



AUGUST 7, 2015

Highlights

Overall 12-month inflation declined to 6.6 percent in July 2015 from 7.0 percent in June 2015 largely reflecting lower food inflation. Non-food non-fuel inflation rose from 4.6 percent in June 2015 to 4.7 per cent in July 2015.

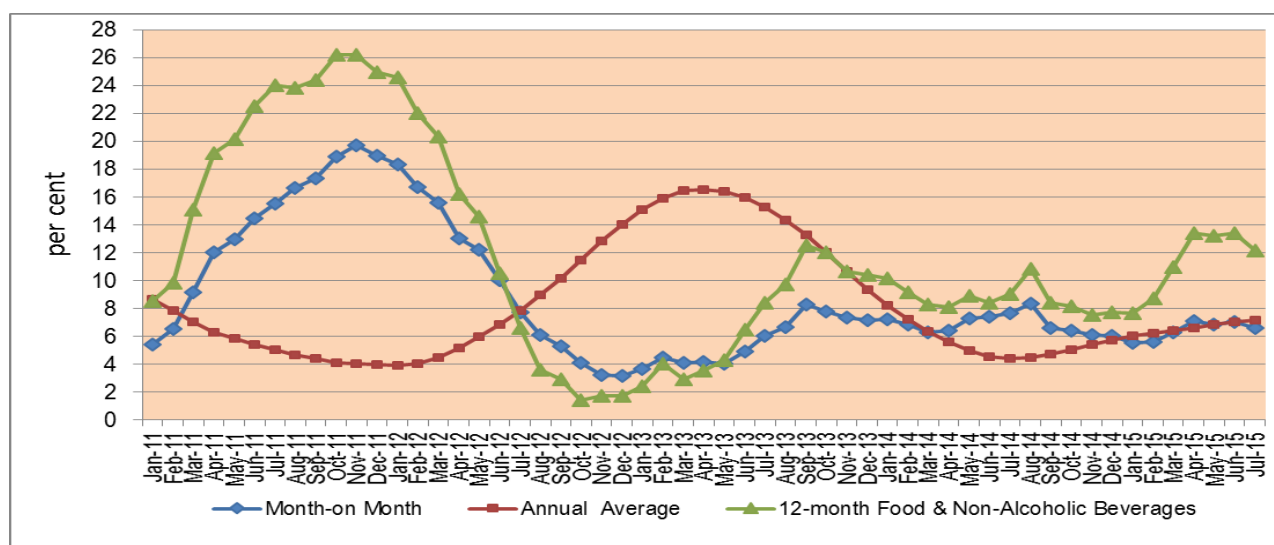
The Monetary Policy Committee retained the Central Bank Rate (CBR) at 11.5 percent in August 5, 2015, to allow previous actions to fully transmit to the economy.

Liquidity in the money market improved during the week ending August 5, 2015, boosted by government payments and TAD maturities. The average interbank rate increased to 19.8 percent in the week ending August 5, 2015 from 17.3 percent in the previous week. This increase is attributed to the tight liquidity during the cash reserve ratio cycle to August 5, 2015 and the skewed distribution of interbank liquidity.

Overall capital markets recorded mixed performance in the week ending August 6, 2015 as reflected in leading market indicators.

Inflation

Overall 12-month inflation declined to 6.62 percent in July 2015 from 7.0 percent in June 2015 (**Chart A**). This decline is largely attributed to lower food inflation. Food inflation declined to 11.4 percent in July 2015 from 12.6 percent in June 2015 due to lower prices of fresh produce. On the other hand, fuel and non-food non-fuel inflation rose from 0.2 percent and 4.63 percent, respectively in June 2015 to 0.6 percent and 4.7 percent in July 2015.

CHART A: SUMMARY REPORT ON GENERAL INFLATION


Source: Central Bank of Kenya

Monetary Policy Operations

Liquidity in the money market improved during the week ending August 5, 2015, boosted by government payments, TAD maturities, T-bond and T-bill rediscunts by banks (**Table 1**). Reserve money averaged KSh 385.4 billion during the week ending August 5, 2015 and was KSh 33.2 billion above target.

TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSH BILLION)

	30-Jul-15	31-Jul-15	3-Aug-15	4-Aug-15	5-Aug-15	Total
Liquidity Flows						
Total liquidity injection	17.1	13.4	11.4	14.3	3.2	59.4
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	3.8	0.4	5.0	7.5	1.2	17.9
T/bills redemptions	0.0	0.0	2.9	0.0	0.0	2.9
T/bills rediscunts	0.0	3.0	0.5	1.0	0.0	4.5
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds rediscunts	9.2	0.0	0.0	0.0	0.0	9.2
Govt payments	4.1	9.9	3.1	5.8	2.0	24.9
Total liquidity reduction	2.0	5.7	10.5	2.7	1.8	22.8
T/bills (Primary issues)	0.0	0.0	3.0	0.0	0.0	3.0
Tbonds Sales	0.0	0.0	0.0	0.0	0.0	0.0
T/bills/Tbonds (OMO Tap Sales)	0.0	0.0	0.0	0.0	0.0	0.0
Repos	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repos maturities	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit	0.0	0.0	5.0	0.0	0.0	5.0
Transfer from Banks -Taxes	0.6	3.0	2.4	2.7	1.8	10.4
Net liquidity injection (+)/Withdrawal (-)	15.1	7.7	1.0	11.6	1.3	36.7
Open Market Operations Outcome						
Posted Amount	5.0	11.0	11.0	11.0	3.0	41.0
Realised Amount	0.0	0.0	5.0	0.0	0.0	5.0
Repo (-)	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposits (-)	0.0	0.0	5.0	0.0	0.0	5.0
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Money Position						
Reserve money (actual)	375.0	380.9	382.6	393.6	395.0	385.4
Reserve money target	351.0	351.0	353.1	353.1	353.1	352.3
Deviation from target	24.0	29.9	29.5	40.4	41.9	33.2
Commercial banks excess reserves Exc(+)/ Short(-)	16.1	21.5	22.3	31.1	32.4	24.7
Cash outside bank Exc(+)/ Short(-)	7.9	8.5	7.2	9.3	9.4	8.5

Source: Central Bank of Kenya

Interbank Rates

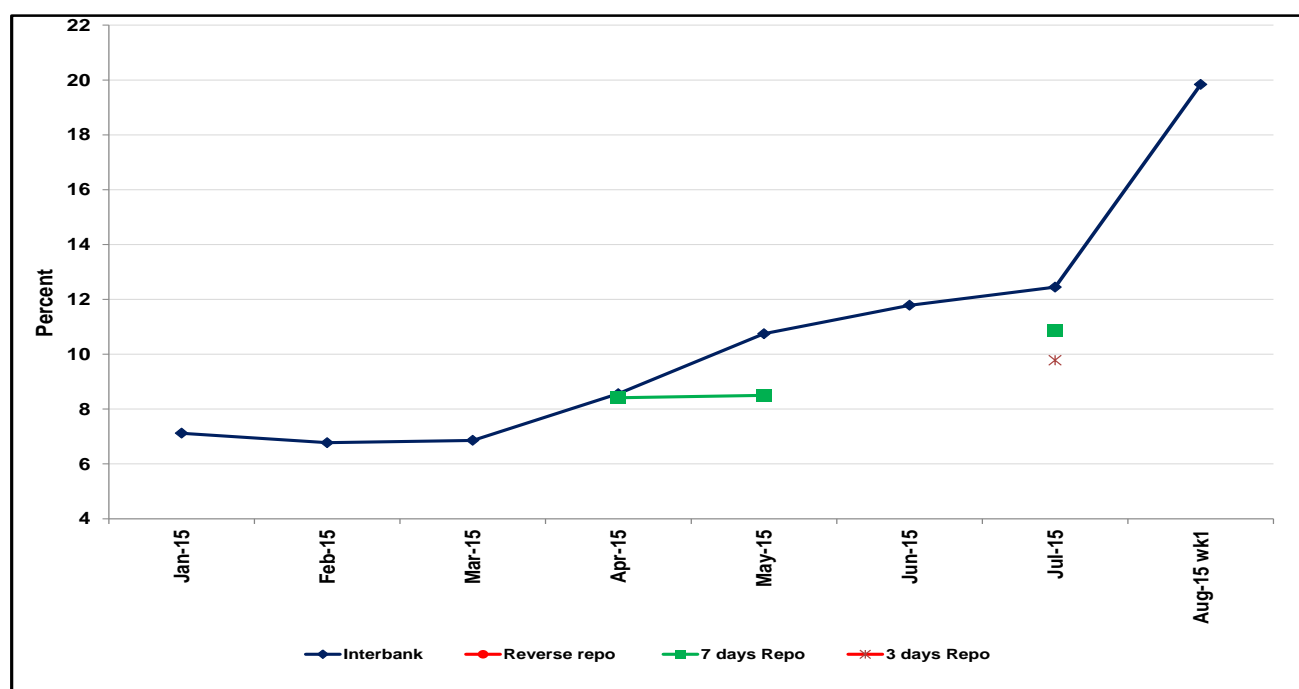
The average interbank rate increased to 19.8 percent in the week ending August 5, 2015 from 17.3 percent in the previous week. The volume transacted increased to KSh 25.8 billion from KSh 24.8 billion traded in the previous week. In the week under review, 63 deals were recorded, unchanged from the previous week's position (**Table 2 and Chart B**).

TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)
23-Jul-15	57	17,763	16.38
24-Jul-15	61	20,697	16.96
27-Jul-15	65	25,721	17.27
28-Jul-15	72	31,193	17.66
29-Jul-15	58	28,775	18.00
July 23,2015-July 29,2015	63	24,830	17.25
30-Jul-15	71	28,075	18.46
31-Jul-15	60	26,959	19.21
3-Aug-15	69	26,108	19.82
4-Aug-15	59	25,089	20.44
5-Aug-15	57	22,740	21.27
July 30,2015- August 5,2015	63	25,794	19.84

Source: Central Bank of Kenya

CHART B: STRUCTURE OF INTEREST RATES

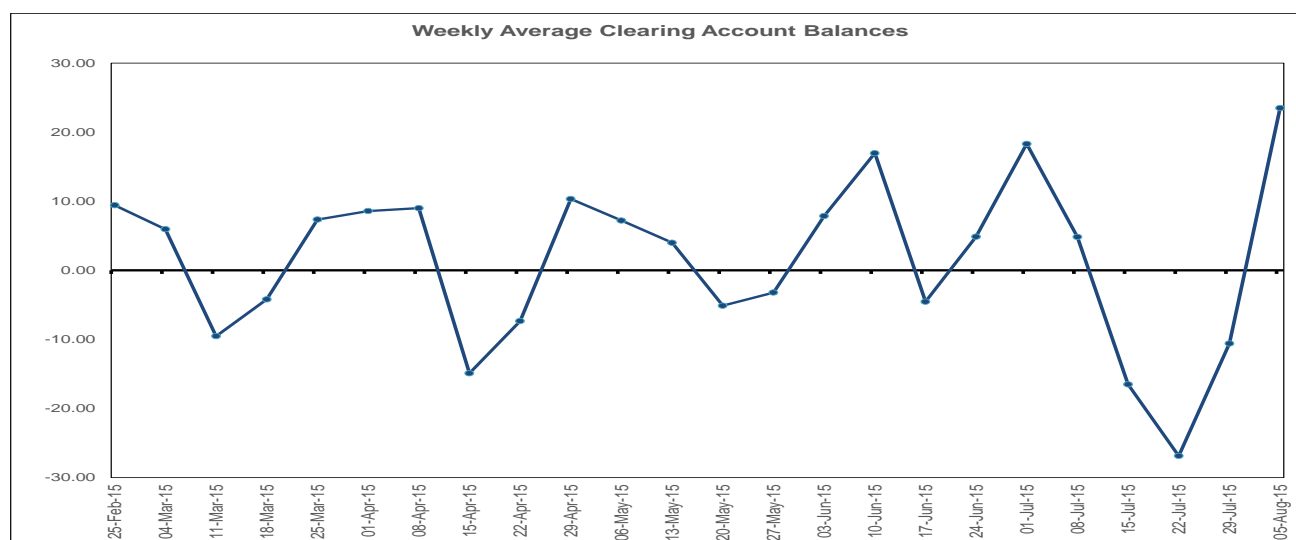


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account in the week ending August 5, 2015 increased to KSh 23.5 billion in relation to the cash reserve requirement (CRR) of 5.25 percent (KSh 131.4 billion) from a deficit of KSh 10.6 billion recorded in the previous week (**Chart C**). During the current CRR cycle, commercial banks balances have recorded an average deficit of KSh 6.24bn from July 15 through August 5, 2015.

CHART C: WEEKLY AVERAGE DEVIATION FROM CRR IN THE CLEARING ACCOUNT



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

During the week ending Aug 6, 2015, the Kenya Shilling exchange rate strengthened by 0.07, 0.85 and 0.58 per cent respectively against the US Dollar, the Euro and Japanese Yen. It however weakened by 0.18 per cent against the Pound Sterling. In the EAC region, the shilling strengthened against the Uganda and Tanzania Shillings but weakened against the Burundi and Rwanda Francs. (**Table 3**).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
24-Jul-15	100.73	156.31	110.55	81.30	33.01	20.60	7.36	16.29
27-Jul-15	101.29	157.26	111.46	82.01	32.83	20.49	7.32	15.85
28-Jul-15	102.05	158.99	113.05	82.59	33.02	20.43	7.11	15.12
29-Jul-15	102.43	159.89	113.21	83.00	33.24	20.45	6.79	15.03
30-Jul-15	101.88	158.98	111.79	82.55	33.37	20.71	6.77	15.08
24-30 Jul 2015	101.68	158.29	112.01	82.29	33.10	20.54	7.07	15.47
31-Jul-15	102.52	159.99	112.07	82.60	33.33	20.61	6.75	14.94
3-Aug-15	101.77	159.62	111.77	82.03	33.85	20.88	6.78	15.22
4-Aug-15	101.33	157.99	110.93	81.72	34.00	20.97	6.81	15.27
5-Aug-15	101.11	157.10	109.85	81.30	34.37	20.90	6.85	15.31
6-Aug-15	101.30	158.17	110.66	81.44	34.55	20.83	7.17	15.47
31 July-6 Aug 2015	101.61	158.57	111.06	81.82	34.02	20.84	6.87	15.24

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Nairobi Securities Exchange

Nairobi Securities Exchange recorded mixed performance in both equities and bond market segment.

Equities Market

The NASI and NSE 20 Share Index shed 2.99 percent and 3.05 percent respectively on account a sharp increase in shares traded in the week ending August 6, 2015. Reflecting the decline in share prices, shareholders' wealth, measured by market capitalisation edged down by 3.01 percent, attributed to depressed share prices, during the week under review (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	18-Jun-15	25-Jun-15	02-Jul-15	09-Jul-15	16-Jul-15	23-Jul-15	30-Jul-15	06-Aug-15	Wkly Change
NASI 100= 2008	162.82	162.68	162.35	159.59	156.59	154.25	150.95	146.43	-2.99%
NSE 20 Share Index 100= 1996	4,796.26	4,798.73	4,839.60	4,754.66	4,676.16	4,539.47	4,487.38	4,350.70	-3.05%
Number of Deals	7,608	8,361	8,210.00	7,495.00	6,961.00	7,489.00	6,797.00	7,751.00	14.04%
Total Shares Traded	110.72	165.29	261.36	197.32	189.10	123.65	98.96	286.63	189.64%
Equity Turnover (Ksh. Millions)	3,436.63	5,233.54	11,818.32	6,353.87	6,308.76	3,236.69	2,280.28	6,930.15	203.92%
Market Capitalization (Ksh. Bn.)	2,277.38	2,275.49	2,273.05	2,234.27	2,192.82	2,160.06	2,113.79	2,050.22	-3.01%
Bonds Turnover (Ksh. Millions)	4,070.15	524.71	3,596.31	2,441.70	732.20	1,504.51	4,088.10	9,773.41	139.07%
FTSE NSE Kenya 15 Index	216.53	215.60	212.83	209.19	208.88	205.23	197.85	190.31	-3.81%
FTSE NSE Kenya 25 Index	216.02	214.84	211.83	208.10	207.97	204.71	197.39	188.92	-4.29%
FTSE NSE Bond Index	91.77	92.03	91.79	91.80	91.79	91.80	91.68	91.58	-0.11%

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series and Most Active Sectors

FTSE NSE Kenya 15 Index and FTSE NSE Kenya 25 Index, which measure stock performance of 15 largest companies by market capitalization and 25 most liquid stocks at the NSE, closed the week 3.81 percent and 4.29 percent lower as compared to the previous week. Similarly, the FTSE Government Bond Index, recorded a decline of 0.11 percent, reflecting marginal increase in the secondary market yields.

The Telecommunication and Technology, Banking and Investment sectors were the most active, with 61.99 percent, 26.15 percent and 2.80 percent of the total shares traded, respectively. The Automobile and Accessories sector was the least active with only 5,100 shares traded.

The Bond Market

The bond market turnover increased by 139.07 percent to KSh 9,773.41 million from KSh 4,088.10 million in the previous week. This may be attributed to investors rebalancing their portfolio by divesting from equities market to bonds market which are considered safer. The number of deals increased to 148, compared to 40 deals traded the previous week.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills										
Date of Auction	04-Jun-15	11-Jun-15	18-Jun-15	25-Jun-15	02-Jul-15	09-Jul-15	16-Jul-15	23-Jul-15	30-Jul-15	06-Aug-15
Amount offered (Ksh M)	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	2,000.0	2,000.0	3,000.0	3,000.0	3,000.0
Bids received (Ksh M)	3,136.5	2,106.6	1,145.0	508.0	1,250.2	1,187.6	4,006.3	1,726.4	1,364.0	2,142.5
Amount Accepted (Ksh M)	3,136.5	2,123.2	1,071.5	508.0	1,250.2	1,184.2	3,351.5	1,243.4	871.2	688.9
Maturities (Ksh M)	1,951.6	2,460.5	601.3	1,124.0	725.6	2,443.9	1,497.5	1,062.9	366.7	1,526.5
Average interest Rate (%)	8.2	8.3	8.3	8.3	8.2	11.3	11.3	11.5	11.5	11.6
182-Day Treasury Bills										
Date of Auction	03-Jun-15	10-Jun-15	17-Jun-15	24-Jun-15	01-Jul-15	08-Jul-15	15-Jul-15	22-Jul-15	29-Jul-15	05-Aug-15
Amount offered (Ksh M)	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	199.2	412.3	243.0	2,524.2	1,176.8	1,218.4	2,158.8	1,063.1	864.7	721.1
Amount Accepted (Ksh M)	198.2	412.3	243.0	2,524.2	1,176.8	750.1	2,099.4	600.0	402.7	212.6
Maturities (Ksh M)	903.1	1,206.8	1,139.7	1,583.6	2,554.3	4,302.4	4,132.5	3,432.7	1,528.4	4,402.8
Average interest Rate (%)	10.5	10.5	10.6	10.6	11.3	12.1	12.2	12.4	11.9	11.8
364-Day Treasury Bills										
Date of Auction	03-Jun-15	10-Jun-15	17-Jun-15	24-Jun-15	01-Jul-15	08-Jul-15	15-Jul-15	22-Jul-15	29-Jul-15	05-Aug-15
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	269.6	956.5	510.9	533.7	66.4	322.3	757.3	769.7	2,146.7	6,955.3
Amount Accepted (Ksh M)	269.6	956.5	510.9	532.7	66.4	322.3	757.3	342.1	1,719.2	5,132.7
Maturities (Ksh M)	2,262.5	3,018.9	1,598.5	1,026.9	3,484.9	2,312.1	3,656.3	4,088.1	1,149.0	5,522.3
Average interest Rate (%)	10.8	11.1	11.1	11.1	11.0	11.1	12.5	13.0	13.5	13.1
Treasury Bonds										
Date of Auction	24-Jun-15									
Tenor	2 Year FXD (Re-open)			5 Year FXD (Re-open)		5 Year FXD				
Amount offered (Ksh M)	20,000.0			15,000.0						
Bids received (Ksh M)	8,545.8			8,302.0		12,899.2				
Amount Accepted (Ksh M)	7,194.6			5,566.4		11,997.0				
Maturities (Ksh M)	0.0			0.0		0.0				
Average interest Rate (%)	12.6			13.2		14.3				

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	29th May 2015	5th June 2015	12th June 2015	19th June 2015	26th June 2015	3rd July 2015	10th July 2015	17th July 2015	24th July 2015	31st July 2015
1. Treasury Bills (Excluding Repos)	334.17	324.72	323.29	320.23	318.80	318.82	314.64	308.05	305.26	298.86
(As % of total securities)	24.62	24.10	24.01	23.84	23.76	23.54	23.30	22.91	22.76	22.19
2. Treasury Bonds	1022.95	1022.95	1022.95	1022.95	1022.95	1035.71	1035.71	1036.71	1035.71	1048.17
(As % of total securities)	75.38	75.90	75.99	76.16	76.24	76.46	76.70	77.09	77.24	77.81
3. Total Securities (1+2)	1,357.12	1,347.67	1,346.24	1,343.18	1,341.75	1,354.53	1,350.35	1,344.76	1,340.96	1,347.03
4. Overdraft at Central Bank	21.09	31.81	31.14	34.86	36.38	34.98	39.30	37.73	32.12	41.68
5. Other Domestic debt*	29.52	29.54	29.61	29.60	29.62	29.04	29.05	28.27	29.27	29.27
6. Gross Domestic Debt (3+4+5)	1,407.73	1,409.03	1,406.99	1,407.64	1,407.75	1,418.55	1,418.69	1,410.76	1,402.35	1,417.99

* 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

	05-Jun-15	12-Jun-15	19-Jun-15	26-Jun-15	03-Jul-15	10-Jul-15	17-Jul-15	24-Jul-15	31-Jul-15
Treasury bills (Excluding Repos)	23.0	23.0	22.7	22.6	22.5	22.2	21.8	21.8	21.1
Treasury bonds	72.6	72.7	72.7	72.7	73.0	73.0	73.5	73.9	73.9
CBK Overdraft to Govt	2.3	2.2	2.5	2.6	2.5	2.8	2.7	2.3	2.9
Other domestic debt	2.1	2.1	2.1	2.1	2.0	2.0	2.0	2.1	2.1
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 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	05-Jun-15	12-Jun-15	19-Jun-15	26-Jun-15	03-Jul-15	10-Jul-15	17-Jul-15	24-Jul-15	31-Jul-15
Banking Institutions	56.2	56.1	56.1	56.1	55.9	55.9	57.1	57.1	57.0
Insurance Companies	8.9	8.9	8.9	8.9	9.0	9.0	9.1	9.1	9.2
Parastatals	3.3	3.4	3.4	3.4	3.4	3.4	3.5	3.5	3.5
Pension funds	24.7	24.8	24.8	24.7	24.9	24.9	24.9	25.1	25.3
Other investors	6.9	6.9	6.8	6.8	6.8	6.8	5.5	5.2	5.0
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)

	04-Jun-15	11-Jun-15	18-Jun-15	25-Jun-15	02-Jul-15	09-Jul-15	16-Jul-15	23-Jul-15	30-Jul-15	06-Aug-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,735	6,735	6,788	6,720	6,658	6,623	6,545	6,448	6,434	6,400
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.26	4.26	4.29	4.25	4.21	4.19	4.14	4.08	4.07	4.06

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya