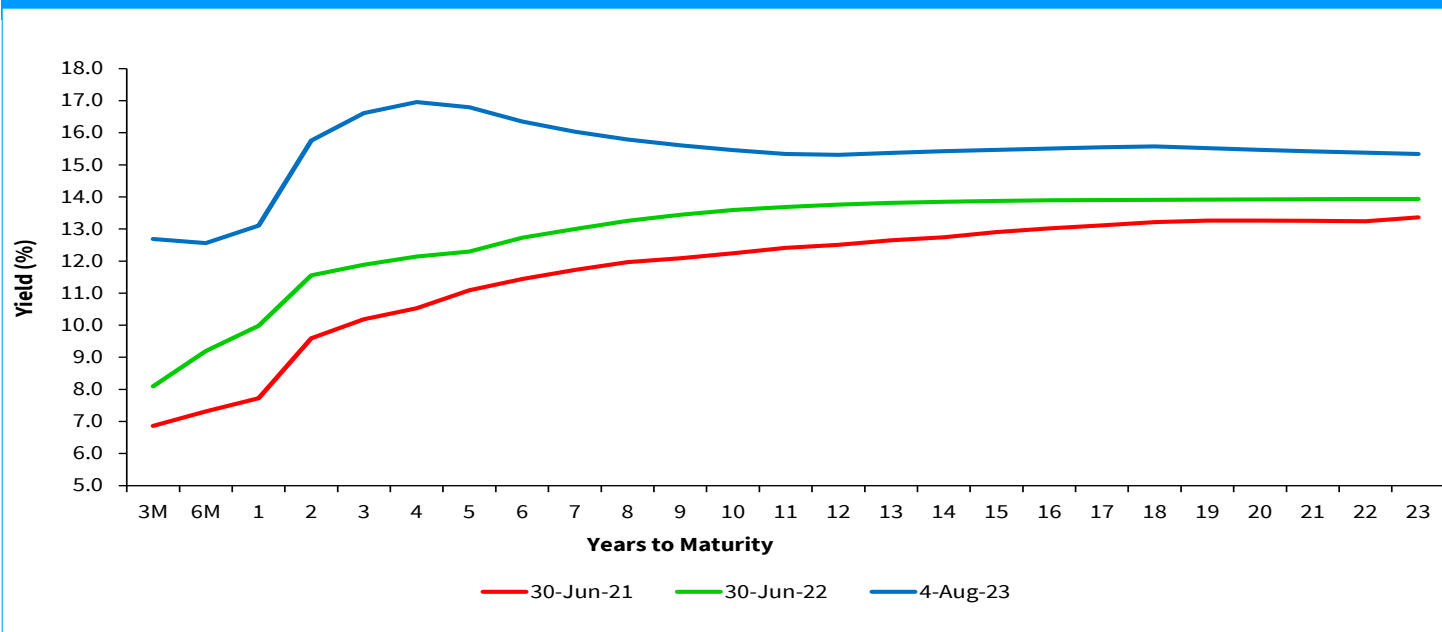
<b>Table 4: Performance of Treasury Bill Auctions</b>						
<b>91-Day Treasury Bills</b>						
Date of Auction	29-Sep-22	29-Dec-22	30-Mar-23	29-Jun-23	3-Aug-23	10-Aug-23
Amount Offered (KSh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids Received (KSh M)	5,129.43	2,180.21	2,904.04	5,779.97	6,694.71	41,784.79
Amount Accepted (KSh M)	2,487.10	2,120.42	2,765.00	2,705.12	5,727.07	41,682.03
Maturities (KSh M)	4,035.00	2,539.95	2,158.40	2,814.15	19,759.05	35,438.65
<b>Average Interest Rate (%)</b>	<b>8.952</b>	<b>9.369</b>	<b>9.907</b>	<b>11.904</b>	<b>12.686</b>	<b>13.110</b>
<b>182-Day Treasury Bills</b>						
Date of Auction	29-Sep-22	29-Dec-22	30-Mar-23	29-Jun-23	3-Aug-23	10-Aug-23
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)	3,049.07	434.69	3,547.05	2,195.96	4,347.51	5,254.89
Amount Accepted (KSh M)	3,039.53	434.69	3,457.80	1,300.96	4,347.43	5,248.14
Maturities (KSh M)	3,248.05	1,660.95	3,176.30	442.15	6,886.10	9,690.50
<b>Average Interest Rate (%)</b>	<b>9.631</b>	<b>9.834</b>	<b>10.399</b>	<b>11.947</b>	<b>12.558</b>	<b>13.438</b>
<b>364-Day Treasury Bills</b>						
Date of Auction	29-Sep-22	29-Dec-22	30-Mar-23	29-Jun-23	3-Aug-23	10-Aug-23
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)	1,133.80	1,691.33	1,810.42	1,514.41	256.30	895.03
Amount Accepted (KSh M)	1,124.70	1,691.33	1,810.42	1,514.41	256.30	883.65
Maturities (KSh M)	1,775.15	5,396.40	2,660.05	2,417.65	2,103.85	1,522.25
<b>Average Interest Rate (%)</b>	<b>9.905</b>	<b>10.308</b>	<b>10.800</b>	<b>12.157</b>	<b>13.107</b>	<b>13.340</b>

Source: Central Bank of Kenya

<b>Table 5: Performance of Treasury Bond Auctions</b>						
Date of Auction	26-May-23	23-Jun-23	12-Jul-23		21-Jul-23	
	TAP	TAP	RE-OPENED		TAP	
Tenor	FXD1/2023/03	FXD1/2023/03	FXD1/2016/10	FXD1/2023/05	FXD1/2016/10	FXD1/2023/05
Amount offered (KSh M)	20,000.00	15,000.00	40,000.00		20,000.00	
Bids received (KSh M)	27,206.35	18,560.05	22,663.75	29,099.83	32,216.95	12,212.15
Amount Accepted (KSh M)	27,201.72	18,552.07	15,740.47	22,832.72	31,230.14	12,210.68
Maturities (KSh M)						
Average interest Rate (%)	14.23	14.23	16.33	16.84	16.33	16.84

Source: Central Bank of Kenya

### Chart 1: Government Securities Yield Curve



Source: Nairobi Securities Exchange (NSE)

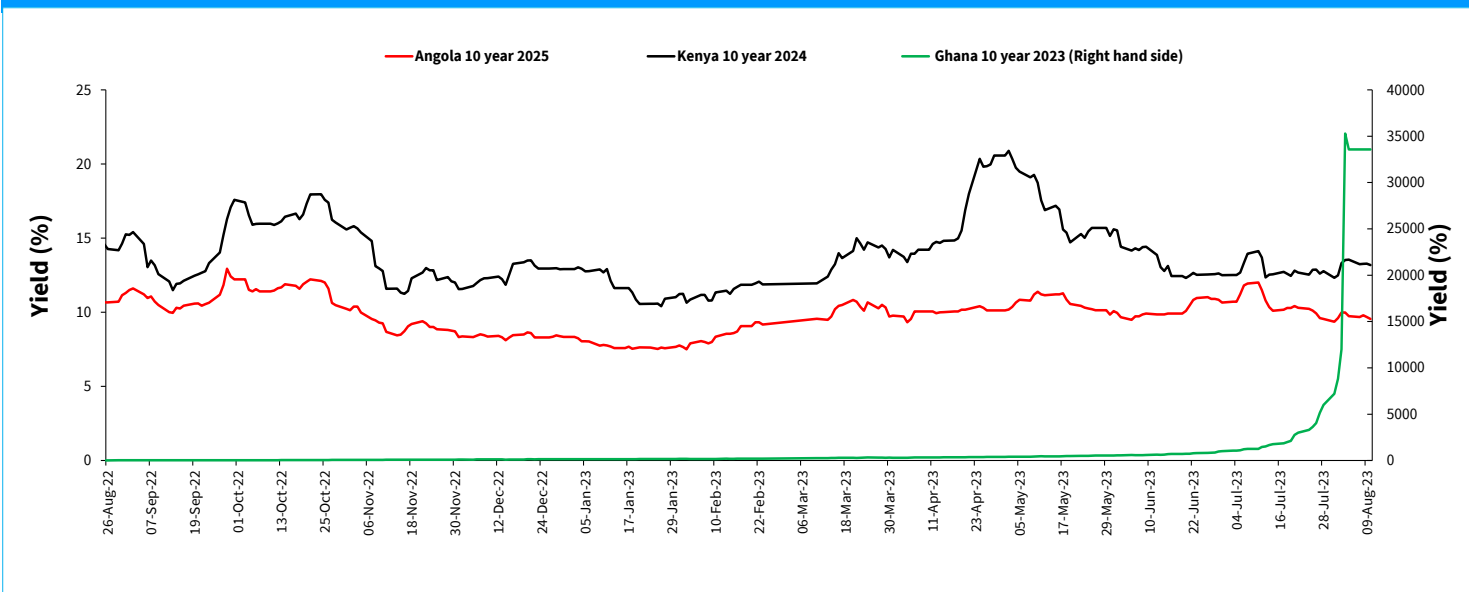
### Table 6: Performance of Key Market Indicators

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	13-Year 2034	30-Year 2048
28-Jul-23	105.29	2,739.20	1,577.75	1,215.00	212.27	3,508.42	1,639.53	3,967.25	11	12.776	10.933	10.906	10.46	10.987
31-Jul-23	105.49	2,729.12	1,577.25	998.00	3.54	66.59	1,642.71	37.60	11.181	12.321	10.743	10.667	10.264	10.786
1-Aug-23	106.88	2,750.86	1,579.30	969.00	22.54	182.44	1,664.45	431.25	11.3	12.495	10.821	10.774	10.338	10.841
2-Aug-23	105.80	2,734.07	1,584.91	1,022.00	9.50	78.40	1,647.50	368.00	11.653	13.308	11.172	11.044	10.587	11.043
3-Aug-23	105.94	2,744.97	1,582.44	881.00	3.40	57.47	1,649.68	4,718.15	11.783	13.529	11.336	11.156	10.741	11.118
<b>Jul 28 - Aug 3</b>	<b>105.94</b>	<b>2744.97</b>	<b>1582.44</b>	<b>5,085.00</b>	<b>251.24</b>	<b>3,893.33</b>	<b>1,649.68</b>	<b>9,522.25</b>	<b>11.783</b>	<b>13.529</b>	<b>11.336</b>	<b>11.156</b>	<b>10.741</b>	<b>11.118</b>
4-Aug-23	106.17	2,758.79	1,594.19	930.00	3.10	32.47	1,653.32	4,124.35	11.611	13.549	11.181	11.074	10.615	10.988
7-Aug-23	106.15	2,756.36	1,594.10	1,020.00	6.69	122.34	1,653.01	3,648.32	11.498	13.244	11.183	11.021	10.591	10.988
8-Aug-23	104.91	2,726.78	1,578.50	1,011.00	8.28	172.73	1,633.68	2,491.85	11.502	13.264	11.225	11.076	10.592	10.988
9-Aug-23	105.05	2,729.60	1,588.69	912.00	11.70	378.01	1,635.82	2,085.80	11.448	13.283	11.188	11.049	10.592	10.97
10-Aug-23	104.33	2,718.32	1,594.44	1,055.00	20.81	340.86	1,624.57	4,264.59	11.285	13.179	11.038	10.97	10.519	10.897
<b>August 4-10</b>	<b>104.33</b>	<b>2718.32</b>	<b>1594.44</b>	<b>4,928.00</b>	<b>50.58</b>	<b>1,046.41</b>	<b>1,624.57</b>	<b>16,614.91</b>	<b>11.285</b>	<b>13.179</b>	<b>11.038</b>	<b>10.970</b>	<b>10.519</b>	<b>10.897</b>
<b>Weekly Changes (%)</b>	<b>-1.52</b>	<b>-0.97</b>	<b>0.76</b>	<b>-3.09</b>	<b>-79.87</b>	<b>-73.12</b>	<b>-1.52</b>	<b>74.49</b>	<b>-0.498*</b>	<b>-0.350*</b>	<b>-0.298*</b>	<b>-0.186*</b>	<b>-0.222*</b>	<b>-0.221*</b>

\* Percentage points

Source: Nairobi Securities Exchange (NSE) and Thomson Reuters

**Chart 2: Yields on 10-Year Eurobonds for Selected Countries**



Source: Thomson Reuters

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

	31-Mar-22	24-Jun-22	30-Sep-22	30-Dec-22	31-Mar-23	30-Jun-23	28-Jul-23	4-Aug-23
1. Treasury Bills (Excluding Repos)	656.45	620.28	672.28	671.51	665.86	614.73	597.66	585.13
<i>(As % of total securities)</i>	<b>16.02</b>	<b>14.88</b>	<b>15.61</b>	<b>15.32</b>	<b>15.01</b>	<b>13.28</b>	<b>12.73</b>	<b>12.50</b>
2. Treasury Bonds	3,440.61	3,549.53	3,634.86	3,710.62	3,771.03	4,013.89	4,097.24	4,097.24
<i>(As % of total securities)</i>	<b>83.98</b>	<b>85.12</b>	<b>84.39</b>	<b>84.68</b>	<b>84.99</b>	<b>86.72</b>	<b>87.27</b>	<b>87.50</b>
3. Total Securities (1+2)	4,097.06	4,169.81	4,307.14	4,382.13	4,436.89	4,628.62	4,694.91	4,682.38
4. Overdraft at Central Bank	68.40	65.86	27.25	58.50	77.98	76.46	48.18	61.52
5. Other Domestic debt*	26.32	30.55	30.90	32.76	24.73	25.61	31.49	31.52
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>4,191.77</b>	<b>4,266.23</b>	<b>4,365.29</b>	<b>4,473.39</b>	<b>4,539.59</b>	<b>4,730.69</b>	<b>4,774.58</b>	<b>4,775.42</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)**

	25-Mar-22	24-Jun-22	30-Sep-22	30-Dec-22	31-Mar-23	30-Jun-23	28-Jul-23	4-Aug-23
Treasury bills (Excluding Repos)	15.81	14.54	15.40	15.01	14.67	12.99	12.52	12.25
Treasury bonds	82.09	83.20	83.27	82.95	83.07	84.85	85.81	85.80
Overdraft at Central Bank	1.46	1.54	0.62	1.31	1.72	1.62	1.01	1.29
Other domestic debt	0.64	0.72	0.71	0.73	0.54	0.54	0.66	0.66
<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>	<b>100.00</b>

Source: Central Bank of Kenya

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

	30-Sep-22	30-Dec-22	31-Mar-23	28-Apr-23	26-May-23	30-Jun-23	28-Jul-23	4-Aug-23
Banking Institutions	47.60	46.84	46.13	45.65	45.39	46.23	45.25	45.29
Insurance Companies	7.32	7.37	7.39	7.50	7.61	7.30	7.36	7.36
Parastatals	6.09	6.06	6.04	6.14	6.19	5.97	5.96	5.96
Pension Funds	32.75	33.31	33.42	33.64	33.82	33.37	33.83	33.73
Other Investors	6.24	6.43	7.01	7.08	6.99	7.13	7.59	7.67
<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>	<b>100.00</b>

Source: Central Bank of Kenya

**Table 10: Government Debt**

	Mar-22	Jun-22	Sep-22	Dec-22	Feb-23	Mar-23	Apr-23	May-23
Domestic debt (KSh Bn)	4,191.77	4,288.33	4,366.30	4,472.84	4,551.56	4,539.59	4,541.64	4,549.65
Public & Publicly Guaranteed External debt (USD Bn)	36.82	36.58	36.00	37.88	37.13	36.66	37.47	37.09
Public & Publicly Guaranteed External debt (KSh Bn)	4,209.56	4,290.73	4,334.80	4,673.14	4,709.72	4,851.09	5,092.50	5,137.16
Public debt (KSh Bn)	<b>8,401.33</b>	<b>8,579.06</b>	<b>8,701.10</b>	<b>9,145.98</b>	<b>9,261.28</b>	<b>9,390.69</b>	<b>9,634.14</b>	<b>9,686.81</b>

\* Provisional

Source: The National Treasury and Central Bank of Kenya