



7TH MARCH, 2014

Highlights

Overall 12-month inflation eased from 7.21 per cent in January 2014 to 6.86 per cent in February 2014. Non-food non-fuel inflation rose by 9.7 basis points from 4.83 per cent in January 2014 to 4.93 per cent in February 2014.

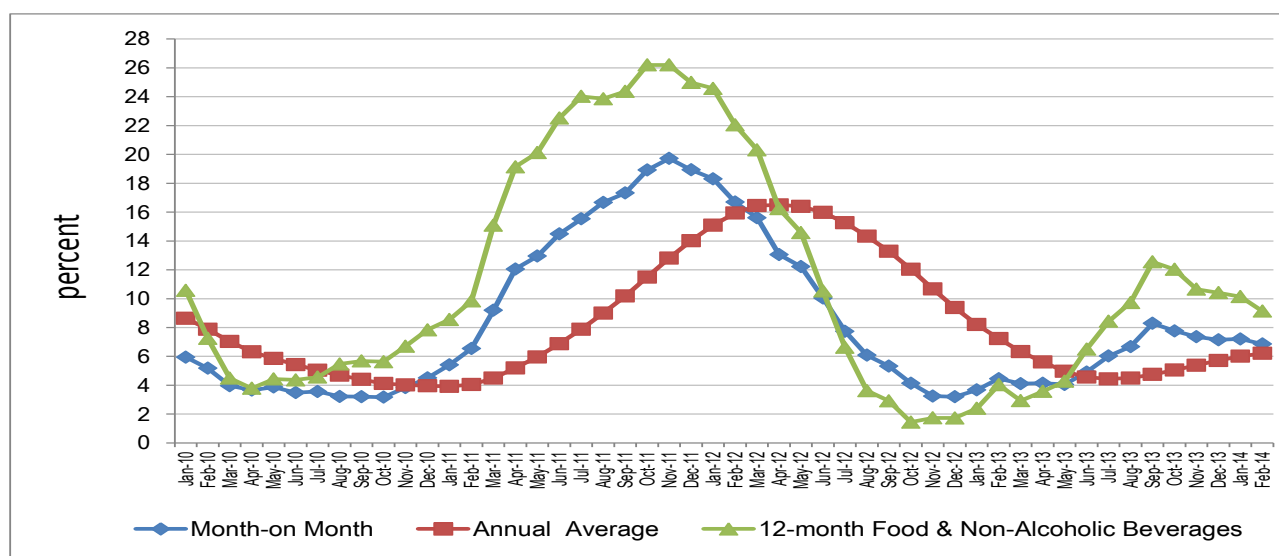
The money market was liquid during the week ending March 5, 2014 supported by Government payments and redemption of Government securities. The Central Bank liquidity management resulted in a net withdrawal of KSh. 10.0 billion through repo securities.

The average interbank rate decreased to 7.52 percent during the week ending March 5, 2014 from 8.12 percent in the previous week.

The NSE had mixed performance in the week ending March 6, 2014. On the gaining side, were; FTSE NSE Kenya Index Series as well as volume and deals of shares traded. On the decline were; Market Capitalization, NASI, NSE 20 Share Index and bonds turnover.

Inflation

*Overall 12-month inflation decelerated from 7.21 per cent in January 2014 to 6.86 per cent in February 2014 (**Chart A**). The decline in the overall inflation rate in February 2014 is attributed to lower food inflation. Food inflation eased from 9.84 per cent in January 2014 to 8.89 per cent in February 2014. This reflects the 12-month change in the 'food and non-alcoholic beverages' index, which declined from 10.14 per cent in January 2014 to 9.14 per cent in February 2014. Fuel inflation however rose from 5.49 per cent in January 2014 to 5.58 per cent in February 2014 following an increase in the retail price of cooking gas.*

CHART A: SUMMARY REPORT ON GENERAL INFLATION


Source: Central Bank of Kenya

Monetary Policy Operations

The money market liquidity increased during the week ending March 5, 2014 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. 321.3 billion during the week and was KSh. 0.2 billion above 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-Feb-14	302.1	321.8	-19.7	0.0	0.0	0.0	0.0	0.0	301.7	-20.1	-0.3	-19.9
28-Feb-14	304.7	321.8	-17.1	0.0	0.0	0.0	0.0	0.0	315.1	-6.7	12.5	-19.1
03-Mar-14	330.3	320.6	9.7	0.0	0.0	0.0	0.0	0.0	331.3	10.7	27.6	-16.9
04-Mar-14	331.1	320.6	10.5	0.0	0.0	0.0	0.0	0.0	331.5	10.9	25.8	-15.0
05-Mar-14	336.4	320.6	15.8	19.3	10.0	0.0	-9.3	0.0	326.8	6.2	20.9	-14.7
Average	320.9	321.1	-0.2	3.9	2.0	0.0	-1.9	0.0	321.3	0.2	17.3	-17.1

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased by 59.6 basis points to 7.52 percent during the week ending March 5, 2014 from 8.12 percent in the previous week. The average interbank volume transacted decreased to KSh. 11.2 billion in the week ending March 5, 2014 from KSh. 16.4 billion the previous week, while the average number of deals decreased to 42 from 66 (Table 2 and Chart A).

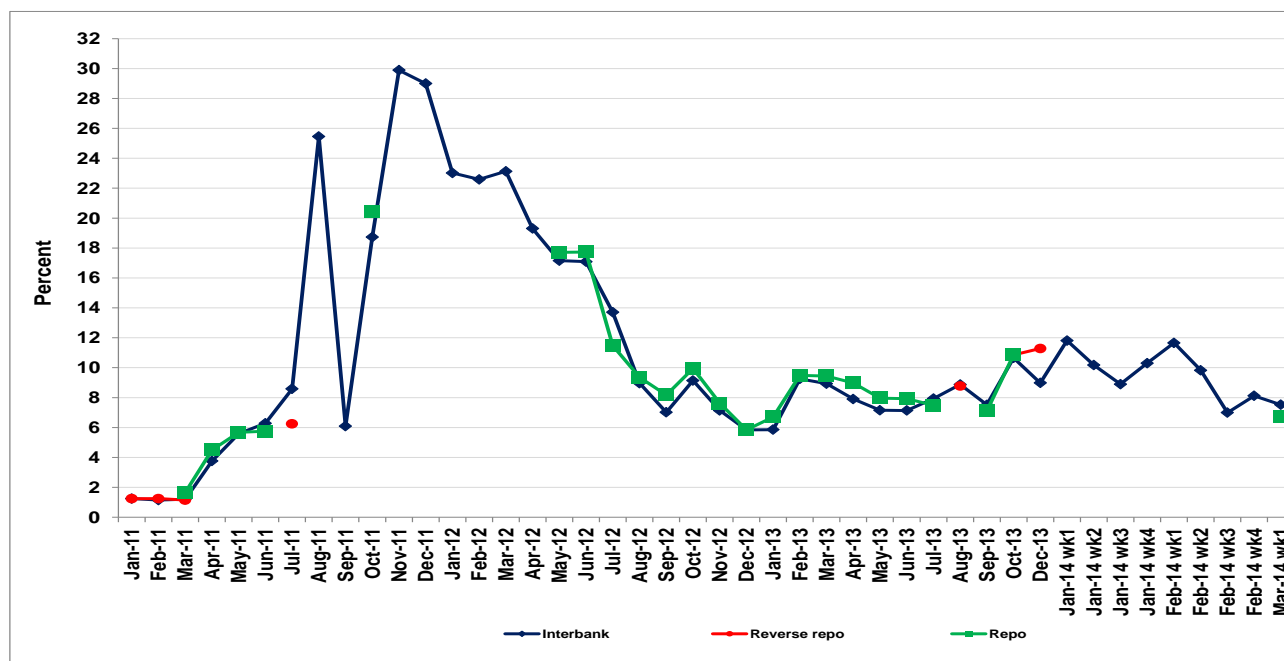
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
February 13 - February 19, 2014	65	16,648	6.99
20-Feb-14	71	16,665	7.42
21-Feb-14	74	18,895	7.88
24-Feb-14	61	17,060	8.21
25-Feb-14	64	15,160	8.45
26-Feb-14	58	14,223	8.62
February 20 - February 26, 2014	66	16,401	8.12
27-Feb-14	56	14,725	8.65
28-Feb-14	54	12,975	8.45
03-Mar-14	40	10,914	7.76
04-Mar-14	29	8,383	6.77
05-Mar-14	31	9,142	5.97
February 27 - March 5, 2014	42	11,228	7.52

Source: Central Bank of Kenya

During the week ending March 5, 2014, the Central Bank mopped KSh. 10.0 billion from the interbank market at an average rate of 6.75 percent.

CHART B: STRUCTURE OF INTEREST RATES

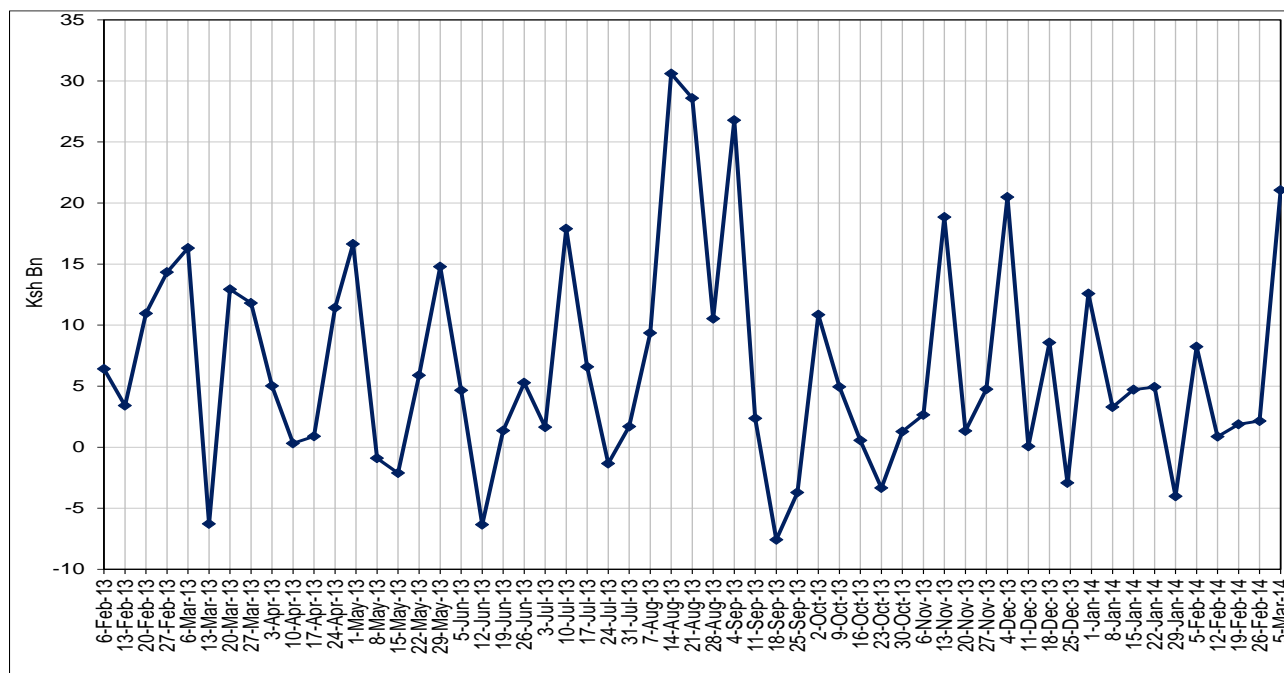


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of KSh. 21.1 billion in their settlement accounts in relation to the monthly average cash reserve requirement of 5.25 percent (KSh. 100.9 billion) at the Central Bank in the week to March 5, 2014 compared with KSh. 2.14 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 depicted mixed performance against major international currencies in the week ending February 6, 2014. The Shilling weakened against the USD, the Euro and the Japanese Yen and strengthened against the Sterling Pound and the Euro.

In the EAC region, the Kenya Shilling strengthened against the Ugandan and Burundian currencies (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
21-Feb-14	86.10	143.34	118.12	84.03	28.48	18.87	7.90	18.07
24-Feb-14	86.16	143.46	118.38	84.15	28.53	18.86	7.86	17.92
25-Feb-14	86.25	143.74	118.47	84.10	28.51	18.84	7.85	17.90
26-Feb-14	86.41	144.07	118.70	84.43	28.64	18.77	7.88	18.01
27-Feb-14	86.48	144.16	118.55	84.47	28.97	18.82	7.87	17.99
21-27 Feb 2014	86.28	143.75	118.44	84.24	28.63	18.83	7.87	17.98
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
6-Mar-14	86.53	144.58	118.76	84.17	29.12	18.81	7.82	17.98
28 Feb-06 March 2014	86.38	144.18	118.66	84.71	29.21	18.83	7.85	18.01

Source: Central Bank of Kenya

Capital Markets

Capital markets performance was mixed in the week ending March 6 2014. NSE 20 Share Index and NASI shed off 19.45 points and 0.17 of a point respectively. Market Capitalization was down 0.12 percent. Declining yields in the primary and secondary markets saw the FTSE Kenya Government Bond Index rise to 93.19 points from 91.98 points.

Equities Market

As indicated in Table 7, NSE 20 Share Index closed the week 0.40 percent lower. Similarly, NASI declined by 0.17 of a point. Market capitalization which, measures shareholders wealth, marginally declined by 0.12 per cent. However, equity turnover rose by 2.15 per cent, on account of increased volume traded. Total shares traded rose to 157.21 million.

TABLE 4: KEY WEEKLY MARKET STATISTICS

Week Ending	16-Jan-14	23-Jan-14	30-Jan-14	06-Feb-14	13-Feb-14	20-Feb-14	27-Feb-14	06-Mar-14
NASI 100= Jan 2008	140.35	142.73	139.06	137.72	137.71	137.00	141.11	140.94
NSE 20 Share Index 100=1966	5,021.07	5,063.98	4,960.99	4,843.90	4,839.52	4,806.69	4,915.85	4,896.40
Number of Deals	10,787	12,675	2,536	10,928	9,748	8,710	10,043	11,075
Total Shares Traded (millions)	146.51	136.28	209.81	151.45	132.03	113.42	143.87	157.21
Equity Turnover (Ksh. millions)	3,185.89	3,847.98	5,235.56	4,215.96	3,830.60	3,364.80	3,528.10	3,603.91
Market Capitalization (Ksh. Bn.)	1,984.30	2,022.63	1,959.96	1,941.18	1,940.87	1,908.93	1,961.41	1,959.06
Bonds Turnover (Ksh. millions)	10,751.60	11,371.20	14,093.58	11,536.20	4,992.60	3,351.98	7,988.93	7,328.30
FTSE NSE Kenya 15 Index	176.43	177.62	172.85	170.39	172.39	167.44	172.96	173.74
FTSE NSE Kenya 25 Index	178.46	179.88	174.88	172.43	174.48	170.02	175.62	176.00
FTSE NSE Bond Index	90.92	91.45	92.48	91.69	91.71	91.89	91.98	93.19

* 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, was up to 173.74 points from 172.96 points of the previous week. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, rose to 176.0 points from 175.62 points. FTSE NSE Bond Index rose to 93.19 points from 91.98 points reflecting declining yields both in primary and secondary securities' markets.

Telecommunication & Technology, Banking, and Manufacturing & Allied emerged top three most active sectors, transacting 71.78 million or 45.66 per cent, 40.0 million or 25.45 per cent, and 17.35 million or 11.0 per cent, respectively. Agricultural sector was least active with 292,400 shares traded.

The Bond Market

Bonds turnover declined by 8.3 per cent, to trade bonds worth Ksh 7,328.3 million compared with Ksh 7,988.9 million of the previous week. Corresponding deals declined to 203 from 228.

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	10,523.71	5,279.79	4,837.60	9.011		06-Mar-14
182 Day	3,000.00	11,355.03	5,497.41	5,279.50	10.227		05-Mar-14
364 Day	3,000.00	4,187.75	3,736.25	7,736.55	10.566		05-Mar-14
Sub total	9,000.00	26,066.49	14,513.45	17,853.65			
Grand total	9,000.00	26,066.49	14,513.45	17,853.65			

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	14th Feb 2014	21th Feb 2014	28th Feb 2014
1. Treasury Bills (Excluding Repos)	267.8	307.6	309.1	316.3	310.5	313.8	316.7	317.8
(As % of total securities)	26.5	27.9	27.5	27.6	27.2	27.4	27.7	27.4
2. Treasury Bonds	744.2	794.8	816.3	831.3	831.3	831.3	828.0	843.6
(As % of total securities)	73.5	72.1	72.5	72.4	72.8	72.6	72.3	72.6
3. Total Securities (1+2)	1011.9	1102.5	1,125.4	1,147.6	1,141.9	1,145.2	1,144.7	1,161.3
4. Overdraft at Central Bank	7.0	34.2	34.2	21.6	26.3	23.3	27.8	34.2
5. Other Domestic debt*	32.0	31.6	32.9	30.9	30.9	30.9	30.9	30.8
6. Gross Domestic Debt (3+4+5)	1051.0	1168.2	1,192.5	1200.1	1,199.1	1,199.3	1,203.4	1,226.4

* 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	28-Feb-14
Treasury bills (Excluding Repos)	25.5	25.9
Treasury bonds	70.8	68.8
CBK Overdraft to Govt	0.7	2.8
Other domestic debt	3.0	2.5
TOTAL	100	100.0

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	Jun-13	21-Feb-14	28-Feb-14
Banking Institutions	51.1	49.5	49.8
Insurance Companies	10.5	9.9	9.9
Parastatals	4.4	3.4	3.4
Pension funds	25.3	25.7	25.7
Other investors	8.7	11.4	11.3
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
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,176	6,165	6,149	6,143	6,119	6,201	6,169	6,187	6,203,837	6,233	6,245
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.37	4.36	4.31	4.30	4.28	4.34	4.32	4.33	4.35	4.36	4.36

*Excludes Encumbered Reserves

Source: Central Bank of Kenya