



December 6, 2013

Highlights

Overall 12-month inflation eased from 7.76 per cent in October 2013 to 7.36 per cent in November 2013. Non-food non-fuel inflation increased by 6.9 basis points from 4.94 per cent in October 2013 to 5.01 per cent in November 2013.

The money market liquidity improved during the week ending December 4, 2013 supported by Government payments and redemption of Government securities. The Central Bank liquidity management resulted in a net withdrawal of KSh. 10.0 billion through repo securities.

The average interbank rate decreased to 8.62 percent during the week ending December 4, 2013 from 10.22 percent in the previous week.

The Kenya Shilling exchange rate depicted mixed performance against major international currencies in the week ending December 5, 2013. During the week, the Kenya Shilling weakened marginally to trade at an average of Ksh 86.71 per US\$ compared to Ksh 86.70 per US\$ in the week ending November 28, 2013.

The usable official foreign exchange reserves held by Central Bank increased from US\$ 5,898 million as at November 28, 2013 to US\$ 5,903 million as at December 5, 2013.

The Government offered for sale Treasury bills worth Ksh 9.0 billion, during the week ending December 6, 2013. A total of Ksh 9.4 billion was accepted out of Ksh 9.6 billion bids received.

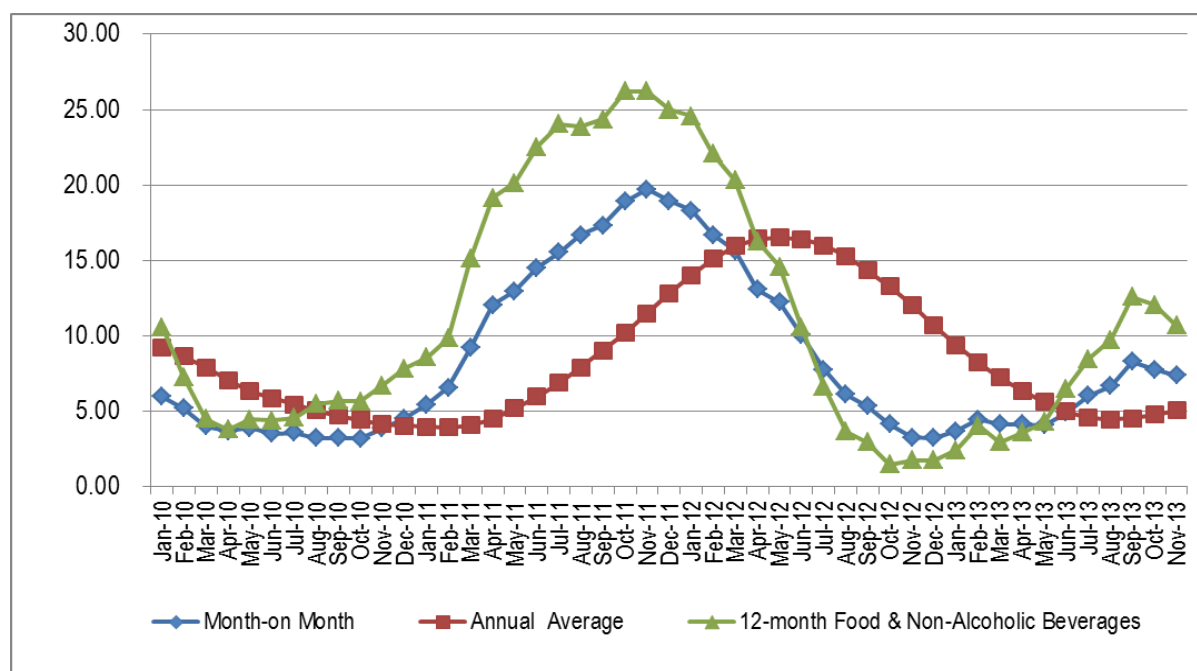
Gross Government domestic debt increased by Ksh 118.0 billion to reach Ksh 1,169.0 billion on November 29, 2013 from Ksh 1,051.0 billion held at the end of June 2013. During the week, gross government domestic debt dropped by Ksh 8.5 billion, largely on account of Treasury bonds.

The NSE performance eased in the week ending December 05, 2013. Except for the Bonds turnover, all other market indicators declined during the week compared to the week ending November 28, 2013.

Inflation

Overall 12-month inflation eased from 7.76 per cent in October 2013 to 7.36 per cent in November 2013 (Chart A). The decline in the overall inflation in November 2013 is attributed to reduced food inflation. Food inflation eased from 11.55 per cent in October 2013 to 10.33 per cent in November 2013. This reflects the 12-month change in the ‘food and non-alcoholic beverages’ index, which declined from 12.03 per cent in October 2013 to 10.66 per cent in November 2013. Fuel inflation however increased from 4.75 per cent in October 2013 to 5.06 per cent in November 2013 following an increase in the retail prices of electricity and cooking gas.

Chart A: Month-on-month Annual Average and 12-Month food & non-alcoholic beverages Inflation Rates



Source: Central Bank of Kenya

Monetary Policy Operations

The money market liquidity increased during the week ending December 4, 2013 on account of Government payments and redemption of Government securities. The Central Bank open liquidity management resulted in a net withdrawal of KSh. 10.0 billion through repo securities. Reserve money averaged KSh. 315.9 billion during the week and was KSh. 17.3 billion above target (Table 1).

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Table 1: Open Market Operations (Ksh Billion)

Date	Reserve Money* (Projected)			OMO				Reverse 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)		Repo	Term Auction Deposit						
28-Nov-13	306.9	297.5	9.4	0.0	0.0	0.0	0.0	0.0	306.9	9.4	13.0	-3.6
29-Nov-13	307.0	297.5	9.5	0.0	0.0	0.0	0.0	0.0	316.7	19.2	22.1	-3.0
2-Dec-13	322.8	299.2	23.6	0.0	0.0	0.0	0.0	0.0	323.5	24.3	28.1	-3.7
3-Dec-13	322.7	299.2	23.5	0.0	0.0	0.0	0.0	0.0	319.4	20.2	21.8	-1.7
4-Dec-13	319.2	299.2	20.0	10.0	10.0	0.0	0.0	0.0	312.9	13.7	14.6	-0.9
Average	315.7	298.5	17.2	2.0	2.0	0.0	0.0	0.0	315.9	17.3	19.9	-2.6
Sum				10.0	10.0	0.0	0.0	0.0				

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased by 160 basis points to 8.62 percent during the week ending December 4, 2013 from 10.22 percent in the previous week. The average interbank volume transacted increased to KSh. 18.18 billion in the week ending December 4, 2013 from KSh. 16.33 billion the previous week, while the average number of deals increased to 69 from 68 (Table 2 and Chart B).

Table 2: Interbank Deals, Volumes and Interest Rates

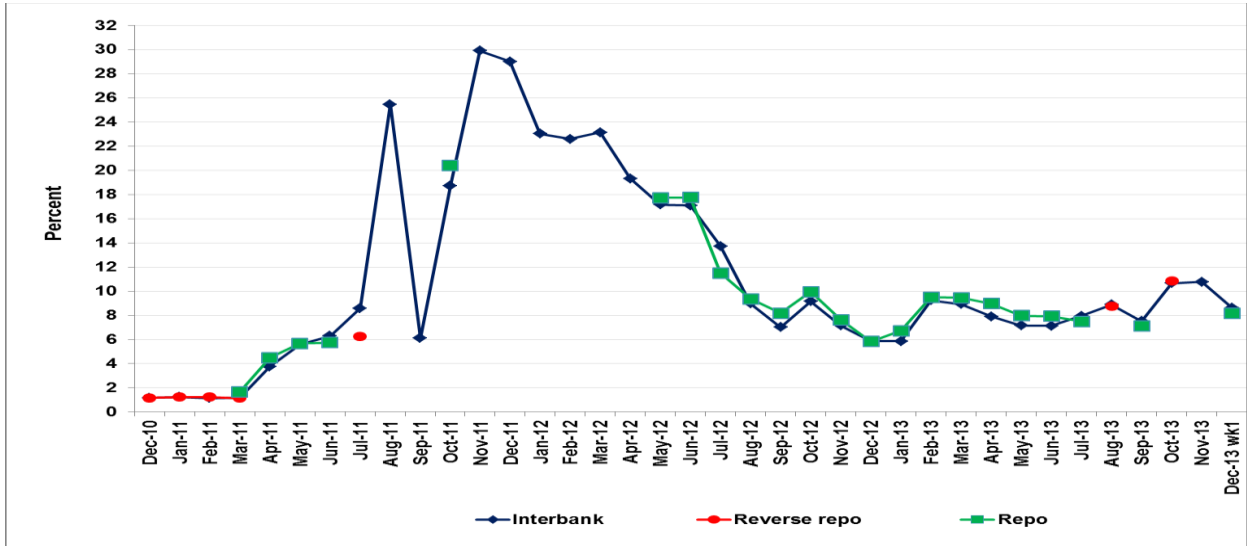
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
21-Nov-13	81	20,245	10.04
22-Nov-13	80	16,426	10.57
25-Nov-13	35	7,865	10.42
26-Nov-13	74	17,148	10.15
27-Nov-13	72	19,977	9.94
November 21 -November 27, 2013	68	16,332	10.22
28-Nov-13	80	19,795	9.58
29-Nov-13	76	19,201	9.30
2-Dec-13	60	15,084	8.72
3-Dec-13	66	18,061	8.00
4-Dec-13	63	18,770	7.52
November 28 -December 4, 2013	69	18,182	8.62

Source: Central Bank of Kenya

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During the week ending December 4, 2013, the Central Bank mopped KSh. 10.0 billion from the interbank market at an average rate of 8.18 percent.

Chart B: The Structure of Interest Rates

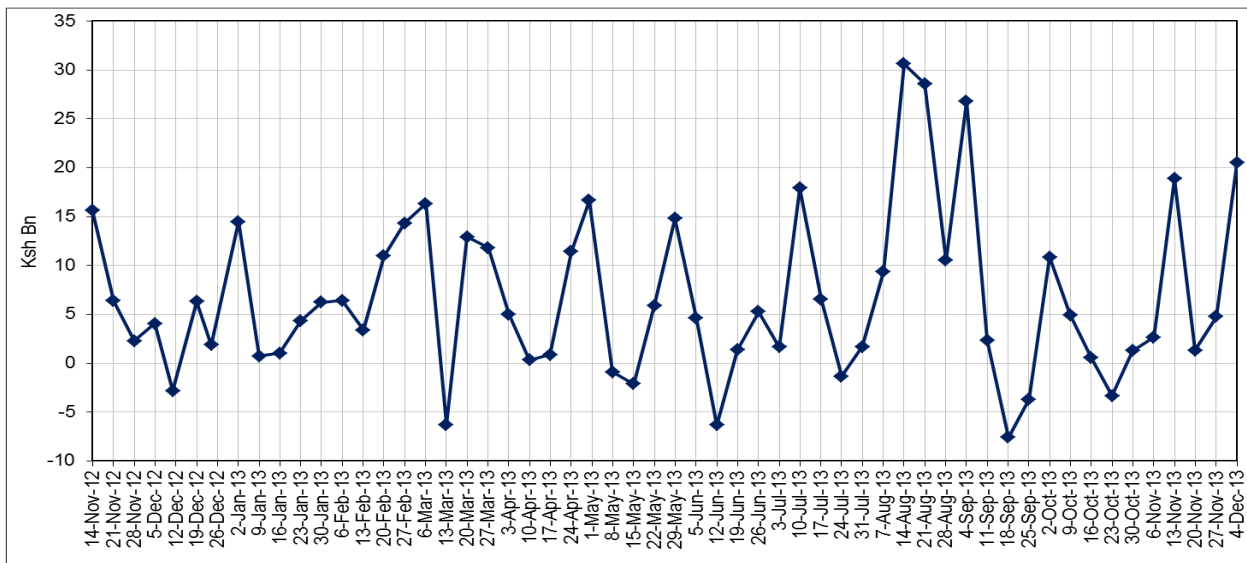


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of KSh. 20.5 billion in their settlement accounts in relation to the monthly average cash reserve requirement of 5.25 percent (KSh 96.5 billion) at the Central Bank in the week to December 4, 2013 compared with KSh. 4.8 billion recorded in the previous week (Chart C).

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



Source: Central Bank of Kenya

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The Shilling Exchange Rate

The Kenya Shilling exchange rate depicted mixed performance against major international currencies in the week ending December 5, 2013. During the week, the Kenya Shilling weakened by 0.01 percent, 1.00 percent and 1.38 percent against the US\$, the Sterling Pound and the Euro respectively to exchange at an average of Ksh 86.71 per US\$, Ksh 142.04 per Sterling Pound and 117.87 per Euro. This compares to Ksh 86.70 per US\$, Ksh 140.63 per Sterling Pound and 117.43 per Euro in the week ending November 28, 2013. During the same period, the shilling strengthened marginally against the Japanese Yen to exchange at an average of Ksh 84.64 per 100 Japanese Yen compared to Ksh 85.51 per 100 Japanese Yen in the week ending November 28, 2013.

In the EAC region, the Kenya Shilling weakened against the Uganda Shilling and the Tanzania Shilling but strengthened against the Burundi Franc to trade at an average of USh 29.13, TSh 18.56 and BIF 17.91 in the week ending December 28, 2013 compared to USh 29.23, TSh 18.59 and BIF 17.89 in the week ending November 28, 2013. Against the Rwanda Franc, the Shilling traded at RWF 7.74, which was the same level as the previous period.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
22-Nov-13	86.30	139.75	116.26	85.65	29.32	18.64	7.78	17.97
25-Nov-13	86.68	140.54	117.22	85.64	29.30	18.62	7.74	17.89
26-Nov-13	86.65	140.06	117.31	85.35	29.35	18.60	7.74	17.90
27-Nov-13	86.89	140.87	118.12	85.64	29.14	18.54	7.72	17.85
28-Nov-13	86.99	141.93	118.22	85.28	29.03	18.53	7.71	17.83
22-28 Nov- 13	86.70	140.63	117.43	85.51	29.23	18.59	7.74	17.89
29-Nov-13	86.99	142.31	118.47	85.28	29.08	18.52	7.71	17.83
2-Dec-13	86.65	141.95	117.81	84.51	29.13	18.59	7.74	17.93
3-Dec-13	86.72	141.99	117.52	84.08	29.12	18.57	7.74	17.94
4-Dec-13	86.71	142.11	117.77	84.58	29.12	18.56	7.74	17.94
5-Dec-13	86.49	141.81	117.76	84.75	29.20	18.58	7.76	17.90
29-5 Dec- 13	86.71	142.04	117.87	84.64	29.13	18.56	7.74	17.91

Source Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US\$ 5,903 million (or 4.17 months of import cover) as at November 28, 2013 to US\$ 5,898 million (or 4.17 months of import cover) as at December 5, 2013.

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Table 4: Official Foreign Exchange Reserves

	5-Sep-13	12-Sep-13	19-Sep-13	26-Sep-13	3-Oct-13	31-Oct-13	7-Nov-13	14-Nov-13	21-Nov-13	28-Nov-13	5-Dec-13
Usable Reserves*	5,748	5,881	5,883	5,903	5,931	5,869	5,822	5,859	5,879	5,898	5,903
Months of Imports Cover**	4.11	4.16	4.17	4.18	4.16	4.11	4.08	4.11	4.12	4.17	4.17

*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 each of the 91 day, 182 day and 364 day Treasury bills during the week ending December 6, 2013. Total bids received amounted to Ksh 9.6 billion, of which Ksh 4.7 billion, Ksh 1.7 billion and Ksh 3.2 billion was in 91 day, 182 day and 364 day papers, representing performance rates of 157.81percent, 50.34 percent and 106.02 percent, respectively. The Government accepted Ksh. 4.7 billion, Ksh 1.5 billion and Ksh 3.2 billion in the 91 day, 182 day and 364 day Treasury bills, during the week. Total non-competitive bids received amounted to Ksh 1.1 billion.

Interest Rates on Government securities

Weighted average interest rates on the 91 day, 182 day and 364 day Treasury bills decreased by 12.9 basis points, 10.1 basis points and 7.4 basis points, respectively, to reach 9.631 percent, 10.372 percent and 10.761 percent, during the week's auction.

Table 5: Government Securities Interest rates

	4-Oct-13	18-Oct-13	25-Oct-13	1-Nov-13	8-Nov-13	15-Nov-13	22-Nov-13	29-Nov-13	6-Dec-13
91-day T. Bills*	9.360	9.792	9.943	9.984	9.999	9.979	9.816	9.760	9.631
182-day T. Bills*	9.986	10.453	10.487	10.502	10.559	10.603	10.515	10.473	10.372
364-day T. Bills*	10.574	10.792	10.830	10.953	10.994	10.988	10.939	10.835	10.761

*Weighted rates for accepted bids

Source Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 118.0 billion to reach Ksh 1,169 billion on November 29, 2013, from Ksh 1,051.0 billion held at the end of June 2013. This followed increase of Ksh 42.3 billion, Ksh 49.2 billion and Ksh 27.2 billion, respectively in the stocks of Treasury bills, Treasury bonds and Government overdraft at the Central Bank. Other domestic debt declined by Ksh 0.6 billion during the period.

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Table 6: Government Domestic Debt (Ksh Billion)

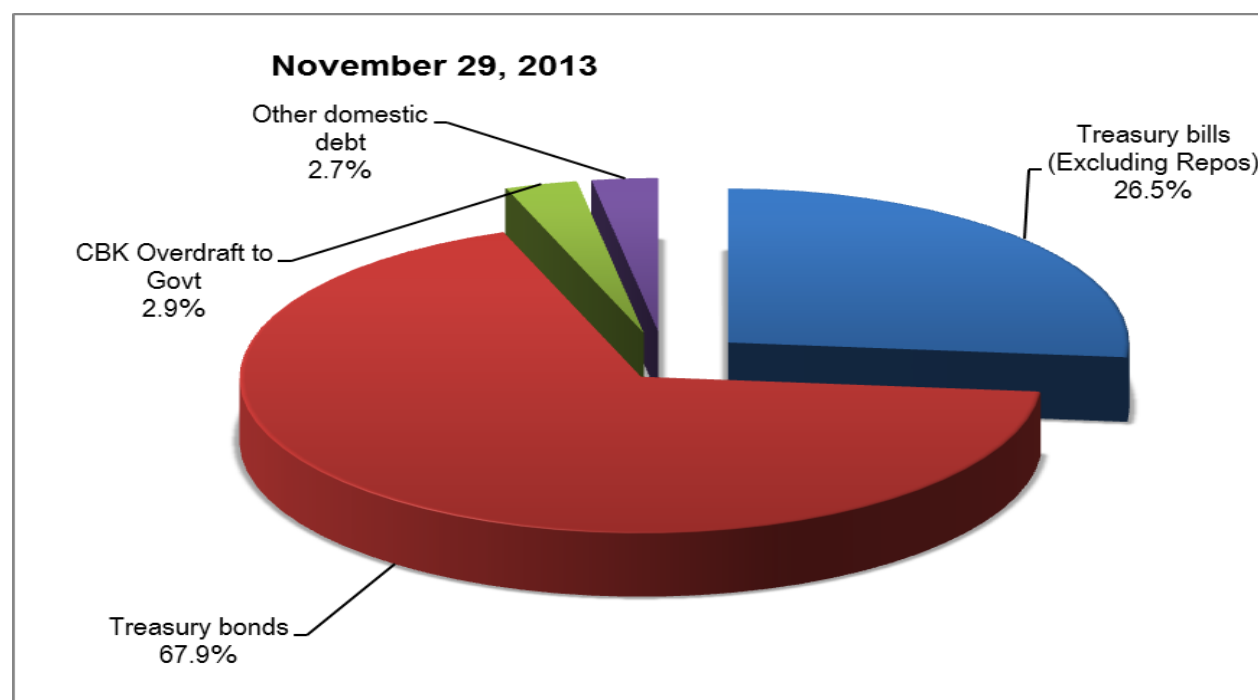
	Jun 2013	Aug 2013	18th Oct 2013	25th Oct 2013	1st Nov 2013	15th Nov 2013	22nd Nov 2013	29nd Nov 2013	Changes	
									22nd Nov 2013 to 29th Nov 2013	28th Jun 2013 - 29th Nov 2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	267.8 26.5	278.0 26.4	305.2 27.7	309.7 28.3	312.0 28.0	311.3 28.0	309.5 27.9	310.1 28.1	0.6 0.3	42.3 1.6
2. Treasury Bonds (As % of total securities)	744.2 73.5	774.4 73.6	794.8 72.3	784.8 71.7	801.5 72.0	801.8 72.0	801.8 72.1	793.3 71.9	-8.5 -0.3	49.2 -1.6
3. Total Securities (1+2)	1011.9	1052.4	1100.1	1094.5	1113.5	1113.2	1111.3	1103.4	-7.9	91.5
4. Overdraft at Central Bank	7.0	34.2	10.8	23.5	28.0	28.0	30.9	34.2	3.2	27.2
5. Other Domestic debt*	32.0	31.6	31.5	31.6	31.6	34.9	35.2	31.4	-3.8	-0.6
6. Gross Domestic Debt (3+4+5)	1051.0	1118.2	1142.3	1149.6	1173.0	1176.0	1177.5	1169.0	-8.5	118.0
7. Interest payments on domestic debt	110.2	14.2	26.0	29.2	34.1	34.7	37.2	49.5	12.3	

* 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 under review, gross government domestic debt decreased by Ksh 8.5 billion, largely on account of Treasury bonds which decreased by a similar amount (Table 6). Treasury bills increased by Ksh 0.6 billion, while overdraft at the Central Bank increased by Ksh 3.2 billion. The average time to maturity of Government securities stood at 4 years and 10 months on November 29, 2013, compared with 5 years and 2 months at the end of June 2013.

Chart D: Composition of Government Securities

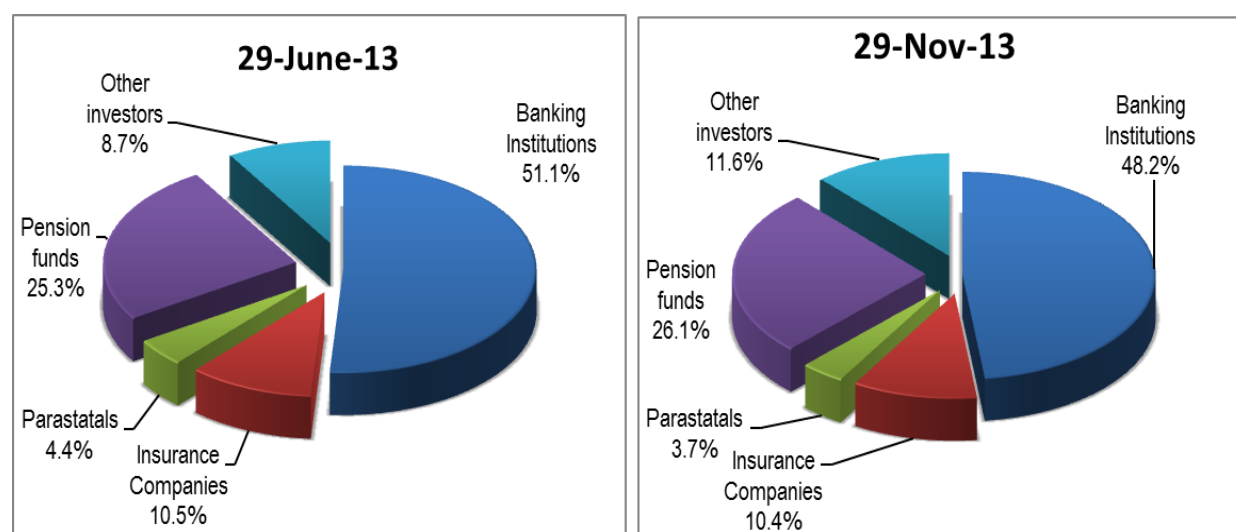


Source: Central Bank of Kenya

Holding of Government Securities

Government securities accounted for 94.4 percent of gross domestic debt on November 29, 2013 (Chart D). Government securities held by commercial banks and parastatals declined from 51.1 percent and 4.4 percent in June, 2013 to 48.2 percent and 3.7 percent, respectively, on November 29, 2013. Those held by pension funds, insurance companies and other investors increased to reach 26.1 percent, 10.4 percent and 11.6 percent of total securities, but insurance companies declined to 10.4 percent during the week under review (Chart E).

Chart E: Composition of Government Securities by Investors

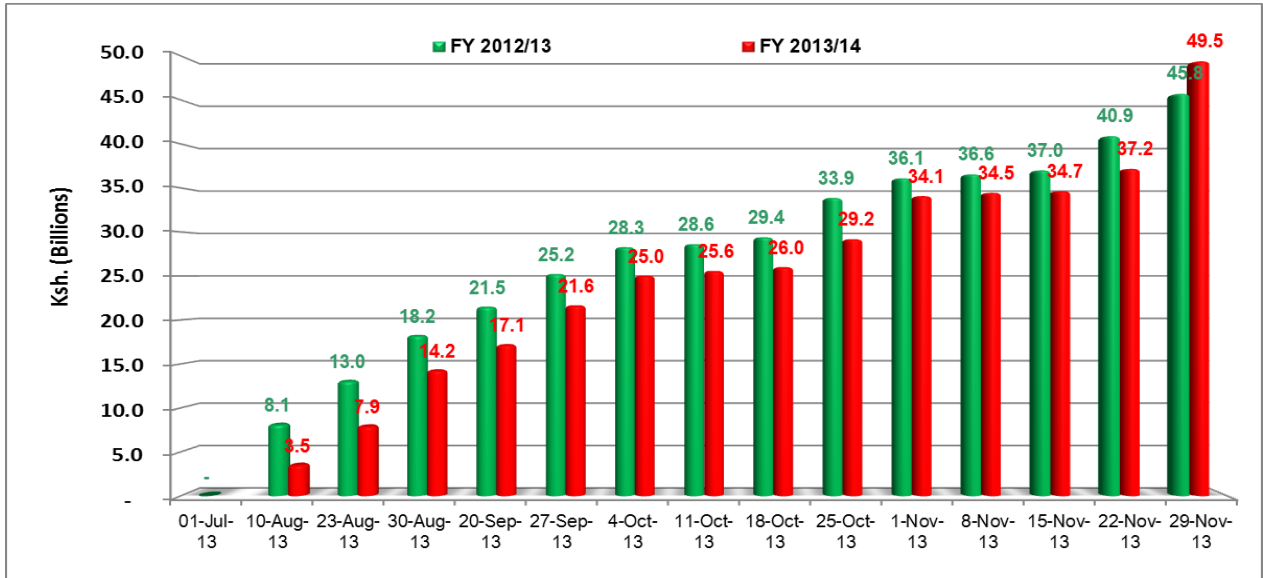


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt during the week ending November 29, 2013 amounted to Ksh 49.5 billion compared with Ksh 45.8 billion during a similar period of the Fiscal Year 2012/13 (Chart F). The cost during the period was on account of interest and other charges on Treasury bills, Treasury bonds, Government overdraft at the Central Bank and the pre-1997 Government overdraft amounting to Ksh 9.0 billion, Ksh 39.4 billion, Ksh 0.4 billion and Ksh 0.7 billion, respectively.

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



Source: Central Bank of Kenya

The Stock Market

Capital markets performance was down during the week ending December 5, 2013. The NSE 20 Share Index lost 131.76 points, while NASI was down 4.67 points. Market Capitalization declined by Ksh 65.26 billion. The Bonds market segment however, improved in turnover.

Equities Market

NSE 20 Share Index closed the week at 5005.45 points down from last week’s 5137.21 points while NASI was down to 137.91 points from 142.58 points (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	24-Oct-13	31-Oct-13	7-Nov-13	14-Nov-13	21-Nov-13	28-Nov-13	5-Dec-13
NASI 100= Jan 2008	131.56	133.24	135.29	135.11	138.14	142.58	137.91
NSE 20 Share Index 100=1966	4,949.65	4,992.88	5,017.78	5,030.76	5,053.91	5,137.21	5,005.45
Number of Deals	7,737.00	7,881.00	9,638.00	9,995.00	9,785.00	11,771.00	10,674.00
Total Shares Traded (millions)	175.07	111.19	177.39	124.48	116.86	212.08	124.97
Equity Turnover (Ksh. millions)	4,199.81	2,984.06	3,398.10	2,618.31	2,650.45	4,120.86	3,101.43
Market Capitalization (Ksh. Bn.)	1,850.11	1,873.66	1,902.58	1,899.96	1,942.58	1,994.73	1,929.47
Bonds Turnover (Ksh. millions)	4,049.60	15,096.00	9,776.00	6,077.83	5,746.98	5,176.77	5,764.90
FTSE NSE Kenya 15 Index	172.84	174.65	175.32	175.02	178.79	181.66	175.66
FTSE NSE Kenya 25 Index	174.59	176.15	177.02	176.84	180.3	183.50	177.67
FTSE NSE Bond Index	91.56	91.11	91.25	91.18	91.13	91.09	90.88

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

Source: Nairobi Securities Exchange

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Market capitalization that measures shareholders' wealth declined to Ksh 1,929.47 billion from Ksh 1,994.73 billion. Equity turnover declined by 24.74 percent to close the week ending December 05, 2013 at Ksh 3,101.43 million from a high of Ksh 4,120.86 recorded in the week of November 28, 2013. Constrained supply saw the number of shares traded fall to 125 million from 212 million in the period under review.

The biggest closing and average price gains for the week were for Carbacid Investments and East African Portland Cement at Ksh 4 and Ksh 13.10 per share, respectively. The biggest closing and average price losses were for StanChart Bank at Ksh 18 and Ksh 7.00 per share, respectively. Of the 54 active counters, 27 had average price gain in the week compared to 35 of the last week, reflecting overall decline.

FTSE NSE Kenya Index Series and Most Active Stocks

FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, retreated to 175.66 points from a high of 181.66 points of the previous week. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, declined to 177.67 points from 183.50 points. FTSE NSE Bond Index declined to 90.88 points from 91.09 points.

Telecoms & Technology, Banking and Insurance were the top three most active sectors, transacting 51.26 million or 41.02 per cent, 35.81 million or 28.66 per cent and 9.54 million or 7.63 per cent, respectively. Safaricom, KCB and Equity Bank were the three most active counters with 51.26 million, 14.23 million and 8.49 million shares traded, respectively. The least active sector was Automobile and Accessories sector with 186,900 shares traded.

The Bond Market

Bonds trading rose by 11.36 per cent with turnover rising to Ksh 5,764.90 million from Ksh 5,176.77 million of the previous week. Corresponding deals were 102 up from 84.