

May 4, 2012



THE CBK WEEKLY BULLETIN

Highlights for the Week

Overall 12-month inflation declined by 255 basis points from 15.6 percent in March 2012 to 13.1 percent in April 2012 reflecting further easing of food and fuel inflation.

The money market liquidity improved during the week ending May 2, 2012. The Central Bank sterilized the excess liquidity from the market by mopping Ksh 14.8 billion.

The average interbank rate decreased to 15.74 percent during the week ending May 2, 2012 from 19.31 percent in the previous week reflecting improved liquidity in the money market.

The Kenya Shilling depreciated marginally against major international currencies in the week ending May 3, 2012. Against the US dollar the Kenya Shilling weakened to exchange at an average of Ksh 83.29 per US dollar compared with Ksh 83.23 per US dollar in the week ending April 26, 2012.

The usable official foreign exchange reserves held by the Central Bank increased from US\$ 4,637 million (equivalent to 4.05 months of import cover) as at April 26, 2012 to US\$ 4,670 million (equivalent to 4.03 months of import cover) in the week ending May 3, 2012.

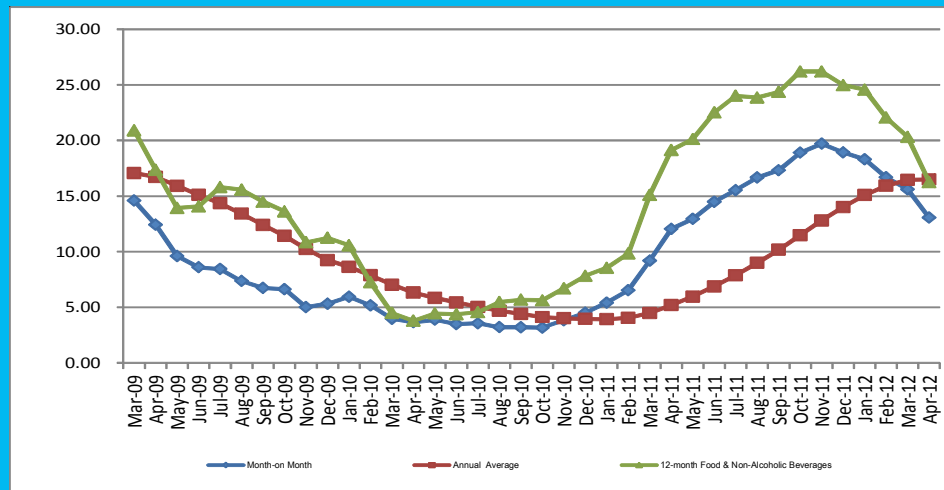
During the week ending May 4, 2012 the Government offered for sale Treasury bills worth Ksh 4.0 billion. A total of Ksh 4.3 billion was accepted out of the Ksh 11.7 billion bids received.

Stock market performance was mixed in the week ending May 3, 2012 as reflected by gains in some of the market indicators and losses in others. The NSE 20 Share Index gained 27.99 points and the Nairobi All Share Index (NASI) for all listed companies gained 0.81 points while Market Capitalization gained 1.0 percent. In addition, FTSE NSE 15 Index and FTSE NSE 25 Index gained by 2.56 points and 2.81 points, respectively. However, equity turnover went down by 27.3 percent as the number of shares traded declined by 32.1 percent. The bonds segment recorded a 4.1 percent decline.

Inflation

Overall 12-month inflation eased by 255 basis points from 15.6 percent in March 2012 to 13.1 percent in April 2012 (Chart A). The decline in the overall inflation in April 2012 was reflected largely in the Food and Non-Alcoholic Beverages and transport indices, which declined to 16.2 percent and 10.1 percent respectively, in April 2012 from 20.3 percent and 13.0 percent respectively, in March 2012. Inflation in the Housing, Water, Electricity, Gas and Other Fuels index also eased to 11.6 percent in April 2012 from 13.0 percent in March 2012.

Chart A: Month-on-Month, Annual Average and 12 Month Food and Non-Alcoholic Beverages Inflation Rates



Source: Central Bank of Kenya

Monetary Policy Operations

The money market liquidity improved during the week ending May 2, 2012. The Central Bank sterilized the excess liquidity from the market by mopping Ksh 14.8 billion. Reserve money averaged Ksh 248.1 billion during the week and was Ksh 2.7 billion above the target. The excess reserve money was held as bank reserves of Ksh 10.0 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)
26-Apr-12	255.7	245.6	-10.1	0.0	0.0	0.0	252.3	6.6	15.2	-8.6
27-Apr-12	257.2	245.6	-11.5	5.0	5.0	0.0	252.8	7.2	15.3	-8.1
30-Apr-12	245.6	245.6	0.0	10.0	6.6	-3.4	245.1	-0.6	6.8	-7.4
2-May-12	245.9	244.5	-1.5	9.0	3.3	-5.7	242.1	-2.4	2.8	-5.1
Average	251.1	245.3	-5.8	6.0	3.7	-2.3	248.1	2.7	10.0	-7.3

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased to 15.74 percent during the week ending May 2, 2012 from 19.31 percent in the previous week reflecting a liquid money market. The average interbank volumes transacted increased to Ksh 15.18 in the week ending May 2, 2012 compared to Ksh 13.08 billion in the previous week. The average number of deals increased to 65 in the week ending May 2, 2012 from 61 deals in the previous week (Table 2 and Chart B).

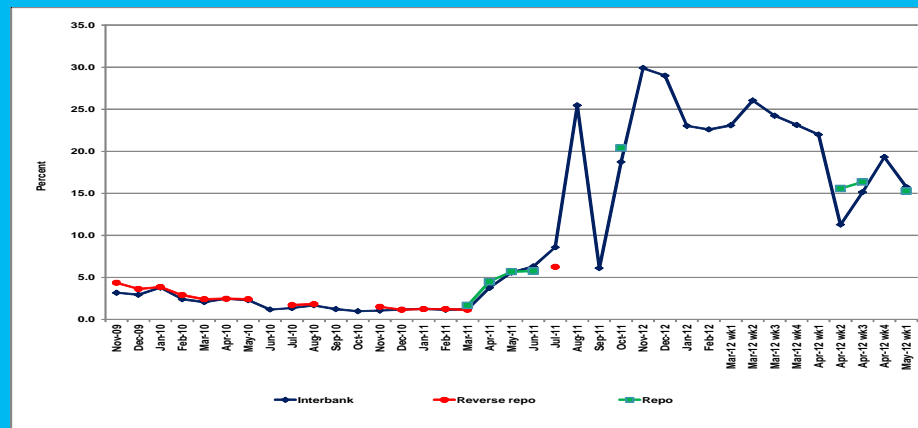
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
19-Apr-12	61	11,171	17.51
20-Apr-12	59	13,134	18.28
23-Apr-12	58	11,081	19.42
24-Apr-12	68	16,610	20.61
25-Apr-12	59	13,399	20.70
April 19- April 25 2012	61	13,079	19.31
26-Apr-12	56	12,794	18.05
27-Apr-12	62	14,896	14.89
30-Apr-12	70	18,032	14.54
2-May-12	73	14,982	15.50
April 26- May 2 2012	65	15,176	15.74

Source: Central Bank of Kenya

The average repo rate was 15.26 percent during the week ending May 2, 2012

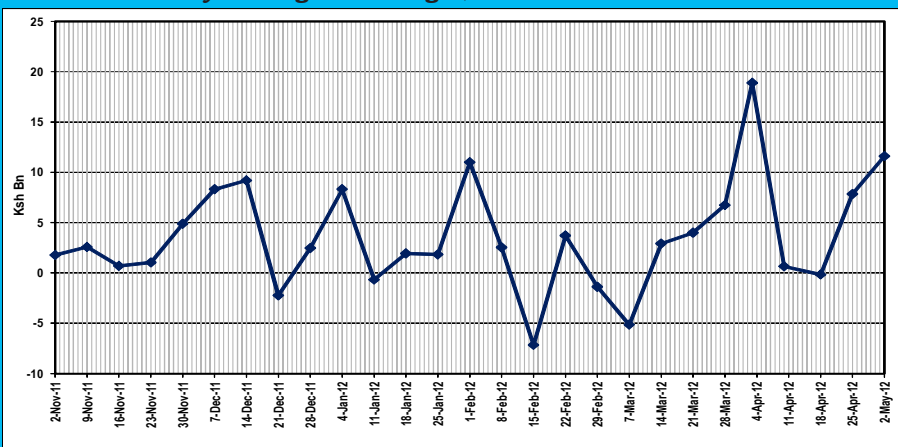
Chart B: The Structure of Interest Rates



Source: Central Bank of Kenya

Commercial banks maintained an average of Ksh 11.61 billion in their settlement accounts above the monthly average cash reserve requirements of 5.25 percent at the Central Bank in the week to May 2, 2012 compared with Ksh 7.84 billion in the previous week (Chart C).

Chart C: Weekly Average Clearing A/c Balances



Source: Central Bank of Kenya

The Shilling Exchange Rate

The Kenya Shilling depreciated marginally against major International currencies in the week ending May 3, 2012 (Table 3). During the week, the Kenya shilling depreciated by 0.07 percent, 0.68 percent, 0.23 percent and 1.21 percent against the US dollar, the Sterling Pound, the Euro and the Japanese Yen respectively to trade at an average of Ksh 83.29 per US dollar, Ksh 135.09 per Sterling Pound, Ksh 109.97 per Euro and Ksh 103.62 per 100 Japanese Yen compared to Ksh 83.23 per US dollar, Ksh 134.18 per Sterling Pound, Ksh 109.72 per Euro and Ksh 102.38 per 100 Japanese Yen, during the week ending April 26 2012.

In the EAC region, the Kenya Shilling posted mixed results against the East African Currencies in the week ending May 3, 2012. The Kenya Shilling appreciated against the Rwanda Franc and the Burundi Franc to exchange at an average of RWF 7.28 and BIF 16.60 during the week, compared with RWF 7.24 and BIF 16.56 in the week ending April 26, 2012. Over the same period, the Kenya Shilling depreciated marginally against the Tanzania Shilling and the Uganda Shilling to exchange at an average of Tshs 19.05 and Ushs 30.01 compared to Tshs 19.06 and Ushs 30.15 during the previous week.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
April 13- 19, 2012	83.19	132.43	109.02	102.71	30.15	19.05	7.27	15.53
20-Apr-12	83.20	133.62	109.40	102.03	30.17	19.05	7.24	16.38
23-Apr-12	83.22	134.13	109.77	102.33	30.16	19.05	7.24	16.38
24-Apr-12	83.23	134.15	109.50	102.81	30.19	19.07	7.24	16.73
25-Apr-12	83.25	134.39	109.83	102.25	30.14	19.07	7.24	16.64
26-Apr-12	83.27	134.60	110.09	102.50	30.08	19.07	7.24	16.66
April 20- 26, 2012	83.23	134.18	109.72	102.38	30.15	19.06	7.24	16.56
27-Apr-12	83.25	134.64	109.82	102.90	30.09	19.07	7.29	16.71
30-Apr-12	83.22	135.51	110.30	103.84	30.14	19.08	7.26	16.57
2-May-12	83.29	135.16	110.10	103.72	30.02	19.06	7.28	16.41
3-May-12	83.41	135.04	109.65	104.02	29.79	19.00	7.28	16.73
April 27- May 3, 2012	83.29	135.09	109.97	103.62	30.01	19.05	7.28	16.60

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US\$4,637 million (equivalent to 4.05 months of import cover) as at April 26, 2012 to US\$4,670 million (equivalent to 4.03 months of import cover) in the week ending May 3, 2012 (Table 4).

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

	16-Mar-12	22-Mar-12	29-Mar-12	5-Apr-12	12-Apr-12	19-Apr-12	26-Apr-12	3-May-12
Usable Reserves*	4,260	4,311	4,365	4,416	4,424	4,454	4,637	4,670
Months of Imports Cover**	3.75	3.80	3.84	3.86	3.86	3.89	4.05	4.03

*Excludes encumbered reserves

**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 2.0 billion each in 91-day Treasury bills and 182-day Treasury bills during the week ending May 4, 2012. Demand was high during the week with the 182-day paper attracting bids worth Ksh 7.7 billion, equivalent to 383.4 percent performance while the 91-day paper recorded a performance rate of 201.2 percent. Collectively, the government accepted Ksh 4.3 billion worth of Treasury bills during the week, which constituted Ksh 2.5 billion worth of the 91-day bids and Ksh 1.8 billion of the 182-day bids. Total non-competitive bids received amounted to Ksh 0.8 billion.

Interest Rate on the Treasury Bills

Weighted average interest rates on the 91-day and 182-day Treasury bills declined for the sixteenth consecutive week to stand at 13.382 percent and 14.775 percent respectively, in the week ending May 4, 2012.

Table 5 : Interest Rates

Auction date	9-Mar-12	16-Mar-12	23-Mar-12	30-Mar-12	5-Apr-12	13-Apr-12	20-Apr-12	27-Apr-12	4-May-12
91 day T. Bills*	17.983	17.461	17.006	16.728	16.340	16.078	15.930	14.992	13.382
182 day T. Bills*	18.377	18.112	17.726	17.660	16.960	16.737	16.638	16.623	14.775
364 day T. Bills*	17.035				16.915				
1 year FXD T. Bonds			16.432						
2 year FXD T. Bonds								13.826	
Month	Jan-12	Feb-12							
Average savings rate	1.62	1.69							
Average overdraft rate	20.38	20.53							

*Weighted rates for accepted bids

Source: Central Bank of Kenya

The Stock Market

Stock market performance was mixed in the week ending May 3, 2012 as reflected by gains in some of the market indicators and losses in others.

As indicated in Table 7, the NSE 20 Share Index rose to 3,585.12 points on May 3, 2012 from 3557.13 points on May 03, 2012, while NASI was 77.93 points, up from 77.12 points.

Table 7: Key Weekly Market Statistics

Week Ending	1-Mar-12	8-Mar-12	15-Mar-12	22-Mar-12	29-Mar-12	4-Apr-12	12-Apr-12	19-Apr-12	26-Apr-12	3-May-12
NASI 100= Jan 2008	72.37	74.52	73.06	72.98	73.46	73.92	74.37	76.14	77.12	77.93
NSE 20 Share Index 100=1966	3,312.15	3,394.29	3,326.35	3,293.91	3,360.12	3,408.70	3,454.34	3,534.27	3,557.13	3,585.12
Number of Deals	5,207.00	5,825.00	5,395.00	5,981.00	5,398.00	4,128.00	4,260.00	6,439.00	7,221.00	5,636.00
Total Shares Traded (millions)	59.93	74.09	74.74	81.64	83.40	122.56	118.08	159.92	130.28	88.46
Equity Turnover (Ksh. millions)	1,010.89	1,401.98	1,225.36	1,632.56	1,625.72	1,318.00	1,156.07	1,858.48	2,570.47	1,869.56
Market Capitalization (Ksh. Bn.)	923.57	951.00	932.29	931.45	940.61	946.60	952.45	974.99	987.47	997.78
Bonds Turnover (Ksh. millions)	7,991.50	9,913.05	12,514.05	9,095.10	8,751.55	4,262.35	6,986.80	9,356.10	9,259.10	8,878.45
FTSE NSE Kenya 15 Index	95.62	98.40	96.56	97.43	97.88	99.65	100.19	102.91	102.34	104.90
FTSE NSE Kenya 25 Index	97.75	100.65	98.76	99.32	99.70	101.35	101.84	105.04	104.38	107.19

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

Source: Nairobi Stock Exchange

Market Capitalization, a measure of shareholders' wealth gained Ksh 10.31 billion to reach Ksh 997.78 billion. Equity turnover lost Ksh 700.91 million to trade stocks worth Ksh 1,869.56 million from Ksh 2,570.47 million the previous week. The number of shares traded dropped to 88.46 million from 130.28 million, mainly attributed to a shorter trading week compared to the previous week.

Telecommunications and Technology sector transacted 31.41 million shares or 35.5 percent followed by the banking sector at 24.33 million shares or 27.5 percent. Manufacturing and Allied sector closed top three most active sectors with 19.70 million shares. Safaricom, Mumias Sugar Co. Ltd and Housing Finance Co. Ltd were the top three most active counters with 31.16 million, 15.49 million and 10.35 million shares traded, respectively. Automobile and Accessories sector was least active, trading 123,500 shares.

The biggest closing and average price gains were Scangroup Ltd and Athi River Mining both at Ksh 4.50 and Ksh 9.45 per share, respectively. The biggest closing and average price margin losses were Jubilee Holdings Ltd and Bamburi Cement Ltd at Ksh 4.00 and Ksh 4.10, respectively. Of the 54 listed companies, 19 had average price declines in the week, implying overall price gain for bourse.

**The FTSE
NSE Kenya
15 Index**

The FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization gained to 104.90 points on May 03, 2012 from 102.34 points on April 26, 2012. Similarly, FTSE NSE Kenya 25 Index, a performance measure of 25 most liquid stocks at the Exchange gained to 107.19 points from 104.38 points in the same period.

Bond Market

Bonds trading at the Fixed Income Securities Segment dropped to Ksh 8,878.5 million for the week ending May 3, 2012 from Ksh 9,259.1 million by close of April 26, 2012.