

April 09, 2009



THE CBK WEEKLY BULLETIN

**Highlights for
the Week**

The Government securities market posted a performance of 144.72 percent during the Treasury bills auction of April 9, 2009. The average 91-day Treasury bill rate averaged 7.341 percent, while the average for the 182-day Treasury bill was 8.288 percent during the auction.

The average interbank interest rate decreased by 8 basis points, from 5.61 percent in the previous week to 5.53 percent during the week ending April 8, 2009. The repo rate declined by 10 basis points from 4.15 percent in the previous week to 4.05 percent in the current week.

During the week ending April 09, 2009, the Kenya Shilling depicted mixed performance against the major international currencies; remaining stable against the US Dollar, weakening against the Sterling Pound and the Euro, but gaining strength against the Japanese Yen. Against the US dollar, the Shilling exchanged at an average of Ksh 80.22 in the week ending April 09, 2009; equal on average, to the rate at which it traded in the previous week.

Official usable foreign exchange reserves held by the Central Bank declined from US dollar 3,281 million (equivalent to 4.63 months of imports) as at April 09, 2008 to US dollar 2,623 million (equivalent to 3.13 months of imports) as at April 09, 2009.

The stock of repurchase agreement securities held by commercial banks declined to Ksh 4.3 billion on April 8, 2009 from Ksh 6.0 billion on April 1, 2009. This was after the Central Bank Open Market Operations desk mopped Ksh 11.8 billion from commercial banks against a redemption of Ksh 13.4 billion during the week ending April 8, 2009.

Government gross domestic debt increased by 10.5 percent or by Ksh 45.2 billion as at April 3, 2009. From July 1 to April 3, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 34.4 billion compared with Ksh 31.0 billion in a similar period of 2007/08.

Performance at the stock market improved during the week. Turnover improved by 42.7 percent, market capitalization declined by 0.7 percent, while the NSE 20 Share Index gained 5.43 points to settle at 2,814.37 points on April 8, 2009.

Government Securities Auction

The Government securities market posted a performance of 144.72 percent during the Treasury bills auction of April 9, 2009. The Government had offered for sale Treasury bills worth Ksh 6.0 billion during the auction but received bids totalling Ksh 8.7 billion, of which Ksh 7.8 billion were in 182-day Treasury bills and Ksh 0.9 billion were in 91-day Treasury bills.

During the auction, the Government accepted bids totalling Ksh 6.0 billion, of which Ksh 5.6 billion or 92.5 percent were in competitive bids. The proceeds of the auction were adequate to cover the cost of rolling over Treasury bills maturities totalling Ksh 4.8 billion in the week and a net repayment of Ksh 1.2 billion.

Treasury bills interest rates

The average 91-day Treasury bills rate decreased by 1.4 basis points, from 7.355 percent in the previous week's auction to 7.341 percent during this week's auction while the average 182-day Treasury bills rate increased by 15.4 basis points, from 8.134 percent in the previous week's auction to 8.288 percent (Table 1). As a result, the 12-weeks moving average for the 91-day Treasury bills rate decreased from 7.577 percent in the previous week to 7.485 percent while the 182-day Treasury bills rate decreased from 8.080 percent to 8.032 percent.

Table 1 : Interest Rates

Auction date	26-Feb-09	5-Mar-09	12-Mar-09	19-Mar-09	26-Mar-09	2-Apr-09	9-Apr-09
Average 91 day T. Bills	7.235	7.294	7.292	7.360	7.359	7.355	7.341
Average 182 day T. Bills	7.661	7.721	7.853	8.101	8.228	8.134	8.288
Month	Aug-08	Sep-08	Oct-08	Nov-08	Dec-09	Jan-09	Feb-09
Average savings rate	1.68	1.73	1.74	1.61	1.65	2.10	2.13
Average overdraft rate	13.11	13.43	13.91	13.85	14.39	13.84	13.46

Source: Central Bank of Kenya

Interbank and REPO Market

The average interbank interest rate decreased by 8 basis points from 5.61 percent in the previous week to 5.53 percent during the week ending April 8, 2009, with an increase in volumes transacted (Table 2). Interbank volumes increased by Ksh 56.1 billion from Ksh 55.0 billion in the previous week to Ksh 111.1 billion in the week under review. The repo rate declined by 10 basis points from 4.15 percent in the previous week to 4.05 percent in the current week (Chart A).

The Shilling Exchange Rate

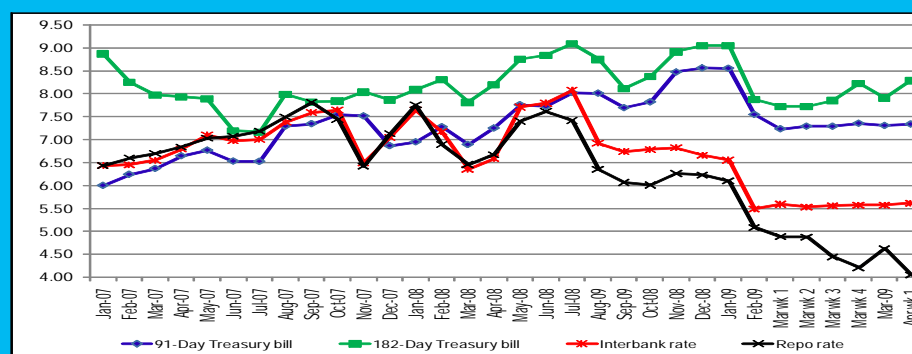
During the week ending April 09, 2009, the Kenya Shilling on average depicted mixed performance against the major international currencies; remaining stable against the US Dollar, weakening against the Sterling Pound and the Euro, but gaining strength against the Japanese Yen. Against the US dollar, the Shilling exchanged at an average of Ksh 80.22 in the week ending April 09, 2009; equal on average, to the rate at which it traded in the previous week (Table 3). The stability of the Shilling against the US dollar was attributed to stable demand and supply of US dollars in the domestic foreign exchange market relative to the local currency.

Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
Mar 20 - 26 2009	458	57,445	5.57
27-Mar-09	92	11,594	5.64
30-Mar-09	88	13,545	5.62
31-Mar-09	74	10,586	5.63
1-Apr-09	78	10,687	5.60
2-Apr-09	75	8,625	5.58
Mar 27 - Apr 2 2009	407	55,037	5.61
3-Apr-09	69	78,992	5.56
6-Apr-09	79	11,790	5.53
7-Apr-09	73	10,542	5.52
8-Apr-09	74	9,830	5.53
Apr 03 - Apr 8 2009	295	111,154	5.53

Source: Central Bank of Kenya

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

The Shilling however, weakened against the Sterling Pound and the Euro in the week ending April 09, 2009, to trade at an average of Ksh 118.18 per Sterling Pound and Ksh 107.16 per Euro, compared with Ksh 115.21 per Sterling Pound and Ksh 106.72 per Euro in the previous week. On the other hand, the Shilling strengthened against the Japanese Yen in the week under review to exchange at an average of Ksh 80.10 per 100 Japanese Yen compared with Ksh 81.83 per 100 Japanese Yen in the previous week. In the international foreign exchange market, the US dollar weakened against the Sterling Pound and the Euro but strengthened against the Japanese Yen.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen
27-Mar-09	79.99	115.61	108.59	81.66
30-Mar-09	80.27	113.87	106.24	82.94
31-Mar-09	80.43	114.84	106.42	82.13
1-Apr-09	80.31	115.11	105.83	81.27
2-Apr-09	80.11	116.60	106.50	81.11
Mar 27 -Apr 2, 2009	80.22	115.21	106.72	81.83
3-Apr-09	80.02	117.16	107.18	80.45
6-Apr-09	79.94	119.32	108.34	79.29
7-Apr-09	80.33	118.13	107.47	79.90
8-Apr-09	80.58	118.07	106.12	80.70
9-Apr-09	80.21	118.21	106.68	80.15
April 03-09, 2009	80.22	118.18	107.16	80.10

Source: Central Bank of Kenya

Foreign Exchange Reserves

Official usable foreign exchange reserves held by the Central Bank declined from US dollar 3,281 million (equivalent to 4.63 months of imports) as at April 09, 2008 to US dollar 2,623 million (equivalent to 3.13 months

of imports) as at April 09, 2009 (Table 4). The decline in import cover reflects reduction in reserves level as well as increased import bill. Commercial banks foreign exchange reserves holdings, which are predominantly used by private sector to meet external financial obligations, increased from US\$ 1,092 million as at end February 2008 to US\$ 1,610 million as at end February 2009.

Table 4: Official Foreign Exchange Reserves (US\$ Million)

	9-Apr-08	30-May-08	30-Jun-08	30-Sep-08	31-Dec-08	30-Jan-09	27-Feb-09	31-Mar-09	9-Apr-09
Usable Reserves	3,281	3,265	3,300	3,086	2,768	2,671	2,661	2,620	2,623
Months of Imports Cover*	4.63	4.55	4.60	4.06	3.35	3.19	3.17	3.13	3.13
Months of Imports Cover**	3.88	3.84	3.67	3.35	2.77	2.66	2.65	2.61	2.61

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

**Based on current year's average imports of goods and non-factor services

Source: Central Bank of Kenya

Monetary Policy Operations

In the week to April 8, 2009, Central Bank sought to mop Ksh 3.3 billion daily from the market but realised an average of Ksh 2.4 billion as shown in Table 5.

Table 5: Open Market Operations (Ksh Billion)

Date	Reserve Money* (Projected)			OMO (REPO)			Reserve money performance		Bank Reserves	Currency Outside Banks
	Forecast	Target	Exc(+)/Short(-)	Posted	Realised	Exc(+)/Short(-)	Actual	Exc(+)/Short(-)	Exc(+)/Short(-)	Exc(+)/Short(-)
	(1)	(2)	3=(2-1)	(4)	(5)	6=(5-4)	(8)	9=(10+11)	10	11
2-Apr	153.1	164.6	-11.5	3.0	1.5	-1.5	155.1	-9.5	-0.3	-9.1
3-Apr	157.4	164.6	-7.1	3.5	6.0	2.5	153.7	-10.9	-2.3	-8.6
6-Apr	160.7	164.6	-3.8	7.0	2.1	-5.0	159.9	-4.7	2.8	-7.4
7-Apr	160.2	164.6	-4.4	3.0	1.8	-1.2	157.2	-7.4	-0.8	-6.5
8-Apr	156.7	164.6	-7.9	0.0	0.5	0.5	156.8	-7.8	-1.6	-6.2
Average	157.6	164.6	-6.9	3.3	2.4	-0.9	156.6	-8.0	-0.5	-7.6

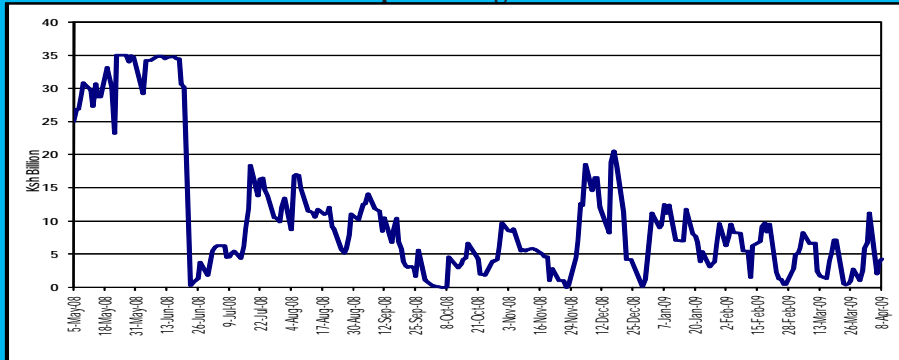
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Repurchase Agreement Securities held by Comm Banks

During the week ending April 8, 2009, Central Bank's open market operations desk mopped Ksh 11.8 billion from the market through repurchase securities agreements against redemption of Ksh 13.4 billion in maturing securities. As a result, the stock of repo securities holdings by commercial banks reduced from Ksh 6.0 billion on April 1, 2009 to Ksh 4.3 billion by April 8, 2009. At Ksh 156.6 billion, reserve money for the week ending April 8, 2009 averaged Ksh 7.6 billion below target.

Chart B: Commercial Banks Repo Holdings

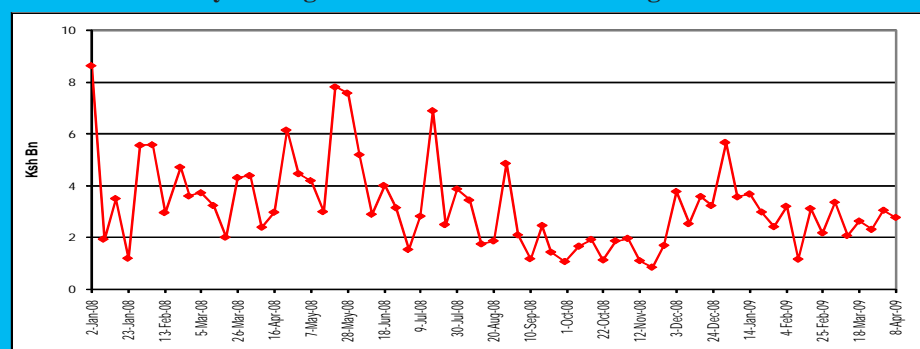


Source: Central Bank of Kenya

**Commercial
Banks
Clearing
Account
Balances**

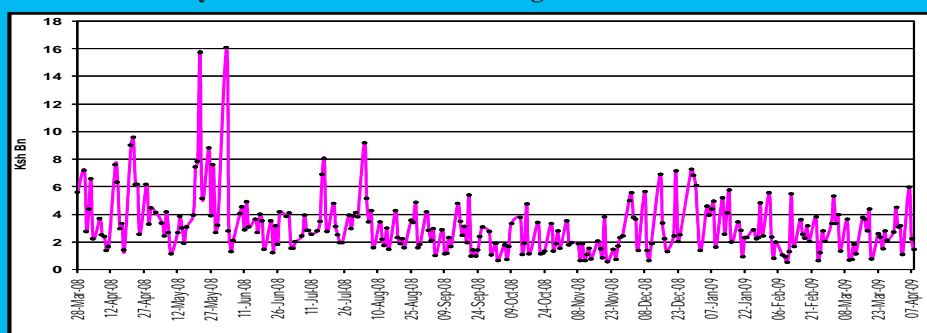
In the week ending April 8, 2009, average commercial banks' clearing account balances at the Central Bank was Ksh 2.8 billion compared with Ksh 3.1 billion held in the previous week (Chart C1 and C2).

Chart C1: Weekly Average Commercial Banks Clearing Account Balances



Source: Central Bank of Kenya

Chart C2: Daily Commercial Banks Clearing Account Balances



Source: Central Bank of Kenya

**Government
Domestic
Debt**

The Government gross domestic debt increased by 10.5 percent (Ksh 45.2 billion), from Ksh 430.6 billion in June 2008 to Ksh 475.8 billion as at April 3, 2009 (Table 6 and Chart D). This was attributed to increases of Ksh 22.3 billion in Treasury bills excluding repos, Ksh 19.2 billion in Treasury bonds and Ksh 6.2 billion in overdraft at the Central Bank. However, these increases were partly offset by a decrease of Ksh 2.6 billion in other domestic debt.

Treasury bills (excluding Repos) increased from Ksh 76.8 billion in June 2008 to Ksh 99.2 billion as at April 3, 2009. Treasury bonds and overdraft at Central Bank also increased from Ksh 315.2 billion and zero, respectively, to Ksh 334.4 billion and Ksh 6.2 billion during the period. However, other domestic debt decreased from Ksh 37.8 billion to Ksh 35.2 billion, while Government long term stocks remained unchanged at Ksh 0.8 billion during the period.

Following these developments, the holdings of Treasury bonds in total Government securities decreased from 80.2 percent in June 2008 to 77.0 percent as at April 3, 2009, while Treasury bills holdings increased from 19.6 percent to 22.8 percent during the period. As a result, the maturity profile of Government securities increased from 3 years and 8 months to 3 years and 6 months during the period.

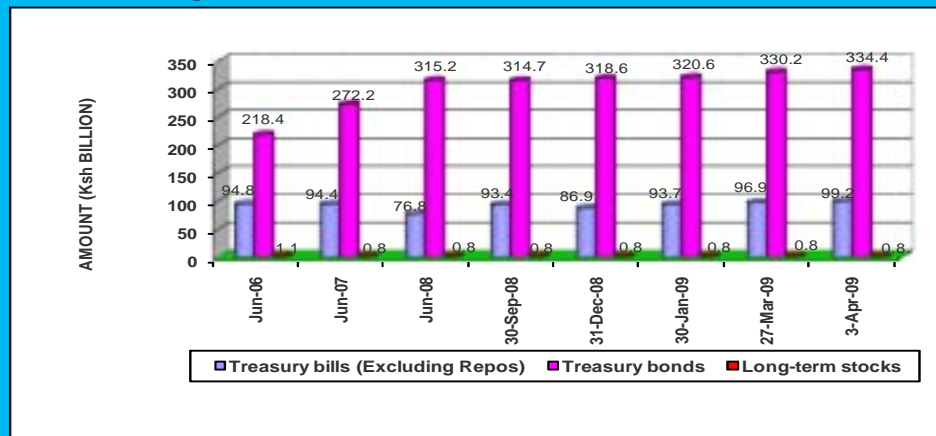
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-08	6th mar 09	13th Mar 09	20th Mar 09	27th Mar 09	3rd Apr 09	Changes 20th Mar-09 -27th Mar-09	30 th Jun-08 -3rd Apr- 09
1. Treasury Bills (Excluding Repos) (As % of total securities)	76.8 19.6	93.9 22.1	95.5 22.4	96.7 22.6	97.9 22.6	99.2 22.8	1.3	22.3
2. Treasury Bonds (As % of total securities)	315.2 80.2	330.2 77.7	330.2 77.4	330.2 77.2	334.4 77.2	334.4 77.0	0.0	19.2
3. Long Term Stocks (As % of total securities)	0.8 0.2	0.8 0.2	0.8 0.2	0.8 0.2	0.8 0.2	0.8 0.2	0.0	0.0
4. Total Securities (1+2+3)	392.8	424.8	426.4	427.6	433.1	434.4	1.3	41.6
5. Overdraft at Central Bank	0.0	7.1	5.8	6.1	5.5	6.2	0.7	6.2
6. Other Domestic debt*	37.8	34.5	34.3	34.9	35.4	35.2	-0.2	-2.6
7. Gross Domestic Debt (4+5+6)	430.6	466.4	466.5	468.5	474.0	475.8	1.8	45.2
8. Interest payments on domestic debt	42.2	30.7	30.9	31.1	33.5	34.4	0.9	

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

Source: Central Bank of Kenya

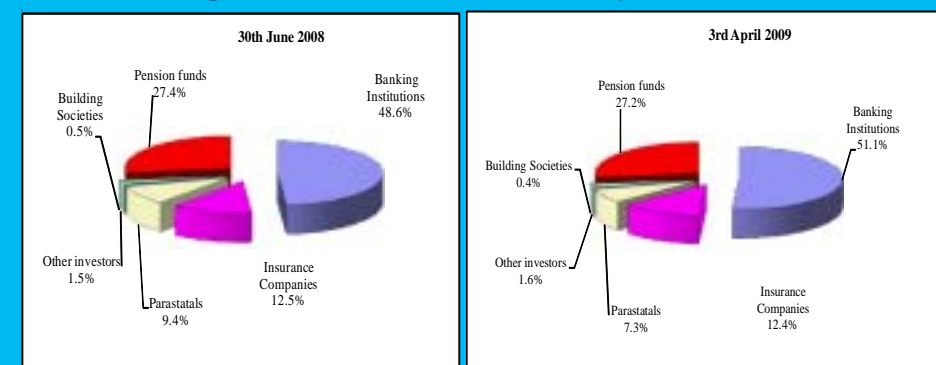
Chart D: Composition of Government Securities



Source: Central Bank of Kenya

Government securities holdings by commercial banks and other investors increased from 48.6 percent and 1.5 percent, respectively, in June 2008 to 51.1 percent and 1.6 percent as at April 3, 2009. However, holdings of insurance companies, parastatals, building societies and pension funds declined from 12.5 percent, 9.4 percent, 0.5 percent and 27.4 percent, respectively, to 12.4 percent, 7.3 percent, 0.4 percent and 27.2 percent during the same period.

Chart E: Composition of Government Securities by Investor

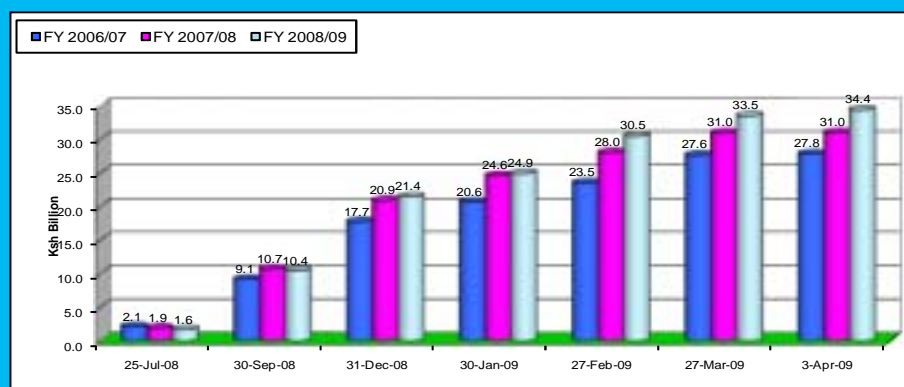


Source: Central Bank of Kenya

Cost of Domestic Borrowing

From July 1 to April 3, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 34.4 billion compared with Ksh 31.0 billion in a similar period of 2007/08 (Chart F). The interest cost on domestic debt during the period comprised Ksh 26.1 billion in interest and other charges on Treasury bonds, Ksh 7.4 billion in interest and other charges on Treasury bills and Ksh 0.8 billion in interest on Government overdraft at Central Bank.

Chart F: Cumulative Interest Payments on Domestic Debt



Source: Central Bank of Kenya

The Stock Market

There was improved performance at the equities market during the week ending April 8, 2009. Turnover improved by 42.7 percent as stocks worth Ksh 0.6 billion were traded compared with Ksh 0.4 billion traded in the previous week. The number of shares traded decreased, from 46.5 million in the previous week to 39.8 million shares traded in the week under review. Market capitalization as a measure of total shareholders wealth declined by 0.7 percent or Ksh 4.7 billion from Ksh 688.4 billion in the previous week, to Ksh 683.7 billion in the week under review. The NSE 20 Share Index gained 5.43 points to settle at 2,814.37 points on April 8, 2009 from 2,808.94 points on April 2, 2009. The Nairobi All Share Index lost 0.4 points and closed at 59.03 points compared with 59.43 points in the previous week (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	19th Feb 2009	12th Mar 2009	19th Mar 2009	26th Mar 2009	2nd Apr 2009	8th Apr 2009
NASI 100= Jan 2008	58.97	52.92	57.05	56.78	59.43	59.03
NSE 20 Share Index 100=1966	2,714.49	2,453.36	2,668.11	2,663.19	2,808.94	2,814.37
Number of Deals	8,409	7,265	9,889	7,570	8,702	7,640
Total Shares Traded (millions)	39.44	46.66	47.66	40.41	46.47	39.78
Equity Turnover (Ksh. millions)	438.86	477.68	623.46	464.33	445.20	635.44
Market Capitalization (Ksh. Bn.)	682.82	612.96	660.71	657.66	688.37	683.71
Bonds Turnover (Ksh. millions)	906.35	2,650.90	1,700.85	1,265.85	467.10	1,751.80

* The Nairobi All Share Index (NASI) effected on February 25, 2008 (January 01, 2008 = 100)

Source: Nairobi Stock Exchange

The Commercial and Services sector traded 19.2 million shares and accounted for 48.2 percent of total traded volume. Safaricom traded 11.4 million shares to be the most active stock in the sector. Industrial and Allied sector traded 9.6 million shares and accounted for 24.2 percent of traded volume. Kengen and Mumias shares were the most active counters and traded 3.4 million and 2.4 million shares, respectively. The Finance and Investment sector traded 8.3 million shares and accounted for 20.8 percent of total traded volume. Equity Bank and Kenya Commercial Bank traded 3.2 million and 2.2 million shares and were the most active counters in the sector. The other sectors had minimal trading.

Bond Market

Bond market trading improved at the Fixed Income Securities Market during the week. Bond turnover increased as bonds worth Ksh 1.8 billion were traded compared with Ksh 0.5 billion traded in the previous week.