



**DECEMBER 5, 2014**

## **Highlights**

Overall 12-month inflation eased from 6.43 percent in October 2014 to 6.09 percent in November 2014. Non-food non-fuel inflation however, rose by 30.7 basis points from 3.46 percent in October 2014 to 3.77 percent in November 2014.

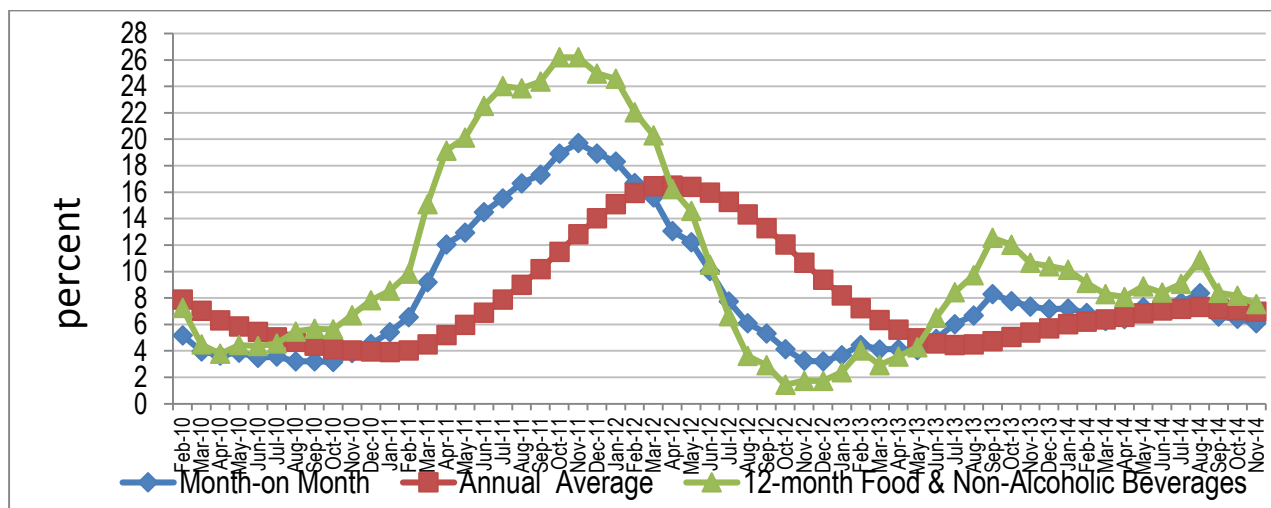
The money market was fairly liquid during the week ending December 3, 2014 supported by government payments and maturities of repo and term auction deposits. The Central Bank liquidity management withdrew liquidity of Ksh 32.2 billion through repo securities and term auction deposits against maturities of Ksh 21.0 billion. The average interbank rate remained largely unchanged at 6.90 percent in the week ending December 3, 2014 compared with 6.93 percent recorded in the previous week.

The Nairobi Securities Exchange overall recorded improved performance during the week ended December 4, 2014. All indicators on both the bonds and equities segment recorded gains except number of equity deals.

## **Inflation**

Overall 12-month inflation eased from 6.43 percent in October 2014 to 6.09 percent in November 2014. (**Chart A**). The decline in the overall inflation in November 2014 is attributed to lower food and fuel inflation. Food inflation eased from 7.95 percent in October 2014 to 7.39 percent in November 2014. This reflects the 12-month change in the 'food and non-alcoholic beverages' index, which declined from 8.16 percent in October 2014 to 7.54 percent in November 2014. Fuel inflation also eased from 7.03 percent in October 2014 to 6.37 percent in November 2014 reflecting a fall in the price of fuel and electricity. Non-food

non-fuel inflation however rose from 3.46 percent in October 2014 to 3.77 percent in November 2014 largely reflecting a rise in 12-month inflation in 'miscellaneous goods and services' and 'recreation and culture' categories of goods and services.

**CHART A: SUMMARY REPORT ON GENERAL INFLATION**


Source: Central Bank of Kenya

## Monetary Policy Operations

The money market was fairly liquid during the week ending December 3, 2014 supported by government payments and maturities of repo and term auction deposits. The Central Bank liquidity management withdrew liquidity of Ksh 32.2 billion through repo securities and term auction deposits against maturities of Ksh 21.0 billion. Reserve money averaged Ksh 330.4 billion during the week and was Ksh 17.7 billion below target (Table 1).

**Table 1: Interbank Liquidity Flows and Open Market Operations (Ksh Billion)**

	27-Nov-14	28-Nov-14	1-Dec-14	2-Dec-14	3-Dec-14	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection</b>	5.8	5.3	22.5	12.2	11.4	57.1
Repos Maturities	0.0	0.0	2.5	2.0	0.0	4.5
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	0.9	1.8	1.4	8.6	2.7	15.4
T/bills redemptions	0.0	0.0	11.2	0.0	0.0	11.2
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	4.8	3.5	5.9	1.4	8.8	24.4
<b>Total liquidity reduction</b>	2.1	13.8	19.0	13.2	7.0	55.1
T/bills (Primary issues)	0.0	0.0	7.7	0.0	0.0	7.7
Tbonds Sales	0.0	0.0	0.0	0.0	0.0	0.0
Repos	0.0	7.6	5.0	3.6	1.5	17.7
Term Auction Deposit	0.0	0.0	4.2	7.4	2.9	14.5
Transfer from Banks - Taxes	2.0	2.4	1.8	2.0	2.7	10.8
<b>Net liquidity injection (+)/Withdrawal (-)</b>	3.7	-8.5	3.5	-1.0	4.4	2.1
<b>Open Market Operations Outcome</b>						
<b>Posted Amount</b>	0.0	10.0	14.0	11.0	10.0	45.0
<b>Realised Amount</b>	0.0	7.6	9.2	11.0	4.3	32.1
Repo (-)	0.0	7.6	5.0	3.6	1.5	17.7
Term Auction Deposits (-)	0.0	0.0	4.2	7.4	2.9	14.5
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Reserve Money Position</b>						
Reserve money (actual)	333.9	326.0	330.5	328.5	333.2	330.4
Reserve money target	347.1	347.1	348.8	348.8	348.8	348.1
Deviation from target	-13.3	-21.1	-18.3	-20.2	-15.6	-17.7
Commercial banks excess reserves Exc(+)/ Short(-)	9.7	1.2	5.2	1.9	5.8	4.8
Cash outside bank Exc(+)/ Short(-)	-23.0	-22.3	-23.5	-22.2	-21.4	-22.5

Source: Central Bank of Kenya

### Interbank Rates

The average interbank rate remained largely unchanged at 6.90 percent in the week ending December 3, 2014 compared with 6.92 percent recorded in the previous week. The volume transacted increased to Ksh 16.1 billion from Ksh 13.2 billion, whereas the average number of deals declined to 44 from 54 deals traded in the previous week (Table 2 and Chart A).

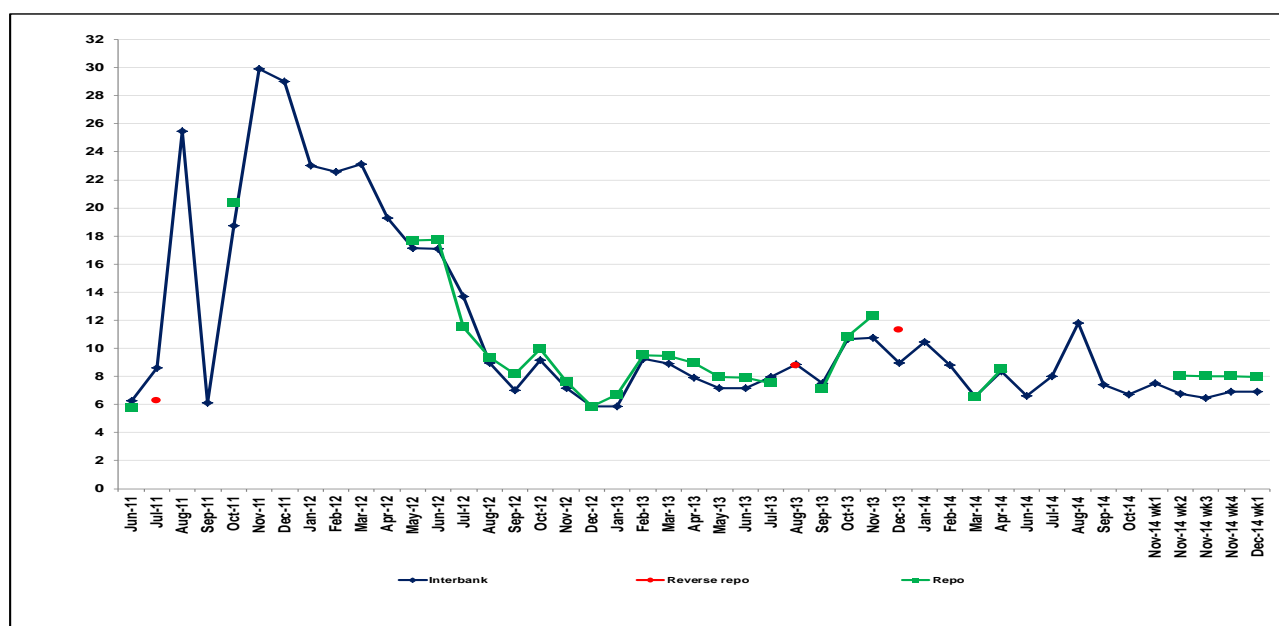
**TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)**

20-Nov-14	45	10,485	6.63
21-Nov-14	55	11,965	6.75
24-Nov-14	62	14,278	6.88
25-Nov-14	53	12,593	7.11
26-Nov-14	53	16,473	7.23
<b>November 20, 2014 - November 26, 2014</b>	<b>54</b>	<b>13,159</b>	<b>6.92</b>
27-Nov-14	51	18,025	7.18
28-Nov-14	61	21,866	7.00
1-Dec-14	34	14,595	6.94
2-Dec-14	35	12,920	6.76
3-Dec-14	41	13,100	6.60
<b>November 27, 2014 - December 3, 2014</b>	<b>44</b>	<b>16,101</b>	<b>6.90</b>

Source: Central Bank of Kenya

The average repo rate decreased to 7.97 percent in the week ending December 3, 2014 from 8.03 percent in the previous week (Chart A).

### CHART B: STRUCTURE OF INTEREST RATES

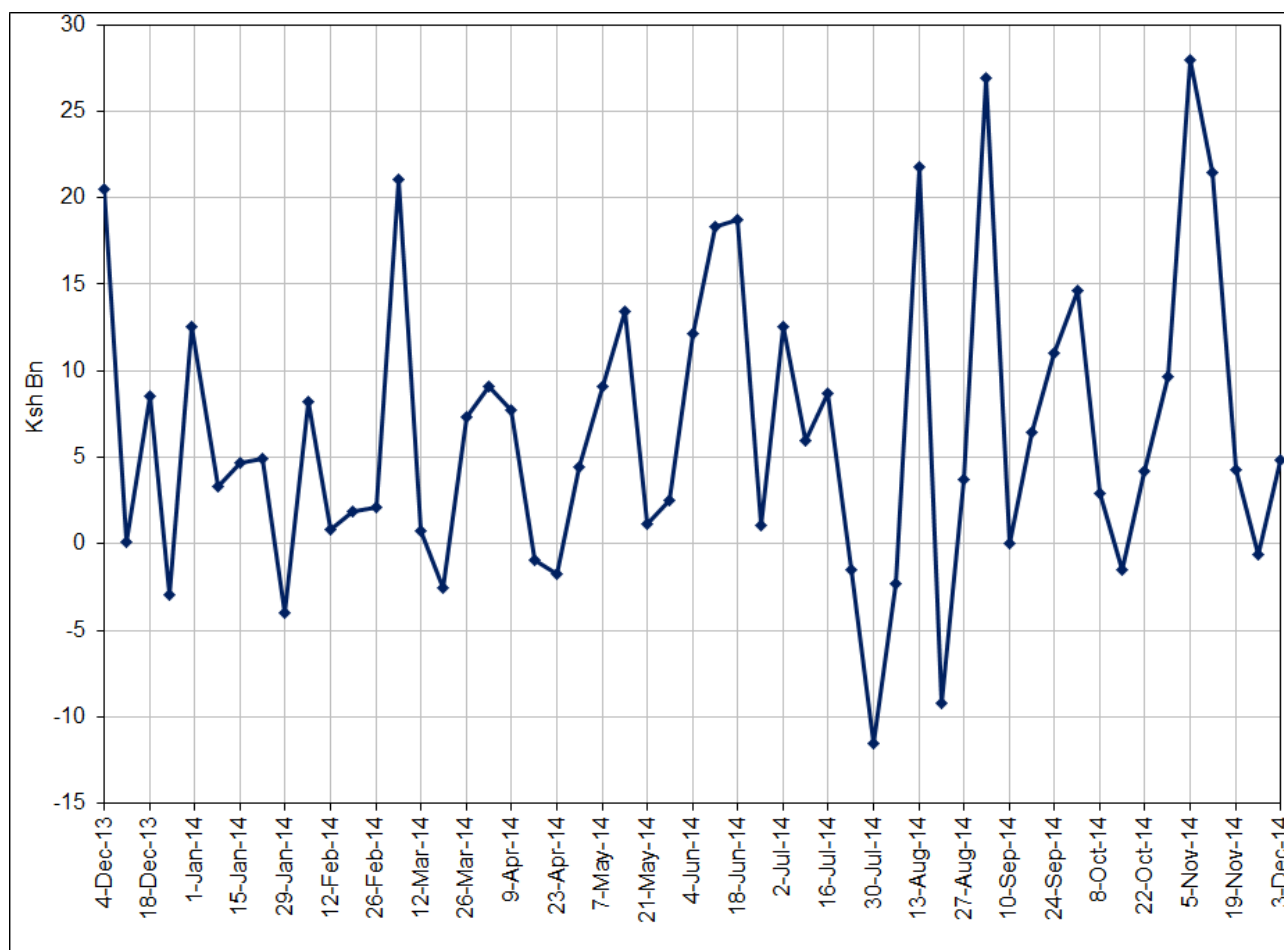


Source: Central Bank of Kenya

### Commercial Banks Clearing Account Balances

Commercial banks' clearing account balance increased during the week ending December 3, 2014, to a surplus of Ksh 4.8 billion in relation to the cash reserve requirement of 5.25 percent (Ksh 114.3 billion) from a deficit of Ksh 0.64 billion recorded in the previous week (Chart B).

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



**Source: Central Bank of Kenya**

### Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate depicted mixed performance against major international and regional currencies in the week ending December 4, 2014. During the week, the Shilling weakened marginally against the US dollar and strengthened against the Pound Sterling, the Euro and the Japanese Yen. In the EAC region, the Kenya Shilling strengthened against the Uganda Shilling, the Tanzania Shilling and the Rwanda Franc and weakened against the Burundi Franc. (Table 3).

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
21-Nov-14	90.05	141.33	112.98	76.39	30.48	19.22	7.64	17.44
24-Nov-14	90.18	141.26	111.79	76.43	30.55	19.24	7.63	17.41
25-Nov-14	90.22	141.50	112.04	76.49	30.48	19.27	7.63	17.40
26-Nov-14	90.31	141.68	112.64	76.69	30.45	19.27	7.63	17.39
27-Nov-14	90.13	142.34	112.69	76.77	30.80	19.30	7.64	17.28
<b>21-27 Nov 2014</b>	<b>90.18</b>	<b>141.62</b>	<b>112.43</b>	<b>76.55</b>	<b>30.55</b>	<b>19.26</b>	<b>7.63</b>	<b>17.38</b>
28-Nov-14	90.18	141.68	112.28	76.27	30.81	19.33	7.64	17.41
1-Dec-14	90.19	141.11	112.27	76.28	30.79	19.37	7.64	17.24
2-Dec-14	90.24	141.75	112.48	76.33	30.68	19.38	7.63	17.40
3-Dec-14	90.33	141.35	111.80	75.73	30.61	19.31	7.63	17.24
4-Dec-14	90.22	141.48	111.03	75.24	30.59	19.41	7.64	17.26
<b>28 Nov-4 Dec 2014</b>	<b>90.23</b>	<b>141.47</b>	<b>111.97</b>	<b>75.97</b>	<b>30.70</b>	<b>19.36</b>	<b>7.64</b>	<b>17.31</b>

Source: Central Bank of Kenya

### The Nairobi Securities Exchange

In the equities segment of the market, all indicators, except number of deals, recorded gains in the week ending December 4, 2014. Both Bonds Turnover and FTSE Kenya Government Bond Index gained during the week under review.

### Equities Market

The average share prices improved with NSE 20 Share Index gaining 37.62 points and NASI gaining 2.07 points in the week ended December 4, 2014 (Table 4). Shareholders' wealth measured by market capitalization increased by Ksh 30.39 billion. Equity turnover increased by 48.58 percent on account of increased share supply.

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	16-Oct-14	23-Oct-14	30-Oct-14	6-Nov-14	13-Nov-14	20-Nov-14	27-Nov-14	4-Dec-14
NASI 100= 2008	161.10	160.86	159.68	159.13	162.63	162.07	163.77	165.84
NSE 20 Share Index 100= 1996	5,333.87	5,259.43	5,233.42	5,075.93	5,123.45	5,145.28	5,132.26	5,169.88
Number of Deals	17,031	9,319	12,043	10,402	10,640	10,206	11,058	10,046
Total Shares Traded	209.14	87.62	112.82	140.38	146.50	204.81	131.36	217.97
Equity Turnover (Ksh. Millions)	4,847.75	2,458.87	3,514.21	3,515.37	3,140.01	3,711.16	3,843.14	5,710.13
Market Capitalization (Ksh. Bn.)	2,262.85	2,270.06	2,254.64	2,248.10	2,298.19	2,290.40	2,314.46	2,344.85
Bonds Turnover (Ksh. Millions)	7,960.50	3,279.26	12,440.90	10,610.58	11,461.63	15,664.70	8,036.76	9,635.85
FTSE NSE Kenya 15 Index	210.05	208.50	208.21	205.56	210.69	210.63	213.93	216.59
FTSE NSE Kenya 25 Index	212.43	208.87	207.87	205.95	211.19	211.32	215.41	216.25
FTSE NSE Bond Index	92.94	91.88	93.33	93.9	92.44	93.1	93.2	93.76

Source: Nairobi Securities Exchange

## FTSE NSE Kenya Price Index Series and Most Active Sectors

FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, closed higher at 216.59 points in the week ending December 4, 2014 from 213.93 points the previous week. Similarly, FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE, closed higher at 216.25 points from 215.41 points over the review period. The FTSE Government Bond Index closed higher at 93.76 points from 93.2 in the previous week, reflecting a decline in market yields.

Telecommunication and Technology, Banking, Investment sectors were the top three most active, representing 30.91 percent, 21.66 percent and 15.9 percent of the total shares traded, respectively. Agricultural sector was least active, with 263,800 shares traded in the week ending December 4, 2014.

## The Bond Market

The Bond's turnover improved by 48.58 percent to Ksh 9,635.85 million in the week ending December 4, 2014 from Ksh 8,036.76 million in the previous week on account of increased volumes. Over the review period, the number of deals increased to 121 from the 102 bond deals traded last week.

**TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS**

<b>91-Day Treasury Bills</b>						
Date of Auction	6-Nov-14	13-Nov-14	20-Nov-14	27-Nov-14	4-Dec-14	
Amount offered (Ksh M)	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	
Bids received (Ksh M)	11,117.40	4,812.80	4,502.93	2,353.75	2,674.88	
Amount Accepted (Ksh M)	3,643.06		4,502.93	1,131.09	1,448.25	
Maturities (Ksh M)	909.31	3,017.70	1,267.80	1,075.55	1,152.48	
Average interest Rate (%)	8.696	8.609	8.597	8.605	8.615	
<b>182-Day Treasury Bills</b>						
Date of Auction	5-Nov-14	12-Nov-14	19-Nov-14	26-Nov-14	3-Dec-14	
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	
Bids received (Ksh M)	2871.53	5027.48	1152.28	4226.59	863.01	
Amount Accepted (Ksh M)	2680.41	4540.09	1152.28	4226.59	863.01	
Maturities (Ksh M)	1423	4760.29	695.6	3576.25	492.69	
Average interest Rate (%)	9.183	9.211	9.201	9.286	9.318	
<b>364-Day Treasury Bills</b>						
Date of Auction	5-Nov-14	12-Nov-14	19-Nov-14	26-Nov-14	3-Dec-14	
Amount offered (Ksh M)	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	
Bids received (Ksh M)	8171.93	6039.16	4098.14	2345.52	4291.11	
Amount Accepted (Ksh M)	7465.73	5540.80	4098.14	4098.14	3811.25	
Maturities (Ksh M)	2237.53	2439.53	2880.55	2880.55	3170.82	
Average interest Rate (%)	10.242	10.212	10.244	11.244	10.285	
<b>Treasury Bonds</b>						
Date of Auction	29-Oct-14		12-Nov-14			
Tenor	12 yr IFB 2nd TAP sale		12 yr IFB 2nd TAP sale		15 year Fxd	
Amount offered (Ksh M)	20000		20000		15000	
Bids received (Ksh M)	6991.13		1572.88		11897.41	
Amount Accepted (Ksh M)	6991.13		1572.88		10708.89	
Maturities (Ksh M)	0		0		0	
Average interest Rate (%)	11.263		11.263		12.422	

Source: Central Bank of Kenya

## CBK Weekly Statistical Bulletin of Key Monetary & Financial Indicators

**TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)**

	3rd October 2014	10th October 2014	17th October 2014	24th October 2014	31st October 2014	7th November 2014	14th November 2014	21st November 2014	28th November 2014
1. Treasury Bills (Excluding Repos)	276.04	281.49	282.09	283.35	283.90	283.17	293.02	296.60	302.00
<b>(As % of total securities)</b>	<b>23.08</b>	<b>23.43</b>	<b>23.47</b>	<b>23.55</b>	<b>23.54</b>	<b>23.29</b>	<b>23.76</b>	<b>24.67</b>	<b>24.05</b>
2. Treasury Bonds	919.85	919.85	919.85	919.85	922.10	932.89	939.98	905.87	953.70
<b>(As % of total securities)</b>	<b>76.92</b>	<b>76.57</b>	<b>76.53</b>	<b>76.45</b>	<b>76.46</b>	<b>76.71</b>	<b>76.24</b>	<b>75.33</b>	<b>75.95</b>
<b>3. Total Securities (1+2)</b>	<b>1,195.89</b>	<b>1,201.35</b>	<b>1,201.95</b>	<b>1,203.20</b>	<b>1,206.00</b>	<b>1,216.06</b>	<b>1,232.99</b>	<b>1,202.47</b>	<b>1,255.70</b>
4. Overdraft at Central Bank	22.67	18.35	18.90	20.99	18.30	19.78	10.85	11.09	16.49
5. Other Domestic debt*	30.64	30.61	30.62	30.61	30.61	30.60	29.99	65.70	30.01
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1,249.20</b>	<b>1,250.31</b>	<b>1,251.46</b>	<b>1,254.80</b>	<b>1,254.91</b>	<b>1,266.44</b>	<b>1,273.84</b>	<b>1,279.26</b>	<b>1,302.20</b>

\* 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**

**TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT**

	26-Sep-14	3-Oct-14	10-Oct-14	17-Oct-14	24-Oct-14	31-Oct-14	7-Nov-14	14-Nov-14	21-Nov-14	28-Nov-14
Treasury bills (Excluding Repos)	22.5	22.1	22.5	22.5	22.6	22.6	22.4	23.0	23.2	23.2
Treasury bonds	73.6	73.6	73.6	73.5	73.3	73.5	73.7	73.8	70.8	73.2
CBK Overdraft to Govt	1.4	1.8	1.5	1.5	1.7	1.5	1.6	0.9	0.9	1.3
Other domestic debt	2.6	2.5	2.4	2.4	2.4	2.4	2.4	2.4	5.1	2.3
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**Source: Central Bank of Kenya**

**TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER**

	26-Sep-14	3-Oct-14	10-Oct-14	17-Oct-14	24-Oct-14	31-Oct-14	7-Nov-14	14-Nov-14	21-Nov-14	28-Nov-14
Banking Institutions	51.9	52.4	52.3	52.5	52.8	52.6	52.9	52.8	53.3	53.6
Insurance Companies	10.3	10.2	10.2	10.2	10.0	10.2	10.1	10.1	10.0	9.9
Parastatals	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.8	2.8	2.8
Pension funds	25.9	25.7	25.8	25.7	25.6	25.3	24.8	24.8	24.4	24.5
Other investors	9.0	8.8	8.9	8.7	8.7	9.1	9.3	9.4	9.4	9.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**Source: Central Bank of Kenya**

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

	23-Oct-14	30-Oct-14	6-Nov-14	13-Nov-14	20-Nov-14	27-Nov-14	4-Dec-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,090	7,089	7,035	7,011	6,961	6,901	6,837
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.68	4.68	4.59	4.58	4.54	4.50	4.46

\*Excludes Encumbered Reserves

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

**Source: Central Bank of Kenya**