



Central Bank of Kenya

Weekly Bulletin

June 7, 2019

KEY MONETARY AND FINANCIAL INDICATORS

Inflation Rate

Overall inflation declined to 5.5 percent in May from 6.6 percent in April, mainly on account of lower food prices arising from improved supply of fast growing food crops following favourable weather conditions (Chart 1).

Exchange Rate

The Kenya Shilling remained stable against major international and regional currencies during the week ending June 6. It exchanged at KSh 101.35 per US Dollar on June 6, compared to KSh 101.40 on May 30 (Table 1).

Foreign Exchange Reserves

The CBK usable foreign exchange reserves were at an all-time high of USD 10,065 million (6.4 months of import cover) as at June 6. This meets the CBK's statutory requirement to endeavor 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 June 6, supported by Government payments. Commercial banks' excess reserves stood at KSh 14.5 billion in relation to the 5.25 percent cash reserves requirement (CRR). The average interbank rate declined to 4.16 percent on June 6 from 4.49 percent on May 30. The average number of interbank deals decreased to 16 from 17 in the previous week, while the value traded decreased to KSh 7.84 billion from KSh 12.69 billion (Table 3).

Government Securities Market

The Treasury bills auctions of June 6 received bids totaling KSh 27.8 billion against an advertised amount of KSh 24.0 billion, representing a performance of 115.9 percent. Interest rates on the 91-day, 182-day and 364-day Treasury bills declined during the auction (Table 4).

Equity Market

Trading activity at the NSE improved during the week ending June 6. The NASI, NSE 25 and NSE 20 share price indices, and market capitalisation increased by 0.77 percent, 1.28 percent, 1.91 percent and 0.77 percent, respectively. However, the total number of shares traded and equity turnover fell by 56.73 percent and 59.69 percent, respectively, reflecting a shorter trading period. (Table 6).

Bond Markets

The volume of bonds traded in the domestic secondary market declined by 17.26 percent during the week ending June 6. In the international market, except for the yield of the 5-year Eurobond which increased marginally, yields of Kenya's 7-year, 10-year (2024), 10-Year (2028), 12-Year and 30-Year Eurobonds declined by 11.5, 14.7, 18.4, 15.9 and 17.5 basis points, respectively (Table 6). The yields of 10-year Eurobonds for Ghana and Angola also declined during the week (Chart 3).

Global Trends

Global markets edged up during the week ending June 6 on expectations that the Fed may cut rates to counter a trade tensions induced slowdown in growth. The overall market sentiment remains subdued on worsening global trade disputes and weak economic data.

International oil prices continued to fall during the week as markets' long term view of weakening global growth prospects outweighed effects of sanctions on Iran and Venezuela oil exports, ongoing Libyan internal conflicts, and reduction in Russian oil exports on account of contamination concerns. The Murban oil prices declined to USD 60.87 per barrel on June 6 from USD 68.44 per barrel on May 30.

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

| | USD | Sterling Pound | Euro | 100 Japanese Yen | USHS* | TSHS* | RWF* | BIF* | |
|-----------------------|----------------|----------------|---------------|------------------|--------------|--------------|-------------|--------------|--|
| 24-May-19 | 101.23 | 128.13 | 113.09 | 92.36 | 37.14 | 22.72 | 8.96 | 18.12 | |
| 27-May-19 | 101.24 | 128.31 | 113.28 | 92.46 | 37.14 | 22.72 | 8.97 | 18.12 | |
| 28-May-19 | 101.24 | 128.45 | 113.32 | 92.48 | 37.14 | 22.67 | 8.98 | 18.12 | |
| 29-May-19 | 101.28 | 128.42 | 113.34 | 92.50 | 37.13 | 22.66 | 8.97 | 18.11 | |
| 30-May-19 | 101.40 | 128.30 | 113.07 | 92.42 | 37.05 | 22.66 | 8.96 | 18.09 | |
| May 24-30 | 101.28 | 128.32 | 113.22 | 92.44 | 37.12 | 22.69 | 8.97 | 18.11 | |
| 31-May-19 | 101.36 | 127.96 | 112.81 | 93.00 | 37.18 | 22.64 | 8.97 | 18.10 | |
| 3-Jun-19 | 101.29 | 127.47 | 113.02 | 6.90 | 37.12 | 22.71 | 8.97 | 18.11 | |
| 4-Jun-19 | 101.28 | 128.02 | 113.33 | 7.02 | 37.20 | 22.69 | 8.98 | 18.12 | |
| 5-Jun-19 | Public Holiday | | | | | | | | |
| 6-Jun-19 | 101.35 | 128.53 | 113.78 | 6.81 | 37.15 | 22.69 | 8.97 | 18.11 | |
| May 31- June 6 | 101.32 | 128.00 | 113.23 | 28.43 | 37.16 | 22.68 | 8.97 | 18.11 | |

* Units of currency per Kenya Shilling

Source: CBK

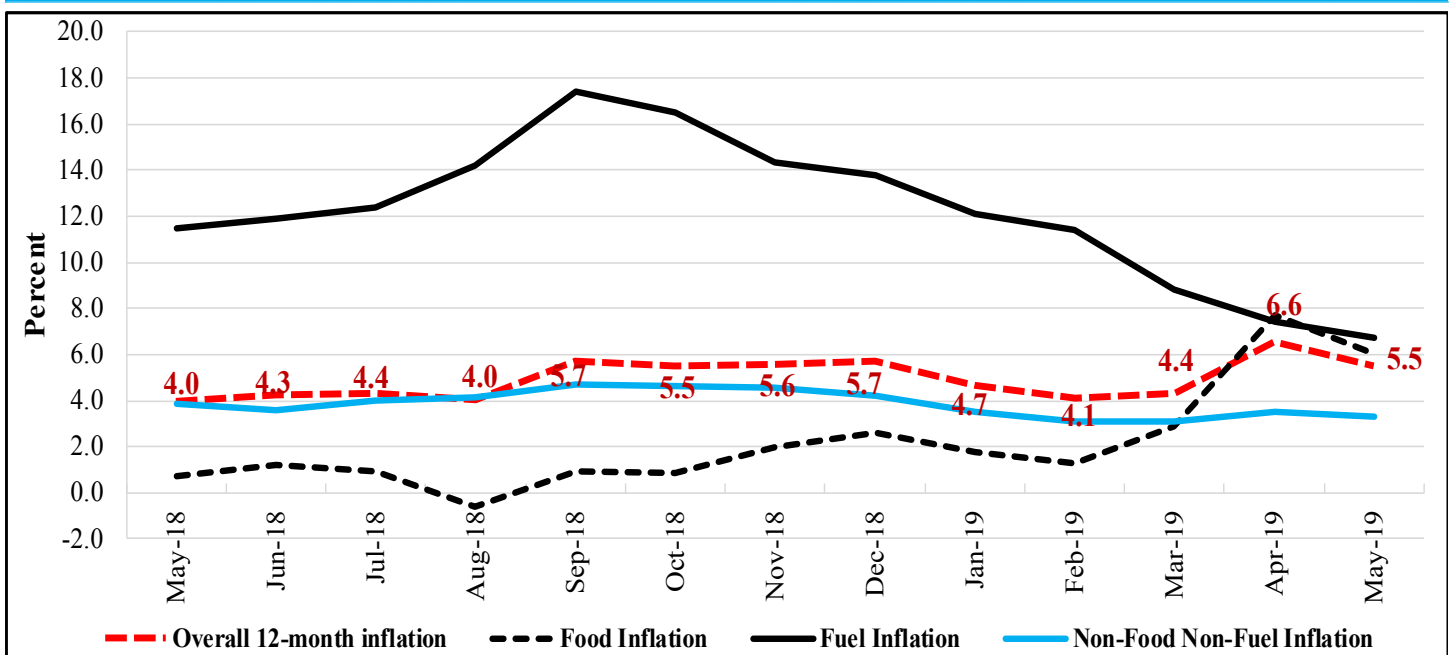
Table 2: Official Usable Foreign Exchange Reserves

| | 25-Apr-19 | 09-May-19 | 16-May-19 | 23-May-19 | 30-May-19 | 06-Jun-19 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| 1. CBK Usable Foreign Exchange Reserves (USD Million) | 8,106 | 8,070 | 8,009 | 7,981 | 10,062 | 10,065 |
| 2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)* | 5.22 | 5.19 | 5.15 | 5.08 | 6.40 | 6.40 |

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

Source: CBK

Chart 1: Developments in Inflation



Source: CBK

Table 3: Money Market

| Date | Number of Deals | Value (KSh M) | Average Interbank Rate (%) |
|----------------------|-----------------|---------------|----------------------------|
| 24-May-19 | 26 | 16,129 | 5.37 |
| 27-May-19 | 16 | 15,125 | 5.25 |
| 28-May-19 | 15 | 12,550 | 5.00 |
| 29-May-19 | 12 | 9,200 | 4.69 |
| 30-May-19 | 16 | 10,450 | 4.49 |
| May 24-30 | 17 | 12,691 | 4.96 |
| 31-May-19 | 12 | 8,500 | 4.08 |
| 3-Jun-19 | 16 | 9,750 | 3.77 |
| 4-Jun-19 | 19 | 8,600 | 3.89 |
| 29-May-19 | Public Holiday | | |
| 6-Jun-19 | 16 | 4,515 | 4.16 |
| May 31-June 6 | 16 | 7,841 | 3.98 |

Source:CBK

Table 4: Performance of Treasury Bills Auctions**91-Day Treasury Bills**

| Date of Auction | 28-Mar-19 | 25-Apr-19 | 23-May-19 | 30-May-19 | 06-Jun-19 |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Amount offered (Ksh M) | 4,000.00 | 4,000.00 | 4,000.00 | 4,000.00 | 4,000.00 |
| Bids received (Ksh M) | 6,693.92 | 7,454.68 | 5,844.10 | 2,334.49 | 905.39 |
| Amount Accepted (Ksh M) | 966.23 | 7,454.68 | 5,844.10 | 2,334.39 | 905.39 |
| Maturities (Ksh M) | 1,044.15 | 5,024.95 | 5,191.85 | 2,927.95 | 431.40 |
| Average interest Rate (%) | 7.500 | 7.298 | 7.085 | 6.995 | 6.915 |

182-Day Treasury Bills

| | | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Amount offered (Ksh M) | 10,000.00 | 10,000.00 | 10,000.00 | 10,000.00 | 10,000.00 |
| Bids received (Ksh M) | 7,343.75 | 14,193.85 | 4,637.31 | 2,465.66 | 810.08 |
| Amount Accepted (Ksh M) | 5,908.18 | 14,120.79 | 4,637.31 | 2,462.80 | 810.08 |
| Maturities (Ksh M) | 5,245.70 | 3,129.85 | 1,504.35 | 4,516.50 | 1,027.05 |
| Average interest Rate (%) | 8.204 | 8.006 | 7.738 | 7.651 | 7.606 |

364-Day Treasury Bills

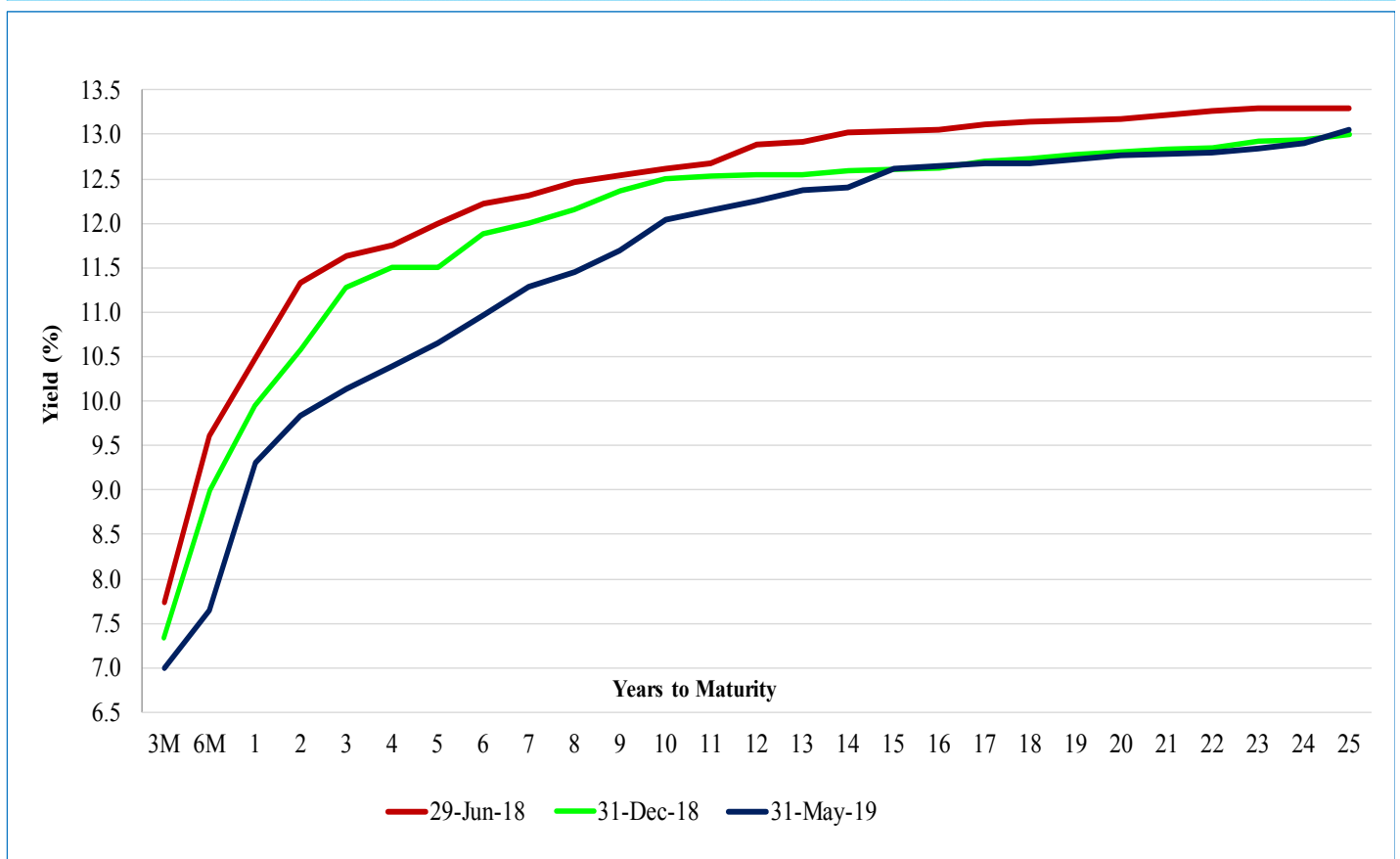
| | | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Amount offered (Ksh M) | 10,000.00 | 10,000.00 | 10,000.00 | 10,000.00 | 10,000.00 |
| Bids received (Ksh M) | 30,046.91 | 5,657.52 | 21,053.04 | 26,261.69 | 26,112.92 |
| Amount Accepted (Ksh M) | 23,655.49 | 4,466.63 | 18,498.62 | 23,511.75 | 12,633.64 |
| Maturities (Ksh M) | 6,923.80 | 10,080.10 | 22,298.10 | 9,351.95 | 8,683.35 |
| Average interest Rate (%) | 9.408 | 9.315 | 9.312 | 9.311 | 9.297 |

Source: CBK

Table 5: Performance of Treasury Bonds Auctions

| Date of Auction | 20-Feb-19 | | 26-Mar-19 | | 10-Apr-19 | | 08-May-19 | |
|---------------------------|--------------|---------------|-------------|---------------|---------------|-------------|---------------|------|
| Tenor | FXD 1/2019/5 | FXD 1/2019/10 | IFB/2019/25 | FXD 2/2019/10 | FXD1/ 2019/20 | FXD2/2019/5 | FXD2/ 2019/15 | |
| Amount offered (Ksh M) | 50,000.00 | | 50,000.00 | 50,000.00 | | 50,000.00 | | |
| Bids received (Ksh M) | 78,259.02 | | 29,376.22 | 85,615.54 | | 70,841.20 | | |
| Amount Accepted (Ksh M) | 20,593.62 | 32,808.00 | 16,303.06 | 51,326.72 | 9,022.76 | 39,210.55 | 19,316.16 | |
| Maturities (Ksh M) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Average interest Rate (%) | 11.30 | 12.44 | 12.66 | 12.30 | 12.87 | 10.87 | 12.73 | |

Source: CBK

Chart 2: Kenya Government Securities Yield Curve

Source: Nairobi Securities Exchange (NSE)

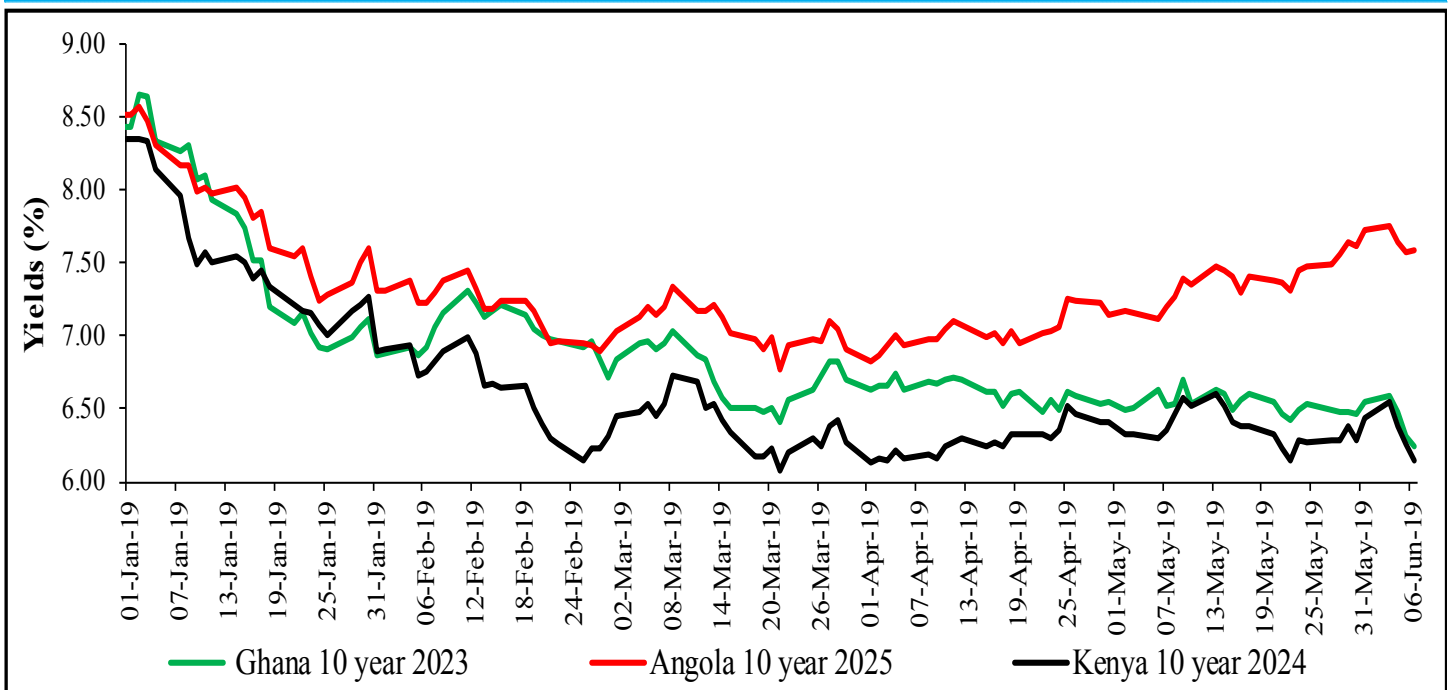
Table 6: Key Weekly Market Indicators

| INDICATOR | NASI 100=2008 | NSE 25 Share Index | NSE 20 Share Index 100=1996 | Total Deals (Equity) | Total Shares Traded (Mil- lion) | Equity Turnover (KSh Million) | Market Capital- ization (KSh Billion) | Bonds Turnover (KSh Million) | 5-Year Euro- bond Yield (%) | 7-Year Euro- bond Yield (%) | 10-Year Euro- bond Yield (%)- 2024 | 10-Year Euro- bond Yield (%)- 2028 | 12- Year Euro- bond Yield (%) | 30- Year Euro- bond Yield (%) |
|-------------------------------|------------------|--------------------------|--------------------------------------|----------------------------|---|--|---|---------------------------------------|---|---|---|---|--|--|
| 24-May-19 | 146.46 | 3546.23 | 2646.74 | 1,106 | 18.60 | 487.14 | 2,215.90 | 2,560.00 | 5.448 | 7.059 | 6.267 | 7.540 | 8.046 | 8.600 |
| 27-May-19 | 147.40 | 3560.55 | 2648.27 | 912 | 3.61 | 86.46 | 2,230.02 | 2,981.40 | 5.730 | 7.066 | 6.288 | 7.544 | 8.046 | 8.600 |
| 28-May-19 | 151.77 | 3624.89 | 2650.30 | 1,369 | 45.47 | 1,557.43 | 2,296.33 | 2,835.77 | 5.436 | 7.114 | 6.290 | 7.564 | 8.066 | 8.651 |
| 29-May-19 | 151.33 | 3637.10 | 2670.54 | 906 | 29.91 | 722.58 | 2,289.62 | 4,240.30 | 5.729 | 7.203 | 6.376 | 7.729 | 8.239 | 8.750 |
| 30-May-19 | 150.06 | 3609.98 | 2659.56 | 1,271 | 39.94 | 1,033.27 | 2,270.48 | 4,321.92 | 5.559 | 7.079 | 6.291 | 7.629 | 8.132 | 8.719 |
| May 24-30 | 150.06 | 3609.98 | 2659.56 | 5,564.00 | 137.55 | 3,886.88 | 2,270.48 | 16,939.39 | 5.559 | 7.079 | 6.291 | 7.629 | 8.132 | 8.719 |
| 31-May-19 | 149.92 | 3616.38 | 2676.92 | 930.00 | 16.63 | 413.92 | 2,268.32 | 4,988.69 | 5.743 | 7.269 | 6.433 | 7.746 | 8.280 | 8.838 |
| 3-Jun-19 | 150.46 | 3619.42 | 2678.52 | 718.00 | 14.82 | 390.66 | 2,276.42 | 2,125.12 | 5.743 | 7.332 | 6.550 | 7.910 | 8.361 | 8.902 |
| 4-Jun-19 | 151.08 | 3641.80 | 2703.33 | 983.00 | 13.89 | 409.46 | 2,285.87 | 2,399.85 | 5.467 | 7.166 | 6.375 | 7.706 | 8.259 | 8.775 |
| 5-Jun-19 | PUBLIC HOLIDAY | | | | | | | | 5.744 | 7.063 | 6.259 | 7.585 | 8.026 | 8.614 |
| 6-Jun-19 | 151.22 | 3656.19 | 2710.23 | 1010.00 | 14.17 | 352.67 | 2,288.01 | 4,502.70 | 5.720 | 6.964 | 6.144 | 7.445 | 7.973 | 8.544 |
| May 31-Jun 6 | 151.22 | 3656.19 | 2710.23 | 3,641.00 | 59.51 | 1,566.70 | 2,288.01 | 14,016.36 | 5.720 | 6.964 | 6.144 | 7.445 | 7.973 | 8.544 |
| Weekly Changes (%) | 0.77 | 1.28 | 1.91 | -34.56 | -56.73 | -59.69 | 0.77 | -17.26 | 0.161* | -0.115* | -0.147* | -0.184* | -0.159* | -0.175* |

* Percentage points

Source: CBK, NSE and Thompson Reuters

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



Source: Thomson Reuters

Table 7: Government Domestic Debt (KSh Billion)

| | 29-Jun-18 | 28-Sep-18 | 28-Dec-18 | 29-Mar-19 | 26-Apr-19 | 31-May-19 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1. Treasury Bills (Excluding Repos) | 878.62 | 867.51 | 904.10 | 949.66 | 994.76 | 965.63 |
| <i>(As % of total securities)</i> | 36.75 | 37.14 | 36.90 | 36.04 | 37.01 | 35.61 |
| 2. Treasury Bonds | 1,511.87 | 1,468.50 | 1,546.29 | 1,685.66 | 1,692.89 | 1,746.21 |
| <i>(As % of total securities)</i> | 63.25 | 62.86 | 63.10 | 63.96 | 62.99 | 64.39 |
| 3. Total Securities (1+2) | 2,390.49 | 2,336.00 | 2,450.39 | 2,635.31 | 2,687.65 | 2,711.84 |
| 4. Overdraft at Central Bank | 56.85 | 36.29 | 45.86 | 36.90 | 14.44 | 35.97 |
| 5. Other Domestic debt* | 31.44 | 168.54 | 31.61 | 26.88 | 26.88 | 31.45 |
| 6. Gross Domestic Debt (3+4+5) | 2,478.78 | 2,540.83 | 2,527.86 | 2,699.09 | 2,728.97 | 2,779.26 |

* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government Overdraft and Tax Reserve Certificates.

Source: CBK

Table 8: Composition of Government Domestic Debt by Instrument (Percent)

| | 29-Jun-18 | 28-Sep-18 | 28-Dec-18 | 29-Mar-19 | 26-Apr-19 | 31-May-19 |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Treasury bills (Excluding Repos) | 35.45 | 34.14 | 35.77 | 35.12 | 36.45 | 34.74 |
| Treasury bonds | 60.99 | 57.80 | 61.17 | 62.34 | 62.03 | 62.83 |
| CBK Overdraft to Government | 2.29 | 1.43 | 1.81 | 1.36 | 0.53 | 1.29 |
| Other domestic debt | 1.27 | 6.63 | 1.25 | 1.18 | 0.99 | 1.13 |
| TOTAL | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Source: CBK

Table 9: Composition of Government Domestic Debt by Holder (Percent)

| | 29-Jun-18 | 28-Sep-18 | 28-Dec-18 | 29-Mar-19 | 26-Apr-19 | 31-May-19 |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Banking Institutions | 55.19 | 54.97 | 54.53 | 54.88 | 52.50 | 54.22 |
| Insurance Companies | 6.23 | 6.07 | 6.06 | 6.16 | 6.50 | 6.18 |
| Parastatals | 7.04 | 7.32 | 7.25 | 7.10 | 7.11 | 7.08 |
| Pension funds | 27.09 | 27.12 | 27.59 | 27.49 | 27.49 | 28.22 |
| Other investors | 4.44 | 4.52 | 4.57 | 4.37 | 6.41 | 4.30 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Source: CBK

Table 10: Indicators of Total Government Debt

| | Jun-17 | Jun-18 | Sep-18 | Jan-19 | Feb-19 | Mar-19 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Domestic debt (KSh Billion) | 2,111.71 | 2,478.84 | 2,540.70 | 2,604.19 | 2,691.61 | 2,699.09 |
| Public & Publicly Guaranteed External debt (US \$ Billion) | 22.12 | 25.34 | 25.81 | 27.05 | 27.05 | 27.01 |
| Public & Publicly Guaranteed External debt (KSh Billion) | 2,294.40 | 2,560.20 | 2,605.33 | 2,729.48 | 2,707.29 | 2,721.60 |
| Total public debt (KSh Billion) | 4,406.11 | 5,039.03 | 5,146.04 | 5,333.67 | 5,398.90 | 5,420.68 |

Source: National Treasury and CBK