



Central Bank of Kenya

# Weekly Bulletin

March 29, 2019

## KEY MONETARY AND FINANCIAL INDICATORS

### Inflation

Overall inflation increased slightly to 4.4 percent in March from 4.1 percent in February on account rising prices of some food crops following dry weather conditions experienced in the first quarter of the year. Fuel inflation continued to decline in line with trends in energy prices while the non-food-non-fuel inflation remained low and stable (Chart 1).

### Exchange Rate

The Kenya Shilling strengthened marginally against major international and regional currencies during the week ending March 28. It exchanged at KSh 100.88 per US Dollar on March 28, compared to KSh 101.01 on March 21 (Table 1).

### Foreign Exchange Reserves

The CBK usable foreign exchange reserves remained adequate at USD 8,254 million (5.3 months of import cover) as at March 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).

### Remittances

Diaspora remittances remained resilient in February 2019, with inflows amounting to USD 199 million compared to USD 210 million in February 2018. The 12-month cumulative inflows to February increased to USD 2,722 million from USD 2,081 million in February 2018, reflecting a 31 percent growth (Chart 2). North America, Europe and the rest of the world accounted for 49 percent, 31 percent and 20 percent, respectively, of the total remittances in February 2019.

### Current Account

Preliminary data on balance of payments shows

continued narrowing of the current account deficit to 4.7 percent of GDP in the 12 months to February 2019, from 5.5 percent in the 12 months to February 2018, and an estimated 4.9 percent in 2018. The improvement is supported by resilient tea and horticultural exports, strong diaspora remittances and improved tourism and transport service receipts (Chart 3).

### Money Market

The money market was liquid during the week ending March 28, supported by Government payments, which partly offset tax remittances. Commercial banks' excess reserves stood at KSh 24.5 billion in relation to the 5.25 percent cash reserves requirement (CRR). The average interbank rate increased to 3.06 percent on March 28 from 2.26 percent on March 21. However, the average number of interbank deals and value traded decreased to 9 and KSh 1.9 billion from 12 and KSh 3.5 billion in the previous week, respectively (Table 3).

### Government Securities Market

The Treasury bills auction of March 28, received bids totaling KSh 44.1 billion against an advertised amount of KSh 24.0 billion, representing a performance of 183.69 percent. Interest rates on the three Treasury bills remained stable (Table 4).

### Equity Market

Trading activities at the NSE recorded lower prices and reduced turnover during the week ending March 28. The NASI, NSE 25 and NSE 20 share indices declined by 3.2 percent, 2.6 percent and 0.7 percent, respectively. As a result, market capitalisation declined by 3.2 percent. Similarly, equity turnover and the number of shares traded decreased by 32.6 percent and 26.1 percent, respectively (Table 6).

## Bond Markets

Trading activity in the secondary bond market increased by 15.7 percent during the week ending March 28. In the international market, yields on Kenya's 5-year, 10-year (2024), 10-year (2028) and 30-year Eurobonds rose by 65.7, 41.4, 45.5 and 34.2 basis points, respectively (Table 6). Similarly, the 10-year Eurobond yields for Ghana and Angola also rose during the week (Chart 5).

## The Monetary Policy Committee Meeting

The Monetary Policy Committee (MPC) retained the Central Bank Rate at 9.0 percent during its meeting of March 27. The MPC noted that inflation expectations remained well anchored within the target range, while the economy was operating close to its potential.

## Global Trends

Global uncertainties remained as the UK Parliament voted against all options on the Brexit. However, the US-China trade negotiations resumed during the week in Beijing and this may ease trade tensions.

International oil prices declined during the week ending March 28, reflecting an unexpected increase in US crude oil inventories. Murban oil price decreased to USD 67.64 per barrel on March 28 compared to USD 69.47 per barrel on March 21.

Chart 1: Inflation Trends

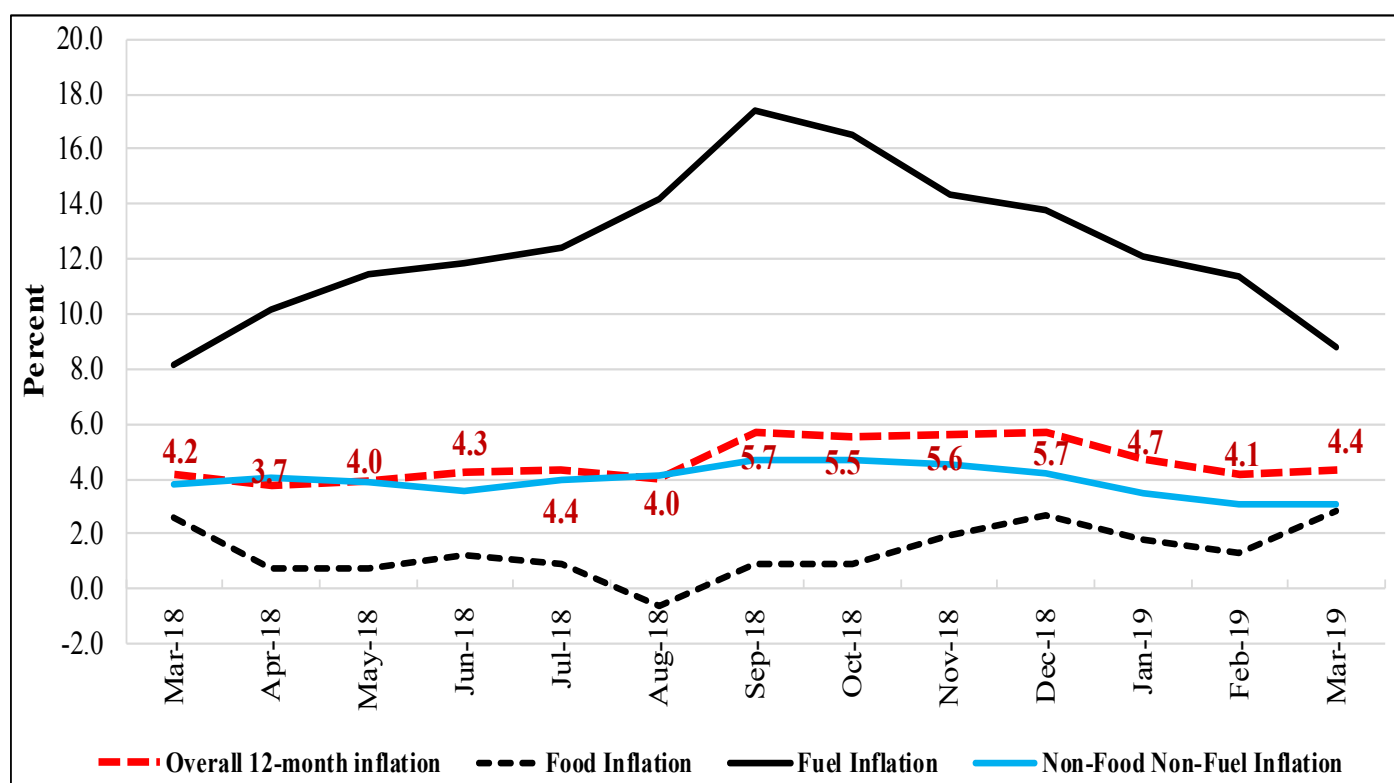


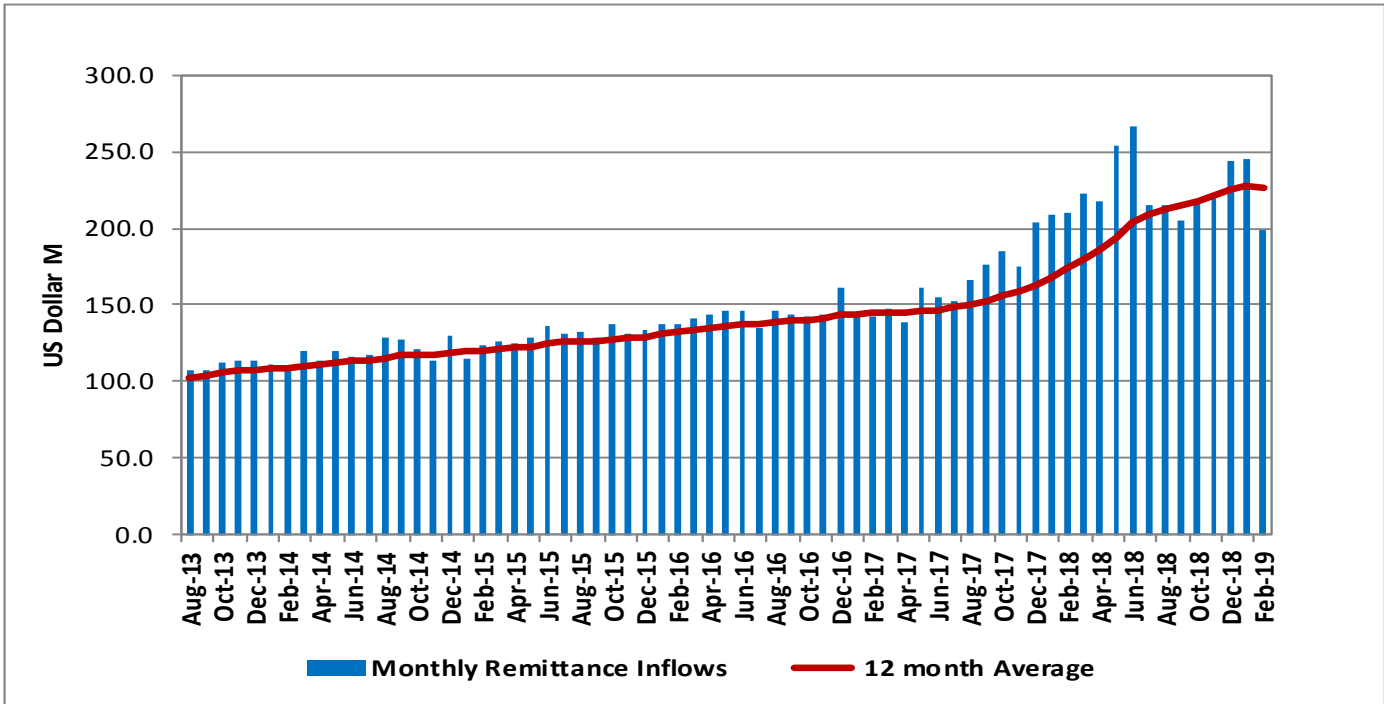
Table 1: Kenya Shilling Exchange Rates (Indicative Mean Rates)

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
15-Mar-19	100.17	132.72	113.24	89.76	37.10	23.41	9.00	18.02
18-Mar-19	100.30	133.28	113.70	89.91	36.94	23.38	8.99	18.00
19-Mar-19	100.66	133.18	114.22	90.25	36.76	23.30	8.96	17.94
20-Mar-19	100.85	133.86	114.53	90.37	36.74	23.25	8.80	18.08
21-Mar-19	101.01	133.11	114.69	90.64	36.68	23.22	8.93	17.88
<b>March 15-21</b>	<b>100.60</b>	<b>133.23</b>	<b>114.07</b>	<b>90.19</b>	<b>36.84</b>	<b>23.31</b>	<b>8.93</b>	<b>17.98</b>
22-Mar-19	100.78	132.56	114.78	91.10	36.73	23.26	8.95	17.92
25-Mar-19	100.70	132.80	113.81	91.35	36.69	23.27	8.95	17.94
26-Mar-19	100.96	133.22	114.24	91.67	36.70	23.22	8.94	17.89
27-Mar-19	100.96	133.55	114.03	91.27	36.74	23.17	8.94	17.89
28-Mar-19	100.88	133.45	113.55	91.60	36.80	23.21	8.95	17.91
<b>March 22-28</b>	<b>100.86</b>	<b>133.12</b>	<b>114.08</b>	<b>91.40</b>	<b>36.73</b>	<b>23.22</b>	<b>8.95</b>	<b>17.91</b>

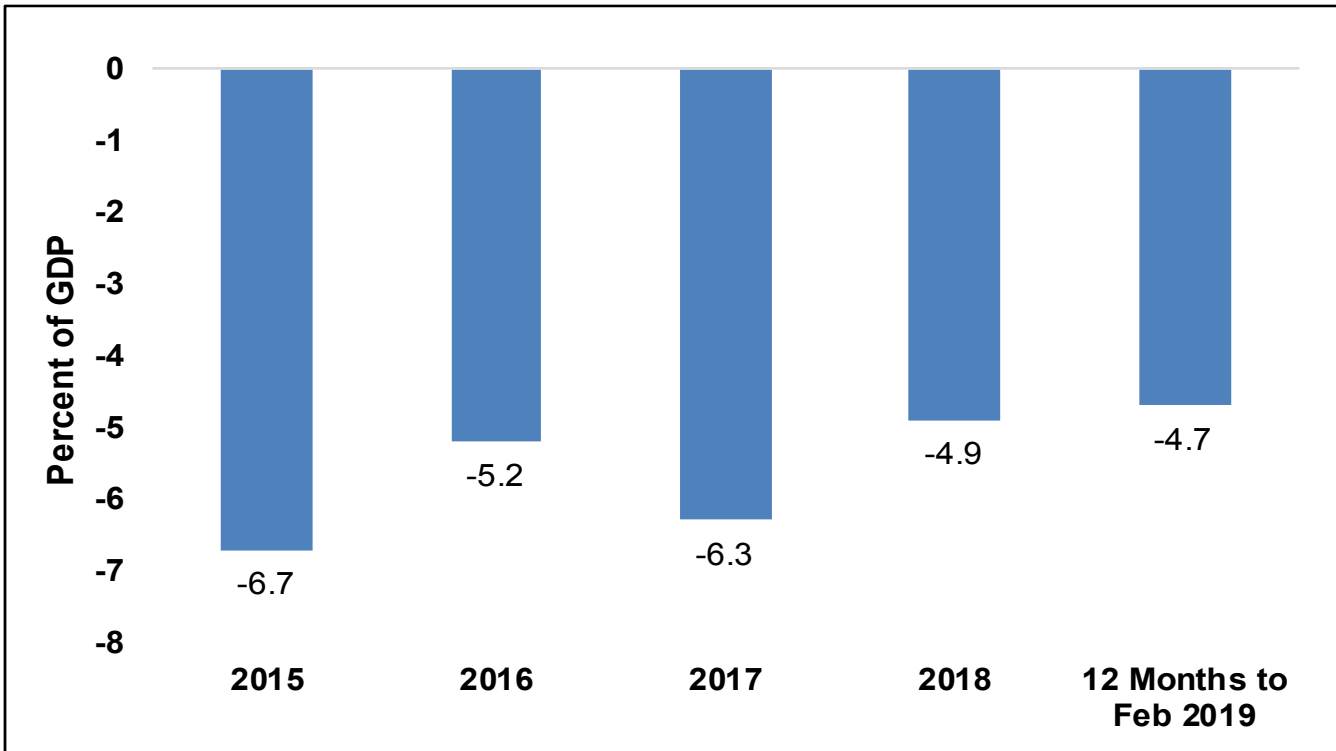
\* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

**Chart 2: Monthly Remittance Inflows (USD)**



**Chart 3: Current Account Balances**



**Table 2: Official Usable Foreign Exchange Reserves**

	3-Jan-19	31-Jan-19	28-Feb-19	07-Mar-19	14-Mar-19	22-Mar-19	28-Mar-19
1. CBK Usable Foreign Exchange Reserves (USD Million)	8,019	8,136	8,196	8,148	8,392	8,321	8,254
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	5.26	5.33	5.37	5.29	5.45	5.40	5.31

\*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-Mar-19	14	3,640	3.51
18-Mar-19	12	3,465	3.04
19-Mar-19	15	3,465	2.63
20-Mar-19	8	3,400	2.31
21-Mar-19	11	3,745	2.26
<b>March 15-21</b>	<b>12</b>	<b>3,543</b>	<b>2.75</b>
22-Mar-19	11	3,075	2.31
25-Mar-19	9	1,690	2.67
26-Mar-19	9	1,650	2.83
27-Mar-19	7	980	2.77
28-Mar-19	9	1,950	3.06
<b>March 22-28</b>	<b>9</b>	<b>1,869</b>	<b>2.73</b>

Source :Central Bank of Kenya

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

<b>91-Day Treasury Bills</b>						
<b>Date of Auction</b>	<b>21-Feb-19</b>	<b>28-Feb-19</b>	<b>07-Mar-19</b>	<b>14-Mar-19</b>	<b>21-Mar-19</b>	<b>28-Mar-19</b>
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)	5,104.84	2,936.05	677.22	3,067.71	2,735.65	6,693.92
Amount Accepted (Ksh M)	5,104.84	2,936.05	677.22	3,067.71	2,735.65	966.23
Maturities (Ksh M)	1,272.20	10,458.05	7,021.75	942.25	2,843.50	1,044.15
<b>Average interest Rate (%)</b>	<b>6.96</b>	<b>6.89</b>	<b>6.89</b>	<b>6.84</b>	<b>7.70</b>	<b>7.50</b>
<b>182-Day Treasury Bills</b>						
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)	11,573.10	7,761.43	6,143.70	7,956.14	9,057.50	7,343.75
Amount Accepted (Ksh M)	9,940.81	7,713.51	3,839.88	4,720.69	5,610.17	5,908.18
Maturities (Ksh M)	7,512.05	6,961.05	10,111.30	7,586.40	11,552.25	5,245.70
<b>Average interest Rate (%)</b>	<b>8.38</b>	<b>8.32</b>	<b>8.32</b>	<b>8.27</b>	<b>8.23</b>	<b>8.20</b>
<b>364-Day Treasury Bills</b>						
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)	8,434.18	8,078.76	14,988.16	26,620.75	35,932.63	30,046.91
Amount Accepted (Ksh M)	7,848.75	6,253.42	14,988.16	16,131.45	26,630.95	23,655.49
Maturities (Ksh M)	12,013.60	10,504.65	19,913.70	20,659.25	15,076.35	6,923.80
<b>Average interest Rate (%)</b>	<b>9.49</b>	<b>9.48</b>	<b>9.47</b>	<b>9.44</b>	<b>9.41</b>	<b>9.41</b>

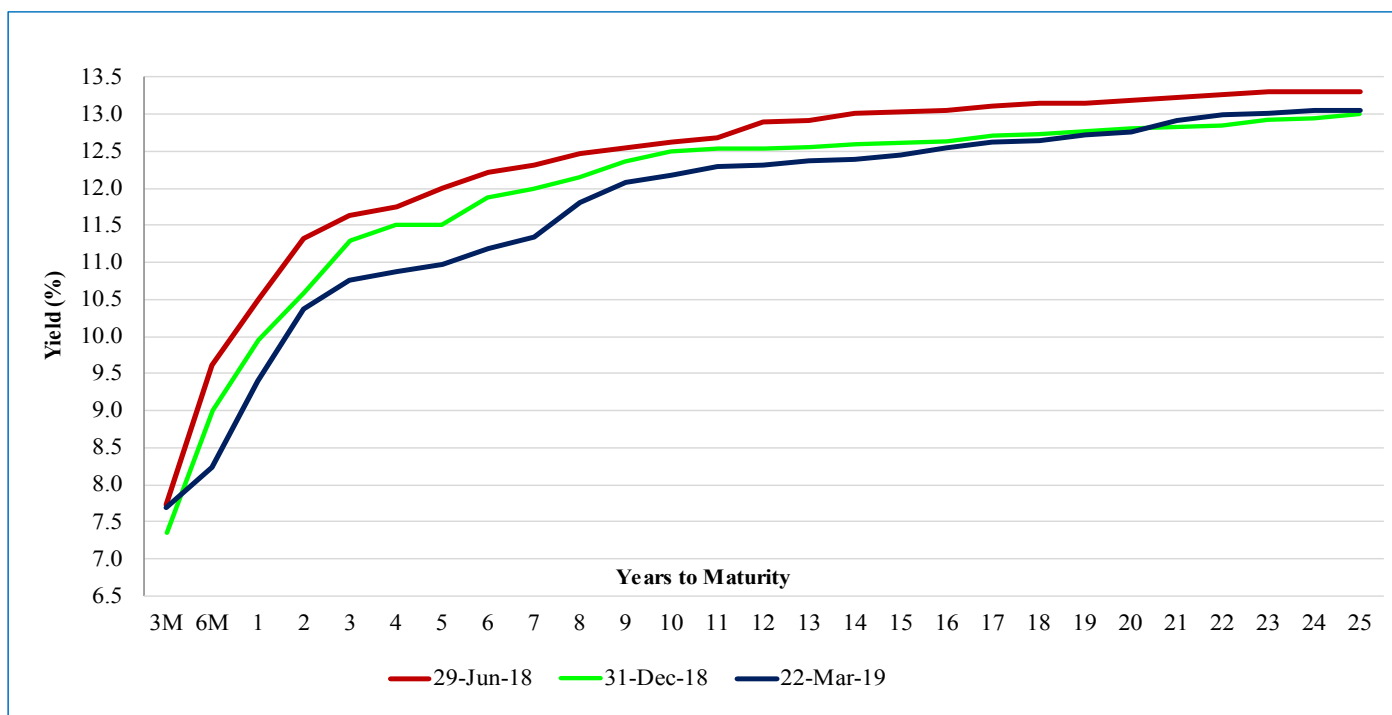
Source: Central Bank of Kenya

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

<b>Date of Auction</b>	<b>27-Dec-18</b>		<b>23-Jan-19</b>		<b>06-Feb-19</b>		<b>20-Feb-19</b>	
	<b>REOPEN</b>			<b>REOPEN</b>		<b>REOPEN</b>		
Tenor	<b>FXD2/2018/10</b>	<b>FXD 1/2019/2</b>	<b>FXD 1/2019/15</b>	<b>FXD 1/2019/2</b>	<b>FXD 1/2019/15</b>	<b>FXD 1/2019/5</b>	<b>FXD 1/2019/10</b>	
Amount offered (Ksh M)	13,840.00	40,000.00		12,000.00		50,000.00		
Bids received (Ksh M)	6,623.89	101,973.00		66,603.10		78,259.02		
Amount Accepted (Ksh M)	6,623.89	23,774.63	14,719.75	7,470.38	15,961.36	20,593.62	32,808.00	
Maturities (Ksh M)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Average interest Rate (%)	12.50	10.70	12.86	10.33	12.77	11.30	12.44	

Source: Central Bank of Kenya

**Chart 4: Kenya Government Securities Yield Curve**



Source: Nairobi Securities Exchange

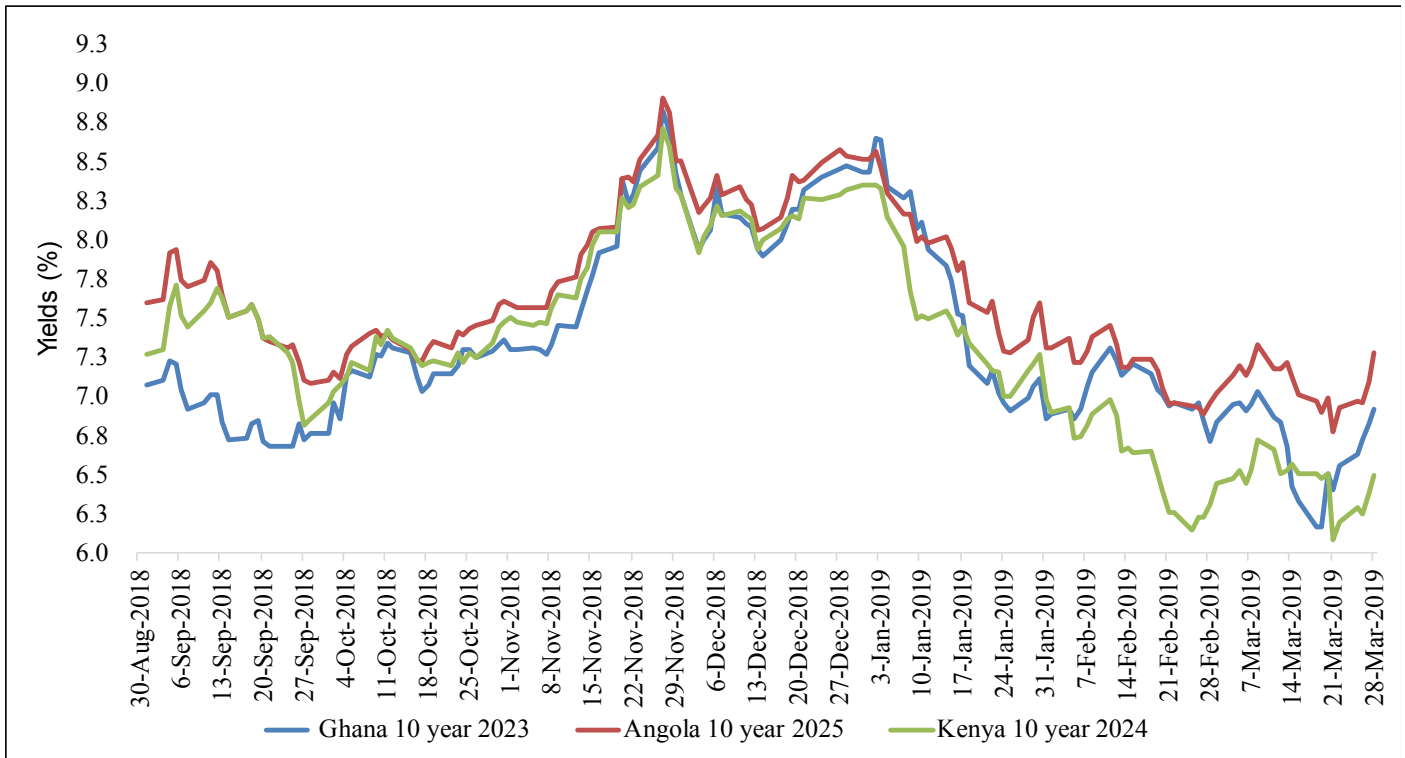
**Table 6: Key Weekly Market Indicators**

INDICATOR	NASI 100= 2008	NSE 25 Share Index	NSE 20 Share Index 100= 1996	Number of Deals (Shares)	Total Shares Traded (Million)	Equity Turnover (KSh Million)	Market Capitalization (KSh Billion)	Bonds Turnover (KSh Million)	5-Year Euro-bond Yield (%)	10-Year Eurobond Yield (%) - 2024	10-Year Eurobond Yield (%) - 2028	30-Year Euro-bond Yield (%)
15-Mar-19	158.07	3,940.11	2,896.04	1,103.00	37.69	1,445.58	2,366.71	2,057.24	4.848	6.334	7.077	8.109
18-Mar-19	160.15	3,971.97	2,903.80	1,085.00	27.54	966.96	2,397.83	2,688.71	4.876	6.168	7.020	8.048
19-Mar-19	158.93	3,957.62	2,892.44	1,141.00	36.32	957.35	2,379.59	3,485.67	4.865	6.167	6.945	8.044
20-Mar-19	160.26	3,979.37	2,871.95	1,014.00	15.99	513.88	2,399.46	2,768.24	4.893	6.226	7.075	8.147
21-Mar-19	160.97	3,997.58	2,855.63	1,125.00	22.90	498.86	2,410.26	3,486.59	4.781	6.083	6.963	8.047
<b>March 14-21, 2019</b>	<b>160.97</b>	<b>3997.58</b>	<b>2855.63</b>	<b>5,468.00</b>	<b>140.44</b>	<b>4,382.63</b>	<b>2410.26</b>	<b>14,486.45</b>	<b>4.781</b>	<b>6.083</b>	<b>6.963</b>	<b>8.047</b>
22-Mar-19	160.00	3,979.24	2,887.17	839.00	18.69	523.66	2,395.72	2,201.12	4.769	6.200	7.152	8.148
25-Mar-19	159.07	3,953.65	2,871.90	1,090.00	30.55	865.36	2,381.72	3,027.04	4.756	6.293	7.207	8.224
26-Mar-19	157.37	3,922.29	2,852.15	1,087.00	26.70	631.24	2,356.20	2,684.38	5.264	6.248	7.118	8.181
27-Mar-19	156.30	3,902.65	2,840.86	969.00	16.01	517.61	2,340.19	5,153.92	4.647	6.388	7.287	8.283
28-Mar-19	155.85	3,895.16	2,835.47	857.00	11.88	417.68	2,333.41	3,687.60	5.438	6.497	7.418	8.389
<b>March 22-28, 2019</b>	<b>155.85</b>	<b>3895.16</b>	<b>2835.47</b>	<b>4,842.00</b>	<b>103.83</b>	<b>2,955.55</b>	<b>2333.41</b>	<b>16,754.06</b>	<b>5.438</b>	<b>6.497</b>	<b>7.418</b>	<b>8.389</b>
<b>Weekly Change(%)</b>	<b>-3.18</b>	<b>-2.56</b>	<b>-0.71</b>	<b>-11.45</b>	<b>-26.07</b>	<b>-32.56</b>	<b>-3.19</b>	<b>15.65</b>	<b>0.657*</b>	<b>0.414*</b>	<b>0.455*</b>	<b>0.342*</b>

\* Percentage points

Source: Central Bank of Kenya, NSE and Thompson Reuters

**Chart 5: Yields on 10 year Eurobonds for Selected African Countries**



Source: Thomson Reuters

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

	29-Jun-18	28-Dec-18	22-Feb-19	01-Mar-19	08-Mar-19	15-Mar-19	22-Mar-19
1. Treasury Bills (Excluding Repos)	878.62	904.10	968.21	971.54	961.16	944.94	941.42
<b>(As % of total securities)</b>	<b>36.75</b>	<b>36.90</b>	<b>37.49</b>	<b>36.80</b>	<b>36.55</b>	<b>36.15</b>	<b>36.07</b>
2. Treasury Bonds	1,511.87	1,546.29	1,614.60	1,668.63	1,668.63	1,668.83	1,668.83
<b>(As % of total securities)</b>	<b>63.25</b>	<b>63.10</b>	<b>62.51</b>	<b>63.20</b>	<b>63.45</b>	<b>63.85</b>	<b>63.93</b>
3. Total Securities (1+2)	2,390.49	2,450.39	2,582.81	2,640.17	2,629.79	2,613.76	2,610.24
4. Overdraft at Central Bank	56.85	45.86	15.06	19.67	19.26	37.35	42.36
5. Other Domestic debt*	31.44	31.61	31.42	31.41	31.42	31.78	31.80
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>2,478.78</b>	<b>2,527.86</b>	<b>2,629.30</b>	<b>2,691.25</b>	<b>2,680.47</b>	<b>2,682.89</b>	<b>2,684.40</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 8: Composition of Government Domestic Debt by Instrument (Percent)**

	29-Jun-18	28-Dec-18	22-Feb-19	01-Mar-19	08-Mar-19	15-Mar-19	22-Mar-19
Treasury bills (Excluding Repos)	35.45	35.77	36.82	36.10	35.86	35.22	35.07
Treasury bonds	60.99	61.17	61.41	62.00	62.25	62.20	62.17
CBK Overdraft to Government	2.29	1.81	0.57	0.73	0.72	1.39	1.58
Other domestic debt	1.27	1.25	1.20	1.17	1.17	1.18	1.18
<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)**

	29-Jun-18	28-Dec-18	22-Feb-19	01-Mar-19	08-Mar-19	15-Mar-19	22-Mar-19
Banking Institutions	55.19	54.53	54.51	54.31	54.38	54.93	54.81
Insurance Companies	6.23	6.06	6.19	6.20	6.24	6.20	6.19
Parastatals	7.04	7.25	7.11	7.23	7.24	7.04	7.14
Pension funds	27.09	27.59	27.62	27.78	27.82	27.49	27.56
Other investors	4.44	4.57	4.57	4.48	4.33	4.34	4.30
<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 Total Government Debt**

	Jun-17	Dec-17	Jun-18	Sep-18	Dec-18	Jan-19	Feb-19
Domestic debt (KSh Billion)	2,111.71	2,220.35	2,478.84	2,540.70	2,548.77	2,604.19	2,691.61
Public & Publicly Guaranteed External debt (US \$ Billion)	22.12	22.76	25.34	25.81	26.74	27.05	27.05
Public & Publicly Guaranteed External debt (KSh Billion)	2,294.40	2,349.28	2,560.20	2,605.33	2,723.73	2,729.48	2,707.29
<b>Total public debt (KSh Billion)</b>	<b>4,406.11</b>	<b>4,569.63</b>	<b>5,039.03</b>	<b>5,146.04</b>	<b>5,272.50</b>	<b>5,333.67</b>	<b>5,398.90</b>

Source: National Treasury and Central Bank of Kenya