

March 23, 2012



THE CBK WEEKLY BULLETIN

Highlights for the Week

The money market liquidity improved during the week ending March 21, 2012 as compared to the previous week supported by government payments and net redemptions of government securities which more than offset remittances of taxes.

The average interbank rate declined to 24.22 percent during the week ending March 21, 2012 from 26.04 percent the previous week.

The Kenya Shilling depreciated against major international currencies in the week ending March 23, 2012. Against the US dollar the Kenya Shilling weakened to exchange at an average of Ksh 82.88 per US dollar compared with Ksh 82.51 per US dollar in the week ending March 16, 2012.

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 4,260 million (equivalent to 3.75 months of imports) as at March 16, 2012 to US dollar 4,331 million (equivalent to 3.81 months of imports) in the week ending March 23, 2012.

The Government offered for sale Treasury bills and Treasury bonds worth Ksh 17.0 billion in this week's auction for government securities. A total of Ksh 19.6 billion worth of securities were accepted against bids worth Ksh 22.6 billion that were received.

Gross Government domestic debt increased by Ksh 104.7 billion from Ksh 764.2 billion in June 2011 to Ksh 868.9 billion in March 16, 2012. During the week, gross government domestic debt declined by Ksh 8.0 billion from Ksh 876.9 billion the previous week, mainly on account of a decrease in government overdraft at the Central Bank.

Stock market performance declined in the week to March 22, 2012 as shown by most market indicators. The NSE 20 Share Index declined by 32.44 points while the Nairobi All Share Index (NASI) that measures all listed companies similarly declined by 0.08 points. FTSE NSE 15 Index and FTSE NSE 25 Index both increased by 0.87 points and 0.56 points, respectively. Market Capitalization declined by 0.1 percent while equity turnover and number of shares traded gained 33.2 percent and 9.2 percent, respectively.

**Monetary
Policy
Operations**

The money market liquidity improved during the week ending March 21, 2012 as compared to the previous week supported by government payments and net redemptions of government securities which more than offset remittances of taxes. Reserve money averaged Ksh 245.5 billion during the week remaining above target by Ksh 2.8billion. The excess reserve money was held as bank reserves of Ksh 4.3 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)
15-Mar-12	241.6	242.5	-0.9	0.0	0.0	0.0	243.3	0.8	2.1	-1.3
18-Mar-12	243.1	242.5	0.6	0.0	0.0	0.0	245.3	2.8	3.6	-0.8
19-Mar-12	250.1	242.8	7.3	0.0	0.0	0.0	253.1	10.3	11.9	-1.6
20-Mar-12	249.0	242.8	6.1	0.0	0.0	0.0	243.2	0.4	1.6	-1.2
21-Mar-12	242.0	242.8	-0.8	0.0	0.0	0.0	242.7	-0.1	2.1	-2.2
Average	245.2	242.7	2.5	0.0	0.0	0.0	245.5	2.8	4.3	-1.4

*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

**Interbank
and REPO
Rates**

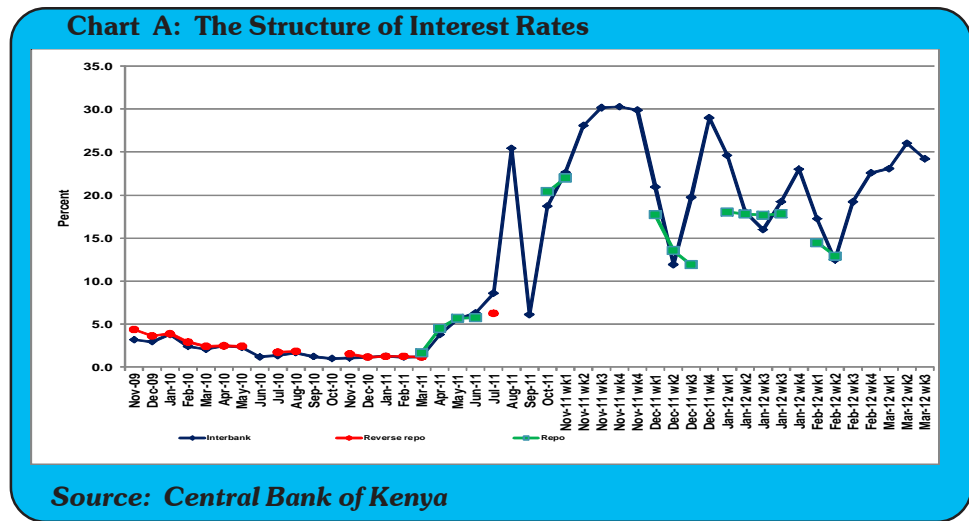
The average interbank rate declined to 24.22 percent during the week ending March 21, 2012 from 26.04 percent the previous week following improved interbank liquidity from government payments and net redemptions of government securities. The average interbank volumes transactions increased to Ksh 9.71 in the week ending March 21, 2012 from Ksh 6.98 billion in the previous week. The average number of deals increased to 67 deals in the week ending March 21, 2012 from 53 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 (%)
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 01- Mar 07 2012	53	6,979	26.04
15-Mar-12	54	7,879	26.40
16-Mar-12	58	7,286	25.39
19-Mar-12	65	8,292	23.98
20-Mar-12	75	11,058	22.91
21-Mar-12	81	14,048	22.42
Mar 15- Mar 21 2012	67	9,712	24.22

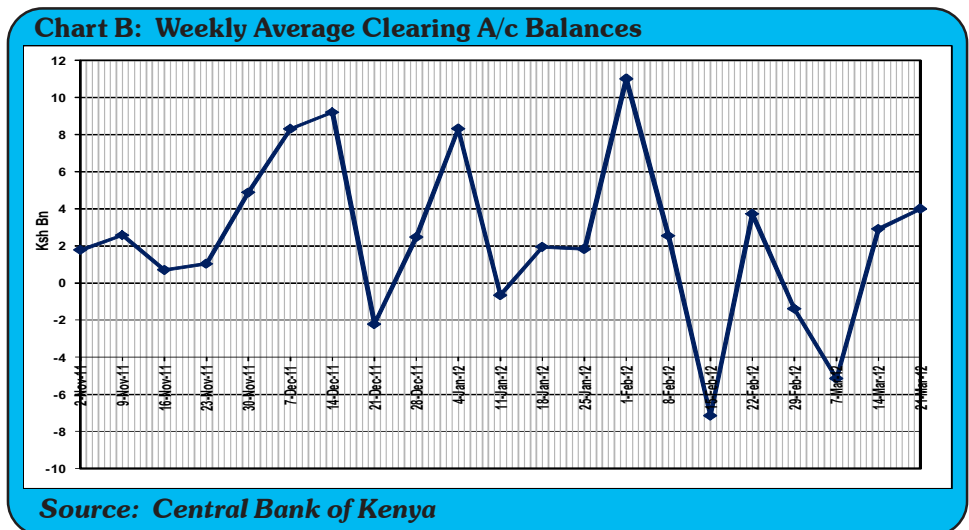
Source: Central Bank of Kenya

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 3.99 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 21, 2012 compared with Ksh 2.91 billion in the previous week (Chart B).



The Shilling Exchange Rate

The Kenya Shilling depreciated against major international currencies in the week ending March 23, 2012. During the week, the Kenya shilling depreciated marginally against the US dollar, the Sterling Pound, the Euro and Japanese Yen to trade at an average of Ksh 82.88 per US dollar, Ksh 131.41 per Sterling Pound, Ksh 109.58 per Euro and Ksh 99.45 per 100 Japanese Yen compared to 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 the week ending March 16, 2012.

In the EAC region, the Kenya Shilling strengthened marginally against the Uganda Shilling, but weakened against the Tanzania Shilling, Rwanda Franc and the Burundi Franc. On average, the Kenya Shilling exchanged at Ushs 29.99, Tshs 19.24, RWF 7.29 and BIF 15.66 during the week, compared with Ushs 29.87, Tshs 19.33, RWF 7.33 and BIF 15.69 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
12-Mar-12	82.71	129.66	108.35	100.51	29.56	19.27	7.33	15.50
13-Mar-12	82.27	128.81	108.28	100.12	29.80	19.39	7.35	15.75
14-Mar-12	82.27	128.86	107.30	98.94	29.99	19.39	7.36	15.85
15-Mar-12	82.35	128.90	107.30	98.04	29.93	19.37	7.34	15.77
16-Mar-12	82.96	130.30	108.59	99.43	30.07	19.21	7.29	15.59
March 12- March 16, 2012	82.51	129.31	107.96	99.41	29.87	19.33	7.33	15.69
19-Mar-12	82.9611	131.4450	109.2342	99.5278	29.9539	19.2260	7.2807	15.7304
20-Mar-12	82.6344	131.1419	109.3618	99.0544	29.9876	19.3201	7.3215	15.7199
21-Mar-12	82.8489	131.5778	109.9387	99.0453	29.9945	19.2701	7.2905	15.6189
22-Mar-12	82.8611	131.4770	109.7055	99.3047	30.0504	19.2250	7.2894	15.5321
23-Mar-12	83.1083	131.4319	109.6819	100.3169	29.9852	19.1799	7.2497	15.7028
March 19- March 23, 2012	82.88	131.41	109.58	99.45	29.99	19.24	7.29	15.66

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 4,260 million (equivalent to 3.75 months of imports) as at March 16, 2012 to US dollar 4,331 million (equivalent to 3.81 months of imports) in the week ending March 23, 2012 (Table 4).

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	9-Mar-12	16-Mar-12	23-Mar-12
Usable Reserves*	3,868	3,875	4,025	4,017	4,074	4,140	4,195	4,260	4,331
Months of Imports Cover**	3.45	3.45	3.59	3.58	3.63	3.69	3.69	3.75	3.81

*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, Ksh 3.0 billion in 182-day Treasury bills and Ksh 10.0 billion in 1-year discounted fixed rate Treasury bonds in the auction for the week ending March 23, 2012. The 91-day and 182-day Treasury bill auctions attracted bids worth Ksh 0.9 billion and Ksh 6.5 billion, representing performance rates of 23.0 percent and 217.7 percent, respectively. The 1-year Treasury bond performance was 151.4 percent, attracting Ksh 15.1 billion worth of bids. In the week, the government accepted Ksh 4.5 billion worth of Treasury bills Treasury bonds worth Ksh 15.0 billion.

Interest Rate on Treasury Bills & Bonds

The weighted average interest rates on the 91-day and 182-day Treasury bills declined during the week to 17.0 percent and 17.7 percent from 17.5 percent and 18.1 percent, respectively. Similarly, the weighted average interest rate on the 1 –year Treasury bond declined from 18.0 percent in the issue for the week ending February 24, 2012 to 16.4 percent in the week ending March 23, 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	23-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	17.006
182 day T. Bills*	14.973	15.287	20.801	20.723	20.024	19.839	19.247	18.757	18.377	18.112	17.726
364 day T. Bills*				20.956					17.035		
1 year FXD T. Bonds			21.082				18.030				16.432
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 104.7 billion from Ksh 764.2 billion in June 2011 to Ksh 868.9 billion on March 16, 2012 (Table 6 and Chart C). During this period, the stocks of Treasury bonds, Treasury bills and overdraft at the Central Bank increased by Ksh 79.1 billion, Ksh 17.3 billion and Ksh 8.9 billion, respectively. Other domestic debt, however, declined by Ksh 0.7 billion to Ksh 33.6 billion on March 16, 2012.

Table 6: Government Domestic Debt (Ksh Billion)

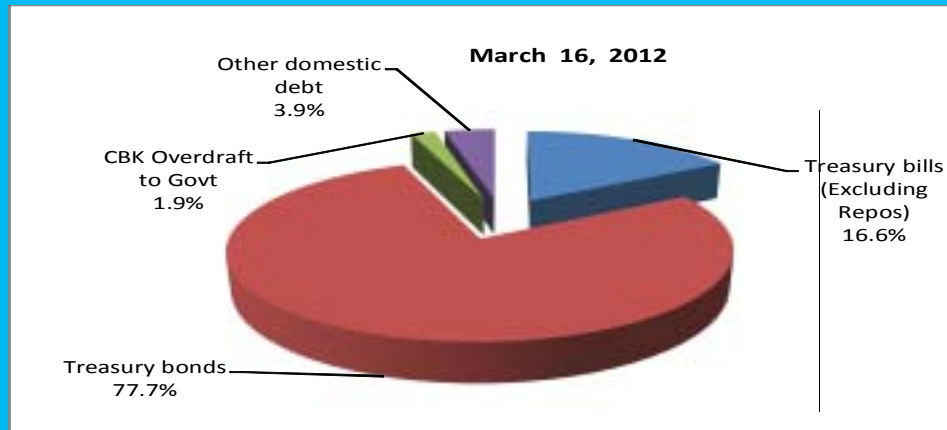
	Jun-11	Dec-11	Jan-12	9th Mar 2012	16th Mar 2012	Changes	
						9th Mar 2012 - 16th Mar 2012	30th Jun 2011 - 16th Mar 2012
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	107.1 14.5	110.6 14.7	140.3 17.1	144.1 17.6	3.8	17.3
2. Treasury Bonds (As % of total securities)	595.7 82.5	633.5 85.5	640.1 85.3	677.8 82.9	674.8 82.4	-3.0	79.1
3. Total Securities (1+2)	722.4	740.6	750.7	818.1	818.8	0.8	96.4
4. Overdraft at Central Bank	7.6	25.4	25.4	25.4	16.5	-8.9	8.9
5. Other Domestic debt*	34.3	34.7	33.35	33.5	33.6	0.1	-0.7
6. Gross Domestic Debt (3+4+5)	764.2	800.7	809.5	876.9	868.9	-8.0	104.7
7. Interest payments on domestic debt	69.2	37.7	43.3	51.4	51.7	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

Gross domestic debt declined by Ksh 8.0 billion to Ksh 868.9 billion following decreases of Ksh 3.0 billion and Ksh 8.9 billion in the stocks of Treasury bonds and Government overdraft at the Central Bank, respectively. Treasury bill stocks and other domestic debt, however, increased by Ksh. 3.8 billion and Ksh 0.1 billion, to Ksh 144.1 billion and Ksh 33.6 billion, respectively during the week. The average time to maturity of Government securities declined to 5 years and 6 months as at March 16, 2012, from 5 years and 10 months at the end of June 2011.

Chart C: Composition of Government Securities

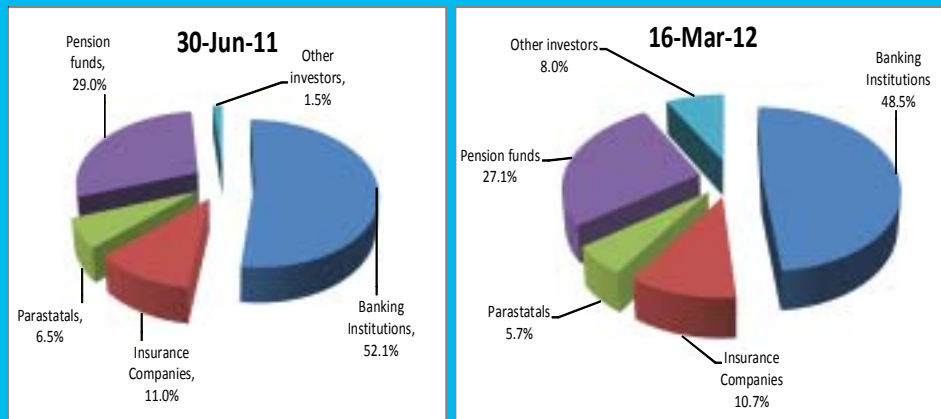


Source: Central Bank of Kenya

Holding of Govt Securities

The share of Government securities held by banking institutions, pension funds, parastatals and insurance companies declined from 52.1 percent, 29.0 percent, 6.5 percent and 11.0 percent in June 2011 to 48.5 percent, 27.1 percent, 5.7 percent and 10.7 percent, respectively in March 16, 2012. Holdings of other investors increased from 1.5 percent to 8.0 percent during the same period (Chart D).

Chart D: Composition of Government Securities by Investors

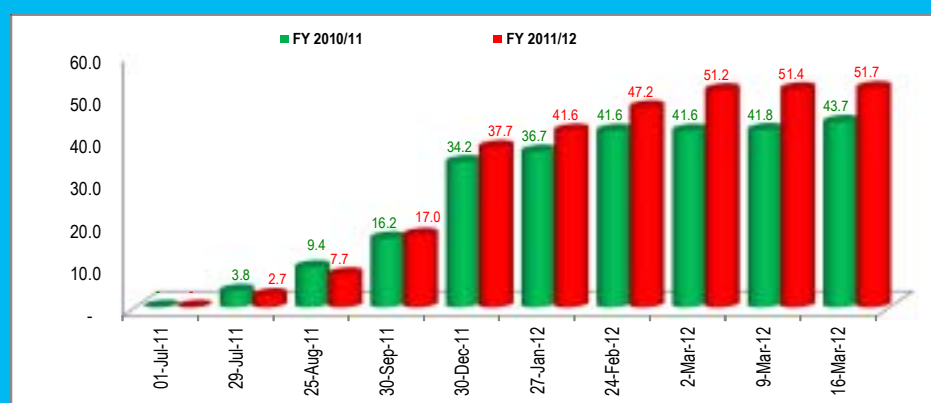


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative interest and other charges on domestic debt from July 1, 2011 to March 16, 2012 amounted to Ksh 51.7 billion compared with Ksh 43.7 billion during the same period of the Fiscal Year 2010/11 (Chart E). Interest and other charges in the period July 1, 2011 to March 16, 2012 on Treasury bills and Treasury bonds accounted for Ksh 8.4 billion and Ksh 41.2 billion, respectively, while interest on 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 capital markets declined in the week ending March 22, 2012. Most of the key market indicators for equities and the fixed income segments recorded losses that were attributed to the general decline in the price of equities as well as the continued decline in the yields on the government paper.

As indicated in table 7, the NSE 20 Share Index declined to 3,293.91 points on March 22, 2012 from 3,326.35 points on March 15, 2012, while NASI declined to 72.98 points from 73.06 points. Market Capitalization which measures total shareholders' wealth declined by Ksh 0.85 billion to Ksh 931.45 billion. Equity turnover gained by Ksh 407.21 million to trade stocks worth Ksh 1,632.6 million in the current week from Ksh 1,225.4 million the previous week. The number of shares traded increased to 81.65 million from 74.74 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	15-Mar-12	22-Mar-12
NASI 100= Jan 2008	69.05	68.96	69.94	70.19	72.37	74.52	73.056	72.98
NSE 20 Share Index 100=1966	3,215.70	3,156.87	3,154.46	3,208.63	3,312.15	3,394.29	3,326.35	3293.91
Number of Deals	5,124	5,394	5,090	5,165	5,207	5,825	5,395	5981
Total Shares Traded (millions)	87.34	126.31	99.15	57.68	59.93	74.09	74.74	81.6446
Equity Turnover (Ksh. millions)	1,089.93	810.03	960.77	738.65	1,010.89	1,401.98	1,225.36	1632.563
Market Capitalization (Ksh. Bn.)	881.19	880.09	892.59	895.82	923.57	951.00	932,293	931.445
Bonds Turnover (Ksh. millions)	2,673.60	4,707.50	6,196.55	6,366.60	7,991.50	9,913.05	12,514.05	9095.1
FTSE NSE Kenya 15 Index	90.87	91.38	93.22	94.14	95.62	98.40	96.56	97.43
FTSE NSE Kenya 25 Index	92.89	93.39	94.96	95.98	97.75	100.65	98.76	99.32

* 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 51.7 million shares or 63.3 percent followed by Telecommunications and Technology at 4.4 million shares or 21.5 percent. Manufacturing and Allied sector closed among the top three most active sectors with 3.7 million shares. Equity Bank, Housing Finance and Safaricom were the top three most active counters with 23.7 million, 20.4 million and 15.9 million shares traded, respectively. Construction and Allied sector was least active, trading 127,800 shares only in the week ending March 22, 2012.

The biggest closing and average price gains in the week ending March 22, 2012 was with Scangroup Ltd. and Jubilee Holdings at Ksh 2.75 and Ksh 19.0, respectively. The biggest closing and average price margin losses was Standard Chartered Bank at Ksh 10.0 and Ksh 4.40 per share, respectively. Of the 54 listed companies, 13 companies recorded average price gains 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 rose to 97.43 points on March 22, 2012 from 96.56 points on March 15, 2012. FTSE NSE Kenya 25 Index, a performance measure of 25 most liquid stocks at the Exchange rose to 99.32 points from 98.76 points during the previous week.

Bond Market

Bonds trading at the Fixed Income Securities Segment dropped to Ksh 9,095.1 million for the week ending March 22, 2012 from Ksh 12,514.1 million the previous week. Total deals transacted over the period dropped to 116 from 270 recorded the previous week.