

May 29, 2009



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market posted a performance rate of 193.1 percent during the Treasury bills auction of May 28 2009. The government had offered for sale Treasury bills worth Ksh 6.0 billion, received bids totalling Ksh 11.6 billion and accepted bills bids totalling Ksh 6.4 billion. The average 91-day Treasury bills rate and the average 182-day Treasury bills rate declined by 1.3 basis points and 20.1 basis points, respectively during this week's auction.

The average interbank interest rate declined in the week ending May 28, 2009 to 5.9 percent from 6.5 percent in the previous week.

Central Bank's Open Market Operations injected Ksh 6.8 billion to commercial banks and redeemed maturing reverse repo securities worth Ksh 2.9 billion during the week ending May 27, 2009.

During the week ending May 29, 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 strengthening against the Japanese Yen. Against the US dollar, the Shilling exchanged at an average of Ksh 78.07 in the week ending May 29, 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 3,271 million (equivalent to 4.49 months of imports) as at May 29, 2008 to US dollar 2,789million (equivalent to 3.22 months of imports) as at May 29, 2009.

The Government gross domestic debt increased by Ksh 54.3 billion as at May 22, 2009 compared to June 2008. From July 1, 2008 to May 22, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 38.4 billion compared with Ksh 34.8 billion in a similar period of 2007/08.

There was mixed performance at the equities market during the week ending May 28, 2009. Turnover increased by 72 percent as stocks worth Ksh 1.1 billion were traded compared with Ksh 656 million traded in the previous week reflecting improvement in prices and the number of shares traded.

Government Securities Auction

The Government securities market posted a performance rate of 193.1 percent during the Treasury bills auction of May 28 2009. The Government had offered for sale Treasury bills worth Ksh 6.0 billion and received bids totalling Ksh 11.6 billion of which Ksh 9.5 billion were in 182 days Treasury bills.

The Government accepted Treasury bills bids totalling Ksh 6.4 billion of which Ksh 5.0 billion or 82.9 percent were in competitive bids. Proceeds of the auction were to meet the cost of rolling over Treasury bills maturities amounting to Ksh 3.4 billion in the week, thereby leaving the Government with additional borrowing of Ksh 3.0 billion.

Treasury bills interest rates

The average 91-day Treasury bills rate declined by 1.3 basis points from 7.507 percent in the previous week's auction to 7.494 percent during this week's auction, while the average 182-day Treasury bills rate declined by 20.1 basis points from 8.875 percent in the previous week's auction to 8.674 (Table 1). The 12-weeks moving average for the 91-day Treasury bills rate increased from 7.371 percent in the previous week to 7.387 percent while the 182-day Treasury bills rate rose from 8.362 percent to 8.441 percent.

Table 1 : Interest Rates

Auction date	09-Apr-09	16-Apr-09	23-Apr-09	30-Apr-09	07-May-09	14-May-09	21-May-09	28-May-09
Average 91 day T. Bills	7.358	7.314	7.381	7.381	7.358	7.549	7.507	7.494
Average 182 day T. Bills	8.686	8.465	8.603	8.603	8.686	8.914	8.875	8.674
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

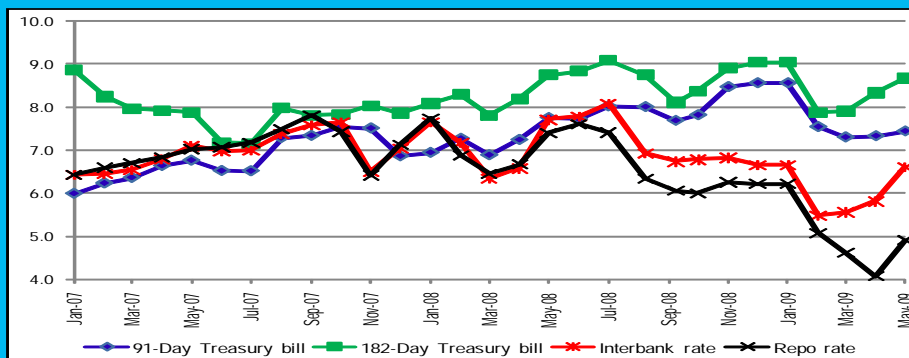
The average interbank rate continued on a downward trend in the week to May 28, 2009 to 5.9 percent from 6.5 percent in the previous week. The number of deals increased from 372 to 403 during the week but average volume of transaction declined to Ksh 40.0 billion from Ksh 47.5 transacted in the week to May 21, 2009.

Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
May 8 - May 14 2009	413	35,988	7.19
15-May-09	68	5,777	6.94
18-May-09	74	8,155	6.72
19-May-09	75	11,264	6.38
20-May-09	75	10,807	6.31
21-May-09	80	11,529	6.31
May 15 - May 21 2009	372	47,532	6.53
22-May-09	87	9,899	6.27
25-May-09	92	9,975	6.16
26-May-09	90	8,619	5.93
27-May-09	82	7,028	5.69
28-May-09	52	4,834	5.29
May 22 - May 28 2009	403	40,355	5.87

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 29, 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 strengthening against the Japanese Yen. Against the US dollar, the Shilling exchanged at an average of Ksh 78.07 in the week ending May 29, 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
18-May-09	78.21	118.48	105.24	82.41	29.11	17.09
19-May-09	78.34	120.50	106.31	81.13	29.06	17.04
20-May-09	78.10	120.78	106.18	81.71	29.16	16.99
21-May-09	77.79	122.45	107.09	82.07	29.12	17.03
22-May-09	77.98	123.73	108.69	82.79	29.05	16.99
May 18-22 2009	78.08	121.19	106.70	82.02	29.10	17.03
25-May-09	77.88	123.92	109.11	81.93	29.15	17.03
26-May-09	77.94	123.85	108.89	82.23	28.74	17.00
27-May-09	78.05	124.49	108.79	81.88	28.70	16.98
28-May-09	78.16	124.51	108.05	80.97	28.66	16.89
29-May-09	78.35	125.53	109.70	81.04	28.46	16.88
May 25-29 2009	78.07	124.46	108.91	81.61	28.74	16.96

Source: Central Bank of Kenya

The Shilling, however, weakened against the Sterling Pound, the Euro and strengthened against the Japanese Yen in the week ending May 29, 2009, to trade at an average of Ksh 124.46 per Sterling Pound Ksh 108.91 per Euro and Ksh 81.61 per 100 Japanese Yen, compared with Ksh 121.19 per Sterling Pound Ksh 106.70 per Euro and Ksh 82.02 per 100 Japanese Yen in the previous week. In the regional market, the Ksh weakened closing the week at an average of Ksh 28.74 per Uganda shilling and Ksh 16.96 per Tanzania shilling compared to Kshs 29.10 per Uganda shilling and Ksh 17.03 per Tanzania shilling the previous week.

Foreign Exchange Reserves

Official usable foreign exchange reserves held by the Central Bank declined from US dollar 3,271 million (equivalent to 4.49 months of imports) as at May 29, 2008 to US dollar 2,789 million (equivalent to 3.22 months of imports) as at May 29, 2009 (Table 4). The decline in import cover reflects reduction in reserves level as well as increased import bill. 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)

	29-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	29-May-09
Usable Reserves	3,271	3,265	3,300	3,086	2,768	2,671	2,661	2,620	2,608	2,789
Months of Imports Cover*	4.49	4.55	4.60	4.06	3.35	3.19	3.17	3.13	3.11	3.22
Months of Imports Cover**	3.77	3.84	3.67	3.35	2.77	2.66	2.65	2.61	2.59	2.80

*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

The money market continued to experience liquidity constraint in the week ending May 27, 2009. To ensure market stability, Central Bank provided liquidity amounting to Ksh 6.8 billion to commercial banks using the reverse repurchase agreement securities as shown in Table 5. Reserve money averaged Ksh 152.2 billion in the week and remained below target by Ksh 12.7 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	Injected	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
21-May	151.9	164.9	-13.0	2.0	1.5	-0.5	152.3	-12.6	-1.0	-11.6
22-May	151.3	164.9	-13.6	3.0	1.2	-1.8	151.4	-13.5	-1.1	-12.4
25-May	146.0	164.9	-18.9	10.0	3.7	-6.3	151.1	-13.8	-1.6	-12.2
26-May	150.3	164.9	-14.6	5.0	0.7	-4.3	152.3	-12.6	0.1	-12.7
27-May	152.4	164.9	-12.5	1.0	1.2	0.2	153.8	-11.1	1.5	-12.6
Average	150.4	164.9	-14.5	4.2	1.7	-2.5	152.2	-12.7	-0.4	-12.3

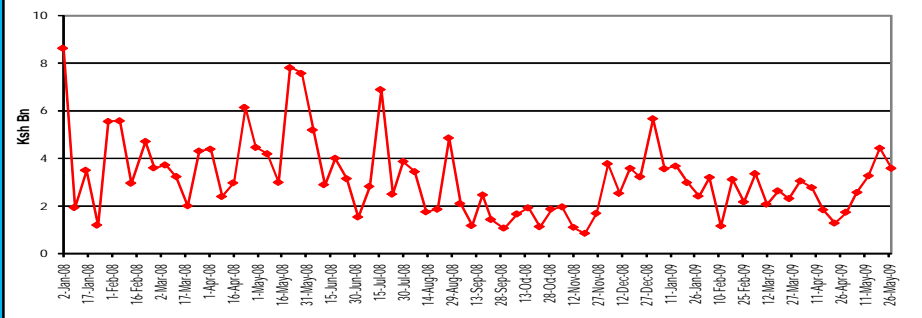
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

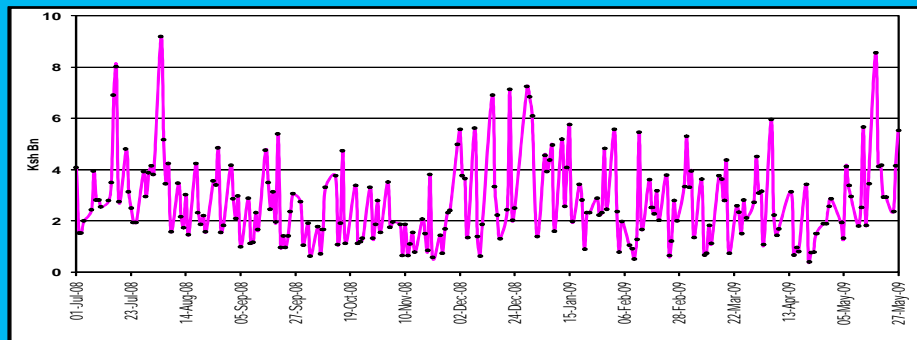
Commercial banks maintained an average of Ksh 3.6 billion in their clearing accounts at the Central Bank in the week to May 27, 2009, compared with Ksh 4.4 billion held in the previous week (Charts B1 and B2).

Chart B1: Weekly Average Commercial Banks Clearing Account Balances



Source: Central Bank of Kenya

Chart B2: Daily Commercial Banks Clearing Account Balances



Source: Central Bank of Kenya

Government Domestic Debt

The Government’s gross domestic debt increased by Ksh 54.3 billion, from Ksh 430.6 billion in June 2008 to Ksh 484.9 billion as at May 22, 2009 (Table 6 and Chart C). This was attributed to increases of Ksh 26.0 billion in Treasury bills excluding repos, Ksh 19.2 billion in Treasury bonds and Ksh 12.7 billion in overdraft at the Central Bank. However, these increases were partly offset by a decrease of Ksh 3.6 billion in other domestic debt.

Treasury bills (excluding Repos) increased from Ksh 76.8 billion in June 2008 to Ksh 102.8 billion as at May 22, 2009. Treasury bonds and overdraft at Central Bank also increased from Ksh 315.2 billion and zero, respectively, to Ksh 334.4 billion and Ksh 12.7 billion during the period. Meanwhile, other domestic debt decreased from Ksh 37.8 billion to Ksh 34.2 billion, while Government long term stocks remained unchanged at Ksh 0.8 billion during the period.

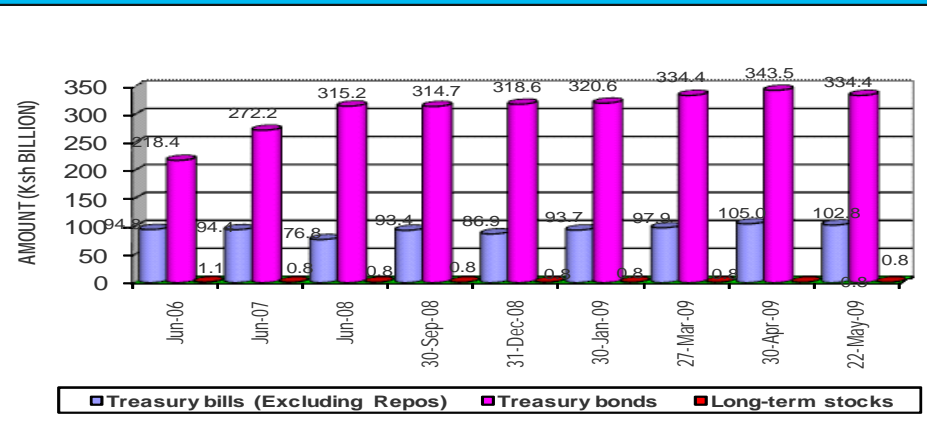
Following these developments, the holdings of Treasury bonds in total Government securities decreased from 80.2 percent in June 2008 to 76.4 percent as at May 22, 2009, while the share of Treasury bills holdings increased from 19.6 percent to 23.5 percent during the period. As a result, the maturity profile of Government securities decreased from 3 years and 8 months to 3 years and 6 months during the period.

	Jun-08	31st Dec 08	30th Jan 09	27th Feb 09	27th Mar 09	30th April 09	15th May 09	22nd May 09	Changes 15th May-09 22nd May-09	30th Jun-08-22 May 09
1. Treasury Bills (Excluding Repos) (As % of total securities)	76.8	86.9	93.7	96.9	97.9	105.0	104.4	102.8	-1.6	26.0
2. Treasury Bonds (As % of total securities)	19.6	21.4	22.6	22.7	22.6	23.4	23.3	23.5	-9.0	19.2
3. Long Term Stocks (As % of total securities)	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.0	0.0
4. Total Securities (1+2+3)	392.8	406.3	415.1	427.8	433.1	449.2	448.6	438.0	-10.6	45.2
5. Overdraft at Central Bank	0.0	15.1	4.7	16.9	5.5	12.4	6.3	12.7	6.3	12.7
6. Other Domestic debt*	37.8	34.9	34.6	34.1	35.4	35.9	34.3	34.2	-0.1	-3.6
7. Gross Domestic Debt (4+5+6)	430.6	456.2	454.4	478.8	474.0	497.5	489.3	484.9	-4.4	54.3
8. Interest payments on domestic debt (Cumulative in FY)	42.2	22.7	26.2	30.5	33.5	37.3	37.7	38.4	0.7	

* 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

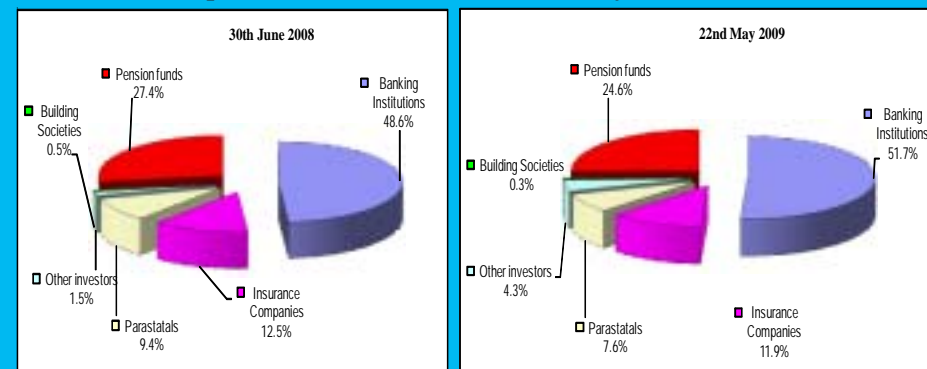


Source: Central Bank of Kenya

Holding of Government Securities

Government securities holdings by commercial banks and other investors increased from 48.6 percent and 1.5 percent, respectively, in June 2008 to 51.7 percent and 4.3 percent as at May 22, 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, 7.6 percent, 0.3 percent and 24.6 percent during the same period.

Chart D: Composition of Government Securities by Investor



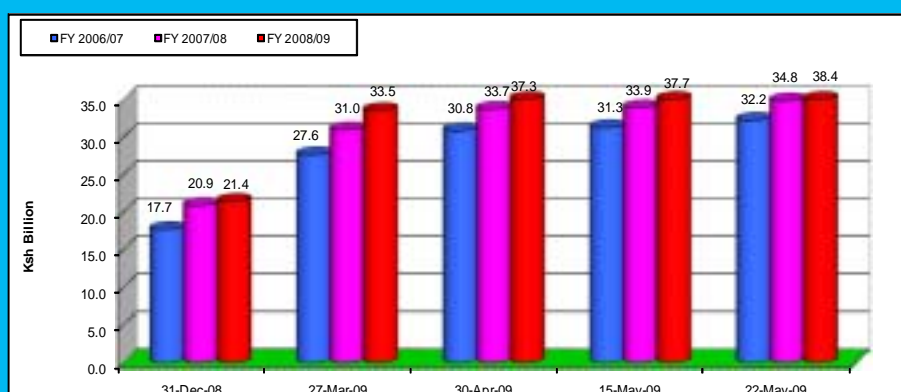
Source: Central Bank of Kenya

Cost of Domestic Borrowing

From July 1, 2008 to May 22, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 38.4 billion compared with Ksh 34.8 billion in a similar period of 2007/08 (Chart F). The interest cost on domestic debt during the period comprised Ksh 29.2 billion in interest and other charges on Treasury bills, Ksh 8.2 billion

in interest and other charges on Treasury bills and Ksh 1.0 billion in interest on Government overdraft at Central Bank.

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 May 28, 2009. Turnover increased by 72 percent as stocks worth Ksh 1.1 billion were traded compared with Ksh 656 million traded in the previous week reflecting improvement in the number of shares traded. The number of shares traded increased, from 77 million in the previous week to 100.7 million shares in the week under review. Market capitalization as a measure of total shareholders wealth remained stable at Ksh 693 billion in the week under review. The NSE 20 Share index, however, lost 28.1 points to settle at 2,849.4 points on May 28, 2009 from 2,877.6 points on May 21, 2009. The Nairobi All Share Index remained unchanged at 59.7 points. (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
NASI 100= Jan 2008	56.86	58.48	59.00	58.98	59.39	59.72	59.70
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
Number of Deals	8,680	8,316	6,978	7,597	7,318	8,216	7,807
Total Shares Traded (millions)	29.22	83.93	39.95	69.83	46.97	77.02	100.73
Equity Turnover (Ksh.)	366.78	762.46	460.10	690.50	580.52	656.59	1,129.25
Market Capitalization (Ksh.)	658.64	677.99	684.05	684.79	690.04	693.35	693.13
Bonds Turnover (Ksh.)	949.61	576.10	74.10	805.80	209.00	-	6,457.95

* 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 68.6 million shares and accounted for 68 percent of total traded volume. Safaricom traded 66 million shares to be the most active stock in the sector. The Finance and Investment sector traded 22.6 million shares and accounted for 22.5 percent of total traded volume. Equity Bank and Kenya Commercial Bank traded 8.3 million and 3.4 million shares and were the most active counters in the sector. Industrial and Allied sector traded 8.7 million shares and accounted for 8.6 percent of traded volume. Mumias and East African Breweries shares were the most active counters. The other sectors had minimal trading.

Bond Market

The Fixed Income Securities Market recorded improved trading during the week ending May 28, 2009 as bonds worth Ksh 6.5 billion was concluded, compared with a quiet market during the previous week.