



APRIL 5, 2013

Highlights

The pick-up in inflation in January and February 2013 reversed in March 2013 with overall 12-month inflation declining to 4.1 percent from 4.5 percent in February 2013 due to a decline in food inflation. Nonfood non fuel inflation declined by 28 basis points to 4.2 percent compared with 4.45 percent in February 2013.

The money market was relatively liquid during the week ending April 3, 2013. The Central Bank mopped Ksh 4.9 billion through open market operations on a net basis.

The average interbank rate stabilised at 8.41 percent during the week ending April 3, 2013 relative to previous week.

The Kenya Shilling strengthened against most major international currencies in the week ending April 4, 2013. Against the US Dollar the Kenya Shilling appreciated to trade at an average of Ksh 84.94 per USD compared to Ksh 85.78 per USD in the week ending March 28, 2013, a reflection of renewed confidence following the determination by the Supreme Court of the petition on the March 4, 2013 Presidential election.

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 5,052 million as at March 28, 2013 to US Dollar 5,159 million in the week ending April 4, 2013.

The Government offered for sale Treasury bills worth Ksh 11.0 billion, during the week ending April 5, 2013. A total of Ksh 19.2 billion was accepted out of Ksh 26.2 billion bids received.

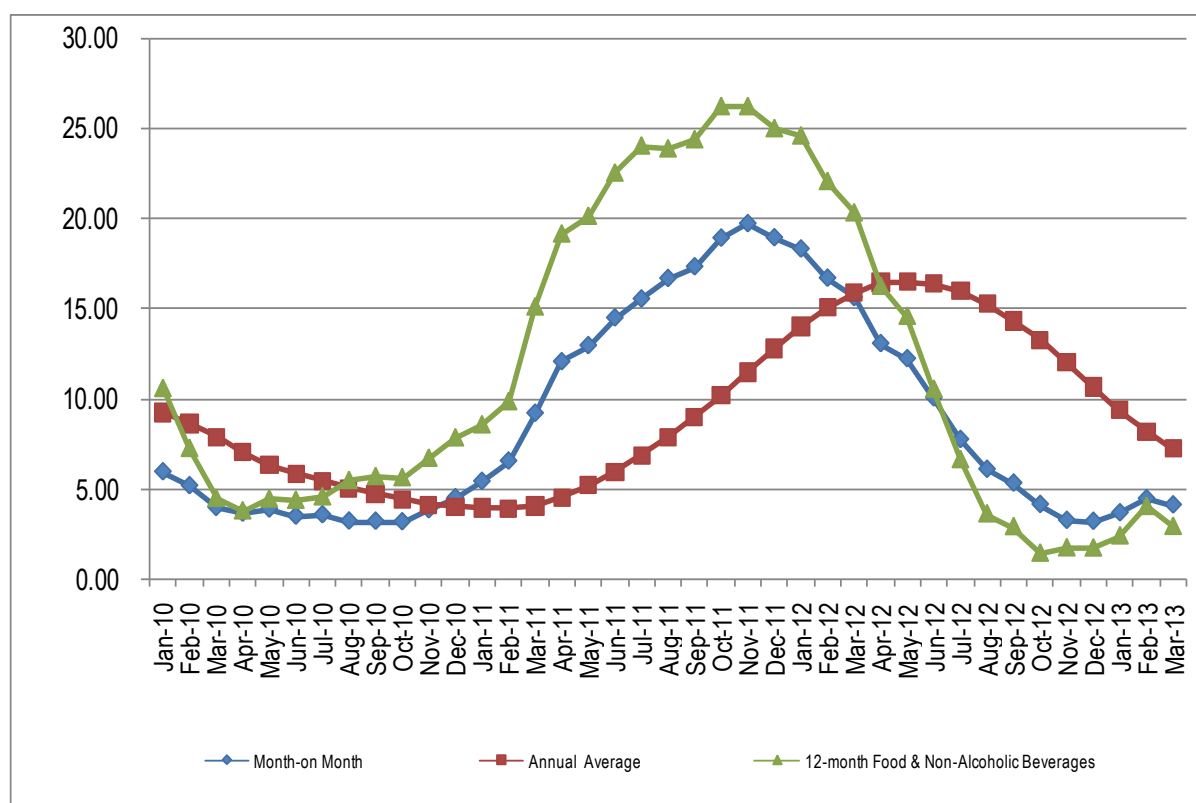
Gross Government domestic debt increased by Ksh 122.8 billion from Ksh 858.8 billion at the end of June 2012 to Ksh 981.7 billion on March 28, 2013. During the week under review, gross government domestic debt increased by Ksh 28.1 billion, on account of net sales of Treasury bills and Treasury bonds.

The capital market recorded significant improvement with strong gains in both the equities and bonds segments. All equities indices gained as well as market capitalization. Bonds turnover recorded a 47.6 percent rise compared to the previous week.

Inflation

The pick-up in inflation recorded in January and February 2013 reversed in March 2013 with overall 12-month inflation down by 34 basis points from 4.5 percent in February 2013 to 4.1 percent (Chart A). The decline in the overall inflation in March 2013 was reflected largely in the ‘Food & Non-Alcoholic Beverages’ ‘Health’, and ‘Miscellaneous Goods & Services’, inflation rates which stood at 2.9 percent, 3.4 percent, and 4.5 percent respectively, in March 2013, compared with 4.0 percent, 4.0 percent, and 5.0 percent respectively, in February 2013.

CHART A: MONTH-ON-MONTH ANNUAL AVERAGE AND 12-MONTH FOOD & NON-ALCOHOLIC BEVERAGES INFLATION RATES



Source: Kenya National Bureau of Statistics

Monetary Policy Operations

The money market was relatively liquid during the week ending April 3, 2013. The Central Bank’s liquidity management operations mopped Ksh 35.3 billion through sales of repo securities against Ksh 30.4 billion that matured during the week under review. This translated to Ksh 4.9 billion net liquidity mop up. Reserve money averaged Ksh 281.1 billion during the week and was Ksh 0.6 billion above targets (Table 1).

TABLE 1: OPEN MARKET OPERATIONS (KSH BILLION)

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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(-)	
	(1)	(2)	3=(1-2)	(4)	Repo	Term Auction Deposit	7=(5+6-4)	(8)	9=(8-2)	(10)	(11)
28-Mar-13	305.4	280.5	24.9	17.0	7.6	9.4	0.0	287.5	7.0	11.1	-4.2
02-Apr-13	288.2	280.5	7.7	13.0	9.4	0.0	-3.6	278.3	-2.2	1.7	-3.8
03-Apr-13	286.6	280.5	6.2	11.0	9.0	0.0	-2.1	277.5	-3.0	-0.1	-2.8
Average	293.4	280.5	12.9	13.7	8.6	3.1	-1.9	281.1	0.6	4.2	-3.6

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate remained unchanged at 8.41 percent during the week ending April 3, 2013. The average interbank volumes transacted increased from Ksh 8.62 billion recorded on March 27, 2013 to Ksh 10.1 billion transacted on April 3, 2013, on an average 49 deals compared with 41 deals in the previous week (Table 2 and Chart B).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

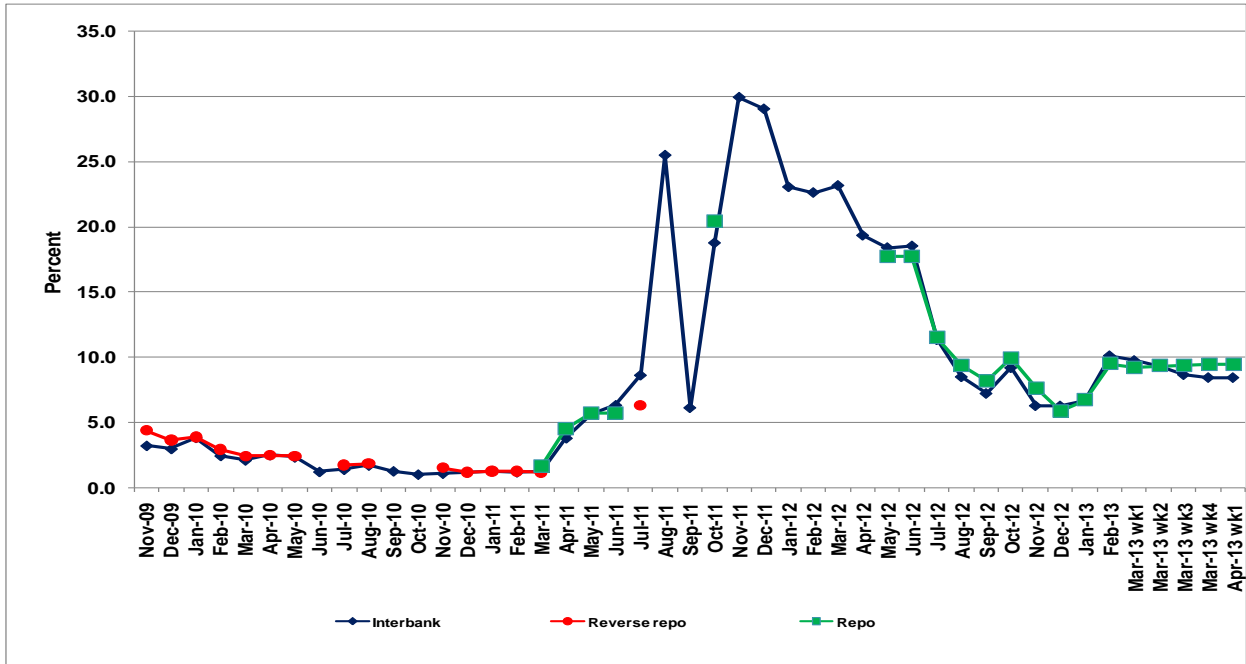
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
21-Mar-13	29	7,159	8.48
22-Mar-13	36	7,020	8.42
25-Mar-13	55	12,815	8.36
26-Mar-13	47	9,135	8.39
27-Mar-13	40	6,980	8.40
March 21 - March 27, 2013	41	8,622	8.41
28-Mar-13	60	14,613	8.40
02-Apr-13	51	9,935	8.41
03-Apr-13	37	5,853	8.40
March 28 - April 3, 2013	49	10,133	8.41

Source: Central Bank of Kenya

The average repo rate remained largely unchanged at 9.46 percent during the week ending April 3, 2013 compared with 9.44 percent recorded in the previous week.

CHART B: STRUCTURE OF INTEREST RATES

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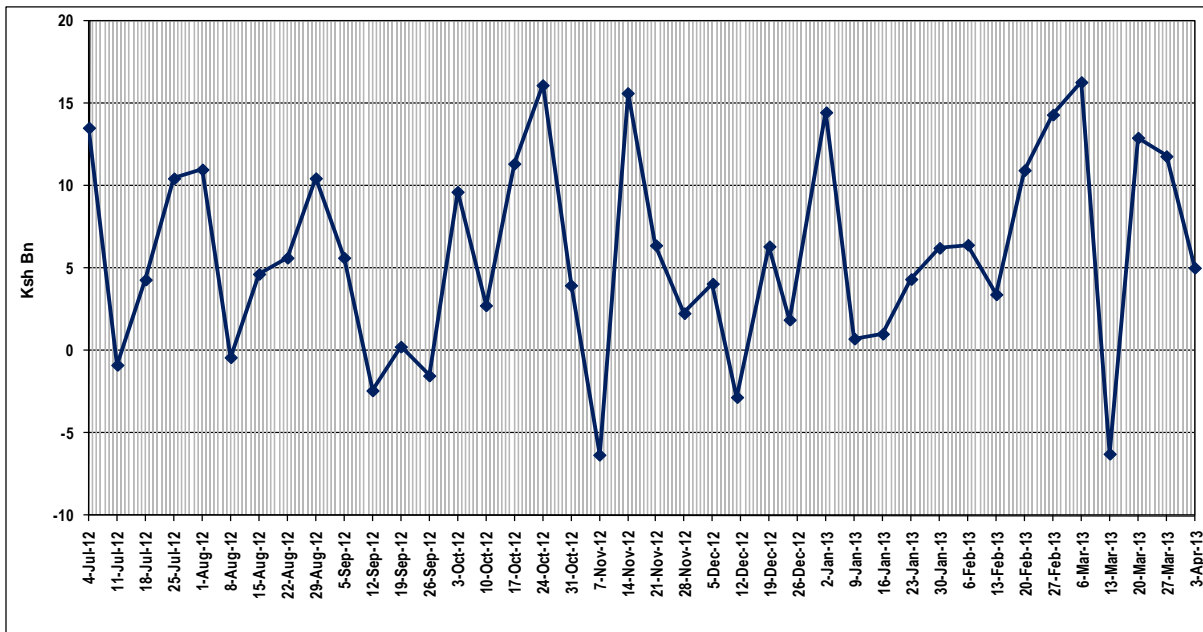


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 5.02 billion in the week to April 3, 2013 in their settlement accounts in relation to the monthly average cash reserve requirements of 5.25 percent (Ksh 89.4 billion) This was 57.4 percent lower than Ksh 11.80 billion in the previous week (Chart C).

CHART C: WEEKLY AVERAGE DEVIATION FROM CRR IN THE CLEARING ACCOUNT



Source: Central Bank of Kenya
The Shilling Exchange Rate

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The Kenya Shilling strengthened against most major international currencies in the week ending April 4, 2013. The strengthening of the Shilling generally reflected the improvement in investors' confidence following the peaceful resolution of the election petition by the Supreme Court.

During the week, the Kenya Shilling appreciated by 0.97 percent, 1.19 percent and 1.30 percent against the US Dollar, Sterling Pound and Euro, respectively and depreciated by 0.09 percent against the Japanese Yen to trade at an average of Ksh 84.94 per USD, Ksh 128.64 per Sterling Pound, Ksh 109.09 per Euro and Ksh 90.74 per 100 Japanese Yen.

In the EAC region, the Kenya Shilling strengthened against all the East African currencies to trade at average of Ush 30.54, Tsh 19.08, RWF 7.46 and BIF 18.55 compared to Ush 30.50, Tsh 18.86, RWF 7.39 and BIF 18.37 in the week ending March 28, 2013 (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATES

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
22-Mar-13	85.76	130.15	110.73	90.40	30.79	18.92	7.39	18.38
25-Mar-13	85.83	130.81	111.59	90.38	30.68	18.88	7.39	18.36
26-Mar-13	85.85	130.36	110.52	91.04	30.40	18.81	7.39	18.36
27-Mar-13	85.81	130.03	110.22	90.52	30.34	18.84	7.39	18.37
28-Mar-13	85.64	129.61	109.55	90.96	30.30	18.86	7.40	18.40
22-28 March 2013	85.78	130.19	110.52	90.66	30.50	18.86	7.39	18.37
2-Apr-13	84.98	129.51	109.43	91.69	30.51	19.06	7.46	18.55
3-Apr-13	84.99	128.37	108.99	90.93	30.53	19.08	7.46	18.54
4-Apr-13	84.86	128.04	108.85	89.60	30.58	19.10	7.47	18.57
2-4 April 2013	84.94	128.64	109.09	90.74	30.54	19.08	7.46	18.55

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US Dollar 5,052 million as at March 28, 2013 to US Dollar 5,159 million in the week ending April 4, 2013 (Table 4).

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

	07-Feb-13	14-Feb-13	21-Feb-13	28-Feb-13	07-Mar-13	14-Mar-13	21-Mar-13	28-Mar-13	04-Apr-13
Usable Reserves*	4,975	4,960	4,974	4,940	4,953	4,992	5,033	5,052	5,159
Months of Imports Cover**	3.79	3.78	3.79	3.76	3.75	3.78	3.81	3.78	3.86

*Excludes encumbered reserves

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

Source: Central Bank of Kenya

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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 5, 2013. Total bids received amounted to Ksh 26.2 billion, of which Ksh 2.2 billion was in the 91 day paper, representing 74.7 percent performance, Ksh 2.1 billion was in the 182 day paper, representing 69.4 percent performance and Ksh 21.9 billion in the 364 day paper, equivalent to 437.8 percent performance rate. The Government accepted all the 91 day and 182 day bids and Ksh 14.9 billion of the 364 day Treasury bill bids, during the week. Total non-competitive bids received amounted to Ksh 1.7 billion.

Interest Rates on Government securities

Weighted average interest rates on the 91 day and 182 day Treasury bills increased by 7.4 and 8.9 basis points, respectively, to reach 10.541 percent and 10.892 percent, while that on the 364 day paper declined by 5.8 basis points to 12.618 percent, during the week's auctions (Table 5).

TABLE 5: GOVERNMENT SECURITIES INTEREST RATES

Auction date	29-Jun-12	27-Jul-12	22-Feb-13	08-Mar-13	15-Mar-13	22-Mar-13	28-Mar-13	05-Apr-13
91-day T. Bills*	10.780	13.226	8.928	9.747	10.097	10.318	10.467	10.541
182-day T. Bills*	11.091	13.379	8.571	9.697	10.182	10.602	10.803	10.892
364-day T. Bills*				12.542	12.595	12.674	12.676	12.618
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 122.8 billion from Ksh 858.8 billion at the end of June 2012 to Ksh 981.7 billion on March 28, 2013. This followed increases of Ksh 54.5 billion, Ksh 46.3 billion, 18.1 billion and Ksh 3.9 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)

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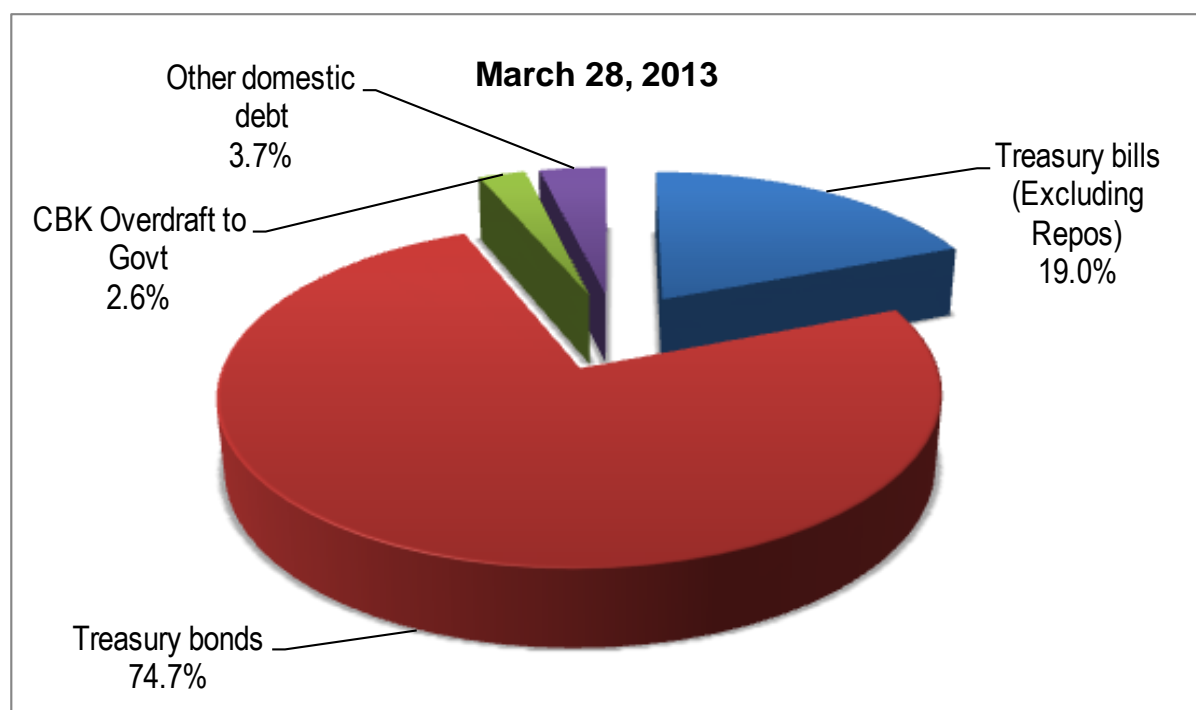
	Jun 2012	Sep 2012	Dec-12	22nd March 2013	28th March 2013	Changes	
						22nd Mar 2013- 28th Mar 2013	29th Jun 2012 - 28th March 2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	159.7 18.5	196.3 21.5	174.5 19.6	186.6 20.3	12.1	54.5
2. Treasury Bonds (As % of total securities)	687.0 83.9	703.9 81.5	716.1 78.5	717.2 80.4	733.2 79.7	16.1	46.3
3. Total Securities (1+2)	819.0	863.6	912.3	891.6	919.8	28.2	100.8
4. Overdraft at Central Bank	7.3	25.4	25.4	25.4	25.4	0.0	18.1
5. Other Domestic debt*	32.6	33.2	33.6	36.5	36.5	0.0	3.9
6. Gross Domestic Debt (3+4+5)	858.8	922.2	971.3	953.5	981.7	28.1	122.8
7. Interest payments on domestic debt	82.3	25.2	53.6	74.9	78.9	4.1	

* 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 March 28, 2013, gross government domestic debt increased by Ksh 28.1 billion, on account of Treasury bills and Treasury bonds (Table 6). The average time to maturity of Government securities declined to 5 years and 2 months during the week ending March 28, 2013, from 5 years and 4 months at the end of June 2012.

CHART D: COMPOSITION OF GOVERNMENT SECURITIES



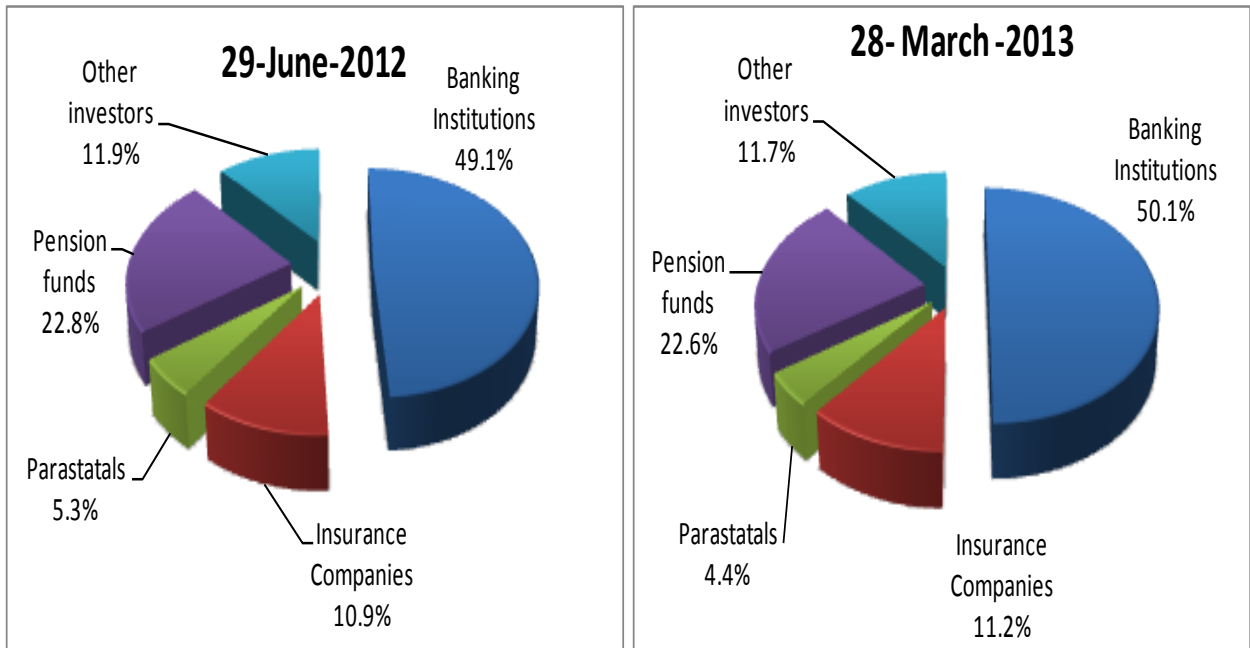
Source: Central Bank of Kenya

Holding of Government Securities

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Government securities accounted for 93.7 percent of gross domestic debt on March 28, 2013 (Chart D). Holdings by commercial banks and insurance companies increased from 49.1 percent and 10.9 percent in June 2012 to 50.1 percent and 11.2 percent, respectively, on March 28, 2013. Pension fund, Parastatal, and other investor holdings, which comprise 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 22.6 percent, 4.4 percent and 11.7 percent, respectively, during the period (Chart E).

CHART E: COMPOSITION OF GOVERNMENT SECURITIES BY INVESTORS



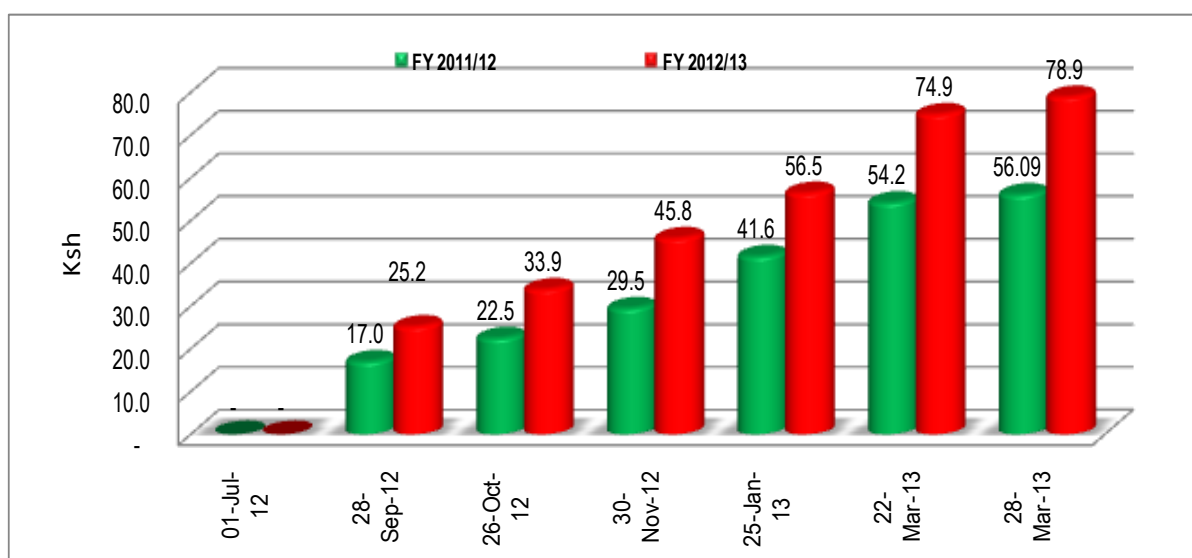
Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to March 28, 2013 in the 2012/13 fiscal year amounted to Ksh 78.93 billion compared with Ksh 56.09 billion during a similar period of the previous fiscal year (Chart F). The cost during the period was on account of interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 17.39 billion and Ksh 58.15 billion, respectively. In addition, interest on Government overdraft and the pre-1997 Government overdraft amounted to Ksh 2.21 billion and Ksh 1.18 billion, respectively.

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

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Source: Central Bank of Kenya

Capital Markets Report

Capital markets recorded improved performance during the week ending April 04, 2013, with market capitalization gaining 275 basis points, but equities turnover declined by 0.50 percentage points. Bonds turnover rose by 47.61 percent in the week.

Equities Market

NSE 20 Share Index closed the week at 4975.77 points or 3.0 percent above the previous week's level, while NASI closed 120.45 points or 2.7 percent higher than the previous week (Table 7). Market capitalization that measures shareholders' wealth closed 275 basis points higher at Ksh 1, 634.29 billion, but Equity turnover declined 50 basis points to end the week at Ksh 2, 437.22 billion.

TABLE 6: KEY WEEKLY MARKET STATISTICS

Week Ending	17-Jan-13	24-Jan-13	31-Jan-13	07-Feb-13	14-Feb-13	21-Feb-13	28-Feb-13	07-Mar-13	14-Mar-13
NASI 100= Jan 2008	105.82	102.45	103.50	106.23	108.50	105.39	106.91	110.30	115.93
NSE 20 Share Index 100=1966	4,545.70	4,385.00	4,416.60	4,561.16	4,637.54	4,505.59	4,518.59	4,585.07	4,831.85
Number of Deals	8,800	7,951	7,224	7,773	8,697	7,897	7,177	4,690	11,619
Total Shares Traded (millions)	125.96	154.43	118.42	267.81	157.50	180.66	86.22	120.86	197.84
Equity Turnover (Ksh. millions)	2,553.42	1,930.53	1,711.85	4,499.71	3,663.48	3,509.54	3,021.12	1,738.16	4,040.75
Market Capitalization (Ksh. Bn.)	1,418.88	1,373.72	1,387.81	1,425.90	1,456.29	1,414.53	1,451.03	1,496.61	1,572.89
Bonds Turnover (Ksh. millions)	5,678.55	2,361.85	4,071.95	5,189.00	3,433.00	4,027.70	7,245.10	4,195.15	4,091.55
FTSE NSE Kenya 15 Index	136.78	134.83	136.44	139.71	141.53	137.09	141.12	142.22	157.85
FTSE NSE Kenya 25 Index	139.99	138.08	139.73	143.12	144.93	140.05	144.27	145.18	161.10
Index(Jan2012=100)	91.73	91.25	91.37	91.77	91.96	91.78	93.09	91.53	92.44

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

Source: Nairobi Securities Exchange

Telecommunications & Technology, Banking and Insurance sectors were the top three most active, transacting 77.42 million or 49.4 percent; 24.89 million or 15.9

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percent and 22.55 million or 14.4 percent of all shares traded, respectively. Safaricom Ltd, Mumias Sugar Co. Ltd and CFC Insurance Ltd were the three most active counters with 75.52 million, 11.31 million and 9.61 million shares traded, respectively. Agriculture sector was the least active, trading only 197,100 shares.

The biggest closing and average price gains for the week under review was for Nation Media Group Ltd at Ksh.24.0 and KSh.34.75 per share, respectively on account of strong profits. The biggest closing and average price loss was for Bamburi Cement Ltd at Ksh.12.0 and KSh.4.5 per share, respectively. Of the 53 active counters, 48 had average price gain in the week compared to the 32 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 high at 157.10 points from 153.78 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, also rose to register 160.19 points from 157.07 points in the previous week.

The Bond Market

Bonds trading improved from the previous week's trading, rising by 47.61 percent in turnover. Turnover was Ksh 7, 081.85 million by close of April 4, 2013 from Ksh 4,797.75 million in the previous week. Corresponding deals were 115 up from 59.