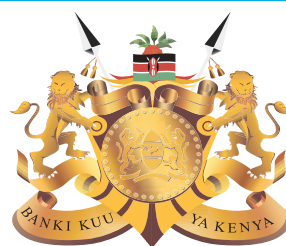


December 15, 2011



### THE CBK WEEKLY BULLETIN

#### Highlights for the Week

The Government offered for sale Ksh 3.0 billion in 182-day Treasury bills and Ksh 4.0 billion in 91-day Treasury bills during the week ending December 16, 2011. Total bids received amounted to Ksh 1.6 billion, and Ksh 12.85 billion, respectively. The Government accepted all bids of the 182-day Treasury bill issue and Ksh 10.7 billion of the 91-day Treasury bills. The weighted average interest rate for the 182-day Treasury bill interest rate rose by 76.6 basis points to 18.445 percent, as the 91-day Treasury bills rate rose by 153.3 basis points to 18.659 percent.

The average interbank rate declined to 11.92 percent during the week ending December 14, 2011, from 20.95 percent in the previous week. During the week commercial banks did not borrow from the Central Bank overnight window.

The Kenya Shilling strengthened against major international currencies in the week ending December 15, 2011. Against the US dollar the Kenya Shilling appreciated to exchange at Ksh 88.60 per US dollar compared with Ksh 89.63 per US dollar in the previous week.

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,773 million (equivalent to 3.46 months of imports) as at December 9, 2011 to US dollar 3,785 million (equivalent to 3.47 months of imports) in the week ending December 15, 2011.

Gross Government debt increased by Ksh 36.7 billion from Ksh 764.2 billion in June 2011 to Ksh 800.9 billion as at December 9, 2011. The cumulative interest and other charges on domestic debt from July 1, 2011 to December 9, 2011 amounted to Ksh 31.0 billion compared with Ksh 28.6 billion in the same period of the fiscal year 2010/11.

The stock market performance was mixed across key indicators in the week ending December 15, 2011. The NSE 20 Share Index dropped 2.3 points as the Nairobi All Share Index (NASI) gained 0.57 points. The tradable FTSE NSE 15 Index and FTSE NSE 25 Index added more value, highlighting investors' confidence during the week. Volume of bonds traded rose by 0.6 percent in the week. Equity turnover and volume of shares traded declined by 13.3 percent and 48.1 percent, respectively.

**Government Securities Auction**

The Government offered for sale 182-day Treasury bills worth Ksh 3.0 billion and 91-day Treasury bills worth KSh 4.0 billion during the week ending December 16, 2011. The total bids received amounted to Ksh 1.6 billion (54.8 percent subscription rate) for the 182-day Treasury bills and Ksh 12.85 billion (321.2 percent subscription rate) for the 91-day Treasury bills offer. The Government accepted all bids for the 182-day Treasury bills auction and Ksh 10.7 billion worth of bids in the 91-day Treasury bills offer.

**Interest Rate on Treasury Bills & Bonds**

During the auction the weighted average interest rate on the 182-day Treasury bill increased by 76.6 basis points to 18.445 percent, while the 91-day average rate increased by 153.3 basis points to 18.659 percent.

**Table 1 : Interest Rates**

Auction date	14-Oct-11	21-Oct-11	28-Oct-11	4-Nov-11	11-Nov-11	18-Nov-11	25-Nov-11	2-Dec-11	9-Dec-11	16-Dec-11
91 day T. Bills*	14.997	15.091	15.313	15.743	15.998	16.202	16.601	16.859	17.126	18.659
182 day T. Bills*	14.973	15.287	15.364		15.661	15.738	16.471	16.543	17.679	18.445
364 day T. Bills*					16.617				20.955	
Month	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jul-11	Aug-11	Sept	Oct	
Average savings rate	1.25	1.41	1.37	1.38	1.38	1.37	1.37	1.35	1.33	
Average overdraft rate	13.93	13.65	13.60	13.68	13.72	13.89	14.28	14.64	14.87	

\*Weighted rates for accepted bids

Source: Central Bank of Kenya

**Interbank and REPO Rates**

The average interbank rate declined to 11.92 percent during the week ending December 14, 2011 from 20.95 percent in the previous week. Traded volume rose to Ksh 10.52 billion in the week ending December 14, 2011 from Ksh 6.78 billion in the previous week.

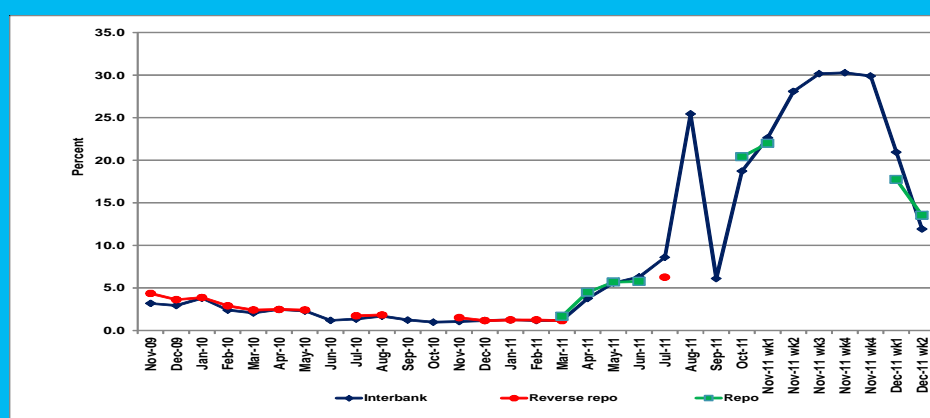
**Table 2: Interbank Deals, Volumes and Interest Rates**

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
2-Dec-11	62	7,391	24.73
3-Dec-11	62	6,161	22.86
6-Dec-11	58	6,700	21.52
7-Dec-11	56	7,172	19.38
8-Dec-11	49	6,475	16.28
<b>Dec 2 - Dec 8, 2011</b>	<b>57</b>	<b>6,780</b>	<b>20.95</b>
9-Dec-11	61	13,945	12.09
12-Dec-11	<b>HOLIDAY</b>		
13-Dec-11	29	3,569	11.79
14-Dec-11	73	14,046	11.89
<b>Dec 9 - Dec 14, 2011</b>	<b>54</b>	<b>10,520</b>	<b>11.92</b>

Source: Central Bank of Kenya

The average repo rate was 13.53 percent for the repo transactions during the week ending December 14, 2011.

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

**Monetary Policy Operations**

The money market liquidity eased during the week ending December 14, 2011 on account of government payments. The Central Bank mopped a total of Ksh 6.0 billion during the week under review. Commercial banks did not borrow from the Central Bank overnight window during the week ending December 14, 2011. Reserve money averaged Ksh 247.4 billion during the week and was above target by Ksh 11.5 billion (Table 3).

Table 3: Open Market Operations Ksh Billion

Date	Reserve Money* (Projected)			OMO ( REPO)			Reserve money performance		Bank Reserves	Currency Outside Banks
	Forecast	Target	Exc(+)/ Short(-)	Posted	Mop up	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)
8-Dec-11	249.2	231.6	17.6	0.0	0.0	0.0	249.7	18.1	19.8	-1.7
9-Dec-11	251.2	231.6	19.6	0.0	0.0	0.0	251.7	20.0	20.8	-0.7
12-Dec-11	HOLIDAY									
13-Dec-11	247.9	240.2	7.6	2.0	2.0	0.0	246.6	6.4	7.0	-0.6
14-Dec-11	245.7	240.2	5.5	4.0	4.0	0.0	241.7	1.5	1.9	-0.4
Average	248.5	235.9	12.6	1.5	1.5	0.0	247.4	11.5	12.4	-0.9

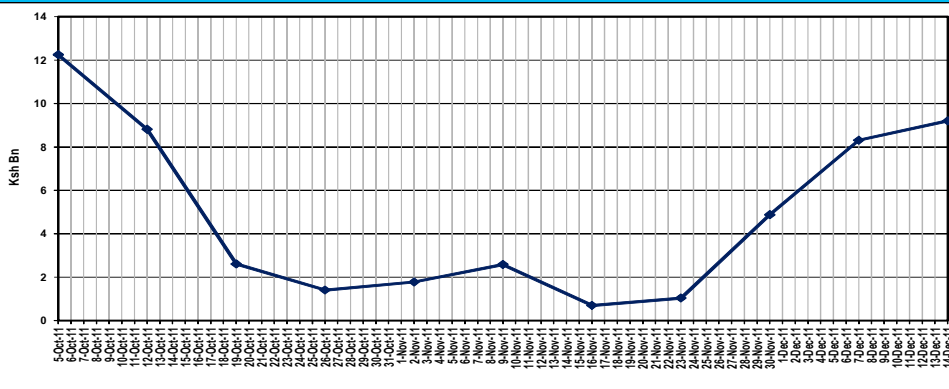
\*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

**Commercial Banks Clearing Accounts Balances**

Commercial banks maintained an average of Ksh 9.20 billion in their settlement accounts above the 4.75 percent monthly average cash reserve requirements at the Central Bank in the week to December 14, 2011, up from Ksh 8.31 billion in the previous week (Chart B).

**Chart B: Weekly Average Clearing A/c Balances**



Source: Central Bank of Kenya

**The Shilling Exchange Rate**

The Kenya Shilling strengthened against major international currencies in the week ending December 15, 2011. Against the US dollar, the Kenya Shilling appreciated by 1.15 percent to exchange at an average of Ksh 88.60 in the week compared with Ksh 89.63 per US dollar in the week ending December 9, 2011. Against the Sterling Pound, the Euro and the Japanese Yen the Shilling appreciated by 1.90 percent, 3.48 percent and 1.42 percent, respectively, to trade at an average of Ksh 137.43 per Sterling Pound, Ksh 115.81 per Euro and Ksh 113.63 per 100 Japanese Yen in the week ending December 15, 2011 compared to Ksh 140.10 per Sterling Pound, Ksh 119.98 per Euro and Ksh 115.27 per 100 Japanese Yen in the previous week.

The appreciation of the Shilling was due to inflows from the agricultural sector, tourism sector and increased remittances from the Diaspora as well as movements in the international currency markets that led to strengthening of the US dollar against the Sterling Pound and the Euro.

In the EAC region, the Kenya Shilling depreciated against the Uganda Shilling, and the Tanzania Shilling, and appreciated against the Rwanda Franc and the Burundi Franc in the week ending December 15, 2011. On average, the Kenya Shilling exchanged at Ush 27.21 per Kenya Shilling, Tsh 18.12 per Kenya Shilling, RWF 6.80 per Kenya Shilling and BIF 14.99 per Kenya Shilling during the week, compared with Ush 27.71 per Kenya Shilling, Tsh 18.28 per Kenya Shilling, RWF 6.72 per Kenya Shilling and BIF 14.36 per Kenya Shilling in the week ending December 9, 2011 (Table 4).

**Table 4: Kenya Shilling Exchange Rates**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
<b>Nov 21-25, 2011</b>	<b>89.95</b>	<b>140.31</b>	<b>120.37</b>	<b>115.56</b>	<b>28.48</b>	<b>18.73</b>	<b>6.69</b>	<b>13.78</b>
5-Dec-11	89.83	140.17	120.45	115.14	27.83	18.54	6.71	13.80
6-Dec-11	89.55	139.92	119.77	115.11	27.86	18.50	6.73	14.41
7-Dec-11	89.62	139.99	120.30	115.32	27.84	18.24	6.73	14.39
8-Dec-11	89.67	140.72	120.19	115.48	27.51	18.07	6.71	14.39
9-Dec-11	89.50	139.68	119.21	115.30	27.49	18.05	6.74	14.83
<b>Dec 5-8, 2011</b>	<b>89.63</b>	<b>140.10</b>	<b>119.98</b>	<b>115.27</b>	<b>27.71</b>	<b>18.28</b>	<b>6.72</b>	<b>14.36</b>
13-Dec-11	89.55	139.76	118.12	114.97	27.30	18.01	6.73	14.83
14-Dec-11	88.98	137.76	115.98	114.14	27.06	18.06	6.76	14.93
15-Dec-11	87.28	134.78	113.33	111.79	27.27	18.27	6.91	15.22
<b>Dec 13-15, 2011</b>	<b>88.60</b>	<b>137.43</b>	<b>115.81</b>	<b>113.63</b>	<b>27.21</b>	<b>18.12</b>	<b>6.80</b>	<b>14.99</b>

Source: Central Bank of Kenya

**Foreign Exchange Reserves**

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,773 million (equivalent to 3.46 months of imports) as at December 9, 2011 to US dollar 3,785 million (equivalent to 3.47 months of imports) in the week ending December 15, 2011 (Table 5). The usable official foreign exchange reserves level is consistent with the net international reserve (NIR) position of US\$ 3,243 million, which is US\$ 118 million above the December 2011 NIR target of US\$ 3,125 million.

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

	4-Nov-11	11-Nov-11	18-Nov-11	25-Nov-11	2-Dec-11	9-Dec-11	15-Dec-11
Usable Reserves*	3,691	3,716	3,697	3,711	3,745	3,773	3,785
Months of Imports Cover**	3.39	3.41	3.39	3.41	3.44	3.46	3.47

\*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 36.7 billion from Ksh 764.2 billion in June 2011 to Ksh 800.9 billion as at December 9, 2011 (Table 6 and Chart C). During the week under review, gross government debt expanded by Ksh 8.6 billion.

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

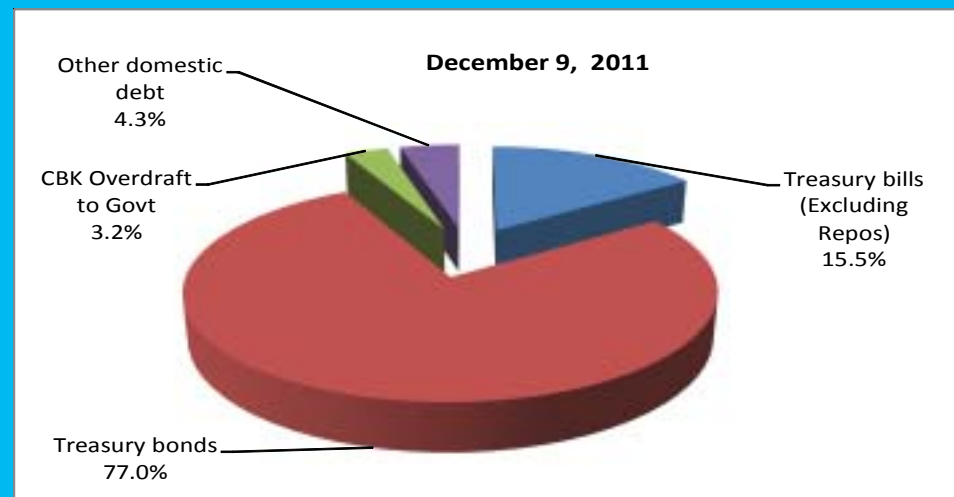
	Jun-11	Sep-11	2nd Dec 2011	9th Dec 2011	Changes	
					2nd Dec 2011-9th Dec 2011	30th Jun 2011-9th Dec 2011
1. Treasury Bills (Excluding Repos)	126.7	113.7	116.0	124.3	8.3	-2.4
<b>(As % of total securities)</b>	<b>17.5</b>	<b>16.1</b>	<b>15.8</b>	<b>16.8</b>		
2. Treasury Bonds	595.7	591.5	616.2	616.4	0.2	20.7
<b>(As % of total securities)</b>	<b>82.5</b>	<b>83.9</b>	<b>84.2</b>	<b>83.2</b>		
3. Long Term Stocks	0.0	0.0	0.0	0.0	0.0	0.0
<b>(As % of total securities)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		
<b>3. Total Securities (1+2+3)</b>	<b>722.4</b>	<b>705.3</b>	<b>732.1</b>	<b>740.7</b>	<b>8.5</b>	<b>18.3</b>
4. Overdraft at Central Bank	7.6	25.4	25.4	25.4	0.0	17.8
5. Other Domestic debt*	34.3	33.6	34.8	34.8	0.1	0.6
<b>6. Gross Domestic Debt (4+5+6)</b>	<b>764.22</b>	<b>764.27</b>	<b>792.28</b>	<b>800.89</b>	<b>8.6</b>	<b>36.7</b>
7. Interest payments on domestic debt	69.2	17.37	29.47	30.95	1.48	

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

**Source: Central Bank of Kenya**

Treasury bills stocks increased by Ksh 8.3 billion during the week ending December 9, 2011 to Ksh 124.3 billion. Treasury bonds increased marginally by Ksh 0.2 billion to Ksh 616.4 billion, following low demand on the tap sale issued in the previous week. Other domestic debt increased by Ksh 0.1 billion during the week. Following these developments, the average time to maturity of Government securities declined to 5 years and 9 months, from 5 years and 10 months at the end of June 2011.

**Chart C: Composition of Government Securities**

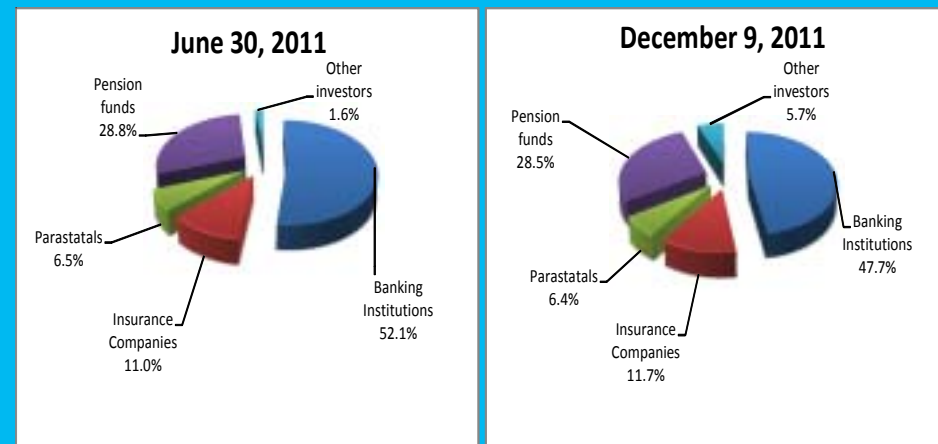


Source: Central Bank of Kenya

**Holding of Govt Securities**

The share of Government securities held by banking institutions, pension funds and parastatals decreased from 52.1, 28.8 and 6.5 percent, respectively, in June 2011 to 47.7, 28.5 and 6.4 percent as at December 9, 2011. Holdings of insurance companies and other investors increased from 11.0 percent and 1.6 percent to 11.7 percent and 5.7 percent, respectively, during the period (Chart D).

**Chart D: Composition of Government Securities by Investors**

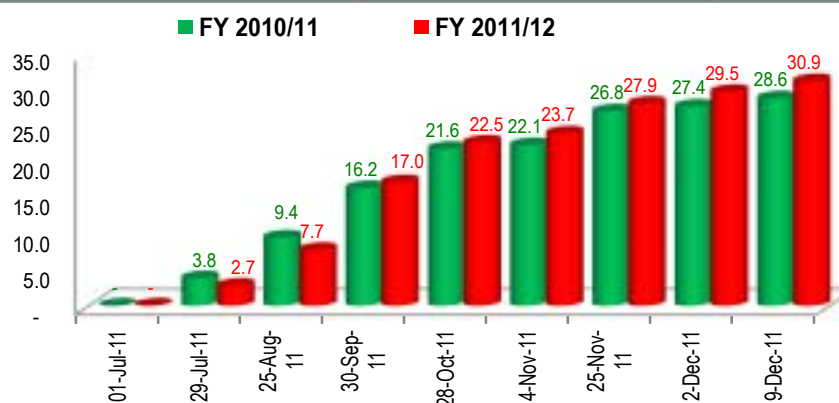


Source: Central Bank of Kenya

**Cost of Domestic Borrowing**

The cumulative interest and other charges on domestic debt from July 1, 2011 to December 9, 2011 amounted to Ksh 31.0 billion or 8.4 percent above Ksh 28.6 billion in the same period of the fiscal year 2010/11 (Chart E). The cost during the period was on account of interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 4.4 billion and Ksh 25.6 billion, respectively. Government overdraft at Central Bank accounted for Ksh 1.0 billion.

**Chart E: Cumulative Interest Payments on Domestic Debt (Ksh billion)**



Source: Central Bank of Kenya

**The Stock Market**

The NSE 20 Share Index dropped to 3,106.9 points on December 15, 2011 from 3,109.25 points on December 8, 2011. The NASI settled at 65.98 points from 65.41 points during the period. Equity turnover declined by Ksh 126.6 million to trade stocks worth Ksh 827.6 million from Ksh 954.3 million during period of review. Market Capitalization as a measure of total shareholders' wealth, declined by Ksh 7.3 billion from last week's value of Ksh 834.7 billion. The number of shares transacted decreased to 64.3 million from 124.0 million the previous week, with equity turnover lower at Ksh 827.6 million from Ksh 954.3 million during the previous week.

**Table 7: Key Weekly Market Statistics**

Week Ending	3-Nov-11	10-Nov-11	17-Nov-11	24-Nov-11	1-Dec-11	8-Dec-11	15-Dec-11
NASI 100= Jan 2008	72.53	72.47	71.60	69.46	66.04	65.41	65.98
NSE 20 Share Index 100=1966	3,497.10	3,447.66	3,370.72	3,288.70	3,122.50	3,109.25	3,106.90
Number of Deals	5,795	4,041	4,347	3,669	4,113	3,958	2,810
Total Shares Traded (millions)	131.80	53.08	89.28	47.60	69.30	124.00	64.36
Equity Turnover (Ksh. millions)	1,013.36	573.59	690.12	674.60	1,047.30	954.30	827.68
Market Capitalization (Ksh. Bn.)	924.70	924.04	913.81	886.49	842.84	834.69	841.99
Bonds Turnover (Ksh. millions)	3,541.10	4,119.10	7,913.20	6,411.35	7,875.75	7,113.55	7,158.15
FTSE NSE Kenya 15 Index				87.90	84.43	83.62	85.42
FTSE NSE Kenya 25 Index				84.43	86.65	85.81	87.74

\* The Nairobi All Share Index (NASI) effected on February 25, 2008 (January 1, 2008 = 100)

Source: Nairobi Stock Exchange

Telecommunication and Technology sector remained dominant, trading 35.1 million shares, accounting for 41.3 percent of all shares transacted at the bourse. Banking sector came second with 33.9 million shares as Energy and Petroleum sector closed third most active sector, with 9.8 million shares traded. Safaricom, Equity Bank and Housing Finance were the top three active counters with 35.0 million, 17.7million and 9.4 million shares respectively. The least active sector was Investments, with 149,400 shares.

The biggest closing and average price gains in the week ending December 15, 2011 were British American Tobacco and Standard Chartered Bank at Ksh 7 and Ksh 7.40 per share, respectively. The biggest closing and average price margin losses were for Jubilee Holdings and Crown Berger at Ksh 4 and 2.53 per share, respectively. Of the 58 listed companies, only 21 counters recorded average price gains for the whole week, reflecting investors' losses.

**FTSE NSE  
Kenya Index  
Series**

The FTSE NSE Kenya 15 Index, which measures performance of stocks of 15 largest companies by market capitalization at NSE, gained 1.8 basis points to level 85.42 points on December 15, 2011 from 83.6 points on December 8, 2011. FTSE NSE Kenya 25 Index, which measures performance of 25 most liquid stocks at the Exchange, gained 1.9 basis points to 87.74 points from 85.8 points during the previous week. Thus value of the largest 15 stocks and 25 most liquid stocks at NSE increased in the week.

**Bond Market**

Bonds trading at the Fixed Income Securities Market rose from Ksh 7.113 billion for the week ending December 8, 2011 to Ksh 7.158 billion for the week ending December 15, 2011. Total deals transacted over the period decreased to 68 from 168.