

May 15, 2009



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market posted a performance of 71.06 percent during the Treasury bills auction of May 14, 2009. The average 91-day Treasury bills rate was 7.549 percent while the average 182-day Treasury bills rate was 8.914 percent during this week's auction.

The interbank rate on the other hand, opened the week at 7.1 percent gradually increasing to 7.23 percent on 12th May 2009 and closing the week at 7.2 percent. The volumes traded at the interbank market dropped to Ksh 5,612 billion on 14th May, 2009 from a high of Ksh 10,173 billion at the beginning of the week on 8th May, 2009.

Central Bank's Open Market Operations desk injected Ksh 16.8 billion to commercial banks to ease liquidity shortfall during the week ending May 15, 2009.

During the week ending May 15, 2009, the Kenya Shilling on average depicted mixed performance against the major international currencies; remaining stable against the US Dollar, weakening against the Sterling Pound the Euro and Japanese Yen. Against the US dollar, the Shilling exchanged at an average of Ksh 77.54 in the week ending May 15, 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 3,249 million (equivalent to 4.44 months of imports) as at May 15, 2008 to US dollar 2,701 million (equivalent to 3.14 months of imports) as at May 15, 2009.

The Government gross domestic debt increased by Ksh 61.4 billion as at May 8, 2009. From July 1, 2008 to May 8, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 37.5 billion compared with Ksh 33.8 billion in a similar period of 2007/08.

Performance at the equities market was mixed during the week. Turnover decreased by 10.0 percent, market capitalization increased by 0.8 percent while the NSE 20 Share index gained 6.74 points to close at 2,836.16 points on May 14, 2009.

Government Securities Auction

The Government securities market registered a 71.06 percent performance rate during the Treasury bills auction of May 14, 2009. During the auction, the Government had offered for sale Treasury bills worth Ksh 6.0 billion and received bids totalling Ksh 4.3 billion of which 72.5 percent were in 182 days Treasury bills. The Government accepted bids totalling Ksh 4.1 billion of which Ksh 3.4 billion or 84.6 percent were in competitive bids. Proceeds of the auction could not cover the entire redemption of Ksh 5.6 billion; thereby occasioning a net repayment of Ksh 1.5 billion.

Treasury bills interest rates

The average 91-day Treasury bills rate increased by 19.1 basis points from 7.358 percent in the previous week's auction to 7.549 percent, while the average 182-day Treasury bills rate increased by 22.8 basis points from 8.686 percent to 8.914 percent. Consequently, the 12-weeks moving average for the 91-day Treasury bills rate increased from 7.315 percent in the previous week to 7.348 percent, while the 182-day Treasury bills rate increased from 8.155 percent to 8.260 percent.

Table 1 : Interest Rates

Auction date	02-Apr-09	09-Apr-09	16-Apr-09	23-Apr-09	30-Apr-09	07-May-09	14-May-09
Average 91 day T. Bills	7.381	7.358	7.314	7.381	7.381	7.358	7.549
Average 182 day T. Bills	8.603	8.686	8.465	8.603	8.603	8.686	8.914
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 Market

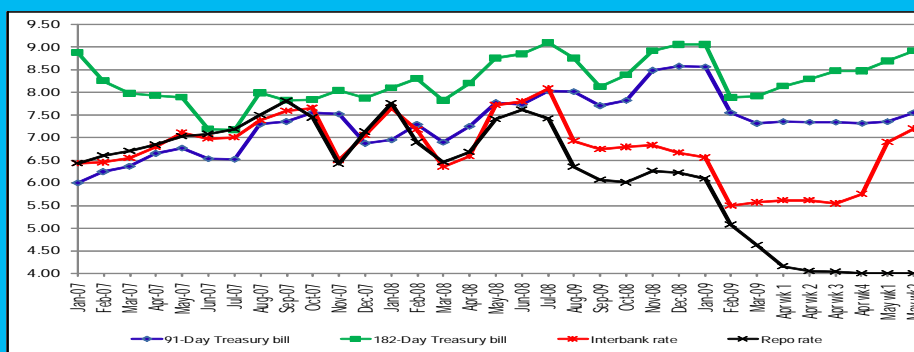
The interbank rate on the other hand, opened the week at 7.1 percent gradually increasing to 7.23 percent on 12th May 2009 and closing the week at 7.2 percent. The volumes traded at the interbank market decreased to Ksh 5,612 billion on 14th May, 2009 from a high of Ksh 10,173 billion at the beginning of the week on 8th May, 2009.

Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
Apr 24 - Apr 29 2009	270	19,630	6.38
30-Apr-09	88	8,726	6.78
4-May-09	88	9,657	6.78
5-May-09	87	7,133	6.88
6-May-09	78	7,496	6.99
7-May-09	94	8,693	7.09
Apr 30 - May 7 2009	435	41,705	6.90
8-May-09	85	10,173	7.11
11-May-09	98	6,751	7.19
12-May-09	85	5,755	7.23
13-May-09	76	7,697	7.23
14-May-09	69	5,612	7.19
May 8 - May 14 2009	413	35,988	7.19

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 May 15, 2009, the Kenya Shilling on average depicted mixed performance against the major international currencies; remaining stable against the US Dollar, weakening against the Sterling Pound the Euro and the Japanese Yen. Against the US dollar, the Shilling exchanged at an average of Ksh 77.54 in the week ending May 15, 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.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen
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	103.16	79.07
7-May-09	77.36	115.6	101.38	77.28
8-May-09	77.43	116.22	103.77	78.03
May 4-8, 2009	77.75	116.22	103.63	78.61
11-May-09	77.88	118.53	106.25	79
12-May-09	77.48	117.1	105.5	79.61
13-May-09	76.94	116.91	105.5	80.16
14-May-09	77.05	116.68	104.59	80.62
15-May-09	78.33	119.04	106.52	82
May 11-15 2009	77.54	117.65	105.67	80.28

Source: Central Bank of Kenya

The Shilling, however, weakened against the Sterling Pound, the Euro and the Japanese Yen in the week ending May 15, 2009, to trade at an average of Ksh 117.65 per Sterling Pound Ksh 105.67 per Euro and Ksh 80.28 per 100 Japanese Yen, compared with Ksh 116.22 per Sterling Pound Ksh 103.63 per Euro and Ksh 78.61 per 100 Japanese Yen in the previous week. The weakening of the Shilling against these currencies was attributed to strengthening of these currencies against the US dollar.

Foreign Exchange Reserves

Official usable foreign exchange reserves held by the Central Bank declined from US dollar 3,249 million (equivalent to 4.44 months of imports) as at May 15, 2008 to US dollar 2,701 million (equivalent to 3.14 months of imports) as at May 15, 2009 (Table 4). The decline in import cover reflects reduction in reserves level as well as increased import bill. However, official useable reserves increased by US \$ 93 million in the week ending May 15, 2009 compared to the previous week due to purchases of forex

in the interbank market and revaluation gains. 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)

	15-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	15-May-09
Usable Reserves	3,249	3,265	3,300	3,086	2,768	2,671	2,661	2,620	2,608	2,701
Months of Imports Cover*	4.44	4.55	4.60	4.06	3.35	3.19	3.17	3.13	3.11	3.14
Months of Imports Cover**	3.73	3.84	3.67	3.35	2.77	2.66	2.65	2.61	2.59	2.71

*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

The money market liquidity remained tight in the week of May 13, 2009. During the week, Central Bank had offered Ksh 16.8 billion to commercial banks using reverse repurchase order agreement securities to ease the liquidity shortfall (Table 5). Further Central Bank purchased foreign exchange equivalent Ksh 1.2 billion. Reserve money for the week ending May 13, 2009 averaged Ksh 156.5 billion.

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
7-May	152.5	164.9	-12.4	0.0	0.0	0.0	156.7	-8.2	0.0	-8.2
8-May	154.4	164.9	-10.5	1.0	1.1	0.1	156.9	-8.0	-0.3	-7.7
11-May	145.7	164.9	-19.2	10.0	11.9	1.9	155.4	-9.5	-1.5	-8.1
12-May	153.9	164.9	-11.0	5.0	2.3	-2.7	156.2	-8.8	-0.8	-8.0
13-May	155.9	164.9	-9.0	5.0	1.5	-3.5	157.3	-7.7	2.1	-9.8
Average	152.5	164.9	-12.4	4.2	3.4	-0.8	156.5	-8.4	-0.1	-8.3

*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

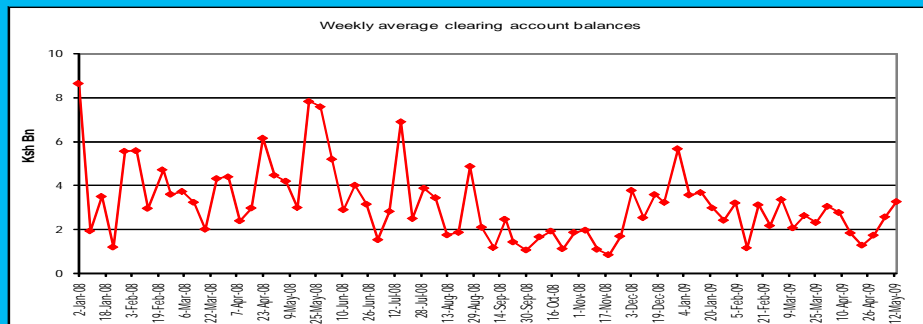
Repurchase Agreement Securities held by Comm Banks

In the week ending May 14, 2009, short term interest rates have marginally trended downwards reflecting an easing of liquidity in the market. The reverse repo declined to 6.7 percent from 7 percent in the previous week.

Commercial Banks Clearing Account Balances

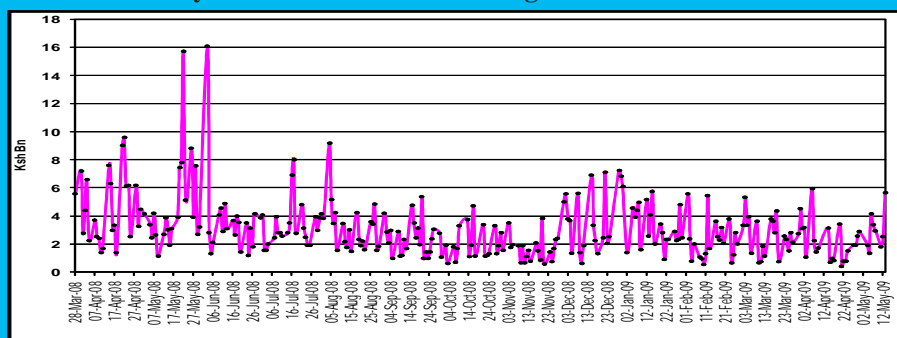
Commercial banks maintained an average of Ksh 3.3 billion in their clearing accounts at the Central Bank in the week to May 13, 2009, compared with Ksh 2.6 billion held in the previous week (Charts C1 and C2). The reserves were supported by liquidity injections by the Central Bank to address the tightness of the interbank liquidity arising from accumulation of Government deposits through taxes and new borrowing.

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 from Ksh 430.6 billion in June 2008 to Ksh 492.0 billion as at May 8, 2009 (Table 6 and Chart D). This was attributed to increases of Ksh 28.8 billion in Treasury bills excluding repos, Ksh 28.3 billion in Treasury bonds and Ksh 6.2 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 105.7 billion as at May 8, 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 6.2 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 76.3 percent as at May 8, 2009 while Treasury bills holdings increased from 19.6 percent to 23.5 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.

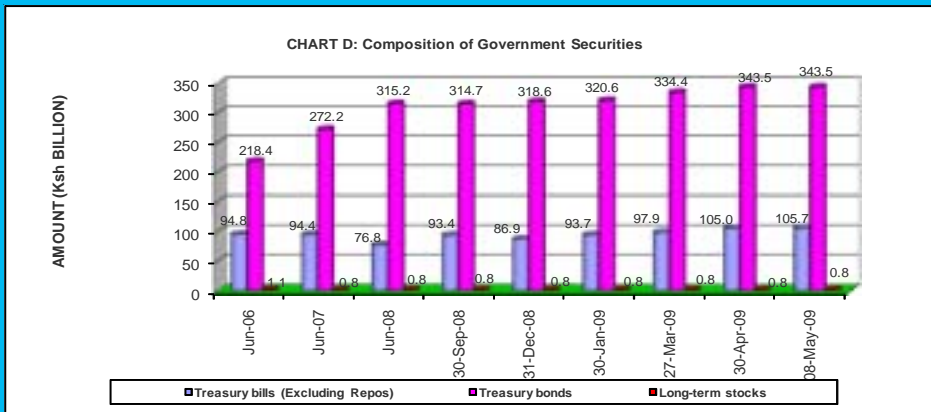
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-08	30th Jan 09	27th Feb 09	27th Mar 09	30th April 09	8th May 09	Changes 30th Apr-09-8th May-09	30th Jun-08-8th May-09
1. Treasury Bills (Excluding Repos)	76.8	93.7	96.9	97.9	105.0	105.7	0.7	28.8
(As % of total securities)	19.6	22.6	22.7	22.6	25.4	25.5	0.0	28.3
2. Treasury Bonds	315.2	320.6	330.2	334.4	343.5	343.5	0.0	28.3
(As % of total securities)	80.2	77.2	77.2	77.2	76.5	76.3	0.0	0.0
3. Long Term Stocks	0.8	0.8	0.8	0.8	0.8	0.8	0.0	0.0
(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	415.1	427.8	433.1	449.2	449.9	0.7	57.1
5. Overdraft at Central Bank	0.0	4.7	16.9	5.5	12.4	6.2	-6.1	6.2
6. Other Domestic debt*	37.8	34.6	34.1	35.4	35.9	35.9	0.0	-1.9
7. Gross Domestic Debt (4+5+6)	430.6	454.4	478.8	474.0	497.5	492.0	-5.4	61.4
8. Interest payments on domestic debt (Cumulative in FY)	42.2	26.2	30.5	33.5	37.3		-37.3	

* 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 D: Composition of Government Securities

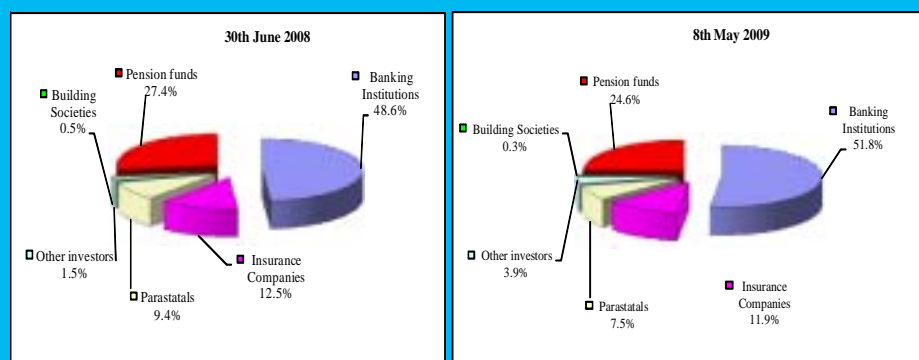


Source: Central Bank of Kenya

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 51.8 percent and 3.9 percent as at May 8, 2009. However, holdings of 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 11.9 percent, 7.5 percent, 0.3 percent, and 24.6 percent.

Chart E: Composition of Government Securities by Investor



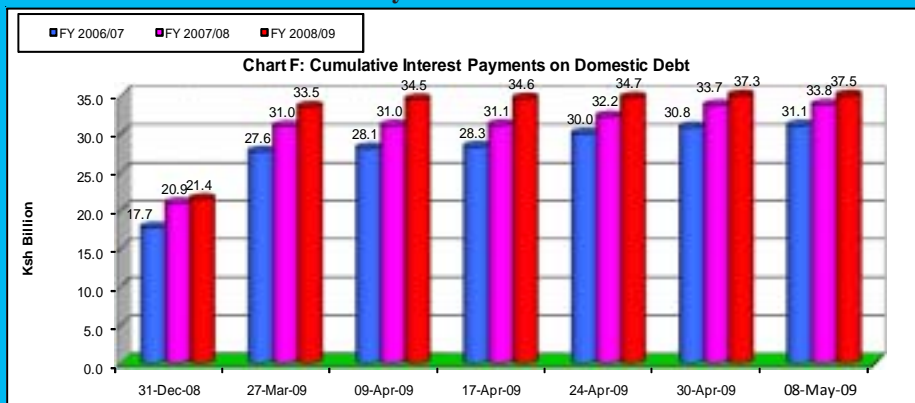
Source: Central Bank of Kenya

Cost of Domestic Borrowing

From July 1 2008 to May 8, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 37.5 billion compared with Ksh 33.8 billion in a similar period of 2007/08 (Chart

F). The interest cost on domestic debt during the period comprised Ksh 28.7 billion in interest and other charges on Treasury bonds, Ksh 7.9 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 May 14, 2009. Turnover decreased by 10.0 percent as stocks worth Ksh 0.6 billion were traded compared with Ksh 0.7 billion traded in the previous week. The number of shares traded decreased, from 69.8 million in the previous week to 46.9 million shares traded in the week under review. Market capitalization as a measure of total shareholders wealth increased by 0.8 percent or Ksh 5.2 billion from Ksh 684.8 billion in the previous week, to Ksh 690.0 billion in the week under review. The NSE 20 Share index gained 6.74 points to settle at 2,836.16 points on May 14, 2009 from 2,829.42 points on May 7, 2009. The Nairobi All Share Index gained 0.41 points and closed at 59.39 points compared with 58.98 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	14th May
NASI 100- Jan 2008		53.93	57.05	56.78	59.43	59.03	56.86	58.48	59.00	58.98	59.39
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	2,836.16
Number of Deals	2,083.00	7,209	9,889	7,570	8,702	7,640	8,680	8,316	6,978	7,597	7,318
Total Shares Traded (millions)	7,330.00	32.81	47.66	40.41	46.47	39.78	29.22	83.93	39.95	69.83	46.97
Equity Turnover (Ksh)	434.34	273.61	623.46	464.33	445.20	635.44	366.78	762.46	460.10	690.50	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	690.04
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	805.80	209.00

* 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 29.0 million shares and accounted for 61.8 percent of total traded volume. Safaricom traded 23.0 million shares to be the most active stock in the sector. The Finance and Investment sector traded 12.1 million shares and accounted for 25.6 percent of total traded volume. Equity Bank and Kenya Commercial Bank traded 5.4 million and 1.7 million shares and were the most active counters in the sector. Industrial and Allied sector traded 4.7 million shares and accounted for 10.0 percent of traded volume. Mumias and Kengen shares were the most active counters and traded 1.7 million and 1.2 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 0.2 billion were traded compared with Ksh 0.8 billion traded in the previous week.