

**April 8, 2011**



**THE CBK WEEKLY BULLETIN**

**Highlights for  
the Week**

The Government offered for sale Treasury bills in 2 separate auctions to raise Ksh 4.0 billion, and received bids totaling Ksh 4.2 billion of which Ksh 2.9 billion was accepted. The 91- and 182-day Treasury bill average rates edged up 16.8 basis points and 17.1 basis points, respectively.

The average interbank rate rose by 154 basis points to 2.88 percent in the week ending April 06, 2011, from 1.34 percent in the previous week.

The money market was tight in the week ending April 06, 2011 prompting the Central bank to inject a total of Ksh 5.8 billion in the week ending April 06, 2011. Repo maturities amounted to Ksh 2.9 billion, during the week.

The Kenya Shilling on average depreciated against the major international currencies, as well as the EAC currencies, during the week ending April 8, 2011. Against the US dollar, the shilling depreciated to exchange at an average of Ksh 83.66 in the week compared with Ksh 83.56 per US dollar in the previous week.

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,887 million (equivalent to 3.77 months of imports) as at March 31, 2011 to US dollar 3,922 million (equivalent to 3.81 months of imports) as at April 8, 2011.

Government gross domestic debt increased by Ksh 93.8 billion from Ksh 660.3 billion in June 2010 to Ksh 754.1 billion as at March 31, 2011. The cumulative Government expenditure on interest and other charges on domestic debt during the same period amounted to Ksh 49.2 billion.

Performance at the equities market was mixed during the week ending April 07, 2011 with the NSE 20 Share Index gaining 106 points to settle at 3993.1 from 3887.1 points on March 31, 2011 while equity turnover decreased by 22 percent.

**Government Securities Auction**

The Government offered for sale Treasury bills in 2 separate auctions to raise Ksh 4.0 billion. During the 182-day Treasury bills auction of April 06, 2011, the Government offered for sale Treasury bills amounting to Ksh 2.0 billion and received bids amounting to Ksh 2.4 billion, a 118 percent performance. In another auction held on April 07, 2011, the Government offered for sale 91-day Treasury bills amounting to Ksh 2.0 billion and received bids amounting to 1.8 billion, a 92.0 percent performance. From both auctions the Government accepted bids totaling Ksh 2.9 billion of which Ksh 1.6 billion was in 182-day Treasury bills. The proceeds will be used to support the budget.

**Treasury Bills/Bonds Interest Rates**

The 91-day Treasury bill rate edged up 16.8 basis points to settle at 3.157 percent while the 182-day Treasury bill rate edged up 17.1 basis points to reach 3.442 percent.

**Table 1 : Interest Rates**

Auction date	3-Feb-11	10-Feb-11	17-Feb-11	24-Feb-11	3-Mar-11	25-Mar-11	31-Mar-11	8-Apr-11
91 day T. Bills*	2.555	2.595	2.592	2.603	2.627	2.905	2.989	3.157
182 day T. Bills*		2.749		2.764		3.271		3.442
364 day T. Bills*	3.722				3.996			
Month	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10			
Average savings rate	1.55	1.50	1.47	1.46	1.40			
Average overdraft rate	14.03	13.97	13.81	13.64	13.77			

\*Weighted rates for accepted bids

Source: Central Bank of Kenya

**Interbank and REPO Rates**

The average interbank interest rate rose by 154 basis points to 2.88 percent in the week ending April 06, 2011 (Table 2). The average volumes traded increased to Ksh 9.84 billion in the week ending April 06, 2011 from Ksh 9.17 billion in the previous week. The Government deposits at the Central Bank declined from Ksh 54.1 billion in the week ending March 30, to Ksh 45.3 billion in the week ending April 06, 2011.

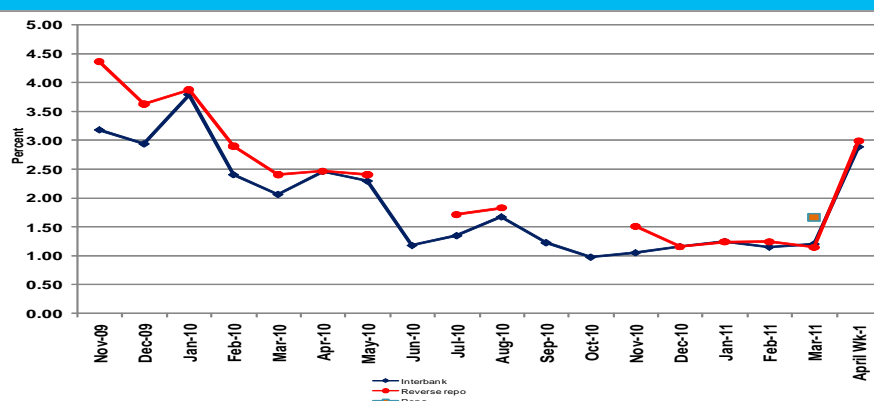
**Table 2: Interbank Deals, Volumes and Interest Rates**

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
24-Mar-11	40	5,265	1.06
25-Mar-11	37	6,425	1.02
28-Mar-11	82	16,904	1.25
29-Mar-11	69	14,674	1.47
30-Mar-11	63	10,340	1.90
<b>March 24- March 30, 2011</b>	<b>52</b>	<b>9,176</b>	<b>1.34</b>
31-Mar-11	56	7,932	2.23
1-Apr-11	66	11,930	2.70
4-Apr-11	60	9,542	3.05
5-Apr-11	55	9,429	3.19
6-Apr-11	49	10,069	3.23
<b>March 31- April 6, 2011</b>	<b>57</b>	<b>9,840</b>	<b>2.88</b>

Source: Central Bank of Kenya

The reverse repo rate was 2.990 percent as at the last reverse repo transaction on April 06, 2011.

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

**Monetary  
Policy  
Operations**

The money market was tight in the week ending April 06, 2011 prompting the Central Bank to inject a total of Ksh 5.8 billion in the week ending April 06, 2011 (Table 3). Repo maturities amounted to Ksh 2.9 billion, during the week. Commercial banks borrowed a total of Ksh 10.1 billion from the overnight window. Reserve money averaged Ksh 215.3 billion during the week and was above target by Ksh 3.7 billion.

Table 3: Open Market Operations

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=(1-2)	(4)	(5)	6=(5-4)	(7)	8=(7-2)	(9)	(10)
31-Mar	204.8	211.8	-7.0	0.0	0.0	0.0	211.4	-0.4	-1.6	1.3
1-Apr	207.7	211.8	-4.1	0.0	0.0	0.0	210.3	-1.5	-3.3	1.8
2-Apr	214.6	211.4	3.1	0.0	0.0	0.0	215.6	4.1	1.7	2.5
3-Apr	215.0	211.4	3.6	0.0	0.0	0.0	216.4	5.0	0.4	4.6
4-Apr	217.8	211.4	6.4	2.0	5.8	-3.8	222.7	11.3	6.9	4.4
Average	212.0	211.6	0.4	0.4	1.2	-0.8	215.3	3.7	0.8	2.9

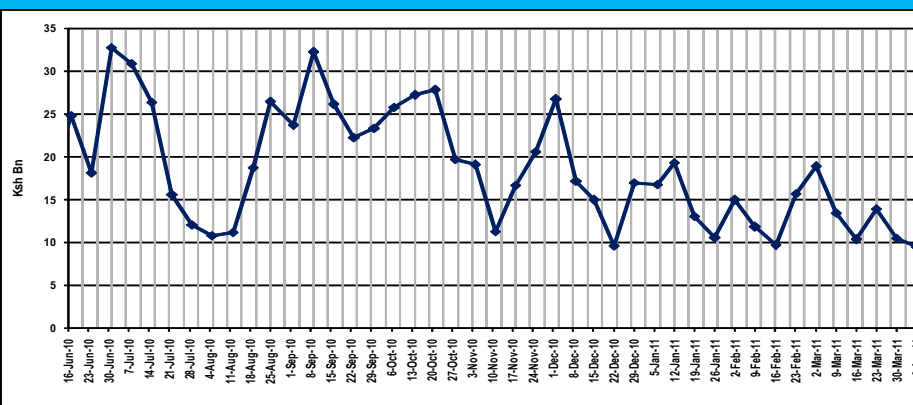
\*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

**Commercial  
Banks  
Clearing  
Accounts  
Balances**

Commercial banks maintained an average of Ksh 9.5 billion in their clearing accounts at the Central Bank in the week to April 06, 2011, compared with Ksh 10.5 billion held the previous week (Chart B).

Chart B: Commercial Banks Repo Holdings



Source: Central Bank of Kenya

### The Shilling Exchange Rate

The Kenya Shilling on average depreciated against the major international currencies during the week ending April 8, 2011 (Table 4). In the week, it exchanged at an average of Ksh 83.66 per US dollar, Ksh 134.16 per Sterling Pound, Ksh 118.01 per Euro and Ksh 101.73 per 100 Japanese Yen compared to Ksh 83.56 per US dollar, Ksh 134.03 per Sterling Pound, Ksh 117.97 per Euro and Ksh 101.30 per 100 Japanese Yen, in the week ending March 31, 2011.

The weakening of the Kenya shilling is partly driven by expectation of future shortages due to oil price increases largely attributed to political turbulence in the crude oil producing countries in North Africa and the Middle East.

### EAC Exchange Rates

In the EAC region, the Kenya Shilling weakened against the Tanzania shilling, Uganda shilling and Burundi Franc to exchange at Tsh 17.97 per Kenya Shilling, Ush 28.71 per Kenya Shilling and BIF 14.72 per Kenya Shilling in the week ending April 8, 2011, compared with Tsh 18.00 per Kenya Shilling, Ush 28.73 per Kenya Shilling and BIF 14.74 per Kenya Shilling in the previous week. The exchange rate against the Rwandan Franc remained unchanged.

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
28-Mar-11	84.29	134.96	118.49	103.17	28.53	17.74	7.11	14.65
29-Mar-11	83.82	134.29	118.37	102.66	28.66	17.97	7.15	14.67
30-Mar-11	83.55	133.74	117.67	100.76	28.76	18.04	7.18	14.76
31-Mar-11	82.99	133.64	117.51	100.35	28.88	18.12	7.22	14.82
1-Apr-11	83.16	133.51	117.80	99.56	28.80	18.10	7.21	14.79
March 21-24, 2011	83.56	134.03	117.97	101.30	28.73	18.00	7.17	14.74
4-Apr-11	83.37	134.70	118.58	99.05	28.55	18.05	7.19	14.70
5-Apr-11	83.74	134.99	118.93	99.25	28.47	17.99	7.16	14.67
6-Apr-11	83.73	136.74	119.44	98.16	28.36	17.97	7.16	14.69
7-Apr-11	84.77	137.97	121.25	99.42	27.79	17.75	7.07	14.50
8-Apr-11	84.29	138.05	121.57	98.81	28.00	17.88	7.11	14.59
March 28 - 31, 2011	83.66	134.16	118.01	101.73	28.71	17.97	7.17	14.72

Source: Central Bank of Kenya

## Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,887 million (equivalent to 3.77 months of imports) as at March 31, 2011 to US dollar 3,922 million (equivalent to 3.81 months of imports) as at April 8, 2011 (Table 5).

**Table 5: Official Foreign Exchange Reserves (US\$ Million)**

	31-Dec-10	6-Jan-11	17-Feb-11	24-Feb-11	3-Mar-11	10-Mar-11	17-Mar-11	24-Mar-11	31-Mar-11	8-Apr-11
Usable Reserves*	3,466	3,466	3,495	3,610	3,645	3,663	3,931	3,935	3,887	3,922
Months of Imports Cover**	3.48	3.48	3.46	3.57	3.61	3.63	3.89	3.90	3.77	3.81

\*Excludes encumbered reserves

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

Source: Central Bank of Kenya

## Government Domestic Debt

Gross Government debt increased by Ksh 93.8 billion from Ksh 660.3 billion in June 2010 to Ksh 754.1 billion as at March 31, 2011 (Table 6 and Chart C). This increase was in Treasury bonds, other domestic debt and overdraft at the Central Bank amounting to Ksh 125.3 billion. This was, however, partially offset by decreases of Ksh 31.5 billion in both Treasury bills and long term stocks.

Treasury bonds increased from Ksh 448.6 billion in June 2010 to Ksh 570.8 billion as at March 31, 2011, while Treasury bills declined from Ksh 159.0 billion to Ksh 128.4 billion during the same period. As a result, the share of Treasury bonds in total domestic debt increased from 73.7 percent in June 2010 to 81.6 percent as at March 31, 2011, while that of Treasury bills declined from 26.1 percent to 18.4 percent. The average time to maturity of Government securities increased from 4 years 3 months in June 2010 to 5 years 2 month during this period.

**Table 6: Government Domestic Debt (Ksh Billion)**

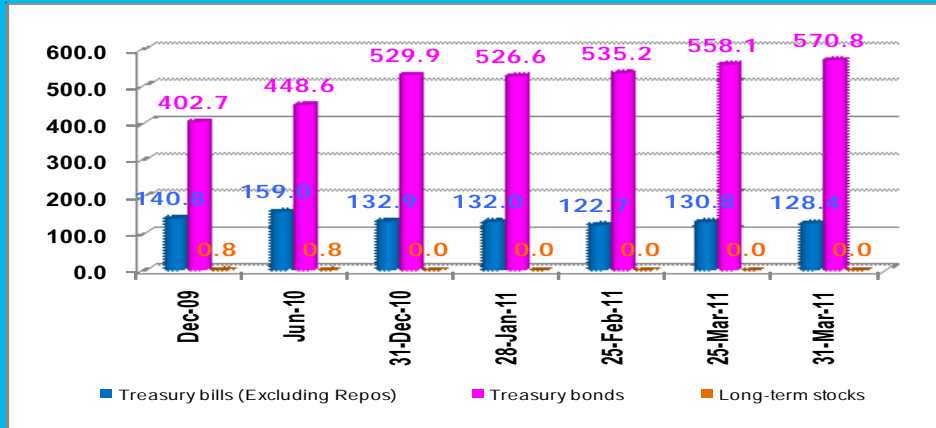
	Jun-10	31st Dec-2010	25th Mar-2011	31st Mar-2011	Changes	
					25th Mar-11-31st Mar-11	30th Jun-10-31st Mar-11
1. Treasury Bills (Excluding Repos) (As % of total securities)	159.0 26.1	132.9 20.1	130.8 19.0	128.4 18.4	-2.4	-30.7
2. Treasury Bonds (As % of total securities)	448.6 73.7	529.9 79.9	558.1 81.0	570.8 81.6	12.6	122.2
3. Long Term Stocks (As % of total securities)	0.8 0.1	0.0 0.0	0.0 0.0	0.0 0.0	0.0	-0.8
4. Total Securities (1+2+3)	608.4	662.8	689.0	699.2	10.2	90.7
5. Overdraft at Central Bank	17.6	22.7	18.2	19.7	1.5	2.1
6. Other Domestic debt*	34.2	34.8	35.2	35.2	0.0	1.0
7. Gross Domestic Debt (4+5+6)	660.3	720.2	742.4	754.1	11.7	93.8
8. Interest payments on domestic debt	57.8	34.2	44.8	49.2	4.4	

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

Source: Central Bank of Kenya

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Chart C: Composition of Government Securities

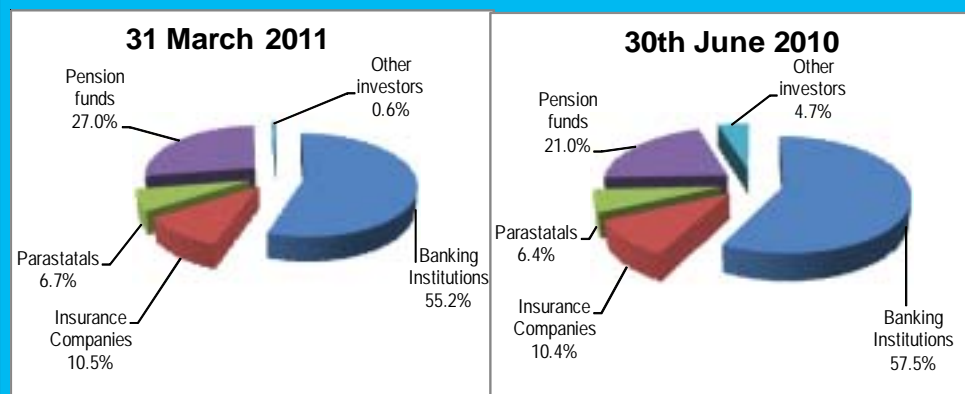


Source: Central Bank of Kenya

### Holding of Govt Securities

The holdings of Government securities by parastatals, pension funds and insurance companies increased from 6.4 percent, 21.0 percent and 10.4 percent, respectively in June 2010 to 6.7 percent, 27.0 percent and 10.5 percent, respectively as at March 31, 2011. Holdings by commercial banks and other investors declined from 57.5 percent and 4.7 percent, to 55.2 percent, and 0.6 percent, respectively during the same period (Chart D).

Chart D: Composition of Government Securities by Investors

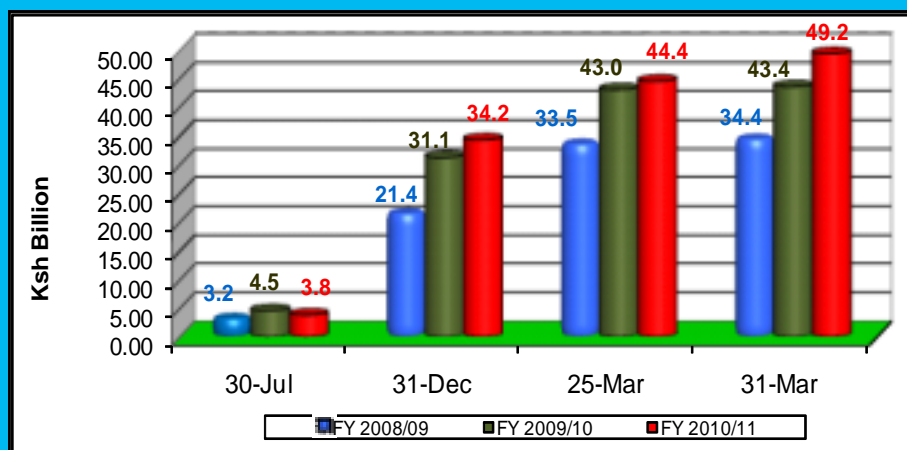


Source: Central Bank of Kenya

### Cost of Domestic Borrowing

The cumulative interest and other charges on domestic debt as at March 31, 2011 amounted to Ksh 49.2 billion compared with Ksh 43.4 billion in a similar period of the fiscal year 2009/10 (Chart E). The cost during the period was on account of interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 7.5 billion and Ksh 41.2 billion, respectively, while interest on Government overdraft at the Central Bank amounted to Ksh 0.6 billion.

Chart E: 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 April 07, 2011. Turnover decreased by 22 percent as stocks worth Ksh 1869.3 million were traded compared to Ksh 2396.7 million traded in the previous week. The number of shares traded decreased from 161.5 million to 156.8 million shares during the period under review. Market capitalization as a measure of total shareholders wealth increased to 1136.4 from last week's level of 1090.2. The NSE 20 Share Index gained 160 points to settle at 3993.1 points on April 07, 2011 from 3887.1 points on March 31, 2011. The Nairobi All Share Index rose to 93.3 from 89.5 points in the previous week (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	3-Feb-11	10-Feb-11	17-Feb-11	24-Feb-11	3-Mar-11	10-Mar-11	17-Mar-11	24-Mar-11	31-Mar-11	7-Apr-11
NASI 100= Jan 2008	97.75	97.63	97.77	97.52	95.08	89.24	92.27	89.22	89.50	93.29
NSE 20 Share Index 100=1966	4,386.69	4,326.57	4,284.90	4,264.66	4,182.58	3,915.01	3,993.53	3,873.45	3,887.07	3,993.07
Number of Deals	9,775.00	9,408.00	9,730.00	10,357.00	9,585.00	9,269.00	9,380.00	7,574.00	7,626.00	7,765.00
Total Shares Traded (millions)	84.61	72.64	72.25	95.57	108.07	79.44	111.04	55.11	161.59	156.82
Equity Turnover (Ksh. millions)	1,397.63	1,706.72	1,236.49	1,795.99	1,996.43	1,244.90	2,063.68	1,089.73	2,396.78	1,869.35
Market Capitalization (Ksh. Bn.)	1,177.00	1,189.87	1,190.38	1,187.55	1,157.81	1,086.38	1,123.77	1,086.36	1,090.21	1,136.41
Bonds Turnover (Ksh. millions)	7,645.80	10,690.85	17,247.40	12,617.15	9,202.50	10,430.75	8,159.15	5,819.15	10,275.55	10,406.20

\* 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 109.4 million shares or 69.8 percent of the traded volume. Of this, Safaricom counter saw 100.1 million shares change hands during the week. The Finance and Investment sector traded 22.8 million shares, while Industrial and Allied sector traded 24.1 million shares. These sectors accounted for 14.6 percent and 15.4 percent of total volume transacted, respectively.

Kenya Commercial Bank and Equity Bank were the most active stocks in the Finance and Investment sector, trading 8.7 million and 5.6 million shares, respectively. Kenya Power and Lighting Co. Ltd. and Kenol Kobil Ltd were most active counters in the Industrial and Allied sector, with 9.0 million and 8.1 million shares traded, respectively. The biggest closing price gain between March 31 and April 07, 2011, was on Jubilee Holdings Ltd at Ksh 30 per share followed by East African Breweries Ltd at Ksh 13 per share. The biggest closing price loss was on Standard Chartered Bank at Ksh 14 per share followed by Athi River Mining at Ksh 6 per share. The Alternative market segment traded 38,300 up from 16,600 in the previous period.

**Bond Market** Bond turnover at the Fixed Income Securities Market marginally improved by 1.3 percent, from Ksh 10.2 billion traded in the previous week to Ksh 10.4 billion in the week under review. The number of deals transacted fell from 177 to 137 during the period under review.