



DECEMBER 31, 2015

Highlights

Overall 12-month inflation rose to 8.0 percent in December 2015 from 7.3 percent in November 2015. Non-food non-fuel inflation also increased to 5.6 percent in December 2015 from 4.8 percent in November 2015.

The money market was relatively liquid during the week ending December 30, 2015 mainly supported by government payments. These inflows were partly offset by withdrawals through Open Market Operations (OMO) through Repos and tax remittances by commercial banks. The average interbank rate rose to 6.75 percent in the week ending December 30, 2015 from 5.26 percent in the previous week.

The capital markets showed mixed performance in the week ending December 30, 2015 as reflected in the leading market indicators.

Inflation

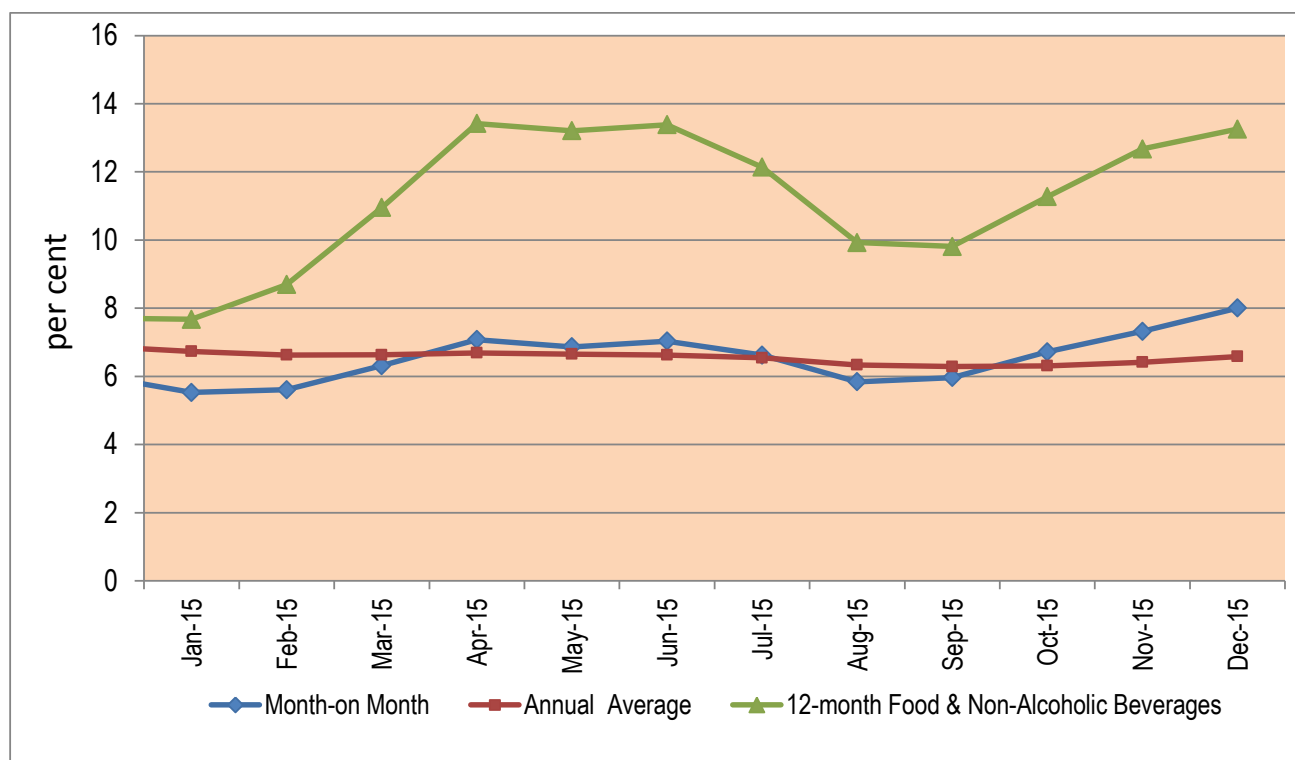
Overall 12-month inflation rose to 8.0 percent in December 2015 from 7.3 percent in November 2015 (**Chart A**). This increase is largely attributed to non-food-non-fuel and food inflation.

Non-food non-fuel inflation rose by 88 basis points to 5.6 percent in December 2015 from 4.8 percent in November 2015, as a result of the revision of excise duty in December 2015 that saw the prices of beer and cigarettes increase significantly. The average price per 500ml of beer increased by 14.4 percent to KSh 155.66 in December 2015 from KSh 136.08 in November 2015, while the average price of cigarettes increased by 22.6 percent to KSh 121.18 from KSh 98.82 in the period under review.

Food inflation rose to 12.4 percent in December 2015 from 11.8 percent in November 2015, due to increases in the prices of several food items. The average retail price per kilogram of tomatoes increased by 16.8 percent to KSh 125.60 in December 2015 from KSh 107.56 in November 2015, while the price per kilogram of avocados increased by 5.7 percent to KSh 52.93 from Ksh 50.07 during the period under review.

Fuel inflation rose to 2.9 percent from 2.3 percent, occasioned by increases in average monthly matatu and country bus fares by 3.4 percent and 2.0 percent, respectively.

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



Source: Central Bank of Kenya

Monetary Policy Operations

The money market was relatively liquid during the week ending December 30, 2015 mainly supported by government payments. These inflows were partly offset by withdrawals through Open Market Operations (OMO) through Repos and tax remittances by commercial banks. Reserve money averaged KSh 402.6 billion during the week ending December 30, 2015 and was KSh 4.6 billion below target (**Table 1**).

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

	24-Dec-15	28-Dec-15	29-Dec-15	30-Dec-15	Total
Liquidity Flows					
Total liquidity injection	14.1	32.5	2.5	12.8	61.9
Repos Maturities	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.0	6.5	0.0	5.1	11.6
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	9.3	0.0	0.0	9.3
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0
T/bonds Interest	0.0	5.4	0.0	0.0	5.4
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0
Govt payments	14.1	11.4	2.5	7.7	35.6
Total liquidity reduction	5.6	21.0	21.1	9.4	57.0
T/bills (Primary issues)	0.0	10.3	0.0	0.0	10.3
Tbonds Sales	0.0	0.0	0.0	0.0	0.0
T/bills/Tbonds (OMO Tap Sales)	0.0	4.0	0.0	0.0	4.0
Repos	0.0	0.0	19.8	0.0	19.8
Reverse Repos maturities	0.0	4.6	0.0	6.8	11.4
Term Auction Deposit	0.0	0.0	0.2	0.0	0.2
Transfer from Banks -Taxes	5.5	1.8	1.0	2.2	10.6
Net liquidity injection (+)/Withdrawal (-)	8.5	11.5	-18.6	3.4	4.9
Open Market Operations Outcome					
Posted Amount	0.0	3.0	20.0	7.0	30.0
Realised Amount	0.0	6.5	20.0	5.1	31.6
Repo (-)	0.0	0.0	19.8	0.0	19.8
Term Auction Deposits (-)	0.0	0.0	0.2	0.0	0.2
Reverse Repo (+)	0.0	6.5	0.0	5.1	11.6
Reserve Money Position					
Reserve money (actual)	400.4	414.3	395.5	400.1	402.6
Reserve money target	398.0	398.0	398.0	398.0	398.0
Deviation from target	2.4	16.3	-2.5	2.1	4.6
Commercial banks excess reserves Exc(+)/ Short(-)	28.6	41.6	24.5	31.1	31.5
Cash outside bank Exc(+)/ Short(-)	-26.3	-25.3	-27.0	-29.0	-26.9

Activity in the Interbank Rates

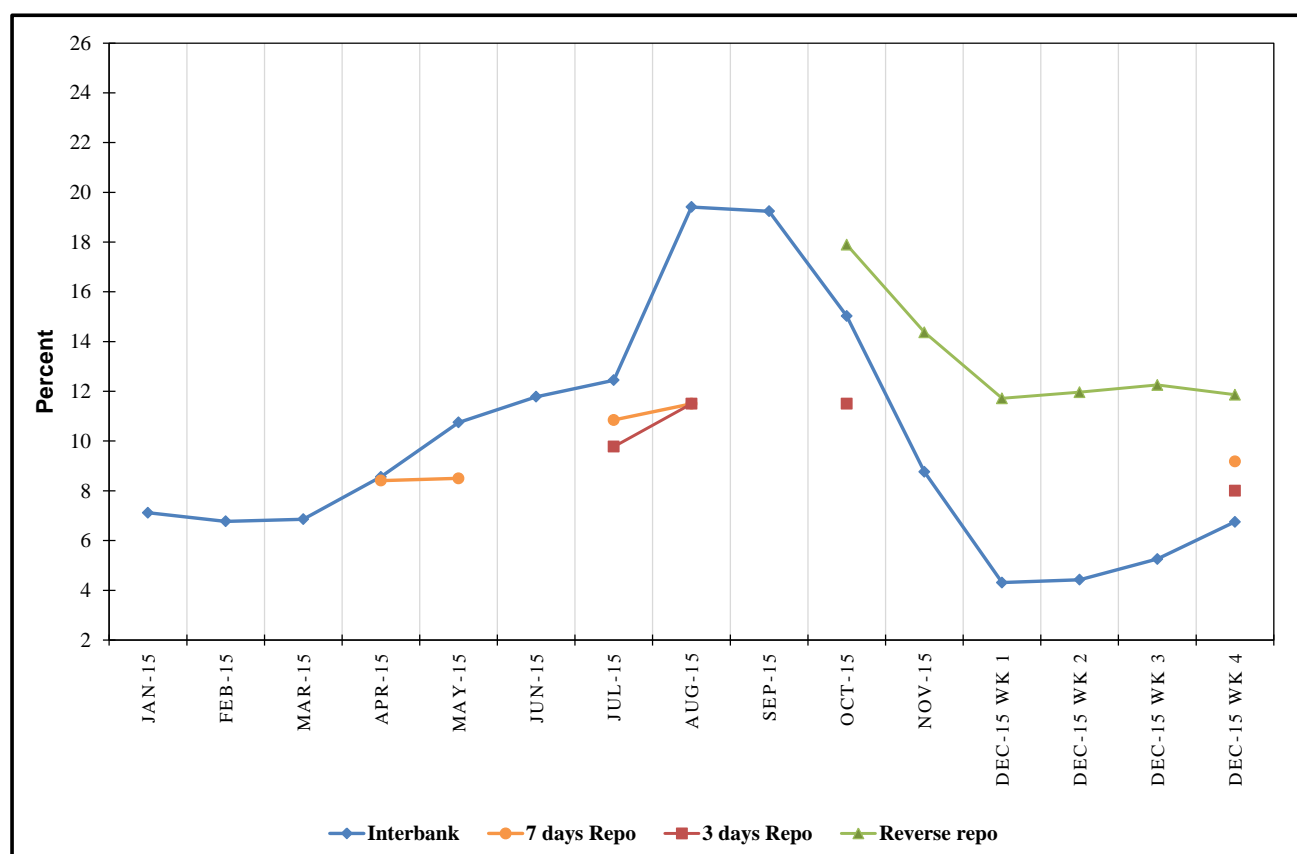
The average interbank rate rose to 6.75 percent in the week ending December 30, 2015 from 5.26 percent in the previous week. The volumes transacted in the interbank money market declined to KSh 18.52 billion from KSh 19.54 billion traded in the previous week, with the number of deals decreasing to 42 deals from 46 deals. The reverse repo purchases traded at a lower average rate of 11.86 percent in the week ending December 30, 2015 compared to 12.26 percent in the previous week (Table 2 and Chart B).

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TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	7 days Average Repo Rate (%)	3 days Average Repo Rate (%)	Reverse Repo Rate (%)
17-Dec-15	41	18,449	4.77			
18-Dec-15	49	24,684	4.73			12.30
21-Dec-15	39	15,254	5.08			
22-Dec-15	51	18,589	5.61			
23-Dec-15	48	20,724	6.08			12.22
December 17, 2015-December 23, 2015	46	19,540	5.26			12.26
24-Dec-15	48	26,294	6.45			
28-Dec-15	40	13,229	7.65			11.83
29-Dec-15	39	16,960	6.73	9.18	8.00	
30-Dec-15	39	17,585	6.17			11.90
December 24, 2015-December 30, 2015	42	18,517	6.75	9.18	8.00	11.86

CHART B: STRUCTURE OF SHORT-TERM INTEREST RATES

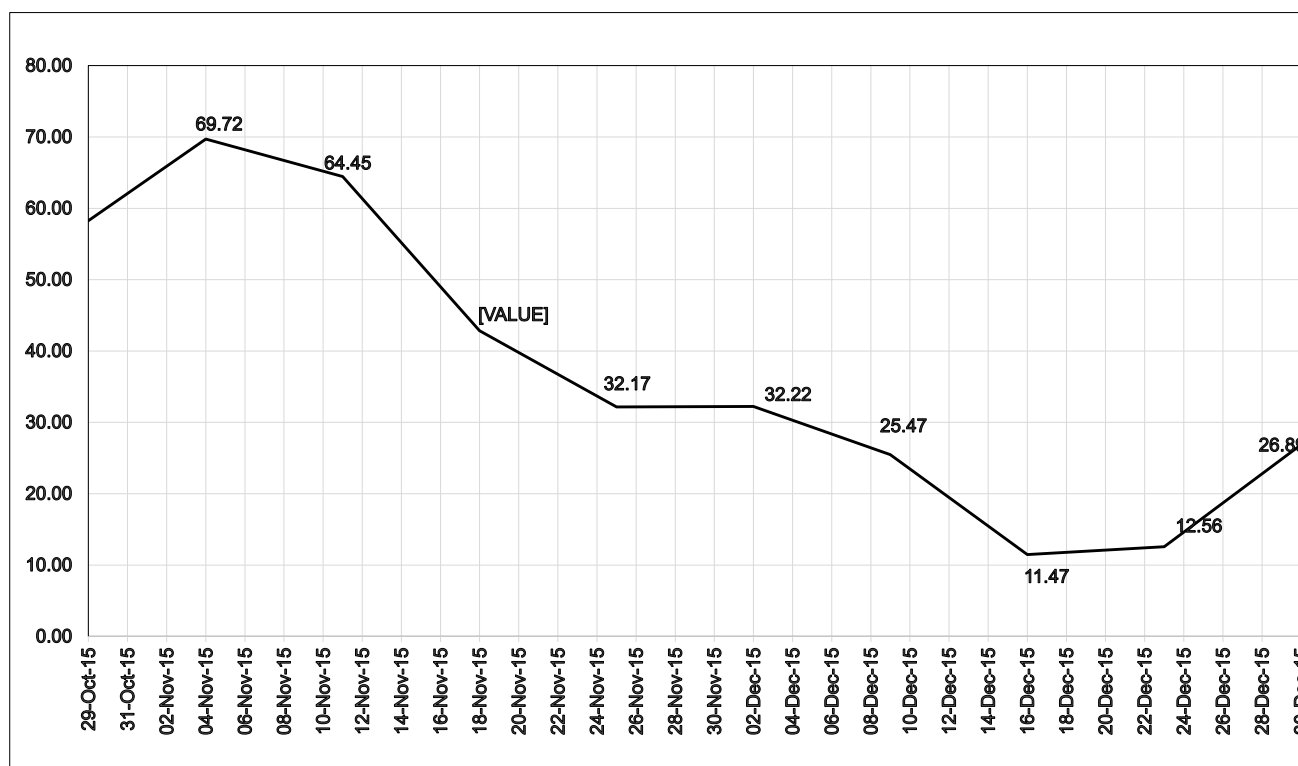


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' daily free reserves based on the cash reserve requirement of 5.25 percent averaged KSh 26.89 billion in the week ending December 30, 2015 compared to KSh 12.56 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

During the week ending December 31, 2015 the Kenya Shilling exchange rate displayed mixed performance against major international currencies as well as the EAC currencies. The Kenya Shilling was stable against the US Dollar in the week ending December 31, 2015. The Kenya Shilling strengthened by 0.57 percent against the Euro and 0.76 percent against the Japanese Yen. However, it weakened by 0.20 percent against the Pound Sterling. In the EAC region, it strengthened against the Uganda Shilling and the Tanzanian Shilling. It however, remained stable against the Rwanda Franc and the Burundian Franc.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
18-Dec-15	102.35	152.33	110.63	83.39	33.12	21.05	7.30	15.15
21-Dec-15	102.32	152.56	111.22	84.29	32.98	20.87	7.30	15.17
22-Dec-15	102.24	152.16	111.55	84.34	32.57	20.83	7.31	15.00
23-Dec-15	102.25	151.80	111.85	84.49	32.57	20.83	7.32	15.11
24-Dec-15	102.31	152.38	111.64	84.61	32.69	20.92	7.34	15.20
18-24 December 2015	102.30	152.24	111.38	84.22	32.79	20.90	7.31	15.13
28-Dec-15	102.30	152.27	112.08	84.99	32.90	20.92	7.30	15.21
29-Dec-15	102.26	152.41	112.21	84.98	33.01	20.98	7.33	15.04
30-Dec-15	102.23	151.68	111.73	84.96	33.11	21.08	7.32	15.28
31-Dec-15	102.31	151.80	111.78	84.97	32.99	21.11	7.31	15.02
28-31 December 2015	102.27	152.04	111.95	84.98	33.00	21.02	7.31	15.14

Source: Central Bank of Kenya

The Nairobi Securities Exchange

The Nairobi Securities Exchange (NSE) recorded mixed performance in the week that ended December 30, 2015 with the equities market segment recording improvement in the NASI and NSE 20 indicators. Market capitalisation also rose while the bond market segment declined.

Equities Market

The NASI and NSE 20 Share Index rose by 1.06 percent and 5.57 percent respectively, while the NSE 25 Share Index lost 2.92 percent. Shareholders' wealth, measured by market capitalisation, rose by KSh 21.45 billion or 1.07 percent on account of low volumes driving up prices. The total number of shares traded fell by 39.09 percent. Similarly, equity turnover was down 40.40 percent as a result of the decline in share supply (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	19-Nov-15	26-Nov-15	03-Dec-15	10-Dec-15	17-Dec-15	23-Dec-15	30-Dec-15	Wkly Change
NASI 100= 2008	146.31	145.65	143.26	144.28	145.31	142.85	144.37	1.06%
NSE 25 Share Index	4,207.97	4,215.71	4,170.74	4,165.16	4,160.69	4,112.59	3,992.57	-2.92%
NSE 20 Share Index 100=	3,971.30	4,044.72	3,994.49	3,986.28	4,005.22	3,918.75	4,137.14	5.57%
Number of Deals	6,775.00	5,226.00	6,032.00	5,584.00	6,113.00	4,413.00	3,410.00	-22.73%
Total Shares Traded	110.55	76.60	79.66	110.87	163.37	97.46	59.36	-39.09%
Equity Turnover (Ksh. Mill)	2,791.18	2,440.75	2,427.53	3,564.24	4,935.64	3,242.83	1,932.63	-40.40%
Market Capitalization (Ksh)	2,058.13	2,048.83	2,015.12	2,029.64	2,044.15	2,009.46	2,030.91	1.07%
Bonds Turnover (Ksh. Mill)	5,167.30	1,978.40	9,614.45	8,344.75	4,842.92	308.40	247.50	-19.75%
FTSE NSE Kenya 15 Inde	186.17	187.51	184.64	184.99	183.41	182.17	182.55	0.21%
FTSE NSE Kenya 25 Inde	185.47	186.94	183.87	184.45	183.02	180.93	182.11	0.65%
FTSE NSE Bond Index	90.17	90.87	90.77	90.53	90.39	90.04	90.04	0.00%

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 at 0.21 percent and 0.65 percent higher respectively. The FTSE Government Bond Index remained stable over the week.

The Banking sector dominated trading with 73.8 percent of all shares traded, followed by Telecommunication & Technology and Energy& Petroleum sectors at 7.9 percent and 6.7 percent respectively. Automobile & Accessories sector was least active with 26,500 shares traded during the week under review.

The Bond Market

Total bonds traded declined by 19.75 percent in the week ending December 30, 2015 to close at KSh 247.50 million. However, the number of deals traded increased to 18 from 12 in the previous week, showing slight acceleration in the market.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills								
Date of Auction	12-Nov-15	19-Nov-15	26-Nov-15	3-Dec-15	10-Dec-15	17-Dec-15	24-Dec-15	31-Dec-15
Amount offered (Ksh M)	4,000.0	6,000.0	6,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	22,848.5	4,686.5	4,478.9	6,973.4	6,301.7	12,823.2	5,892.6	2,089.5
Amount Accepted (Ksh M)	8,369.8	4,666.4	3,992.6	5,251.5	4,549.4	8,936.7	3,945.1	1,340.5
Maturities (Ksh M)	1,749.1	1,868.1	3,298.5	1,363.8	7,765.1	3,167.9	5,107.5	8,120.7
Average interest Rate (%) - 91 Days	9.7	9.6	9.2	9.2	9.7	9.9	10.4	10.8
182-Day Treasury Bills								
Date of Auction	11-Nov-15	18-Nov-15	25-Nov-15	2-Dec-15	9-Dec-15	16-Dec-15	23-Dec-15	30-Dec-15
Amount offered (Ksh M)	4,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	22,770.3	9,303.1	473.9	3,054.4	5,728.0	4,019.1	5,477.5	3,390.4
Amount Accepted (Ksh M)	8,620.4	7,445.8	473.9	2,049.8	5,727.2	3,358.6	4,983.4	2,410.2
Maturities (Ksh M)	1,333.2	279.9	390.2	209.2	434.5	255.9	2,657.1	1,235.5
Average interest Rate (%) - 182 days	12.3	10.2	10.1	10.6	11.1	11.7	12.3	12.8
364-Day Treasury Bills								
Date of Auction	11-Nov-15	18-Nov-15	25-Nov-15	2-Dec-15	9-Dec-15	16-Dec-15	23-Dec-15	30-Dec-15
Amount offered (Ksh M)	4,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	23,189.2	4,640.1	1,157.9	3,185.8	4,375.5	2,677.7	1,743.2	4,632.9
Amount Accepted (Ksh M)	7,920.5	7,920.5	1,157.9	3,098.4	2,723.2	730.6	1,336.6	3,182.1
Maturities (Ksh M)	6,104.5	6,104.5	2,555.4	4,202.2	4,828.8	4,401.5	1,515.0	2,984.2
Average interest Rate (%) - 364 days	13.6	12.1	11.9	12.2	12.6	12.5	12.7	13.3
Treasury Bonds								
Date of Auction								
Tenor		5 Year FXD		9 Year IFB	9 Year IFB (Tap Sale)			
Amount offered (Ksh M)		20,000.0		30,000.0	16,000.0		16,000.0	16,000.0
Bids received (Ksh M)		32,997.9		16,575.4	4,717.2		2,383.6	1,474.0
Amount Accepted (Ksh M)		30,700.4		13,964.7	3,974.0		2,013.1	1,248.0
Maturities (Ksh M)		9,193.7		0.0	0.0		0.0	0.0
Average interest Rate (%)		13.9		14.8	14.8		14.8	14.8

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	31-Jul-15	28-Aug-15	25-Sep-15	30-Oct-15	27-Nov-15	04-Dec-15	11-Dec-15	18-Dec-15	24-Dec-15
1. Treasury Bills (Excluding Repos)	298.86	289.97	272.93	321.69	378.05	377.65	382.84	383.57	389.25
(As % of total securities)	22.19	21.77	20.76	23.16	26.43	26.02	26.28	26.02	26.68
2. Treasury Bonds	1048.17	1041.80	1041.80	1067.42	1052.45	1073.93	1073.93	1090.48	1069.94
(As % of total securities)	77.81	78.23	79.24	76.84	73.57	73.98	73.72	73.98	73.32
3. Total Securities (1+2)	1,347.03	1,331.76	1,314.73	1,389.11	1,430.49	1,451.57	1,456.77	1,474.04	1,459.19
4. Overdraft at Central Bank	41.68	36.76	43.29	36.87	26.57	36.50	36.50	22.77	39.85
5. Other Domestic debt*	29.27	29.85	28.80	28.54	28.23	28.25	28.26	28.24	28.22
6. Gross Domestic Debt (3+4+5)	1,417.99	1,398.37	1,386.82	1,454.53	1,485.30	1,516.32	1,521.52	1,525.06	1,527.27

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

Source: Central Bank of Kenya

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	28-Aug-15	25-Sep-15	30-Oct-15	27-Nov-15	4-Dec-15	11-Dec-15	18-Dec-15	24-Dec-15
Treasury bills (Excluding Repos)	20.7	19.7	22.1	25.5	24.9	25.2	25.2	25.5
Treasury bonds	74.5	75.1	73.4	70.9	70.8	70.6	71.5	70.1
CBK Overdraft to Govt	2.6	3.1	2.5	1.8	2.4	2.4	1.5	2.6
Other domestic debt	2.1	2.1	2.0	1.9	1.9	1.9	1.9	1.8
TOTAL	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

	28-Aug-15	25-Sep-15	30-Oct-15	27-Nov-15	4-Dec-15	11-Dec-15	18-Dec-15	24-Dec-15
Banking Institutions	57.3	56.5	55.5	55.4	55.8	55.7	55.3	55.3
Insurance Companies	8.8	8.7	8.8	8.4	8.4	8.4	8.4	8.4
Parastatals	4.3	4.7	4.7	4.9	4.7	4.7	4.7	4.7
Pension funds	25.2	25.3	25.2	25.4	25.2	25.2	25.5	25.4
Other investors	4.3	4.8	5.9	6.0	5.9	6.0	6.1	6.2
Total	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)

	15-Oct-15	22-Oct-15	29-Oct-15	5-Nov-15	12-Nov-15	19-Nov-15	25-Nov-15	3-Dec-15	10-Dec-15	17-Dec-15	23-Dec-15	31-Dec-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,254	6,435	6,563	6,905	6,797	6,754	6,749	6,979	7,046	7,103	7,220	7,220
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	3.98	4.10	4.18	4.40	4.33	4.30	4.30	4.45	4.49	4.52	4.60	4.60

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya