

March 18, 2011



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government offered for sale 91-day Treasury bills to raise Ksh 2.0 billion, and received bids worth Ksh 10.1 billion of which Ksh 8.5 billion was accepted. The 91-day Treasury bill average rate edged up 2.4 basis points to 2.784 percent.

The average interbank rate rose by 8 basis points to level at 1.11 percent in the week ending March 16, 2011, from 1.19 percent in the previous week.

The money market was relatively tight in the week ending March 16, 2011 prompting the Central Bank to inject a total of Ksh 2.0 billion, during the week. Reverse repo maturities amounted to Ksh 3.2 billion.

The Kenya Shilling depreciated against the major international currencies in the week ending March 17, 2011. Against the US dollar, the shilling depreciated to exchange at an average of Ksh 85.75 in the week compared with Ksh 83.40 per US dollar in the previous week. In the EAC region, the Kenya shilling on average depreciated against the regional currencies.

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,663 million (equivalent to 3.63 months of imports) as at March 10, 2011 to US dollar 3,931 million (equivalent to 3.89 months of imports) as at March 17, 2011

Government gross domestic debt increased by Ksh 79.5 billion from Ksh 660.3 billion in June 2010 to Ksh 739.8 billion as at March 11, 2011. The cumulative Government expenditure on interest and other charges on domestic debt during the same period amounted to Ksh 41.8 billion.

Performance at the equities market improved during the week ending March 17, 2011 with the NSE 20 Share Index gaining 78.5 points to settle at 3,993.5 from 3,915 points on March 10, 2011. The equity turnover increased by 65.8 percent.

Government Securities Auction

The Government offered for sale 91-day Treasury bills amounting to Ksh 2.0 billion this week. Bids received amounted to Ksh 10.1 billion, a 507.1 percent performance. The Government accepted bids worth Ksh 8.5 billion. The proceeds will partially fund maturities falling due during the week amounting to Ksh 11.1 billion.

Treasury Bills Interest Rates

The 91- day Treasury bill rate edged up 2.4 basis points to settle at 2.784 percent from 2.760 percent last week.

Table 1 : Interest Rates

Auction date	3-Feb-11	10-Feb-11	17-Feb-11	24-Feb-11	3-Mar-11	10-Mar-11	17-Mar-11
91 day T. Bills*	2.555	2.595	2.592	2.603	2.627	2.760	2.784
182 day T. Bills*		2.749		2.764		2.848	
364 day T. Bills*	3.722				3.996		
Month	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11
Average savings rate	1.55	1.50	1.47	1.46	1.40	1.45	1.25
Average overdraft rate	14.03	13.97	13.81	13.64	13.77	13.69	13.93

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate rose by 8 basis points to 1.19 percent in the week ending March 16, 2011. The average volumes traded rose to Ksh 11.93 billion in the week ending March 16, 2011 from Ksh 11.48 billion in the previous week. The Government deposits at the Central Bank declined from Ksh 51.7 billion in the week ending March 09, to Ksh 48.8 billion in the week ending March 16, 2011.

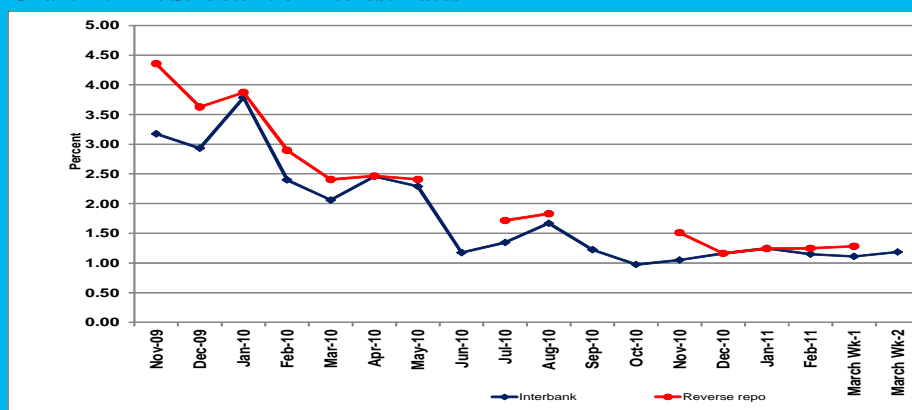
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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
March 03- March 09, 2011	62	11,485	1.11
10-Mar-11	65	11,697	1.17
11-Mar-11	64	12,273	1.18
14-Mar-11	67	12,100	1.19
15-Mar-11	60	9,093	1.18
16-Mar-11	78	14,656	1.20
March 10- March 16, 2011	67	11,930	1.19

Source: Central Bank of Kenya

The reverse repo rate was 1.281 percent as at the last reverse repo transaction on March 09, 2011.

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

Monetary Policy Operations

The money market was relatively tight in the week ending March 16, 2011 prompting the Central Bank to inject a total of Ksh 2.0 billion into the market during the week in addition to reverse repo maturities amounting to Ksh 3.2 billion (Table 3). Reserve money averaged Ksh 214.9 billion during the week and was above target by Ksh 7.5 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)
10-Mar	210.9	205.5	5.4	2.0	2.0	0.0	214.0	8.5	6.5	2.1
11-Mar	213.8	205.5	8.3	0.0	0.0	0.0	214.2	8.7	7.1	1.6
14-Mar	216.6	208.6	7.9	0.0	0.0	0.0	216.1	7.5	6.5	1.0
15-Mar	217.0	208.6	8.4	0.0	0.0	0.0	217.3	8.7	7.7	1.0
16-Mar	213.0	208.6	4.3	0.0	0.0	0.0	212.9	4.3	3.7	0.6
Average	214.2	207.4	6.9	0.4	0.4	0.0	214.9	7.5	6.3	1.3

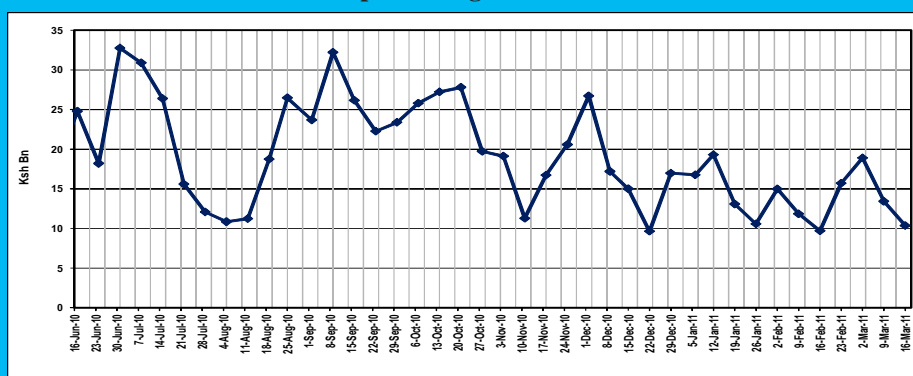
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Accounts Balances

Commercial banks maintained an average of Ksh 10.4 billion in their clearing accounts at the Central Bank in the week to March 16, 2011, compared with Ksh 13.4 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 17, 2011 (Table 4). Against the US dollar, the shilling depreciated to exchange at Ksh 85.73 in the week compared with Ksh 83.40 per US dollar in the previous week. Similarly, the shilling depreciated against the Sterling Pound, the Euro and the Japanese Yen to exchange on average at Ksh 137.79 per Sterling Pound, Ksh 119.52 per Euro and Ksh 105.91 per 100 Japanese Yen compared with Ksh 135.06 per Sterling Pound, Ksh 116.17 per Euro and Ksh 100.97 per 100 Japanese Yen 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 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, Rwandan Franc and Burundi Franc to exchange at Tsh 17.66 per Kenya Shilling, Ush 28.17 per Kenya Shilling, RWF 6.99 per Kenya Shilling and BIF 14.41 per Kenya Shilling in the week ending March 17, 2011, compared with 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 previous week.

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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
March 07- 10, 2011	83.40	135.06	116.17	100.97	28.57	18.14	7.19	14.82
14-Mar-11	84.93	136.48	118.52	103.56	28.38	17.86	7.06	14.54
15-Mar-11	86.32	139.09	120.23	105.55	27.92	17.61	6.94	14.31
16-Mar-11	85.86	137.98	120.01	106.05	28.40	17.62	6.98	14.38
17-Mar-11	85.81	137.60	119.31	108.50	27.99	17.53	6.99	14.39
March 14- 17, 2011	85.73	137.79	119.52	105.91	28.17	17.66	6.99	14.41

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,663 million (equivalent to 3.63 months of imports) as at March 10, 2011 to US dollar 3,931 million (equivalent to 3.89 months of imports) as at March 17, 2011 largely reflecting the conversion of US\$ 283.412 million Special Drawing Rights (SDR) to usable reserves (Table 5).

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

	26-Nov-10	31-Dec-10	6-Jan-11	17-Feb-11	24-Feb-11	3-Mar-11	10-Mar-11	17-Mar-11
Usable Reserves*	3,471	3,466	3,466	3,495	3,610	3,645	3,663	3,931
Months of Imports Cover**	3.52	3.48	3.48	3.46	3.57	3.61	3.63	3.89

*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 79.5 billion from Ksh 660.3 billion in June 2010 to Ksh 739.8 billion as at March 11, 2011 (Table 6 and Chart D). This increase was in Treasury bonds, other domestic debt and overdraft at the Central Bank amounting to Ksh 103.0 billion. This was, however, partially offset by decreases of Ksh 33.6 billion in both Treasury bills and long term stocks.

Table 6: Government Domestic Debt (Ksh Billion)

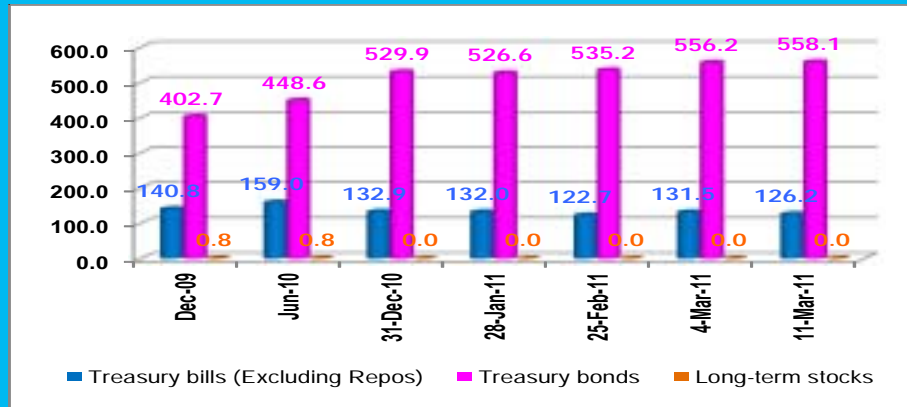
	25th Feb-2011	4th Mar-2011	11th Mar-2011	Changes	
				4th Mar-11-11th Mar-11	30th Jun-10 - 11th Mar-11
1. Treasury Bills (Excluding Repos) (As % of total securities)	122.7 18.7	131.5 19.1	126.2 18.4	-5.3	-32.8
2. Treasury Bonds (As % of total securities)	535.2 81.3	556.2 80.9	558.1 81.6	2.0	109.5
3. Long Term Stocks (As % of total securities)	0.0 0.0	0.0 0.0	0.0 0.0	0.0	-0.8
4. Total Securities (1+2+3)	657.9	687.7	684.4	-3.3	76.0
5. Overdraft at Central Bank	22.9	20.3	20.3	0.0	2.6
6. Other Domestic debt*	33.6	33.6	35.1	1.6	0.9
7. Gross Domestic Debt (4+5+6)	714.4	741.5	739.8	-1.8	79.5
8. Interest payments on domestic debt	41.6	41.6	41.8	0.2	

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

Source: Central Bank of Kenya

Treasury bonds increased from Ksh 448.6 billion in June 2010 to Ksh 558.1 billion as at March 11, 2011, while Treasury bills declined from Ksh 159.0 billion to Ksh 126.2 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 11, 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.

Chart C: Composition of Government Securities

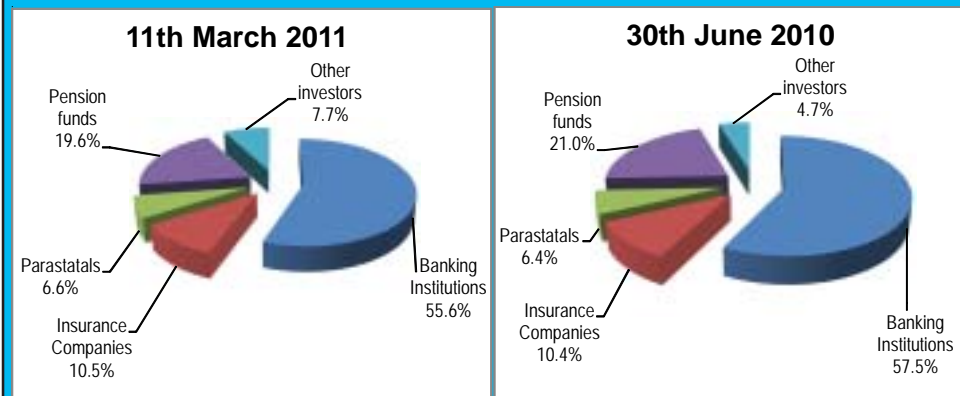


Source: Central Bank of Kenya

Holding of Govt Securities

The holdings of Government securities by parastatals, insurance companies and other investors increased from 6.4 percent, 10.4 percent and 4.7 percent, respectively in June 2010 to 6.6 percent, 10.5 percent and 7.7 percent, respectively as at March 11, 2011. Holdings of commercial banks and pension funds declined from 57.5 percent and 21.0 percent, to 55.6 percent, and 19.6 percent, respectively during the same period (Chart D).

Chart D: Composition of Government Securities by Investors

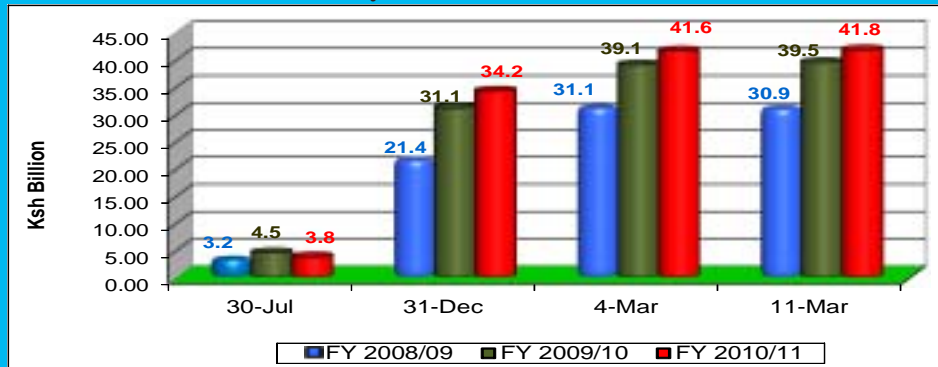


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative interest and other charges on domestic debt as at March 11, 2011 amounted to Ksh 41.8 billion compared with Ksh 38.9 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 Ksh 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 improved during the week ending March 17, 2011. Turnover increased by 65.8 percent as stocks worth Ksh 2,063.7 million were traded compared to Ksh 1,244.9 million traded in the previous week. The number of shares traded increased from 79.4 million to 111.0 shares during the period under review. Market capitalization as a measure of total shareholders wealth increased to 1,123.7 from last week's level of 1,086. The NSE 20 Share Index gained 78.5 points to settle at 3,993.5 points on March 17, 2011 from 3,915 points on March 10, 2011. The Nairobi All Share Index rose to 92.3 from 89.2 points in the previous week (Table 7). The improved performance in the stock market is attributed to huge price gains across various counters in the market during the week.

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
NASI 100= Jan 2008	97.75	97.63	97.77	97.52	95.08	89.24	92.27
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
Number of Deals	9,775.00	9,408.00	9,730.00	10,357.00	9,585.00	9,269.00	9,380.00
Total Shares Traded (millions)	84.61	72.64	72.25	95.57	108.07	79.44	111.04
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
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
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

* The Nairobi All Share Index (NAS) effected on February 25, 2008 (January 01, 2008 = 100)

Source: Nairobi Stock Exchange

The Commercial and Services sector traded 64.5 million shares or 58.1 percent of the traded volume. Of this, Safaricom counter saw 60.8 million shares change hands during the week. The Finance and Investment sector traded 30.2 million shares, while Industrial and Allied sector traded 15.1 million shares. These sectors accounted for 27.3 percent and 13.6 percent of total volume transacted, respectively.

The Co-operative Bank Ltd. and Equity Bank were the most active stocks in the Finance and Investment sector, trading 6.4 million and 8.9 million shares, respectively. Kenya Power and Lighting Co. Ltd. and Mumias Sugar Co Ltd. were most active counters in the Industrial and Allied sector, with 5.1 million and 3.7 million shares traded, respectively. The biggest closing price gain between March 10 and March 17, 2011, was on Carbacid Investment Ltd at Kshs 15 per share followed by Jubilee Holdings Ltd. and East African Breweries Ltd, both at Ksh 14 per share. The biggest closing price loss was on Baclays Bank Ltd. and Athi River Mining at Ksh 7 and 4 per share, respectively. The Alternative market segment traded 15,000 shares down from 24,000 in the previous period.

Bond Market Bond turnover at the Fixed Income Securities Market decreased by 21.8 percent, from Ksh 10.4 billion traded in the previous week to Ksh 8.1 billion in the week under review. The number of deals transacted also fell from 113 to 111 during the period under review. The decrease in bond turnover may be attributed to shift in appetite towards the primary market, where yields are trending upwards.