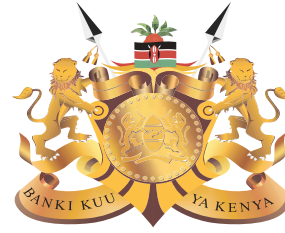


March 30, 2012



THE CBK WEEKLY BULLETIN

Highlights for the Week

The money market liquidity improved during the week ending March 28, 2012 as compared to the previous week supported by government payments and foreign exchange purchases by the Central Bank from interbank market.

The average interbank rate declined to 23.13 percent during the week ending March 28, 2012 from 24.22 percent in the previous week.

The Kenya Shilling depreciated against major international currencies in the week ending March 29, 2012. Against the US dollar the Kenya Shilling weakened to exchange at an average of Ksh 83.06 per US dollar compared with Ksh 82.85 per US dollar in the week ending March 22, 2012.

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 4,311 million (equivalent to 3.80 months of imports) as at March 22, 2012 to US dollar 4,365 million (equivalent to 3.84 months of imports) in the week ending March 29, 2012.

During the week ending March 30, 2012 the Government offered for sale Treasury bills worth Ksh7.0 billion. Virtually all the bids received were accepted during the week.

Gross Government domestic debt increased by Ksh 112.8 billion from Ksh 764.2 billion in June 2011 to Ksh 877.1 billion in March 23, 2012. During the week under review, gross government domestic debt increased by Ksh 0.7 billion on account of government overdraft at the Central Bank.

Stock market performance improved in the week of March 29, 2012 as reflected in most market indicators. The NSE 20 Share Index gained 66.21 points with Nairobi All Share Index (NASI) that measures all listed companies gaining 0.48 points. FTSE NSE 15 Index and FTSE NSE 25 Index both gained by 0.45 points and 0.38 points, respectively. Market Capitalization and number of shares traded gained 1.0 percent and 2.2 percent respectively. However, equity turnover and the bonds segment of the market were down 0.4 percent and 3.8 percent, respectively.

**Monetary
Policy
Operations**

The money market liquidity improved during the week ending March 28, 2012 as compared to the previous week supported by government payments and foreign exchange purchases by the Central Bank from interbank market. Reserve money averaged Ksh 247.6 billion during the week, and was Ksh 4.6 billion above the target. The excess reserve money was largely in bank reserves of Ksh 6.8 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)
22-Mar-12	241.4	242.8	-1.4	0.0	0.0	0.0	244.4	1.6	4.6	-3.0
25-Mar-12	223.5	242.8	-19.4	0.0	0.0	0.0	246.8	3.9	6.3	-2.4
26-Mar-12	254.2	243.1	11.1	0.0	0.0	0.0	241.1	-2.0	0.7	-2.7
27-Mar-12	246.0	243.1	2.9	0.0	0.0	0.0	248.1	5.0	6.6	-1.6
28-Mar-12	249.3	243.1	6.2	0.0	0.0	0.0	257.4	14.3	15.6	-1.3
Average	242.9	243.0	-0.1	0.0	0.0	0.0	247.6	4.6	6.8	-2.2

*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

**Interbank
and REPO
Rates**

Underscoring improved interbank liquidity, the average interbank rate declined to 23.13 percent during the week ending March 28, 2012 from 24.22 percent in the previous week. The average interbank volumes transacted increased to Ksh 10.86 in the week ending March 28, 2012 from Ksh 9.71 billion in the previous week. The average number of deals decreased to 65 deals in the week ending March 28, 2012 from 67 deals in the previous week (Table 2 and Chart A).

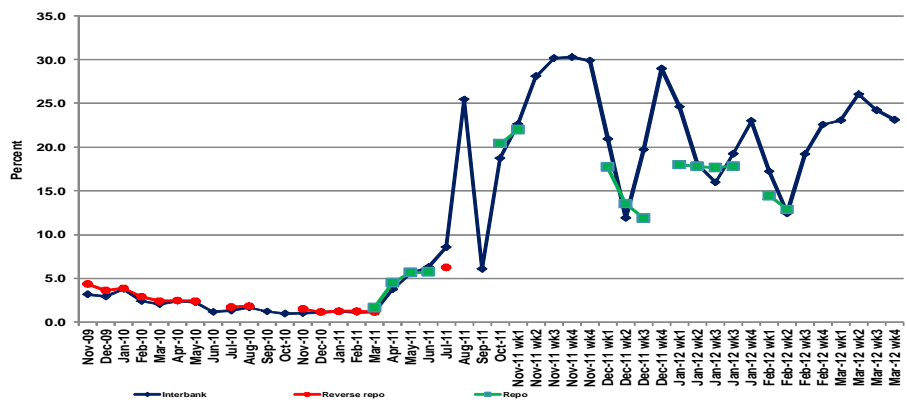
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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
22-Mar-12	60	7,710	22.58
23-Mar-12	72	9,879	23.02
26-Mar-12	46	6,684	23.29
27-Mar-12	71	15,348	23.30
28-Mar-12	77	14,667	23.49
Mar 22- Mar 28 2012	65	10,858	23.13

Source: Central Bank of Kenya

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

Chart A: The Structure of Interest Rates

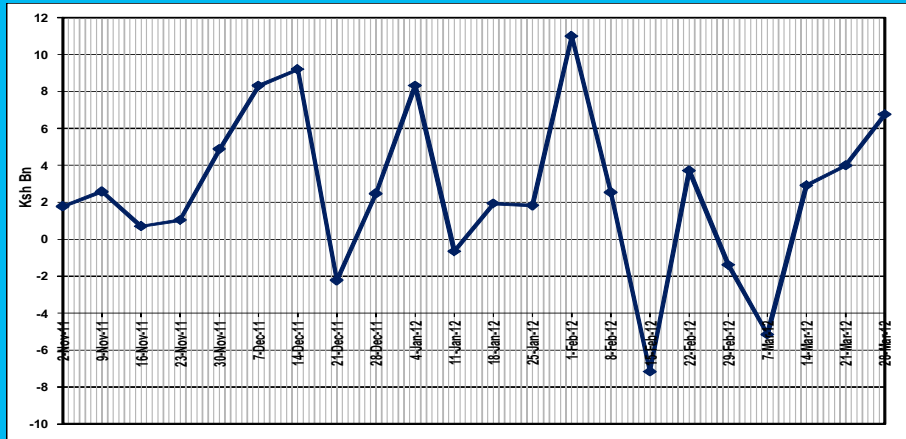


Source: Central Bank of Kenya

Commercial Banks Clearing Accounts Balances

Commercial banks maintained an average of Ksh 6.76 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 28, 2012 compared with Ksh 3.99 billion 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 depreciated against major international currencies in the week ending March 29, 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 83.06 per US dollar, Ksh 132.06 per Sterling Pound, Ksh 110.38 per Euro and Ksh 100.31 per 100 Japanese Yen compared to Ksh 82.85 per US dollar, Ksh 131.19 per Sterling Pound, Ksh 109.37 per Euro and Ksh 99.27 per 100 Japanese Yen the week ending March 22, 2012.

In the EAC region, the Kenya Shilling strengthened marginally against the Uganda Shilling and weakened against the Tanzania Shilling, Rwanda Franc and the Burundi Franc. On average, the Kenya Shilling exchanged at Ushs 30.19, Tshs 19.20, RWF 7.26 and BIF 15.60 during the week, compared with Ushs 30.01, Tshs 19.25, RWF 7.29 and BIF 15.64 during the week ending March 22, 2012 (Table 3).

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
16-Mar-12	82.96	130.30	108.59	99.43	30.07	19.21	7.29	15.59
19-Mar-12	82.96	131.44	109.23	99.53	29.95	19.23	7.28	15.73
20-Mar-12	82.63	131.14	109.36	99.05	29.99	19.32	7.32	15.72
21-Mar-12	82.85	131.58	109.94	99.05	29.99	19.27	7.29	15.62
22-Mar-12	82.86	131.48	109.71	99.30	30.05	19.23	7.29	15.53
March 16- March 22, 2012	82.85	131.19	109.37	99.27	30.01	19.25	7.29	15.64
23-Mar-12	83.11	131.43	109.68	100.32	29.99	19.18	7.25	15.70
26-Mar-12	83.03	131.70	110.05	100.52	30.25	19.22	7.26	15.59
27-Mar-12	83.10	132.65	110.90	100.28	30.20	19.19	7.25	15.58
28-Mar-12	83.03	132.46	110.70	100.02	30.23	19.21	7.27	15.60
29-Mar-12	83.02	132.06	110.55	100.41	30.30	19.21	7.28	15.53
March 23- March 29, 2012	83.06	132.06	110.38	100.31	30.19	19.20	7.26	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 4,311 million (equivalent to 3.80 months of imports) as at March 22, 2012 to US dollar 4,365 million (equivalent to 3.84 months of imports) in the week ending March 29, 2012 (Table 4).

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

	10-Feb-12	17-Feb-12	23-Feb-12	1-Mar-12	9-Mar-12	16-Mar-12	22-Mar-12	29-Mar-12
Usable Reserves*	4,025	4,017	4,074	4,140	4,195	4,260	4,311,421	4,364,573
Months of Imports Cover**	3.59	3.58	3.63	3.69	3.69	3.75	3.80	3.84

*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 Ksh4.0 billion in 91-day Treasury bills and Ksh3.0 billion in 182-day Treasury bills during the week ending March 30, 2012. Performance varied during the week with the 91-day and 182-day Treasury bills recording 29.7 percent and 149.1 percent performance rates, respectively. The 91-day Treasury bill attracted bids worth Ksh1.2 billion, while the 182-day Treasury bill auction attracted bids worth Ksh4.5 billion. Virtually all the Ksh5.7 billion bids received were accepted during the week.

Interest Rate on Treasury Bills

The weighted average interest rates on the 91-day and 182-day Treasury bills declined further during the week under review by 27.8 and 6.6 basis points, respectively, to stand at 16.728 percent and 17.660 percent.

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	30-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	16.728
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	17.660
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 112.8 billion from Ksh 764.2 billion in June 2011 to Ksh 877.1 billion in March 23, 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 16.7 billion and Ksh 17.8 billion, respectively. Other domestic debt, however, declined by Ksh 0.7 billion to stand at Ksh 33.5 billion in March 23, 2012.

Table 6: Government Domestic Debt (Ksh Billion)

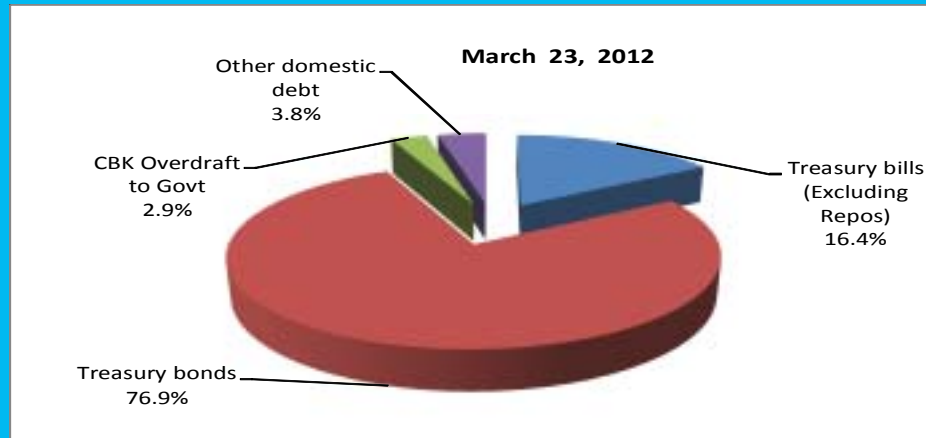
	Jun-11	16th Mar 2012	23rd Mar 2012	Changes	
				16th Mar 2012-23rd Mar 2012	30th Jun 2011 - 23rd Mar 2012
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	151.6 18.3	143.4 17.5	-8.2	16.7
2. Treasury Bonds (As % of total securities)	595.7 82.5	674.8 81.7	674.8 82.5	0.0	79.1
3. Total Securities (1+2)	722.4	826.3	818.2	-8.2	95.8
4. Overdraft at Central Bank	7.6	16.5	25.4	8.9	17.8
5. Other Domestic debt*	34.3	33.6	33.5	0.0	-0.7
6. Gross Domestic Debt (3+4+5)	764.2	876.4	877.1	0.7	112.8
7. Interest payments on domestic debt	69.2	51.7	54.2	2.5	

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

Source: Central Bank of Kenya

During the week ending March 23, 2012, gross domestic debt increased by Ksh 0.7 billion compared with the previous week's position. The Government increased its overdraft at the Central Bank by Ksh 8.9 billion and redeemed Ksh 8.2 billion of outstanding Treasury bills. The stocks of Treasury bonds and other domestic debt remained the same during the week under review. The average time to maturity of Government securities declined to 5 years and 6 months as at March 23, 2012, from 5 years and 10 months at the end of June 2011.

Chart C: Composition of Government Securities

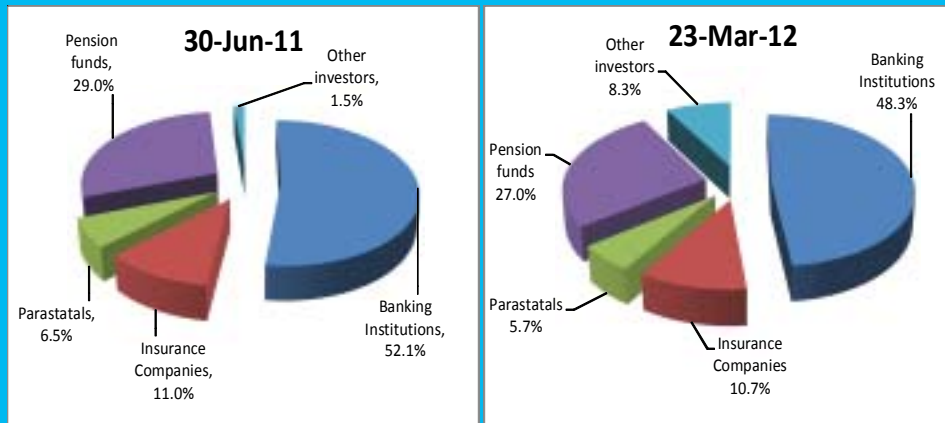


Source: Central Bank of Kenya

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 48.3 percent, 27.0 percent, 5.7 percent and 10.7 percent respectively in March 23, 2012. Holdings of other investors increased from 1.5 percent to 8.3 percent during the same period (Chart D).

Chart D: Composition of Government Securities by Investors

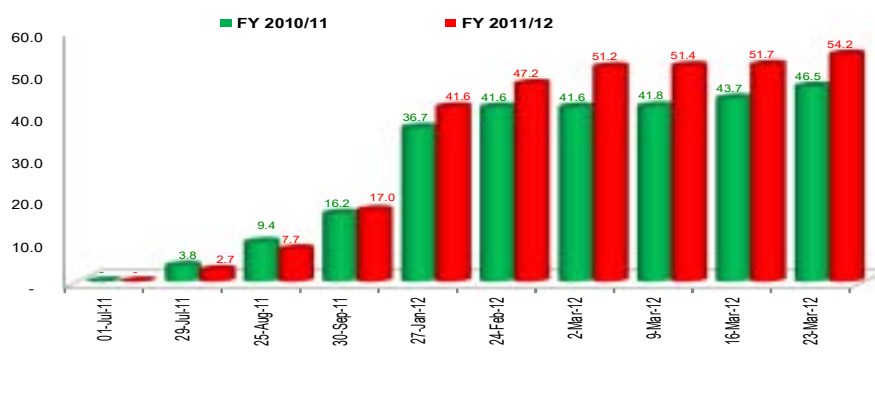


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative interest and other charges on domestic debt from July 1, 2011 to March 23, 2012 amounted to Ksh 54.2 billion compared with Ksh 46.5 billion during 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 9.0 billion and Ksh 43.0 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 2.5 billion.

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



Source: Central Bank of Kenya

The Stock Market

Performance at the capital markets recovered in the week ending March 29, 2012. Most of the key market indicators for equities segments recorded gains. However, the equity and bonds turnover recorded losses attributed to a general decline in the average price of equities and investors' preference for 1-year Treasury bond on offer in the primary market that offered relatively high yields.

The NSE 20 Share Index rose to 3,360.12 points on March 29, 2012 from 3,293.91 points on March 22, 2012, while NASI was 73.46 points, up from 72.98 points (Table 7). Market Capitalization which measures total shareholders' wealth gained by Ksh 9.2 billion, to stand at Ksh 940.61 billion. Equity turnover declined Ksh 6.9 million to trade stocks worth Ksh 1,625.7 million from Ksh 1,632.6 million the previous week on account a fall in average equity prices. The number of shares traded increased to 83.40 million from 81.64 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	29-Mar-12
NASI 100= Jan 2008	69.05	68.96	69.94	70.19	72.37	74.52	73.056	72.98	73.46
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	3,293.91	3,360.12
Number of Deals	5,124	5,394	5,090	5,165	5,207	5,825	5,395	5,981	5,398
Total Shares Traded (millions)	87.34	126.31	99.15	57.68	59.93	74.09	74.74	81.64	83.40
Equity Turnover (Ksh. millions)	1,089.93	810.03	960.77	738.65	1,010.89	1,401.98	1,225.36	1,632.56	1,625.72
Market Capitalization (Ksh. Bn.)	881.19	880.09	892.59	895.82	923.57	951.00	932.29	931.45	940.61
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	9,095.10	8,751.55
FTSE NSE Kenya 15 Index	90.87	91.38	93.22	94.14	95.62	98.40	96.56	97.43	97.88
FTSE NSE Kenya 25 Index	92.89	93.39	94.96	95.98	97.75	100.65	98.76	99.32	99.70

* 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 36.98 million shares or 44.3 percent followed by Telecommunications and Technology at 25.76 million shares or 30.9 percent. Energy and Petroleum sector closed among the top three most active sectors with 7.66 million shares. Safaricom, Equity

Bank, and Housing Finance were the top three most active counters with 24.4 million, 14.9 million and 14.8 million shares traded, respectively. Construction and Allied sector was least active, trading 230,800 shares only in the week ending March 29, 2012.

The biggest closing and average price gains in the week ending March 22, 2012 were Kakuzi and East African Breweries Ltd at Kshs 5.5 and Kshs 5, respectively. The biggest closing and average price margin losses was British America Tobacco Kenya at Kshs 22 and Ksh 19.4 per share, respectively. Of the 54 listed companies, 17 recorded average price decline 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 97.88 points on March 29, 2012 from 97.43 points on March 22, 2012. FTSE NSE Kenya 25 Index, a performance measure of 25 most liquid stocks at the Exchange rose to 99.70 points from 99.32 points during the previous week.

Bond Market

Bonds trading at the Fixed Income Securities Segment dropped to Ksh 8,751.6 million for the week ending March 29, 2012 from Ksh 9,095.1 million for the week ending March 22, 2012. This was due to investors' preference for 1-year Treasury bond on offer in the primary market that relatively offered high yields. However, total deals transacted over the period rose to 125 from 116 the previous week, reflecting small sizes of individual transactions.