

**March 11, 2011**



**THE CBK WEEKLY BULLETIN**

**Highlights for  
the Week**

The Government issued during the week ending March 11, 2011 Treasury bills worth Ksh 4.5 billion and received bids for Ksh 2.6 billion, a 58.8 percent performance. The Government accepted bids amounting to Ksh 1.9 billion at average rates slightly above previous level.

The average interbank rate stabilized in the week ending March 09, 2011, at 1.11 percent level recorded the previous week.

The Kenya Shilling depreciated against the major international currencies in the week ending March 10, 2011. Against the US dollar, the shilling depreciated to exchange at an average of Ksh 83.40 in the week compared with Ksh 82.67 per US dollar in the previous week. In the East African Community (EAC) region, the Kenya shilling depreciated against the currencies of the Partner States.

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,645 million (equivalent to 3.61 months of imports) as at March 03, 2011 to US dollar 3,663 million (equivalent to 3.63 months of imports) as at March 10, 2011.

Government gross domestic debt increased by Ksh 81.3 billion from Ksh 660.3 billion in June 2010 to Ksh 741.5 billion as at March 04, 2011. The cumulative Government expenditure on interest and other charges on domestic debt during the review period amounted to Ksh 41.8 billion.

Performance at the equities market declined during the week ending March 10, 2011 with the NSE 20 Share Index losing 267.6 points to settle at 3,915 from 4,182.6 points on March 3, 2011, while the equity turnover decreased by 37.6 percent.

**Government Securities Auction**

The Government conducted two Treasury bill auctions to raise Ksh 4.5 billion during the week ending March 11, 2011. The 182-day Treasury bills auction, conducted on March 09, 2011, attracted bids amounting to Ksh 270.4 million, a 10.8 percent performance, compared with Ksh 2.5 billion offered. In the auction for the 91 days Treasury bills conducted on March 10, 2011, the Government offered to raise Ksh 2.0 billion and received bids amounting Ksh 2.4 billion, a 118.8 percent performance.

The Government accepted bids amounting to Ksh 1.9 billion, a performance of 58.8 percent. The proceeds were targeted at supporting the budget.

**Treasury Bills Interest Rates**

The 91-day and 182-day Treasury bill rates edged up 13.3 basis points and 8.4 basis points, respectively to 2.760 percent and 2.848 percent, respectively (Table 1).

**Table 1 : Interest Rates**

Auction date	2-Dec-10	9-Dec-10	16-Dec-10	23-Dec-10	31-Dec-10	6-Jan-11	13-Jan-11	20-Jan-11	27-Jan-11	3-Feb-11	24-Feb-11	3-Mar-11	10-Mar-11
91 day T. Bills*	2.239		2.313		2.357		2.409	2.455	2.519	2.555	2.603	2.627	2.760
182 day T. Bills*		2.548		2.631		2.675			2.728		2.764		2.848
364 day T. Bills*								3.693		3.722		3.996	
Month	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11
Average savings rate	1.81	1.81	1.76	1.75	1.55	1.50	1.47	1.46	1.40	1.45			
Average overdraft rate	14.06	14.50	14.38	14.23	14.03	13.97	13.81	13.64	13.77	13.69			

\*Weighted rates for accepted bids

Source: Central Bank of Kenya

**Interbank and REPO Rates**

The average interbank rate stabilized in the week ending March 09, 2011, at 1.11 percent level of the previous week (Table 2). However, inter bank market activity increased. The average volumes traded rose by 61.2 percent to Ksh 11.48 billion from Ksh 7.12 billion over the same period. The Government deposits at the Central Bank declined from Ksh 53.8 billion in the week ending March 02, to Ksh 51.7 billion in the week ending March 09, 2011.

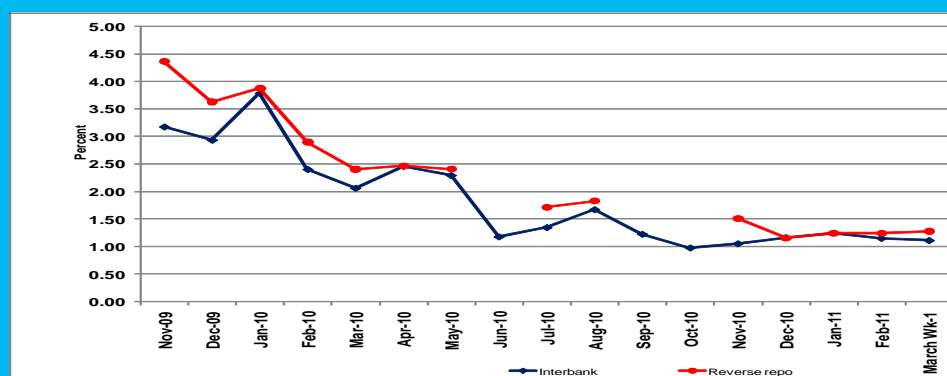
**Table 2: Interbank Deals, Volumes and Interest Rates**

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
24-Feb-11	46	4,705	1.13
25-Feb-11	58	6,749	1.09
28-Feb-11	70	11,646	1.11
1-Mar-11	57	10,175	1.11
2-Mar-11	48	6,865	1.11
<b>Feb 24- March 02, 2011</b>	<b>52</b>	<b>7,123</b>	<b>1.11</b>
3-Mar-11	59	10,658	1.10
4-Mar-11	50	9,850	1.08
7-Mar-11	74	13,517	1.12
8-Mar-11	73	12,228	1.12
9-Mar-11	65	13,205	1.13
<b>March 03- March 09, 2011</b>	<b>62</b>	<b>11,485</b>	<b>1.11</b>

Source: Central Bank of Kenya

The reverse repo rate was 1.281 percent on March 09, 2011, 10 basis points above 1.181 percent recorded in the previous reverse repo transaction of February 28, 2011 (Chart A).

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

### Monetary Policy Operations

The Central Bank injected Ksh 3.2 billion into the inter bank market during the week ending March 09, 2011 (Table 3). There were reverse repo maturities of Ksh 11.4 billion during the week. Commercial banks also borrowed Ksh 0.2 billion from the Central Bank overnight window. Reserve money averaged Ksh 217.6 billion during the week and was above target by Ksh 13.2 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)
3-Mar	223.6	202.3	21.3	0.0	0.0	0.0	223.5	21.1	23.9	-2.8
4-Mar	223.6	202.3	21.2	0.0	0.0	0.0	223.1	20.7	22.3	-1.6
7-Mar	216.9	205.5	11.4	0.0	0.0	0.0	215.0	9.5	10.3	-0.8
8-Mar	213.8	205.5	8.4	0.0	0.0	0.0	213.1	7.6	7.2	0.5
9-Mar	210.3	205.5	4.8	3.0	3.2	-0.2	212.7	7.2	6.8	0.5
Average	217.6	204.2	13.4	0.6	0.6	0.0	217.5	13.2	14.1	-0.8

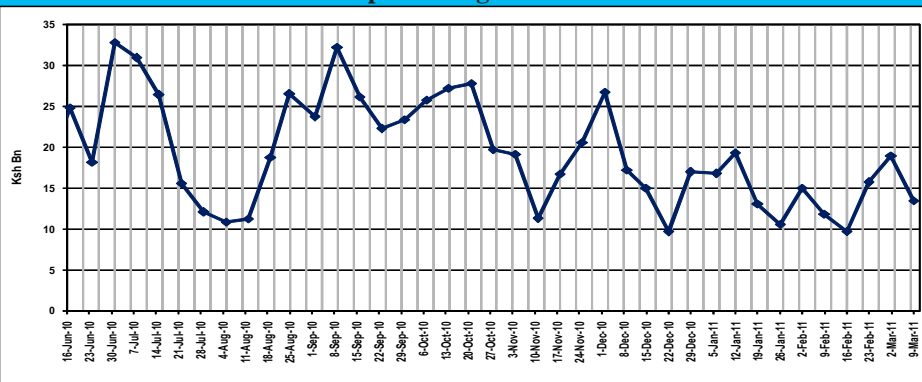
\*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

### Commercial Banks Clearing Accounts Balances

Commercial banks maintained an average of Ksh 13.4 billion in their clearing accounts at the Central Bank in the week to March 09, 2011, compared with Ksh 18.9 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 March 10, 2011 (Table 4). Against the US dollar, the shilling depreciated to exchange at Ksh 83.40 in the week compared with Ksh 82.67 per US dollar in the previous week. The shilling also depreciated against the Sterling Pound, the Euro and the Japanese Yen to exchange on average at Ksh 135.06 per Sterling Pound, Ksh 116.17 per Euro and Ksh 100.97 per 100 Japanese Yen compared with Ksh 134.17 per Sterling Pound, Ksh 114.07 per Euro and Ksh 100.89 per 100 Japanese Yen in the previous week.

### EAC Exchange Rates

In the EAC region, the Kenya Shilling weakened against the Tanzania shilling, Uganda Shilling, Rwandan Franc and Burundi Franc to exchange at Tsh 18.14 per Kenya Shilling, Ush 28.57 per Kenya Shilling, RWF 7.19 per Kenya Shilling and BIF 14.82 per Kenya Shilling in the week ending March 10, 2011, compared with Tsh 18.36 per Kenya Shilling, Ush 28.60 per Kenya Shilling, RWF 7.25 per Kenya Shilling and BIF 14.91 per Kenya Shilling in the previous week.

The weakening of the Kenya shilling is an over reaction driven by expectation of future shortages due to oil price movements and the political turbulence in North Africa.

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
28-Feb-11	82.36	132.69	113.37	100.79	28.62	18.42	7.28	14.93
1-Mar-11	82.60	134.33	114.03	100.52	28.63	18.37	7.26	14.90
2-Mar-11	82.80	134.40	113.93	101.06	28.62	18.36	7.24	14.90
3-Mar-11	82.93	135.26	114.94	101.19	28.52	18.29	7.23	14.89
<b>February 28-March 03, 2011</b>	<b>82.67</b>	<b>134.17</b>	<b>114.07</b>	<b>100.89</b>	<b>28.60</b>	<b>18.36</b>	<b>7.25</b>	<b>14.91</b>
7-Mar-11	83.01	134.85	116.00	100.82	28.67	18.26	7.22	14.88
8-Mar-11	83.08	134.63	116.16	101.01	28.68	18.20	7.22	14.88
9-Mar-11	83.47	134.83	115.92	100.57	28.55	18.11	7.18	14.81
10-Mar-11	84.04	135.91	116.60	101.46	28.39	18.00	7.13	14.71
<b>March 07- 10, 2011</b>	<b>83.40</b>	<b>135.06</b>	<b>116.17</b>	<b>100.97</b>	<b>28.57</b>	<b>18.14</b>	<b>7.19</b>	<b>14.82</b>

Source: Central Bank of Kenya

## Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,645 million (equivalent to 3.61 months of imports) as at March 03, 2011 to US dollar 3,663 million (equivalent to 3.63 months of imports) as at March 10, 2011 (Table 5).

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

	26-Nov-10	31-Dec-10	6-Jan-11	10-Feb-11	17-Feb-11	24-Feb-11	3-Mar-11	10-Mar-11
Usable Reserves*	3,471	3,466	3,466	3,521	3,495	3,610	3,645	3,663
Months of Imports Cover**	3.52	3.48	3.48	3.49	3.46	3.57	3.61	3.63

\*Excludes encumbered reserves

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

## Government Domestic Debt

Gross Government debt increased by Ksh 81.3 billion from Ksh 660.3 billion in June 2010 to Ksh 741.5 billion as at March 04, 2011 (Table 6 and Chart C). This increase was reflected in Treasury bonds outstanding and overdraft at the Central Bank which combined amounted to Ksh 110.1 billion. There was, however, a partially offsetting decline amounting to Ksh 28.9 billion in Treasury bills, other domestic debt and long term stocks.

Treasury bonds increased from Ksh 448.6 billion in June 2010 to Ksh 556.2 billion as at March 04, 2011, while Treasury bills declined from Ksh 159.0 billion in June 2010 to Ksh 131.5 billion during the same period.

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

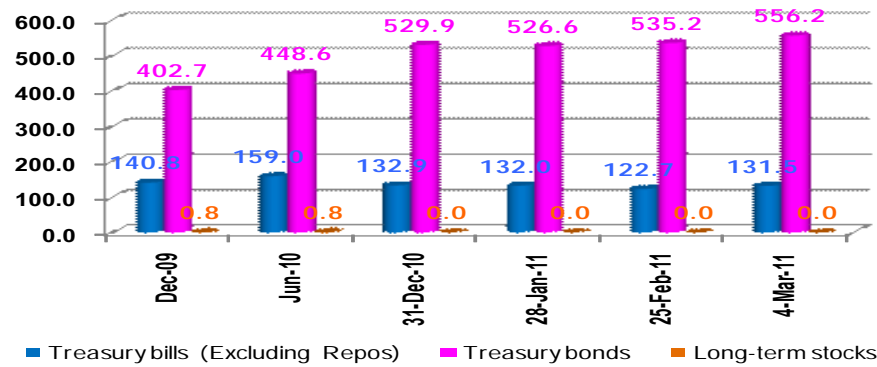
	Jun-10	31st Dec-2010	25th Feb-2011	4th Mar-2011	Changes	
					25th Feb-11- 4th Mar-11	30th Jun-10 -4th Mar-11
1. Treasury Bills (Excluding Repos) (As % of total securities)	159.0 26.1	132.9 20.1	122.7 18.7	131.5 19.1	8.8	-27.5
2. Treasury Bonds (As % of total securities)	448.6 73.7	529.9 79.9	535.2 81.3	556.2 80.9	21.0	107.5
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	657.9	687.7	29.8	79.3
5. Overdraft at Central Bank	17.6	22.7	22.9	20.3	-2.7	2.6
6. Other Domestic debt*	34.2	34.8	33.6	33.6	0.0	-0.6
7. Gross Domestic Debt (4+5+6)	660.3	720.2	714.4	741.5	27.1	81.3
8. Interest payments on domestic debt	57.8	34.2	41.8	41.8	0.0	

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

Source: Central Bank of Kenya

As a result, the share of Treasury bonds in total domestic debt increased from 73.7 percent in June to 80.9 percent as at March 04, 2011, while that of Treasury bills declined from 26.1 percent to 19.1 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.

Chart C: Composition of Government Securities

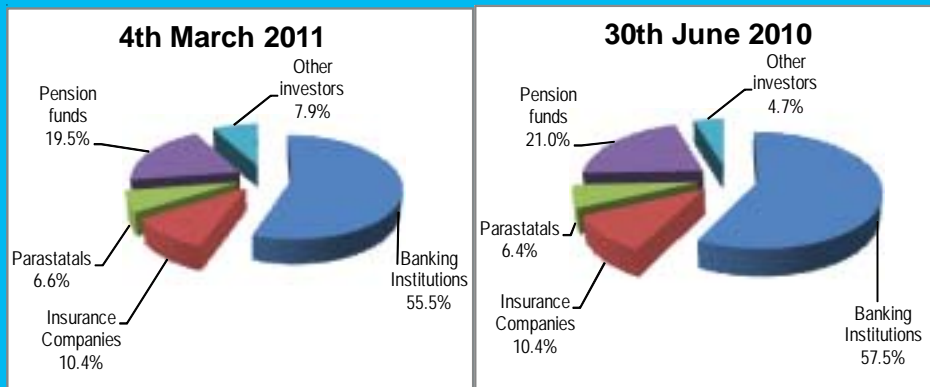


Source: Central Bank of Kenya

**Holding of Govt Securities**

The holdings of Government securities by parastatals and other investors increased from 6.4 percent and 4.7 percent, respectively in June 2010 to 6.6 percent and 7.9 percent, respectively as at March 04, 2011. However, holdings of commercial banks, and pension funds declined from 57.5 percent, and 21.0 percent, respectively to 55.5 percent, and 19.5 percent, respectively during the same period (Chart D), while the share of insurance companies stabilized at 10.4 percent.

Chart D: Composition of Government Securities by Investors

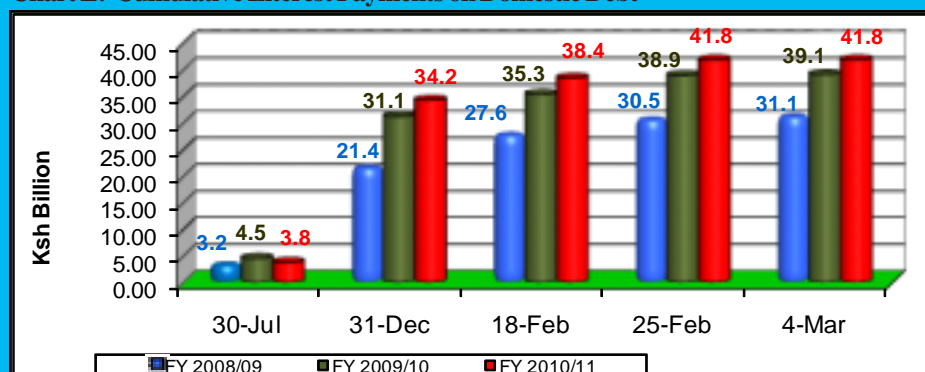


Source: Central Bank of Kenya

**Cost of Domestic Borrowing**

The cumulative interest and other charges on domestic debt as at March 04, 2011 amounted to Ksh 41.8 billion compared with Ksh 39.1 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 7.8 billion and 33.4 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 declined during the week ending March 10, 2011. Turnover decreased by 37.6 percent as stocks worth Ksh 1,244.9 million were traded compared to Ksh 1996.4 million traded in the previous week. The number of shares traded decreased from 108.1 million to 79.4 shares during the period under review. Market capitalization as a measure of total shareholders wealth decreased to 1,086 from last week's level of 1,158. The NSE 20 Share Index lost 267.6 points to settle at 3,915 points on March 10, 2011 from 4,182.6 points on March 03, 2011. The Nairobi All Share Index fell to 89.2 from 95.1 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
NASI 100= Jan 2008	97.75	97.63	97.77	97.52	95.08	89.24
NSE 20 Share Index 100=1966	4,386.69	4,326.57	4,284.90	4,264.66	4,182.58	3,915.01
Number of Deals	9,775.00	9,408.00	9,730.00	10,357.00	9,585.00	9,269.00
Total Shares Traded (millions)	84.61	72.64	72.25	95.57	108.07	79.44
Equity Turnover (Ksh. millions)	1,397.63	1,706.72	1,236.49	1,795.99	1,996.43	1,244.90
Market Capitalization (Ksh. Bn.)	1,177.00	1,189.87	1,190.38	1,187.55	1,157.81	1,086.38
Bonds Turnover (Ksh. millions)	7,645.80	10,690.85	17,247.40	12,617.15	9,202.50	10,430.75

\* 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 44.8 million shares or 56.4 percent of the traded volume, of which the Safaricom counter accounted for 41.4 million shares. The Finance and Investment sector traded 23.5 million shares and Industrial and Allied sector 10.5 million shares.

Kenya Commercial Bank and Equity Bank were the most active stocks in the Finance and Investment sector, trading 9.18 million and 4.67 million shares, respectively. Kenol Kobil Ltd. and Kenya Power and Lighting Ltd. were most active counters in the Industrial and Allied sector, with 3.6 million and 2.6 million shares traded, respectively. The biggest closing

price gain between March 03 and March 10, 2011, was on Access Kenya at Ksh 0.15 per share, while the biggest closing price loss was on Standard Chartered Bank and East African Breweries at Ksh 18 and Ksh 15 per share, respectively. The Alternative market segment traded 24,000 shares up from 9,500 in the previous week.

**Bond Market**

Bond turnover at the Fixed Income Securities Market increased by 13.3 percent, from Ksh 9.2 billion traded in the previous week to Ksh 10.4 billion in the week under review. The number of deals fell from 173 to 113 during the period under review.