



MAY 2, 2014

Highlights

Overall 12-month inflation rose from 6.27 per cent in March 2014 to 6.41 per cent in April 2014. Non-food non-fuel inflation eased by 44.6 basis points from 4.97 per cent in March 2014 to 4.53 per cent in April 2014.

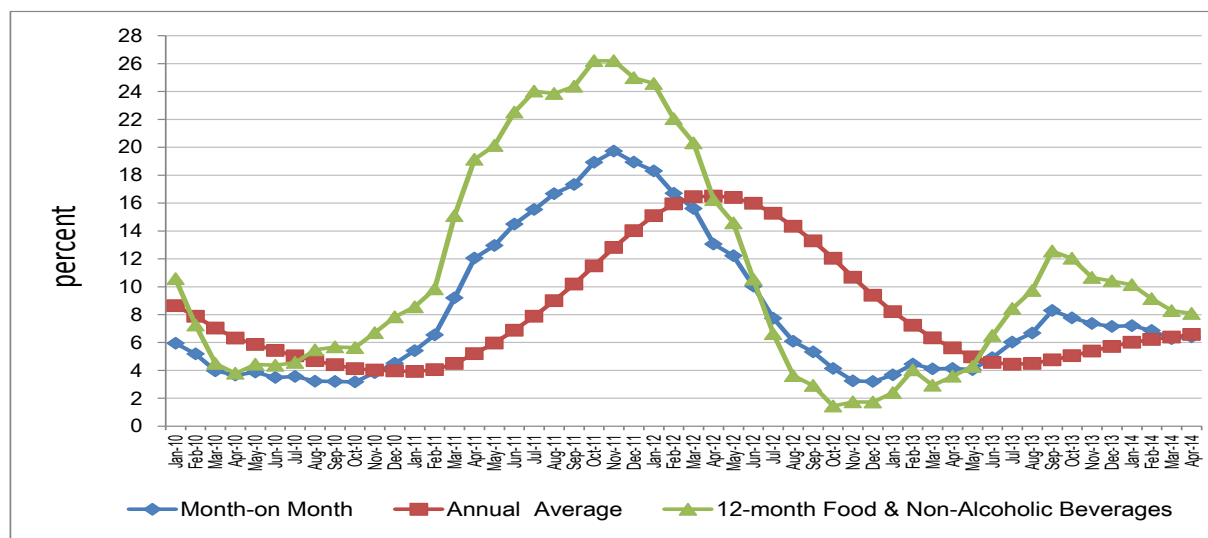
The money market was liquid in the week ending April 30, 2014 supported by Government payments and maturities of repo securities and term auction deposits (TAD). The Central Bank liquidity management sterilized net liquidity of Kshs. 12.9bn through repo securities.

The average interbank rate increased to 8.33 percent in the week ending April 30, 2014 from 7.83 percent recorded in the previous week.

The NSE recorded strong performance for the week ending April 30, 2014. All NSE indicators except Bonds turnover recorded improvement from the previous week.

Inflation

Overall 12-month inflation rose from 6.27 per cent in March 2014 to 6.41 per cent in April 2014 (**Chart A**). The increase in the overall inflation in April 2014 is attributed to higher fuel inflation. Fuel inflation rose from 4.69 per cent in March 2014 to 5.95 per cent in April 2014 reflecting a rise in the price of LPG gas and bus fares. Food inflation, however, eased from 8.06 per cent in March 2014 to 7.89 per cent in April 2014. This reflects the 12-month change in the 'food and non-alcoholic beverages' index, which declined from 8.29 per cent in March 2014 to 8.09 per cent in April 2014. The decline in non-food non-fuel inflation reflects reduced inflation across associated baskets except communication, education and miscellaneous goods and services.

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 30, 2014 supported by Government payments and maturities of repo securities and term auction deposits (TAD). The Central Bank liquidity management sterilized net liquidity of Kshs. 12.9bn through repo securities. Reserve money averaged Kshs. 307.1 billion during the week and was Kshs.15.9 billion below target (Table 1).

TABLE 1: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Reserve Money* (Projected)			OMO				Reverse Repo	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)	(10)=(9-2)	(11)	(12)
24-Apr-14	303.3	323.0	-19.6	2.0	2.0	0.0	0.0	0.0	299.2	-23.7	-8.1	-15.7
25-Apr-14	304.7	323.0	-18.3	4.0	0.1	0.0	-3.9	0.0	305.3	-17.7	-1.0	-16.7
28-Apr-14	306.5	323.0	-16.4	4.0	4.0	0.0	0.0	0.0	302.5	-20.4	-3.0	-17.5
29-Apr-14	331.6	323.0	8.7	20.0	15.6	0.0	-4.5	0.0	313.8	-9.2	7.8	-17.0
30-Apr-14	321.2	323.0	-1.8	10.0	4.3	1.1	-4.7	0.0	314.6	-8.4	8.2	-16.6
Average	313.5	323.0	-9.5	8.0	5.2	0.2	-2.6	0.0	307.1	-15.9	0.8	-16.7

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate rose to 8.33 percent in the week ending April 30, 2014 from 7.83 percent the previous week, while the volume transacted rose to Kshs. 15.2 billion from Kshs. 14.1 billion traded in the previous week. The average number of deals increased from 51 to 58 (Table 2 and Chart A).

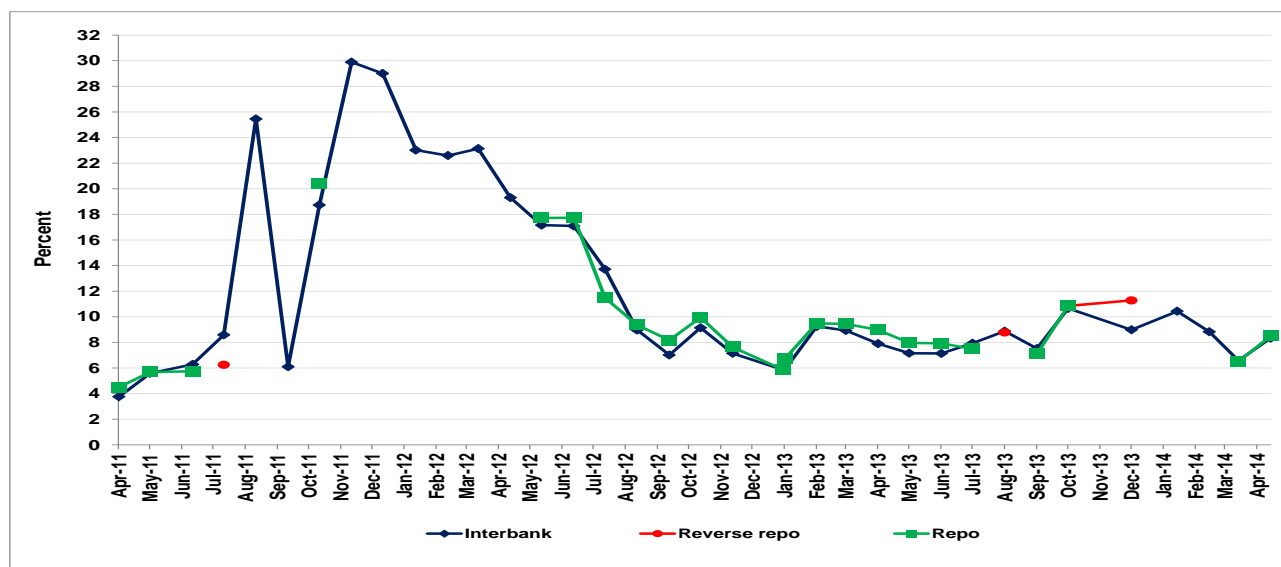
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
17-Apr-14	50	10,125	7.72
22-Apr-14	50	15,103	7.82
23-Apr-14	54	17,015	7.96
April 17, 2014 -April 23, 2014	51	14,081	7.83
24-Apr-14	64	16,937	8.09
25-Apr-14	60	17,562	8.35
28-Apr-14	55	13,808	8.41
29-Apr-14	61	15,311	8.40
30-Apr-14	52	12,345	8.42
April 24, 2014 -April 30, 2014	58	15,192	8.33

Source: Central Bank of Kenya

During the week ending April 30, 2014, the average repo rate remained largely unchanged at 8.49 percent compared with 8.43 percent recorded in the previous week.

CHART B: STRUCTURE OF INTEREST RATES

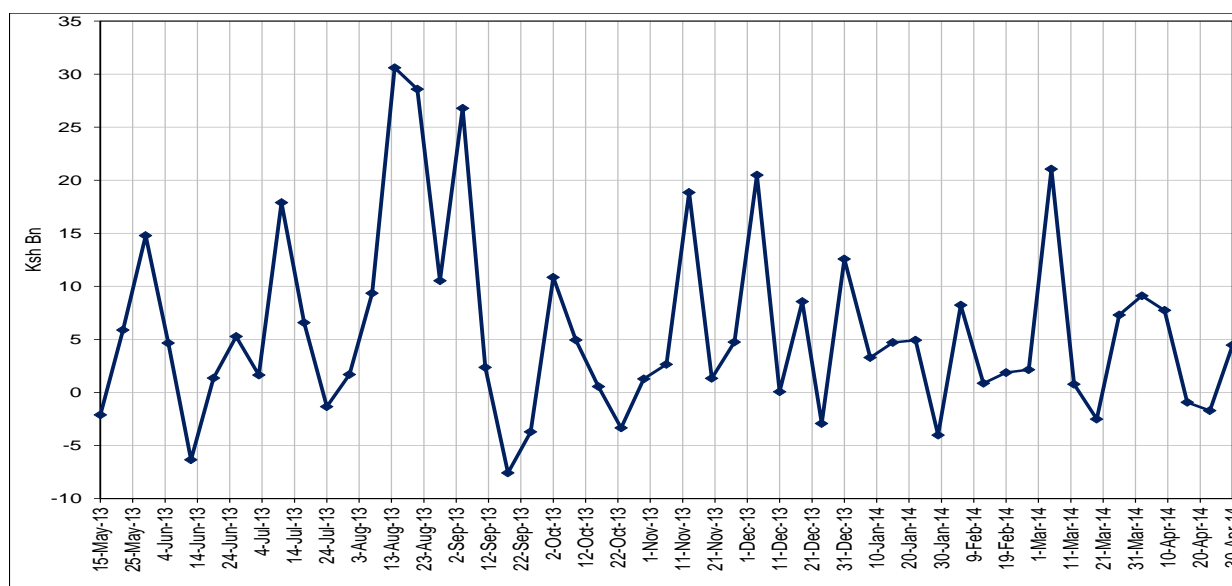


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of KSh. 4.5 billion in their settlement accounts in relation to the monthly average cash reserve requirement of 5.25 percent (KSh. 103.1 billion) at the Central Bank in the week to April 30, 2014, compared with a deficit of KSh. 1.7 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 strengthened against the US Dollar, the Pound Sterling and the Japanese Yen, but weakened marginally against the Euro during the week ending April 30, 2014. In the EAC region, the Kenya Shilling strengthened against all the EAC currencies (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
22-Apr-14	86.90	146.05	120.04	84.91	28.93	18.83	7.73	17.65
23-Apr-14	87.08	146.50	120.32	84.94	28.90	18.79	7.72	17.87
24-Apr-14	86.92	145.63	120.25	85.02	28.91	18.89	7.80	17.90
22 -24 April 2014	86.97	146.06	120.20	84.96	28.92	18.84	7.75	17.81
25-Apr-14	86.87	145.71	120.29	85.01	28.92	18.91	7.80	17.91
28-Apr-14	86.84	145.84	120.15	85.03	28.94	18.92	7.81	17.92
29-Apr-14	86.86	146.07	120.50	84.79	28.98	18.92	7.81	17.85
30-Apr-14	86.87	146.14	120.02	84.92	29.03	18.92	7.80	17.84
25 -30 April 2014	86.86	145.94	120.24	84.94	28.97	18.92	7.81	17.88

Source: Central Bank of Kenya

Capital Markets

The Capital market performance recorded improved performance in the week ending April 30, 2014. Both the NSE 20 Share Index and NASI gained 25.26 and 1.18 points respectively. Both the 15 and 25 FTSE NSE Kenya Index Series gained 3.12 per cent and 3.04 percent respectively. The FTSE NSE Bond Index gained 0.33 points. Market Capitalization added Ksh 21.08 billion, and equity turnover gained by 39.34 per cent over the previous week. Bonds turnover decreased by 19.53 percent, despite increased number of deals transacted which increased by 33.

Equities Market

The NSE 20 Share Index closed the week 25.26 basis points up, while NASI increased by 0.79 per cent compared to the previous week. Market capitalization which measures shareholders wealth gained Ksh. 21.08 billion, representing a 1.01 percent increase. Equity turnover recorded a 39.34 per cent increase, on account of a 68.07 percent increase in total shares traded (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

	20-Mar-14	27-Mar-14	3-Apr-14	10-Apr-14	16-Apr-14	24-Apr-14	30-Apr-14
NASI 100=2008	144.50	144.55	143.91	144.36	147.37	149.95	151.13
NSE 20 Share Index 100=1996	4,940.97	4,958.62	4,918.07	4,878.88	4,906.96	4,923.71	4,948.97
Number of Deals	10,262	9,902	9,103	9,406	7,604	8,710	9,972
Total Shares Traded	130.64	123.44	109.34	134.39	229.33	118.30	198.83
Equity Turnover (Ksh. Millions)	3,280.83	3,112.39	2,575.36	3,383.40	4,218.25	2,892.37	4,030.37
Market Capitalization (Ksh. Bn.)	2,008.52	2,009.42	2,000.69	2,007.02	2,048.81	2,085.00	2,106.08
Bonds Turover (Ksh. Millions)	6,574.47	7,445.43	9,040.08	12,667.60	13,497.10	12,960.20	10,429.30
FTSE NSE Kenya 15 Index	176.43	176.93	176.68	177.25	181.74	186.28	192.1
FTSE NSE Kenya 25 Index	178.65	179.02	178.84	179.25	183.84	188.19	193.92
FTSE NSE Bond Index	93.28	93.75	93.62	93.53	93.80	93.84	94.17

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, gained 5.82 points to close at 192.1 points from 186.28 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE rose to 193.92 points from 188.19 points. FTSE NSE Bond Index gained 0.33 points to close at 94.17 points from 93.84 points the previous week, reflecting stable yields at both the primary and secondary markets.

Telecommunication and Technology, Banking and Energy and Petroleum emerged the top three most active sectors, transacting 105.09 million or 52.85 per cent, 39.6 million or 19.91 per cent, 28.1 million or 14.13 percent cent respectively. The Agricultural sector was the least active with 73,200 shares traded.

The Bond Market

The bond market turnover decreased by 19.53 percent to Ksh 10,429.30 million from Ksh 12,960.20 million the previous week. Corresponding deals improved to 140 from 107 last week.

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TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS FOR APRIL 30, 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	3,538.81	2,638.85	1,614.87	8.799		30-Apr-14
182 Day	3,000.00	6,159.43	4,163.83	3,466.24	9.774		30-Apr-14
364 Day	3,000.00	2,676.37	2,402.74	5,818.20	10.112		30-Apr-14
Total	9,000.00	12,374.61	9,205.42	10,899.31			

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	Jun 2013	30th Sept 2013	27th Dec 2013	31th Jan 2014	28th Feb 2014	28th March 2014	17th April 2014	25th April 2014
1. Treasury Bills (Excluding Repos)	267.8	307.6	309.1	316.3	317.8	307.5	281.6	278.4
(As % of total securities)	26.5	27.9	27.5	27.6	27.4	26.3	24.6	24.4
2. Treasury Bonds	744.2	794.8	816.3	831.3	843.6	863.6	863.6	863.6
(As % of total securities)	73.5	72.1	72.5	72.4	72.6	73.7	75.4	75.6
3. Total Securities (1+2)	1011.9	1102.5	1,125.4	1,147.6	1,161.3	1171.1	1145.2	1142.0
4. Overdraft at Central Bank	7.0	34.2	34.2	21.6	34.2	34.2	34.2	34.2
5. Other Domestic debt*	32.0	31.6	32.9	30.9	30.8	33.8	30.6	30.6
6. Gross Domestic Debt (3+4+5)	1051.0	1168.2	1,192.5	1200.1	1,226.4	1239.0	1210.0	1206.8

* 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-Mar-14	17-Apr-14	25-Apr-14
Treasury bills (Excluding Repos)	25.5	24.8	23.3	23.1
Treasury bonds	70.8	69.7	71.4	71.6
CBK Overdraft to Govt	0.7	2.8	2.8	2.8
Other domestic debt	3.0	2.7	2.5	2.5
TOTAL	100	100.0	100.0	100.0

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	Jun-13	28-Mar-14	17-Apr-14	25-Apr-14
Banking Institutions	51.1	53.7	51.6	51.9
Insurance Companies	10.5	9.3	9.5	9.8
Parastatals	4.4	3.2	3.3	3.6
Pension funds	25.3	25.3	25.5	26.3
Other investors	8.7	8.6	10.1	8.3
Total	100	100.0	100.0	100.0

Source: Central Bank of Kenya

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

	06-Mar-14	13-Mar-14	20-Mar-14	27-Mar-14	03-Apr-14	10-Apr-14	17-Apr-14	24-Apr-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,245	6,243	6,199	6,209	6,283	6,283	6,338	6,339
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.36	4.35	4.32	4.33	4.34	4.34	4.37	4.37

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya