February 17, 2012

THE CBK WEEKLY BULLETIN

Highlights for the Week

The money market was relatively liquid during the week ending February 15, 2012. The Central Bank mopped Ksh 4.8 billion through the repo market against repo maturities of Ksh 11.3 billion in the week. Reserve money averaged Ksh 236.0 billion during the week and was Ksh 4.1 billion below the target.

The average interbank rate decreased to 12.45 percent during the week ending February 15, 2012 from 17.24 percent in the previous week. This was attributed to commercial banks holding high excess reserves on average towards the end of the cash reserve requirement cycle.

The Kenya Shilling strengthened against major international currencies in the week ending February 17, 2012. Against the US dollar the Kenya Shilling appreciated by 0.51 percent to exchange at an average of Ksh 82.99 per US dollar compared with Ksh 83.42 per US dollar in the previous week.

The usable official foreign exchange reserves held by the Central Bank decreased from US dollar 4025 million (equivalent to 3.59 months of imports) as at February 10, 2012 to US dollar 4017 million (equivalent to 3.58 months of imports) in the week ending February 17, 2012.

During the week ending February 17, 2012 the government offered 91-day and 182-day Treasury bills worth a total of Ksh 7.0 billion. Out of a total of Ksh 9.5 billion bids received, Ksh 9.3 billion was accepted.

During the week under review, gross government domestic debt increased by Ksh 16.1 billion largely on account of outstanding stock of Treasury bills and Treasury bonds.

The Stock market performance reflected general recovery in the week of February 16, 2012. The NSE 20 Share Index lost 2.41 points, but the Nairobi All Share Index (NASI) gained 0.98 points. Market Capitalization was up 1.4 percent, and equity turnover rose by 18.6 percent. The bonds segment of the market was up by 31.6 percent.

Monetary Policy Operations

The money market was relatively liquid during the week ending February 15, 2012. The Central Bank mopped Ksh 4.8 billion through the repo market against repo maturities of Ksh 11.3 billion in the week. Reserve money averaged Ksh 236.0 billion during the week and was Ksh 4.1 billion below the target. The shortfall was mainly in bank reserves which amounted to Ksh 5.3 billion and excess in currency outside banks of Ksh 1.2 billion (Table 1).

Table 1: Open Market Operations Ksh Billion

	Reserve Money* (Projected)			OMO (REPO)			Reserve money performance		Bank Reserves	Currency Outside Banks
Date	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)
9-Feb-12	238.0	239.3	**-1.3**	2.0	3.3	**1.3**	234.1	-5.3	-6.8	1.5
10-Feb-12	233.9	239.3	**-5.5**	5.0	1.5	**-3.6**	235.0	-4.3	-5.5	1.2
13-Feb-12	235.4	240.6	**-5.2**	0.0	0.0	**0.0**	237.1	-3.5	-4.5	1.0
14-Feb-12	235.6	240.6	**-5.0**	0.0	0.0	**0.0**	234.2	-6.4	-7.8	1.3
15-Feb-12	238.1	240.6	**-2.6**	0.0	0.0	**0.0**	239.8	-0.9	-1.7	0.8
Average	**236.2**	**240.1**	**-3.9**	**1.4**	**1.0**	**-0.5**	**236.0**	**-4.1**	**-5.3**	***1.2***

*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased to 12.45 percent during the week ending February 15, 2012 from 17.24 percent in the previous week. This was attributed to commercial banks holding high excess reserves on average towards the end of the cash reserve requirement cycle. Most banks utilized the corridor between 3 and 5.25 percent of CRR for liquidity management. The average interbank volumes transacted decreased to Ksh 10.85 billion in the week ending February 15, 2012 from Ksh 13.57 billion in the previous week.

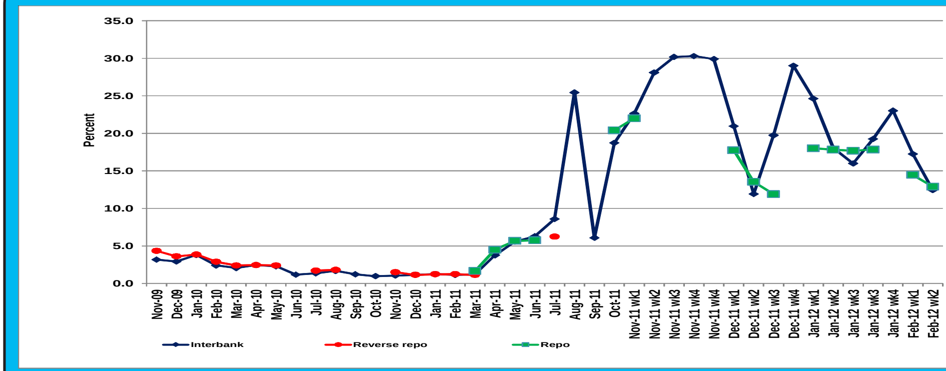
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
2-Feb-12	63	11,120	23.40
3-Feb-12	66	12,025	20.09
6-Feb-12	76	16,727	17.71
7-Feb-12	64	14,064	13.10
8-Feb-12	59	13,906	11.91
Feb 02 - Feb 08, 2012	**66**	**13,569**	**17.24**
9-Feb-12	49	8,873	10.66
10-Feb-12	65	11,792	11.07
13-Feb-12	73	11,131	12.35
14-Feb-12	73	12,231	13.69
15-Feb-12	65	10,219	14.49
Feb 09 - Feb 15, 2012	**65**	**10,849**	**12.45**

Source: Central Bank of Kenya

The average repo rate was 12.90 percent in the week ending February 15, 2012

Chart A: The Structure of Interest Rates

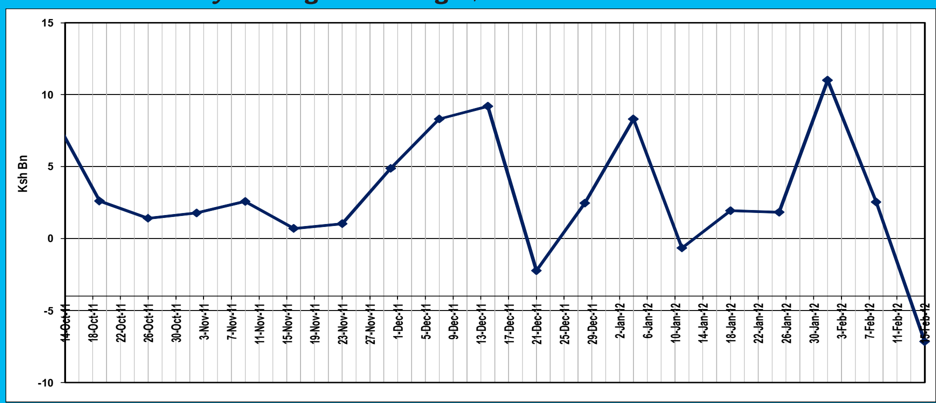


Source: Central Bank of Kenya

Commercial Banks Clearing Accounts Balances

Commercial banks maintained an average of Ksh 7.15 billion below the monthly average cash reserve requirements in their settlement accounts at the Central Bank in the week to February 15, 2012, down from Ksh 2.54 billion above the 5.25 percent average cash reserve requirements 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 appreciated against major international currencies in the week ending February 17, 2012. Against the US dollar, the shilling appreciated by 0.51 percent to trade at an average of Ksh 82.99 per US dollar in week ending February 17, 2012 compared with Ksh 83.42 per US dollar in the previous week. The appreciation of the Kenya Shilling against the dollar was mainly supported by relatively tight liquidity in the domestic money markets.

Against the Sterling Pound, the Euro and the Japanese Yen, the shilling appreciated by 1.11 percent, 1.00 percent and 2.13 percent respectively to trade at an average of Ksh 130.58 per Sterling Pound, Ksh 109.11 per Euro and Ksh 105.99 per 100 Japanese Yen in the week ending February 17, 2012 compared with Ksh 132.05 per Sterling Pound, Ksh 110.21 per Euro and Ksh 108.29 per 100 Japanese Yen in the previous week.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
6-Feb-12	83.81	132.50	110.04	109.55	27.61	19.02	7.19	15.52
7-Feb-12	83.49	131.90	109.41	108.87	27.67	19.07	7.22	15.70
8-Feb-12	83.14	132.21	110.33	107.75	27.78	19.12	7.25	15.76
9-Feb-12	82.72	130.97	109.87	107.13	28.05	19.23	7.29	15.84
10-Feb-12	83.93	132.65	111.39	108.18	27.63	18.97	7.18	15.63
Feb 6-10, 2012	**83.42**	**132.05**	**110.21**	**108.29**	**27.75**	**19.08**	**7.23**	**15.69**
13-Feb-12	82.81	130.74	109.73	106.71	27.89	19.24	7.28	15.83
14-Feb-12	82.96	130.25	109.10	106.36	27.79	19.22	7.27	15.80
15-Feb-12	82.93	130.42	109.23	105.77	27.98	19.21	7.28	15.81
16-Feb-12	83.17	130.31	108.43	106.04	27.90	19.24	7.25	15.75
17-Feb-12	83.07	131.20	109.06	105.05	27.90	19.18	7.26	15.77
Feb 13-17, 2012	**82.99**	**130.58**	**109.11**	**105.99**	**27.89**	**19.22**	**7.27**	**15.79**

Source: Central Bank of Kenya

In the EAC region, the Kenya Shilling appreciated against all the East African Currencies in the week ending February 17, 2012. On average, the Kenya shilling exchanged at Ushs 27.89, Tshs 19.22, RWF 7.27 and BIF 15.79 during the week, compared with Ushs 27.75, Tshs 19.08, RWF 7.23 and BIF 15.69 in the week ending February 10, 2012 (Table 3).

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank decreased from US dollar 4,025 million (equivalent to 3.59 months of imports) as at February 10, 2012 to US dollar 4,017 million (equivalent to 3.58 months of imports) in the week ending February 17, 2012 (Table 4).

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

	6-Jan-12	13-Jan-12	20-Jan-12	27-Jan-12	3-Feb-12	10-Feb-12	17-Feb-12
Usable Reserves*	3,918	3,813	3,804	3,868	3,875	4,025	4,017
Months of Imports Cover**	3.53	3.43	3.39	3.45	3.45	3.59	3.58

*Excludes encumbered

**Based on 36 month average

Source: Central Bank of Kenya

Government Securities Auction

The government offered for sale a total of Ksh 7.0 billion in 91-day and 182-day Treasury bills during the week ending February 17, 2012. The performance for the 182-day was 227.3 and that of the 91-day Treasury bill was 68.0 percent . The 91-day bill attracted bids worth Ksh 2.7 billion all of which was accepted. The Government accepted a total of Ksh 6.6 billion of the 6.8 billion bids received in the 182-day Treasury bill.

Interest Rate on Treasury Bills & Bonds

Weighted average interest rate on the 91-day Treasury bill decreased by 47.5 basis points to stand at 19.332 percent, while that on the 182-day Treasury bill also decreased by 48.5 basis points to stand at 19.839 percent during this week's auctions (Table 5).

Table 5 : Interest Rates

Auction date	14-Oct-11	21-Oct-11	4-Nov-11	18-Nov-11	25-Nov-11	6-Jan-12	13-Jan-12	20-Jan-12	27-Jan-12	3-Feb-12	10-Feb-12	17-Feb-12
91 day T. Bills*	14.997	15.091	15.743	16.202	16.601	20.696	20.799	20.769	20.614	20.503	19.807	19.332
182 day T. Bills*	14.973	15.287		15.738	16.471	20.714	20.780	20.914	20.801	20.723	20.024	19.839
364 day T. Bills*						21.961				20.956		
12-year Infrastructure Bond			16.640							16.640		
Month	Jan-11	Feb-11	Apr-11	Jul-11	Aug-11	Sept	Oct	Nov	Dec			
Average savings rate	1.25	1.41	1.38	1.37	1.37	1.35	1.33	1.41	1.59			
Average overdraft rate	13.93	13.65	13.68	13.89	14.28	14.64	14.87	18.67	20.20			

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross government domestic debt increased by Ksh 61.3 billion from Ksh 764.2 billion in June 2011 to Ksh 825.6 billion on February 10, 2012 (Table 6). During the week under review, gross government domestic debt increased by Ksh 16.1 billion largely on account of outstanding stocks of Treasury bills and Treasury bonds.

Table 6: Government Domestic Debt (Ksh Billion)

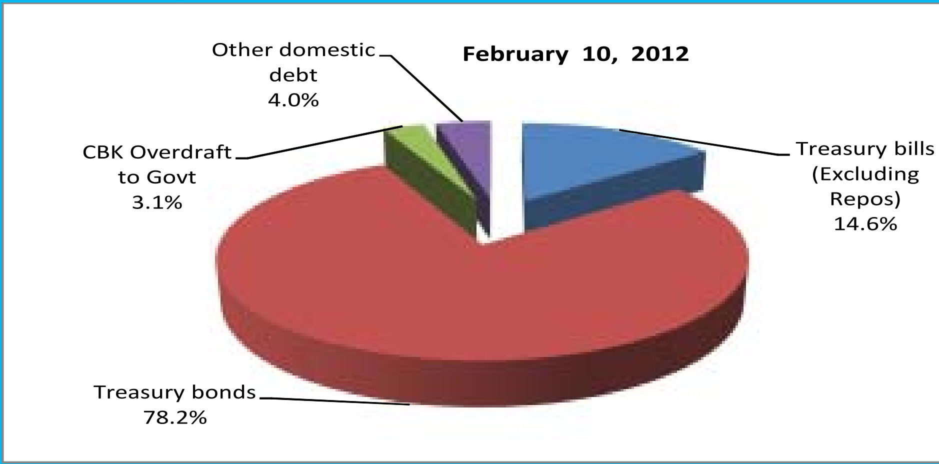
	Jun-11	Dec-11	27th Jan 2012	3rd Feb 2012	10th Feb 2012	Changes: 3rd Feb 2012-10th Feb 2012	Changes: 10th Feb 2012
1. Treasury Bills (Excluding Repos)	126.7	107.1	104.3	110.6	120.9	10.3	-5.8
(As % of total securities)	**17.5**	**14.5**	**14.2**	**14.7**	**15.8**		
2. Treasury Bonds	595.7	633.5	632.4	640.1	646.0	5.8	50.3
(As % of total securities)	**82.5**	**85.5**	**85.8**	**85.3**	**84.2**		
3. Total Securities (1+2)	**722.4**	**740.6**	**736.7**	**750.7**	**766.9**	**16.1**	**44.5**
4. Overdraft at Central Bank	7.6	25.4	25.4	25.4	25.4	0.0	17.8
5. Other Domestic debt*	34.3	34.7	31.70	33.35	33.33	0.0	-0.9
6. Gross Domestic Debt (3+4+5)	**764.2**	**800.7**	**793.8**	**809.5**	**825.6**	**16.1**	**61.3**
7. Interest payments on domestic debt	**69.2**	**37.7**	**41.6**	**43.3**	**43.6**	**0.3**	

* 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 increased by Ksh 10.3 billion to stand at Ksh 120.9 billion, but remained relatively lower than the Ksh 126.7 billion held at the end of June 2011. Similarly, Treasury bonds increased by Ksh 5.8 billion, while other domestic debt and Government overdraft at the Central Bank remained constant during the week under review (Table 6). The average time to maturity of Government securities declined to 5 years and 8 months as at February 10, 2012, from 5 years and 10 months at the end of June 2011.

Chart C: Composition of Government Securities

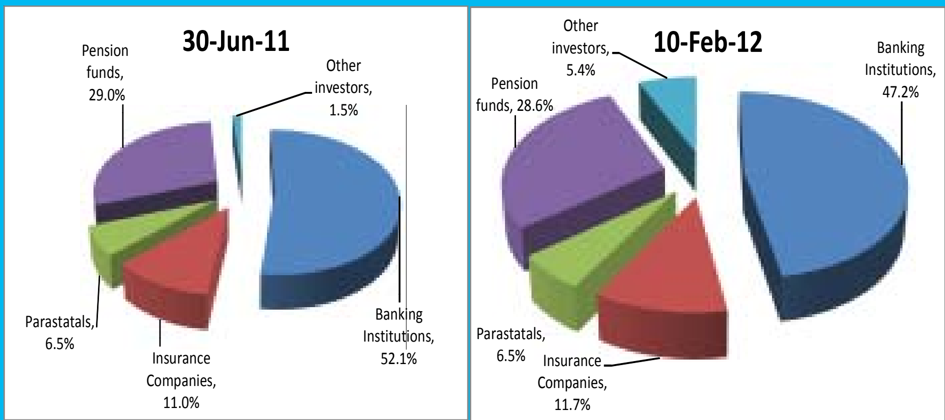


Source: Central Bank of Kenya

Holding of Govt Securities

The share of Government securities held by banking institutions declined from 52.1 percent in June 2011 to 47.2 percent in February 10, 2012. Holdings by insurance companies, pension funds and other investors increased from 11.0, 29.0 and 1.5 percent to 11.7, 28.6 and 5.4 percent, respectively, during the period (Chart D).

Chart D: Composition of Government Securities by Investors

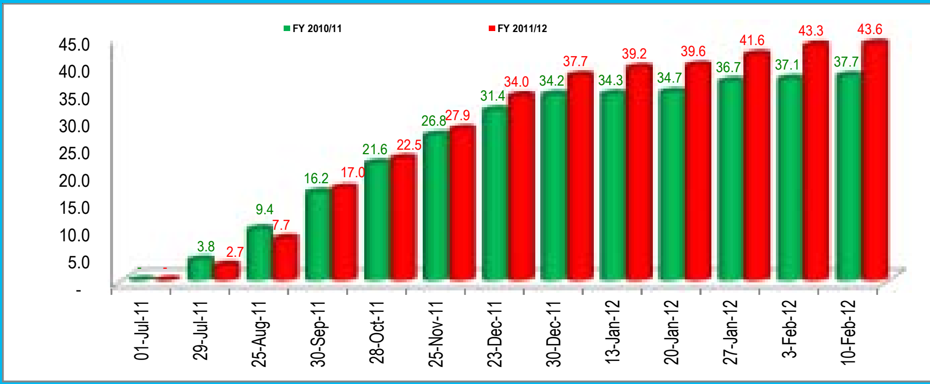


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative interest and other charges on domestic debt from July 1, 2011 to February 10, 2012 amounted to Ksh 43.6 billion compared with Ksh 37.7 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 7.58 billion and Ksh 34.28 billion, respectively. Interest on government overdraft at Central Bank accounted for Ksh 1.75 billion, while interest on Treasury bills amounted to Ksh 0.3 billion.

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



Source: Central Bank of Kenya

The Stock Market

Performance at the capital markets reflected general recovery in the week ending February 16, 2012. All key market indicators for equities and bonds markets recorded gains except the NSE 20-Share Index and Number of shares traded.

The NSE 20 Share Index declined to 3,154.46 points on February 16, 2012 from 3,156.87 points on February 9, 2012, while NASI was 69.94 points, up from 68.96 points. Market Capitalization which measures total shareholders' wealth gained Ksh 12.4 billion to reach Ksh 892.5 billion. Similarly, equity turnover gained Ksh 150.7 million to trade stocks worth Ksh 960.8 million compared with Ksh 810 million in the previous week. The number of shares traded dropped to 99.1million from 126.3 million in the previous week.

Table 7: Key Weekly Market Statistics

Week Ending	5-Jan-12	12-Jan-12	19-Jan-12	26-Jan-12	2-Feb-12	9-Feb-12	16-Feb-12
NASI 100= Jan 2008	68.31	68.84	68.76	67.97	69.05	68.96	69.94
NSE 20 Share Index 100=1966	3,220.74	3,196.86	3,204.76	3,188.23	3,215.70	3,156.87	3154.46
Number of Deals	3,516	5,237	4,667	4,754	5,124	5,394	5090
Total Shares Traded (millions)	37.98	55.26	58.47	131.34	87.34	126.31	99.15
Equity Turnover (Ksh. millions)	430.05	614.11	495.57	1,228.83	1,089.93	810.03	960.77
Market Capitalization (Ksh. Bn.)	871.68	878.60	877.60	867.44	881.19	880.09	892.589
Bonds Turnover (Ksh. millions)	6,442.95	9,150.70	4,034.50	3,106.90	2,673.60	4,707.50	6196.55
FTSE NSE Kenya 15 Index	89.36	89.43	89.72	89.93	90.87	91.38	93.22
FTSE NSE Kenya 25 Index	91.78	91.83	91.99	91.17	92.89	93.39	94.96

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

Source: Nairobi Stock Exchange

The Telecommunication and Technology sector was the most active, transacting 70.06 million shares or 70.7 percent of the total shares traded. The Banking sector followed with 14.5 million or 14.7 percent, as the Insurance sector also closed top three most active sectors with 4.55 million shares. Safaricom, Equity Bank and Housing Finance were the top three most active counters with 69.8 million, 4.7 million and 3.3 million shares traded, respectively. Automobile and Accessories was least active, with 68,200 shares traded.

The biggest closing and average price gains in the week ending February 16, 2012 was Williamsons Tea at Kshs 35 and East African Breweries at Ksh 3.20 per share. The biggest closing and average price margin losses was Kapchorua Tea at Kshs 10 and Carbacid Ltd. at Ksh 2.78 per share.

FTSE NSE Kenya Index Series

The FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, rose to 93.22 points on February 16, 2012 from 91.38 points on February 9, 2012. FTSE NSE Kenya 25 Index, a performance measure of 25 most liquid stocks at the Exchange rose to 94.96 points from 93.39 points during the previous week.

Bond Market

Bonds trading at the Fixed Income Securities Segment rose to Ksh 6,196.5 million in the week ending February 16, 2012 from Ksh 4,705.5 million in the week of February 9, 2012. Total deals transacted over the period rose to 88 from 81 in previous week.