



MARCH 21, 2014

Highlights

The money market liquidity stabilized in the week ending March 19, 2014 both in average volume traded and average interbank rate in comparison to levels prevailing in the previous week. In particular, the interbank rate settled at 5.36 per cent compared with 5.32 per cent in the previous week.

The Nairobi Stock Exchange (NSE) registered mixed performance in the week ending March 20, 2014 with gains in Volume of shares traded, Equity Turnover, NASI, and Market Capitalization among other indicators, and a decline in the NSE 20 Share Index, FTSE NSE Kenya series, and Bonds turnover. The FTSE NSE Bond Index was stable.

CBK Weekly Statistical Bulletin of Key Monetary & Financial Indicators

Monetary Policy Operations

The money market liquidity stabilized in the week to March 19, 2014 following KSh 14.8 billion liquidity mop up by the Central Bank (Table 1) and a net issuance on government securities .

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) |
| 13-Mar-14 | 313.2 | 319.4 | -6.2 | 10.0 | 6.95 | 0.0 | -3.1 | 0.0 | 306.9 | -12.5 | -0.7 | -11.8 |
| 14-Mar-14 | 309.1 | 319.4 | -10.3 | 4.0 | 3.45 | 0.0 | -0.6 | 0.0 | 306.3 | -13.2 | -0.7 | -12.5 |
| 17-Mar-14 | 301.4 | 318.2 | -16.8 | 6.0 | 4.425 | 0.0 | -1.6 | 0.0 | 298.9 | -19.3 | -8.0 | -11.3 |
| 18-Mar-14 | 297.0 | 318.2 | -21.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 296.5 | -21.7 | -9.5 | -12.1 |
| 19-Mar-14 | 300.1 | 318.2 | -18.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 298.0 | -20.2 | -7.0 | -13.2 |
| Average | 304.2 | 318.7 | -14.5 | 4.0 | 3.0 | 0.0 | -1.0 | 0.0 | 301.3 | -17.4 | -5.2 | -12.2 |

Interbank and REPO Rates

The average interbank rate stabilized at 5.36 percent during the week ending March 19, 2014 from 5.32 percent in the previous week. The average interbank volume transacted reduced to KSh.10.8 billion in the week ending March 19, 2014 from KSh. 12.0 billion the previous week; while the average number of deals stabilized at 45 (Table 2).

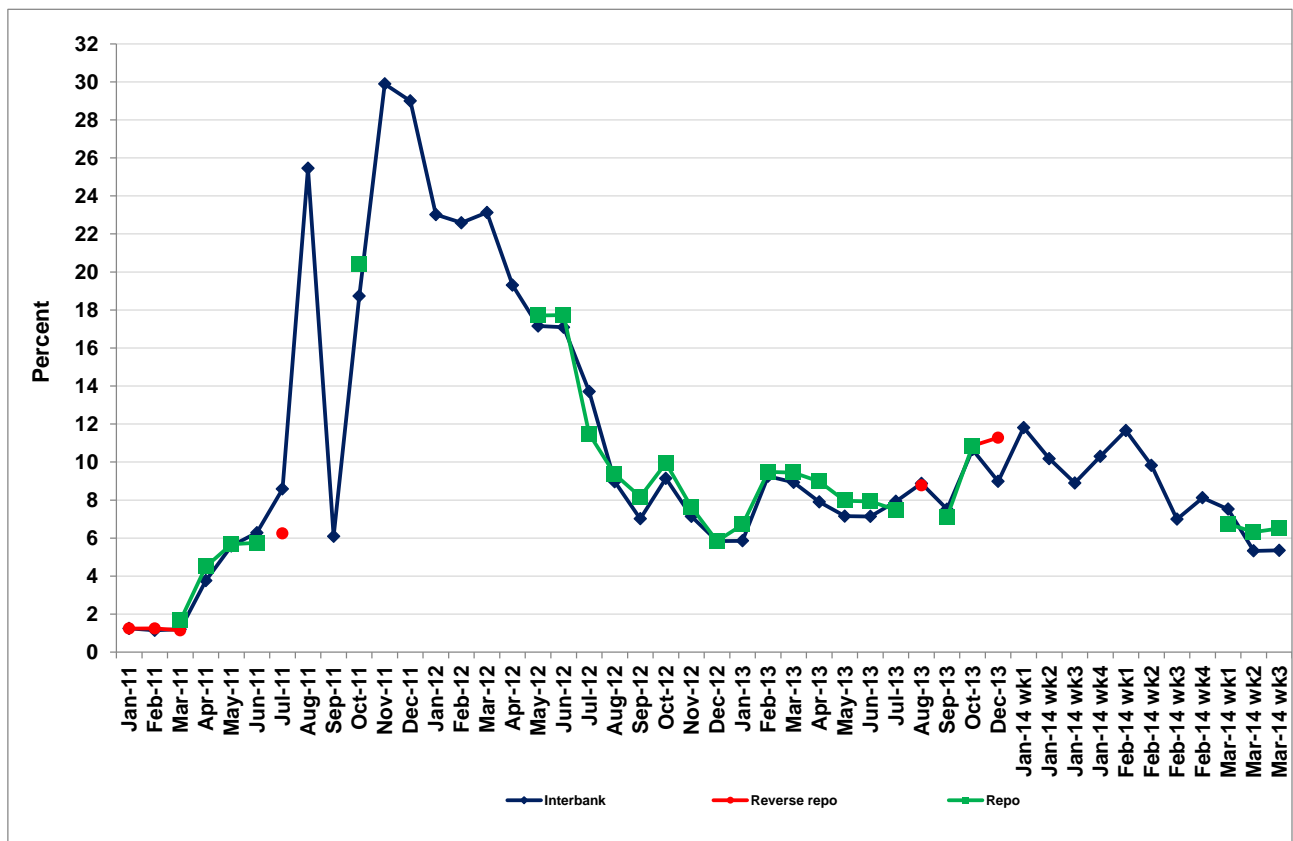
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

| Date | Number of deals | Value (Ksh M) | Average Interest Rate (%) |
|--|-----------------|---------------|---------------------------|
| 06-Mar-14 | 37 | 10,214 | 5.65 |
| 07-Mar-14 | 43 | 9,819 | 5.34 |
| 10-Mar-14 | 50 | 14,817 | 5.31 |
| 11-Mar-14 | 50 | 13,355 | 5.21 |
| 12-Mar-14 | 47 | 11,689 | 5.12 |
| March 6, 2014 - March 12, 2014 | 45 | 11,979 | 5.32 |
| 13-Mar-14 | 40 | 14,189 | 5.04 |
| 14-Mar-14 | 46 | 9,495 | 4.97 |
| 17-Mar-14 | 47 | 10,730 | 5.03 |
| 18-Mar-14 | 40 | 8,115 | 5.44 |
| 19-Mar-14 | 51 | 11,429 | 6.28 |
| March 13, 2014 - March 19, 2014 | 45 | 10,792 | 5.36 |

Source: Central Bank of Kenya

During the week ending March 19, 2014, the average repo rate increased to 6.5 percent from 6.32 percent the previous week (Chart A)

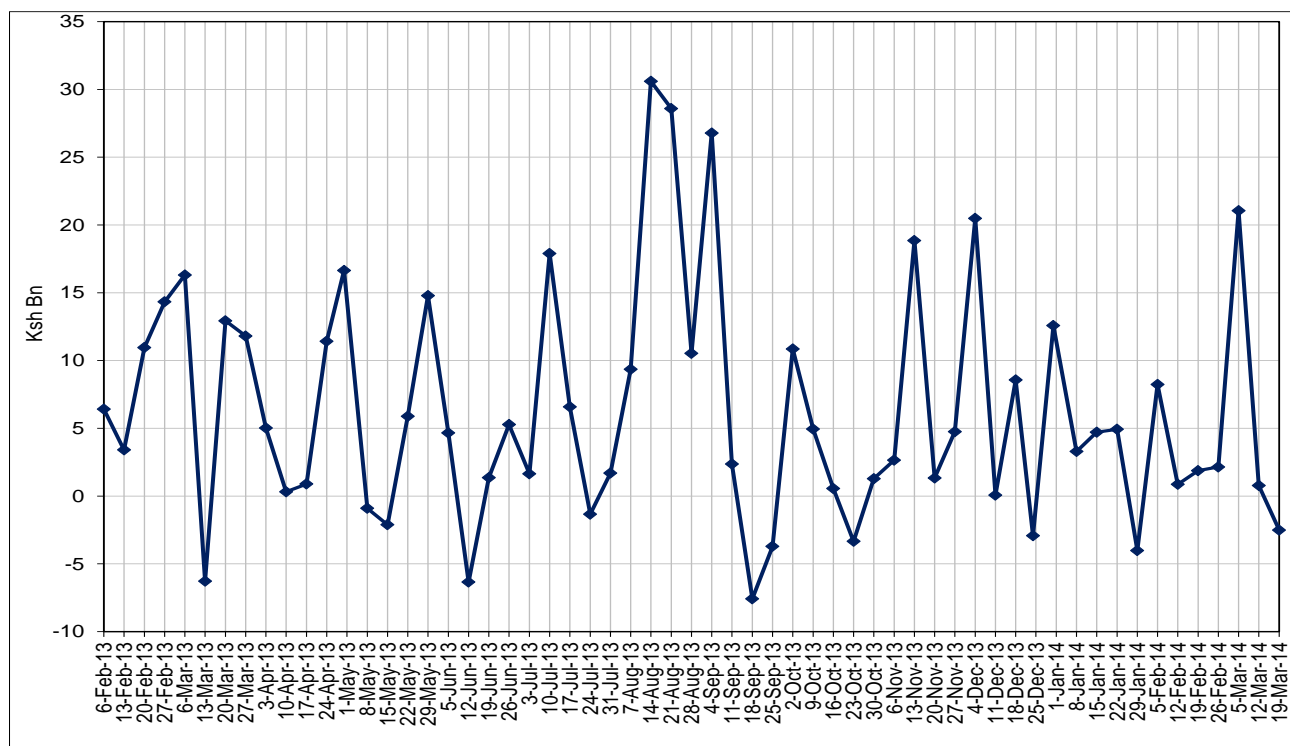
CHART A: STRUCTURE OF INTEREST RATES



Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks in the week to March 19, 2014 recorded a deficit of KSh. 2.51 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) in the week to March 19, 2014 compared with KSh. 0.8 billion recorded in the previous week (Chart B).

CHART B: 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 March 20, 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 |
| 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 |
| 7-Mar-14 | 86.52 | 144.84 | 119.92 | 84.06 | 29.05 | 18.76 | 7.84 | 17.98 |
| 10-Mar-14 | 86.51 | 144.77 | 120.08 | 83.91 | 29.08 | 18.84 | 7.84 | 17.99 |
| 11-Mar-14 | 86.48 | 143.91 | 119.91 | 83.74 | 29.14 | 18.85 | 7.85 | 17.98 |
| 12-Mar-14 | 86.39 | 143.66 | 119.73 | 83.95 | 29.11 | 18.90 | 7.88 | 18.01 |
| 13-Mar-14 | 86.44 | 143.97 | 120.43 | 84.11 | 29.10 | 18.88 | 7.84 | 18.00 |
| 07-13 March 2014 | 86.47 | 144.23 | 120.01 | 83.95 | 29.10 | 18.84 | 7.85 | 17.99 |
| 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 |

Source: Central Bank of Kenya

Capital Markets

Capital markets registered mixed performance in the week ending March 20 2014. NSE 20 Share Index lost 39.73 points but NASI gained 0.2 points. Market Capitalization rose by 0.15 per cent while equity turnover increased by 21.62 percent. Bonds segment activity was low, declining by 35.1 percent compared to last week.

Equities Market

The NSE 20 Share Index closed the week 0.80 per cent lower than the previous week. NASI however, increased by 0.13 percent and Market capitalization which, measures shareholders wealth, gained Ksh 2.9 billion. Equity turnover rose by 21.62 per cent, on account of high volume of shares traded, which rose to 130.6 million (Table 7).

TABLE 4: KEY WEEKLY MARKET STATISTICS

| Week Ending | 06-Feb-14 | 13-Feb-14 | 20-Feb-14 | 27-Feb-14 | 06-Mar-14 | 13-Mar-14 | 20-Mar-14 |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| NASI 100= Jan 2008 | 137.72 | 137.71 | 137.00 | 141.11 | 140.94 | 144.30 | 144.50 |
| NSE 20 Share Index 100=1966 | 4,843.90 | 4,839.52 | 4,806.69 | 4,915.85 | 4,896.40 | 4,980.70 | 4,940.97 |
| Number of Deals | 10,928 | 9,748 | 8,710 | 10,043 | 11,075 | 9,753 | 10,262 |
| Total Shares Traded (millions) | 151.45 | 132.03 | 113.42 | 143.87 | 157.21 | 113.37 | 130.64 |
| Equity Turnover (Ksh. millions) | 4,215.96 | 3,830.60 | 3,364.80 | 3,528.10 | 3,603.91 | 2,697.53 | 3,280.83 |
| Market Capitalization (Ksh. Bn.) | 1,941.18 | 1,940.87 | 1,908.93 | 1,961.41 | 1,959.06 | 2,005.62 | 2,008.52 |
| Bonds Turnover (Ksh. millions) | 11,536.20 | 4,992.60 | 3,351.98 | 7,988.93 | 7,328.30 | 10,128.85 | 6,574.47 |
| FTSE NSE Kenya 15 Index | 170.39 | 172.39 | 167.44 | 172.96 | 173.74 | 177.58 | 176.43 |
| FTSE NSE Kenya 25 Index | 172.43 | 174.48 | 170.02 | 175.62 | 176.00 | 179.70 | 178.65 |
| FTSE NSE Bond Index | 91.69 | 91.71 | 91.89 | 91.98 | 93.19 | 93.19 | 93.28 |

* 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

The FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, declined by 0.65 percent to 176.43 points from 177.58 points the previous week. The FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE also declined to 178.65 points from 179.70 points. The FTSE NSE Bond gained 0.09 points to 93.28 points from 93.19 points previous week reflecting stable yields.

Telecommunication & Technology, Banking, Energy and petroleum emerged top three most active sectors, transacting 51.19 million or 39.18 per cent, 44.82 million or 34.31 per cent, 10.86 million or 8.3 percent cent respectively. Agricultural sector was least active with 172,300 shares traded.

The Bond Market

The bonds' market turnover declined by 35.1 percent to Ksh 6,574.5 million from Ksh 10,128.85 million the previous week. Corresponding deals declined to 104 from 258. This could be explained by investors' preference for primary market securities. The 2-year bond issued to raise KSh 15 billion was over-subscribed by 326 percent.

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 | 1,048.37 | 1,042.95 | 1,000.75 | 8.882 | | 20-Mar-14 |
| 182 Day | 3,000.00 | 3,733.88 | 3,591.10 | 3,275.00 | 9.924 | | 19-Mar-14 |
| 364 Day | 3,000.00 | 2,744.08 | 2,744.08 | 12,322.35 | 10.379 | | 19-Mar-14 |
| Sub total | 9,000.00 | 7,526.33 | 7,378.13 | 16,598.10 | | | |
| Treasury Bonds | | | | | | | |
| 2year FXD T. Bonds | 15,000.00 | 48,910.15 | 20,000.00 | - | 10.8 | 10.8 | 19-Mar-14 |
| Sub total | 15,000.00 | 48,910.15 | 20,000.00 | - | | | |
| Grand total | 24,000.00 | 56,436.48 | 27,378.13 | 16,598.10 | | | |

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

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 | 7th Mar 2014 | 14th March 2013 |
|---------------------------------------|---------------|-------------------|------------------|------------------|-----------------|------------------|------------------|------------------|-----------------|-----------------------|
| 1. Treasury Bills (Excluding Repos) | 267.8 | 307.6 | 309.1 | 316.3 | 310.5 | 313.8 | 316.7 | 317.8 | 310.3 | 307.8 |
| (As % of total securities) | 26.5 | 27.9 | 27.5 | 27.6 | 27.2 | 27.4 | 27.7 | 27.4 | 26.9 | 26.7 |
| 2. Treasury Bonds | 744.2 | 794.8 | 816.3 | 831.3 | 831.3 | 831.3 | 828.0 | 843.6 | 843.6 | 843.6 |
| (As % of total securities) | 73.5 | 72.1 | 72.5 | 72.4 | 72.8 | 72.6 | 72.3 | 72.6 | 73.1 | 73.3 |
| 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 | 1153.9 | 1151.4 |
| 4. Overdraft at Central Bank | 7.0 | 34.2 | 34.2 | 21.6 | 26.3 | 23.3 | 27.8 | 34.2 | 33.1 | 34.2 |
| 5. Other Domestic debt* | 32.0 | 31.6 | 32.9 | 30.9 | 30.9 | 30.9 | 30.9 | 30.8 | 30.8 | 33.9 |
| 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 | 1217.9 | 1219.5 |

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

Source: Central Bank of Kenya

Source: Central Bank of Kenya

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

| | Jun-13 | 14-Mar-14 |
|----------------------------------|---------------|------------------|
| Treasury bills (Excluding Repos) | 25.5 | 25.2 |
| Treasury bonds | 70.8 | 69.2 |
| CBK Overdraft to Govt | 0.7 | 2.8 |
| Other domestic debt | 3.0 | 2.8 |
| TOTAL | 100 | 100.0 |

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

| | Jun-13 | 21-Feb-14 |
|----------------------|---------------|------------------|
| Banking Institutions | 51.1 | 49.2 |
| Insurance Companies | 10.5 | 10.0 |
| Parastatals | 4.4 | 3.4 |
| Pension funds | 25.3 | 26.0 |
| Other investors | 8.7 | 11.4 |
| Total | 100 | 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 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 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 | 6,243 | 6,244 |
| 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 | 4.35 | 5.35 |

*Excludes Encumbered Reserves

Source: Central Bank of Kenya