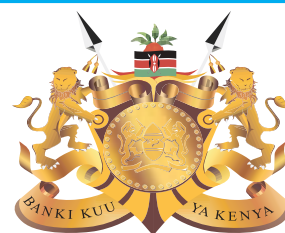


March 16, 2012



THE CBK WEEKLY BULLETIN

Highlights for the Week

The money market liquidity tightened during the week ending March 14, 2012 as compared to the previous week due to continued remittances of taxes to Government, build-up of reserves by commercial banks to meet the CRR averaging requirement and increased net Government borrowing through Treasury bills. The implied reduction of commercial bank excess deposits at the Central Bank was partly offset by Kshs 8.93 billion worth of US dollars purchases by the Bank.

The average interbank rate increased to 26.04 percent during the week ending March 14, 2012 from 23.08 percent the previous week.

The Kenya Shilling appreciated against major international currencies in the week ending March 16, 2012. Against the US dollar the Kenya Shilling strengthened to exchange at an average rate of Ksh 82.51 per US dollar compared with Ksh 83.00 per US dollar.

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 4,195 million (equivalent to 3.69 months of imports) as at March 9, 2012 to US dollar 4,260 million (equivalent to 3.75 months of imports) in the week ending March 16, 2012.

During the week ending March 16, 2012 the Government offered for sale Treasury bills worth Ksh 7.0 billion. A total of Ksh 4.9 billion was accepted out of Ksh 8.6 billion bids received.

Gross Government domestic debt increased by Ksh 112.4 billion from Ksh 764.2 billion in June 2011 to Ksh 876.6 billion in March 9, 2012. However, during the week under review, gross government domestic debt declined on account of Ksh 0.4 billion net redemption of outstanding stocks of Treasury bills.

Stock market performance reflected a downward trend in the week of March 15, 2012 as shown by most market indicators. The NSE 20 Share Index shed 67.94 points and the Nairobi All Share Index (NASI) that measures all listed companies closed lower by 1.46 points. FTSE NSE 15 Index and FTSE NSE 25 Index both dropped by 1.84 points and 1.89 points, respectively. Market Capitalization and equity turnover were down 2.0 percent and 12.60 percent respectively as number of shares traded gained 0.90 percent. The bonds segment of the market was up 26.2 percent.

**Monetary
Policy
Operations**

The money market was tight during the week ending March 14, 2012 as compared to the previous week. The tightness was partly due to continued remittances of taxes to Government, build-up of reserves by commercial banks to meet the CRR averaging requirement and increased net Government borrowing through Treasury bills. However, the Central Bank injected Ksh 8.93 billion into the market through purchase of US dollars. Reserve money averaged Ksh 247.3 billion during the week and exceeded the target by Ksh 4.9 billion. The excess reserve money was held as bank reserves of Ksh 3.5 billion and currency outside banks of Ksh 1.3 billion (Table 1).

Table 1: 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-Mar-12	231.7	242.2	-10.5	0.0	0.0	0.0	241.4	-0.8	-2.4	1.6
9-Mar-12	235.5	242.2	-6.7	0.0	0.0	0.0	249.2	6.9	4.8	2.2
12-Mar-12	236.3	242.5	-6.2	0.0	0.0	0.0	258.9	16.4	15.6	0.8
13-Mar-12	240.4	242.5	-2.1	0.0	0.0	0.0	242.7	0.2	-1.6	1.8
14-Mar-12	241.4	242.5	-1.1	0.0	0.0	0.0	244.0	1.5	1.3	0.2
Average	237.1	242.4	-5.3	0.0	0.0	0.0	247.3	4.9	3.5	1.3

*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

**Interbank
and REPO
Rates**

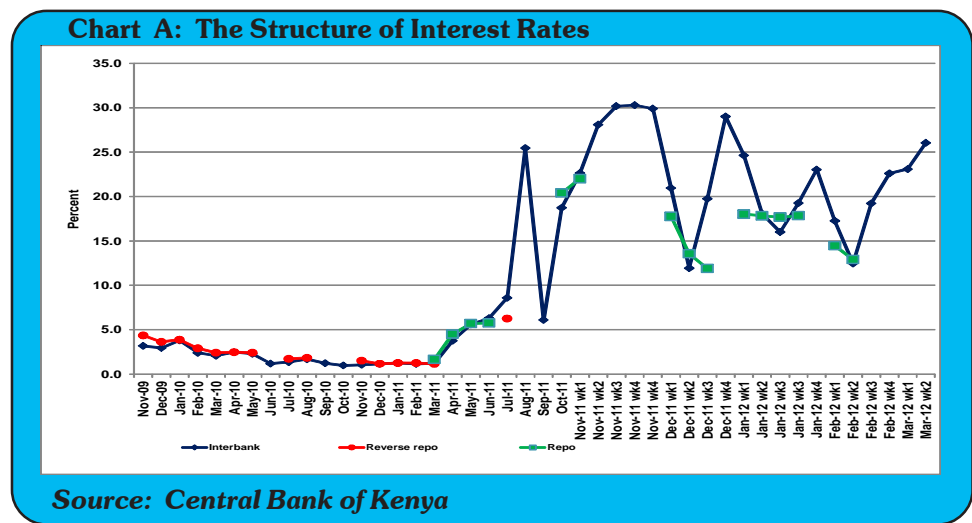
The average interbank rate increased to 26.04 percent during the week ending March 14, 2012 from 23.08 percent the previous week. The average interbank volumes transacted decreased to Ksh 6.98 in the week ending March 14, 2012 from Ksh 9.71 billion in the previous week. The average number of deals decreased to 53 deals in the week ending March 14, 2012 from 69 deals the previous week (Table 2 and Chart A).

Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
1-Mar-12	84	15,485	22.31
2-Mar-12	78	10,645	22.40
5-Mar-12	66	8,673	23.02
6-Mar-12	59	6,095	23.61
7-Mar-12	58	7,657	24.04
Mar 01- Mar 07 2012	69	9,711	23.08
8-Mar-12	45	5,185	24.69
9-Mar-12	54	5,481	25.36
12-Mar-12	56	7,591	26.24
13-Mar-12	55	8,105	26.76
14-Mar-12	54	8,533	27.15
Mar 08- Mar 14 2012	53	6,979	26.04

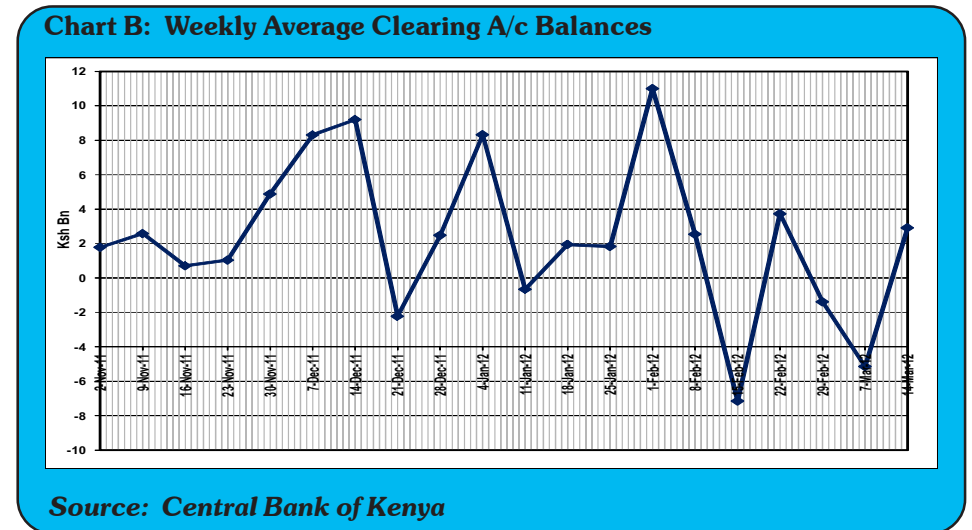
Source: Central Bank of Kenya

The average repo rate was 13.10 percent in the last repo sale on February 10, 2012.



Commercial Banks Clearing Accounts Balances

Commercial banks maintained an average of Ksh 2.91 billion in their settlement accounts above the monthly average cash reserve requirements of 5.25 percent at the Central Bank in the week to March 14, 2012 compared with Ksh 5.15 billion shortfall on the monthly average CRR requirements in the previous week (Chart B).



The Shilling Exchange Rate

The Kenya Shilling appreciated against major international currencies in the week ending March 16, 2012. During the week, the Kenya shilling appreciated marginally against the US dollar, the Sterling Pound, the Euro and Japanese Yen to trade at an average rate of Ksh 82.51 per US dollar, Ksh 129.31 per Sterling Pound, Ksh 107.96 per Euro and Ksh 99.41 per 100 Japanese Yen compared to Ksh 83.00 per US dollar, Ksh 131.09 per Sterling Pound, Ksh 109.50 per Euro and Ksh 102.28 per 100 Japanese Yen in the week ending March 16, 2012. The shilling gain was driven by tight liquidity in the money market.

In the EAC region, the Kenya Shilling strengthened marginally against the Tanzania Shilling, Rwanda Franc and the Burundi Franc and weakened against the Uganda Shilling. On average, the Kenya Shilling exchanged at Ushs 29.87, Tshs 19.33, RWF 7.33 and BIF 15.69, during the week, compared with Ushs 30.17, Tshs 19.21, RWF 7.31 and BIF 15.55 during the week ending March 16, 2012 (Table 3).

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
27-Feb-12	82.65	131.09	111.01	101.87	28.43	19.36	7.29	15.86
28-Feb-12	82.75	131.06	111.22	102.73	28.58	19.20	7.29	16.20
29-Feb-12	82.97	132.20	111.75	103.48	28.55	19.21	7.26	15.79
1-Mar-12	83.26	132.58	111.11	102.84	28.70	19.13	7.27	16.10
Feb 27- March 1, 2012	82.91	131.73	111.27	102.73	28.57	19.23	7.28	15.99
2-Mar-12	83.26	132.74	110.76	102.14	28.95	19.15	7.24	15.75
5-Mar-12	83.23	131.73	109.87	103.26	30.58	19.15	7.27	15.56
6-Mar-12	83.36	132.20	110.08	102.41	31.10	19.12	7.28	15.56
7-Mar-12	82.82	130.26	108.88	102.60	29.88	19.26	7.34	15.60
8-Mar-12	82.83	130.48	109.04	101.82	29.76	19.23	7.32	15.54
March 2- March 8, 2012	83.10	131.48	109.73	102.45	30.05	19.18	7.29	15.60

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 4,195 million (equivalent to 3.69 months of imports) as at March 9, 2012 to US dollar 4,260 million (equivalent to 3.75 months of imports) in the week ending March 16, 2012 (Table 4). The reserves position is within the profile of accumulation set out under the reserve money programme.

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

	27-Jan-12	3-Feb-12	10-Feb-12	17-Feb-12	23-Feb-12	1-Mar-12	8-Mar-12
Usable Reserves*	3,868	3,875	4,025	4,017	4,074	4,140	4,181
Months of Imports Cover**	3.45	3.45	3.59	3.58	3.63	3.69	3.68

*Excludes encumbered

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

Source: Central Bank of Kenya

Government Securities Auction

The Government offered for sale Ksh 4.0 billion in 91-day Treasury bills and Ksh 3.0 billion in 182-day Treasury bills during the week ending March 16, 2012. The 91-day and 182-day Treasury bill auctions attracted bids worth Ksh 4.4 billion and Ksh 4.2 billion, representing performance rates of 108.9 percent and 141.4 percent, respectively. The government accepted a total of Ksh 4.9 billion worth of Treasury bills, of which Ksh 1.1 billion was in non-competitive bids.

Interest Rate on Treasury Bills & Bonds

The weighted average interest rates on the 91-day and 182-day Treasury bills declined by 52.2 basis points and 26.5 basis points, respectively, to 17.461 percent and 18.112 percent, during the week ending March 16, 2012.

Table 5 : Interest Rates

Auction date	14-Oct-11	21-Oct-11	27-Jan-12	3-Feb-12	10-Feb-12	17-Feb-12	24-Feb-12	2-Mar-12	9-Mar-12	16-Mar-12
91 day T. Bills*	14.997	15.091	20.614	20.503	19.807	19.332	19.152	18.745	17.983	17.461
182 day T. Bills*	14.973	15.287	20.801	20.723	20.024	19.839	19.247	18.757	18.377	18.112
364 day T. Bills*				20.956					17.035	
1 year FXD T. Bonds			21.082				18.030			
12-year Infrastructure Bond				16.640			16.640			
Month	Jan-11	Feb-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12
Average savings rate	1.25	1.41	1.37	1.37	1.35	1.33	1.41	1.59	1.62	
Average overdraft rate	13.93	13.65	13.89	14.28	14.64	14.87	18.67	20.20	20.38	

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 80.9 billion from Ksh 764.2 billion in June 2011 to Ksh 845.2 billion in March 2, 2012 (Table 6 and Chart C). During the week under review, gross government domestic debt declined by Ksh 0.4 billion on account of net redemptions of outstanding stocks of Treasury bills.

Table 6: Government Domestic Debt (Ksh Billion)

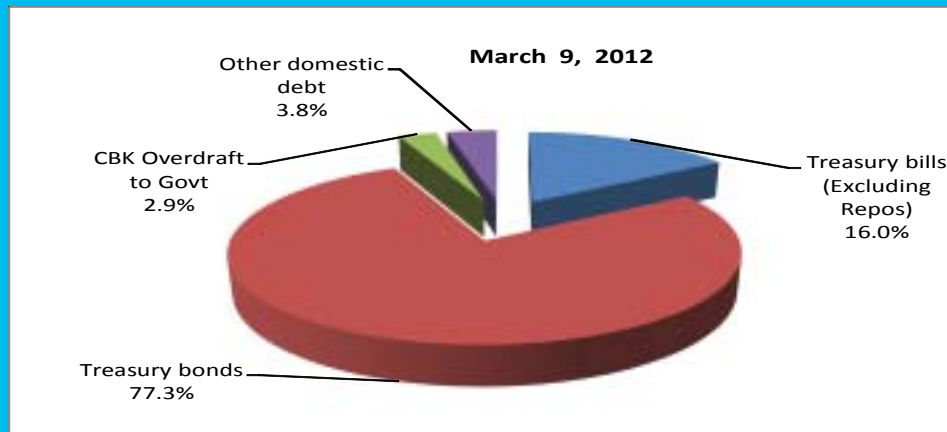
	Jun-11	Dec-11	Jan-12	2nd Mar 2012	9th Mar 2012	Changes	
						2nd Mar 2012 - 9th Mar 2012	30th Jun 2011 - 9th Mar 2012
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	107.1 14.5	110.6 14.7	140.6 17.2	140.3 17.1	-0.4	13.5
2. Treasury Bonds (As % of total securities)	595.7 82.5	633.5 85.5	640.1 85.3	677.8 82.8	677.8 82.9	0.0	82.1
3. Total Securities (1+2)	722.4	740.6	750.7	818.4	818.1	-0.4	95.7
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	33.35	33.2	33.2	0.0	-1.1
6. Gross Domestic Debt (3+4+5)	764.2	800.7	809.5	877.0	876.6	-0.4	112.4
7. Interest payments on domestic debt	69.2	37.7	43.3	51.2	51.4	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 bills increased by Ksh 3.4 billion to stand at Ksh 140.6 billion during the week ending March 2, 2012, compared with Ksh 126.7 billion held at the end of June 2011. Treasury bonds, 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 6 months as at March 2, 2012, from 5 years and 10 months at the end of June 2011.

Chart C: Composition of Government Securities

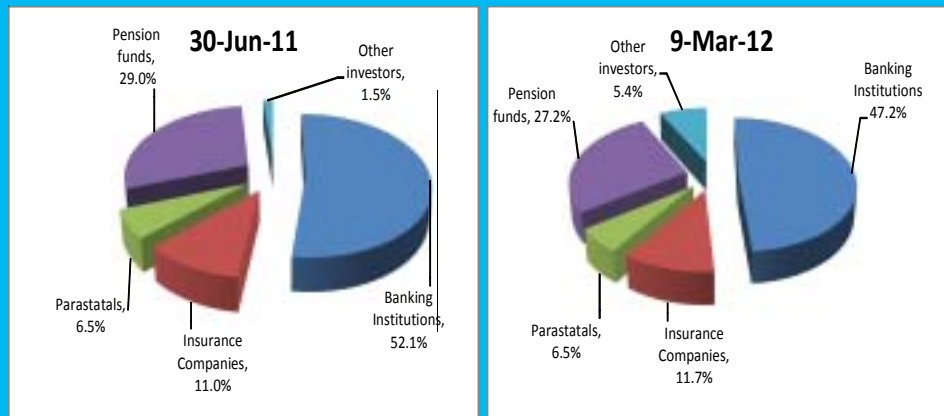


Source: Central Bank of Kenya

Holding of Govt Securities

The share of government securities held by banking institutions and pension funds declined from 52.1 and 29.0 percent in June 2011 to 47.2 and 27.2 percent, respectively in March 9, 2012. Holdings of insurance companies and other investors increased from 11.0 and 1.5 percent to 11.7 and 5.4 percent respectively, during the period (Chart D).

Chart D: Composition of Government Securities by Investors

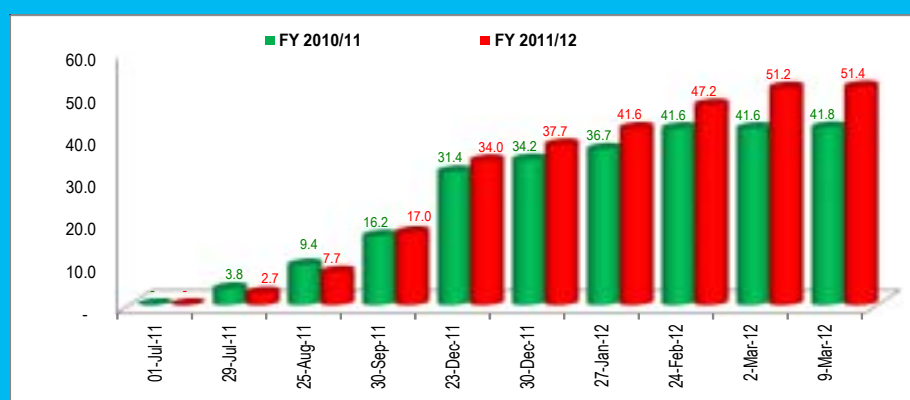


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative interest and other charges on domestic debt from July 1, 2011 to March 9, 2012 amounted to Ksh 51.4 billion compared with Ksh 41.8 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 8.2 billion and Ksh 41.1 billion, respectively. Government overdraft at Central Bank accounted for Ksh 2.1 billion. During the week under review, total interest on domestic debt 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 stock market was weak in the week ending March 15, 2012. All key market indicators for equities declined while fixed income segments increased, signaling a shift by investors from equities to the bond markets attributed to low prices in the equities market.

As indicated in table 7, the NSE 20 Share Index dropped to 3,326.35 points on March 15, 2012 from 3,394.29 points on March 08, 2012, while NASI was 73.06 points, lower from 74.52 points. Market Capitalization which measures total shareholders' wealth declined by Ksh 18.7 billion to stand at Ksh 932.3 billion. Equity turnover declined by Ksh 176.6 million to trade stocks worth Ksh 1,225.4 million from Ksh 1,402.0 million the previous week. The number of shares traded increased to 74.74 million from 74.09 million.

Table 7: Key Weekly Market Statistics

Week Ending	2-Feb-12	9-Feb-12	16-Feb-12	23-Feb-12	1-Mar-12	8-Mar-12
NASI 100= Jan 2008	69.05	68.96	69.94	70.19	72.37	74.52
NSE 20 Share Index 100=1966	3,215.70	3,156.87	3,154.46	3,208.63	3,312.15	3,394.29
Number of Deals	5,124	5,394	5,090	5,165	5,207	5,825
Total Shares Traded (millions)	87.34	126.31	99.15	57.68	59.93	74.09
Equity Turnover (Ksh. millions)	1,089.93	810.03	960.77	738.65	1,010.89	1,401.98
Market Capitalization (Ksh. Bn.)	881.19	880.09	892.59	895.82	923.57	951.00
Bonds Turnover (Ksh. millions)	2,673.60	4,707.50	6,196.55	6,366.60	7,991.50	9,913.05
FTSE NSE Kenya 15 Index	90.87	91.38	93.22	94.14	95.62	98.40
FTSE NSE Kenya 25 Index	92.89	93.39	94.96	95.98	97.75	100.65

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

Source: Nairobi Stock Exchange

Banking sector was the most active, transacting 32.9 million shares or 44.0 percent, followed by Telecommunications & Technology at 21.9 million shares or 29.3 percent. Energy and Petroleum sector closed among the top three most active sectors with 7.7 million shares. Safaricom, Equity Bank and Housing Finance were the top three most active counters with 18.1 million, 16.8 million and 7.9 million shares traded, respectively. Automobile and Accessories sector was least active, trading 7,900 shares only in the week ending March 15, 2012.

The biggest closing and average price gains in the week ending March 15, 2012 was with Nation Media Group at Ksh 4 and Ksh 7, respectively. The biggest closing and average price margin losses was Williamson Tea Kenya and CFC Bank at Ksh 32 and Ksh 3.15 per share, respectively. Of the 54 listed companies, 28 had average price gain in the week.

**FTSE NSE
Kenya Index
Series**

The FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization dropped to 96.56 points on March 15, 2012 from 98.40 points on March 08, 2012. FTSE NSE Kenya 25 Index, a performance measure of 25 most liquid stocks at the Exchange dropped to 98.76 points from 100.65 points during the previous week.

Bond Market

Bonds trading at the Fixed Income Securities Segment rose to Ksh 12,514.1 million for the week ending March 15, 2012 from Ksh 9,913.1 million for the week ending March 08, 2012. Total deals transacted over the period rose to 270 from 89 of previous week. This may be attributed to improving investor confidence in the bonds market.