

May 8, 2009



THE CBK WEEKLY BULLETIN

Highlights for the Week

Average annual inflation decreased slightly from 27.21 percent in March 2009 to 27.15 percent in April 2009. However, overall annual inflation increased from 25.80 percent in March 2009 to 26.07 percent in April 2009.

The Government securities market posted a performance of 57.95 percent during the Treasury bill auction of May 7, 2009. The average 91-day Treasury bill rate declined slightly to 7.358 percent, while the average 182-day Treasury bill rate slightly edged up to 8.686 percent during this week's auction.

In the week ending May 6, 2009, short term interest rates have trended upwards indicating tightness in the market. The repo rate has remained at 4.0 percent and reverse repo rate has edged upwards to 7.35 percent in the week ending May 6, 2009 as compared to 7.0 percent in the week ending April 30, 2009.

During the week ending May 7, 2009, the Kenya Shilling on average strengthened against the US dollar, the Euro and the Japanese Yen but weakened against the Sterling Pound. Against the US dollar, the Shilling exchanged at an average of Ksh 77.84.

Official usable foreign exchange reserves held by the Central Bank declined from US dollar 3,265 million (equivalent to 4.55 months of imports) as at May 7, 2008 to US dollar 2,668 million (equivalent to 3.10 months of imports) as at May 7, 2009.

Central Bank's Open Market Operations in the week ending May 6, 2009 injected a daily average Ksh 7.5 billion to commercial banks. The market situations remained tight in the week ending May 6, 2009.

The Government gross domestic debt increased by Ksh 66.9 billion as at April 30, 2009. From July 1, 2008 to April 30, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 37.3 billion compared with Ksh 33.7 billion in a similar period of 2007/08.

Performance at the equities market improved during the week. Turnover increased by 26 percent, market capitalization improved marginally, while the NSE 20 Share index gained 16.4 points to settle at 2,829.4 points on May 7, 2009.

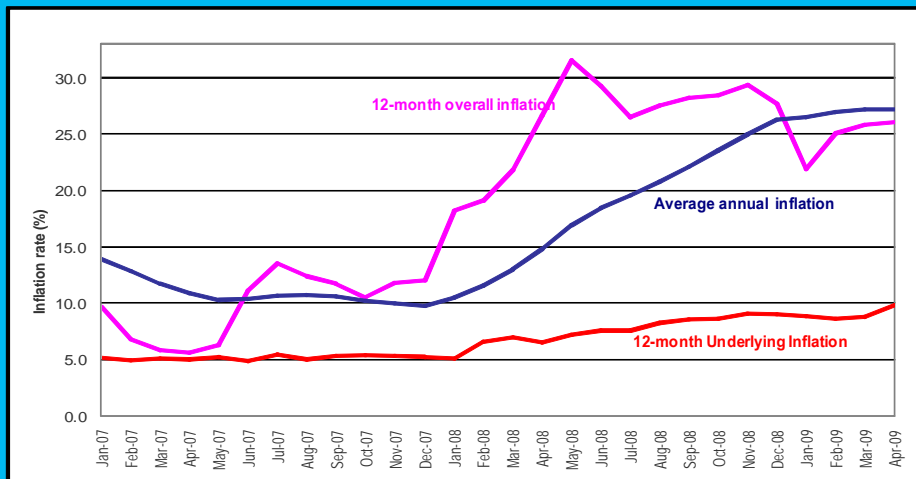
Inflation

12-month overall inflation increased from 25.80 percent in March 2009 to 26.07 percent in April 2009. However, average annual inflation decreased slightly from 27.21 percent in March 2009 to 27.15 percent in April 2009.

All the ten CPI categories of goods and services had 12 month inflation levels of between 3.7 percent (transport and telecommunication category) and 34.6 percent (food and non alcoholic drinks category). Inflation for other categories increased from March 2009 to April 2009 as follows: alcohol and tobacco, 12.3 to 14.0 percent, clothing and footwear, 4.4 to 6.2 percent, housing, 9.7 to 10.0 percent, household goods and services, 10.5 to 10.8 percent, medical goods and services, 17.2 to 18.4 percent, recreation and education, 5.0 to 6.4 percent and personal goods and services, 10.5 to 12.9 percent.

The 12-month underlying inflation defined for categories which exclude food, energy and transport categories increased in April 2009. Inflation for categories which make up this underlying index all went up.

Chart A: Trends in Overall and Underlying Inflation



Source: Central Bank of Kenya

Government Securities Auction

The Government securities market posted a performance of 57.95 percent during the Treasury bills auction of May 7, 2009. During the auction, the Government had offered for sale Treasury bills worth Ksh 6.0 billion and received bids totalling Ksh 3.5 billion, of which 73.4 percent were in 182-day Treasury bills.

During the auction, the Government accepted bids totalling Ksh 2.5 billion, of which Ksh 0.5 billion or 54.2 percent were in competitive bids. The proceeds of the auction were adequate to cover the cost of rolling over Treasury bills maturities totalling Ksh 3.8 billion in the week and a net repayment of Ksh 1.2 billion.

Treasury bills interest rates

The average 91-day Treasury bills rate declined by 2.3 basis points from 7.381 percent in the previous week's auction to 7.358 percent while the average 182-day Treasury bills rate increased by 0.083 basis points from 8.603 percent to 8.686 percent. Consequently, the 12-weeks moving average for the 91-day Treasury bills rate increased from 7.314 percent in the previous week to 7.315 percent while the 182-day Treasury bills rate increased from 8.066 percent to 8.155 percent.

Table 1 : Interest Rates

Auction date	26-Mar-09	02-Apr-09	09-Apr-09	16-Apr-09	23-Apr-09	30-Apr-09	07-May-09
Average 91 day T. Bills	7.314	7.381	7.358	7.314	7.381	7.381	7.358
Average 182 day T. Bills	8.465	8.603	8.686	8.465	8.603	8.603	8.686
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

* Revised

Source: Central Bank of Kenya

Interbank and REPO Rates

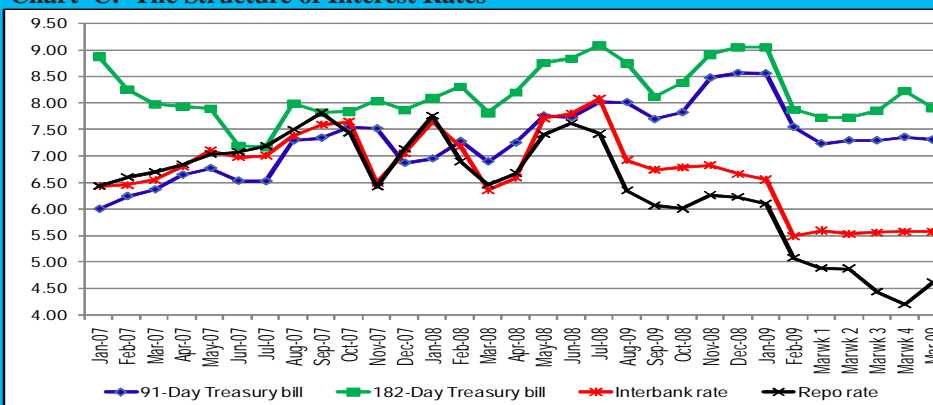
In the week ending May 6, 2009, short term interest rates edged upwards indicating tightness in the market. The repo rate has remained at 4.0 percent and reverse repo rate edged upwards to 7.35 percent in the week ending May 6, 2009 as compared to 7.0 percent in the week ending April 30, 2009. The interbank rate also moved upwards to 6.9 percent in the week ending May 6, 2009 as compared 5.75 percent in the week ending April 30, 2009. A similar upward trend was observed in the 91- day treasury bill rate and 182 day treasury bill rate both closing at 7.36 percent and 8.69 percent, respectively in the week ending May 7, 2009 as compared to 7.31 percent and 8.47 percent in the previous week. The market tightness is expected to continue in the next week.

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
30-Apr-09	88	8,726	6.78
04-May-09	88	9,657	6.78
05-May-09	87	7,133	6.88
06-May-09	78	7,496	6.99
07-May-09	94	8,693	7.09
Apr 30 - May 7 2009	435	41,705	6.90

Source: Central Bank of Kenya

Chart C: The Structure of Interest Rates



Source: Central Bank of Kenya

The Shilling Exchange Rate

During the week ending May 8, 2009, the Kenya Shilling on average strengthened against the US dollar, the Euro and the Japanese Yen but weakened against the Sterling Pound. Against the US dollar, the Shilling exchanged at an average of Ksh 77.75 compared with Ksh 78.86 in the previous week (Table 3). The Shilling strengthened against the Euro and the Japanese Yen in the week under review to trade, respectively, at an average of Ksh 103.63 per Euro and Ksh 78.61 per 100 Japanese Yen, compared with Ksh 103.84 per Euro and Ksh 81.60 per 100 Japanese Yen in the week ending April 30, 2009. The Shilling however weakened against the Sterling Pound to trade at an average of Ksh 116.82 per Sterling Pound in the week under review compared with Ksh 115.65 per Sterling Pound in the previous week.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen
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
4-May-09	78.68	117.49	104.62	79.11
5-May-09	78.68	118.06	105.21	79.57
6-May-09	77.62	116.73	103.18	79.07
7-May-09	76.36	115.60	101.38	77.28
8-May-09	77.43	116.22	103.77	78.03
May 4-8, 2009	77.75	116.82	103.63	78.61

Source: Central Bank of Kenya

Foreign Exchange Reserves

Official usable foreign exchange reserves held by the Central Bank declined from US dollar 3,265 million (equivalent to 4.55 months of imports) as at May 7, 2008 to US dollar 2,668 million (equivalent to 3.10 months of imports) as at May 7, 2009 (Table 4). The decline in import cover reflects reduction in reserves level as well as increased import bill.

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

	8-May-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	8-May-09
Usable Reserves	3,261	3,265	3,300	3,086	2,768	2,671	2,661	2,620	2,608	2,662
Months of Imports Cover*	4.55	4.55	4.60	4.06	3.35	3.19	3.17	3.13	3.11	3.18
Months of Imports Cover**	3.84	3.84	3.67	3.35	2.77	2.66	2.65	2.61	2.59	2.66

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

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

Source: Central Bank of Kenya

**Monetary
Policy
Operations**

In the week to May 6, 2009, Central Bank injected Ksh 37.6 billion to the market using the reverse repurchase agreement securities, realizing Ksh 7.5 billion on average daily as shown in Table 5.

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
29-Apr	145.2	164.6	-19.4	4.0	4.0	0.0	152.4	-12.1	-1.2	-10.9
30-Apr	138.7	164.6	-25.9	12.0	7.6	-4.4	153.1	-11.5	-0.9	-10.6
4-May	146.1	164.9	-18.8	4.0	4.0	0.0	152.9	-12.0	-2.0	-10.0
5-May	143.0	164.9	-21.9	10.0	10.0	0.0	154.6	-10.3	-2.3	-8.0
6-May	143.4	164.9	-21.6	10.0	12.0	2.0	157.6	-7.4	0.5	-7.9
Average	143.3	164.8	-21.5	8.0	7.5	-0.5	154.1	-10.7	-1.2	-9.5

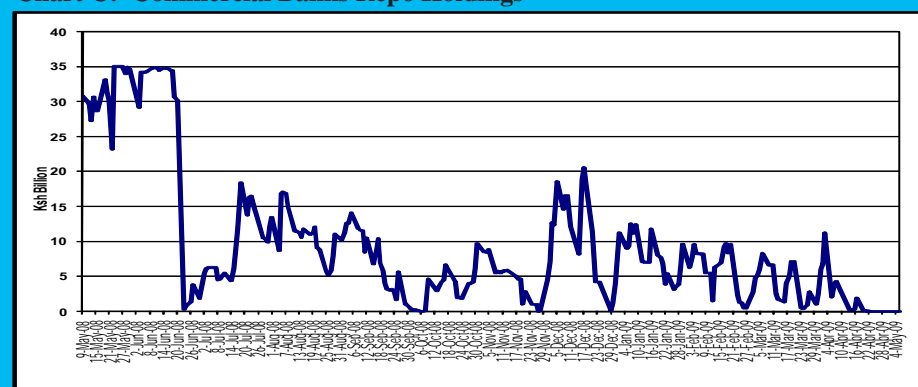
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

**Repurchase
Agreement
Securities
held by
Commercial
Banks**

The stock of repurchase agreement securities held by commercial banks with Central Bank remained at Ksh 0.0 billion on May 6, 2009. Reserve money for the week ending May 6, 2009 averaged Ksh 154.1 billion or Ksh 10.6 billion below target.

Chart C: Commercial Banks Repo Holdings

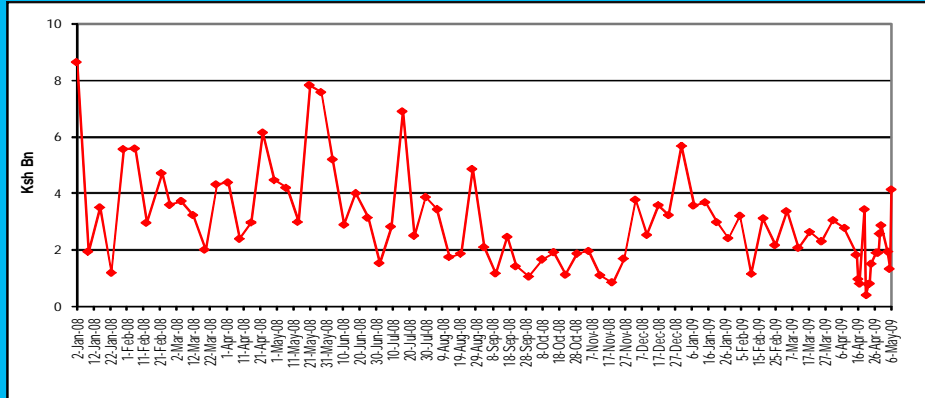


Source: Central Bank of Kenya

**Commercial
Banks
Clearing
Accounts
Balances**

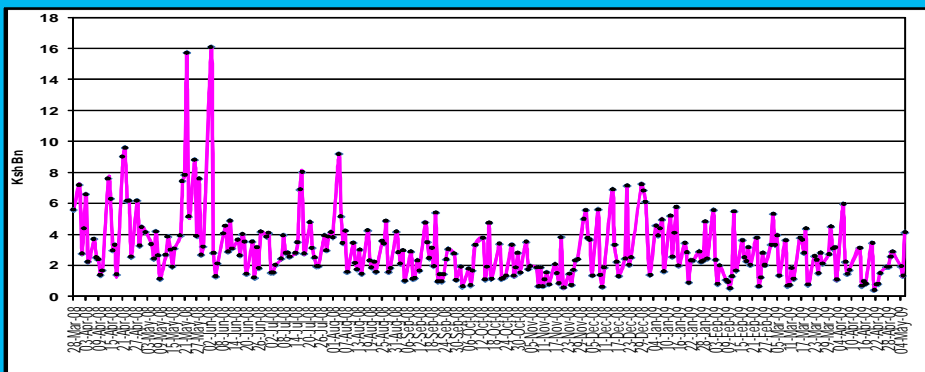
Commercial banks maintained an average of Ksh 2.6 billion in their clearing accounts at the Central Bank in the week to May 6, 2009, compared with Ksh 1.7 billion held in the previous week (Charts D1 and D2).

Chart D1: Weekly Average Commercial Banks Clearing Account Balances



Source: Central Bank of Kenya

Chart D2: Daily Commercial Banks Clearing Account Balances



Source: Central Bank of Kenya

Government Domestic Debt

The Government gross domestic debt increased by Ksh 66.8 billion (or 15.5 percent), from Ksh 430.6 billion in June 2008 to Ksh 497.5 billion as at April 30, 2009. This was attributed to increases of Ksh 28.1 billion in Treasury bills excluding repos, Ksh 28.3 billion in Treasury bonds and Ksh 12.4 billion in overdraft at the Central Bank. However, these increases were partly offset by a decrease of Ksh 1.9 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 30, 2009. Treasury bonds and overdraft at the Central Bank also increased from Ksh 315.2 billion and zero, respectively, to Ksh 343.5 billion and Ksh 12.4 billion during the period. However, other domestic debt decreased from Ksh 37.8 billion to Ksh 35.9 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 76.5 percent as at April 30, 2009 while Treasury bills holdings increased from 19.6 percent to 23.4 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.

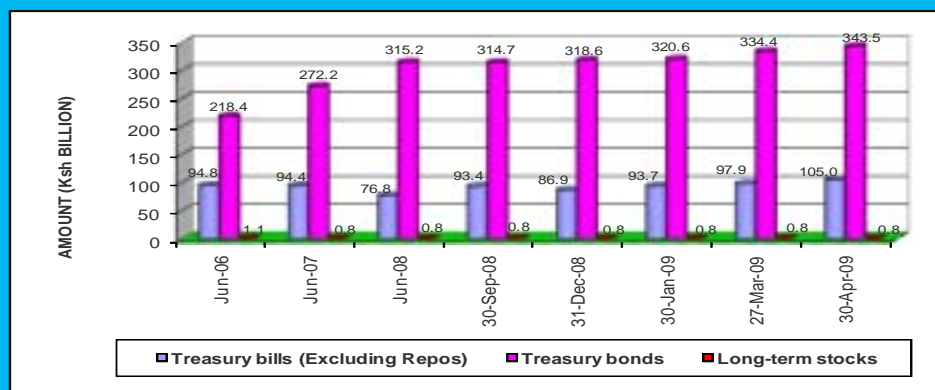
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-08	31st Dec-08	30th Jan-09	27th Feb-09	27th Mar-09	9th April-09	17th April-09	24th April-09	30th April-09	Changes	30th Jun-08 - 30th Apr-09
1. Treasury Bills (Excluding Repos) (As % of total securities)	76.8 19.6	86.9 21.4	93.7 22.6	96.9 22.7	97.9 22.6	103.1 23.5	104.4 23.8	105.0 23.9	105.0 23.4	0.0	28.1
2. Treasury Bonds (As % of total securities)	315.2 80.2	318.6 78.4	320.6 77.2	330.2 77.2	334.4 77.2	334.4 76.3	334.4 76.1	332.9 75.9	343.5 76.5	10.6	28.3
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	0.8 0.2	0.8 0.2	0.0	0.0
4. Total Securities (1+2+3)	392.8	406.3	415.1	427.8	433.1	438.2	439.6	438.7	448.2	10.5	56.4
5. Overdraft at Central Bank 6. Other Domestic debt [*]	0.0 37.8	15.1 34.9	4.7 34.6	16.9 34.1	5.5 35.4	6.2 34.2	6.9 34.6	10.4 34.4	12.4 35.9	2.0 1.4	12.4 -1.9
7. Gross Domestic Debt (4+5+6)	430.6	452.2	454.4	478.8	474.0	478.6	481.1	483.5	487.5	13.9	66.8
8. Interest payments on domestic debt (Cumulative in FY)	42.2	22.7	26.2	30.5	33.5	34.5	34.6	34.7	37.3	2.6	

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

Source: Central Bank of Kenya

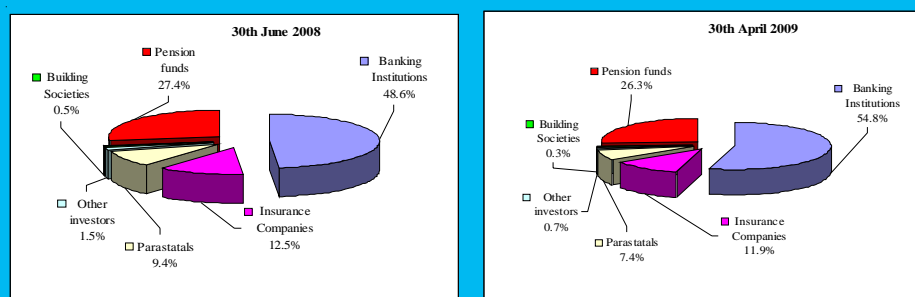
Chart E: Composition of Government Securities



Source: Central Bank of Kenya

Government securities holdings by commercial banks increased from 48.6 percent in June 2008 to 54.8 percent as at April 30, 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 11.9 percent, 7.4 percent, 0.3 percent, 26.3 percent and -0.7 percent during the same period.

Chart F: Composition of Government Securities by Investor

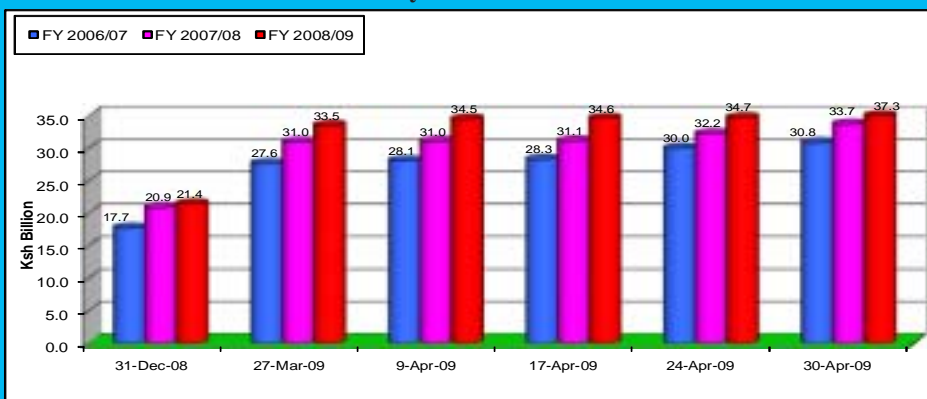


Source: Central Bank of Kenya

Cost of Domestic Borrowing

From July 1, 2008 to April 30, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 37.3 billion compared with Ksh 33.7 billion in a similar period of 2007/08 (Chart G). The interest cost on domestic debt during the period comprised Ksh 28.7 billion in interest and other charges on Treasury bonds, Ksh 7.8 billion in interest and other charges on Treasury bills and Ksh 0.9 billion in interest on Government overdraft at the Central Bank.

Chart G: 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 May 7, 2009. Turnover increased by 26 percent as stocks worth Ksh 0.6 billion were traded compared with Ksh 0.5 billion traded in the previous week. The number of shares traded increased, from 40 million in the previous week to 63 million shares traded in the week under review. Market capitalization as a measure of total shareholders wealth improved marginally from Ksh 684.1 billion in the previous week, to Ksh 684.79 billion in the week under review. The NSE 20 Share index gained 16.4 points to settle at 2,829.4 points on May 7, 2009 from 2,813.0 points on April 29, 2009. The Nairobi All Share Index showed insignificant change closing at 58.98 compared with 59.00 points in the previous week (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	10th Sep 04	26th Feb	19th Mar	26th Mar	2nd Apr	8th Apr	16th Apr	23rd Apr	29th Apr	7th May
NASI 100= Jan 2008		53.93	57.05	56.78	59.43	59.03	56.86	58.48	59.00	58.98
NSE 20 Share Index	2,704.15	2,511.47	2,668.11	2,663.19	2,808.94	2,814.37	2,699.40	2,764.05	2,813.02	2,829.42
Number of Deals	2,083.00	7,209	9,889	7,570	8,702	7,640	8,680	8,316	6,978	6,030
Total Shares Traded (millions)	7,330.00	32.81	47.66	40.41	46.47	39.78	29.22	83.93	39.95	62.92
Equity Turnover (Ksh.)	434.34	273.61	623.46	464.33	445.20	635.44	366.78	762.46	460.10	580.52
Market Capitalization (Ksh.)	286.57	624.56	660.71	657.66	688.37	683.71	658.64	677.99	684.05	684.79
Bonds Turnover (Ksh.)	700.15	1,011.95	1,700.85	1,265.85	467.10	1,751.80	949.61	576.10	74.10	261.20

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

Source: Nairobi Stock Exchange

By May 5, 2009, the Commercial and Services sector traded 14.4 million shares and accounted for 74.9 percent of total traded volume. Safaricom traded 13.5 million shares to be the most active stock in the sector. The Finance and Investment sector traded 3.9 million shares and accounted for 20.4 percent of total traded volume. Equity Bank traded 2.1 million shares and was the most active counter in the sector. Industrial and Allied sector traded 0.8 million shares and accounted for 4.4 percent of traded volume.

Kengen and Mumias shares were the most active counters and traded 0.4 million and 0.2 million shares, respectively. The other sectors had minimal trading.

Bond Market

Bonds traded at the NSE increased to Ksh 0.261 billion for the week ending May 7, 2009 from last week's 0.046 billion.