



Central Bank of Kenya

Weekly Bulletin

April 1, 2022



RECENT MONETARY AND FINANCIAL DEVELOPMENTS

Monetary Policy Committee Meeting

The Monetary Policy Committee (MPC) meeting on March 29 noted that inflation expectations remain anchored within the target range supported by the Government's policy interventions, and leading economic indicators show improved performance. The MPC also noted the elevated global risks and their potential impact on the domestic economy. The Committee concluded that the current accommodative monetary policy stance remains appropriate, and therefore decided to retain the Central Bank Rate (CBR) at 7.00 percent.

Inflation

Overall inflation increased to 5.6 percent in March 2022 from 5.1 percent in February, due to higher food prices. Food inflation increased to 9.9 percent from 8.7 percent in February, on account of seasonal factors. Fuel inflation declined to 5.8 percent from 6.5 percent in February, supported by Government measures to stabilize fuel prices and lower electricity prices (**Chart 1**).

Exchange Rates

The Kenya Shilling remained stable against major international and regional currencies during the week ending March 31. It exchanged at KSh 114.95 per US dollar on March 31, compared to KSh 114.60 per US dollar on March 24 (**Table 1**).

Foreign Exchange Reserves

The usable foreign exchange reserves remained adequate at USD 7,840 million (4.66 months of import cover) as at March 31. 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 March 31 partly reflecting Government payments, which offset tax remittances. Commercial banks' excess reserves stood at KSh 14.8 billion in relation to the 4.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was 5.02 percent on

March 31 compared to 4.38 percent on March 24. During the week, the average number of interbank deals increased to 20 from 18 in the previous week, while the average value traded declined marginally to KSh 12.2 billion from KSh 13.0 billion in the previous week. (**Table 3**).

Government Securities Market

The Treasury bill auction of March 31 received bids totalling KSh 7.1 billion against an advertised amount of KSh 24.0 billion, representing a performance of 29.7 percent. Interest rates remained stable, with the 91-day and 182-day Treasury bills rates increasing marginally while the 364-day Treasury bill rate decreased (**Table 4**).

Equity Market

At the Nairobi Securities Exchange, NASI, NSE 25 and NSE 20 share price indices declined by 2.3 percent, 1.6 percent and 0.8 percent, respectively. Market capitalization and total shares traded declined by 2.3 percent and 5.0 percent, respectively, while equity turnover increased by 6.3 percent during the week ending March 31 (**Table 6**).

Bonds Market

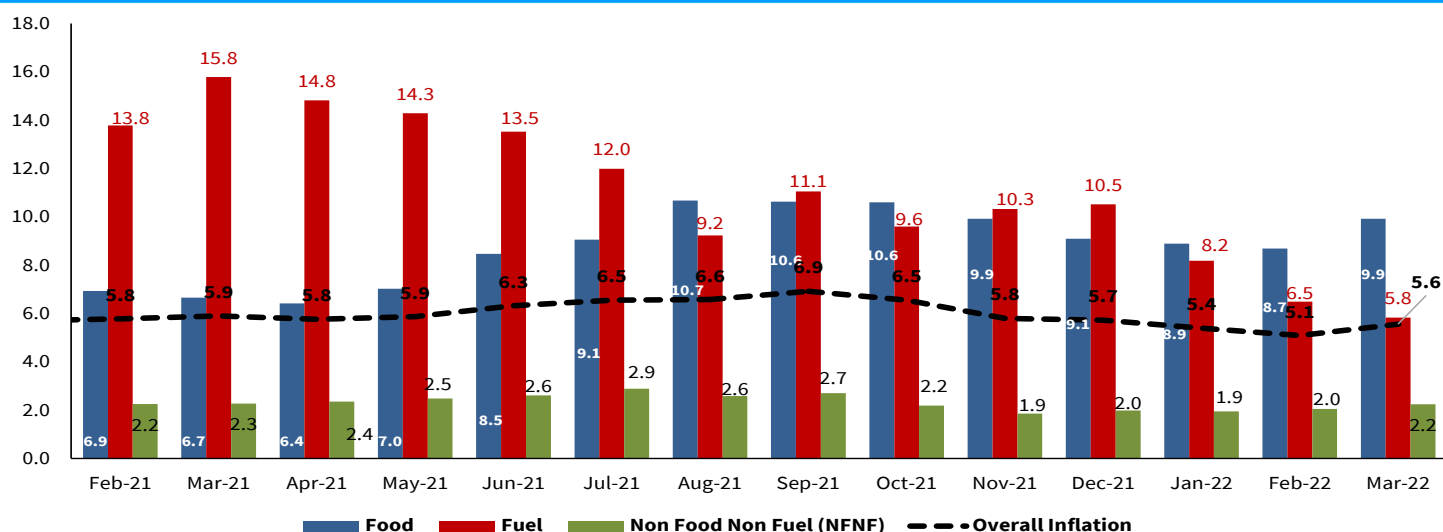
Bonds turnover in the domestic secondary market declined by 28.7 percent during the week ending March 31 (**Table 6**). In the international market, yields on Kenya's Eurobonds declined by an average of 44.8 basis points. Similarly, the yields on the 10-year Eurobond for Angola and Ghana declined (**Chart 3**).

Global Trends

Concerns about high inflation in advanced economies and the ongoing Russia-Ukraine war dominated the week ending March 31. Inflation outcomes in March for Germany, Italy and France stood at 7.6 percent, 7.0 percent and 4.5 percent, respectively.

International oil prices declined during the week ending March 31, after the US administration planned a massive release from the US Strategic Petroleum Reserve. Murban oil prices dropped to USD 108.99 per barrel on March 31 compared to USD 116.86 per barrel on March 24.

Chart 1: Inflation



Source: Central Bank of Kenya

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

	USD	Sterling Pound	Euro	100 Japanese Yen	Uganda Shilling*	Tanzania Shilling*	Rwan-dese Franc*	Burundi Franc*
18-Mar-22	114.38	150.45	126.40	96.35	31.30	20.26	8.94	17.93
21-Mar-22	114.40	150.32	126.26	96.01	31.30	20.25	8.94	17.93
22-Mar-22	114.44	150.64	126.38	96.01	31.32	20.27	8.88	17.92
23-Mar-22	114.50	151.33	126.01	94.56	31.41	20.26	8.88	17.91
24-Mar-22	114.60	151.50	125.97	94.79	31.54	20.23	8.87	17.90
Mar 18-24	114.46	150.85	126.20	95.54	31.37	20.25	8.90	17.92
25-Mar-22	114.69	151.30	125.94	94.26	31.35	20.22	8.92	17.88
28-Mar-22	114.75	151.41	126.33	93.97	31.33	20.21	8.86	17.87
29-Mar-22	114.83	151.06	126.14	92.62	31.31	20.20	8.92	17.86
30-Mar-22	114.87	150.34	126.54	92.89	31.30	20.20	8.84	17.85
31-Mar-22	114.95	151.13	127.80	94.33	31.23	20.18	8.85	17.85
Mar 25-31	114.82	151.05	126.55	93.62	31.30	20.20	8.88	17.86

*Units of currency per Kenya Shilling

Source: Central Bank of Kenya

Table 2: Official Foreign Exchange Reserves (USD Million)

	3-Mar-22	10-Mar-22	17-Mar-22	24-Mar-22	31-Mar-22
1. CBK Usable Foreign Exchange Reserves (USD Million)	7,913	8,011	7,979	7,856	7,840
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	4.84	4.90	4.88	4.80	4.66

*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 (%)
18-Mar-22	27	18,320.00	4.16
21-Mar-22	33	25,920.00	4.27
22-Mar-22	13	9,550.00	4.22
23-Mar-22	9	6,900.00	4.26
24-Mar-22	8	4,100.00	4.38
Mar 18-24	18	12,958.00	4.26
25-Mar-22	11	7,925.00	4.34
28-Mar-22	16	8,760.00	4.35
29-Mar-22	15	9,200.00	4.38
30-Mar-22	30	19,110.00	4.54
31-Mar-22	30	16,210.00	5.02
Mar 25-31	20	12,241.00	4.53

Source: Central Bank of Kenya

Table 4: Performance of Treasury Bill Auctions

91-Day Treasury Bills						
Date of Auction	10-Feb-22	24-Feb-22	10-Mar-22	17-Mar-22	24-Mar-22	31-Mar-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)	2,890.10	2,011.72	5,295.77	1,978.39	2,319.78	1,522.59
Amount Accepted (KSh M)	2,759.58	1,990.21	5,289.14	1,755.26	2,319.68	1,522.59
Maturities (KSh M)	4,058.25	3,985.10	5,143.20	3,591.35	1,605.00	576.15
Average Interest Rate (%)	7.285	7.254	7.206	7.252	7.283	7.302
182-Day Treasury Bills						
Date of Auction	10-Feb-22	24-Feb-22	10-Mar-22	17-Mar-22	24-Mar-22	31-Mar-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)	6,397.70	4,034.77	5,807.85	8,238.10	3,842.26	3,131.62
Amount Accepted (KSh M)	6,397.60	3,929.72	5,807.28	8,235.99	3,842.12	3,131.62
Maturities (KSh M)	3,242.85	2,087.50	7,973.80	7,030.85	4,812.40	5,526.25
Average Interest Rate (%)	8.108	8.062	8.032	8.093	8.134	8.164
364-Day Treasury Bills						
Date of Auction	10-Feb-22	24-Feb-22	10-Mar-22	17-Mar-22	24-Mar-22	31-Mar-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)	10,758.16	9,224.33	13,391.90	9,662.16	7,219.36	2,470.75
Amount Accepted (KSh M)	10,758.07	6,768.66	12,001.35	8,857.28	7,082.09	2,446.61
Maturities (KSh M)	15,300.20	15,793.15	13,288.50	12,810.30	13,805.10	4,749.75
Average Interest Rate (%)	9.668	9.764	9.771	9.763	9.767	9.752

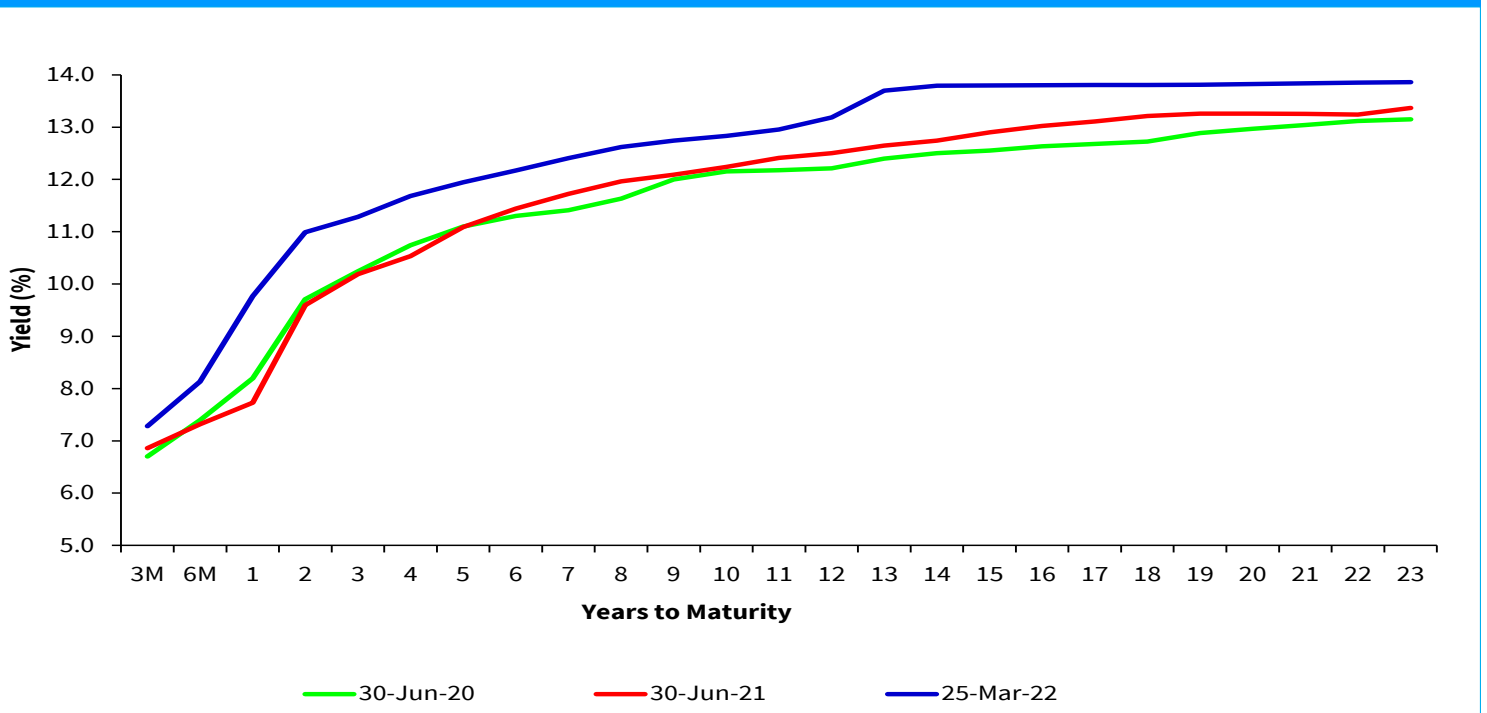
Source: Central Bank of Kenya

Table 5: Performance of Treasury Bond Auctions

Date of Auction	19-Jan-22		16-Feb-22	9-Mar-22			18-Mar-22		
	REOPEN			REOPEN			TAP		
Tenor	FXD2/ 2018/10	FXD1/ 2021/20	IFB1/ 2022/019	FXD1/ 2021/005	FXD1/ 2020/015	FXD1/ 2021/025	FXD1/ 2021/005	FXD1/ 2020/015	FXD1/ 2021/025
Amount offered (KSh M)	30,000.00		75,000.00	50,000.00			31,500.00		
Bids received (KSh M)	10,434.25	27,978.40	132,257.79	9,212.68	9,136.01	22,601.21	3,934.30	15,563.15	5,394.15
Amount Accepted (KSh M)	7,303.40	27,596.37	98,637.46	8,294.79	6,216.24	3,942.94	3,834.09	14,651.62	5,373.44
Maturities (KSh M)	0.00		2,866.08	0.00			0.00		
Average interest Rate (%)	12.56	13.72	12.97	11.997	13.73	13.97	11.277	12.76	13.92

Source: Central Bank of Kenya

Chart 2: Government Securities Yield Curve



Source: Nairobi Securities Exchange (NSE)

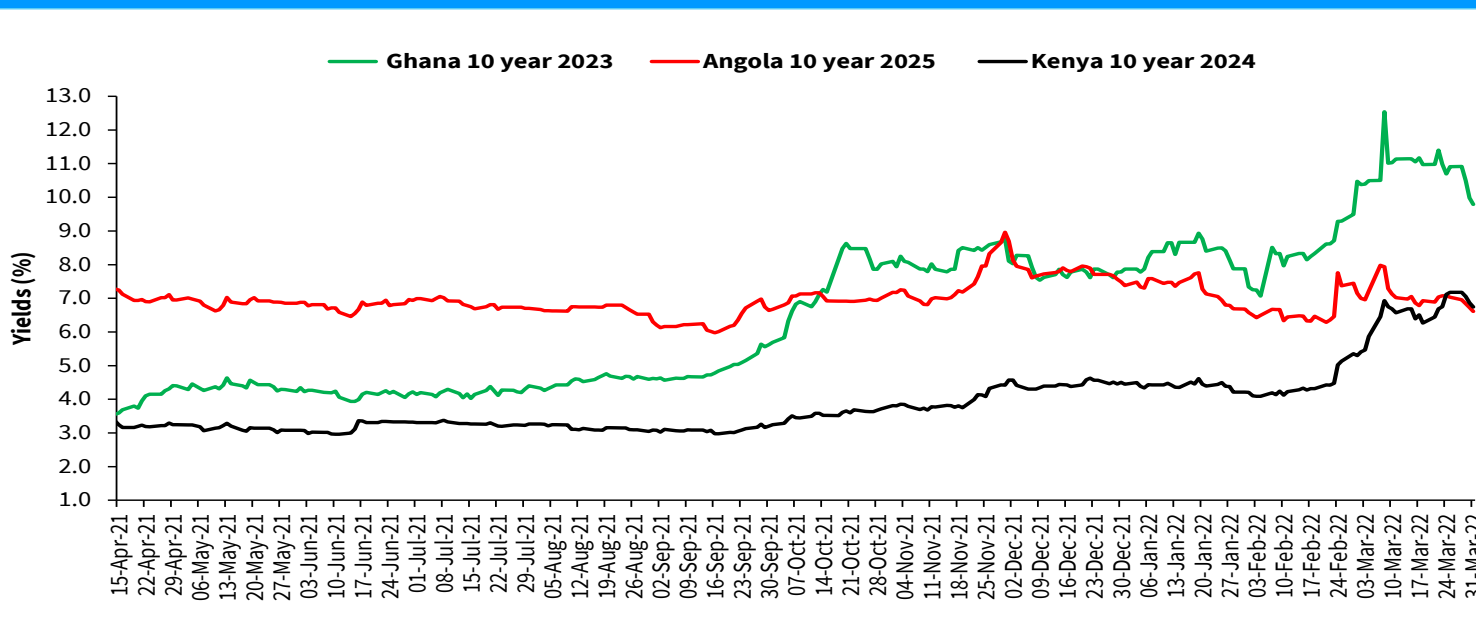
Table 6: Key Weekly Market Indicators

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
18-Mar-22	156.89	3594.25	1,860.52	969.00	6.38	208.40	2,443.49	4,824.25	8.250	6.266	8.194	8.722	8.355	9.430
21-Mar-22	159.09	3618.42	1,868.07	1,008.00	4.99	199.06	2,477.86	4,588.25	8.444	6.445	8.278	8.722	8.413	9.473
22-Mar-22	160.86	3639.07	1,861.67	1,142.00	18.03	754.27	2,505.44	3,673.21	8.493	6.686	8.446	8.910	8.549	9.634
23-Mar-22	160.11	3620.27	1,858.80	993.00	14.37	473.78	2,493.70	3,424.45	8.735	6.746	8.532	8.974	8.688	9.724
24-Mar-22	159.36	3621.88	1,860.75	993.00	9.62	301.32	2,481.97	2,016.40	8.771	7.113	8.647	9.059	8.748	9.830
Mar 18-24	159.36	3,621.88	1,860.75	5,105.00	53.39	1,936.84	2,481.97	18,526.56	8.771	7.113	8.647	9.059	8.748	9.830
25-Mar-22	160.43	3634.42	1861.51	964.00	9.43	593.98	2,498.75	1,509.40	8.721	7.175	8.619	9.060	8.769	9.876
28-Mar-22	159.00	3616.29	1848.25	1,056.00	8.67	300.02	2,476.47	2,365.60	8.680	7.175	8.648	8.996	8.709	9.799
29-Mar-22	158.98	3611.90	1855.35	1,128.00	5.53	111.10	2,476.04	2,475.35	8.357	7.052	8.449	8.932	8.418	9.709
30-Mar-22	157.93	3592.81	1853.03	992.00	7.09	193.75	2,459.74	3,920.10	8.257	6.868	8.225	8.702	8.396	9.531
31-Mar-22	155.74	3565.06	1846.74	1,142.00	20.03	859.53	2,425.53	2,943.50	8.149	6.745	8.142	8.620	8.339	9.487
Mar 25-31	155.74	3,565.06	1,846.74	5,282.00	50.75	2,058.39	2,425.53	13,213.95	8.149	6.745	8.142	8.620	8.339	9.487
Weekly Changes (%)	-2.27	-1.57	-0.75	3.47	-4.95	6.28	-2.27	-28.68	-0.622*	-0.368*	-0.505*	-0.439*	-0.409*	-0.343*

* 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-21	30-Sep-21	31-Dec-21	31-Jan-22	28-Feb-22	18-Mar-22	25-Mar-22
1. Treasury Bills (Excluding Repos)	765.37	763.45	709.15	704.29	679.48	666.02	662.60
<i>(As % of total securities)</i>	21.17	19.78	17.95	17.57	16.65	16.32	16.15
2. Treasury Bonds	2,849.94	3,096.84	3,242.24	3,304.90	3,400.35	3,415.73	3,440.61
<i>(As % of total securities)</i>	78.83	80.22	82.05	82.43	83.35	83.68	83.85
3. Total Securities (1+2)	3,615.31	3,860.29	3,951.39	4,009.19	4,079.83	4,081.75	4,103.21
4. Overdraft at Central Bank	59.28	55.11	59.31	75.15	74.70	61.53	61.36
5. Other Domestic debt*	22.50	22.37	21.66	25.78	25.77	25.78	26.89
6. Gross Domestic Debt (3+4+5)	3,697.09	3,937.78	4,032.37	4,110.12	4,180.29	4,169.06	4,191.46

* 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-21	30-Sep-21	31-Dec-21	31-Jan-22	28-Feb-22	18-Mar-22	25-Mar-22
Treasury bills (Excluding Repos)	20.70	19.39	17.59	17.14	16.25	15.98	15.81
Treasury bonds	77.09	78.64	80.41	80.41	81.34	81.93	82.09
Overdraft at Central Bank	1.60	1.40	1.47	1.83	1.79	1.48	1.46
Other domestic debt	0.61	0.57	0.54	0.63	0.62	0.62	0.64
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-21	30-Sep-21	31-Dec-21	31-Jan-22	28-Feb-22	18-Mar-22	25-Mar-22
Banking Institutions	51.24	50.82	50.20	50.15	49.51	49.20	49.29
Insurance Companies	6.66	6.60	6.79	6.83	6.82	6.82	6.87
Parastatals	5.54	5.39	5.57	5.61	5.62	5.75	5.72
Pension Funds	30.60	31.24	31.34	31.26	31.64	31.84	31.75
Other Investors	5.96	5.95	6.10	6.14	6.41	6.39	6.37
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

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Domestic debt (KSh Bn)	3,176.97	3,457.11	3,488.54	3,569.84	3,697.09	3,937.80	4,032.37
Public & Publicly Guaranteed External debt (USD Bn)	33.01	33.77	34.75	34.42	37.08	36.73	36.90
Public & Publicly Guaranteed External debt (KSh Bn)	3,515.81	3,663.49	3,793.29	3,769.87	3,999.54	4,058.50	4,174.37
Public debt (KSh Bn)	6,692.78	7,120.60	7,281.83	7,339.71	7,696.63	7,996.30	8,206.74

Source: National Treasury and Central Bank of Kenya