



MAY 10, 2013

Highlights

The Monetary Policy Committee (MPC) lowered the Central Bank Rate (CBR) by 100 basis points to 8.50 percent on May 7, 2013 from 9.50 percent.

The money market was relatively liquid during the week ending on May 8, 2013. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 31.8 billion through repo securities against maturities of repo securities and term auction deposits held by commercial banks of Ksh 27.4 billion and Ksh 7.4 billion, respectively.

The average interbank rate increased marginally to 7.66 percent during the week ending May 8, 2013 from 7.46 percent in the previous week.

The Kenya Shilling exchange rate remained fairly stable against major international currencies in the week ending May 9, 2013. During the week, the Kenya Shilling firmed up against the US Dollar to trade at an average of Ksh 83.81 per USD the same level the Shilling closed in the week ending May 2, 2013.

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 5,668 million as at May 2, 2013 to US Dollar 5,744 million as at May 9, 2013.

The Government offered for sale Treasury bills worth Ksh 11.0 billion, during the week ending May 10, 2013. A total of Ksh 8.5 billion was accepted out of Ksh 25.3 billion bids received.

Gross Government domestic debt increased by Ksh 209.1 billion to Ksh 1.1 trillion on May 3, 2013, from Ksh 858.8 billion at the end of June 2012. During the week under review, gross government domestic debt increased by Ksh 47.1 billion, on account of Treasury bills and Treasury bonds.

Capital markets recorded improved performance for both bonds and equities. The NSE 20 Share Index, NASI, FTSE NSE 15 Index and FTSE NSE 25 Index as well as market capitalization rose above the previous week's levels so was the turnover in both segments.

CBK WEEKLY BULLETIN

Monetary Policy Operations

The money market was relatively liquid during the week ending on May 8, 2013. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 31.8 billion through repo securities against maturities of repo securities and term auction deposits held by commercial banks of Ksh 27.4 billion and Ksh 7.4 billion, respectively. Reserve money averaged Ksh 275.3 billion during the week and was Ksh 4.9 billion below target (Table 1).

Table 1: Open Market Operations (Ksh Billion)

Date	Reserve Money* (Projected)			OMO				Reserve money performance		Bank Reserves	Currency Outside Banks
	Forecast	Target	Exc(+)/ Short(-)	Posted	Mop up		Exc(+)/ Short(-)	Actual	Exc(+)/ Short(-)	Exc(+)/ Short(-)	Exc(+)/ Short(-)
					Repo	Term Auction Deposit					
	(1)	(2)	3=(1-2)	(4)	(5)	(6)	7=(5+6-4)	(8)	9=(8-2)	(10)	(11)
2-May-13	284.0	280.2	3.8	11.0	6.8	0.0	-4.2	277.3	-2.9	2.5	-5.3
3-May-13	286.2	280.2	6.0	8.0	8.0	0.0	0.0	272.8	-7.5	-3.1	-4.4
6-May-13	283.3	280.2	3.0	9.0	9.0	0.0	0.0	275.5	-4.8	-1.3	-3.5
7-May-13	279.2	280.2	-1.0	4.0	4.0	0.0	0.0	274.8	-5.4	-3.8	-1.6
8-May-13	282.2	280.2	2.0	4.0	4.0	0.0	0.0	276.1	-4.1	-2.6	-1.6
Average	283.0	280.2	2.8	7.2	6.4	0.0	-0.8	275.3	-4.9	-1.6	-3.3

Source: Central Bank of Kenya

Interbank and REPO Interest Rates

The average interbank rate increased marginally to 7.66 percent during the week ending May 8, 2013 from 7.46 percent in the previous week. The interbank volumes transacted declined to an average of Ksh 8.1 billion compared with Ksh 9.7 billion recorded in the previous week, while the average number of deals was 48 compared with 45 deals in the previous week (Table 2 and Chart A).

Table 2: Interbank Deals, Volumes and Interest Rates

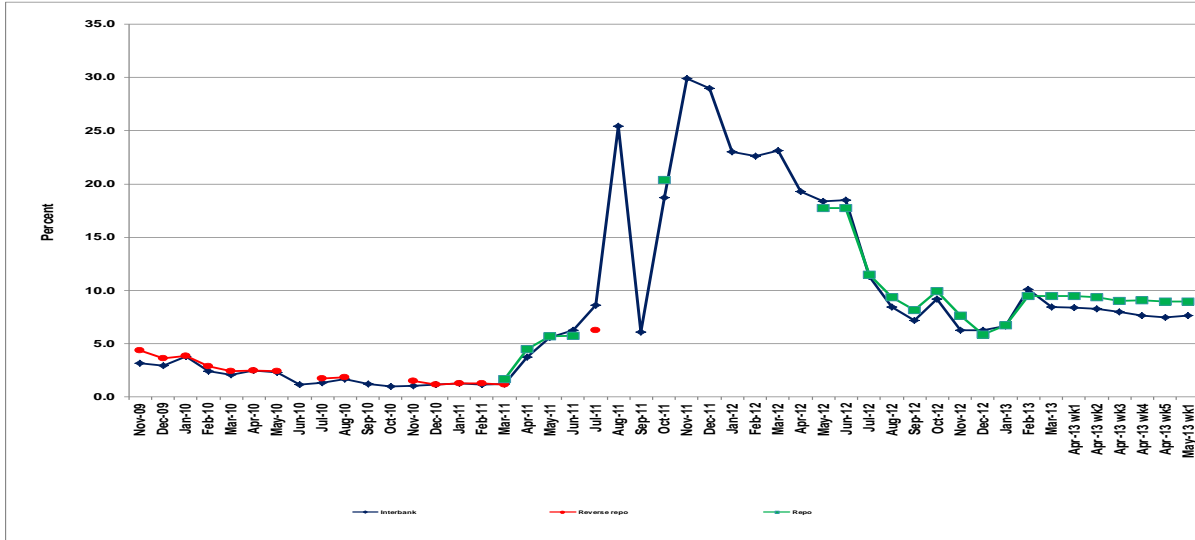
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
25-Apr-13	36	8,272	7.49
26-Apr-13	38	8,254	7.38
29-Apr-13	47	9,946	7.41
30-Apr-13	57	12,258	7.56
April 25 - April 30, 2013	45	9,682	7.46
2-May-13	68	14,509	7.64
3-May-13	59	9,721	7.66
6-May-13	38	5,101	7.69
7-May-13	41	6,110	7.74
8-May-13	36	4,938	7.60
May 2- May 8, 2013	48	8,076	7.66

Source: Central Bank of Kenya

CBK WEEKLY BULLETIN

The average repo rate remained largely unchanged at 8.96 percent during the week ending May 8, 2013 compared with 8.97 percent recorded in the previous week.

Chart A: The Structure of Interest Rates

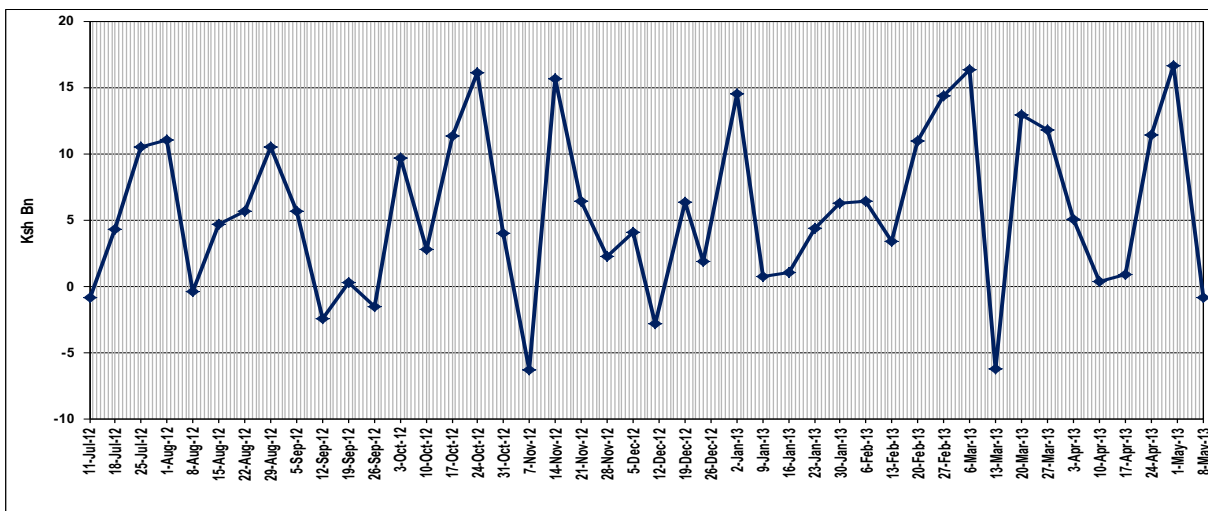


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a deficit surplus of Ksh 0.91 billion in their settlement accounts in relation to the monthly average cash reserve requirements of 5.25 percent (Ksh 90.2 billion) at the Central Bank in the week to May 8, 2013 compared with a surplus of Ksh 16.65 billion in the week to April 30, 2013 (Chart B).

Chart B: Weekly Average Deviation from CRR in the Clearing Account



Source: Central Bank of Kenya

CBK WEEKLY BULLETIN

The Shilling Exchange Rate

During the week ending May 9, 2013, the Kenya Shilling firmed up against major international currencies in anticipation of the announcement of the Central Bank Policy Rate by the Monetary Policy Committee.

Against the US dollar, the Shilling remained stable and traded at an average of Ksh 83.81 per USD the same level the Shilling closed in the week ending May 2, 2013. Against the Pound Sterling and the Euro, the Kenya shilling depreciated marginally by 0.21 percent and 0.08 percent, respectively, to trade at an average of Ksh 130.17 per Sterling Pound and Ksh 109.83 per Euro compared to an average of Ksh 129.9 per Sterling Pound and Ksh 109.74 per Euro in the week ending May 2, 2013. During the same week, the Kenya shilling appreciated by 0.9 percent against the Japanese Yen to trade at an average of Ksh 84.82 per 100 Japanese Yen compared to an average of Ksh 85.59 per 100 Japanese Yen.

In the EAC region, the Kenya shilling appreciated against the Tanzania shilling and the Rwanda Franc and depreciated against the Uganda shilling and the Burundi Franc to trade at an average of Ush 30.55, Tsh 19.44, RWF 7.67 and BIF 18.78 compared to Ush 31.09, Tsh 19.39, RWF 7.53 and BIF 18.80 in the week ending May 2, 2013 (Table 3).

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
26-Apr-13	83.79	129.29	109.24	84.81	31.03	19.30	7.55	18.81
29-Apr-13	83.81	130.06	109.42	85.71	31.22	19.42	7.54	18.80
30-Apr-13	83.82	130.00	109.95	85.75	31.16	19.42	7.53	18.80
2-May-13	83.80	130.27	110.37	86.10	30.92	19.43	7.51	18.78
26 April-2 May 2013	83.806	129.90	109.74	85.59	31.09	19.39	7.53	18.80
3-May-13	83.76	130.06	109.50	85.49	30.63	19.44	7.50	18.82
6-May-13	83.72	130.43	109.82	84.42	30.58	19.46	7.76	18.75
7-May-13	83.89	130.37	109.72	84.61	30.64	19.38	7.71	18.77
8-May-13	83.90	129.92	109.92	84.78	30.39	19.44	7.70	18.77
9-May-13	83.79	130.09	110.18	84.83	30.49	19.47	7.70	18.80
3-9 May 2013	83.811	130.17	109.83	84.82	30.55	19.44	7.67	18.78

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 5,668 million as at May 2, 2013 to US Dollar 5,744 million as at May 9, 2013 (Table 4).

CBK WEEKLY BULLETIN

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

	7-Mar-13	14-Mar-13	21-Mar-13	28-Mar-13	4-Apr-13	11-Apr-13	18-Apr-13	25-Apr-13	2-May-13	9-May-13
Usable Reserves*	4,953	4,992	5,033	5,052	5,159	5,364	5,568	5,537	5,668	5,744
Months of Imports Cover**	3.75	3.78	3.81	3.78	3.86	4.01	4.16	4.09	4.19	4.25

*Excludes encumbered reserves

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

Source: Central Bank of Kenya

Government Securities Auction

The Government offered for sale Ksh 3.0 billion in 91 day Treasury bills, Ksh 3.0 billion in 182 day Treasury bills and Ksh 5.0 billion in 364 day Treasury bills during the week ending May 10, 2013. Total competitive and non-competitive bids amounted to Ksh 25.3 billion, of which Ksh 3.4 billion, Ksh 2.4 billion and Ksh 19.4 billion was in 91 day, 182 day and 364 day papers, representing performance rates of 113.6 percent, 81.6 percent and 387.9 percent, respectively. The Government accepted Ksh 1.9 billion in the 91 day paper, Ksh 2.4 billion in the 182 day paper and Ksh 4.2 billion in the 364 day paper, during the week.

Interest Rates on Government Securities

Weighted average interest rates on the 91 day, 182 day and 364 day Treasury bills decreased by 21.7, 21.0 and 34.7 basis points to reach 9.887 percent, 10.279 percent and 11.780 percent, respectively, during the week's auction (Table 5).

Table 5: Government Securities Interest Rates

Auction date	25-Jan-13	22-Feb-13	28-Mar-13	19-Apr-13	26-Apr-13	3-May-13	10-May-13
91-day T. Bills*	8.036	8.928	10.467	10.258	10.206	10.104	9.887
182-day T. Bills*	8.066	8.571	10.803	10.637	10.604	10.489	10.279
364-day T. Bills*			12.676	12.405	12.260	12.127	11.780
5 year FXD T. Bonds	12.791				12.892		
15year FXD T. Bonds		13.629			13.661		

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 180.4 billion to Ksh 1.0 trillion on April 19, 2013, from Ksh 858.8 billion at the end of June 2012. This followed increases of Ksh 102.3 billion, Ksh 46.3 billion, 26.9 billion and Ksh 4.9 billion in the stocks of Treasury bills, Treasury bonds, Government overdraft at the Central Bank and other domestic debt, respectively (Table 6).

Table 6: Government Domestic Debt (Ksh Billion)

CBK WEEKLY BULLETIN

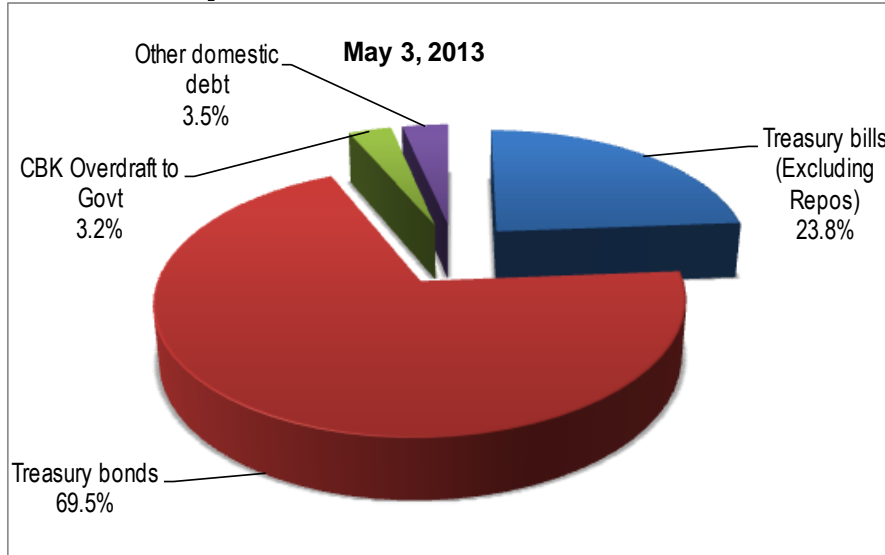
	Jun 2012	Mar 2013	26th April 2013	3rd May 2013	Changes	
					26th April 2013 - 3rd May 2013	29th Jun 2012 - 3rd May 2013
1. Treasury Bills (Excluding Repos)	132.0	186.6	246.4	254.1	7.6	122.0
(As % of total securities)	16.1	20.3	25.9	25.5		
2. Treasury Bonds	687.0	733.2	703.3	742.7	39.4	55.8
(As % of total securities)	83.9	79.7	74.1	74.5		
3. Total Securities (1+2)	819.0	919.8	949.7	996.8	47.1	177.8
4. Overdraft at Central Bank	7.3	25.4	34.2	34.2	0.0	26.9
5. Other Domestic debt*	32.6	36.5	36.9	37.0	0.1	4.4
6. Gross Domestic Debt (3+4+5)	858.8	981.7	1020.8	1067.9	47.1	209.1
7. Interest payments on domestic debt	82.3	78.9	87.2	89.9	2.7	7.5

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

Source: Central Bank of Kenya

During the week ending May 3, 2013, gross government domestic debt increased by Ksh 47.1 billion, on account of Treasury bills and Treasury bonds (Table 6). The average time to maturity of Government securities declined to 4 years and 11 months during the week ending May 3, 2013, from 5 years and 4 months at the end of June 2012.

Chart C: Composition of Government Domestic Debt



Source: Central Bank of Kenya

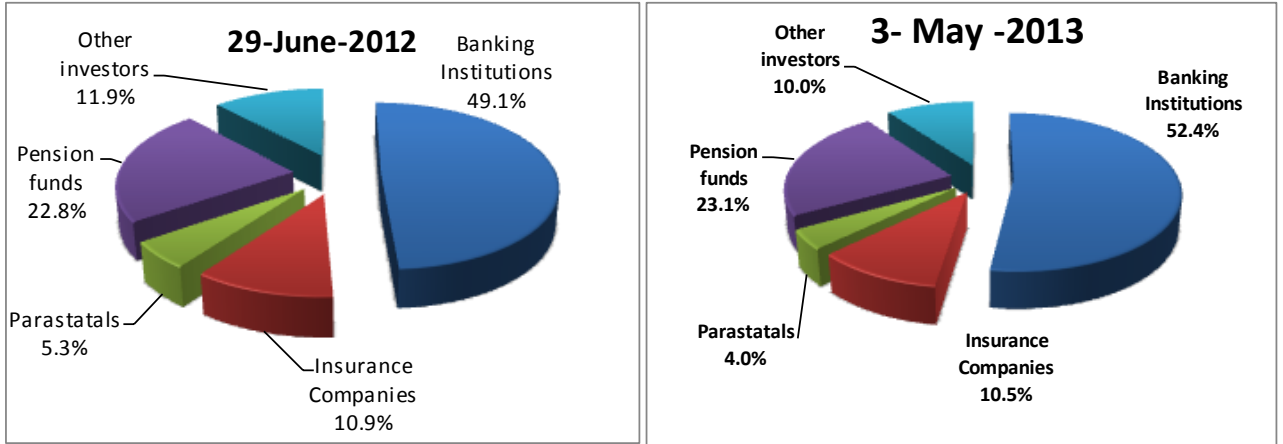
Holdings of Government Securities

Government securities accounted for 93.3 percent of gross domestic debt on May 3, 2013 (Chart C). Holdings by commercial banks and pension funds increased from 49.1 and 22.8 percent in June 2012 to 52.4 and 23.1 percent on May 3, 2013. Insurance companies, Parastatals, and other investor holdings, which comprise of Saccos', listed and private companies, self-help groups, educational institutions, religious institutions and individuals,

CBK WEEKLY BULLETIN

declined from 10.9 percent, 5.3 percent and 11.9 percent to 10.5 percent, 4.0 percent and 10.0 percent, respectively, during the period (Chart D).

Chart D: Holding of Government Securities by Investors

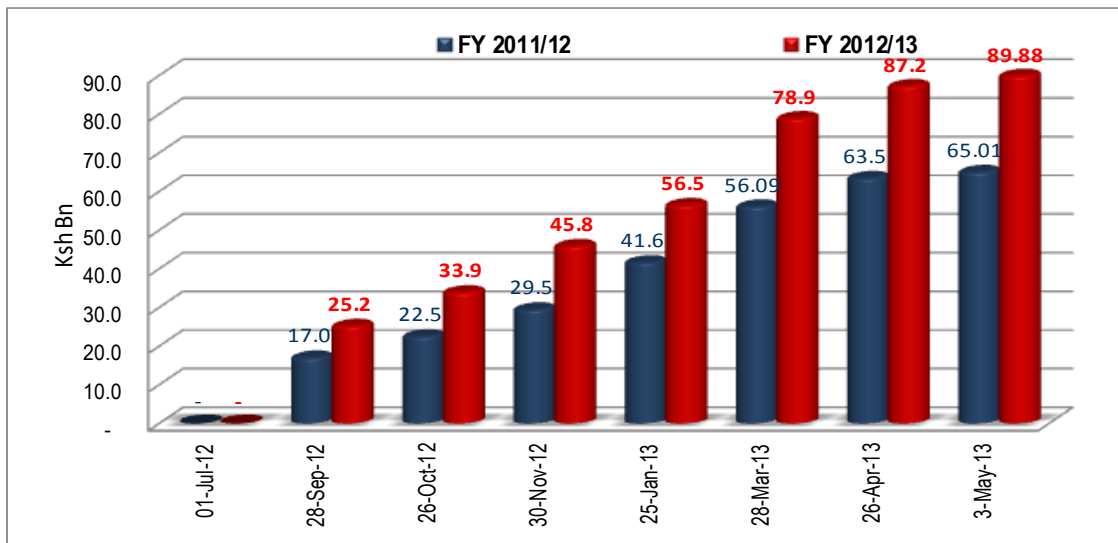


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to May 3, 2013 in the 2012/13 fiscal year amounted to Ksh 89.88 billion compared with Ksh 65.01 billion during a similar period of the previous fiscal year (Chart E). The cost during the period was on account of interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 18.94 billion and Ksh 67.24 billion, respectively. In addition, interest on Government overdraft and the pre-1997 Government overdraft amounted to Ksh 2.51 billion and Ksh 1.18 billion, respectively.

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



Source: Central Bank of Kenya
Capital Markets

CBK WEEKLY BULLETIN

Capital markets performance improved on the equities and bonds segments during the week ending May 09, 2013. All the market indices except the FTSE NSE Bond Index rose as well as turnover for both bonds and equities. Equities market capitalization gained 3.24 percent.

Equities Market

NSE 20 Share Index closed the week at 4917.46 points or 2.70 percent above the previous week's level, while NASI recorded 123.35 points or 3.23 percent higher than the previous week (Table 7). Market capitalization that measures shareholders' wealth closed 3.24 percent higher to KSh.1, 673.69 billion. Equity turnover rose by 85.0 percent to close the week at KSh.3, 772.52 billion on account of increased supply of shares, which rose by 140.9 percent.

Table 7: Key Weekly Market Statistics

Week Ending	21-Mar-13	27-Mar-13	4-Apr-13	11-Apr-13	18-Apr-13	25-Apr-13	2-May-13	9-May-13
NASI 100= Jan 2008	113.21	117.23	120.45	121.53	119.73	118.38	119.49	123.35
NSE 20 Share Index 100=1966	4,708.56	4,830.44	4,975.77	4,990.04	4,932.77	4,810.40	4,788.26	4,917.46
Number of Deals	8,944	7,258	9,645	8,712	10,468	8,186	6,413	8,777
Total Shares Traded (millions)	124.88	106.92	156.79	101.28	179.82	120.90	98.55	237.38
Equity Turnover (Ksh. millions)	2,478.88	2,449.40	2,437.21	1,871.65	3,418.00	1,684.02	2,039.33	3,772.52
Market Capitalization (Ksh. Billions)	1,536.05	1,590.62	1,634.29	1,648.86	1,624.56	1,606.23	1,621.21	1,673.69
Bonds Turnover (Ksh. millions)	10,658.80	4,797.75	7,081.85	9,275.00	9,951.95	7,962.05	9,645.90	14,534.20
FTSE NSE Kenya 15 Index	147.06	153.78	157.10	158.80	156.28	154.23	157.30	162.64
FTSE NSE Kenya 25 Index	150.68	157.07	160.19	161.58	159.39	157.28	160.77	166.66
FTSE NSE KSH Government Bond Index	90.78	90.23	90.33	89.51	89.45	89.74	90.05	89.66

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

Source: Nairobi Securities Exchange

Telecoms & Technology, Banking and Commercial & Services sectors were the top three most active, transacting 146.02 million or 61.51 percent; 46.06 million or 19.40 percent and 15.39 million or 6.48 percent of all shares traded, respectively. Safaricom, Kenya Commercial Bank and Equity Bank were the three most active counters with 145.54 million, 18.21 million and 15.94 million shares traded, respectively. Automobile & Accessories sector was the least active, trading 170,200 shares.

The biggest closing and average price gain for the week under review was for East African Breweries Ltd at KSh.23.0 and KSh.27.05 per share, respectively. The biggest closing and average price losses were for Crown Berger and Jubilee Holdings at KSh.4.50 and KSh.7.0 per share, respectively. Of the 53 active counters, 34 had average price gain in the week compared to 18 counters in the previous week.

FTSE NSE Kenya Index Series

CBK WEEKLY BULLETIN

As indicated in Table 7, FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, closed the week up at 162.64 points from 157.30 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, closed the week at 166.66 points from 160.77 points of the previous trading week. The FTSE NSE Bond Index, however, declined to 89.66 points from the previous week's 90.05 points, signifying higher yields.

The Bond Market

Bonds trading increased by 50.68 percent in turnover, which closed the week at Ksh.14, 534.20 million from KSh. 9, 645.90 million in the previous week. Similarly corresponding deals rose to 160 from 101 the previous week.