



MARCH 15, 2013

Highlights

The Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at 9.50 percent on March 13, 2013.

The money market was liquid during the week ending March 13, 2013. The Central Bank's liquidity management operations resulted in a withdrawal of Ksh 25.3 billion from the inter bank market.

The average interbank rate decreased marginally to 9.27 percent during the week ending March 13, 2013 from 9.72 percent recorded in the previous week reflecting stable liquidity in the money market.

The Kenya Shilling exchange rate remained relatively stable against major international currencies in the week ending March 14, 2013. Against the US Dollar the Kenya Shilling strengthened to trade at an average of KSh 85.65 per US Dollar compared to KSh 86.23 per US Dollar in the week ending March 7, 2013.

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 4,953 million as at March 7, 2013 to US Dollar 4,992 million in the week ending March 14, 2013.

The Government offered for sale Treasury bills worth Ksh 14.0 billion, during the week ending March 15, 2013. A total of Ksh 12.7 billion was accepted out of Ksh 22.8 billion bids received.

Gross Government domestic debt increased by Ksh 83.9 billion from Ksh 858.8 billion at the end of June 2012 to Ksh 942.8 billion on March 8, 2013, During the week under review, gross Government domestic debt increased by Ksh 2.3 billion, on account of Treasury bills.

The capital market recorded strong performance in the equities and bond market segments. All equities market indices had significant gains, with market capitalization rising as the equity turnover more than doubled on account of high share prices. Secondary trading in the bond market however, recorded a decline in total turnover.

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Monetary Policy Operations

The money market was liquid during the week ending March 13, 2013. The Central Bank's open market operations withdrew Ksh 29.3 billion through sales of repo securities and Ksh 31.5 billion in term auction deposits against maturities of repo securities and term auction deposits held by commercial banks of Ksh 25.4 billion and Ksh 10.1 billion, respectively. Reserve money averaged Ksh 275.3 billion during the week and was Ksh 12.5 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)
7-Mar-13	304.8	288.1	16.7	10.0	6.5	11.5	8.0	285.5	-2.5	2.1	-4.7
8-Mar-13	289.8	288.1	1.7	8.0	4.6	12.5	9.1	274.2	-13.9	-9.2	-4.7
11-Mar-13	271.3	287.6	-16.2	2.0	0.0	2.9	0.9	269.1	-18.4	-14.1	-4.3
12-Mar-13	273.4	287.6	-14.2	2.0	4.5	0.0	2.5	268.9	-18.6	-13.3	-5.3
13-Mar-13	296.7	287.6	9.2	16.0	13.7	4.6	2.3	278.6	-9.0	-2.6	-6.4
Average	287.2	287.8	-0.5	7.6	5.9	6.3	4.6	275.3	-12.5	-7.4	-5.1

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased marginally to 9.27 percent during the week ending March 13, 2013 from 9.72 percent recorded in the previous week reflecting stable liquidity in the money market. The average interbank volumes transacted remained largely unchanged at Ksh 5.3 billion on March 13, 2013 compared with Ksh 5.2 billion transacted on March 6, 2013, while the average number of deals was 35 compared with 37 deals in the previous week (Table 2 and Chart A)

Table 2: Interbank Deals, Volumes and Interest Rates

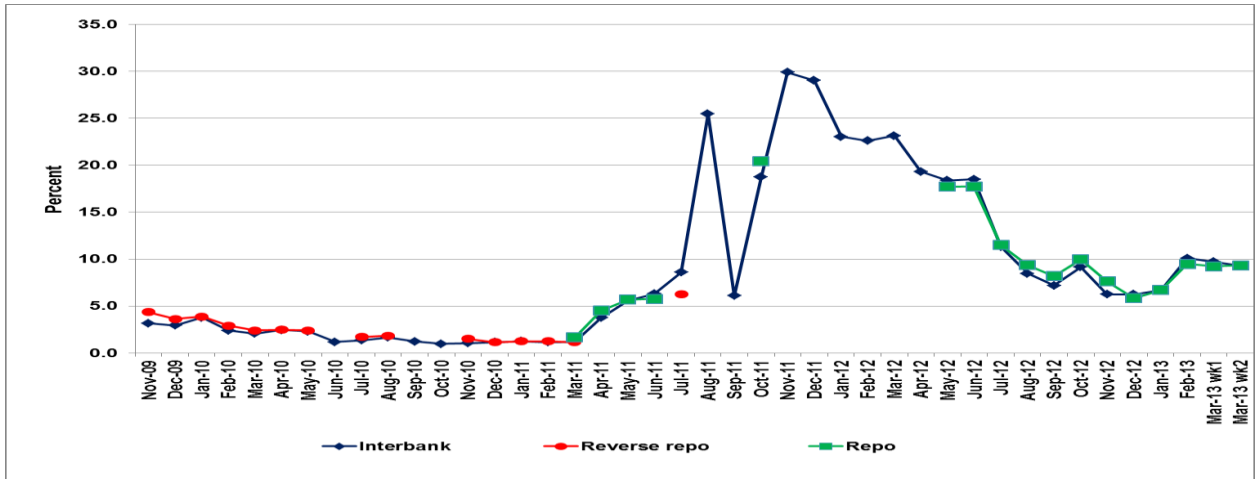
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
28-Feb-13	40	6,550	9.93
1-Mar-13	48	7,458	9.68
5-Mar-13	27	3,379	9.61
6-Mar-13	33	3,478	9.64
February 28 -March 6, 2013	37	5,216	9.72
7-Mar-13	28	3,282	9.62
8-Mar-13	43	6,035	9.40
11-Mar-13	34	7,770	9.34
12-Mar-13	35	5,269	9.09
13-Mar-13	33	3,975	8.92
March 7 -March 13, 2013	35	5,266	9.27

Source: Central Bank of Kenya

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The average repo rate increased to 9.34 percent during the week ending March 13, 2013 from 9.21 percent recorded in the previous week.

Chart A: The Structure of Interest Rates

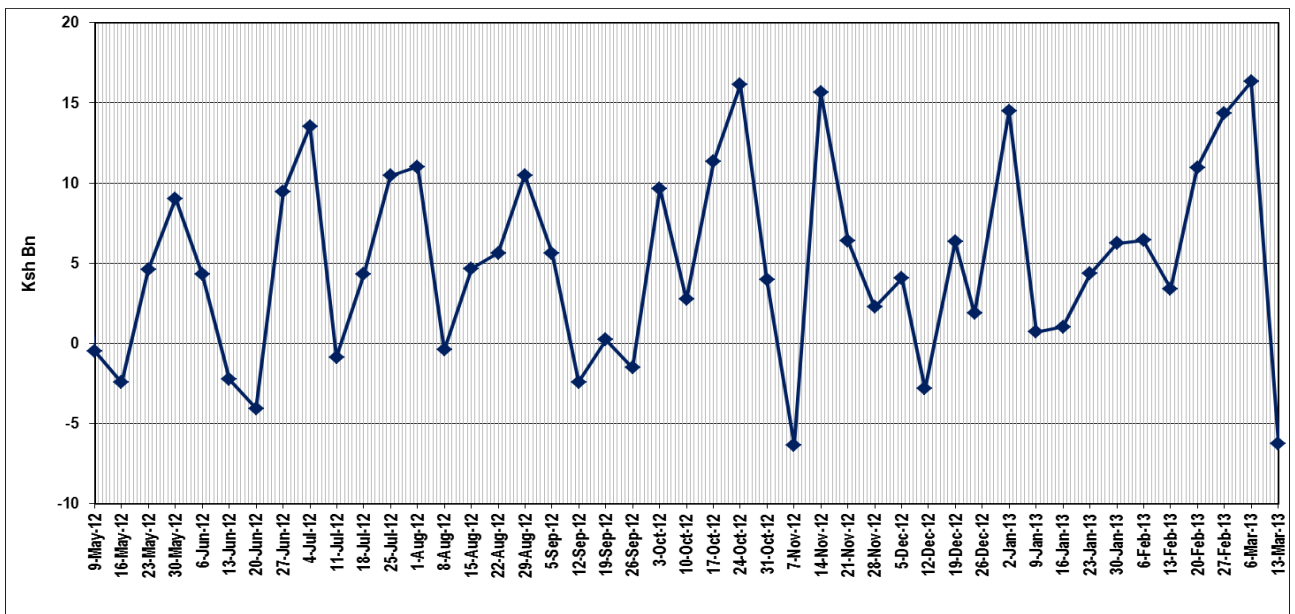


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a deficit of Ksh 6.28 billion in their settlement accounts at the Central Bank in relation to the monthly average cash reserve requirements of 5.25 percent (Ksh 88.7 billion) during the week to March 13, 2013 compared with a surplus of Ksh 16.31 billion in the previous week (Chart B). The reductions in the settlement account balances is attributed to inter bank liquidity management by the Central Bank.

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



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Source: Central Bank of Kenya
The Shilling Exchange Rate

The Kenya Shilling exchange rate appreciated against major international currencies in the week ending March 14, 2013 on account of positive sentiment following the smooth conduct of the March 4, 2013 General Elections. During the week, the Kenya Shilling appreciated by 0.68 percent, 1.81 percent, 0.86 percent and 3.69 percent against the US Dollar, Sterling Pound, the Euro and the Japanese Yen respectively to trade at an average of KSh 85.65 per USD, KSh 127.98 per Sterling Pound, KSh 111.55 per Euro and KSh 89.30 per 100 Japanese Yen.

In the EAC region, the Kenya Shilling strengthened against all East African currencies to trade at an average of US\$ 30.91, TSh 18.96, RWF 7.39 and BIF 18.12 compared to US\$ 30.78, TSh 18.81, RWF 7.34 and BIF 17.53 in the week ending March 7, 2013.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
1-Mar-13	86.14	130.77	112.72	93.05	30.82	18.83	7.34	17.74
5-Mar-13	86.04	130.06	112.19	92.43	30.86	18.86	7.35	17.59
6-Mar-13	86.17	130.32	112.44	92.53	30.79	18.82	7.34	17.49
7-Mar-13	86.58	130.06	112.67	92.39	30.66	18.73	7.31	17.32
1-7 March 2013	86.23	130.30	112.50	92.60	30.78	18.81	7.34	17.53
8-Mar-13	86.16	129.22	112.84	90.36	30.81	18.85	7.35	18.25
11-Mar-13	85.82	128.29	111.62	89.35	30.91	18.91	7.38	17.48
12-Mar-13	85.59	127.53	111.50	88.81	30.85	18.96	7.40	17.52
13-Mar-13	85.32	127.43	111.26	89.11	31.00	19.05	7.42	18.90
14-Mar-13	85.34	127.45	110.53	88.90	30.99	19.03	7.42	18.43
8-14 March 2013	85.65	127.98	111.55	89.30	30.91	18.96	7.39	18.12

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 4,953 million as at March 7, 2013 to US Dollar 4,992 million in the week ending March 14, 2013 (Table 4) following purchases from the interbank market.

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

	7-Feb-13	14-Feb-13	21-Feb-13	28-Feb-13	7-Mar-13	14-Mar-13
Usable Reserves*	4,975	4,960	4,974	4,940	4,953	4,992
Months of Imports Cover**	3.79	3.78	3.79	3.76	3.75	3.78

*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 4.0 billion in 91-day Treasury bills, Ksh 4.0 billion in 182-day Treasury bills and Ksh 6.0 billion in 364-day Treasury bills during the week ending March 15, 2013. Total bids received amounted to Ksh 22.8 billion, of which Ksh 6.14 billion, Ksh 2.22 billion and Ksh 14.44 billion was in 91 day, 182 day and 364 day papers, representing performance rates of 153.4 percent, 55.5 percent and 240.7 percent, respectively. The Government accepted Ksh 4.1 billion in the 91 day paper, Ksh 1.5 billion in the 182 day paper and Ksh 7.1 billion in the 364 day paper during the week. Total non-competitive bids received amounted to Ksh 1.9 billion.

Interest Rates on Government securities

Weighted average interest rates on increased by 35.0, 48.5 and 5.3 basis points for the 91-day, 182-day and 364-day Treasury bills respectively, during auctions in the week ending March 15, 2013 (Table 5).

Table 5: Government Securities Interest Rates

Auction date	29-Jun-12	21-Dec-12	25-Jan-13	15-Feb-13	22-Feb-13	1-Mar-13	8-Mar-13	15-Mar-13
91-day T. Bills*	10.780	8.142	8.036	8.213	8.928	9.368	9.747	10.097
182-day T. Bills*	11.091	9.046	8.066	8.502	8.571	9.084	9.697	10.182
364-day T. Bills*						12.362	12.542	12.595
2 year FXD T. Bonds		12.382			12.844			
15year FXD T. Bonds					13.629			

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 83.9 billion to Ksh 942.8 billion from Ksh 858.8 billion at the end of June 2012 on March 8, 2013. This followed increases of Ksh 35.1 billion, Ksh 30.2 billion, 18.1 billion and Ksh 0.5 billion in the stocks of Treasury bills, Treasury

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bonds, Government overdraft at the Central Bank and other domestic debt, respectively (Table 6).

Table 6: Government Domestic Debt (Ksh Billion)

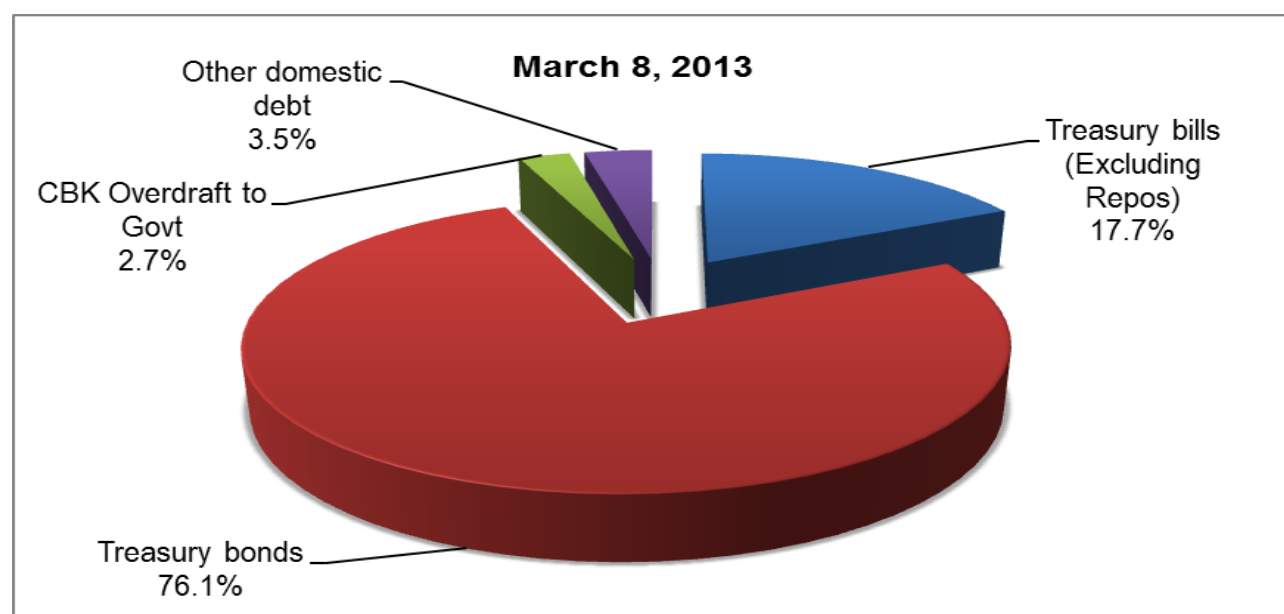
	Jun 2012	Sep 2012	Dec-12	1st March 2013	8th March 2013	Changes	
						1st Mar 2013 - 8th Mar 2013	29th Jun 2012 - 1st March 2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	159.7 18.5	196.3 21.5	164.7 18.7	167.1 18.9	2.4	35.1
2. Treasury Bonds (As % of total securities)	687.0 83.9	703.9 81.5	716.1 78.5	717.2 81.3	717.2 81.1	0.0	30.2
3. Total Securities (1+2)	819.0	863.6	912.3	881.9	884.3	2.4	65.3
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	33.2	33.1	-0.1	0.5
6. Gross Domestic Debt (3+4+5)	858.8	922.2	971.3	940.4	942.8	2.3	83.9
7. Interest payments on domestic debt	82.3	25.2	53.6	71.5	71.9	0.4	

* 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 8, 2013, gross Government domestic debt increased by Ksh 2.3 billion, on account of the net sales of Treasury bills (Table 6). The average time to maturity of Government securities declined to 5 years and 3 months during the week ending March 8, 2013, from 5 years and 4 months at the end of June 2012.

Chart C: Composition of Government Domestic Debt

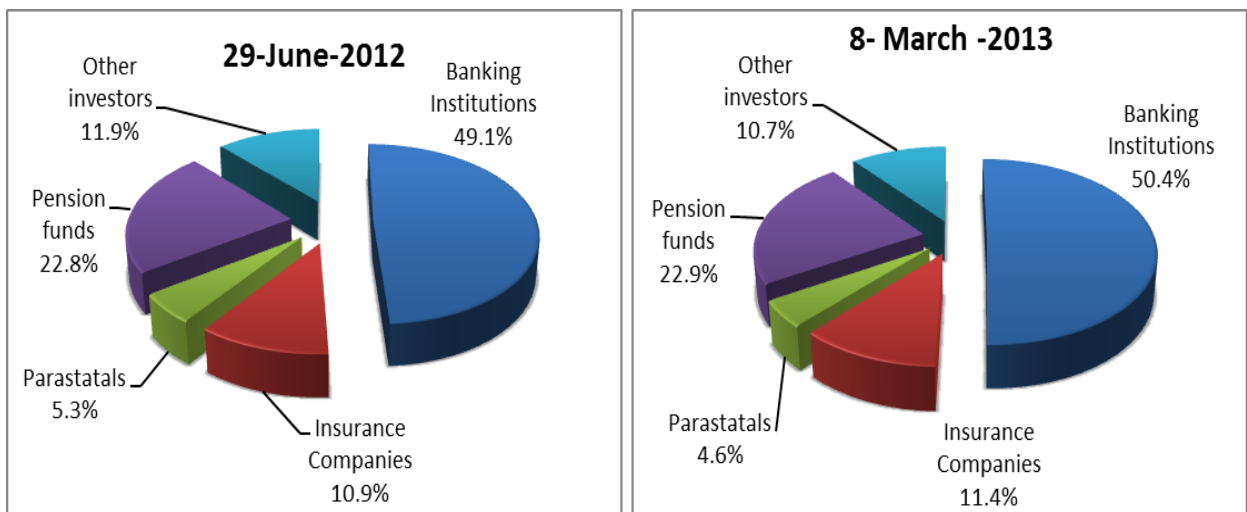


Source: Central Bank of Kenya

Holdings of Government Securities

Government securities accounted for 93.8 percent of gross domestic debt on March 8, 2013 (Chart C). Commercial banks held 50.4 percent of the gross domestic debt as at March 8, 2013. Holdings by insurance companies and pension funds increased from 10.9 percent and 22.8 percent in June 2012 to 11.4 percent and 22.9 percent, respectively, on March 8, 2013. The proportion of gross domestic debt held by parastatals and other investors (which comprise Saccos’, listed and private companies, self-help groups, educational institutions, religious institutions and individuals) declined from 5.3 percent and 11.9 percent to 4.6 percent and 10.7 percent, respectively, during the period (Chart D).

Chart D: Holding of Government Securities by Investors

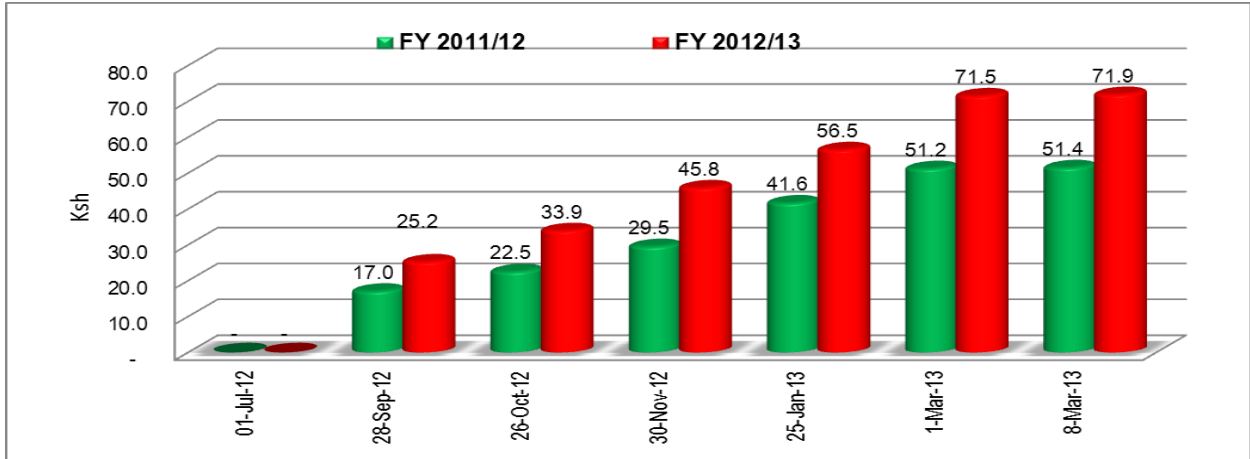


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to March 8, 2013 in the 2012/13 fiscal year amounted to Ksh 71.86 billion, or 39.7 percent higher than Ksh 51.44 billion during a similar period of the previous fiscal year (Chart E). The cost comprised Ksh 15.64 billion and Ksh 53.09 billion in interest and other charges on Treasury bills and Treasury bonds, respectively. In addition, interest on Government overdraft and the pre-1997 Government overdraft amounted to Ksh 1.94 billion and Ksh 1.18 billion, respectively.

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



Source: Central Bank of Kenya

Capital Markets

The capital markets recorded gains in the equities segment and a decline in the bond segment’s turnover during the week ending March 14, 2013.

Equities Market

The NSE 20 Share Index closed the week at 4,831.85 points or 5.4 percent above previous week’s level, while the NASI recorded 115.93 points or 5.1 percent higher than the previous week (Table 7). Market capitalization that measures shareholders’ wealth closed 510 basis points higher at Ksh 1,572.89 billion, while Equity turnover more than doubled to close at Ksh 4,040.75 billion. These gains are attributed to a 63.7 percent increase in number of shares transacted and a price rally on most counters.

Table 7: Key Weekly Market Statistics

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Week Ending	3-Jan-13	10-Jan-13	17-Jan-13	24-Jan-13	31-Jan-13	7-Feb-13	14-Feb-13	21-Feb-13	28-Feb-13	7-Mar-13	14-Mar-13
NASI 100= Jan 2008	96.07	101.02	105.82	102.45	103.50	106.23	108.50	105.39	106.91	110.30	115.93
NSE 20 Share Index 100=1966	4,159.25	4,319.73	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	3,407	6,697	8,800	7,951	7,224	7,773	8,697	7,897	7,177	4,690	11,619
Total Shares Traded (millions)	3,250.00	99.60	125.96	154.43	118.42	267.81	157.50	180.66	86.22	120.86	197.84
Equity Turnover (Ksh. millions)	4,826.54	2,014.43	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.)	1,288,137.00	1,354.57	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)	3,447.90	8,575.75	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	126.74	132.91	136.78	134.83	136.44	139.71	141.53	137.09	141.12	142.22	157.85
FTSE NSE Kenya 25 Index	129.64	136.12	139.99	138.08	139.73	143.12	144.93	140.05	144.27	145.18	161.10
Index(Jan2012=100)	92.86	92.02	91.73	91.25	91.37	91.77	91.96	91.78	93.09	91.53	-

Source: Nairobi Securities Exchange

Telecoms and Technology, Banking and Energy and Petroleum sectors were the top three most active, transacting 79.54 million or 40.2 percent; 46.39 million or 23.4 percent and 22.72 million or 11.5 percent of all shares traded, respectively. Safaricom Ltd, Mumias Sugar Ltd and Kenya Commercial Bank Ltd were the three most active counters with 77.0 million, 15.35 million and 15.31 million shares traded, respectively. Agriculture sector was the least active, trading 170,400 shares.

The biggest closing and average price gains for the week under review were for Williamson Tea Kenya Ltd and East African Breweries Ltd at Ksh 21 and Ksh 21.3 per share, respectively. The biggest closing and average price losses was for Carbacid Investments Ltd at Ksh 6 and Ksh 5.75 per share, respectively. Of the 48 active counters, 44 had average price gain in the week compared to the 36 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 150.18 points from 145.35 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, also rose to 153.62 points from 148.51 points in the previous trading week.

The Bond Market

Bond trading posted a 2.47 percent drop in turnover, trading Ksh 4,091.55 million for the week ending March 14, 2013 from Ksh 4,195.15 million in the previous week. Corresponding deals rose to 55 from 54 the previous week. The continued decline in activity may be attributed to a possible investor shift to the equities counters.