



**MAY 30, 2014**

### **Highlights**

*Overall 12-month inflation rose from 6.41 percent in April 2014 to 7.30 percent in May 2014. Non-food non-fuel inflation eased by 17.5 basis points from 4.53 percent in April 2014 to 4.35 percent in May 2014.*

*The money market was relatively liquid in the week ending May 28, 2014 supported by repo maturities and government payments. The Central Bank liquidity management rolled over all maturing repo bills and term auction deposits (TAD).*

*The average interbank rate decreased marginally to 7.34 percent in the week ending May 28, 2014 from 7.54 percent recorded in the previous week.*

*There was increased volatility in the Kenya shilling exchange rate during the week, mainly attributed to high demand for foreign exchange from corporates repatriating dividends and others seeking to meet end-of-month external obligations. Furthermore, inflows of foreign exchange from agriculture exports and tourism remained subdued. The Central Bank observed that this was a temporary phenomenon which is expected to normalize once the seasonal factors dissipate. The Bank therefore, sold foreign exchange and stepped up open market operations to stabilize the exchange rate.*

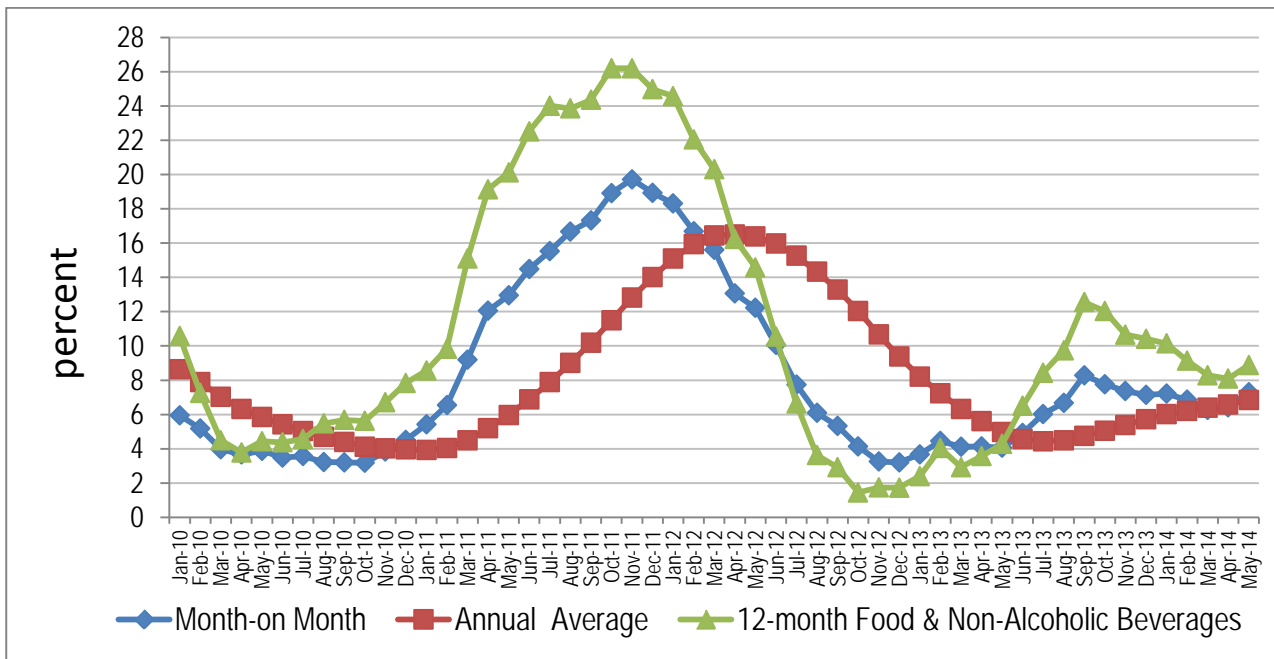
*The NSE recorded a mixed performance for the week ending May 29, 2014, with most leading market indicators on the decline. This may be attributed to market correction after the recent rally.*

### **Inflation**

Overall 12-month inflation rose from 6.41 percent in April 2014 to 7.30 percent in May 2014 (**Chart A**). The increase in the overall inflation in May 2014 is attributed to higher fuel and food inflation. Fuel inflation rose from 5.95 percent in April 2014 to 8.13 percent in May 2014 reflecting a rise in the price of electricity and diesel. Food inflation also rose from 7.89 percent

in April 2014 to 8.69 percent in May 2014. This reflects the month on month change in the ‘food and non-alcoholic beverages’ index, which rose from 8.09 percent in April 2014 to 8.89 percent in May 2014. The decline in non-food non-fuel inflation reflects reduced inflation in ‘furnishings, household equipment and routine household maintenance’ and ‘miscellaneous goods and services’ baskets.

**Chart A: Month-on-Month, Annual Average and 12 Month Food and Non-Alcoholic Beverages Inflation Rates**



**Monetary Policy Operations**

The money market was relatively liquid in the week ending May 28, 2014 supported by repo maturities and government payments. The Central Bank liquidity management rolled over all maturing repo securities and TAD. Reserve money averaged Ksh 304.2 billion during the week and was Kshs.16.3 billion below target (**Table 1**).

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

**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)
22-May-14	309.5	320.8	-11.3	6.0	6	0	0.0	0.0	299.4	-21.5	-6.5	-14.9
23-May-14	309.1	320.8	-11.7	12.0	7.05	0.2	-4.8	0.0	302.0	-18.8	-3.7	-15.1
26-May-14	299.1	320.1	-21.1	3.0	0	3.1	0.1	0.0	296.7	-23.4	-8.2	-15.2
27-May-14	300.6	320.1	-19.5	10.0	4.27	0.22	-5.5	0.0	308.9	-11.2	4.7	-15.9
28-May-14	320.6	320.1	0.5	15.0	5.15	2.75	-7.1	0.0	313.8	-6.4	9.6	-15.9
<b>Average</b>	<b>307.8</b>	<b>320.4</b>	<b>-12.6</b>	<b>9.2</b>	<b>4.5</b>	<b>1.3</b>	<b>-3.5</b>	<b>0.0</b>	<b>304.2</b>	<b>-16.3</b>	<b>-0.8</b>	<b>-15.4</b>

Source: Central Bank of Kenya

### Interbank and REPO Rates

The average interbank rate decreased marginally, to 7.34 percent in the week ending May 28, 2014 from 7.54 percent, while the volume transacted also stabilized at KSh.16.0 billion compared with Ksh 16.2 billion traded in the previous week. The average number of deals declined from 60 to 56 (**Table 2 and Chart B**).

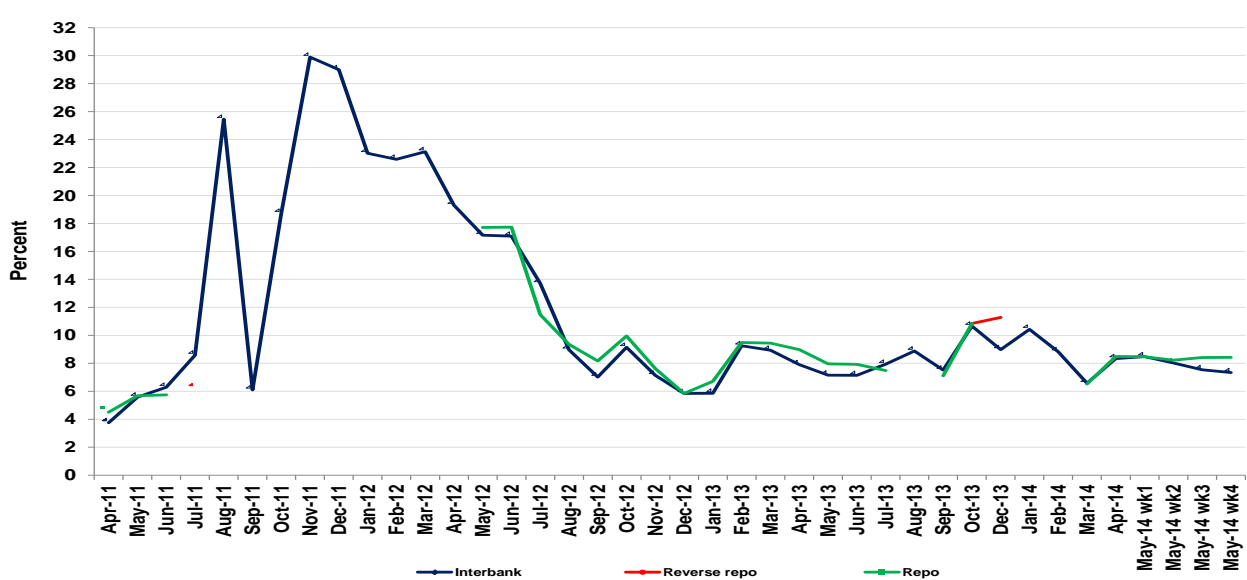
**TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES**

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
15-May-14	66	17,428	7.52
16-May-14	66	18,343	7.50
19-May-14	52	15,163	7.64
20-May-14	57	13,677	7.55
21-May-14	58	16,522	7.49
<b>May 15, 2014 -May 21, 2014</b>	<b>60</b>	<b>16,226</b>	<b>7.54</b>
22-May-14	57	15,132	7.41
23-May-14	55	16,403	7.24
26-May-14	50	10,145	7.33
27-May-14	53	18,135	7.29
28-May-14	65	20,023	7.43
<b>May 22, 2014 -May 28, 2014</b>	<b>56</b>	<b>15,967</b>	<b>7.34</b>

Source: Central Bank of Kenya

During the week ending May 28, 2014, the average repo rate increased marginally to 8.43 percent from 8.41 percent recorded in the previous week

**CHART B: INTERBANK AND REPO INTEREST RATES**

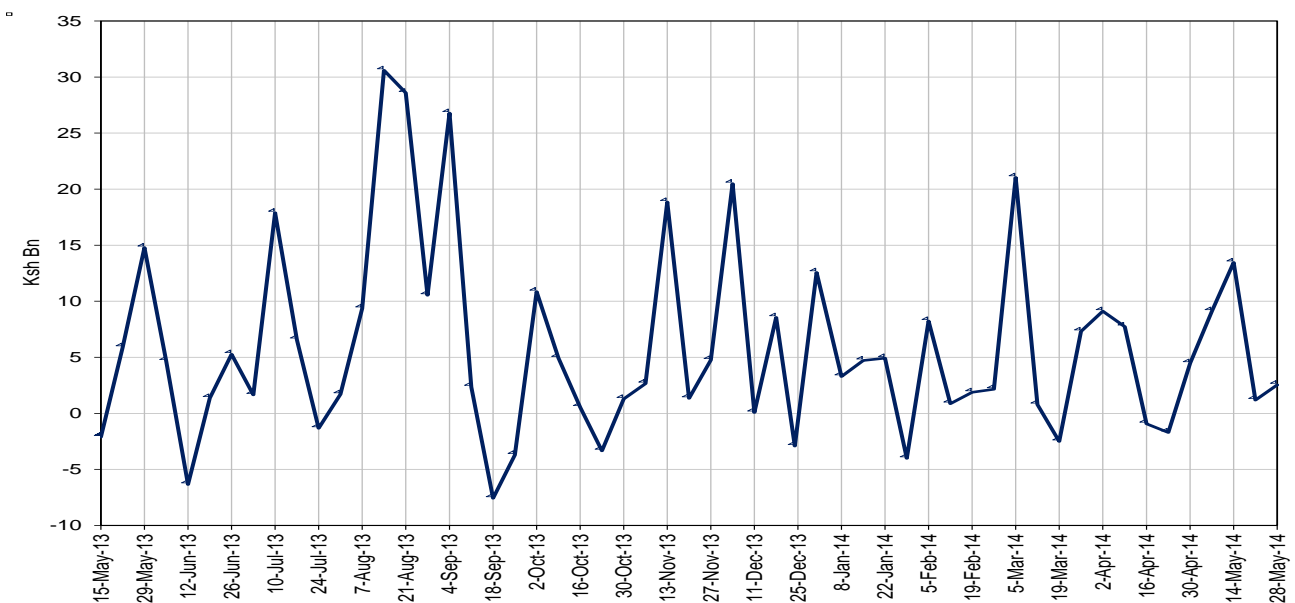


Source: Central Bank of Kenya

**Commercial Banks Clearing Account Balances**

Commercial banks recorded a surplus of KSh.2.5 billion in their settlement accounts at the Central Bank in relation to the monthly average cash reserve requirement of 5.25 percent (KSh. 105.8 billion) in the week ending May 28, 2014 compared with a surplus of Ksh 1.18 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**

There was increased volatility in the Kenya shilling exchange rate during the week, mainly attributed to high demand for foreign exchange from corporates repatriating dividends and others seeking to meet end-of-month external obligations. Furthermore, inflows of foreign exchange from agriculture exports and tourism remained subdued. The Central Bank observed that this was a temporary phenomenon which is expected to normalize once the seasonal factors dissipate. The Bank therefore, sold foreign exchange and stepped up open market operations to stabilize the exchange rate (Table 3).

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
9-15 May 2014	87.16	146.95	119.95	85.44	29.01	18.92	7.78	17.78
16-May-14	87.39	146.76	119.79	85.98	29.01	18.89	7.79	17.74
19-May-14	87.53	147.26	119.93	86.12	29.06	18.87	7.72	17.71
20-May-14	87.68	147.45	120.22	86.21	29.01	18.84	7.71	17.68
21-May-14	87.80	147.89	120.36	86.74	28.97	18.81	7.70	17.65
22-May-14	87.83	148.38	120.04	86.35	28.77	18.88	7.73	17.59
16-22 May 2014	87.65	147.55	120.07	86.28	28.97	18.86	7.73	17.67
23-May-14	87.86	148.20	119.89	86.35	28.81	18.93	7.73	17.64
26-May-14	87.83	147.97	119.67	86.18	28.82	18.93	7.73	17.65
27-May-14	87.86	148.01	119.90	86.15	28.82	18.94	7.73	17.64
28-May-14	87.84	147.65	119.72	86.15	28.89	18.94	7.73	17.64
29-May-14	87.82	146.90	119.53	86.26	28.96	18.95	7.73	17.63
23-29 May 2014	87.84	147.75	119.74	86.22	28.86	18.94	7.73	17.64

**Source: Central Bank of Kenya**

### **Capital Markets**

Equities market had mixed performance while the bond market segment declined in the week ending May 29, 2014.

#### **Equities Market**

Most equity market indices declined in the week ended May 22, 2014 compared to their level in the previous week. Market capitalization which measures shareholders wealth shed Ksh 2.99 billion while equity turnover gained 11.83 percent, despite a 20.23 percent decline in total shares traded.

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

Week Ending	10-Apr-14	16-Apr-14	24-Apr-14	30-Apr-14	08-May-14	15-May-14	22-May-14	29-May-14
NASI 100= Jan 2008	144.36	147.37	149.95	151.13	151.78	150.73	150.05	149.84
NSE 20 Share Index 100=1966	4,878.88	4,906.96	4,923.71	4,948.97	4,962.06	4,945.33	4,915.06	4,895.13
Number of Deals	9,406	7,604	8,710	9,972	11,299	12,500	10,981	10429
Total Shares Traded (millions)	134.39	229.33	118.30	198.83	196.70	215.6	225.63	179.99
Equity Turnover (Ksh. millions)	3,383.40	4,218.25	2,892.37	4,030.37	6,006.70	5,038.76	5,029.58	5624.74
Market Capitalization (Ksh. Bn.)	2,007.02	2,048.81	2,085.00	2,106.08	2,109.99	2,095.75	2,089.53	2,086.54
Bonds Turnover (Ksh. millions)	12,667.60	13,497.10	12,960.20	10,429.30	6,105.85	12,536.78	9,898.93	5610.02
FTSE NSE Kenya 15 Index	177.25	181.74	186.28	192.10	193.69	192.10	189.87	191.48
FTSE NSE Kenya 25 Index	179.25	183.84	188.19	193.92	195.64	194.50	191.73	193.28
FTSE NSE Bond Index	93.53	93.80	93.84	94.17	94.08	94.45	94.33	94.00

\* 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, gained 1.61 points to close at 191.48 points from 189.87 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, gained 1.55 points to close at 193.28 points from 191.73 points. FTSE NSE Bond Index at 94.00 points closed 0.33 points lower, reflecting stable market yields.

Telecommunication & Technology, Banking, Energy and Petroleum were the top three most active sectors, transacting 75.86 million or 42.15 percent, 53.06 million or 29.48 percent and 12.88 million or 7.15 percent, respectively. Agricultural sector was least active with 64,100 shares traded.

### The Bond Market

The bonds' market turnover declined by 43.33 percent to Ksh 5,610.02 million from Ksh 9,898.93 million of the previous week. Corresponding deals declined to 54 from 106 the previous week.

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

	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	1473.22	1473.22	1077.9	8.802		29-May-14
182 Day	3,000.00	3,455.72	3,408.21	2,667.07	9.888		28-May-14
364 Day	3,000.00	2,264.25	2,264.25	3,824.45	10.248		28-May-14
Total	9,000.00	7,193.19	7,145.68	7,569.42			

**Source: Central Bank of Kenya**

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

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

	Jun 2013	30th Sept 2013	27th Dec 2013	28th March 2014	4th April 2014	11th April 2014	17th April 2014	25th April 2014	2nd May 2014	9th May 2014	16th May 2014	23th May 2014
1. Treasury Bills (Excluding Repos)	267.8	307.6	309.1	307.5	302.8	288.7	281.6	278.4	276.7	274.6	279.3	279.0
(As % of total securities)	26.5	27.9	27.5	26.3	26.0	25.1	24.6	24.4	24.0	23.9	24.2	24.2
2. Treasury Bonds	744.2	794.8	816.3	863.6	863.6	863.6	863.6	863.6	874.7	874.7	874.7	874.7
(As % of total securities)	73.5	72.1	72.5	73.7	74.0	74.9	75.4	75.6	76.0	76.1	75.8	75.8
3. Total Securities (1+2)	1011.9	1102.5	1,125.4	1171.1	1166.3	1152.3	1145.2	1142.0	1151.4	1149.2	1153.9	1153.6
4. Overdraft at Central Bank	7.0	34.2	34.2	34.2	33.5	34.2	34.2	34.2	34.2	34.2	39.1	39.1
5. Other Domestic debt*	32.0	31.6	32.9	33.8	33.9	33.1	30.6	30.6	30.6	30.7	31.2	31.2
6. Gross Domestic Debt (3+4+5)	1051.0	1168.2	1,192.5	1239.0	1233.7	1219.6	1210.0	1206.8	1216.2	1214.1	1224.3	1223.9

\* 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**

	04-Apr-14	11-Apr-14	17-Apr-14	25-Apr-14	02-May-14	09-May-14	16-May-14	23-May-14
Treasury bills (Excluding Repos)	24.5	23.7	23.3	23.1	22.8	22.6	22.8	22.8
Treasury bonds	70.0	70.8	71.4	71.6	71.9	72.0	71.4	71.5
CBK Overdraft to Govt	2.7	2.7	2.8	2.8	2.8	2.8	3.2	3.2
Other domestic debt	2.7	2.8	2.5	2.5	2.5	2.5	2.5	2.5
<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>

**Source: Central Bank of Kenya**

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

	04-Apr-14	11-Apr-14	17-Apr-14	25-Apr-14	02-May-14	09-May-14	16-May-14	23-May-14
Banking Institutions	53.4	53.0	51.6	51.9	52.0	52.0	52.3	52.4
Insurance Companies	9.3	9.4	9.5	9.8	9.7	9.7	9.6	9.7
Parastatals	3.2	3.2	3.3	3.6	3.2	3.2	3.2	3.2
Pension funds	25.4	25.7	25.5	26.3	26.4	26.2	26.3	26.2
Other investors	8.6	8.7	10.1	8.3	8.7	8.8	8.5	8.5
<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>

**Source: Central Bank of Kenya**

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

	27-Mar-14	03-Apr-14	10-Apr-14	17-Apr-14	24-Apr-14	30-Apr-14	08-May-14	15-May-14	22-May-14	29-May-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,209	6,283	6,283	6,338	6,339	6,308	6,313	6,283	6,239	6,240
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.33	4.34	4.34	4.37	4.37	4.35	4.36	4.34	4.31	4.30

\*Excludes Encumbered Reserves

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

**Source: Central Bank of Kenya**