



DECEMBER 4, 2015

Highlights

Overall 12-month inflation rose to 7.3 percent in November 2015 from 6.7 percent in October 2015. Non-food non-fuel inflation stabilized at 4.8 percent in October and November 2015.

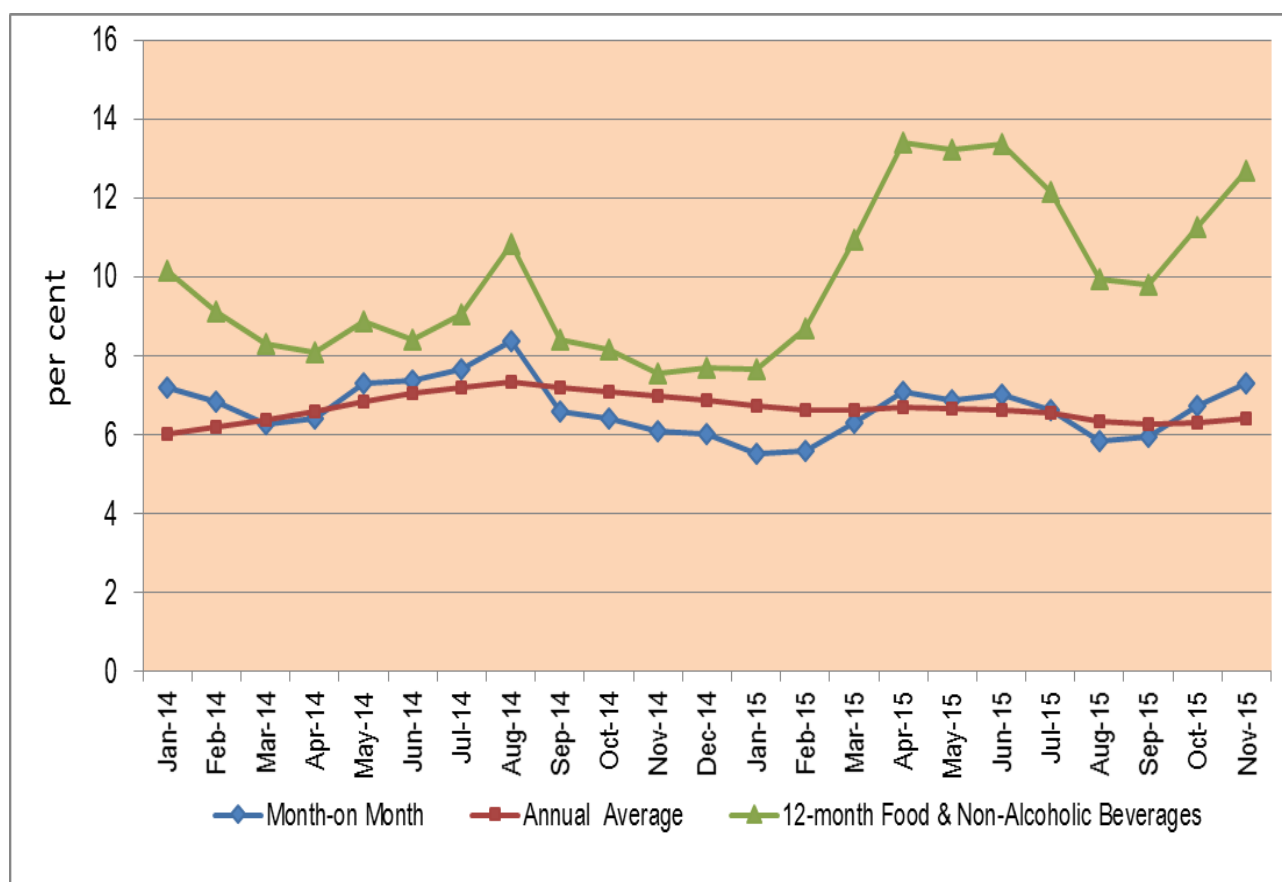
The money market was relatively liquid during the week ending December 2, 2015 supported mainly by government payments. The average interbank rate reduced marginally 5.97 percent in the week ending December 2, 2015 from 6.03 percent in the previous week.

Capital markets recorded mixed performance in the week ending December 4, 2015.

Inflation

Overall 12-month inflation rose to 7.3 percent in November 2015 from 6.7 percent in October 2015 (**Chart A**). This increase is largely attributed to food inflation which rose to 11.8 percent in November 2015 from 10.6 percent in October 2015, on account of increase in prices of several food items. Non-food non-fuel inflation stabilized at 4.8 percent in October and November 2015, while Fuel inflation rose to 2.3 percent from 2.1 percent in November 2015.

CHART A: SUMMARY REPORT ON INFLATION



Source: Central Bank of Kenya

Monetary Policy Operations

The money market was relatively liquid during the week ending December 2, 2015 mainly supported by government payments. Liquidity distribution in the interbank market improved supported by reverse repo purchases. Reserve money averaged KSh 390.6 billion during the week ending December 2, 2015 and was KSh 12.1 billion above target (Table 1).

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

	27-Nov-15	30-Nov-15	1-Dec-15	2-Dec-15	Total
Liquidity Flows					
Total liquidity injection	17.3	30.8	7.5	14.0	69.6
Repos Maturities	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	4.4	0.0	0.0	5.9	
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	6.2	0.0	0.0	6.2
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	9.2	0.0	0.0	9.2
T/bonds Interest	0.0	1.1	0.0	0.0	1.1
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0
Govt payments	12.9	12.7	7.5	8.1	41.2
Total liquidity reduction	9.3	39.0	4.4	10.6	63.4
T/bills (Primary issues)	0.0	5.6	0.0	0.0	5.6
Tbonds Sales	0.0	30.7	0.0	0.0	30.7
T/bills/Tbonds (OMO Tap Sales)	0.0	0.0	0.0	0.0	0.0
Repos	0.0	0.0	0.0	0.0	0.0
Reverse Repos maturities	4.5	0.0	0.0	8.5	13.0
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	4.8	2.7	4.4	2.2	14.0
Net liquidity injection (+)/Withdrawal (-)	8.0	-8.2	3.1	3.3	6.2
Open Market Operations Outcome					
Posted Amount	5.0	0.0	0.0	6.0	11.0
Realised Amount	4.4	0.0	0.0	5.9	10.3
Repo (-)	0.0	0.0	0.0	0.0	0.0
Term Auction Deposits (-)	0.0	0.0	0.0	0.0	0.0
Reverse Repo (+)	4.4	0.0	0.0	5.9	10.3
Reserve Money Position					
Reserve money (actual)	396.9	386.5	388.9	390.2	390.6
Reserve money target	375.7	375.7	381.3	381.3	378.5
Deviation from target	21.2	10.8	7.6	8.9	12.1
Commercial banks excess reserves Exc(+)/ Short(-)	40.2	29.5	31.8	32.7	33.5
Cash outside bank Exc(+)/ Short(-)	-19.0	-18.7	-24.2	-23.8	-21.4

Source: Central Bank of Kenya

Short-term Interest Rates

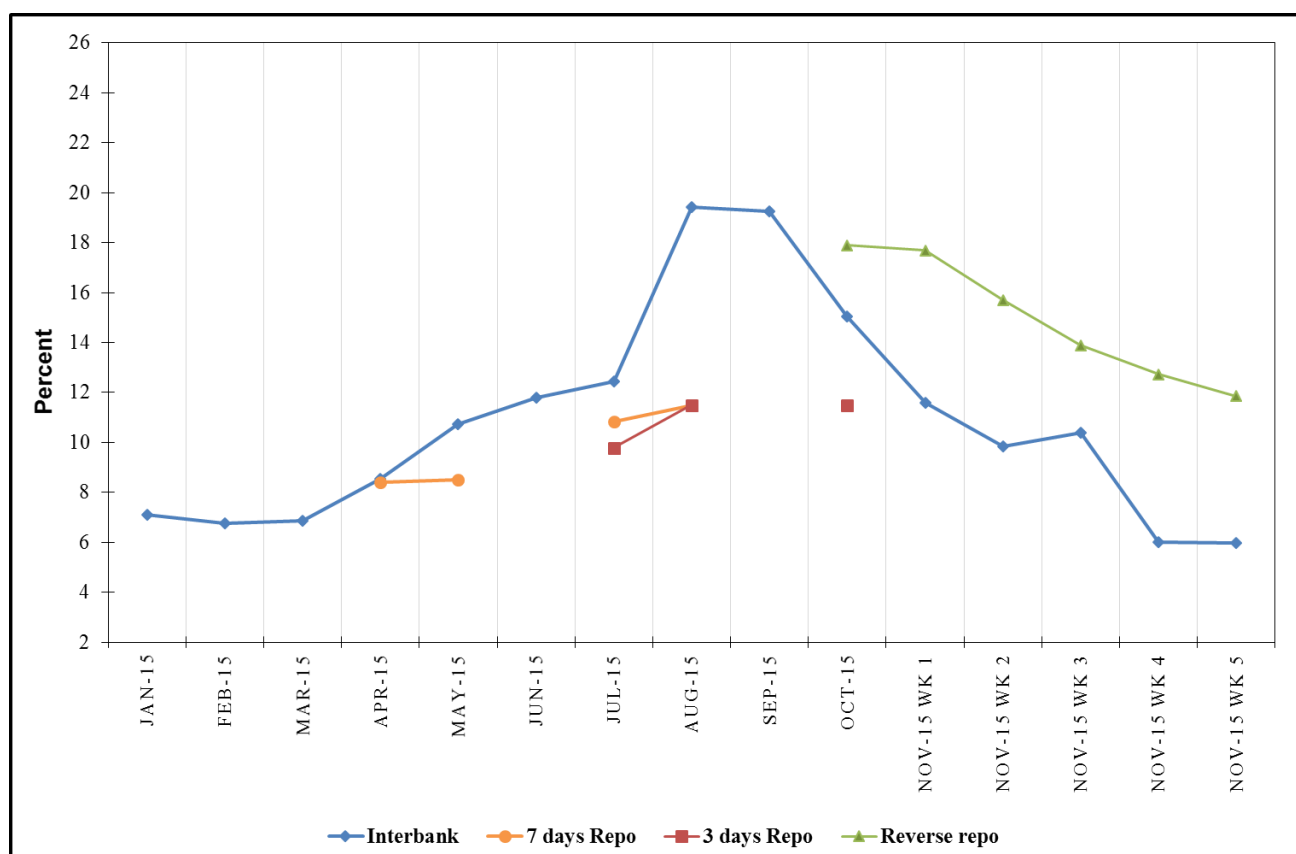
The average interbank rate reduced marginally to 5.97 percent in the week ending December 2, 2015 from 6.03 percent in the previous week. The volumes transacted in the interbank money market declined to KSh 9.03 billion from KSh 11.16 billion traded in the previous week. The number of deals also declined to 25 deals from 27 deals. The reverse repo purchases traded at a lower average rate of 11.85 percent in the week ending December 2, 2015 compared to 12.73 percent in the previous week (Table 2 and Chart B).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	Reverse Repo Rate (%)
19-Nov-15	33	14,540	7.31	
20-Nov-15	29	13,560	6.44	13.06
23-Nov-15	24	8,325	6.00	
24-Nov-15	21	8,105	5.28	
25-Nov-15	29	11,250	5.11	12.41
November 19, 2015-November 25, 2015	27	11,156	6.03	12.73
27-Nov-15	27	6,290	5.88	11.96
30-Nov-15	20	6,150	6.24	
1-Dec-15	22	9,300	5.34	
2-Dec-15	23	8,850	5.08	11.73
November 27, 2015-December 2, 2015	25	9,026	5.97	11.85

Source: Central Bank of Kenya

CHART B: STRUCTURE OF SHORT-TERM INTEREST RATES

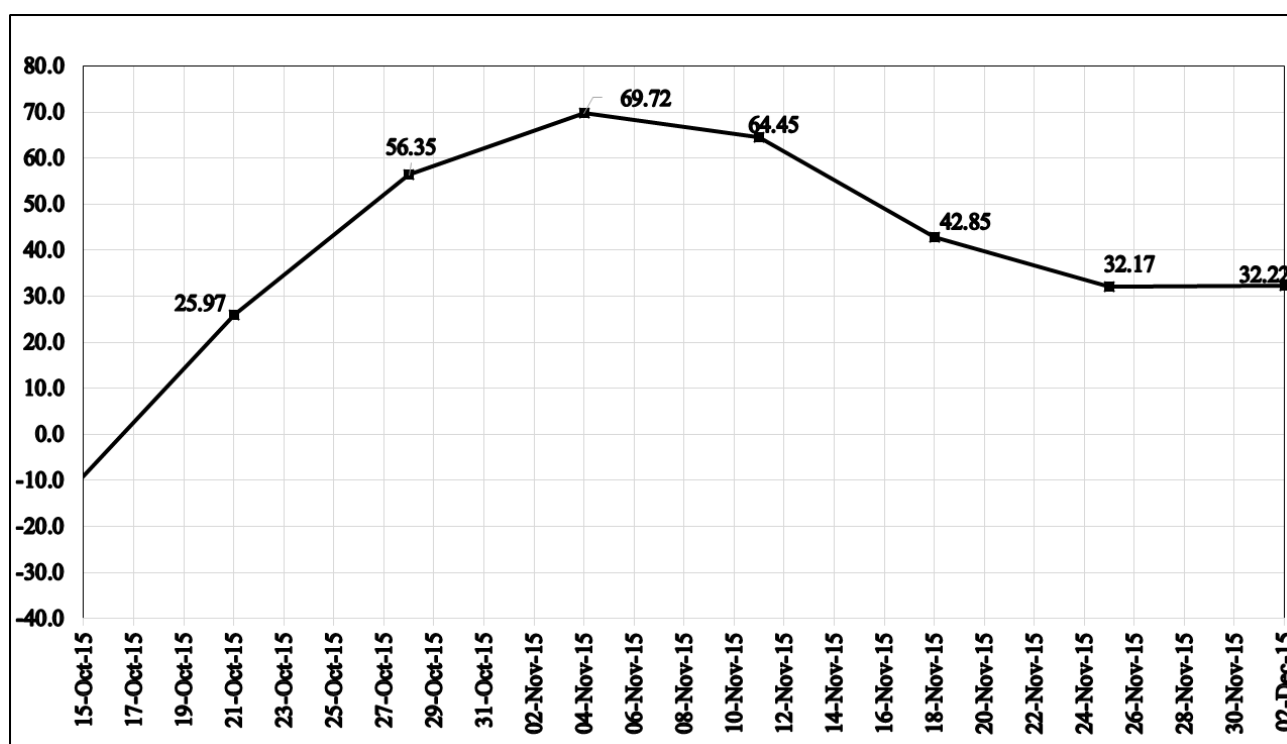


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' daily free reserves based on the cash reserve requirement of 5.25 percent averaged KSh 32.22 billion in the week ending December 2, 2015 compared to KSh 32.17 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 3, 2015, the Kenya Shilling exchange rate appreciated against all major international currencies but displayed mixed performance against EAC currencies. It strengthened by 0.03 percent against the US Dollar, 0.84 percent against the Pound Sterling, 0.63 percent against the Euro and 0.12 percent against the Japanese Yen. In the EAC region it strengthened against the Burundi Franc but weakened against the Uganda Shilling. Against the Tanzania Shilling and the Rwanda Franc, it remained unchanged from its performance during the previous week.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
20th-nov	102.20	156.16	109.51	83.18	32.93	21.13	7.25	15.10
23rd-nov	102.18	155.06	108.49	82.94	32.88	21.19	7.39	15.01
24th-nov	102.20	154.89	108.68	83.19	33.02	21.19	7.29	15.30
25th-nov	102.18	154.05	108.88	83.46	32.93	21.21	7.29	15.23
20th nov-25th nov	102.19	155.04	108.89	83.19	32.94	21.18	7.30	15.16
27th-Nov	102.14	154.04	108.06	83.35	32.90	21.22	7.29	15.18
30th-Nov	102.11	153.56	108.15	83.20	32.86	21.20	7.30	15.17
1st-Dec	102.18	153.65	108.11	83.01	32.78	21.19	7.30	15.36
2nd-Dec	102.15	154.05	108.49	83.00	32.65	21.17	7.30	15.24
3rd-Dec	102.19	153.38	108.21	82.89	32.52	21.14	7.30	15.36
27th Nov-3rd Dec	102.15	153.73	108.20	83.09	32.74	21.18	7.30	15.26

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Nairobi Securities Exchange

Nairobi Securities Exchange (NSE) recorded mixed performance in the week ending December 4, 2015 with both the equities and bond market segment recording gains and losses.

Equities Market

The NSE 20 Share Index, NASI and NSE 25 Share Index recorded losses of 1.2 percent, 1.6 percent and 1.1 percent, respectively. Equity turnover closed 0.5 percent lower during the week on account of depressed share prices due to increase in the volume of shares supply. Shareholders' wealth, measured by market capitalization, declined by 1.7 percent on account of overall decline in prices (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	15-Oct-15	22-Oct-15	30-Oct-15	05-Nov-15	13-Nov-15	19-Nov-15	26-Nov-15	03-Dec-15	Wkly Change
NASI 100= 2008	135.71	139.43	138.07	139.42	143.79	146.31	145.65	143.26	-1.6%
NSE 25 Share Index	3,953.83	4,060.94	4,059.32	4,051.07	4,119.25	4,207.97	4,215.71	4,170.74	-1.1%
NSE 20 Share Index 100= 1996	3,868.18	3,935.88	3,884.13	3,868.09	3,916.62	3,971.30	4,044.72	3,994.49	-1.2%
Number of Deals	7,356.00	5,424.00	6,325.00	6,913.00	6,828.00	6,775.00	5,226.00	6,032.00	15.4%
Total Shares Traded	143.73	98.17	173.26	145.35	82.93	110.55	76.60	79.66	4.0%
Equity Turnover (Ksh. Millions)	4,308.84	2,961.71	6,728.85	4,253.20	2,165.87	2,791.18	2,440.75	2,427.53	-0.5%
Market Capitalization (Ksh. Bn.)	1,908.66	1,861.17	1,942.07	1,961.07	2,022.62	2,058.13	2,048.83	2,015.12	-1.6%
Bonds Turnover (Ksh. Millions)	6,586.95	4,508.25	13,221.72	4,275.05	7,011.40	5,167.30	1,978.40	9,614.45	386.0%
FTSE NSE Kenya 15 Index	177.66	181.93	180.26	180.86	184.50	186.17	187.51	184.64	-1.5%
FTSE NSE Kenya 25 Index	177.21	181.54	179.58	180.59	184.50	185.47	186.94	183.87	-1.6%
FTSE NSE Bond Index	90.32	90.32	90.13	89.93	89.89	90.17	90.87	90.77	-0.1%

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 marginally lower at 1.5 percent and 1.6 percent, respectively. Similarly, the FTSE Government Bond Index showed a marginal decline of 0.1 percent over the week under review, reflecting a slight increase in the secondary market yields.

Telecommunication and Technology, Banking and Insurance sectors showed the highest levels of activity at 40.95 percent, 30.52 percent and 7.63 percent of the total shares traded, respectively. The Automobile and Accessories sector was the least active with 17,900 shares traded over the week.

The Bond Market

Total bonds traded declined by 385.97 percent in the week under review, to close at KSh 9, 614.45 million. This can be attributed to the issuance of a new bond FXD 2/2015/5 value date 30/11/2015. The number of deals traded also increased to 159 from 20 in the previous week.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills						
Date of Auction	29-Oct-15	05-Nov-15	12-Nov-15	19-Nov-15	26-Nov-15	03-Dec-15
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	6,000.0	6,000.0	4,000.0
Bids received (Ksh M)	33,051.2	44,612.9	22,848.5	4,686.5	4,478.9	6,973.4
Amount Accepted (Ksh M)	6,905.7	7,305.4	8,369.8	4,666.4	3,992.6	5,251.5
Maturities (Ksh M)	892.5	704.5	1,749.1	1,868.1	3,298.5	1,363.8
Average interest Rate (%) - 91 Days	19.5	13.8	9.7	9.6	9.2	9.2
182-Day Treasury Bills						
Date of Auction	28-Oct-15	04-Nov-15	11-Nov-15	18-Nov-15	25-Nov-15	02-Dec-15
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	19,197.6	32,892.3	22,770.3	9,303.1	473.9	3,054.4
Amount Accepted (Ksh M)	5,601.3	5,646.5	8,620.4	7,445.8	473.9	2,049.8
Maturities (Ksh M)	666.5	423.2	1,333.2	279.9	390.2	209.2
Average interest Rate (%) - 182 days	21.0	16.5	12.3	10.2	10.1	10.6
364-Day Treasury Bills						
Date of Auction	28-Oct-15	04-Nov-15	11-Nov-15	18-Nov-15	25-Nov-15	02-Dec-15
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	40,900.4	50,314.0	23,189.2	4,640.1	1,157.9	3,185.8
Amount Accepted (Ksh M)	7,071.6	8,981.3	7,920.5	7,920.5	1,157.9	3,098.4
Maturities (Ksh M)	7,147.4	8,228.3	6,104.5	6,104.5	2,555.4	4,202.2
Average interest Rate (%) - 364 days	21.2	17.1	13.6	12.1	11.9	12.2
Treasury Bonds						
Date of Auction						
Tenor					5 Year FXD	
Amount offered (Ksh M)					20,000.0	
Bids received (Ksh M)					32,997.9	
Amount Accepted (Ksh M)					30,700.4	
Maturities (Ksh M)					9,193.7	
Average interest Rate (%)					13.9	

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	16-Oct-15	23-Oct-15	30-Oct-15	06-Nov-15	13-Nov-15	20-Nov-15	27-Nov-15
1. Treasury Bills (Excluding Repos)	282.90	291.85	321.69	334.89	349.55	366.93	378.05
(As % of total securities)	21.27	21.80	23.16	23.88	24.67	25.58	26.43
2. Treasury Bonds	1046.94	1046.94	1067.42	1067.42	1067.42	1067.42	1052.45
(As % of total securities)	78.73	78.20	76.84	76.12	75.33	74.42	73.57
3. Total Securities (1+2)	1,329.84	1,338.78	1,389.11	1,402.31	1,416.97	1,434.35	1,430.49
4. Overdraft at Central Bank	29.24	46.37	36.87	34.21	21.79	17.62	26.57
5. Other Domestic debt*	28.52	28.54	28.54	28.53	28.52	28.01	28.23
6. Gross Domestic Debt (3+4+5)	1,387.59	1,413.69	1,454.53	1,465.05	1,467.27	1,479.97	1,485.30

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

Source: Central Bank of Kenya

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	16-Oct-15	23-Oct-15	30-Oct-15	06-Nov-15	13-Nov-15	20-Nov-15	27-Nov-15
Treasury bills (Excluding Repos)	20.4	20.6	22.1	22.9	23.8	24.8	25.5
Treasury bonds	75.4	74.1	73.4	72.9	72.7	72.1	70.9
CBK Overdraft to Govt	2.1	3.3	2.5	2.3	1.5	1.2	1.8
Other domestic debt	2.1	2.0	2.0	1.9	1.9	1.9	1.9
TOTAL	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

	23-Oct-15	30-Oct-15	06-Nov-15	13-Nov-15	20-Nov-15	27-Nov-15
Banking Institutions	55.2	55.5	55.4	55.0	55.3	55.4
Insurance Companies	8.7	8.8	8.7	8.7	8.6	8.4
Parastatals	4.7	4.7	4.6	4.6	4.7	4.9
Pension funds	24.8	25.2	25.3	25.6	25.4	25.4
Other investors	6.7	5.9	6.0	6.1	6.0	6.0
Total	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	05-Nov-15	12-Nov-15	19-Nov-15	25-Nov-15	03-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
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	3.98	4.10	4.18	4.40	4.33	4.30	4.30	

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya