



APRIL 4, 2014

Highlights

Overall 12-month inflation eased from 6.86 per cent in February 2014 to 6.27 per cent in March 2014.

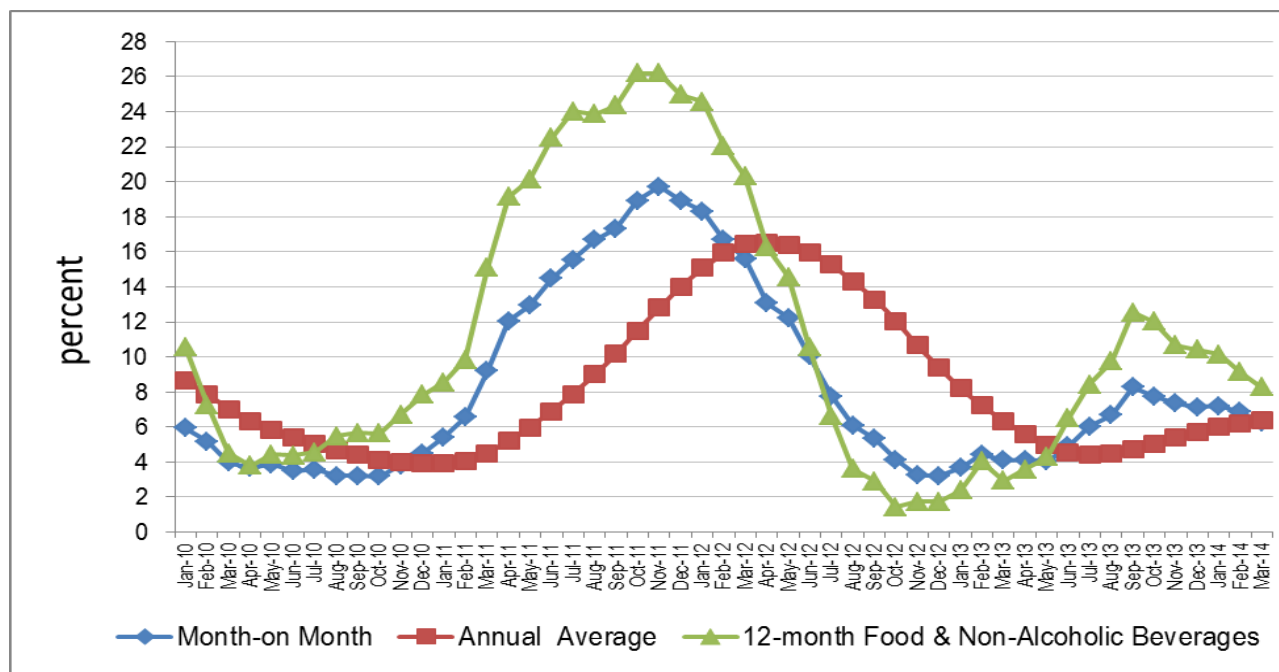
The money market was liquid in the week ending April 2, 2014 supported by Government payments and net redemption of Government securities. The Central Bank mopped Kshs. 24.0 bn to stabilize the interbank rate.

The average interbank rate declined to 7.32 percent during the week ending April 2, 2014 from 8.09 percent in the previous week.

The equities segment of NSE recorded low performance for the week ending April 3, 2014, with all leading NSE indicators declining. The Bonds market turnover, however rose by 21.42 per cent despite a drop in deals.

Inflation

*Overall 12-month inflation eased from 6.86 per cent in February 2014 to 6.27 per cent in March 2014 (**Chart A**). The decline in the overall inflation in March 2014 is attributed to lower food and fuel inflation. Food inflation eased from 8.89 per cent in February 2014 to 8.06 per cent in March 2014. Fuel inflation also eased from 5.58 per cent in February 2014 to 4.69 per cent in March 2014 reflecting a fall in the price of electricity. Meanwhile, non-food non-fuel inflation increased marginally from 4.93 percent in February to 4.97 percent in March 2014.*

CHART A: SUMMARY REPORT ON GENERAL INFLATION


Source: Central Bank of Kenya

Monetary Policy Operations

The money market was liquid in the week ending April 2, 2014 supported by Government payments and net redemption of Government securities. The Central Bank mopped Kshs. 24.0 bn through open market operations to stabilize the interbank rate. Reserve money averaged KSh. 309.3 billion during the week and was KSh. 8.3 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(-)	Reverse Repo	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)	(10)=(9-2)	(11)	(12)
27-Mar-14	309.3	317.0	-7.7	10.0	6.35	0.0	-3.7	0.0	303.5	-13.5	1.8	-15.3
28-Mar-14	320.5	317.0	3.5	11.0	9.9	0.0	-1.1	0.0	310.7	-6.4	8.0	-14.4
31-Mar-14	321.4	317.0	4.4	11.0	0	2.15	-8.9	0.0	308.5	-8.6	5.3	-13.9
01-Apr-14	313.5	318.5	-5.0	5.0	1.55	0.0	-3.5	0.0	311.3	-7.2	6.4	-13.6
02-Apr-14	315.8	318.5	-2.7	5.0	4.1	0.0	-0.9	0.0	312.7	-5.8	8.4	-14.2
Average	316.1	317.6	-1.5	8.4	4.4	0.4	-3.6	0.0	309.3	-8.3	6.0	-14.3

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate declined to 7.32 percent during the week ending April 2, 2014 from 8.09 percent in the previous week on account of improved liquidity in the interbank market. The average interbank volume transacted decreased to KSh.11.2 billion in the week ending April 2, 2014 from KSh. 14.0 billion the previous week, while the average number of deals decreased from 59 to 48 (Table 2 and Chart A).

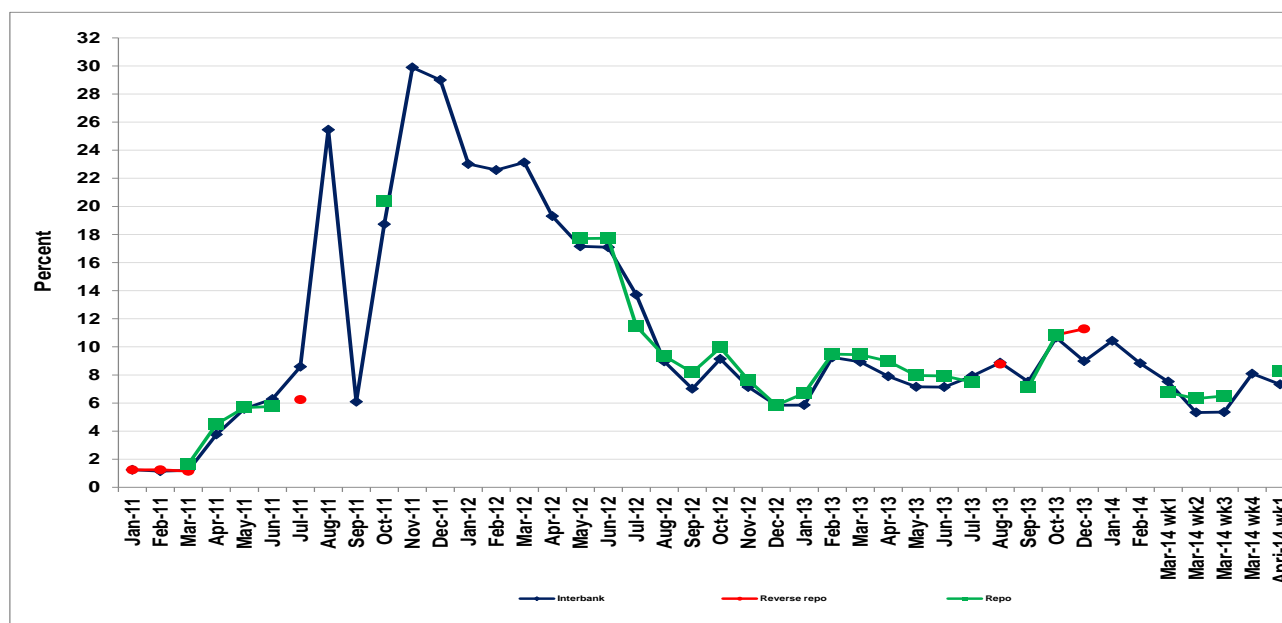
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
20-Mar-14	47	9,820	7.45
21-Mar-14	56	13,135	8.07
24-Mar-14	60	16,230	8.40
25-Mar-14	67	15,155	8.40
26-Mar-14	63	15,825	8.14
March 20, 2014 - March 26, 2014	59	14,033	8.09
27-Mar-14	58	14,060	7.68
28-Mar-14	46	10,250	7.44
31-Mar-14	52	14,040	7.29
01-Apr-14	40	9,775	7.12
02-Apr-14	46	8,020	7.09
March 27, 2014 -April 2, 2014	48	11,229	7.32

Source: Central Bank of Kenya

During the week ending April 2, 2014, the Central Bank mopped KSh. 21.9 billion from the interbank market through repo securities at an average rate of 8.26 percent.

CHART B: STRUCTURE OF INTEREST RATES

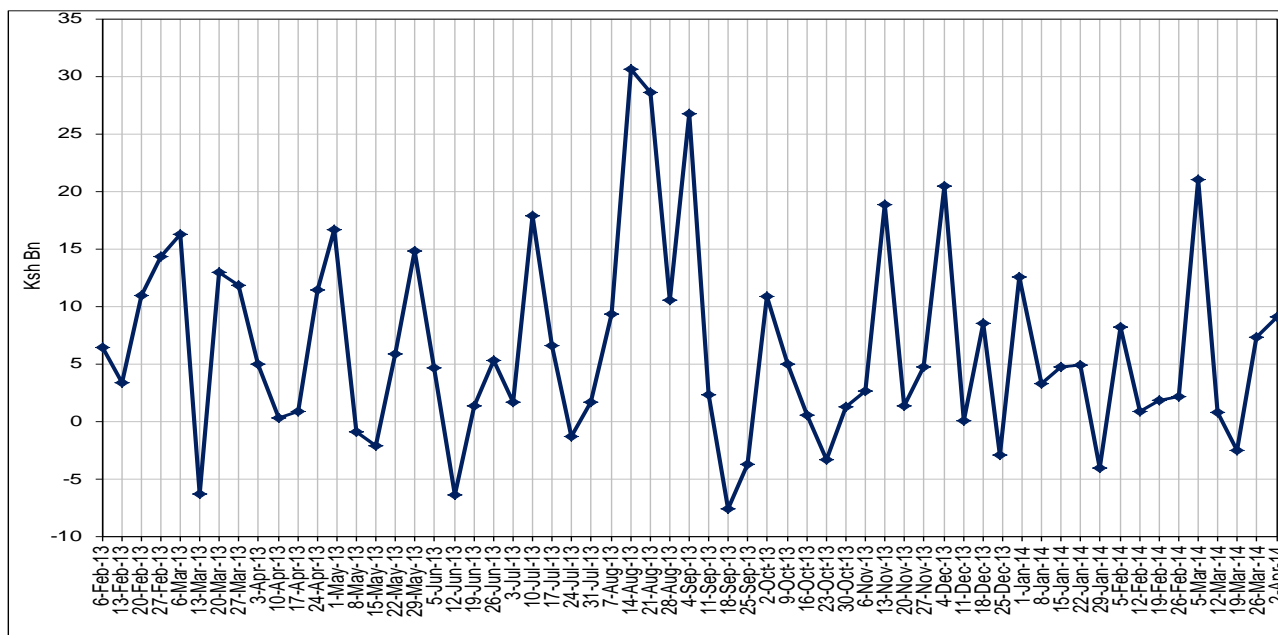


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded in the week to April 2, 2014 a surplus of KSh.9.1 billion in their settlement accounts at the Central Bank in relation to the monthly average cash reserve requirement of 5.25 percent (KSh. 101.2 billion) compared with a surplus of KSh.7.3 billion recorded in the previous week (Chart C).

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



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

The Kenya Shilling was stable against major world and regional trading currencies in the week ending April 3, 2014 in relation to the previous week (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
28-Feb-14	86.33	144.07	118.33	84.87	29.17	18.81	7.88	18.02
3-Mar-14	86.28	144.39	118.88	84.99	29.41	18.85	7.87	18.03
4-Mar-14	86.39	143.94	118.73	84.91	29.17	18.85	7.84	18.01
5-Mar-14	86.38	143.93	118.61	84.62	29.17	18.85	7.84	18.01
14-Mar-14	86.44	143.61	119.75	84.94	29.10	18.87	7.85	18.00
17-Mar-14	86.47	143.85	120.19	85.08	29.09	18.86	7.85	17.99
18-Mar-14	86.49	143.89	120.41	84.98	29.17	18.90	7.85	17.99
19-Mar-14	86.54	143.68	120.44	85.14	29.15	18.89	7.85	17.98
20-Mar-14	86.49	143.23	119.77	84.68	29.17	18.90	7.85	17.99
14-20 March 2014	86.49	143.65	120.11	84.97	29.14	18.89	7.85	17.99
21-Mar-14	86.50	142.92	119.25	84.55	29.42	18.95	7.84	17.98
24-Mar-14	86.62	142.85	119.54	84.72	29.56	18.92	7.80	17.92
25-Mar-14	86.57	142.75	119.69	84.80	29.66	18.93	7.86	17.97
26-Mar-14	86.59	143.09	119.56	84.81	29.64	18.93	7.85	17.97
27-Mar-14	86.67	143.59	119.56	84.91	29.57	18.90	7.85	17.95
21 - 27 March 2014	86.59	143.04	119.52	84.76	29.57	18.93	7.84	17.96
28-Mar-14	86.53	143.69	118.98	84.84	29.41	18.92	7.84	17.91
31-Mar-14	86.44	143.81	118.92	84.18	29.48	18.98	7.84	17.93
01-Apr-14	86.40	144.01	119.03	83.83	29.51	18.94	7.86	17.94
02-Apr-14	86.43	143.78	119.29	83.42	29.45	18.92	7.78	17.96
03-Apr-14	86.55	144.00	119.23	83.35	29.46	18.87	7.85	17.94
28 March-3 April 2014	86.47	143.86	119.09	83.92	29.46	18.92	7.83	17.94

Source: Central Bank of Kenya

Capital Markets

Capital markets performance declined in the week ending April 3, 2014 with the NSE 20 Share Index and NASI closing lower by 40.55 points and 0.64 points respectively. Market Capitalization was down by 0.04 per cent, equity turnover and the number of deals also declined by 17.25 percent and 8.07 percent respectively. Bonds turnover improved, increasing by 21.42 percent compared to last week.

Equities Market

The NSE 20 Share Index closed the week 0.82 per cent below the previous week's level. Similarly, NASI was down 0.44 per cent and market capitalization, which measures shareholders wealth, shed Ksh. 8.73 billion in value. Equity turnover declined by 17.25 per cent, on account of low shares traded, which declined by 14.1 million (Table 7).

TABLE 4: KEY WEEKLY MARKET STATISTICS

Week Ending	13-Feb-14	20-Feb-14	27-Feb-14	06-Mar-14	13-Mar-14	20-Mar-14	27-Mar-14	03-Apr-14
NASI 100= Jan 2008	137.71	137.00	141.11	140.94	144.30	144.50	144.55	143.91
NSE 20 Share Index 100=1966	4,839.52	4,806.69	4,915.85	4,896.40	4,980.70	4,940.97	4,958.62	4,918.07
Number of Deals	9,748	8,710	10,043	11,075	9,753	10,262	9,902	9,103
Total Shares Traded (millions)	132.03	113.42	143.87	157.21	113.37	130.64	123.44	109.34
Equity Turnover (Ksh. millions)	3,830.60	3,364.80	3,528.10	3,603.91	2,697.53	3,280.83	3,112.39	2,575.36
Market Capitalization (Ksh. Bn.)	1,940.87	1,908.93	1,961.41	1,959.06	2,005.62	2,008.52	2,009.42	2,000.69
Bonds Turnover (Ksh. millions)	4,992.60	3,351.98	7,988.93	7,328.30	10,128.85	6,574.47	7,445.43	9,040.08
FTSE NSE Kenya 15 Index	172.39	167.44	172.96	173.74	177.58	176.43	176.93	176.68
FTSE NSE Kenya 25 Index	174.48	170.02	175.62	176.00	179.70	178.65	179.02	178.84
FTSE NSE Bond Index	91.71	91.89	91.98	93.19	93.19	93.28	93.75	93.62

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

N/A Not available

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series and Most Active Sectors

FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, declined by 0.14 percent to 176.68 points from 176.93 points in the previous week. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE declined to 178.84 points from 179.02 points. FTSE NSE Bond Index was down to 93.62 points from 93.75 points in the previous week, reflecting stable yields at both the primary and secondary markets.

Telecommunication & Technology, Banking, and Insurance emerged top three most active sectors, transacting 49.78 million or 45.53 per cent, 23.47 million or 21.47 per cent, 10.65 million or 9.74 percent cent respectively. Agricultural sector was least active with 39,500 shares traded.

The Bond Market

The bonds' market turnover increased by 21.42 percent to Ksh 9,040.08 million from Ksh 7,445.43 million of the previous week to take advantage of the new five year bond on offer in the primary market. Corresponding deals declined to 109 from 198 last week.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS FOR JANUARY 5 AND 6, 2014

	Amount offered (Ksh M)	Bids received (Ksh M)	Amount Accepted (Ksh M)	Maturities (Ksh M)	Average interest Rate (%)	Coupon Rate (%)	Date of Auction
Treasury Bills							
91 Day	3,000.00	1,020.00	1,020.58	564.60	8.847		03-Apr-14
182 Day	3,000.00	3,099.61	2,828.35	2,344.95	9.870		02-Apr-14
364 Day	3,000.00	1,547.56	1,484.18	16,770.85	10.315		02-Apr-14
Total	9,000.00	5,667.17	5,333.11	19,680.40			

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	Jun 2013	30th Sept 2013	27th Dec 2013	31th Jan 2014	7th Feb 2014	28th Feb 2014	7th Mar 2014	14th March 2014	21st March 2014	28th March 2014
1. Treasury Bills (Excluding Repos)	267.8	307.6	309.1	316.3	310.5	317.8	310.3	307.8	316.2	307.5
(As % of total securities)	26.5	27.9	27.5	27.6	27.2	27.4	26.9	26.7	27.3	26.3
2. Treasury Bonds	744.2	794.8	816.3	831.3	831.3	843.6	843.6	843.6	843.6	863.6
(As % of total securities)	73.5	72.1	72.5	72.4	72.8	72.6	73.1	73.3	72.7	73.7
3. Total Securities (1+2)	1011.9	1102.5	1,125.4	1,147.6	1,141.9	1,161.3	1153.9	1151.4	1159.8	1171.1
4. Overdraft at Central Bank	7.0	34.2	34.2	21.6	26.3	34.2	33.1	34.2	30.7	34.2
5. Other Domestic debt*	32.0	31.6	32.9	30.9	30.9	30.8	30.8	33.9	33.9	33.8
6. Gross Domestic Debt (3+4+5)	1051.0	1168.2	1,192.5	1200.1	1,199.1	1,226.4	1217.9	1219.5	1224.4	1239.0

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

Source: Central Bank of Kenya

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	Jun-13	21-Mar-14	28-Mar-14
Treasury bills (Excluding Repos)	25.5	25.8	24.8
Treasury bonds	70.8	68.9	69.7
CBK Overdraft to Govt	0.7	2.5	2.8
Other domestic debt	3.0	2.8	2.7
TOTAL	100	100.0	100.0

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	Jun-13	21-Mar-14	28-Mar-14
Banking Institutions	51.1	49.4	53.7
Insurance Companies	10.5	9.9	9.3
Parastatals	4.4	3.4	3.2
Pension funds	25.3	26.0	25.3
Other investors	8.7	11.3	8.6
Total	100	100.0	100.0

Source: Central Bank of Kenya

TABLE 9: OFFICIAL FOREIGN RESERVES US\$ MILLION (USABLE)

27-Dec-13	02-Jan-14	09-Jan-14	16-Jan-14	23-Jan-14	30-Jan-14	06-Feb-14	13-Feb-14	20-Feb-14	27-Feb-14	06-Mar-14	13-Mar-14	20-Mar-14	27-Mar-14	03-Apr-14
6,176	6,165	6,149	6,143	6,119	6,201	6,169	6,187	6,204	6,233	6,245	6,243	6,199	6,209	6,283
4.37	4.36	4.31	4.30	4.28	4.34	4.32	4.33	4.35	4.36	4.36	4.35	4.32	4.33	4.38

for services

Source: Central Bank of Kenya