



APRIL 19, 2013

Highlights

The money market was relatively liquid during the week ending April 17, 2013. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 16.1 billion through repo securities and Ksh 12.3 billion in term auction deposits against maturities of repo securities and term auction deposits held by commercial banks of Ksh 28.4 billion and Ksh 9.4 billion, respectively.

The average interbank interest rate decreased to 7.99 percent during the week ending April 17, 2013 from 8.30 percent in the previous week reflecting improved liquidity in the money market.

The Kenya Shilling exchange rate strengthened against major international currencies in the week ending April 18, 2013. Against the US Dollar the Kenya Shilling appreciated to trade at an average of Ksh 83.95 per USD compared to Ksh 84.66 per USD in the week ending April 11, 2013.

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 5,364 million as at April 11, 2013 to US Dollar 5,568 million in the week ending April 18, 2013.

The Government offered for sale Treasury bills worth Ksh 11.0 billion, during the week ending April 19, 2013. A total of Ksh 20.3 billion was accepted out of Ksh 30.7 billion worth of bids received.

Gross Government domestic debt increased by Ksh 164.6 billion to Ksh 1.0 trillion on April 12, 2013, from Ksh 858.8 billion at the end of June 2012. During the week under review, gross government domestic debt increased by Ksh 23.1 billion, on account of Treasury bills.

The capital market recorded improved performance for the bonds segment and a slow down in the equities market. The NSE 20 Share Index, NASI, FTSE NSE 15 Index and FTSE NSE 25 Index as well as market capitalization were down from the previous week's levels. Bonds turnover recorded a 7.30 percent rise compared to the previous week.

Monetary Policy Operations

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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) |
| 11-Apr-13 | 299.1 | 280.4 | 18.6 | 20.0 | 10.4 | 0.2 | -9.4 | 289.0 | 8.6 | 9.8 | -1.2 |
| 12-Apr-13 | 293.4 | 280.4 | 12.9 | 14.0 | 1.5 | 12.1 | -0.4 | 278.2 | -2.3 | -0.4 | -1.9 |
| 15-Apr-13 | 264.8 | 280.4 | -15.5 | 0.0 | 0.0 | 0.0 | 0.0 | 267.9 | -12.5 | -10.0 | -2.6 |
| 16-Apr-13 | 269.0 | 280.4 | -11.4 | 0.0 | 0.0 | 0.0 | 0.0 | 268.5 | -11.9 | -8.2 | -3.7 |
| 17-Apr-13 | 291.3 | 280.4 | 10.9 | 15.0 | 4.3 | 0.0 | -10.8 | 285.6 | 5.2 | 10.1 | -4.9 |
| Average | 283.5 | 280.4 | 3.1 | 9.8 | 3.2 | 2.5 | -4.1 | 277.8 | -2.6 | 0.3 | -2.8 |

Source: Central Bank of Kenya

Interbank and REPO Interest Rates

The average interbank interest rate decreased to 7.99 percent during the week ending April 17, 2013 from 8.30 percent in the previous week, reflecting improved liquidity in the money market. The interbank volumes transacted rose to an average of Ksh 13.4 billion compared with Ksh 7.2 billion in the previous week, while the average number of deals was 54 compared with 39 deals in the previous week (Table 2 and Chart A).

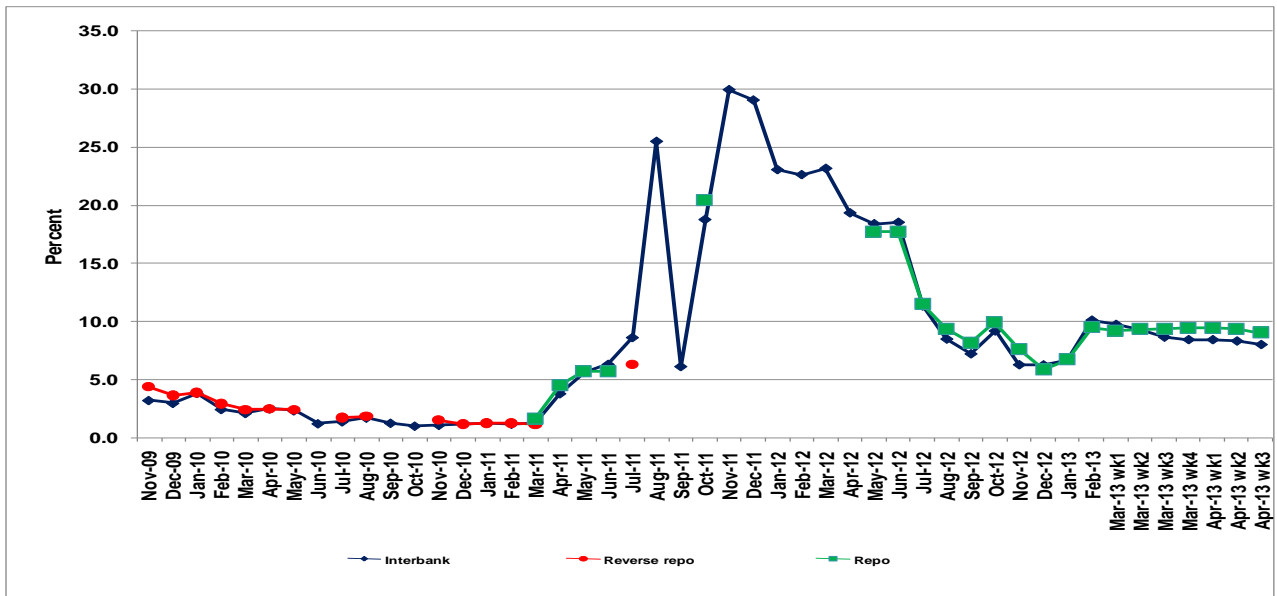
Table 2: Interbank Deals, Volumes and Interest Rates

| Date | Number of deals | Value (Ksh M) | Average Interest Rate (%) |
|----------------------------------|-----------------|---------------|---------------------------|
| 4-Apr-13 | 34 | 5,687 | 8.40 |
| 5-Apr-13 | 39 | 6,284 | 8.34 |
| 8-Apr-13 | 41 | 9,621 | 8.27 |
| 10-Apr-13 | 42 | 7,187 | 8.18 |
| April 4 - April 10, 2013 | 39 | 7,195 | 8.30 |
| 11-Apr-13 | 48 | 8,845 | 8.11 |
| 12-Apr-13 | 56 | 10,591 | 8.05 |
| 15-Apr-13 | 53 | 14,476 | 7.97 |
| 16-Apr-13 | 58 | 15,577 | 7.92 |
| 17-Apr-13 | 56 | 17,651 | 7.90 |
| April 11 - April 17, 2013 | 54 | 13,428 | 7.99 |

Source: Central Bank of Kenya

The average repo interest rate decreased to 9.02 percent during the week ending April 17, 2013 from 9.36 percent recorded in the previous week.

Chart A: The Structure of Interest Rates

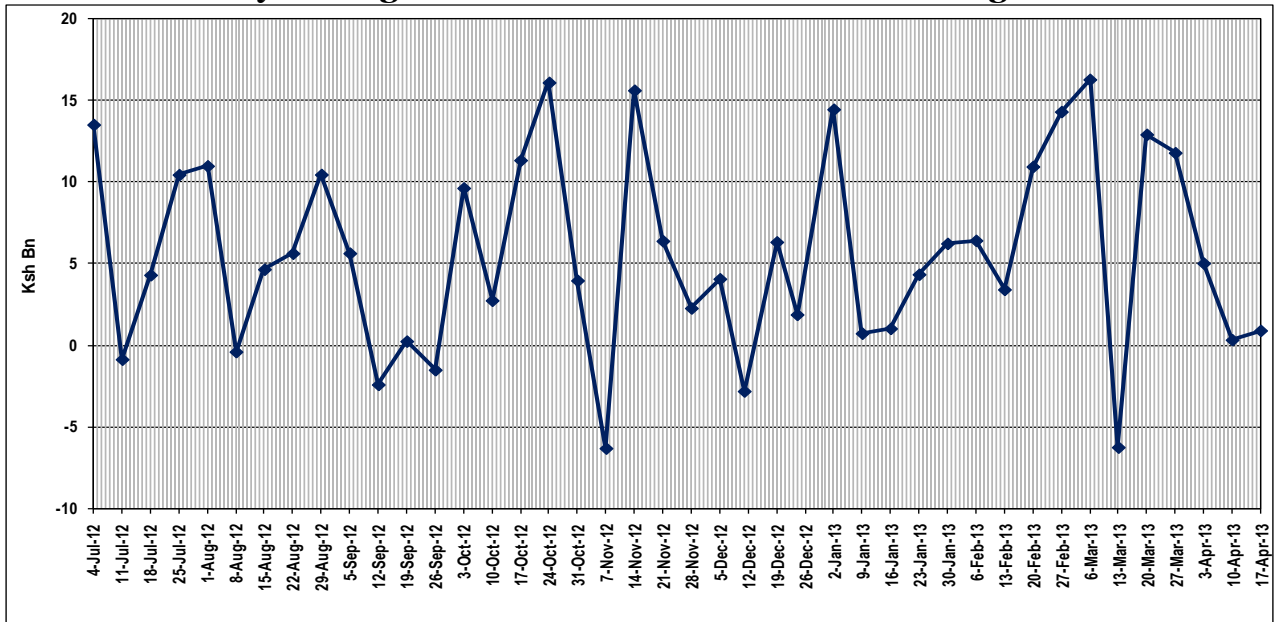


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks settlement account balances in the Central Bank recorded a surplus of Ksh 0.89 billion in relation to the monthly average cash reserve requirements of 5.25 percent (Ksh 90.2 billion) in the week to April 17, 2013 compared with Ksh 0.31 billion in the previous week (Chart B).

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



Source: Central Bank of Kenya

The Shilling Exchange Rate

The Kenya Shilling exchange rate strengthened against major international currencies in the week ending April 18, 2013. The strengthening of the Shilling is as a result of

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increased inflows arising from positive investor confidence following the peaceful elections.

During the week, the Kenya Shilling appreciated by 0.84 percent, 0.66 percent, 0.17 percent and 0.70 percent against the US Dollar, the Sterling Pound, the Euro and the Japanese Yen respectively to trade at an average of Ksh 83.95 per USD, Ksh 128.63 per Sterling Pound, Ksh 109.95 per Euro and Ksh 85.43 per 100 Japanese Yen compared to Ksh 84.66 per USD, Ksh 129.48 per Sterling Pound, Ksh 110.14 per Euro and Ksh 86.03 per 100 Japanese Yen in the week ending April 11, 2013.

In the EAC region, the Kenya Shilling strengthened against the Tanzania Shilling, Rwanda Franc and Burundi Franc and weakened against the Uganda Shilling to trade at average of Ush 30.37, Tsh 19.33, RWF 7.56 and BIF 18.78 compared to Ush 30.61, Tsh 19.12, RWF 7.50 and BIF 18.60 in the week ending April 11, 2013.

Table 3: Kenya Shilling Exchange Rates

| | US dollar | Sterling Pound | Euro | Japanese Yen | USHS | TSHS | RWF | BIF |
|-------------------------|--------------|----------------|---------------|--------------|--------------|--------------|-------------|--------------|
| 10-Apr-13 | 84.68 | 129.65 | 110.70 | 85.42 | 30.59 | 19.13 | 7.50 | 18.61 |
| 11-Apr-13 | 84.30 | 129.24 | 110.19 | 84.60 | 30.54 | 19.20 | 7.53 | 18.69 |
| 5-11 April 2013 | 84.66 | 129.48 | 110.14 | 86.03 | 30.61 | 19.12 | 7.50 | 18.60 |
| 12-Apr-13 | 84.19 | 129.53 | 110.34 | 84.58 | 30.33 | 19.18 | 7.54 | 18.73 |
| 15-Apr-13 | 83.99 | 128.75 | 109.86 | 85.74 | 30.21 | 19.36 | 7.56 | 18.76 |
| 16-Apr-13 | 83.88 | 128.38 | 109.67 | 86.06 | 30.10 | 19.28 | 7.56 | 18.79 |
| 17-Apr-13 | 83.90 | 128.73 | 110.53 | 85.30 | 30.31 | 19.40 | 7.56 | 18.78 |
| 18-Apr-13 | 83.79 | 127.77 | 109.34 | 85.46 | 30.91 | 19.43 | 7.58 | 18.81 |
| 12-18 April 2013 | 83.95 | 128.63 | 109.95 | 85.43 | 30.37 | 19.33 | 7.56 | 18.78 |

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US Dollar 5,364 million as at April 11, 2013 to US Dollar 5,568 million in the week ending April 18, 2013 (Table 4).

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

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| | 7-Feb-13 | 14-Feb-13 | 21-Feb-13 | 28-Feb-13 | 7-Mar-13 | 14-Mar-13 | 21-Mar-13 | 28-Mar-13 | 4-Apr-13 | 11-Apr-13 | 18-Apr-13 |
|---------------------------|----------|-----------|-----------|-----------|----------|-----------|-----------|-----------|----------|-----------|-----------|
| Usable Reserves* | 4,975 | 4,960 | 4,974 | 4,940 | 4,953 | 4,992 | 5,033 | 5,052 | 5,159 | 5,364 | 5,568 |
| Months of Imports Cover** | 3.79 | 3.78 | 3.79 | 3.76 | 3.75 | 3.78 | 3.81 | 3.78 | 3.86 | 4.01 | 4.16 |

*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 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 April 19, 2013. Total bids received amounted to Ksh 30.7 billion, of which Ksh 5.8 billion was in the 91 day paper, representing 194.0 percent performance; Ksh 2.0 billion was in the 182 day paper, representing 65.7 percent performance; and Ksh 22.9 billion in the 364 day paper, equivalent to 458.9 percent performance. The Government accepted Ksh 4.5 billion of the 91 day bids, Ksh 1.9 billion of the 182 day bids and Ksh 13.9 billion of the 364 day bids, during the week. Total non-competitive bids received amounted to Ksh 3.7 billion.

Interest Rates on Government Securities

The weighted average interest rates on the 91 day, 182 day and 364 day Treasury bills declined by 16.5 basis points, 19.0 basis points and 9.9 basis points, respectively, to stand at 10.258 percent, 10.637 percent and 12.405 percent, during the week.

Table 5: Government Securities Interest Rates

| Auction date | 27-Jul-12 | 22-Feb-13 | 08-Mar-13 | 15-Mar-13 | 22-Mar-13 | 28-Mar-13 | 05-Apr-13 | 12-Apr-13 | 19-Apr-13 |
|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 91-day T. Bills* | 13.226 | 8.928 | 9.747 | 10.097 | 10.318 | 10.467 | 10.541 | 10.423 | 10.258 |
| 182-day T. Bills* | 13.379 | 8.571 | 9.697 | 10.182 | 10.602 | 10.803 | 10.892 | 10.827 | 10.637 |
| 364-day T. Bills* | | | 12.542 | 12.595 | 12.674 | 12.676 | 12.618 | 12.504 | 12.405 |
| 2 year FXD T. Bonds | | 12.844 | | | 12.940 | | | | |
| 10year FXD T. Bonds | 13.630 | | | | 13.720 | | | | |

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 164.6 billion to Ksh 1.0 trillion on April 12, 2013, from Ksh 858.8 billion at the end of June 2012. This followed increases of Ksh 87.1 billion, Ksh 46.3 billion, 26.9 billion and Ksh 4.3 billion in the stocks of Treasury bills, Treasury bonds, Government overdraft at the Central Bank and other domestic debt, respectively.

Table 6: Government Domestic Debt (Ksh Billion)

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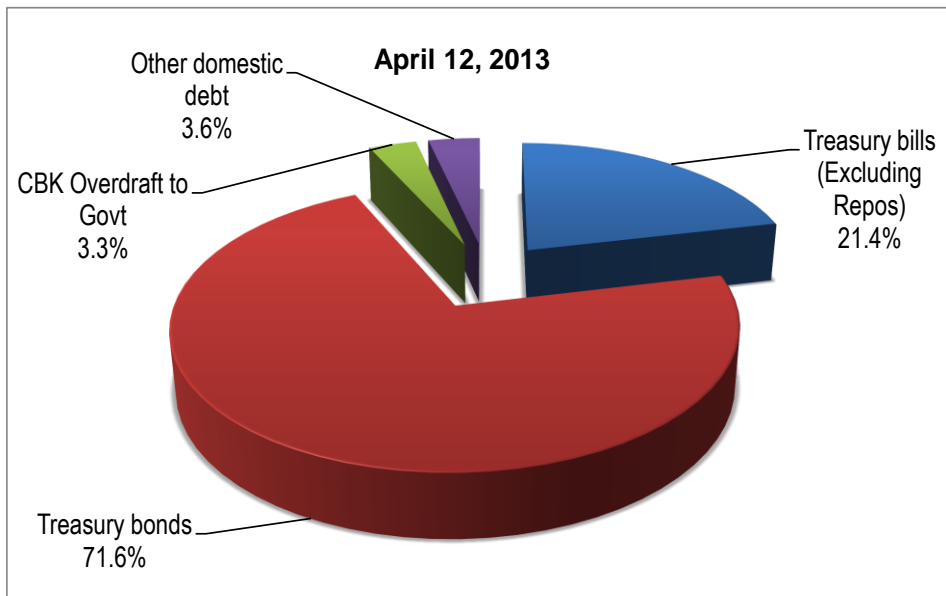
| | Jun 2012 | 22nd March 2013 | 28th March 2013 | 5th April 2013 | 12th April 2013 | Changes | |
|--|--------------|-----------------|-----------------|----------------|-----------------|--------------------------------|---------------------------------|
| | | | | | | 5th April 2013 - 12 April 2013 | 29th Jun 2012 - 12th April 2013 |
| 1. Treasury Bills (Excluding Repos) | 132.0 | 174.5 | 186.6 | 205.2 | 219.1 | 13.9 | 87.1 |
| (As % of total securities) | 16.1 | 19.6 | 20.3 | 21.9 | 23.0 | | |
| 2. Treasury Bonds | 687.0 | 717.2 | 733.2 | 733.2 | 733.2 | 0.0 | 46.3 |
| (As % of total securities) | 83.9 | 80.4 | 79.7 | 78.1 | 77.0 | | |
| 3. Total Securities (1+2) | 819.0 | 891.6 | 919.8 | 938.4 | 952.3 | 13.9 | 133.3 |
| 4. Overdraft at Central Bank | 7.3 | 25.4 | 25.4 | 25.4 | 34.2 | 8.8 | 26.9 |
| 5. Other Domestic debt* | 32.6 | 36.5 | 36.5 | 36.5 | 36.9 | 0.4 | 4.3 |
| 6. Gross Domestic Debt (3+4+5) | 858.8 | 953.5 | 981.7 | 1000.3 | 1023.4 | 23.1 | 164.6 |
| 7. Interest payments on domestic debt | 82.3 | 74.9 | 78.9 | 81.7 | 82.5 | 0.8 | 0.1 |

* 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 April 12, 2013, gross government domestic debt increased by Ksh 23.1 billion, on account of Treasury bills and overdraft (Table 6). The average time to maturity of Government securities declined to 4 years and 9 months during the week ending April 12, 2013, from 5 years and 4 months at the end of June 2012.

Chart C: Composition of Government Domestic Debt

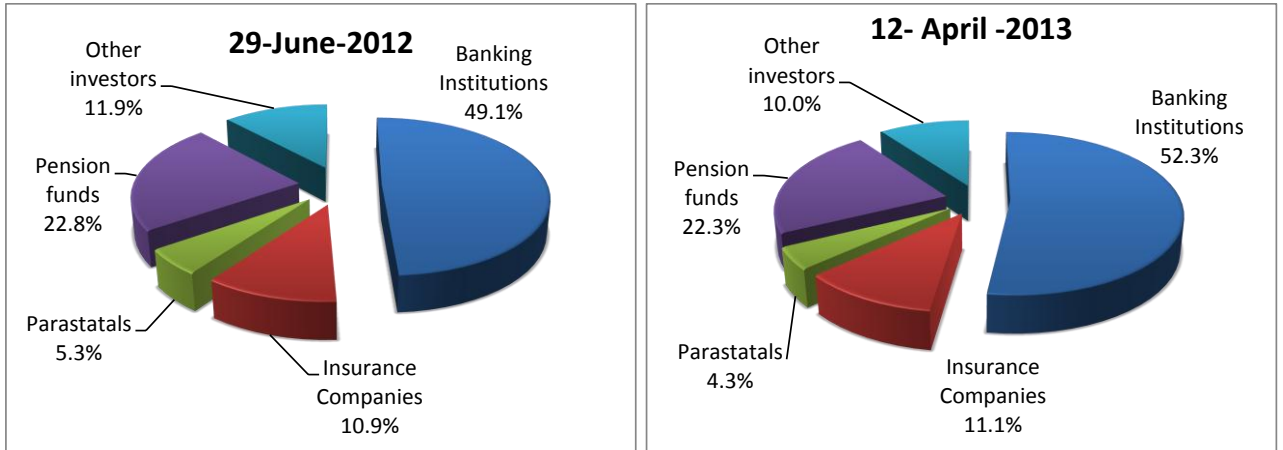


Source: Central Bank of Kenya

Holdings of Government Securities

Government securities accounted for 93.0 percent of gross domestic debt on April 12, 2013 (Chart C). Holdings by commercial banks and insurance companies increased from 49.1 percent and 10.9 percent in June 2012 to 52.3 percent and 11.1 percent, respectively, on April 12, 2013. Pension fund, Parastatal, and other investor holdings, which comprise of Saccos', listed and private companies, self-help groups, educational institutions, religious institutions and individuals, declined from 22.8 percent, 5.3 percent and 11.9 percent to 22.3 percent, 4.3 percent and 10.0 percent, respectively, during the period (Chart D).

Chart D: Holding of Government Securities by Investors

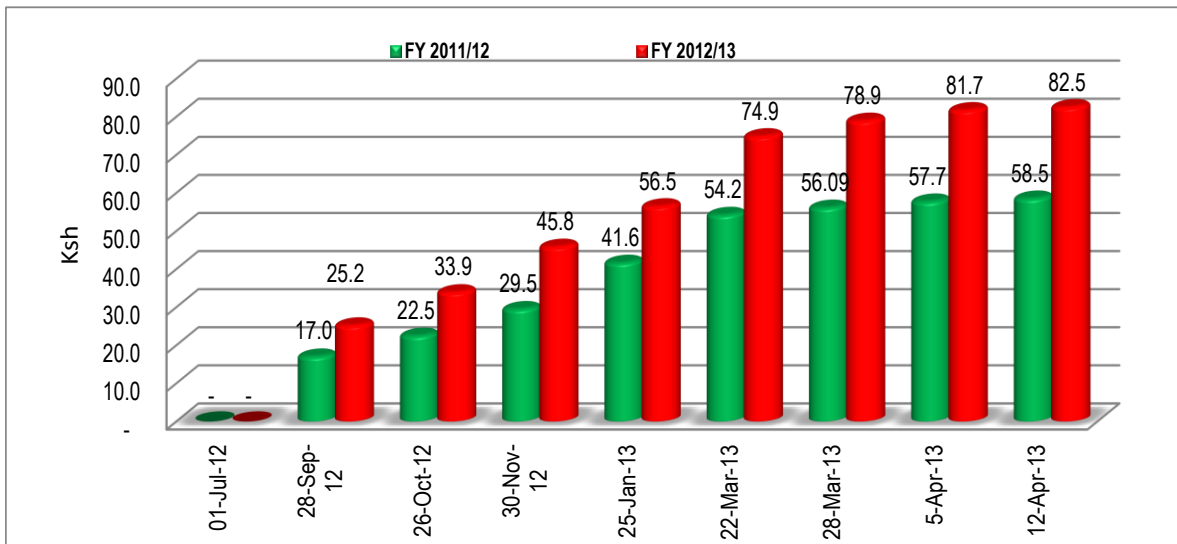


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to April 12, 2013 in the 2012/13 fiscal year amounted to Ksh 82.5 billion compared with Ksh 58.5 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 18.3 billion and Ksh 60.8 billion, respectively. In addition, interest on Government overdraft and the pre-1997 Government overdraft amounted to Ksh 2.2 billion and Ksh 1.2 billion, respectively.

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



Source: Central Bank of Kenya

Capital Markets

The capital market performance slowed down on the equities segment while registering a slight improvement in the bonds market during the week ending April 18, 2013. All the equities indices fell while turnover for both bonds and equities went up.

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Equities Market

NSE 20 Share Index closed the week at 4932.77 points or 1.15 percent below the previous week's level, while NASI recorded 119.73 points or 1.48 percent lower than the previous week (Table 7). Market capitalization that measures shareholders' wealth closed 147 basis points lower to KSh.1, 624.56 billion, while Equity turnover rose 82.6 percent to end the week at KSh.3, 418.0 billion. This was on account of a 77.6 percent rise in supply of shares.

Table 7: Key Weekly Market Statistics

| Week Ending | 28-Feb-13 | 07-Mar-13 | 14-Mar-13 | 21-Mar-13 | 27-Mar-13 | 04-Apr-13 | 11-Apr-13 | 18-Apr-13 |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| NASI 100= Jan 2008 | 106.91 | 110.30 | 115.93 | 113.21 | 117.23 | 120.45 | 121.53 | 119.73 |
| NSE 20 Share Index 100=1966 | 4,518.59 | 4,585.07 | 4,831.85 | 4,708.56 | 4,830.44 | 4,975.77 | 4,990.04 | 4,932.77 |
| Number of Deals | 7,177 | 4,690 | 11,619 | 8,944 | 7,258 | 9,645 | 8,712 | 10,468 |
| Total Shares Traded (millions) | 86.22 | 120.86 | 197.84 | 124.88 | 106.92 | 156.79 | 101.28 | 179.82 |
| Equity Turnover (Ksh. millions) | 3,021.12 | 1,738.16 | 4,040.75 | 2,478.88 | 2,449.40 | 2,437.21 | 1,871.65 | 3,418.00 |
| Market Capitalization (Ksh. Billions) | 1,451.03 | 1,496.61 | 1,572.89 | 1,536.05 | 1,590.62 | 1,634.29 | 1,648.86 | 1,624.56 |
| Bonds Turnover (Ksh. millions) | 7,245.10 | 4,195.15 | 4,091.55 | 10,658.80 | 4,797.75 | 7,081.85 | 9,275.00 | 9,951.95 |
| FTSE NSE Kenya 15 Index | 141.12 | 145.35 | 150.18 | 147.06 | 153.78 | 157.10 | 158.80 | 156.28 |
| FTSE NSE Kenya 25 Index | 144.27 | 148.51 | 153.62 | 150.68 | 157.07 | 160.19 | 161.58 | 159.39 |

Source: Nairobi Securities Exchange

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The Telecoms and Technology, Banking and Insurance sectors were the top three most active, transacting 103.2 million or 57.4 percent; 38.8 million or 21.6 percent and 11.5 million or 6.4 percent of all shares traded, respectively. Safaricom Ltd, Kenya Commercial Bank Ltd and Equity Bank Ltd were the three most active counters with 101.60 million, 20.27 million and 7.26 million shares traded, respectively. The Automobile & Accessories sector was the least active, trading 294,600 shares.

The biggest closing and average price gains for the week under review were for British American Tobacco Ltd and Jubilee Holdings Ltd at Ksh 6.0 and Ksh 15.75 per share, respectively. The biggest closing and average price loss was for Nation Media Group Ltd at Ksh 103.0 and Ksh 52.35 per share, respectively. Of the 53 active counters, 30 had average price gain in the week compared to 37 counters in the previous week.

FTSE NSE Kenya Index Series

As indicated in Table 7, FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, closed the week down at 156.28 points from 158.80 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, also fell to register 159.39 points from 161.58 points in the previous trading week.

The Bond Market

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Bonds trading improved from the previous week's trading to register a 7.30 percentage rise in turnover. Turnover touched Ksh 9, 951.95 million for the week ending April 18, 2013, up from Ksh 9, 275.0 million in the previous week. Corresponding deals rose to 109 from 77 the previous week.