



Central Bank of Kenya

Weekly Bulletin

September 2, 2022



RECENT MONETARY AND FINANCIAL DEVELOPMENTS

Inflation

Overall inflation increased to 8.5 percent in August from 8.3 percent in July, mainly driven by elevated food prices. Food inflation remained unchanged at 15.3 percent in August and July 2022. Fuel inflation increased to 8.6 percent from 8.0 percent in July, consistent with the trends in international energy prices. Non-Food Non-Fuel (NFFNF) inflation increased to 3.2 percent from 3.1 percent in July (**Chart 1**).

Exchange Rates

The Kenya Shilling remained stable against major international and regional currencies during the week ending September 1. It exchanged at KSh 120.05 per US dollar on September 1, compared to KSh 119.86 per US dollar on August 25 (**Table 1**).

Foreign Exchange Reserves

The usable foreign exchange reserves remained adequate at USD 7,375 million (4.20 months of import cover) as at September 1. 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 increased during the week ending September 1, partly reflecting government payments which offset tax remittances. Commercial banks' excess reserves stood at KSh 42.4 billion in relation to the 4.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was 4.90 percent on September 1 compared to 5.04 percent on August 25. During the week, the average number of interbank deals declined to 30 from 31 in the previous week, while the average value traded decreased to KSh 16.9 billion from KSh 20.9 billion in the previous week (**Table 3**).

Government Securities Market

The Treasury bills auction of September 1, received bids totalling KSh 30.9 billion against an advertised amount of KSh 24.0 billion, representing a performance of 128.8 percent. Interest rates remained stable, with 91-day and 182-day Treasury bill rates increasing marginally while the 364-day Treasury bill rate declined (**Table 4**).

Equity Market

At the Nairobi Securities Exchange, NASI and NSE 25 share price indices declined by 1.0 percent and 0.5 percent, respectively, during the week ending September 1, while NSE 20 share index rose by 0.4 percent. Market capitalization declined by 1.0 percent, while total shares traded and equity turnover rose by 83.4 percent and 98.3 percent, respectively (**Table 6**).

Bonds Market

Bond turnover in the domestic secondary market declined by 26.3 percent during the week ending September 1 (**Table 6**). In the international market, yields on Kenya's Eurobonds rose by an average of 48.3 basis points. Similarly, the yields on the 10-Year Eurobonds for Angola and Ghana rose (**Chart 3**).

Global Trends

Concerns about inflation in advanced economies persisted during the week ending September 1. Inflation in the Euro area increased to 9.1 percent in August from 8.9 percent in July. The US dollar strengthened during the week driven by rising global interest rates amid recession fears. The index of the US dollar against a basket of major currencies strengthened by 1.1 percent.

International oil prices fell during the week ending September 1, due to weaker demand and renewed restrictions in China to curb COVID-19. Murban oil price declined to USD 94.93 per barrel on September 1 from USD 101.89 per barrel on August 25.

Chart 1: Inflation

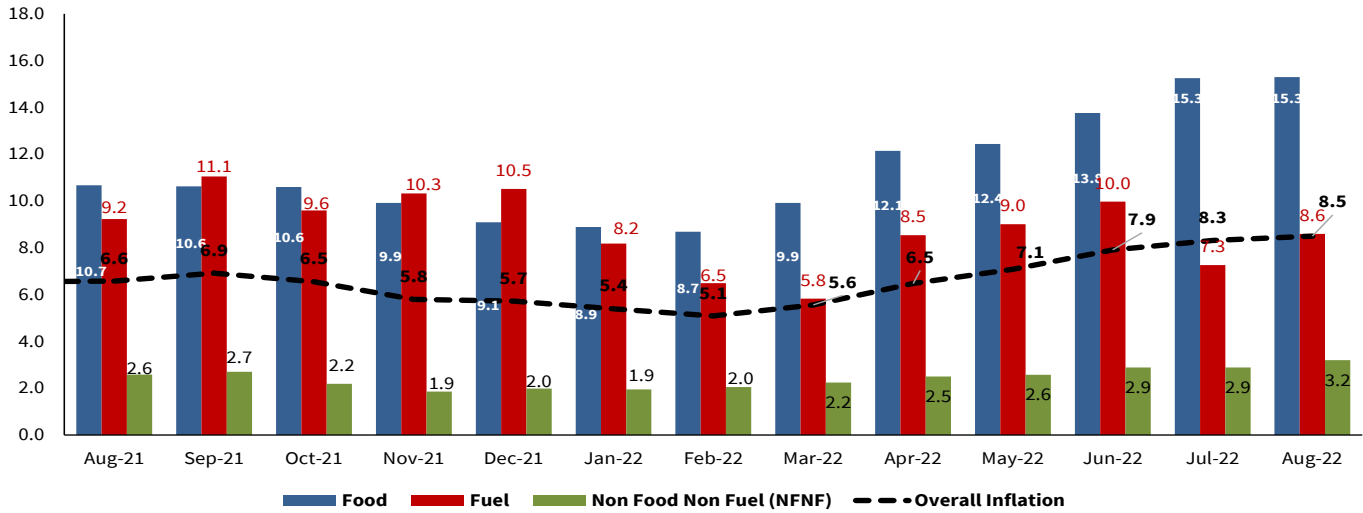


Table 1: Kenya Shilling Exchange Rates (Indicative Mean Rates)

	USD	Sterling Pound	Euro	100 Japanese Yen	Uganda Shilling*	Tanzania Shilling*	Rwandese Franc*	Burundi Franc*
19-Aug-22	119.57	144.15	121.58	87.74	32.01	19.50	8.62	17.24
22-Aug-22	119.63	142.27	120.62	87.34	32.02	19.49	8.62	17.24
23-Aug-22	119.72	141.45	119.85	87.27	32.23	19.48	8.61	17.22
24-Aug-22	119.80	141.21	119.25	87.83	32.05	19.47	8.61	17.21
25-Aug-22	119.86	141.28	119.13	87.69	31.79	19.46	8.61	17.21
Aug 19-25	119.72	142.07	120.08	87.57	32.02	19.48	8.61	17.22
26-Aug-22	119.91	141.71	119.59	87.67	31.61	19.45	8.60	17.20
29-Aug-22	119.93	141.78	119.81	87.73	31.77	19.44	8.62	17.20
30-Aug-22	119.98	140.85	119.89	86.62	31.92	19.44	8.60	17.19
31-Aug-22	120.01	140.50	120.09	86.54	31.79	19.43	8.62	17.19
1-Sep-22	120.05	139.88	120.08	86.50	31.65	19.42	8.60	17.18
Aug 26-Sep 1	119.98	140.94	119.89	87.01	31.75	19.44	8.61	17.19

*Units of currency per Kenya Shilling

Source: Central Bank of Kenya

Table 2: Official Foreign Exchange Reserves (USD Million)

	4-Aug-22	11-Aug-22	18-Aug-22	25-Aug-22	1-Sep-22
1. CBK Usable Foreign Exchange Reserves (USD Million)	7,721	7,682	7,621	7,608	7,375
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	4.45	4.43	4.39	4.39	4.20

*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 (%)
19-Aug-22	32	17,655.00	5.26
22-Aug-22	29	23,010.00	5.11
23-Aug-22	30	23,650.00	5.09
24-Aug-22	33	23,655.00	5.02
25-Aug-22	29	16,310.00	5.04
August 19-25	31	20,856.00	5.10
26-Aug-22	38	23,335.00	5.16
29-Aug-22	31	15,125.00	5.16
30-Aug-22	35	19,985.00	5.13
31-Aug-22	21	12,570.00	5.00
1-Sep-22	27	13,370.00	4.90
August 26- September 1	30	16,877.00	5.07

Source: Central Bank of Kenya

Table 4: Performance of Treasury Bill Auctions

91-Day Treasury Bills						
Date of Auction	28-Jul-22	4-Aug-22	11-Aug-22	18-Aug-22	25-Aug-22	1-Sep-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)	14,077.49	7,474.80	11,990.35	11,770.10	10,815.66	16,262.43
Amount Accepted (KSh M)	14,076.51	7,473.82	11,990.35	11,769.12	8,368.63	8,438.55
Maturities (KSh M)	10,361.10	5,344.65	5,373.10	2,541.00	455.40	3,562.40
Average Interest Rate (%)	8.399	8.473	8.565	8.669	8.767	8.860
182-Day Treasury Bills						
Date of Auction	28-Jul-22	4-Aug-22	11-Aug-22	18-Aug-22	25-Aug-22	1-Sep-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)	3,250.20	2,064.66	3,927.85	6,801.41	4,162.31	11,226.78
Amount Accepted (KSh M)	1,856.22	2,015.19	3,927.85	6,801.13	2,225.72	9,292.97
Maturities (KSh M)	5,258.45	8,564.50	6,651.50	10,349.65	4,085.40	12,779.95
Average Interest Rate (%)	9.392	9.400	9.433	9.492	9.532	9.576
364-Day Treasury Bills						
Date of Auction	28-Jul-22	4-Aug-22	11-Aug-22	18-Aug-22	25-Aug-22	1-Sep-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)	2,379.39	2,046.30	1,448.52	1,143.77	4,437.52	3,411.53
Amount Accepted (KSh M)	2,377.03	1,933.84	1,393.84	1,132.49	4,408.79	3,411.44
Maturities (KSh M)	2,968.30	3,016.55	1,163.45	1,072.45	4,337.10	10,634.95
Average Interest Rate (%)	9.946	9.920	9.922	9.909	9.910	9.876

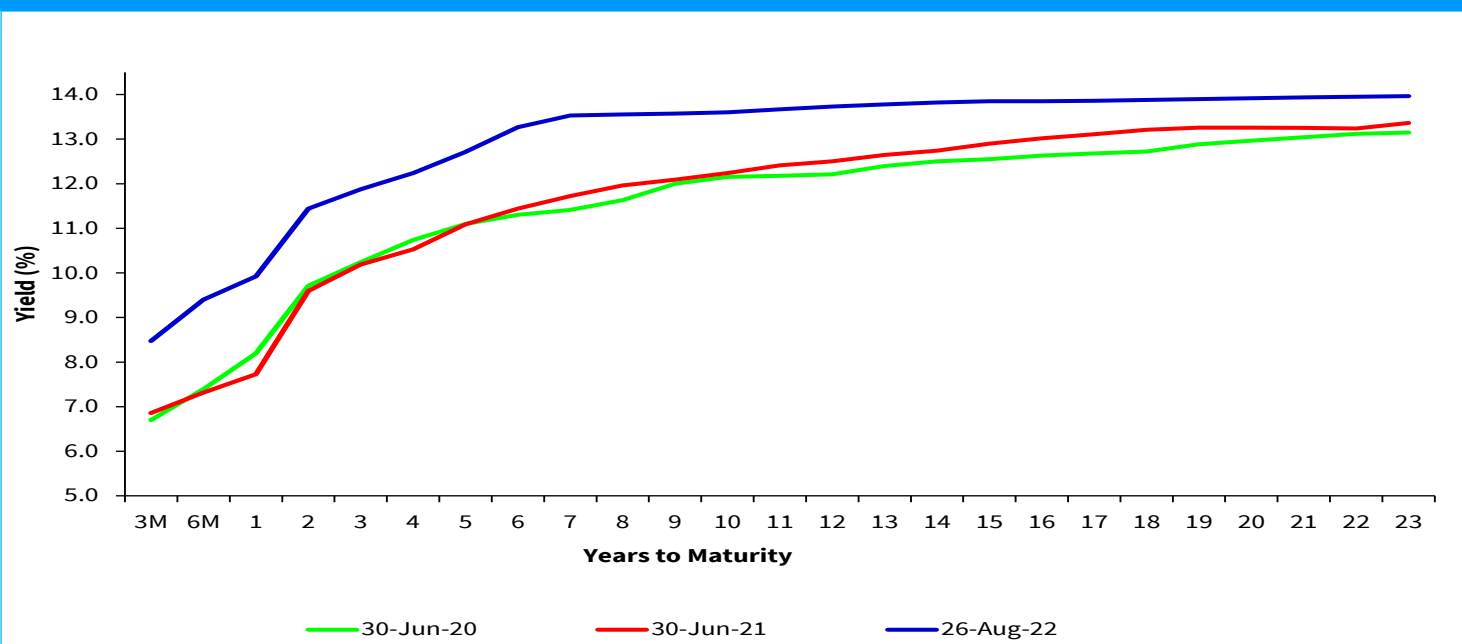
Source: Central Bank of Kenya

Table 5: Performance of Treasury Bond Auctions

Date of Auction	20-May-22		7-Jul-22	20-Jul-22		17-Aug-22		
	TAP		TAP	RE-OPEN		RE-OPEN		
Tenor	FXD1/ 2022/010	FXD1/ 2021/025	IFB1/ 2022/018	FXD2 2013/15	FXD2/ 2018/15	FXD1/ 2022/03	FXD2/ 2019/10	FXD1/ 2021/20
Amount offered (KSh M)	10,000.00		20,000.00	40,000.00		50,000.00		
Bids received (KSh M)	5,967.65	11,044.75	6,418.15	5,449.54	5,121.65	21,817.39	8,961.47	18,347.49
Amount Accepted (KSh M)	5,967.17	11,003.44	6,416.29	5,219.84	4,085.63	21,800.81	8,775.73	7,948.69
Maturities (KSh M)								
Average interest Rate (%)	13.49	13.92	13.74	13.21	13.89	12.45	13.88	13.96

Source: Central Bank of Kenya

Chart 2: Government Securities Yield Curve



Source: Central Bank of Kenya

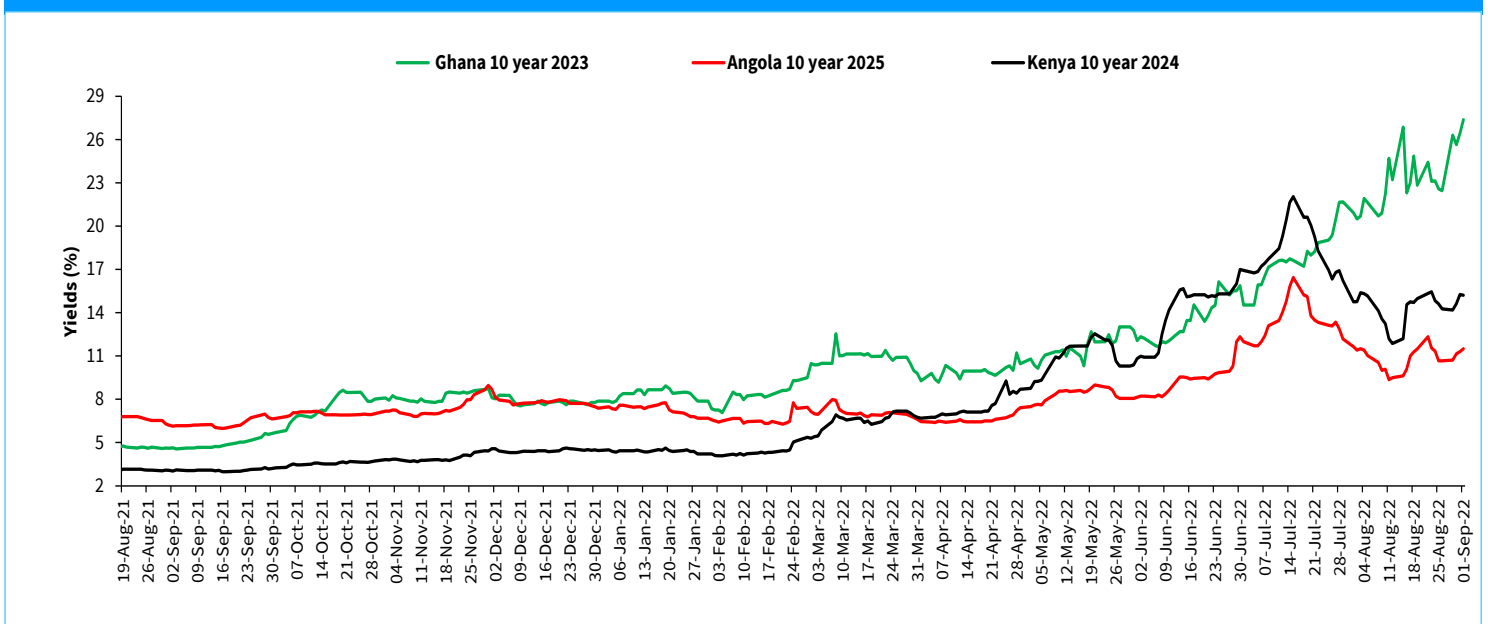
Table 6: Key Weekly Market Indicators

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
19-Aug-22	146.3	3,382.5	1,779.2	996.0	8.5	285.3	2280.64	2,624.3	13.905	14.976	12.729	12.556	11.078	11.952
22-Aug-22	143.6	3,355.9	1,770.5	942.0	6.1	141.2	2237.52	2,892.0	14.529	15.339	12.92	12.76	11.446	12.016
23-Aug-22	142.4	3,323.9	1,753.6	975.0	5.5	137.4	2218.88	3,757.6	14.586	15.441	13.266	12.968	11.28	12.235
24-Aug-22	140.6	3,295.8	1,758.8	928.0	8.7	227.9	2190.63	4,923.5	14.279	14.834	12.963	12.792	11.341	12.104
25-Aug-22	138.8	3,274.8	1,752.1	867.0	2.9	71.2	2163.00	5,514.6	14.242	14.604	12.894	12.678	11.022	12.039
August 19-25	138.79	3274.77	1752.11	4,708.00	31.71	862.86	2163.00	19,711.85	14.242	14.604	12.894	12.678	11.022	12.039
26-Aug-22	137.9	3,266.6	1,749.2	1,030.0	6.4	182.5	2149.16	2,579.8	14.04	14.265	12.708	12.65	11.06	11.932
29-Aug-22	138.3	3,265.2	1,750.5	1,167.0	4.1	127.9	2154.52	2,691.4	14.195	14.178	12.821	12.737	11.118	11.996
30-Aug-22	138.1	3,265.3	1,750.1	1,169.0	10.1	259.5	2152.67	2,259.3	14.2	14.626	12.936	12.768	11.421	12.017
31-Aug-22	137.5	3,254.2	1,751.2	1,012.0	14.6	408.9	2142.12	4,247.6	14.517	15.258	13.206	13.065	11.509	12.439
1-Sep-22	137.4	3,257.1	1,758.9	1,113.0	23.0	732.4	2140.76	2,751.7	14.537	15.217	13.331	13.19	11.592	12.508
August 26-Sept 1	137.37	3257.14	1758.91	5,491.00	58.16	1,711.27	2140.76	14,529.60	14.537	15.217	13.331	13.190	11.592	12.508
Weekly Changes (%)	-1.02	-0.54	0.39	16.63	83.41	98.33	-1.03	-26.29	0.295*	0.613*	0.437*	0.512*	0.570*	0.469*

* 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-20	30-Jun-21	31-Dec-21	31-Mar-22	29-Jul-22	19-Aug-22	26-Aug-22
1. Treasury Bills (Excluding Repos)	887.70	765.37	709.15	656.45	646.95	646.84	653.21
<i>(As % of total securities)</i>	28.56	21.17	17.95	16.02	15.29	15.28	15.38
2. Treasury Bonds	2,220.34	2,849.94	3,242.24	3,440.61	3,585.11	3,585.11	3,595.25
<i>(As % of total securities)</i>	71.44	78.83	82.05	83.98	84.71	84.72	84.62
3. Total Securities (1+2)	3,108.04	3,615.31	3,951.39	4,097.06	4,232.07	4,231.95	4,248.46
4. Overdraft at Central Bank	47.15	59.28	59.31	68.40	45.44	47.90	65.01
5. Other Domestic debt*	23.24	22.50	21.66	26.32	30.01	33.17	33.16
6. Gross Domestic Debt (3+4+5)	3,178.42	3,697.09	4,032.37	4,191.77	4,307.52	4,313.02	4,346.62

* 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	29-Jul-22	19-Aug-22	26-Aug-22
Treasury bills (Excluding Repos)	27.93	20.70	17.59	15.81	15.02	15.00	15.03
Treasury bonds	69.86	77.09	80.41	82.09	83.23	83.12	82.71
Overdraft at Central Bank	1.48	1.60	1.47	1.46	1.05	1.11	1.50
Other domestic debt	0.73	0.61	0.54	0.64	0.70	0.77	0.76
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	29-Jul-22	19-Aug-22	26-Aug-22
Banking Institutions	54.18	51.24	50.20	49.29	48.28	48.24	48.26
Insurance Companies	6.05	6.66	6.79	6.87	7.20	7.19	7.17
Parastatals	5.73	5.54	5.57	5.72	5.96	5.93	6.11
Pension Funds	29.04	30.60	31.34	31.75	32.56	32.53	32.31
Other Investors	5.00	5.96	6.10	6.37	6.01	6.11	6.15
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