

April 30, 2009



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market posted subdued performance rate of 81.1 percent during the Treasury bills auction of April 30 2009. The government had offered for sale Treasury bills worth Ksh 6.0 billion, received bids totalling Ksh 4.9 billion and accepted bids totalling Ksh 4.6 billion. The average 91-day Treasury bill rate went up by 6.7 basis points from 7.314 percent in the previous week's auction to 7.381 percent during this week's auction while the average 182-day Treasury bill rate upped 13.8 basis points from 8.465 percent in the previous week's auction to 8.603 percent.

The average interbank interest rate increased by 64 basis points from 5.75 percent in the previous week to 6.38 percent during the week ending April 29, 2009. The repo rate remained at 4.00 percent in the week ending April 29, 2009.

During the week ending April 30, 2009, the Kenya Shilling on average strengthened against the US dollar and the Sterling Pound but weakened against the Euro and the Japanese Yen. Against the US dollar, the Shilling exchanged at an average of Ksh 78.93 in the week ending April 30, 2009 compared with Ksh 79.20 in the previous week.

Official usable foreign exchange reserves held by the Central Bank declined from US dollar 3,242 million (equivalent to 4.58 months of imports) as at April 30, 2008 to US dollar 2,608 million (equivalent to 3.11 months of imports) as at April 30, 2009.

Central Bank's Open Market Operations injected Ksh 6.5 billion to commercial banks and redeemed maturing securities worth Ksh 0.07 billion during the week ending April 29, 2009.

The Government gross domestic debt increased by 12.3 percent as at April 24, 2009. From July 1, 2008 to April 24, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 34.7 billion compared with Ksh 32.2 billion in a similar period of 2007/08.

Performance at the equities market was mixed during the week. Turnover decreased by 39.7 percent, market capitalization increased by 0.9 percent, while the NSE 20 Share index gained 48.97 points to settle at 2,813.02 points on April 29, 2009.

Government Securities Auction

The Government securities market posted subdued performance rate of 81.1 percent during the Treasury bills auction of April 30 2009. The government had offered for sale Treasury bills worth Ksh 6.0 billion and received bids totalling Ksh 4.9 billion of which Ksh 3.2 billion (or 65.3 percent) were in 182 days Treasury bills.

The Government accepted Treasury bills bids totalling Ksh 4.6 billion of which Ksh 3.9 billion or 84.7 percent were in competitive bids. Proceeds of the auction were adequate to cover the cost of rolling over Treasury bills maturities amounting to Ksh 4.0 billion in the week and provide the Government additional borrowing of Ksh 0.6 billion.

Treasury bills interest rates

The average 91-day Treasury bill rate went up by 6.7 basis points from 7.314 percent in the previous week's auction to 7.381 percent during this week's auction while the average 182-day Treasury bill rate upped 13.8 basis points from 8.465 percent in the previous week's auction to 8.603 (Table 1). Consequently, the 12-weeks moving average for the 91-day Treasury bill rate declined from 7.341 percent in the previous week to 7.313 percent while the 182-day Treasury bill rate went up from 8.015 percent to 8.066 percent.

Table 1 : Interest Rates

Auction date	19-Mar-09	26-Mar-09	2-Apr-09	9-Apr-09	16-Apr-09	23-Apr-09	30-Apr-09
Average 91 day T. Bills	7.360	7.359	7.355	7.341	7.338	7.314	7.381
Average 182 day T. Bills	8.101	8.228	8.134	8.288	8.471	8.465	8.603
Month	Sep-08	Oct-08	Nov-08	Dec-09	Jan-09	Feb-09	Mar-09
Average savings rate	1.73	1.74	1.61	1.65	2.10	2.13	1.90
Average overdraft rate	13.43	13.91	13.85	14.39	13.84	13.46	13.78

Source: Central Bank of Kenya

Interbank and REPO Market

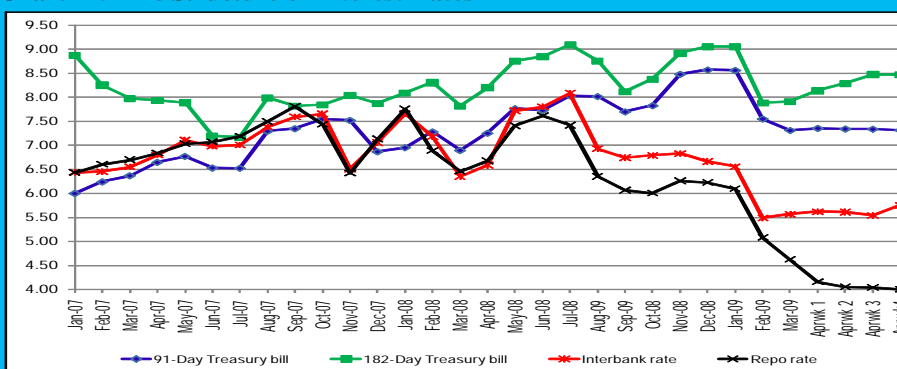
The average interbank interest rate increased by 64 basis points from 5.75 percent in the previous week to 6.38 percent during the week ending April 29, 2009, with a decline in volumes transacted (Table 2). Interbank volumes decreased by Ksh 16.8 billion from Ksh 36.4 billion in the previous week to Ksh 19.6 billion in the week under review. The implicit tightness of interbank liquidity is partly attributed to a build-up of government deposits through tax revenues.

Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
17-Apr-09	80	8,041	5.65
20-Apr-09	91	9,683	5.67
21-Apr-09	80	6,154	5.73
22-Apr-09	78	7,350	5.80
23-Apr-09	78	5,171	5.88
Apr 17 - Apr 23 2009	407	36,399	5.75
24-Apr-09	93	6,642	6.01
27-Apr-09	90	6,321	6.13
28-Apr-09	86	6,195	6.40
29-Apr-09	94	7,114	6.62
Apr 24 - Apr 29 2009	270	19,630	6.38

Source: Central Bank of Kenya

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

The Shilling Exchange Rate

During the week ending April 30, 2009, the Kenya Shilling on average strengthened against the US dollar and the Sterling Pound but weakened against the Euro and the Japanese Yen. Against the US dollar, the Shilling exchanged at an average of Ksh 78.93 in the week ending April 30, 2009 compared with Ksh 79.20 in the previous week (Table 3). The strengthening of the Shilling against the US dollar was attributed to foreign exchange inflows amid low foreign exchange demand. Moreover, the Shilling strengthened against the Sterling Pound to trade at an average of Ksh 115.77 per Sterling Pound in the week under review compared with Ksh 116.25 per Sterling Pound in the previous week.

The Shilling, however, weakened against the Euro and the Japanese Yen in the week under review to trade, respectively, at an average of Ksh 103.94 per Euro and Ksh 81.66 per 100 Japanese Yen, compared with Ksh 102.97 per Euro and Ksh 80.27 per 100 Japanese Yen in the week ending April 23, 2009. In the international foreign exchange market, the US dollar strengthened against the Sterling Pound but weakened against the Euro and the Japanese Yen.

Foreign Exchange Reserves

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen
17-Apr-09	79.85	118.28	104.55	80.22
20-Apr-09	79.68	117.16	103.53	80.55
21-Apr-09	78.94	115.70	102.18	80.22
22-Apr-09	78.94	115.70	102.18	80.22
23-Apr-09	78.59	114.44	102.44	80.14
April 17-23, 2009	79.20	116.25	102.97	80.27
24-Apr-09	79.19	116.23	104.34	81.86
27-Apr-09	78.86	114.91	103.64	81.57
28-Apr-09	79.04	114.99	102.87	82.59
29-Apr-09	78.88	116.01	104.07	81.42
30-Apr-09	78.66	116.70	104.80	80.84
April 24-30, 2009	78.93	115.77	103.94	81.66

Source: Central Bank of Kenya

Official usable foreign exchange reserves held by the Central Bank declined from US dollar 3,242 million (equivalent to 4.58 months of imports) as at April 30, 2008 to US dollar 2,608 million (equivalent to 3.11 months of imports) as at April 30, 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\$ 1,321 million as at end March 2008 to US\$ 1,607 million as at end March 2009.

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

	30-Apr-08	30-May-08	30-Jun-08	30-Sep-08	31-Dec-08	30-Jan-09	27-Feb-09	31-Mar-09	30-Apr-09
Usable Reserves	3,242	3,265	3,300	3,086	2,768	2,671	2,661	2,620	2,608
Months of Imports Cover*	4.58	4.55	4.60	4.06	3.35	3.19	3.17	3.13	3.11
Months of Imports Cover**	3.83	3.84	3.67	3.35	2.77	2.66	2.65	2.61	2.59

*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 29, 2009, Central Bank injected an average of Ksh 6.5 billion daily through reverse purchase agreement as shown in Table 5. The market experienced tight liquidity largely on account of a delay in recycling by Government funds mobilized through tax revenue.

Table 5: Open Market Operations (Ksh Billion)

Date	Reserve Money* (Projected)			OMO (Reverse 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
23-Apr	142.4	164.6	-22.2			0.0	150.3	-14.3	-3.0	-11.3
24-Apr	142.9	164.6	-21.6	6.0	6.0	0.0	150.0	-14.5	-2.5	-12.1
27-Apr	139.7	164.6	-24.9	8.0	8.0	0.0	150.3	-14.3	-2.1	-12.2
28-Apr	137.6	164.6	-27.0	8.0	8.0	0.0	150.9	-13.7	-2.0	-11.7
29-Apr	145.2	164.6	-19.4	4.0	4.0	0.0	152.4	-12.2	-1.2	-11.0
Average	141.6	164.6	-23.0	6.5	6.5	0.0	150.8	-13.8	-2.2	-11.6

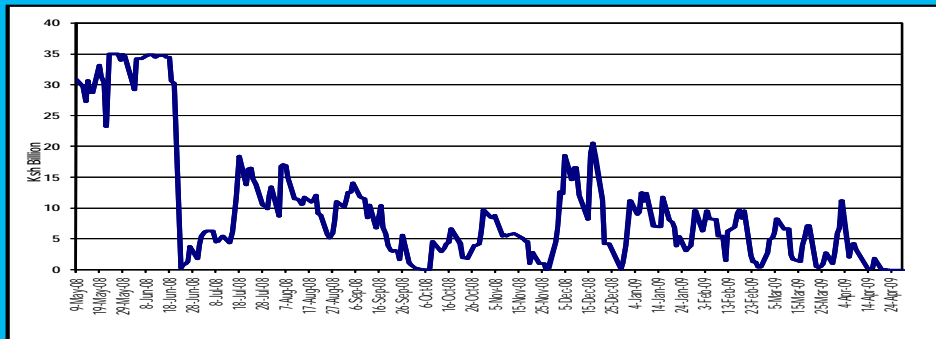
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Repurchase Agreement Securities held by Comm Banks

The stock of repurchase agreement securities held by commercial banks with Central Bank remained at zero in the week ending April 29, 2009 as shown in Chart B. Reserve money for the week ending April 29, 2009 averaged Ksh 150.8 billion or Ksh 13.8 billion below target.

Chart B: Commercial Banks Repo Holdings

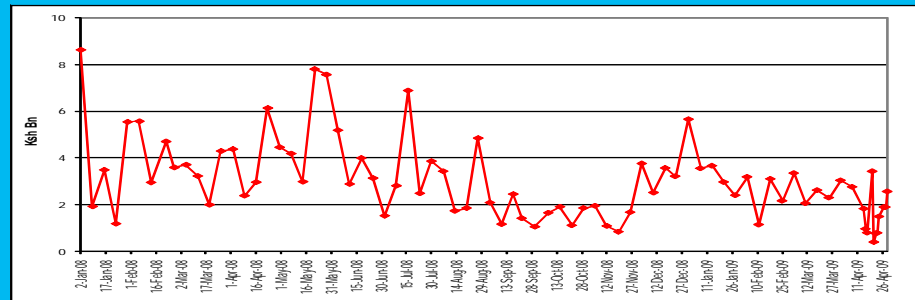


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

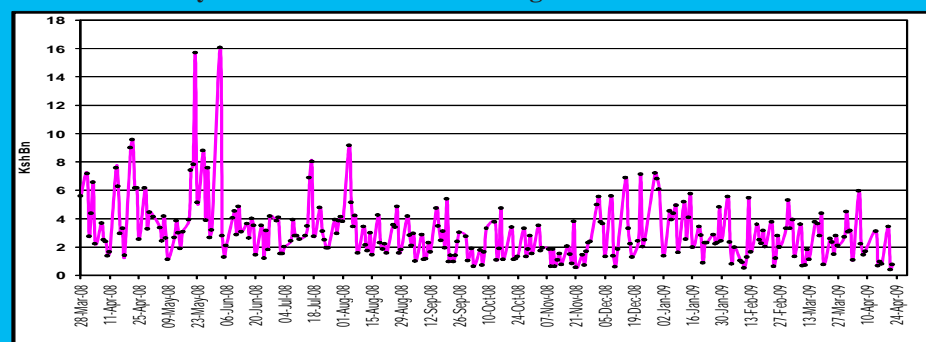
Commercial banks maintained an average of Ksh 1.7 billion in their clearing accounts at the Central Bank in the week to April 29, 2009, compared with Ksh 1.3 billion held in the previous week (Charts C1 and C2).

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 Ksh 52.9 billion, from Ksh 430.6 billion in June 2008 to Ksh 483.5 billion as at April 24, 2009 (Table 6 and Chart D). This was attributed to increases of Ksh 28.2 billion in Treasury bills excluding repos, Ksh 17.7 billion in Treasury bonds and

Ksh 10.4 billion in overdraft at the Central Bank. However, these increases were partly offset by a decrease of Ksh 3.4 billion in other domestic debt.

Treasury bills (excluding Repos) increased from Ksh 76.8 billion in June 2008 to Ksh 105.0 billion as at April 24, 2009. Treasury bonds and overdraft at Central Bank also increased from Ksh 315.2 billion and zero, respectively, to Ksh 332.9 billion and Ksh 10.4 billion during the period. However, other domestic debt decreased from Ksh 37.8 billion to Ksh 34.4 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 75.9 percent as at April 24, 2009, while Treasury bills holdings increased from 19.6 percent to 23.9 percent during the period. As a result, the maturity profile of Government securities decreased from 3 years and 8 months to 3 years and 6 months during the period.

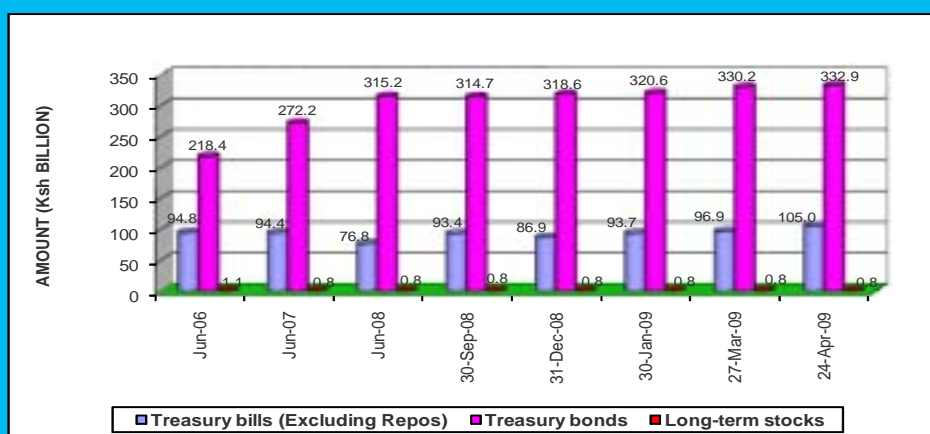
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-08	30th Jan 09	27th Feb 09	27th Mar 09	9th April 09	17th April 09	24th April 09	Changes 9th Apr-09 -24th Apr-09	30 th Jun 08 -24th Apr-09
1. Treasury Bills (Excluding Repos) (As % of total securities)	76.8 19.6	93.7 22.6	96.9 22.7	97.9 22.6	103.1 23.5	104.4 23.8	105.0 23.9	0.6	28.2
2. Treasury Bonds (As % of total securities)	315.2 80.2	320.6 77.2	330.2 77.2	334.4 77.2	334.4 76.3	334.4 76.1	332.9 75.9	-1.5	17.7
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	0.8 0.2	0.0	0.0
4. Total Securities (1+2+3)	392.8	415.1	427.8	433.1	438.2	439.6	438.7	-0.9	45.9
5. Overdraft at Central Bank	0.0	4.7	16.9	5.5	6.2	6.9	10.4	3.5	10.4
6. Other Domestic debt*	37.8	34.6	34.1	35.4	34.2	34.6	34.4	-0.2	-3.4
7. Gross Domestic Debt (4+5+6)	430.6	454.4	478.8	474.0	478.6	481.1	483.5	2.5	52.9
8. Interest payments on domestic debt (Cumulative in FY)	42.2	26.2	30.5	33.5	34.5	34.6	34.7	0.1	

* 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



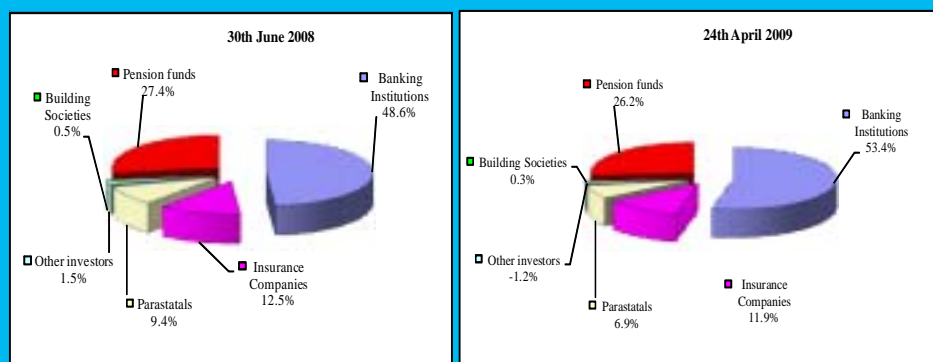
Source: Central Bank of Kenya

Holding of Government Securities

Government securities holdings by commercial banks increased from 48.6 percent in June 2008 to 54.8 percent as at April 24, 2009. However, holdings of insurance companies, parastatals, building societies, pension funds and other investors declined from 12.5 percent, 9.4 percent, 0.5

percent, 27.4 percent and 1.5 percent, respectively, to 12.2 percent, 7.1 percent, 0.3 percent, 26.9 percent and -1.2 percent during the same period.

Chart E: Composition of Government Securities by Investor

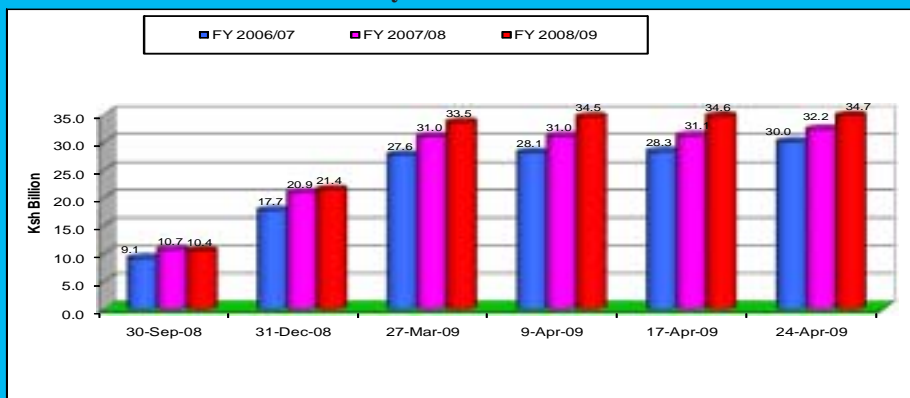


Source: Central Bank of Kenya

Cost of Domestic Borrowing

From July 1, 2008 to April 24, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 34.7 billion compared with Ksh 32.2 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 7.7 billion in interest and other charges on Treasury bills and Ksh 0.9 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 mixed performance at the equities market during the week ending April 29, 2009. Turnover decreased by 39.7 percent as stocks worth Ksh 0.5 billion were traded compared with Ksh 0.8 billion traded in the previous week. The number of shares traded decreased, from 83.9 million in the previous week to 39.9 million shares traded in the week under review. Market capitalization as a measure of total shareholders wealth increased by 0.9 percent or Ksh 6.1 billion from Ksh 678.0 billion in the previous week, to Ksh 684.1 billion in the week under review. The

NSE 20 Share index gained 48.97 points to settle at 2,813.02 points on April 29, 2009 from 2,764.05 points on April 23, 2009. The Nairobi All Share Index gained 0.52 points and closed at 59.0 points compared with 58.48 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	16th Apr 2009	23rd Apr 2009	29th Apr 2009
NASI 100= Jan 2008	58.97	52.92	57.05	56.78	59.43	59.03	56.86	58.48	59.00
NSE 20 Share Index 100=1966	2,714.49	2,453.36	2,668.11	2,663.19	2,808.94	2,814.37	2,699.40	2,764.05	2,813.02
Number of Deals	8,409	7,265	9,889	7,570	8,702	7,640	8,680	8,316	6,978
Total Shares Traded (millions)	39.44	46.66	47.66	40.41	46.47	39.78	29.22	83.93	39.95
Equity Turnover (Ksh. millions)	438.86	477.68	623.46	464.33	445.20	635.44	366.78	762.46	460.10
Market Capitalization (Ksh. Bn.)	682.82	612.96	660.71	657.66	688.37	683.71	658.64	677.99	684.05
Bonds Turnover (Ksh. millions)	906.35	2,650.90	1,700.85	1,265.85	467.10	1,751.80	949.61	576.10	74.10

* 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 21.2 million shares and accounted for 53.1 percent of total traded volume. Safaricom traded 20.2 million shares to be the most active stock in the sector. The Finance and Investment sector traded 15.9 million shares and accounted for 39.9 percent of total traded volume. Equity Bank and Kenya Commercial Bank traded 8.4 million and 3.6 million shares and were the most active counters in the sector. Industrial and Allied sector traded 2.2 million shares and accounted for 5.4 percent of traded volume. Mumias and Kengen shares were the most active counters and traded 0.7 million and 0.6 million shares, respectively. The other sectors had minimal trading.

Bond Market

Bond market trading declined at the Fixed Income Securities Market during the week. Bond turnover decreased as bonds worth Ksh 0.1 billion were traded compared with Ksh 0.6 billion traded in the previous week.