



Central Bank of Kenya

Weekly Bulletin

October 1, 2021



RECENT MONETARY AND FINANCIAL DEVELOPMENTS

Monetary Policy Committee

The Monetary Policy Committee (MPC) met on September 28, and noted that inflationary pressures were rising domestically and internationally, even as expectations about inflation remained anchored within the target range in the medium term. The Committee decided to closely monitor developments in inflation and stands ready to respond to any second-round effects. 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 edged up in September but remained within the target range. It increased to 6.9 percent from 6.6 percent in August, driven by higher fuel and food prices (**Chart 1**).

Exchange Rates

The Kenya Shilling remained stable against major international and regional currencies during the week ending September 30. It exchanged at KSh 110.49 per US dollar on September 30, compared to KSh 110.39 per US dollar on September 23 (**Table 1**).

Foreign Exchange Reserves

The usable foreign exchange reserves remained adequate at USD 9,437 million (5.77 months of import cover) as at September 30. 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 September 30, partly reflecting government payments. Commercial banks' excess reserves stood at KSh 10.6 billion in relation to the 4.25 percent cash reserves requirement (CRR). Open market operations remained active. The average interbank rate was 6.61 percent on September 30 compared to 6.27 percent on September 23. During the week, the average number of interbank deals per day decreased to 25 from 29 in

the previous week, while the average value traded declined to KSh 10.1 billion from KSh 16.4 billion (**Table 3**).

Government Securities Market

The Treasury bill auction of September 30 received bids totaling KSh 10.1 billion against an advertised amount of KSh 24.0 billion, representing a performance of 42.2 percent. Interest rates on the 91-day, 182-day and 364-day, Treasury bills remained stable (**Table 4**).

Equity Market

At the Nairobi Securities Exchange, the NSE 20 share price index increased by 4.2 percent, while NASI and NSE 25 share price indices, declined marginally by 0.01 percent and 0.31 percent, respectively. Market capitalisation, total shares traded and equity turnover declined by 0.01 percent, 15.7 percent and 42.4 percent, respectively, during the week ending September 30 (**Table 6**).

Bonds Market

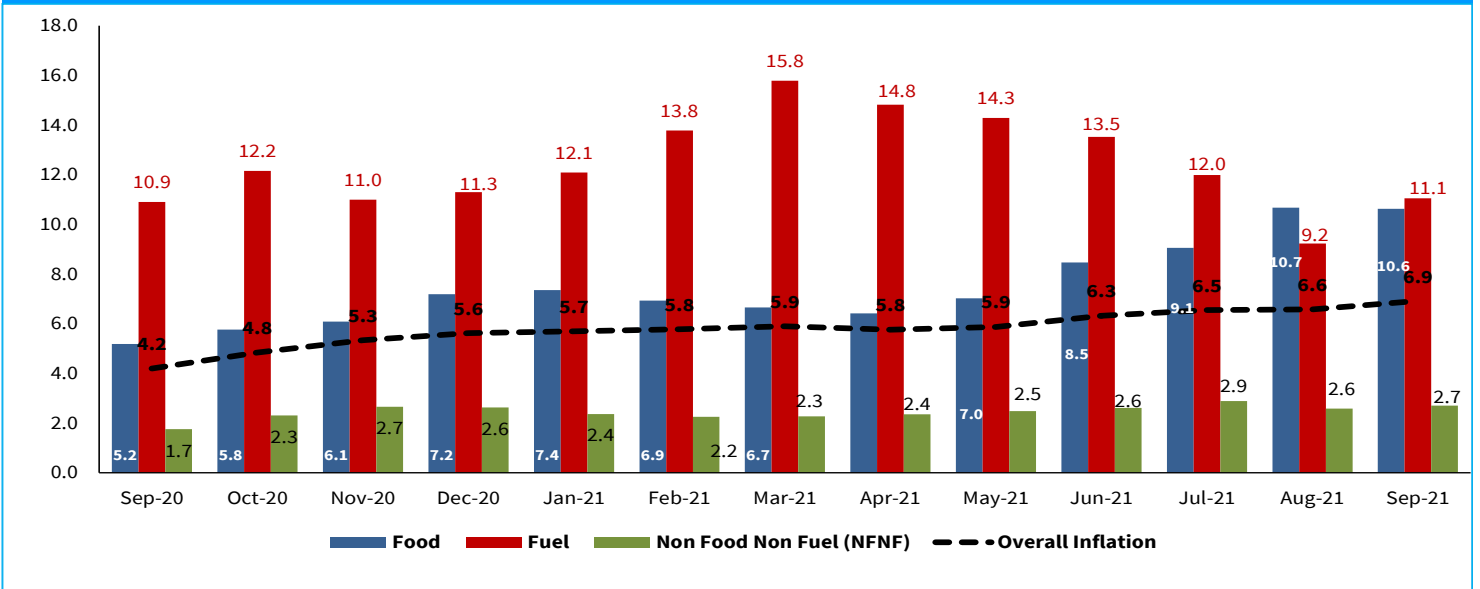
Bonds turnover in the domestic secondary market declined by 34.9 percent during the week ending September 30 (**Table 6**). In the international market, yields on Kenya's Eurobonds increased by an average of 11.7 basis points. Yields on the 10-year Eurobonds for Angola and Ghana also increased (**Chart 3**).

Global Trends

Global financial markets sentiment was mixed during the week ending September 30, as investors responded negatively to higher-than-expected jobless claims in the United States, growing concerns that the US Fed may decrease its stimulus program, and elevated inflationary pressures.

International oil price increased during the week ending September 30, reflecting increased demand as winter season approaches. Murban oil price increased to USD 77.12 per barrel on September 30 from USD 75.01 per barrel on September 23.

Chart 1: Inflation



Source: Kenya National Bureau of Statistics (KNBS)

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

	USD	Sterling Pound	Euro	100 Japanese Yen	Uganda Shilling*	Tanzania Shilling*	Rwandese Franc*	Burundi Franc*
17-Sep-21	110.09	152.27	129.67	100.20	32.06	21.06	9.22	18.04
20-Sep-21	110.17	151.95	129.77	100.17	32.07	21.05	9.21	18.03
21-Sep-21	110.20	151.12	129.37	100.59	32.12	21.04	9.21	18.03
22-Sep-21	110.28	150.86	129.44	100.69	32.10	21.03	9.21	18.02
23-Sep-21	110.39	150.68	129.49	100.79	32.05	20.98	9.20	18.00
September 17-23	110.22	151.38	129.55	100.49	32.08	21.03	9.21	18.02
24-Sep-21	110.38	151.04	129.33	100.37	32.01	20.98	9.20	18.00
27-Sep-21	110.38	151.17	129.46	99.86	31.97	20.97	9.20	18.00
28-Sep-21	110.40	151.14	129.25	99.47	31.94	20.95	9.20	18.00
29-Sep-21	110.45	150.58	129.11	99.16	31.92	20.96	9.20	17.99
30-Sep-21	110.49	149.64	129.01	99.15	32.00	20.91	9.20	17.99
September 24-30	110.42	150.72	129.23	99.60	31.97	20.95	9.20	18.00

*Units of currency per Kenya Shilling

Source: Central Bank of Kenya

Table 2: Official Foreign Exchange Reserves (USD Million)

	2-Sep-21	9-Sep-21	16-Sep-21	23-Sep-21	30-Sep-21
1. CBK Usable Foreign Exchange Reserves (USD Million)*	8,883	9,629	9,619	9,521	9,437
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	5.43	5.89	5.88	5.82	5.77

**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 (%)
17-Sep-21	22	14,170.00	5.47
20-Sep-21	26	14,630.00	6.02
21-Sep-21	37	30,170.00	5.86
22-Sep-21	36	14,015.00	6.05
23-Sep-21	23	8,750.00	6.27
September 17-23	29	16,347.00	5.93
24-Sep-21	25	9,070.00	6.50
27-Sep-21	21	7,820.00	6.58
28-Sep-21	23	8,505.00	6.81
29-Sep-21	27	8,710.00	6.92
30-Sep-21	31	16,150.00	6.61
September 24-30	25	10,051.00	6.69

Source: Central Bank of Kenya

Table 4: Performance of Treasury Bills Auctions

91-Day Treasury Bills						
Date of Auction	26-Aug-21	2-Sep-21	9-Sep-21	16-Sep-21	23-Sep-21	30-Sep-21
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)	1,766.44	4,031.46	6,901.38	3,351.69	4,793.79	2,640.16
Amount Accepted (KSh M)	1,764.98	4,028.51	6,901.38	3,351.59	4,787.65	2,633.47
Maturities (KSh M)	2,441.50	1,364.30	6,937.15	4,563.45	2,030.15	6,149.15
Average Interest Rate (%)	6.741	6.774	6.781	6.870	6.896	6.895
182-Day Treasury Bills						
Date of Auction	26-Aug-21	2-Sep-21	9-Sep-21	16-Sep-21	23-Sep-21	30-Sep-21
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)	2,023.03	9,948.96	7,702.52	6,795.95	4,670.80	5,337.45
Amount Accepted (KSh M)	2,021.10	9,948.87	7,701.07	6,792.11	4,670.80	5,337.45
Maturities (KSh M)	7,616.80	7,064.60	6,299.50	6,362.50	3,171.05	783.95
Average Interest Rate (%)	7.195	7.226	7.253	7.250	7.282	7.282
364-Day Treasury Bills						
Date of Auction	26-Aug-21	2-Sep-21	9-Sep-21	16-Sep-21	23-Sep-21	30-Sep-21
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)	4,964.01	9,894.53	2,831.23	2,950.02	695.06	2,155.42
Amount Accepted (KSh M)	4,037.62	9,894.44	2,831.14	2,950.02	694.87	1,647.36
Maturities (KSh M)	1,963.35	6,442.70	4,251.85	9,481.25	4,763.40	2,518.70
Average Interest Rate (%)	7.492	7.517	7.777	7.845	7.890	7.949

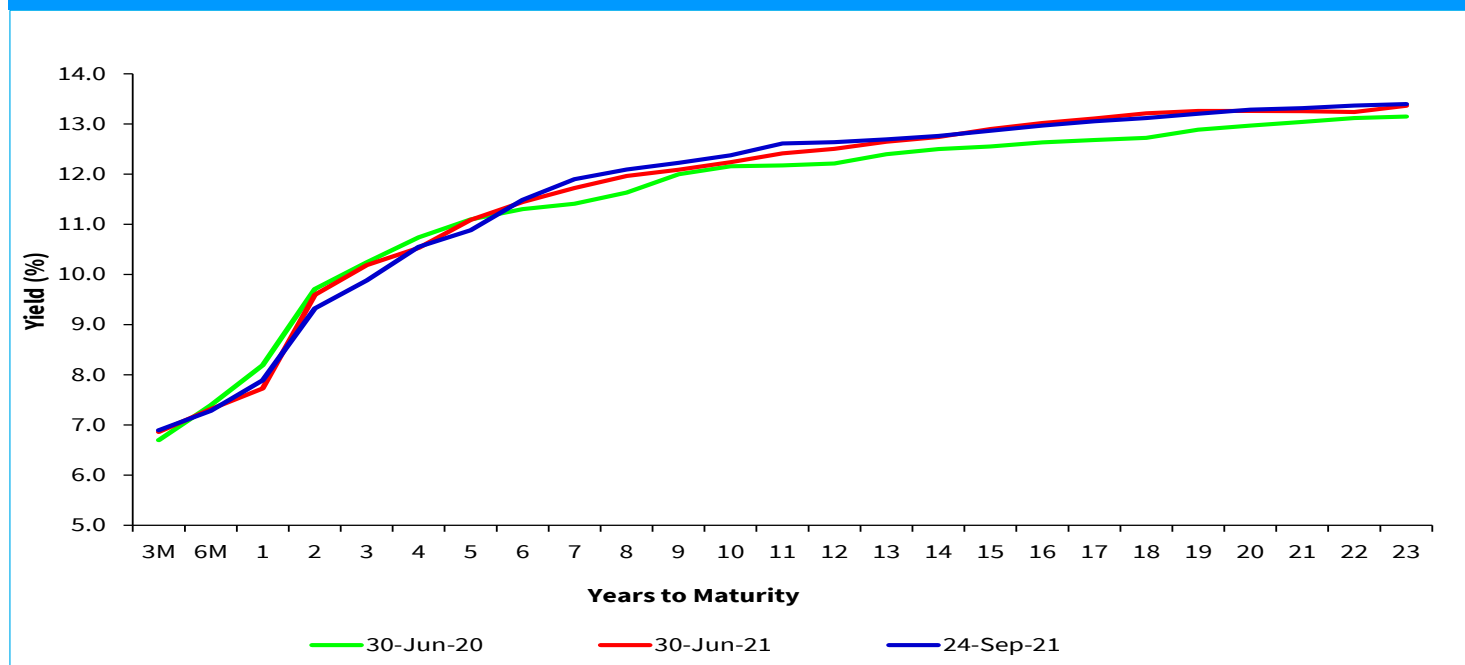
Source: Central Bank of Kenya

Table 5: Performance of Treasury Bond Auctions

Date of Auction	14-Jul-21			11-Aug-21			8-Sep-21
	REOPEN			REOPEN			
Tenor	FXD1/ 2012/15	FXD1/ 2018/15	FXD1/ 2021/25	FXD3/ 2019/10	FXD1/ 2018/20	FXD1/ 2021/20	IFB1/ 2021/21
Amount offered (KSh M)	60,000.00			60,000.00			75,000.00
Bids received (KSh M)	48,805.43	28,212.38	39,906.96	38,313.49	22,818.80	43,504.73	151,256.13
Amount Accepted (KSh M)	30,091.53	27,203.05	22,640.58	22,968.26	17,783.62	39,539.41	106,752.53
Maturities (KSh M)	24,395.30			0.00			0.00
Average interest Rate (%)	11.47	12.61	13.68	12.17	13.19	13.44	12.74

Source: Central Bank of Kenya

Chart 2: Government Securities Yield Curve



Source: Nairobi Securities Exchange (NSE)

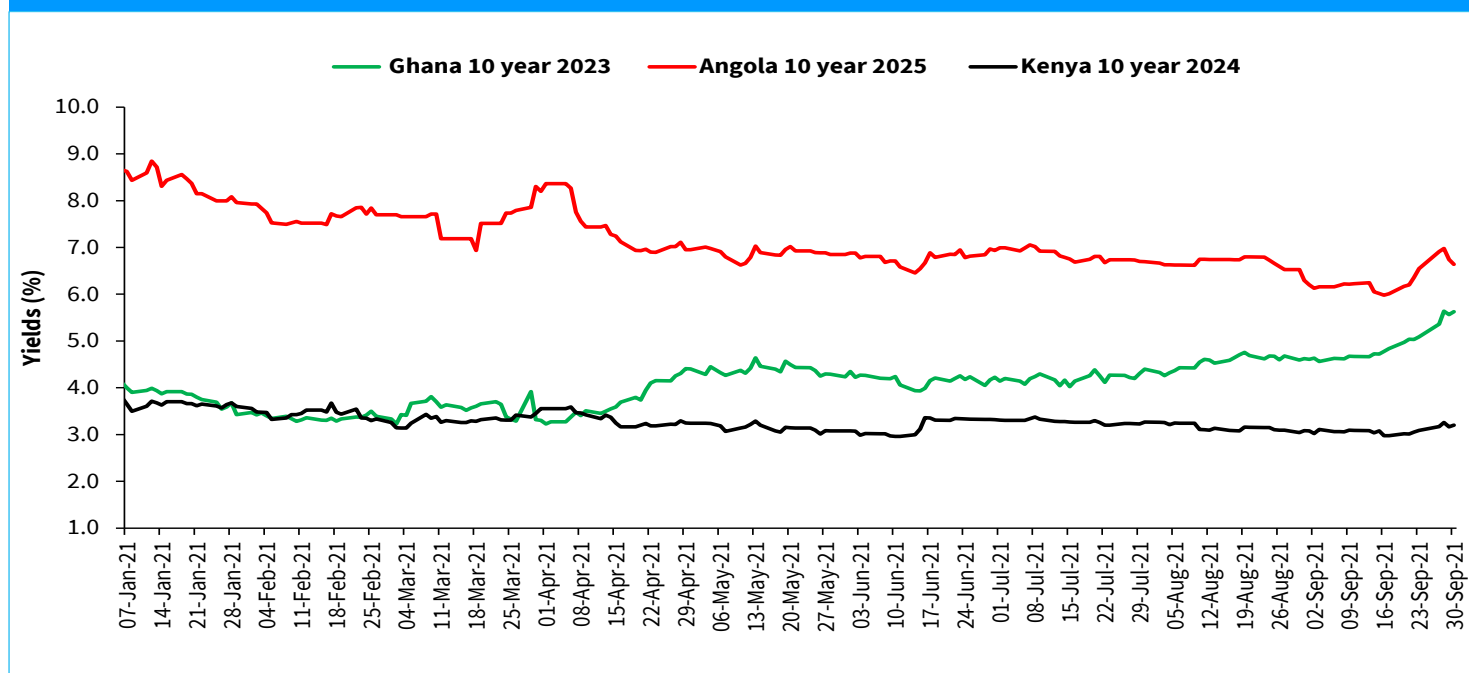
Table 6: Key Weekly Market Indicators

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
17-Sep-21	182.75	4015.08	2061.45	1,008.00	12.26	384.80	2,847.93	8,588.55	4.788	2.975	5.064	6.205	6.147	7.235
20-Sep-21	181.64	3994.19	2056.99	1,222.00	5.89	183.67	2,830.66	6,666.35	4.864	3.016	5.171	6.301	6.252	7.284
21-Sep-21	178.20	3034.00	2039.21	1,306.00	16.99	1,082.79	2,776.87	7,802.00	4.853	3.012	5.149	6.301	6.237	7.294
22-Sep-21	178.20	3930.20	2043.06	1,139.00	20.95	799.23	2,776.95	8,323.50	4.893	3.054	5.213	6.333	6.313	7.334
23-Sep-21	178.33	3926.62	2046.17	1,062.00	17.58	777.23	2,778.98	9,880.96	4.950	3.088	5.276	6.382	6.373	7.353
September 17 - 23	178.33	3926.62	2046.17	5737.00	73.67	3227.72	2778.98	41261.36	4.950	3.088	5.276	6.382	6.373	7.353
24-Sep-21	177.81	3918.47	2039.75	1,059.00	10.96	375.35	2,770.83	6,268.55	4.995	3.130	5.363	6.463	6.419	7.434
27-Sep-21	178.07	3924.61	2055.40	947.00	13.15	412.36	2,774.79	2,785.40	5.069	3.172	5.428	6.546	6.481	7.505
28-Sep-21	177.20	3910.68	2047.82	1,012.00	14.30	136.87	2,761.34	5,280.95	5.094	3.260	5.472	6.562	6.512	7.556
29-Sep-21	177.04	3895.96	2030.15	1,362.00	8.82	491.36	2,758.75	9,127.50	5.018	3.165	5.383	6.496	6.466	7.567
30-Sep-21	178.31	3914.52	2131.17	1,022.00	14.85	443.78	2,778.65	3,385.85	5.026	3.201	5.403	6.511	6.450	7.535
September 24 - 30	178.31	3914.52	2131.17	5402.00	62.08	1859.73	2778.65	26848.25	5.03	3.20	5.40	6.51	6.45	7.54
Weekly Changes (%)	-0.01	-0.31	4.15	-5.84	-15.73	-42.38	-0.01	-34.93	0.076*	0.113*	0.127*	0.129*	0.077*	0.182*

* 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-Sep-20	31-Dec-20	31-Mar-21	30-Jun-21	27-Aug-21	17-Sep-21	24-Sep-21
1. Treasury Bills (Excluding Repos)	894.73	855.71	761.90	765.37	763.00	769.80	763.00
<i>(As % of total securities)</i>	26.50	25.04	21.79	21.17	20.14	19.73	19.77
2. Treasury Bonds	2,482.24	2,561.33	2,734.47	2,849.94	3,025.01	3,131.76	3,096.84
<i>(As % of total securities)</i>	73.50	74.96	78.21	78.83	79.86	80.27	80.23
3. Total Securities (1+2)	3,376.98	3,417.05	3,496.37	3,615.31	3,788.02	3,901.56	3,859.84
4. Overdraft at Central Bank	56.21	47.60	49.28	59.28	52.54	52.97	55.26
5. Other Domestic debt*	23.92	23.90	24.19	22.50	23.67	23.91	23.91
6. Gross Domestic Debt (3+4+5)	3,457.11	3,488.54	3,569.84	3,697.09	3,864.23	3,978.44	3,939.01

* 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-Sep-20	31-Dec-20	31-Mar-21	30-Jun-21	27-Aug-21	17-Sep-21	24-Sep-21
Treasury bills (Excluding Repos)	25.88	24.53	21.34	20.70	19.75	19.35	19.37
Treasury bonds	71.80	73.42	76.60	77.09	78.28	78.72	78.62
Overdraft at Central Bank	1.63	1.36	1.38	1.60	1.36	1.33	1.40
Other domestic debt	0.69	0.69	0.68	0.61	0.61	0.60	0.61
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)

	31-Dec-20	31-Mar-21	30-Jun-21	27-Aug-21	17-Sep-21	24-Sep-21	17-Sep-21
Banking Institutions	52.83	51.75	51.24	50.58	50.76	50.83	50.76
Insurance Companies	6.44	6.57	6.66	6.69	6.60	6.60	6.60
Parastatals	5.69	5.62	5.54	5.51	5.27	5.38	5.27
Pension Funds	30.32	30.46	30.60	31.09	31.17	31.24	31.17
Other Investors	4.73	5.59	5.96	6.14	6.19	5.95	6.19
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	Apr-21	May-21	Jun-21
Domestic debt (KSh Bn)	3,176.97	3,457.11	3,488.54	3,569.84	3,632.91	3,686.89	3,697.09
Public & Publicly Guaranteed External debt (USD Bn)	33.01	33.77	34.75	34.42	35.13	35.31	37.23
Public & Publicly Guaranteed External debt (KSh Bn)	3,515.81	3,663.49	3,793.29	3,769.87	3,788.94	3,799.02	4,015.30
Public debt (KSh Bn)	6,692.78	7,120.60	7,281.83	7,339.71	7,421.85	7,485.91	7,712.39

Source: National Treasury and Central Bank of Kenya