

March 13, 2009



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market posted a performance of 114.8 percent during the Treasury bills auction of March 12, 2009. The average 91-day Treasury bills rate declined by 0.2 basis points to 7.292 percent while the average 182-day Treasury bills rate increased by 13.2 basis points to 7.853 percent during this week's auction.

The average interbank rate declined by 6 basis points from 5.59 percent in the previous week to 5.53 percent during the week ending March 12, 2009. The repo rate however remained stable at 4.87 percent in the current week, with a volume of Ksh 5.9 billion mopped.

The Kenya Shilling weakened against all the major international currencies during the week ending March 12, 2009 except the Sterling Pound, against which the shilling strengthened. Against the US dollar, the shilling weakened to exchange at Ksh 80.12 in the week compared with Ksh 79.97 per US dollar in the previous week.

The Central Bank holdings of official usable foreign exchange reserves declined from US dollar 3,330 million (equivalent to 4.73 months of imports) as at March 12, 2008 to US dollar 2,562 million (equivalent to 3.06 months of imports) as at March 12, 2009.

Central Bank's open market operations mopped Ksh 11.3 billion worth of repurchase agreement securities from commercial banks and redeemed maturing securities worth Ksh 9.8 billion during the week ending March 11, 2009.

The Government gross domestic debt increased by Ksh 35.7 billion as at March 6, 2009. From July 1 to March 6, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 30.7 billion compared with Ksh 28.2 billion in a similar period of 2007/08.

Performance at the equities market was mixed. Turnover declined by 34 percent, market capitalization improved by 3.2 percent while the NSE 20 Share index gained 93.3 points to settle at 2453.4 points on March 12, 2009

Government Securities Auction

The Government securities market posted a performance of 114.8 percent during the Treasury bills auction of March 12, 2009. The Government had offered for sale Treasury bills worth Ksh 6.5 billion during the auction but received bids totalling Ksh 7.5 billion, of which Ksh 4.6 billion were in 182-day Treasury bills and Ksh 2.9 billion were in 91-day Treasury bills.

During the auction, the Government accepted bids totalling Ksh 5.4 billion, of which Ksh 4.4 billion or 81.4 percent were in competitive bids. The proceeds of the auction were adequate to cover the cost of rolling over Treasury bills maturities totalling Ksh 4.3 billion in the week and provide new borrowing of Ksh 1.1 billion.

Treasury bills interest rates

The average 91-day Treasury bills rate decreased by 0.2 basis points, from 7.294 percent in the previous week's auction to 7.292 percent during this week's auction while the average 182-day Treasury bills rate increased by 13.2 basis points, from 7.721 percent in the previous week's auction to 7.853 percent (Table 1). The 12-weeks moving average for the 91-day Treasury bills rate decreased from 7.977 percent in the previous week to 7.867 percent while the 182-day Treasury bills rate decreased from 8.398 percent to 8.297 percent.

Table 1 : Interest Rates

Auction date	29-Jan-09	05-Feb-09	12-Feb-09	19-Feb-09	26-Feb-09	05-Mar-09	12-Mar-09
Average 91 day T. Bills	7.991	7.700	7.346	7.157	7.235	7.294	7.292
Average 182 day T. Bills	8.285	7.995	7.618	7.646	7.661	7.721	7.853
Month	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-09	Jan-09
Average savings rate	1.67	1.68	1.73	1.74	1.61	1.65	2.10
Average overdraft rate	13.49	13.11	13.43	13.91	13.85	14.40	14.35

Source: Central Bank of Kenya

Interbank and REPO Rates

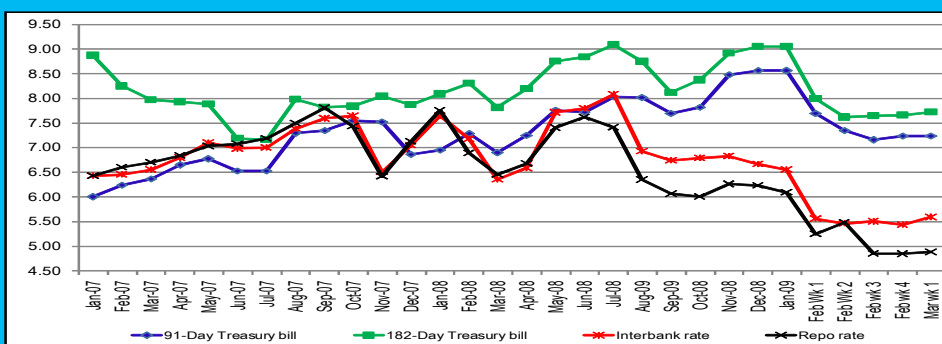
The average interbank rate declined by 6 basis points from 5.59 percent in the previous week to 5.53 percent during the week ending March 12, 2009 with a decline in volumes transacted (Table 2). Interbank volumes declined by Ksh 10.6 billion from Ksh 75.1 billion in the previous week to Ksh 64.5 billion in the week under review. The repo rate however remained stable at 4.87 percent in the current week, with a volume of Ksh 5.9 billion mopped compared with Ksh 5.1 billion transacted in the previous week (Chart A).

Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
27-Feb-09	98	16,569	5.61
02-Mar-09	77	12,564	5.58
03-Mar-09	87	15,385	5.58
04-Mar-09	91	17,130	5.58
05-Mar-09	76	13,464	5.58
27 - 05 Mar-09	429	75,112	5.59
06-Mar-09	81	11,199	5.51
09-Mar-09	74	11,791	5.50
10-Mar-09	89	12,314	5.47
11-Mar-09	91	13,501	5.53
12-Mar-09	82	15,713	5.62
06 - 12 Mar-09	417	64,518	5.53

Source: Central Bank of Kenya

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

The Shilling Exchange Rate

The Kenya Shilling weakened against all the major international currencies during the week ending March 12, 2009 except the Sterling Pound, against which the shilling strengthened (Table 3). Against the US dollar, the shilling weakened to exchange at Ksh 80.12 per US dollar in the week ending February 12, 2009 compared with Ksh 79.97 per US dollar in the previous week mainly due to increased domestic interbank demand fuelled by maize imports. The shilling also weakened against the Euro and the Japanese Yen to trade, respectively, at Ksh 101.64 per Euro and Ksh 81.84 per 100 Japanese Yen in the week

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen
27-Feb-09	79.69	113.85	101.46	81.59
02-Mar-09	79.72	113.55	100.42	81.78
03-Mar-09	80.07	113.06	101.24	82.07
04-Mar-09	80.33	112.62	100.48	81.65
05-Mar-09	80.04	113.20	100.91	80.60
Feb 27-Mar 5, 2009	79.97	113.26	100.90	81.54
06-Mar-09	80.03	113.48	100.93	81.77
09-Mar-09	79.93	112.78	101.18	81.34
10-Mar-09	80.18	110.92	101.82	81.22
11-Mar-09	80.28	109.92	101.51	81.66
12-Mar-09	80.19	111.12	102.74	83.23
Mar 6 - 12, 2009	80.12	111.64	101.64	81.84

Source: Central Bank of Kenya

Foreign Exchange Reserves

Central Bank holding of official usable foreign exchange reserves declined from US dollar 3,330 million (equivalent to 4.73 months of imports) as at March 12, 2008 to US dollar 2,562 million (equivalent to 3.06 months of imports) as at March 12, 2009 (Table 4). The decline in import cover reflects reduction in reserves level as well as increased import bill. Reduction in the level of reserves is largely attributed to exchange rate revaluation losses due to the appreciation of the US dollar (the reporting currency) against the Sterling Pound and the Euro given that a significant portion of reserves are held in the two currencies. The Central Bank also made no purchases of forex from the domestic interbank market but continued to meet Government external obligations.

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

	12-Mar-08	30-Jun-08	30-Sep-08	28-Nov-08	31-Dec-08	30-Jan-09	27-Feb-09	12-Mar-09
Usable Reserves	3,330	3,300	3,086	2,736	2,768	2,671	2,661	2,562
Months of Imports Cover*	4.73	4.60	4.06	3.44	3.35	3.19	3.17	3.06
Months of Imports Cover**	3.93	3.67	3.35	2.83	2.77	2.66	2.65	2.55

Source: Central Bank of Kenya

Commercial banks foreign exchange reserves holdings, which are available to the private sector to meet external financial obligations, increased from US\$ 1,055 million as at end January 2008 to US\$ 1,580 million as at end January 2009.

In the week to March 11, 2009, Central Bank sought to mop an average Ksh 2.2 billion from the market using repurchase agreement securities. The Bank's mopped an average of Ksh 2.3 billion from the market against redemption of maturing securities averaging Ksh 2.0 billion in the week.

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(-)	
	(1)	(2)	3=(2-1)	(4)	(5)	6=(5-4)	(8)	9=(10+11)	10	11
05-Mar	159.3	164.2	-4.9	3.0	2.9	-0.1	156.3	-7.9	0.6	-8.5
06-Mar	159.8	164.2	-4.4	4.0	4.7	0.7	154.9	-9.4	-1.9	-7.5
09-Mar	160.0	164.2	-4.3	3.5	3.6	0.1	157.4	-6.8	0.5	-7.3
10-Mar	156.1	164.2	-8.2	0.5	0.1	-0.4	155.8	-8.4	-2.3	-6.1
11-Mar	151.5	164.2	-12.7	0.0	0.0	0.0	154.8	-9.4	-2.4	-7.0
Average	157.3	164.2	-6.9	2.2	2.3	0.1	155.9	-8.4	-1.1	-7.3

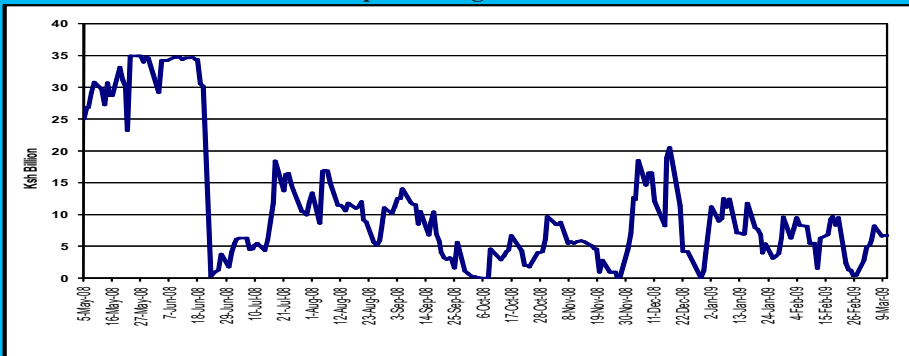
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Monetary Policy Operations

During the week ending March 11, 2009, Central Banks open market operations desk mopped Ksh 11.3 billion from the market through repurchase securities agreements. During the same week, Ksh 9.8 billion worth of repo securities were redeemed resulting in an increase in commercial banks' repo securities holding to Ksh 6.7 billion by March 11, 2009 up from Ksh 5.2 billion held on March 04, 2009. In the week, reserve money averaged Ksh 155.9 billion and was below target by Ksh 8.4 billion. (Table 5 and Chart B)

Chart B: Commercial Banks Repo Holdings

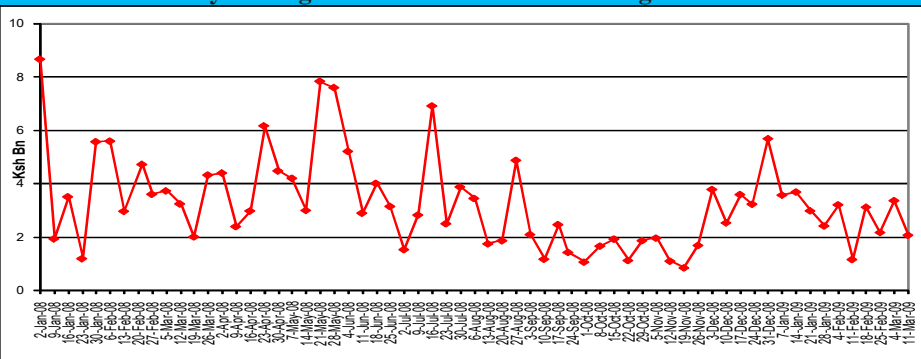


Source: Central Bank of Kenya

Commercial Banks Clearing Accounts Balances

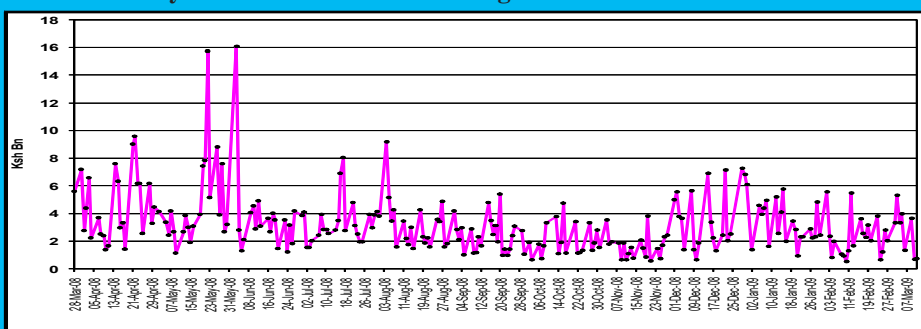
In the week ending March 11, 2009, average commercial banks clearing account balances was Ksh 2.1 billion compared with Ksh 3.4 billion held in the previous week as shown in (Chart C1 and C2).

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 Ksh 35.7 billion, from Ksh 430.6 billion in June 2008 to Ksh 466.3 billion as at March 6, 2009 (Table 6 and Chart D). The expansion comprises increases of Ksh 17.0 billion in Treasury bills excluding repos, Ksh 15.0 billion in Treasury bonds, Ksh 7.1 billion in overdraft at the Central Bank of Kenya (CBK) and 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 93.9 billion as at March 6, 2009. Treasury bonds and overdraft at CBK also increased from Ksh 315.2 billion and zero, respectively, to Ksh 330.2 billion and Ksh 7.1 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 77.7 percent as at March 6, 2009 while Treasury bills holdings increased from 19.6 percent to 22.1 percent during the period. As a result, the maturity profile of Government securities declined by a month to 3 years and 7 months during the period.

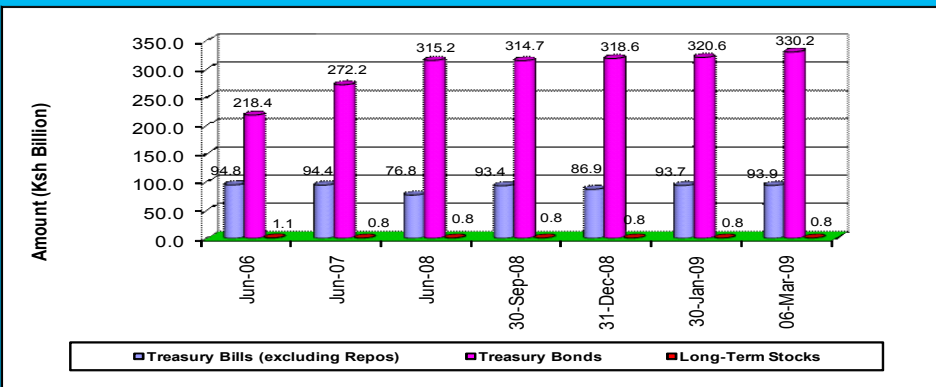
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-08	31st Dec 08	27th Feb 09	6th Mar 09	Changes 27th Feb-09 - 6th Mar-09	30 th Jun-08 -6th Mar-09
1. Treasury Bills (Excluding Repos) (As % of total securities)	76.8 19.6	86.9 21.4	96.9 22.7	93.9 22.1	-3.0	17.0
2. Treasury Bonds (As % of total securities)	315.2 80.2	318.6 78.4	330.2 77.2	330.2 77.7	0.0	15.0
3. Long Term Stocks (As % of total securities)	0.8 0.2	0.8 0.2	0.8 0.2	0.8 0.2	0.0	0.0
4. Total Securities (1+2+3)	392.8	406.3	427.8	424.8	-3.0	32.0
5. Overdraft at Central Bank	0.0	15.1	16.9	7.1	-9.8	7.1
6. Other Domestic debt*	37.8	34.9	34.1	34.4	0.3	-3.4
7. Gross Domestic Debt (4+5+6)	430.6	456.2	478.8	466.3	-12.5	35.7
8. Interest payments on domestic debt (Cumulative in FY)	42.2	22.7	30.5	30.7	0.2	

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

Source: Central Bank of Kenya

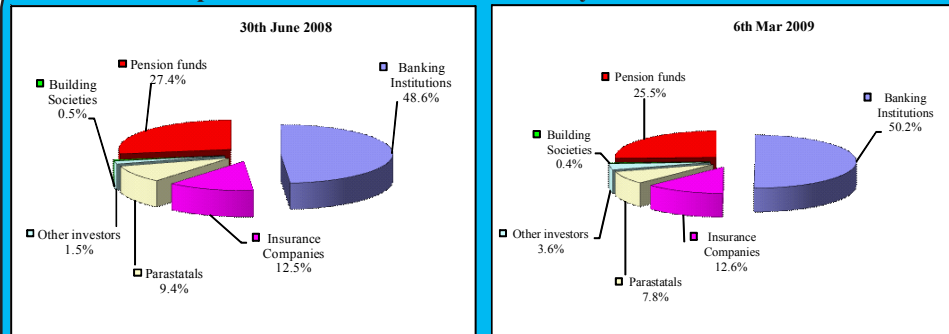
Chart D: Composition of Government Securities



Source: Central Bank of Kenya

Government securities holdings by commercial banks increased from 48.6 percent in June 2008 to 50.2 percent as at March 6, 2009. Similarly, holdings of other investors and insurance companies increased from 1.5 percent and 12.5 percent, respectively, to 3.6 percent and 12.6 percent. However, the proportion of securities held by building societies, parastatals and pension funds declined from 0.5 percent, 9.4 percent and 27.4 percent, respectively, to 0.4 percent, 7.8 percent and 25.5 percent during the period. (Chart E)

Chart E: Composition of Government Securities by Investor

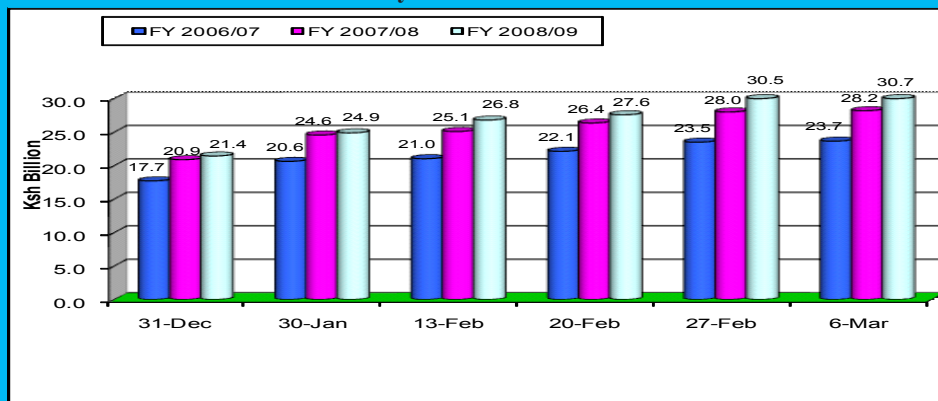


Source: Central Bank of Kenya

Cost of Domestic Borrowing

From July 1 to March 6, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 30.7 billion compared with Ksh 28.2 billion in a similar period of 2007/08 (Chart F). The interest cost on domestic debt during the period comprised Ksh 23.0 billion in interest and other charges on Treasury bonds, Ksh 6.9 billion in interest and other charges on Treasury bills and Ksh 0.8 billion in interest on Government overdraft at Central Bank of Kenya.

Chart F: Cumulative Interest Payments on Domestic Debt



Source: Central Bank of Kenya

The Stock Market

Performance at the equities market was mixed during the week ending March 12, 2009. Turnover declined by 34 percent as stocks worth Ksh 0.5 billion were traded compared with Ksh 0.7 billion traded in the previous week. The number of shares traded also declined, from 50.5 million in the previous week to 46.6 million shares traded in the week under review. Market capitalization as a measure of total shareholders wealth, however, improved by 3.2 percent or Ksh 19.1 billion from Ksh 593.8 billion in the previous week, to Ksh 612.9 billion in the week under review, attributed mainly to price improvements in most counters. 7 counters recorded double digit price improvements ranging from 10.1 – 20.2 percent during the week. The NSE 20 Share index gained 93.3 points to settle at 2453.4 points on March 12, 2009 from 2360 points on March 5, 2009. The Nairobi All Share Index gained 1.7 points and closed at 52.9 points compared with 51.3 points in the previous week (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	8th Jan 2009	15th Jan 2009	22nd Jan 2009	29th Jan 2009	5th Feb 2009	12th Feb 2009	19th Feb 2009	26th Feb 2009	5th Mar 2009	12th Mar 2009
NASI 100= Jan 2008	73.07	71.68	68.09	67.93	64.02	62.03	58.97	53.93	51.27	52.92
NSE 20 Share Index 100=1966	3,546.01	3,447.45	3,272.49	3,262.54	2,950.25	2,855.87	2,714.49	2,511.47	2,360.01	2,453.36
Number of Deals	9,470	9,971	7,975	8,313	7,929	7,690	8,409	7,209	7,236	7,265
Total Shares Traded (millions)	29.70	42.40	45.09	55.42	42.80	32.13	39.44	32.81	50.46	46.66
Equity Turnover (Ksh. millions)	480.34	786.13	590.91	696.57	538.00	358.51	438.86	273.61	723.46	477.68
Market Capitalization (Ksh. Bn.)	847.18	831.16	789.51	786.52	741.29	718.29	682.82	624.56	593.82	612.96
Bonds Turnover (Ksh. millions)	1,082.60	2,565.40	1,236.40	1,134.00	779.75	1,497.00	906.35	1,011.95	3,145.35	1,371.05

* 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 26.4 million shares and accounted for 56.5 percent of total traded volume. Safaricom traded 23.7 million shares to be the most active stock in the sector. Industrial and Allied sector traded 11.1 million shares and accounted for 23.7 percent of traded volume. Mumias and EA Breweries shares were the most active counters and traded 8.4 million and 1.1 million shares, respectively. The Finance and Investment sector traded 9 million shares and accounted for 19.4 percent of total traded volume. Kenya Commercial Bank and Centum

Investments traded 3.1 million and 2.1 million shares to be the most active counters in the sector. The other sectors had minimal trading.

Bond Market At the Fixed Income Securities Market, Bond turnover declined as bonds worth Ksh 1.4 billion were traded compared with Ksh 3.1 billion traded in the previous week.

