

June 12, 2009



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market posted a performance rate of 283.3 percent during the Treasury bills auction of June 11, 2009. The average 91-day Treasury bills rate declined by 12.2 basis points, while the average 182-day Treasury bills rate declined by 32.3 basis points during this week's auction.

The average interbank interest rate declined in the week to June 11, 2009 to 3.0 percent from 4.1 percent in the week ending June 4, 2009.

During the week ending June 12, 2009, the Kenya Shilling on average depicted mixed performance against the major international currencies; remaining stable against the US Dollar, and strengthening against the Sterling Pound, the Euro and the Japanese Yen. Against the US dollar, the Shilling exchanged at an average of Ksh 78.03 in the week ending June 12, 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 3,280 million (equivalent to 4.57 months of imports) as at June 12, 2008 to US dollar 2,868 million (equivalent to 3.31 months of imports) as at June 12, 2009.

Central Bank's Open Market Operations desk remained quiet in the week ending June 10, 2009.

The Government gross domestic debt increased from Ksh 430.6 billion in June 2008 to Ksh 490.7 billion as at June 5, 2009. From July 1 2008 to June 5, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 42.3 billion compared with Ksh 38.8 billion in a similar period of 2007/08.

Performance at the equities market improved during the week. Equity turnover improved by 83 percent, and market capitalization increased by 3.2 percent. The NSE 20 Share index gained 34.7 points to settle at 2959.5 points on June 11, 2009.

Government Securities Auction

The Government securities market posted a performance rate of 283.3 percent during the Treasury bills auction of June 11, 2009. The Government had offered for sale Treasury bills worth Ksh 6.5 billion and received bids totalling Ksh 18.4 billion of which Ksh 11.0 billion were in 182 days Treasury bills.

The Government accepted Treasury bills bids totalling Ksh 17.2 billion of which Ksh 16.2 billion or 94.0 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 11.3 billion.

Treasury bills Interest Rates

The average 91-day Treasury bills rate declined by 12.2 basis points from 7.431 percent in the previous week's auction to 7.309 percent during this week's auction while the average 182-day Treasury bills rate declined by 32.3 basis points from 8.362 percent in the previous week's auction to 8.039 percent (Table 1). Consequently, the 12-weeks moving average for the 91-day Treasury bills rate declined from 7.399 percent in the previous week to 7.395 percent, while that of 182-day Treasury bills rate declined from 8.483 percent to 8.478 percent.

Table 1 : Interest Rates

Auction date	23-Apr-09	30-Apr-09	07-May-09	14-May-09	21-May-09	28-May-09	04-Jun-09	11-Jun-09
Average 91 day T. Bills	7.381	7.381	7.358	7.549	7.507	7.494	7.431	7.309
Average 182 day T. Bills	8.603	8.603	8.686	8.914	8.875	8.674	8.362	8.039
Month	Sep-08	Oct-08	Nov-08	Dec-09	Jan-09	Feb-09	Mar-09	Apr-09
Average savings rate	1.73	1.74	1.61	1.65	2.10	2.13	1.90	1.91
Average overdraft rate	13.43	13.91	13.85	14.39	13.84	13.46	13.78	13.66

* Revised

Source: Central Bank of Kenya

Interbank and REPO Market

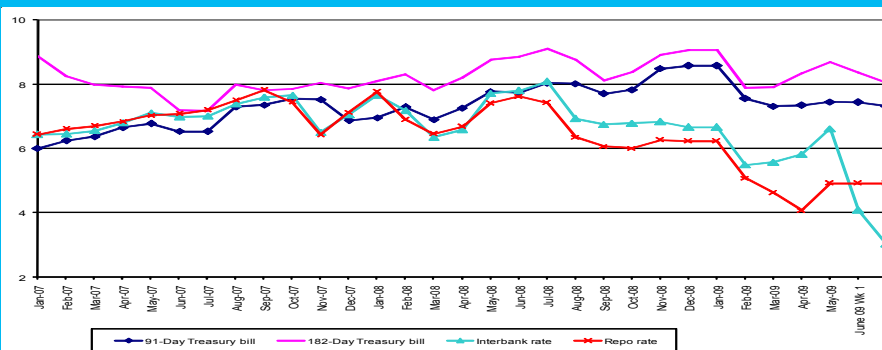
The average interbank interest rate declined from 4.1 percent in the week to June 4, 2009 to 3.0 percent. Activity in the interbank market improved in the week to June 11, 2009, with the number of deals increasing from 260 in the previous week to 286 in the week under review. Similarly the average volume of transactions increased from Ksh 32.6 billion to Ksh 37.3 billion.

Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
May 22 - May 28 2009	403	40,355	5.87
29-May-09	51	4,409	4.65
02-Jun-09	66	9,691	4.17
03-Jun-09	59	7,577	3.83
04-Jun-09	84	10,886	3.68
May 29 - June 4 2009	260	32,563	4.08
05-Jun-09	82	8,631	3.47
08-Jun-09	57	6,516	3.22
09-Jun-09	46	6,708	3.05
10-Jun-09	50	7,504	2.81
11-Jun-09	51	7,930	2.60
June 5 - June 11, 2009	286	37,289	3.03

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 June 12, 2009, the Kenya Shilling on average depicted mixed performance against the major international currencies; remaining stable against the US Dollar, and strengthening against the Sterling Pound, the Euro and the Japanese Yen. Against the US dollar, the Shilling exchanged at an average of Ksh 78.03 in the week ending June 12, 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 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
02-Jun-09	78.21	128.12	110.46	81.11	28.51	16.91
03-Jun-09	77.96	129.58	111.48	81.27	27.77	17.02
04-Jun-09	77.89	126.67	110.48	81.02	27.96	16.99
05-Jun-09	77.92	125.55	110.62	80.58	27.08	16.98
June 02-05 2009	78.00	127.48	110.76	80.99	27.83	16.98
08-Jun-09	77.87	123.26	108.29	79.21	27.67	16.98
09-Jun-09	78.08	125.08	108.38	79.79	27.92	16.75
10-Jun-09	78.08	127.15	109.73	80.08	27.93	16.79
11-Jun-09	78.12	127.36	109.34	79.88	27.90	16.90
12-Jun-09	78.01	128.36	109.55	79.86	27.94	16.66
June 08-12 2009	78.03	126.24	109.06	79.76	27.88	16.82

Source: Central Bank of Kenya

The Shilling however, strengthened against the Sterling Pound, the Euro and the Japanese Yen in the week ending June 12, 2009, to trade at an average of Ksh 126.24 per Sterling Pound, Ksh 109.06 per Euro and Ksh 79.76 per 100 Japanese Yen, compared with Ksh 127.48 per Sterling Pound, Ksh 110.76 per Euro and Ksh 80.99 per 100 Japanese Yen in the previous week. In the regional market, the Ksh was stable closing the week at an average of Kshs 27.88 per Uganda shilling and Kshs 16.82 per Tanzania shilling compared with Kshs 27.83 per Uganda shilling and Kshs 16.98 per Tanzania shilling the previous week.

Foreign Exchange Reserves

Official usable foreign exchange reserves held by the Central Bank declined from US dollar 3,280 million (equivalent to 4.57 months of imports) as at June 12, 2008 to US dollar 2,868 million (equivalent to 3.31 months of imports) as at June 12, 2009 (Table 4). The decline in import cover reflects reduction in the reserve level as well as increased import bill. Commercial bank holdings of foreign exchange reserves, 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)

	12-Jun-08	29-Aug-08	30-Sep-08	31-Dec-08	30-Jan-09	27-Feb-09	31-Mar-09	30-Apr-09	29-May-09	12-Jun-09
Usable Reserves	3,280	3,152	3,086	2,768	2,671	2,661	2,620	2,608	2,789	2,868
Months of Imports Cover*	4.57	4.14	4.06	3.35	3.19	3.17	3.13	3.11	3.22	3.31
Months of Imports Cover**	3.65	3.43	3.35	2.77	2.66	2.65	2.61	2.59	2.80	2.88

*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

Central Bank's Open Market Operations desk remained quiet in the week ending June 10, 2009. Reserve money for the week averaged Ksh 158.7 billion and was Ksh 4.9 billion below target (Table 5).

Table 5: Open Market Operations (Ksh Billion)

Date	Reserve Money* (Projected)			Reserve money performance		Bank Reserves	Currency Outside Banks
	Forecast	Target	Exc(+)/Short(-)	Actual	Exc(+)/Short(-)	Exc(+)/Short(-)	Exc(+)/Short(-)
	(1)	(2)	3=(2-1)	(8)	9=(10+11)	10	11
04-Jun	158.1	163.6	-5.5	159.2	-4.4	7.7	-12.0
05-Jun	159.9	163.6	-3.7	160.3	-3.3	9.1	-12.3
08-Jun	157.9	163.6	-5.7	157.3	-6.3	4.8	-11.1
09-Jun	160.1	163.6	-3.4	158.3	-5.3	4.8	-10.1
10-Jun	159.2	163.6	-4.4	158.3	-5.3	4.5	-9.8
Average	159.0	163.6	-4.6	158.7	-4.9	6.2	-11.0

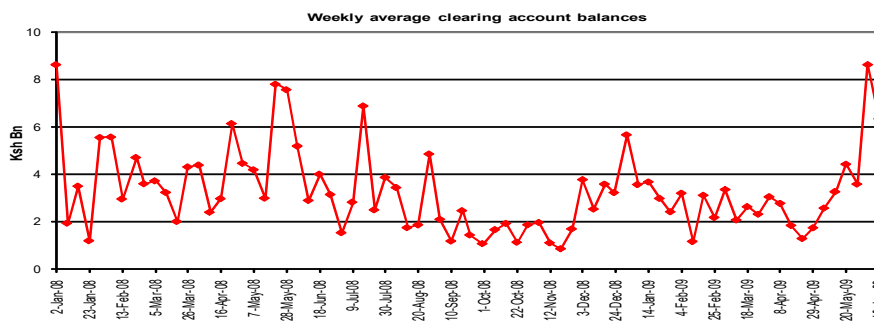
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

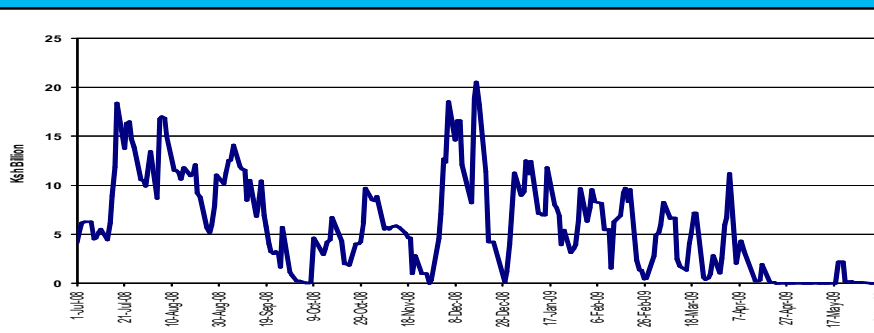
Commercial banks maintained an average of Ksh 6.4 billion in their clearing accounts at the Central Bank in the week to June 10, 2009, compared with Ksh 8.7 billion held in the previous week (Charts B1 and B2).

Chart B1: Weekly Average Commercial Banks Clearing Account Balances



Source: Central Bank of Kenya

Chart B2: Commercial Banks Repo Holdings



Source: Central Bank of Kenya

Government Domestic Debt

The Government gross domestic debt increased from Ksh 430.6 billion in June 2008 to Ksh 490.7 billion in June 5, 2009 (Table 6). This was attributed to increases of Ksh 25.4 billion in Treasury bills excluding repos, Ksh 33.1 billion in Treasury bonds and Ksh 5.1 billion in overdraft at the Central Bank of Kenya (CBK). However, these increases were partly offset by a decrease of Ksh 3.5 billion in other domestic debt.

Treasury bills (excluding Repos) increased from Ksh 76.8 billion in June 2008 to Ksh 102.2 billion as at June 5, 2009. Treasury bonds and overdraft at CBK also increased from Ksh 315.2 billion and zero, respectively, to Ksh 348.3 billion and Ksh 5.1 billion during the period. Other domestic debt also went up from Ksh 37.8 billion to Ksh 34.3 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 77.2 percent while Treasury bills holdings increased from 19.6 percent to 22.6 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.

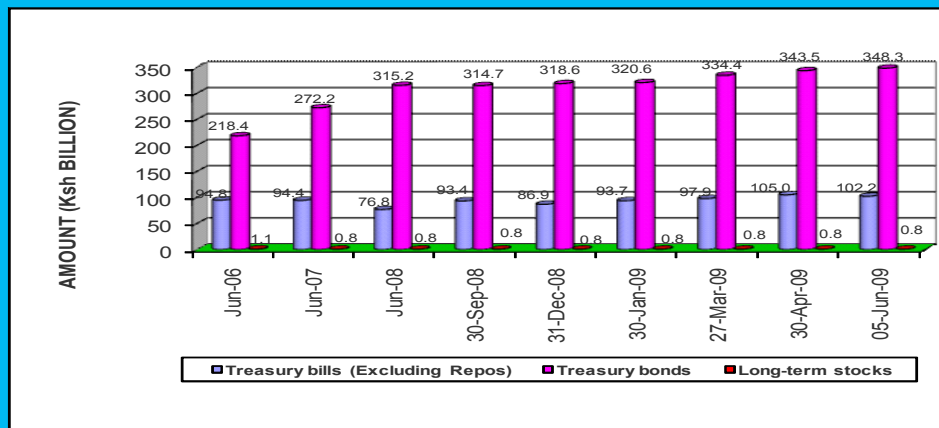
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-08	31st Dec 08	27th Mar 09	30th April 09	29th May 09	5th June 09	Changes 29th May-09 -5th June-09	30 th Jun-08 -5th June-09
1. Treasury Bills (Excluding Repos) (As % of total securities)	76.8	86.9	97.9	105.0	99.1	102.2	-0.6	25.4
2. Treasury Bonds (As % of total securities)	315.2	318.6	334.4	343.5	348.3	348.3	13.9	33.1
3. Long Term Stocks (As % of total securities)	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.0
4. Total Securities (1+2+3)	392.8	406.3	433.1	449.2	448.1	451.3	13.3	58.5
5. Overdraft at Central Bank	0.0	15.1	5.5	12.4	6.7	5.1	-7.6	5.1
6. Other Domestic debt*	37.8	34.9	35.4	35.9	34.4	34.3	0.1	-3.5
7. Gross Domestic Debt (4+5+6)	430.6	456.2	474.0	497.5	489.2	490.7	5.8	60.1
8. Interest payments on domestic debt (Cumulative in FY)	42.2	22.7	33.5	37.3	38.6	42.1	3.7	

* Other domestic debt includes Pre-1997 Government Overdraft, clearing items in transit, advances from commercial banks and TRCs.
Source: Central Bank of Kenya

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Chart C: Composition of Government Securities

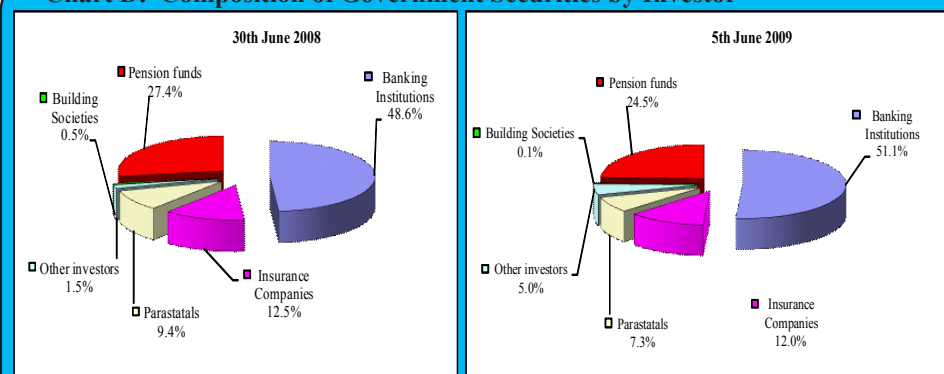


Source: Central Bank of Kenya

Holding of Government Securities

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 5.0 percent as at June 5, 2009. However, holdings by 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 12.0 percent, 7.3 percent, 0.1 percent, and 24.5 percent.

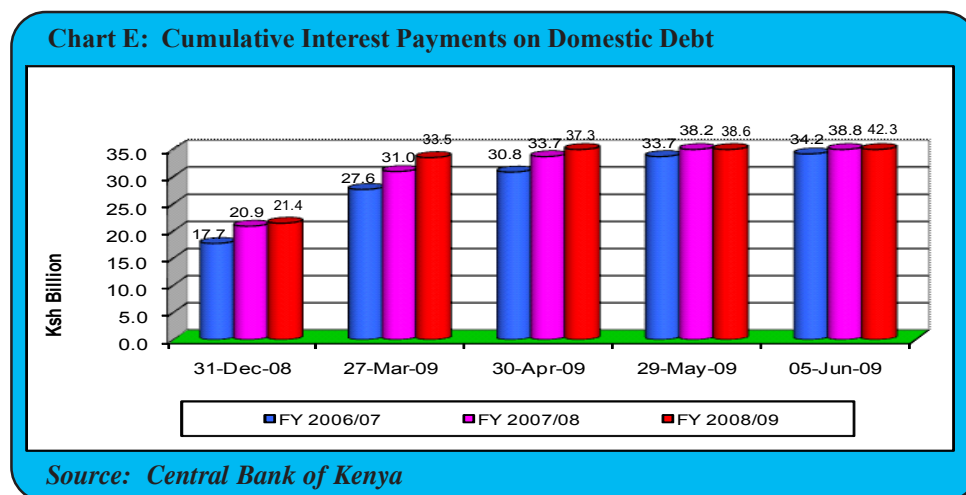
Chart D: Composition of Government Securities by Investor



Source: Central Bank of Kenya

Cost of Domestic Borrowing

From July 1 2008 to June 5, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 42.3 billion compared with Ksh 38.8 billion in a similar period of 2007/08 (Chart E). This comprised Ksh 32.9 billion in interest and other charges on Treasury bonds, Ksh 8.5 billion in interest and other charges on Treasury bills and Ksh 0.9 billion in interest on Government overdraft at Central Bank of Kenya.



The Stock Market

There was improved performance at the equities market during the week ending June 11, 2009. Equity turnover improved by 83 percent as stocks worth Ksh 822.1 million were traded compared with Ksh 448.6 million traded in the previous week. The number of shares traded increased, from 72.4 million in the previous week to 76.2 million shares in the week under review. Market capitalization as a measure of total shareholders wealth increased by 3.2 percent or Ksh 22.4 billion to Ksh 728.9 billion in the week under review from Ksh 706.6 billion in the previous week, reflecting improved prices in most stocks during the week. The NSE 20 Share index gained 34.7 points to settle at 2959.5 points on June 11, 2009 from 2924.8 points on June 4, 2009. The Nairobi All Share Index also gained 1.94 points to settle at 62.95 points on June 11, 2009 (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	16th Apr	23rd Apr	29th Apr	7th May	14th May	21st May	28-May-09	04-Jun-09	11-Jun-09
NASI 100= Jan 2008	56.86	58.48	59.00	58.98	59.39	59.72	59.70	61.01	62.95
NSE 20 Share Index	2,699.40	2,764.05	2,813.02	2,829.42	2,836.16	2,877.56	2,849.43	2,924.77	2,959.47
Number of Deals	8,680	8,316	6,978	7,597	7,318	8,216	7,807	5,894	7,876
Total Shares Traded (millions)	29.22	83.93	39.95	69.83	46.97	77.02	100.73	72.38	76.16
Equity Turnover (Ksh.)	366.78	762.46	460.10	690.50	580.52	656.59	1,129.25	448.56	822.05
Market Capitalization (Ksh.)	658.64	677.99	684.05	684.79	690.04	693.35	693.13	706.59	728.99
Bonds Turnover (Ksh.)	949.61	576.10	74.10	805.80	209.00	-	6,457.95	3,903.00	-

* 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 48 million shares and accounted for 63 percent of total traded volume. Safaricom traded 46 million shares to be the most active stock in the sector. The Finance and Investment sector traded 20 million shares and accounted for 27 percent of total traded volume. Equity Bank and Kenya Commercial Bank traded 11 million and 4.6 million shares respectively and were the most active counters in the sector. Industrial and Allied sector traded 7.6 million shares and accounted for 10 percent of traded volume. Mumias and KenGen shares were the most active counters and traded 2.8 million and 1.7 million shares, respectively. The other sectors had minimal trading.

Bond Market There was no activity at the Bond Market during the week under review.