



NOVEMBER 7, 2014

Highlights

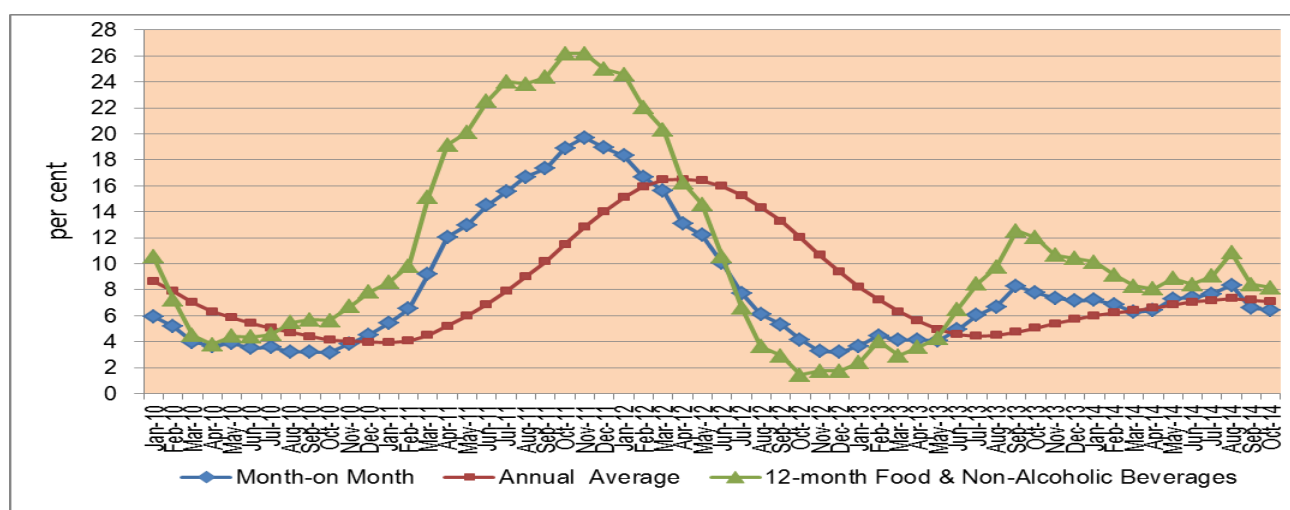
Overall 12-month inflation eased from 6.6 percent in September 2014 to 6.43 percent in October 2014. Non-food non-fuel inflation declined by 19 basis points from 3.65 percent in September 2014 to 3.46 percent in October 2014.

The money market remained fairly liquid during the week ending November 5, 2014 supported by net government payments and maturities of repos and term auction deposits (TAD). The average interbank rate increased marginally to 7.50 percent in the week ending November 5, 2014 from 7.24 percent the previous week.

The Nairobi Securities Exchange recorded mixed performance in both equity and bond segments of the market during the week ending November 6, 2014.

Inflation

Overall 12-month inflation eased from 6.6 percent in September 2014 to 6.43 percent in October 2014. (**Chart A**). The decline in the overall inflation in October 2014 is attributed to lower food and fuel inflation. Food inflation eased from 8.12 percent in September to 7.95 percent in October 2014. This reflects the 12-month change in the 'food and non-alcoholic beverages' index, which declined from 8.40 percent in September 2014 to 8.16 percent in October 2014. Fuel inflation also eased from 7.17 percent in September 2014 to 7.03 percent in October 2014 reflecting a fall in the price of electricity and transport. Non-food non-fuel inflation declined reflecting a decline in furnishings, household equipment and routine household and recreation and culture indices.

CHART A: SUMMARY REPORT ON GENERAL INFLATION


Source: Central Bank of Kenya

Monetary Policy Operations

The money market remained fairly liquid during the week ending November 5, 2014 supported by net government payments and maturities of repos and term auction deposits (TAD). Reserve money averaged KSh 350.3 billion during the week and was KSh 15.9 billion above target (Table 1).

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

	30-Oct-14	31-Oct-14	3-Nov-14	4-Nov-14	5-Nov-14	Total
Liquidity Flows						
Total liquidity injection	5.7	16.6	18.3	13.9	14.9	69.5
Repos Maturities	2.2	2.8	6.2	5.7	0.0	16.8
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	0.8	0.0	0.6	2.0	5.0	8.4
T/bills redemptions	0.0	0.0	8.7	0.0	0.0	8.7
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	2.7	13.6	2.8	3.8	9.8	32.7
Total liquidity reduction	2.3	2.1	20.2	5.9	2.1	32.6
T/bills (Primary issues)	0.0	0.0	7.7	0.0	0.0	7.7
Tbonds Sales	0.0	0.0	10.6	0.0	0.0	10.6
Repos	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	2.2	1.9	1.8	3.4	1.9	11.3
Net liquidity injection (+)/Withdrawal (-)	3.4	14.4	-1.8	8.0	12.8	36.9
Open Market Operations Outcome						
Posted Amount						
Realised Amount						
Repo (-)						
Term Auction Deposits (-)						
Reverse Repo (+)						
Reserve Money Position						
Reserve money (actual)	333.9	348.2	346.5	354.9	367.8	350.3
Reserve money target	330.6	330.6	336.9	336.9	336.9	334.4
Deviation from target	3.3	17.6	9.5	18.0	30.9	15.9
Commercial banks excess reserves Exc(+)/ Short(-)	13.0	26.5	24.4	31.0	42.3	27.4
Cash outside bank Exc(+)/ Short(-)	-9.7	-8.9	-14.9	-13.0	-11.4	-11.6

Source: Central Bank of Kenya

Interbank Rates

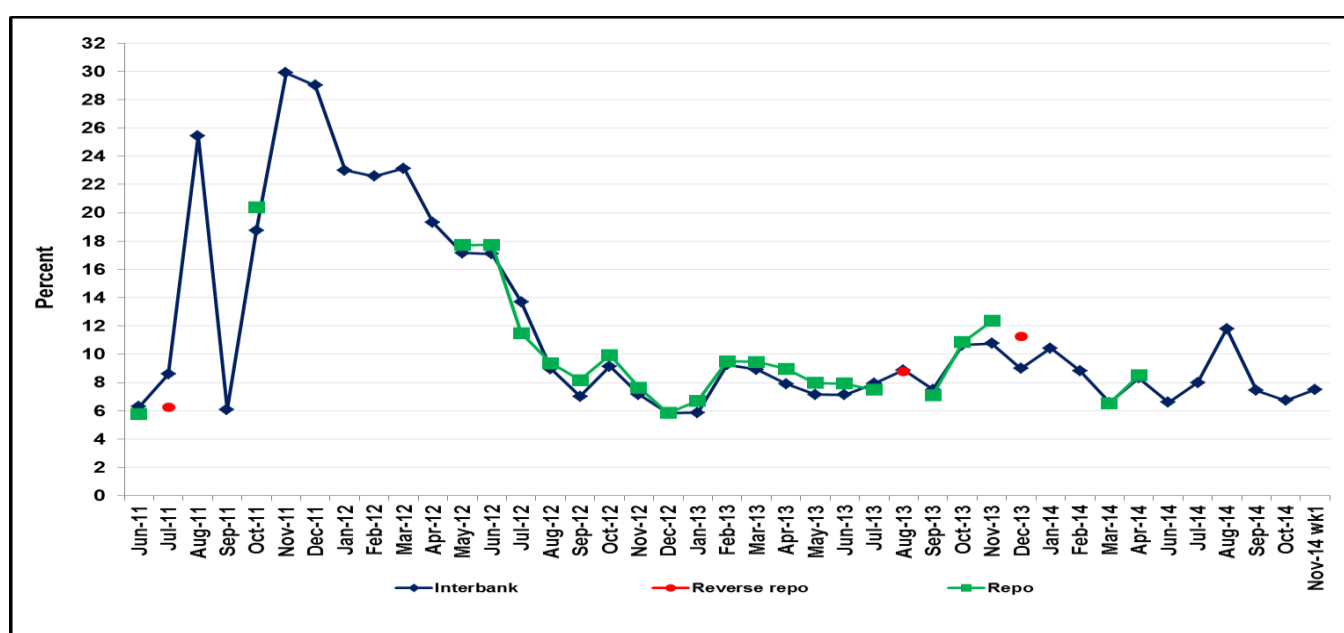
The average interbank rate increased marginally to 7.50 percent in the week ending November 5, 2014 from 7.24 percent the previous week. The volume transacted increased to KSh 20.72 billion from KSh 17.54 billion transacted in the previous week whereas the average number of deals increased from 48 to 51 deals (Table 2 and Chart A).

TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
23-Oct-14	41	16,402	7.06
24-Oct-14	53	22,988	7.13
27-Oct-14	45	17,157	7.26
28-Oct-14	51	15,750	7.29
29-Oct-14	50	15,425	7.43
October 23, 2014 - October 29, 2014	48	17,544	7.24
30-Oct-14	61	22,878	7.55
31-Oct-14	60	22,660	7.63
3-Nov-14	41	18,630	7.59
4-Nov-14	46	20,089	7.44
5-Nov-14	47	19,348	7.28
October 30, 2014 - November 5, 2014	51	20,721	7.50

Source: Central Bank of Kenya

CHART B: STRUCTURE OF INTEREST RATES

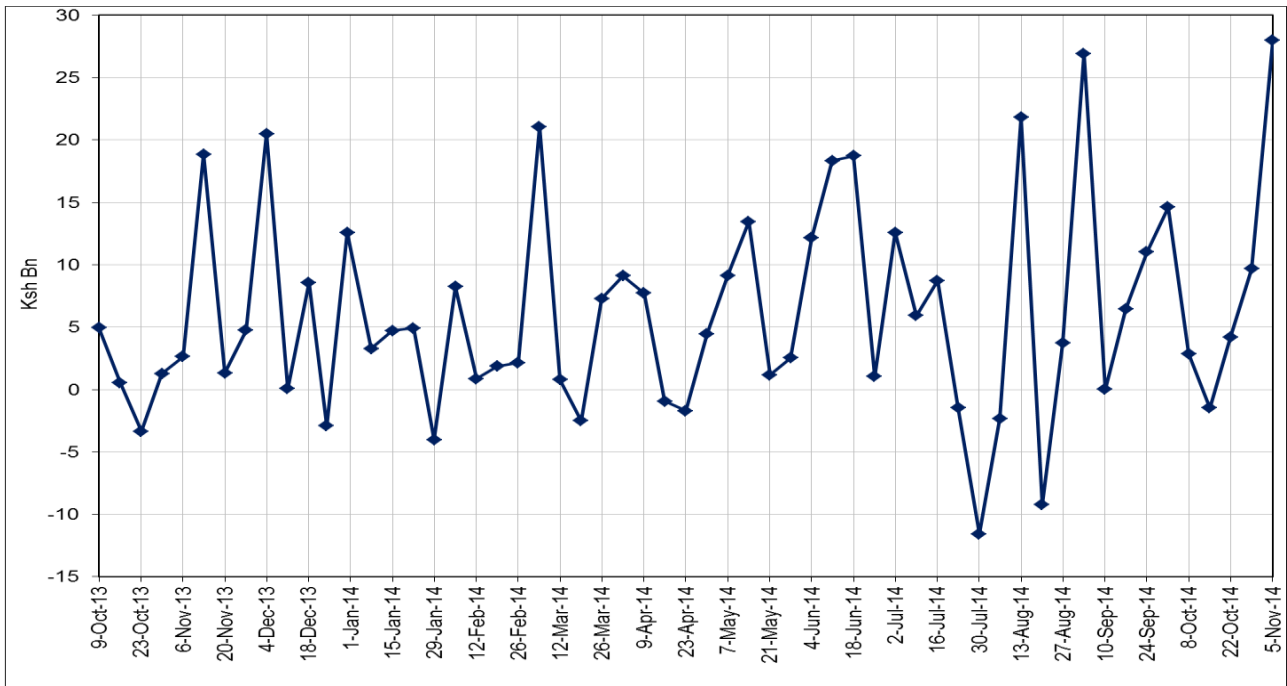


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks’ clearing account balance increased during the week ending November 5, 2014, to KSh 28.01 billion in relation to the cash reserve requirement of 5.25 percent (KSh 113.5 billion) from KSh 9.67 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 remained relatively stable against major international and regional currencies in the week ending October 23, 2014. During the week, the Shilling weakened marginally against the US dollar and the Pound Sterling and strengthened against the Euro and the Japanese Yen. In the EAC region the Kenya Shilling strengthened against the Uganda Shilling and Tanzania Shilling and Weakened against the Rwanda Franc and Burundi Franc (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
24-Oct-14	89.34	143.30	113.10	82.79	30.31	19.12	7.70	17.57
27-Oct-14	89.40	144.01	113.61	82.80	30.29	19.10	7.70	17.56
28-Oct-14	89.41	144.16	113.52	82.87	30.31	19.15	7.72	17.47
29-Oct-14	89.13	146.14	114.53	82.01	30.37	19.18	7.73	17.53
30-Oct-14	89.36	142.81	112.55	82.15	30.33	19.11	7.73	17.49
24-30 Oct 2014	89.33	144.08	113.46	82.52	30.32	19.13	7.72	17.53
31-Oct-14	89.23	143.66	113.21	82.62	30.03	18.96	7.72	17.47
3-Nov-14	89.42	142.85	111.72	79.38	30.27	19.08	7.71	17.39
4-Nov-14	89.61	143.41	112.25	79.10	30.12	19.06	7.69	17.52
5-Nov-14	89.62	143.41	112.45	78.51	30.07	19.07	7.69	17.52
6-Nov-14	89.71	143.40	112.33	78.48	30.15	19.03	7.68	17.34
31 Oct-6th Nov 2014	89.52	143.34	112.39	79.62	30.13	19.04	7.70	17.45

Source: Central Bank of Kenya

The Nairobi Securities Exchange

The equities market segment of the Exchange recorded price declines but increased volumes. All the four Equity price indices, number of deals transacted and market capitalization recorded a decline, but the volume of shares traded and equity turnover increased, reflecting more sales than purchases. Similarly, the bond market segment recorded mixed performance, with the volume traded and number of deals declining, while the average bond prices rose albeit marginally.

Equities Market

Average share prices were below the levels in the previous week, with the NSE 20 Share Index shedding 157.49 points, while the NASI lost 0.55 points in the week ending November 06, 2014 (Table 4). Equity turnover rose by 0.03 percent on account of 24.43 percent increase in volume of shares traded. Market capitalization, which measures shareholders' wealth, lost Ksh 6.54 billion.

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	25-Sep-14	2-Oct-14	9-Oct-14	16-Oct-14	23-Oct-14	30-Oct-14	6-Nov-14
NASI 100= 2008	161.92	163.63	162.42	161.10	160.86	159.68	159.13
NSE 20 Share Index 100= 1996	5,249.92	5,249.65	5,272.53	5,333.87	5,259.43	5,233.42	5,075.93
Number of Deals	20,916	15,971	12,522	17,031	9,319	12,043	10,402
Total Shares Traded	239.12	151.79	104.63	209.14	87.62	112.82	140.38
Equity Turnover (Ksh. Millions)	5,845.66	5,123.15	4,757.62	4,847.75	2,458.87	3,514.21	3,515.37
Market Capitalization (Ksh. Bn.)	2,274.48	2,308.98	2,293.43	2,262.85	2,270.06	2,254.64	2,248.10
Bonds Turover (Ksh. Millions)	4,499.23	11,423.60	5,709.00	7,960.50	3,279.26	12,440.90	10,610.58
FTSE NSE Kenya 15 Index	216.79	214.72	213.16	210.05	208.50	208.21	205.56
FTSE NSE Kenya 25 Index	216.39	214.85	213.64	212.43	208.87	207.87	205.95
FTSE NSE Bond Index	93.45	93.45	93.69	92.94	91.88	93.33	93.9

Source: Nairobi Securities Exchange

FTSE NSE Kenya Price Index Series and Most Active Sectors

The FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, closed lower at 205.56 points from 208.21 points in the previous week. Similarly, FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE declined to 205.95 points from 207.87 points. The FTSE Government Bond Index rose to 93.90 points from 93.33 in the previous week, reflecting decline in yields.

Telecommunication and Technology, Banking, and Commercial and Services sectors were the top three most active, representing 41.43 percent, 23.02 percent and 16.3 percent of the total shares traded, respectively. Agriculture sector was least active, with 160,600 shares traded in the period.

The Bond Market

The bond's turnover declined by 14.71 percent to Kshs 10,610.58 million from Kshs 12,440.90 million in the previous week. The number of deals declined to 176 from the 206 the previous week.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills						
Date of Auction	2-Oct-14	9-Oct-14	16-Oct-14	23-Oct-14	30-Oct-14	6-Nov-14
Amount offered (Ksh M)	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00
Bids received (Ksh M)	3,614.81	1,257.88	2,719.57	639.08	458.49	11,117.40
Amount Accepted (Ksh M)	3,307.19	1,252.99	2,472.19	639.08	458.49	3,643.06
Maturities (Ksh M)	5,008.55	4,469.92	2,782.45	768.00	2,975.30	909.31
Average interest Rate (%)	8.630	8.614	8.715	8.706	8.670	8.696
182-Day Treasury Bills						
Date of Auction	1-Oct-14	8-Oct-14	15-Oct-14	22-Oct-14	29-Oct-14	5-Nov-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	2642.96	1300.6	3711.46	685.15	992.92	2871.53
Amount Accepted (Ksh M)	2451.81	1300.6	2518.12	685.15	754.97	2680.41
Maturities (Ksh M)	2967.55	5937.25	5156.95	949.05	4365.25	1423
Average interest Rate (%)	8.742	8.913	8.986	9.000	9.105	9.183
364-Day Treasury Bills						
Date of Auction	1-Oct-14	8-Oct-14	15-Oct-14	22-Oct-14	29-Oct-14	5-Nov-14
Amount offered (Ksh M)	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Bids received (Ksh M)	11824.12	8649.54	11461.66	2675.90	7091.10	8171.93
Amount Accepted (Ksh M)	7363.45	8181.82	7724.80	1770.69	6511.06	7465.73
Maturities (Ksh M)	626.85	616.15	4455.5	1052.6	1766.7	2237.53
Average interest Rate (%)	10.380	10.327	10.172	10.231	10.257	10.242
Treasury Bonds						
Date of Auction	22-Oct-14			29-Oct-14		7-Jan-00
Tenor	12 Year IFB			12 yr IFB 1st TAP sale		12 yr IFB 2nd TAP sale
Amount offered (Ksh M)	15000			20000		20000
Bids received (Ksh M)	38770.34			10789.60		6991.13
Amount Accepted (Ksh M)	15805.43			10640.6		6991.13
Maturities (Ksh M)	13764.3			0.00		0.00
Average interest Rate (%)	11.263			11.263		11.263

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	5th September 2014	12th September 2014	19th September 2014	26th September 2014	3rd October 2014	10th October 2014	17th October 2014	24th October 2014	31st October 2014
1. Treasury Bills (Excluding Repos)	303.31	296.37	284.73	275.76	276.04	281.49	282.09	283.35	283.90
(As % of total securities)	24.89	24.45	23.98	23.39	23.08	23.43	23.47	23.55	23.54
2. Treasury Bonds	915.25	915.92	902.70	903.41	919.85	919.85	919.85	919.85	922.10
(As % of total securities)	75.11	75.55	76.02	76.61	76.92	76.57	76.53	76.45	76.46
3. Total Securities (1+2)	1,218.56	1,212.29	1,187.42	1,179.17	1,195.89	1,201.35	1,201.95	1,203.20	1,206.00
4. Overdraft at Central Bank	33.12	38.27	25.87	17.10	22.67	18.35	18.90	20.99	18.30
5. Other Domestic debt*	31.26	31.86	31.86	31.86	30.64	30.61	30.62	30.61	30.61
6. Gross Domestic Debt (3+4+5)	1,282.94	1,282.42	1,245.15	1,228.13	1,249.20	1,250.31	1,251.46	1,254.80	1,254.91

* 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

	5-Sep-14	12-Sep-14	19-Sep-14	26-Sep-14	3-Oct-14	10-Oct-14	17-Oct-14	24-Oct-14	31-Oct-14
Treasury bills (Excluding Repos)	23.6	23.1	22.9	22.5	22.1	22.5	22.5	22.6	22.6
Treasury bonds	71.3	71.4	72.5	73.6	73.6	73.6	73.5	73.3	73.5
CBK Overdraft to Govt	2.6	3.0	2.1	1.4	1.8	1.5	1.5	1.7	1.5
Other domestic debt	2.4	2.5	2.6	2.6	2.5	2.4	2.4	2.4	2.4
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	5-Sep-14	12-Sep-14	19-Sep-14	26-Sep-14	3-Oct-14	10-Oct-14	17-Oct-14	24-Oct-14	31-Oct-14
Banking Institutions	53.1	53.3	52.4	51.9	52.4	52.3	52.5	52.8	52.6
Insurance Companies	9.8	9.8	10.1	10.3	10.2	10.2	10.2	10.0	10.2
Parastatals	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Pension funds	25.4	25.4	25.8	25.9	25.7	25.8	25.7	25.6	25.3
Other investors	8.8	8.6	8.8	9.0	8.8	8.9	8.7	8.7	9.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

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

	18-Sep-14	25-Sep-14	2-Oct-14	9-Oct-14	16-Oct-14	23-Oct-14	30-Oct-14	6-Nov-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,348	7,248	7,160	7,143	7,097	7,090	7,089	7,035
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.85	4.78	4.72	4.71	4.68	4.68	4.68	4.59

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya