

August 7, 2009



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market posted a performance rate of 155.0 percent during the 182-day Treasury bills auction of August 6, 2009. The average 182-day Treasury bills rate declined by 2.5 basis points during this week's auction.

The average interbank rate increased by 20 basis points in the week ending August 6, 2009 to 3.21 percent as compared to the previous week at 3.01 percent.

The Kenya Shilling strengthened against the US dollar and the Japanese Yen but weakened against the Sterling Pound and the Euro during the week ending August 7, 2009. Against the US dollar, the shilling strengthened to exchange at Ksh 76.44 per US dollar in the week ending August 7, 2009 compared with Ksh 76.62 per US dollar in the previous week.

Official usable foreign exchange reserves held by the Central Bank stood at US\$ 3,160 million (equivalent to 3.57 months of imports) as at August 7, 2009 compared with US\$ 3,107 million as at July 31, 2009, and US dollar 3,263 million (equivalent to 4.32 months of imports) as at August 7, 2008.

Central Bank's Open Market Operations injected Ksh 3.0 billion to commercial banks and redeemed maturing reverse repo securities worth Ksh 10.9 billion during the week ending August 6, 2009.

The Government gross domestic debt increased by Ksh 12.1 billion, from Ksh 518.3 billion in June 2009 to Ksh 530.4 billion as at July 31, 2009. From July 1, 2009 to July 24, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 4.5 billion.

Performance at the equities market was mixed during the week. Equity turnover improved by 12.3 percent, market capitalization increased by 1.1 percent, while the NSE 20 Share Index lost 8.9 points to settle at 3,237.2 points on August 6, 2009.

Government Securities Auction

The Government securities market posted a performance rate of 155.0 percent during the 182-day Treasury bills auction of August 6, 2009. The Government offered for sale Treasury bills worth Ksh 6.5 billion and received bids totalling Ksh 10.1 billion.

The Government accepted Treasury bills bids totalling Ksh 7.0 billion, of which Ksh 4.5 billion or 64.0 percent were in competitive bids. Proceeds of the auction were to be used to meet the cost of rolling over Treasury bills maturities amounting to Ksh 5.8 billion in the week and provide the Government additional borrowing of Ksh 1.2 billion.

Treasury Bills Rates

The average 182-day Treasury bills rate declined by 2.5 basis points, from 8.151 percent in the previous auction of the same security to 8.126 percent during this week's auction (Table 1). Consequently, the 12-weeks moving average for the 182-day Treasury bills rate declined from 8.430 percent to 8.401 percent.

Table 1 : Interest Rates

Auction date	25-Jun-09	02-Jul-09	09-Jul-09	16-Jul-09	23-Jul-09	30-Jul-09	06-Aug-09
Average 182 day	8.153		8.155		8.151		8.126
Month	Oct-08	Nov-08	Dec-09	Jan-09	Feb-09	Mar-09	Apr-09
Average savings	1.74	1.61	1.65	2.10	2.13	1.90	1.91
Average overdra	13.91	13.85	14.39	13.84	13.46	13.78	13.66

Source: Central Bank of Kenya

Interbank and REPO Market

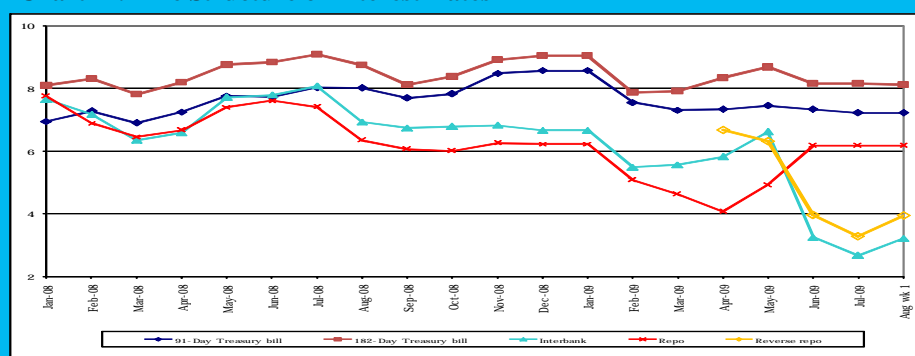
The average interbank rate increased by 20 basis points in the week ending August 6, 2009 to 3.21 percent as compared with the previous week at 3.01 percent. The number of deals and volumes increased from 421 to 493 and from Ksh 44,175 million to Ksh 62,081 million, respectively, during the week (Table 2). This reflected tight trading in the interbank market. The short term Treasury bill rate, 182-day, slightly edged downwards by 0.2 basis points in the week ending August 6, 2009 to 8.13 percent compared with the last trading in the week ending July 20, 2009 at 8.15 percent.

Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
24-Jul-09	72	7,685	2.87
25-Jul-09	93	10,707	2.98
28-Jul-09	87	8,465	3.12
29-Jul-09	86	8,702	3.18
30-Jul-09	83	8,616	3.15
July 23- July 30, 2009	421	44,175	3.06
31-Jul-09	78	8,125	3.03
1-Aug-09	104	12,436	3.11
4-Aug-09	117	15,700	3.25
5-Aug-09	97	12,597	3.33
6-Aug-09	97	13,223	3.34
July 31- Aug 06, 2009	493	62,081	3.21

Source: Central Bank of Kenya

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

The Shilling Exchange Rate

The Kenya Shilling strengthened against the US dollar and the Japanese Yen but weakened against the Sterling Pound and the Euro during the week ending August 7, 2009 (Table 3). Against the US dollar, the Shilling strengthened to exchange at Ksh 76.44 per US dollar in the week ending August 7, 2009 compared with Ksh 76.62 per US dollar in the previous week on account of foreign exchange inflows from tourism and export sectors. The Shilling also strengthened against the Japanese Yen to exchange at Ksh 80.38 per 100 Japanese in the week ending August 7, 2009 compared with Ksh 80.79 per 100 Japanese Yen in the week ending July 31, 2009. Against the Sterling Pound and the Euro, the Shilling weakened to trade at Ksh 128.90 and Ksh 109.69, respectively, in the week ending August 7, 2009 compared with Ksh 126.19 and Ksh 108.60, respectively, in the week ending July 31, 2009. In the international market, the US dollar weakened against both the Sterling Pound and the Euro in the week ending August 7, 2009.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
27-Jul-09	76.54	126.23	109.03	80.76	27.50	17.41
28-Jul-09	76.68	126.75	109.49	80.64	27.52	17.36
29-Jul-09	76.62	125.50	108.30	81.35	27.28	17.33
30-Jul-09	76.64	125.87	107.95	80.75	27.43	17.33
31-Jul-09	76.61	126.59	108.21	80.48	27.52	17.30
Jul 27 - 31, 2009	76.62	126.19	108.60	80.79	27.45	17.35
03-Aug-09	76.62	128.03	109.02	80.88	27.44	17.28
04-Aug-09	76.49	129.56	110.05	80.34	27.39	17.33
05-Aug-09	76.32	129.14	109.84	80.31	27.45	17.32
06-Aug-09	76.35	129.63	109.89	80.25	27.28	17.28
07-Aug-09	76.43	128.13	109.66	80.13	27.18	17.22
Aug 03 - 07, 2009	76.44	128.90	109.69	80.38	27.35	17.29

Source: Central Bank of Kenya

In the regional scene, the Kenya Shilling weakened against both the Uganda Shilling and the Tanzania Shilling in the week ending August 7, 2009 to exchange at Ush 27.35 and Tsh 17.29, respectively, compared with Ush 27.45 and Tsh 17.35, respectively, in the previous week.

Official usable foreign exchange reserves held by the Central Bank stood at US\$ 3,160 million (equivalent to 3.57 months of imports) as at August 7, 2009 compared with US\$ 3,107 million as at July 31, 2009 and US dollar 3,263 million (equivalent to 4.32 months of imports) as at August 7,

2008 (Table 4). The decline in import cover in comparison with similar period last year reflects decline in reserves level and increased import bill.

Foreign Exchange Reserves

Foreign exchange reserves held by the commercial banks, predominantly used by the private sector to meet external financial obligations, decreased from US\$ 2,341 million as at end June 2008 to US\$ 1,602 million as at end June 2009.

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

	7-Aug-08	30-Sep-08	31-Dec-08	30-Jan-09	27-Feb-09	31-Mar-09	30-Apr-09	26-Jun-09	31-Jul-09	7-Aug-09
Usable Reserves	3,263	3,086	2,768	2,671	2,661	2,620	2,608	3,086	3,107	3,160
Months of Imports Cover*	4.32	4.06	3.35	3.19	3.17	3.13	3.11	3.56	3.53	3.57
Months of Imports Cover**	3.55	3.35	2.77	2.66	2.65	2.61	2.59	3.10	3.13	3.18

*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

Liquidity in the money market eased in the week ending Aug 6, 2009 with Central bank injecting 3.0 billion in the week compared with 11.0 billion in the previous week (Table 5). Increased Government spending contributed to improved liquidity situation in the banking system. During the week, maturing reverse repo securities amounted to Ksh 10.9 billion. Reserve money averaged Ksh 154.7 billion in the week and remained below target by Ksh 7.0 billion.

Table 5: Open Market Operations (Ksh Billion)

Date	Reserve Money* (Projected)		OMO		OMO (Reverse)		Reserve money		
	Forecast	Target	Exc(+)/ Short(-)	Posted	Realised	Posted	Injected	Actual	Exc(+)/ Short(-)
	(1)	(2)	3=(2-1)	(4)	(5)	(6)	(7)	(8)	9=(8-2)
31-Jul	159.6	161.0	-1.4	0.0	0.0	0.0	0.0	158.1	-2.9
03-Aug	150.6	162.9	-12.2	0.0	0.0	2.0	2.0	153.2	-9.7
04-Aug	153.7	162.9	-9.2	0.0	0.0	0.0	0.0	154.4	-8.5
05-Aug	152.5	162.9	-10.4	0.0	0.0	1.0	1.0	154.8	-8.1
06-Aug	157.0	162.9	-5.9	0.0	0.0	0.0	0.0	156.8	-6.1
Average	154.7	162.5	-7.8	0.0	0.0	0.6	0.6	155.5	-7.0

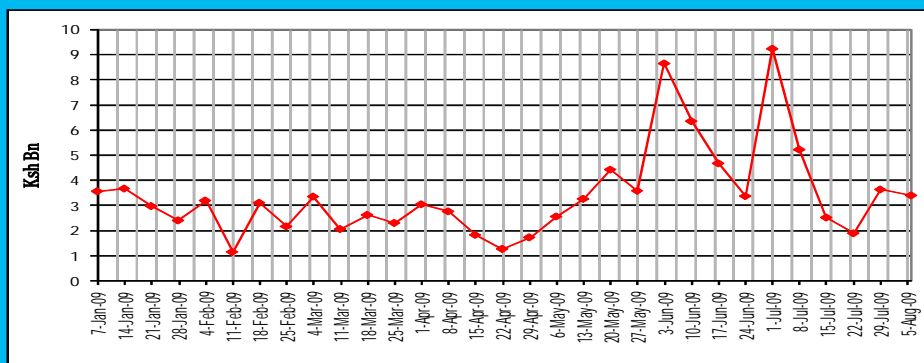
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks maintained an average of Ksh 3.4 billion in their clearing accounts at the Central Bank in the week to August 6, 2009, compared with Ksh 3.6 billion held in the previous week (Chart B).

Chart B: Weekly Average Commercial Banks Clearing Account Balances



Source: Central Bank of Kenya

Government Domestic Debt

The Government gross domestic debt increased by Ksh 12.1 billion, from Ksh 518.3 billion in June 2009 to Ksh 530.4 billion as at July 31, 2009 (Table 6 and Chart C). This was attributed to increases of Ksh 4.0 billion in Treasury bills excluding repos and Ksh 10.5 billion in Treasury bonds. However, the increase was offset by decreases of Ksh 1.2 billion in the overdraft at the Central Bank and Ksh 1.2 billion in other domestic debt.

Treasury bills (excluding Repos) increased from Ksh 116.8 billion in June 2009 to Ksh 120.8 billion as at July 31, 2009, while Treasury bonds increased from Ksh 360.7 billion to Ksh 371.2 billion during the period. However, other domestic debt and overdraft at the Central Bank decreased from Ksh 34.9 billion and Ksh 5.1 billion, respectively, to Ksh 33.7 billion and Ksh 3.9 billion. 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 75.4 percent in June 2009 to 75.3 percent as at July 31, 2009, while Treasury bills holdings increased from 24.4 percent to 24.5 percent during the period. As a result, the maturity profile of Government securities decreased from 3 years and 9 months to 3 years and 8 months during the period.

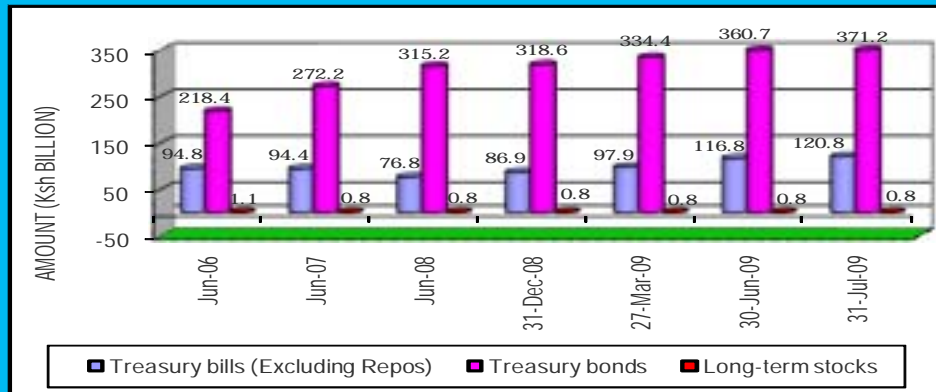
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-08	31st Dec 08	27th Mar 09	30th June 09	24th July 2009	31st July 2009	Changes 24th July-09 - 31st July-09	30th Jun-08 - 31st July-09
1. Treasury Bills (Excluding (As % of total securities)	76.8 19.6	86.9 21.4	97.9 22.6	116.8 24.4	111.5 23.6	120.8 24.5	9.3 0.9	4.0 0.1
2. Treasury Bonds (As % of total securities)	315.2 80.2	318.6 78.4	334.4 77.2	360.7 75.4	360.7 76.3	371.2 75.3	10.5 -0.9	10.5 -0.1
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	0.0 0.0
4. Total Securities (1+2+3)	392.8	406.3	433.1	478.3	473.0	492.8	19.7	14.5
5. Overdraft at Central Bank	0.0	15.1	5.5	5.1	0.7	3.9	3.2	-1.2
6. Other Domestic debt*	37.8	34.9	35.4	34.9	33.7	33.7	0.0	-1.2
7. Gross Domestic Debt (4+5+6)	430.6	456.2	474.0	518.3	507.5	530.4	23.0	12.1
8. Interest payments on domestic debt (Cumulative in Ksh Bn)	42.2	22.7	33.5	45.9	1.2	4.5	3.3	

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

Source: Central Bank of Kenya

Chart C: Composition of Government Securities

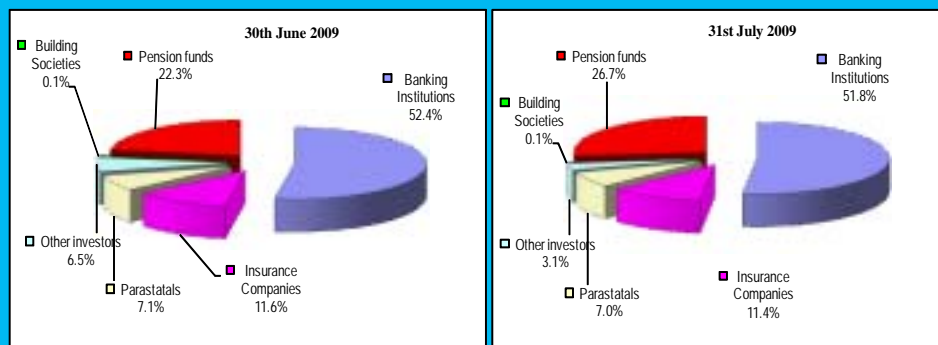


Source: Central Bank of Kenya

Holding of Government Securities

Government securities holdings by pension funds increased from 22.3 percent in June 2009 to 26.7 percent as at July 31, 2009. On the other hand, holdings of commercial banks, insurance companies, parastatals and other investors decreased from 52.4 percent, 11.6 percent, 7.1 percent and 6.5 percent, respectively, in June 2009 to 51.8 percent, 11.4 percent, 7.0 percent and 3.5 percent, respectively, during the same period. Holdings of building societies, however, remained unchanged at 0.1 percent.

Chart D: Composition of Government Securities by Investor

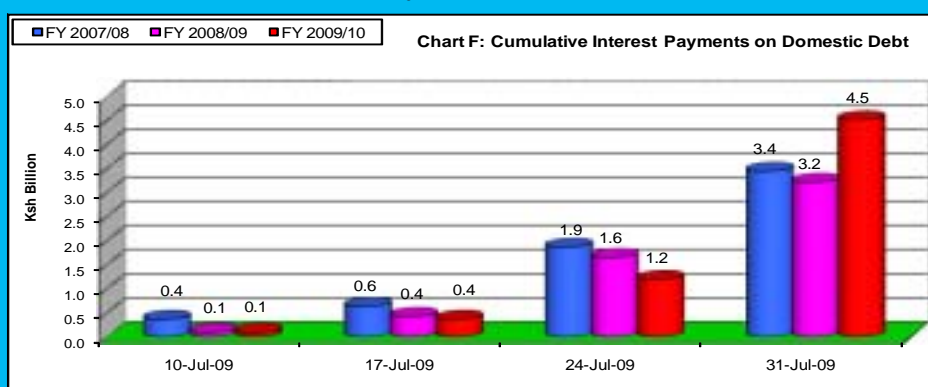


Source: Central Bank of Kenya

Cost of Domestic Borrowing

From July 1, 2009 to July 31, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 4.5 billion as shown in Chart E. The interest cost on domestic debt during the period comprised Ksh 3.6 billion in interest and other charges on Treasury Bonds and Ksh 0.9 billion in interest and other charges on Treasury Bills.

Chart E: 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 August 6, 2009. Equity turnover improved by 12.3 percent as stocks worth Ksh 771.9 million were traded compared with Ksh 687.2 million traded in the previous week. The number of shares traded increased from 59.0 million in the previous week to 68.7 million shares traded in the week under review. Market capitalization as a measure of total shareholders wealth increased by 1.1 percent or Ksh 9.4 billion to close at Ksh 831.6 billion in the week under review from Ksh 822.2 billion in the previous week. The NSE 20 Share Index lost 8.9 points to settle at 3237.2 points on August 6, 2009 from 3246.1 points on July 30, 2009. The Nairobi All Share Index gained 0.8 points to settle at 71.8 points on August 6, 2009 (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	28-May-09	04-Jun-09	11-Jun-09	18-Jun-09	25-Jun-09	02-Jul-09	09-Jul-09	16-Jul-09	23-Jul-09	30-Jul-09	06-Aug-09
NASI 100= Jan	59.70	61.01	62.95	69.20	69.74	72.30	71.85	71.15	71.79	70.99	71.81
NSE 20 Share	2,849.43	2,924.77	2,959.47	3,202.18	3,246.43	3,357.66	3,312.64	3,256.75	3,317.62	3,246.09	3,237.20
Number of Deals	7,807	5,894	7,876	9,238	13,116	9,631	10,026	8,926	8,196	8,410	7,233
Total Shares	100.73	72.38	76.16	102.46	96.97	81.41	76.43	60.76	52.61	59.02	68.72
Equity Turnover	1,129.25	448.56	822.05	996.50	1,264.18	1,073.35	826.83	573.02	633.49	687.17	771.91
Market	693.13	706.59	728.99	801.46	807.62	837.30	832.05	824.02	831.36	822.15	831.60
Bonds Turnover	6,457.95	3,903.00	-	1,655.05	1,015.60	2,549.50	1,712.55	1,807.90	1,087.15	1,375.00	520.65

* 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 42.1 million shares and accounted for 61 percent of total traded volume. Safaricom traded 40.8 million shares to be the most active stock in the sector. The Finance and Investment sector traded 21.3 million shares and accounted for 31 percent of total traded volume. Equity Bank and Kenya Commercial Bank traded 10.3 million and 6.6 million shares and were the most active counters in the sector. Industrial and Allied sector traded 4.8 million shares and accounted for 7 percent of traded volume. Mumias and KenGen were the

most active counters and traded 2.0 million and 1.6 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 0.5 billion were traded compared with Ksh 1.4 billion traded in the previous week.