

September 11, 2009



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market posted 43.51 percent performance rate during the 91-day Treasury bills auction of September 10, 2009. The average 91-day Treasury bills rate was 7.272 percent during this week's auction.

The average interbank rate increased by 20 basis points in the week ending September 10, 2009 to 4.34 percent as compared with the previous week at 4.14 percent on account of pressure from increased tax flows to Government.

The Kenya Shilling's performance against major international currencies during the week ending September 11, 2009 was mixed. Against the US dollar, the shilling strengthened to Ksh 76.07 compared with Ksh 76.30 in the previous week due to forex inflows from offshore investors.

Official usable foreign exchange reserves held by the Central Bank stood at US\$ 3,215 million (equivalent to 3.63 months of imports) as at September 11, 2009, compared with US\$ 3,166 million (equivalent to 4.04 months of imports) as at September 11, 2008.

Central Bank's Open Market Operations injected Ksh 2.0 billion to commercial banks during the week ending September 9, 2009.

The Government gross domestic debt increased by Ksh 24.5 billion, from Ksh 518.3 billion in June 2009 to Ksh 542.9 billion as at September 4, 2009. From July 1, 2009 to September 4, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 9.92 billion.

Performance at the equities market declined during the week. Equity turnover decreased by 34.5 percent, market capitalization declined by 2.2 percent while the NSE 20 Share index lost 98.6 points to settle at 3090.3 points on September 10, 2009.

Government Securities Auction

The Government securities market posted 43.51 percent performance rate during the 91-day Treasury bills auction of September 10, 2009. The Government offered for sale Treasury bills worth Ksh 6.5 billion and received bids totalling Ksh 2.8 billion.

The Government accepted all the bids totalling Ksh 2.8 billion, of which Ksh 2.4 billion or 85.7 percent were competitive bids. The proceeds of the auction could only cover part of the cost of rolling over Treasury bills maturities worth Ksh 9.7 billion during the week. The auction results led to outflows of Ksh 6.8 billion to investors.

Treasury Bills Rates

The average 91-day Treasury bills rate rose by 4.9 basis points, from 7.223 percent in the previous auction of the same security to 7.272 percent during this week's auction (Table 1). However, the 12-weeks moving average for the 91-day Treasury bills rate declined from 7.325 percent to 7.302 percent.

Table 1 : Interest Rates

Auction date	30-Jul-09	06-Aug-09	13-Aug-09	20-Aug-09	27-Aug-09	03-Sep-09	10-Sep-09
Average 91 day T. Bills	7.263		7.261		7.223		7.272
Month	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Average savings rate	2.10	2.13	1.90	1.91	1.67	2.08	1.67
Average overdraft rate	13.84	13.46	13.78	13.66	14.13	14.41	13.94

Source: Central Bank of Kenya

Interbank and REPO Market

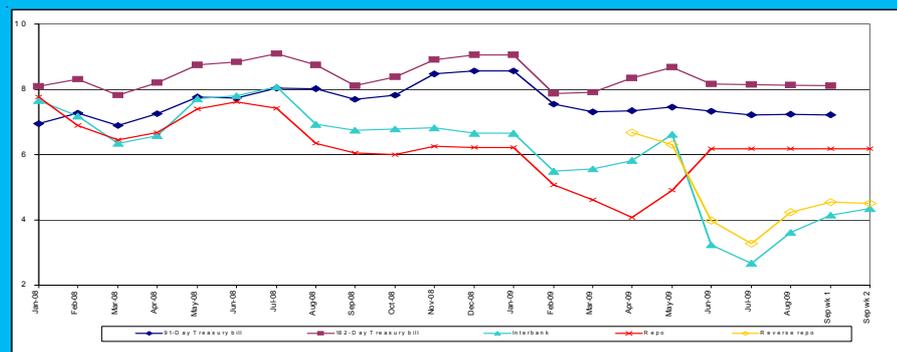
The average interbank rate increased by 20 basis points in the week ending September 10, 2009 to 4.34 percent as compared to the previous week at 4.14 percent. The number of deals remained at 508 as in the previous week but the value of the deals rose from Ksh 84,300 the previous week to Ksh. 88,674 during the week ending September 10, 2009 (Table 2).

Table 2 Interbank Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
28-Aug-09	77	10,490	4.15
31-Aug-09	106	17,700	4.17
01-Sep-09	106	16,213	4.12
02-Sep-09	111	18,692	4.11
03-Sep-09	108	21,205	4.16
Aug 28 - Sep 03, 2009	508	84,300	4.14
04-Sep-09	108	20,281	4.24
07-Sep-09	101	17,004	4.28
08-Sep-09	109	18,287	4.34
09-Sep-09	105	16,451	4.39
10-Sep-09	85	16,651	4.43
Sep 04 - Sep 10, 2009	508	88,674	4.34

Source: Central Bank of Kenya

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

The Shilling Exchange Rate

The Kenya Shilling's performance against major international currencies during the week ending September 11, 2009 was mixed (Table 3). Against the US dollar, the shilling strengthened to Ksh 76.07 in the week ending September 11, 2009 compared with Ksh 76.30 in the previous week due to forex inflows from offshore investors. However, the shilling weakened against the Euro and the Sterling Pound during the week. The shilling traded at Ksh 125.20 compared with Ksh 124.05 per Sterling Pound in the week ending September 4, 2009. Against the Euro, the shilling traded at 109.76 per Euro in the week ending September 11, 2009 compared with Ksh 108.92 per Euro in the previous week. The Kenya Shilling strengthened marginally against the Japanese Yen to trade at Ksh 82.18 per 100 Japanese Yen in the week ending September 11, 2009 compared with Ksh 82.26 per 100 Japanese Yen in the previous week.

In the regional scene, the Kenya Shilling remained little changed against the Uganda Shilling and the Tanzania Shilling to exchange at Ush 26.23 per Kenya Shilling and Tsh 17.24 per Kenya Shilling in the week ending September 11, 2009 compared with Ush 26.72 per Kenya Shilling and Tsh 17.25 per Kenya Shilling in the previous week respectively.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
31-Aug-09	76.23	123.45	108.71	82.18	26.96	17.28
01-Sep-09	76.26	124.35	109.48	81.96	26.95	17.28
02-Sep-09	76.24	123.32	108.54	82.03	26.96	17.28
03-Sep-09	76.43	124.50	109.21	82.80	26.59	17.21
04-Sep-09	76.34	124.64	108.65	82.36	26.13	17.18
Aug 31- Sep 4, 2009	76.30	124.05	108.92	82.26	26.72	17.25
07-Sep-09	76.23	124.88	108.97	81.97	26.17	17.20
08-Sep-09	76.14	124.56	109.19	82.11	26.20	17.23
09-Sep-09	75.93	125.64	110.12	82.22	26.27	17.27
10-Sep-09	75.96	125.73	110.76	82.43	26.26	17.26
11-Sep-09	75.93	126.66	110.69	83.19	26.28	17.27
Sep 7- Sep 11, 2009	76.07	125.20	109.76	82.18	26.23	17.24

Source: Central Bank of Kenya

Foreign Exchange Reserves

Official usable foreign exchange reserves held by the Central Bank stood at US\$ 3,215 million (equivalent to 3.63 months of imports) as at September 11, 2009, compared with US\$ 3,075 million (equivalent to 4.04 months of imports) as at September 11, 2008 (Table 4). The decline in import cover reflects a higher import bill in the past year.

Foreign exchange reserves held by the commercial banks, predominantly used by the private sector to meet external financial obligations decreased from US\$ 2,177 million as at end July 2008 to US\$ 1,614 million as at end July 2009. The foreign exchange reserves have increased gradually since May 2009.

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

	11-Sep-08	31-Mar-09	30-Apr-09	29-May-09	26-Jun-09	31-Jul-09	31-Aug-09	04-Sep-09	11-Sep-09
Usable Reserves	3,075	2,620	2,608	2,789	3,086	3,097	3,154	3,166	3,215
Months of Imports Cover*	4.04	3.13	3.11	3.22	3.56	3.52	3.54	3.58	3.63
Months of Imports Cover**	3.67	2.61	2.59	2.80	3.10	3.12	3.18	3.19	3.24

*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 was fairly liquid in the week ending September 9, 2009 following increased government spending. As shown in Table 5, Central Bank provided liquidity amounting to Ksh 2.0 billion to commercial banks using the reverse repurchase agreement securities. During the week, maturing reverse repo securities was Ksh 1.0 billion. Reserve money averaged Ksh 159.6 billion in the week and remained below target by Ksh 5.1 billion.

Table 5: Open Market Operations (Ksh Billion)

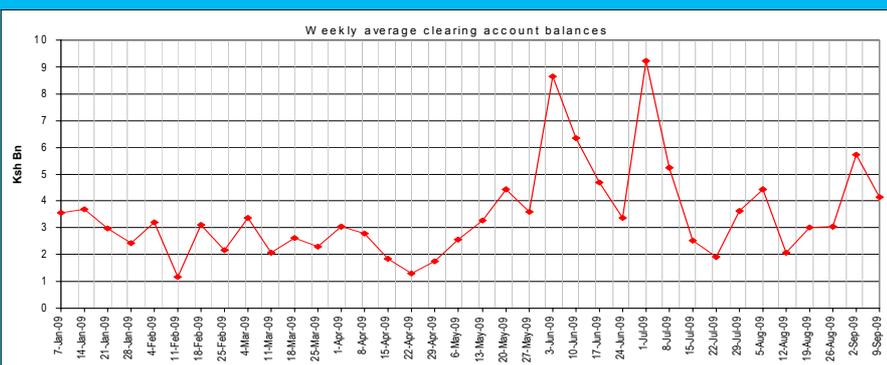
Date	Reserve Money* (Projected)			OMO (Reverse REPO)			Reserve money performance		Bank Reserves	Currency Outside Banks
	Forecast	Target	Exc(+)/ Short(-)	Posted	Injected	Exc(+)/ Short(-)	Actual	Exc(+)/ Short(-)	Exc(+)/ Short(-)	Exc(+)/ Short(-)
	(1)	(2)	3=(2-1)	(4)	(5)	6=(5-4)	(8)	9=(10+11)	10	11
03-Sep	160.5	164.7	-4.2	0.0	0.0	0.0	159.1	-5.6	3.8	-9.4
04-Sep	159.4	164.7	-5.3	0.0	0.0	0.0	159.1	-5.7	2.0	-7.7
07-Sep	157.1	164.7	-7.7	0.0	0.0	0.0	160.2	-4.5	2.3	-6.8
08-Sep	159.7	164.7	-5.0	0.0	0.0	0.0	159.0	-5.7	0.8	-6.5
09-Sep	157.6	164.7	-7.1	2.0	2.0	0.0	160.7	-4.0	1.1	-5.1
Average	158.9	164.7	-5.9	0.4	0.4	0.0	159.6	-5.1	2.0	-7.1

Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks maintained an average of Ksh 4.2 billion in their clearing accounts at the Central Bank in the week to September 9, 2009, compared with Ksh 5.7 billion held in the previous week (Charts B).

Chart B: Weekly Average Commercial Banks Clearing Account Balances



Source: Central Bank of Kenya

Government Domestic Debt

The Government gross domestic debt increased by Ksh 24.5 billion, from Ksh 518.3 billion in June 2009 to Ksh 542.9 billion as at September 4, 2009 (Table 6 and Chart C). This was attributed to increases of Ksh 10.8 billion in Treasury bills excluding repos and Ksh 17.7 billion in Treasury bonds. However, the increase was offset by decreases of Ksh 2.7 billion in overdraft at the Central Bank of Kenya and Ksh 1.3 billion in other domestic debt.

Treasury bills (excluding Repos) increased from Ksh 116.8 billion in June 2009 to Ksh 127.6 billion as at September 4, 2009, Treasury bonds increased from Ksh 360.7 billion to Ksh 378.5 billion. However, the overdraft at the CBK decreased from Ksh 5.1 billion to Ksh 2.4 billion while other domestic debt decreased from Ksh 34.9 billion to Ksh 33.6 billion during the period. 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 75.4 percent in June 2009 to 74.7 percent as at September 4, 2009 while Treasury bills holdings increased from 24.4 percent to 25.2 percent during the period. As a result, the maturity profile of Government securities decreased from 3 years and 9 months to 3 years and 8 months during the period.

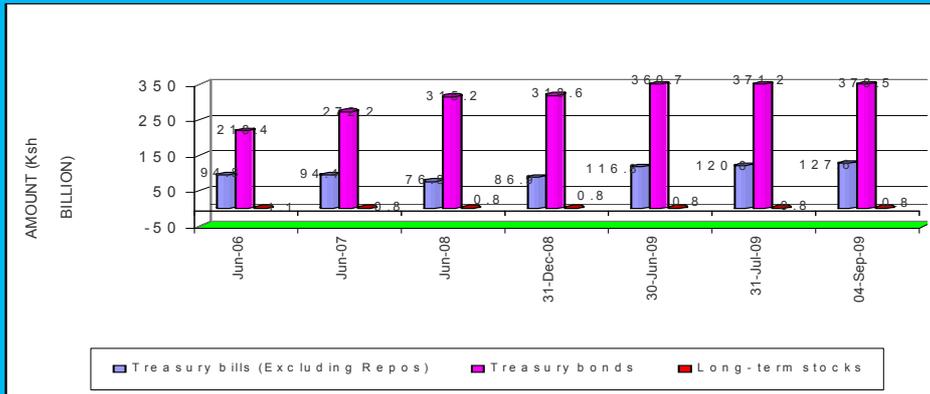
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-08	31st Dec 08	27th Mar 09	30th June 09	28th Aug 2009	4th Sep 2009	Changes 28th Aug-09 -4th Sep-09
1. Treasury Bills (Excluding Repos)	76.8	86.9	97.9	116.8	129.4	127.6	-1.8
(As % of total securities)	19.6	21.4	22.6	24.4	25.4	25.2	-0.3
2. Treasury Bonds	315.2	318.6	334.4	360.7	378.5	378.5	0.0
(As % of total securities)	80.2	78.4	77.2	75.4	74.4	74.7	0.3
3. Long Term Stocks	0.8	0.8	0.8	0.8	0.8	0.8	0.0
(As % of total securities)	0.2	0.2	0.2	0.2	0.1	0.1	0.0
4. Total Securities (1+2+3)	392.8	406.3	433.1	478.3	508.7	506.8	-1.8
5. Overdraft at Central Bank	0.0	15.1	5.5	5.1	6.1	2.4	-3.8
6. Other Domestic debt*	37.8	34.9	35.4	34.9	33.8	33.6	-0.2
7. Gross Domestic Debt (4+5+6)	430.6	456.2	474.0	518.3	548.6	542.9	-5.7
8. Interest payments on domestic debt (Cumulative in FY)	42.2	22.7	33.5	45.9	9.8	9.8	9.9

* 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

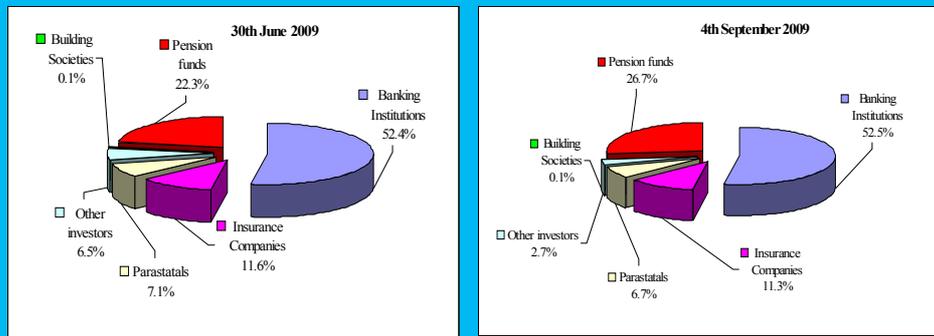


Source: Central Bank of Kenya

Holding of Government Securities

Government securities holdings by pension funds and commercial banks increased from 22.3 percent and 52.4 percent, respectively, in June 2009 to 26.7 percent and 52.5 percent as at September 4, 2009. On the other hand, holdings of insurance companies, parastatals and other investors decreased from 11.6 percent, 7.1 percent and 6.5 percent, respectively, in June 2009 to 11.3 percent, 6.7 percent and 2.7 percent during the same period. Holdings of building societies however remained unchanged at 0.1 percent.

Chart D: Composition of Government Securities by Investor

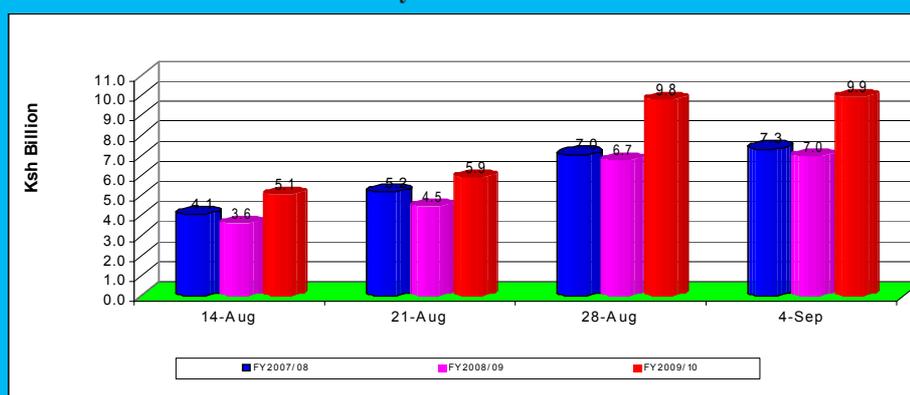


Source: Central Bank of Kenya

Cost of Domestic Borrowing

From July 1, 2009 to September 4, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 9.92 billion as shown in Chart E. The interest cost on domestic debt during the period comprised Ksh 7.88 billion in interest and other charges on Treasury Bonds, Ksh 2.04 billion in interest and other charges on Treasury Bills and Ksh 0.01 billion in interest on Government overdraft at Central Bank of Kenya.

Chart E: Cumulative Interest Payments on Domestic Debt



Source: Central Bank of Kenya

The Stock Market

The performance at the equities market declined during the week ending September 10, 2009. Equity turnover decreased by 34.5 percent as stocks worth Ksh 532.5 million were traded compared with Ksh 812.4 million traded in the previous week. The number of shares traded decreased, from 53.0 million in the previous week to 34.4 million shares traded in the week under review. Market capitalization as a measure of total shareholders wealth declined by 2.2 percent or Ksh 17.9 billion to close at Ksh 786.2 billion in the week under review from Ksh 804.1 billion in the previous week. The NSE 20 Share index lost 98.6 points to settle at 3090.3 points on September 10, 2009 from 3188.9 points on September 03, 2009. The Nairobi All Share Index lost 1.5 points to settle at 67.9 points on September 10, 2009. (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	16-Jul-09	23-Jul-09	30-Jul-09	06-Aug-09	13-Aug-09	20-Aug-09	27-Aug-09	03-Sep-09	10-Sep-09
NASI 100=Jan 2008	71.15	71.79	70.99	71.81	71.12	69.40	67.53	69.42	67.87
NSE 20 Share Index	3,256.75	3,317.62	3,246.09	3,237.20	3,255.19	3,183.71	3,099.92	3,188.87	3,090.31
Number of Deals	8,926	8,196	8,410	7,233	7,546	8,842	5,498	7,039	6,847
Total Shares Traded	60.76	52.61	59.02	68.72	58.16	80.50	58.42	52.96	34.36
Equity Turnover (Ksh)	573.02	633.49	687.17	771.91	638.29	722.18	647.46	812.45	532.49
Market Capitalization (Ksh)	824.02	831.36	822.15	831.60	823.64	803.69	782.26	804.13	786.22
Bonds Turnover (Ksh)	1,807.90	1,087.15	1,375.00	828.35	1,302.80	1,073.00	2,721.80	1,760.40	4,391.10

* 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 16.9 million shares and accounted for 49 percent of total traded volume. Safaricom traded 14.8 million shares to be the most active stock in the sector. The Finance and Investment sector traded 12.6 million shares and accounted for 37 percent of total traded volume. Co-operative Bank and Kenya Commercial Bank traded 4.2 million and 2.6 million shares and were the most active counters in the sector. Industrial and Allied sector traded 4.5 million shares and accounted for 13 percent of traded volume. Mumias and E.A Breweries

were the most active counters and traded 2.2 million and 0.9 million shares, respectively. The other sectors had minimal trading.

Bond Market

Bond market trading improved during the week. Bond turnover increased as bonds worth Ksh 4.4 billion were traded compared with Ksh 1.8 billion traded in the previous week.