



**JUNE 5, 2015**

### **Highlights**

**O**verall 12-month inflation eased from 7.08 percent in April 2015 to 6.87 percent in May 2015 and remained within the target of  $\pm 250$  basis points from the 5 percent medium term target.

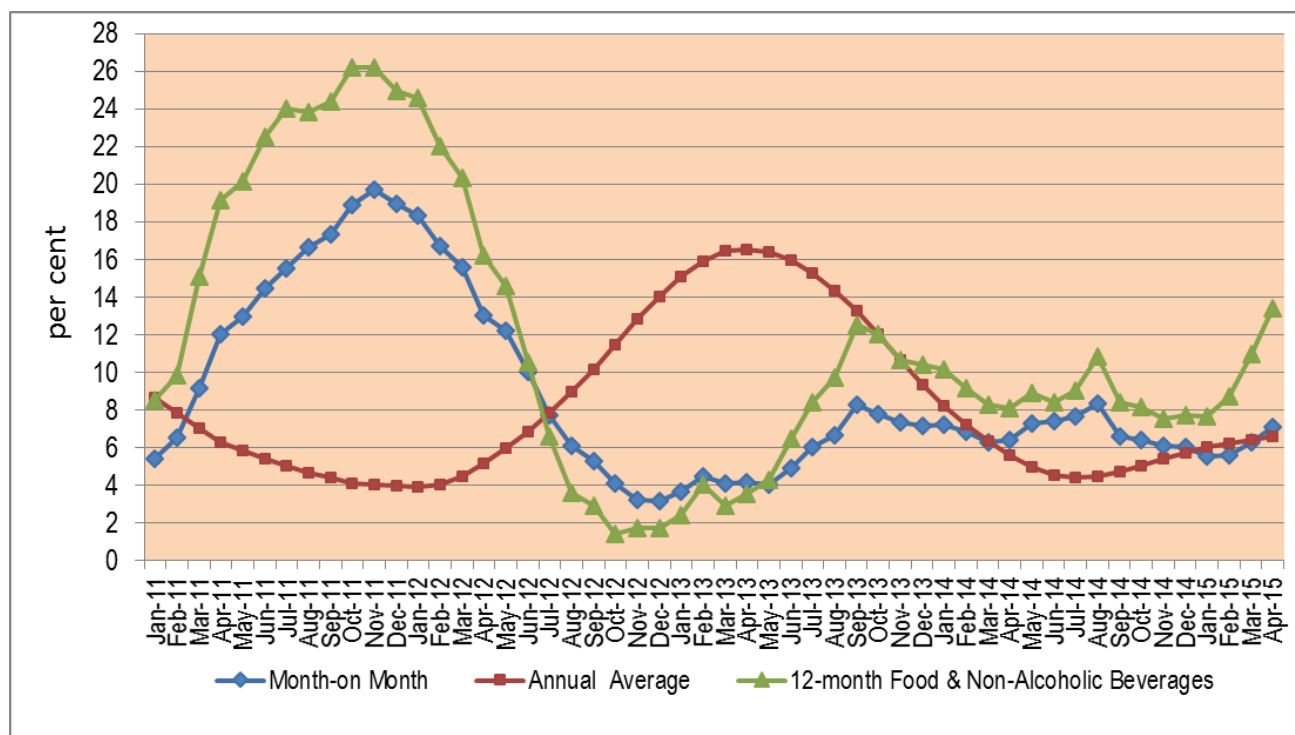
The money market was tight during the week ending June 3, 2015, with the average interbank rate rising to 13.51 percent from 12.3 percent in the previous week.

The Nairobi Securities Exchange recorded mixed performance in the week ending June 4, 2015.

### **Inflation**

**O**verall 12-month inflation declined by 21 basis points from 7.08 percent in April 2015 to 6.87 percent in May 2015 (Chart A). The decline in the overall inflation in May 2015 is attributed to lower food and fuel inflation. Food inflation declined marginally from 12.54 percent in April 2015 to 12.42 percent in May 2015 reflecting a decline in 12-month inflation in the 'food and non-alcoholic beverages' category of goods and services from 13.42 percent in April 2015 to 13.20 percent in May 2015. Fuel inflation also eased from 1.53 percent in April 2015 to 0.28 percent in May 2015.

**CHART A: SUMMARY REPORT ON GENERAL INFLATION**



Source: Central Bank of Kenya

### Monetary Policy Operations

The money market recorded tight liquidity during the week ending June 3, 2015, on account of tax payments and interventions by the Central Bank to mitigate volatility of the exchange rate. Reserve money averaged KSh 353.1 billion during the week ending June 3, 2015 and was KSh 6.6 billion above target (Table 1).

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

	28-May-15	29-May-15	2-Jun-15	3-Jun-15	Total
<b>Liquidity Flows</b>					
<b>Total liquidity injection</b>	<b>5.8</b>	<b>10.2</b>	<b>16.6</b>	<b>3.8</b>	<b>36.4</b>
Repos Maturities	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	0.1	0.5	2.9	0.0	3.4
T/bills redemptions	0.0	0.0	11.1	0.0	11.1
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0
Govt payments	5.8	9.7	1.5	3.8	20.7
<b>Total liquidity reduction</b>	<b>1.9</b>	<b>2.1</b>	<b>22.1</b>	<b>9.3</b>	<b>35.4</b>
T/bills (Primary issues)	0.0	0.0	2.1	0.0	2.1
Tbonds Sales	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
Repos	0.0	0.0	0.0	0.0	0.0
Reverse Repos maturities	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit	0.0	0.0	8.0	0.0	8.0
Transfer from Banks -Taxes	1.8	2.1	3.2	2.8	9.8
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>4.0</b>	<b>8.1</b>	<b>-5.5</b>	<b>-5.5</b>	<b>1.0</b>
<b>Open Market Operations Outcome</b>					
<b>Posted Amount</b>	0.0	17.0	19.0	3.0	39.0
<b>Realised Amount</b>	<b>0.0</b>	<b>0.0</b>	<b>8.0</b>	<b>0.0</b>	<b>8.0</b>
Repo (-)	0.0	0.0	0.0	0.0	0.0
Term Auction Deposits (-)	0.0	0.0	8.0	0.0	8.0
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0
<b>Reserve Money Position</b>					<b>Average</b>
Reserve money (actual)	352.4	360.0	352.7	347.4	353.1
Reserve money target	345.3	345.3	347.6	347.6	346.5
Deviation from target	7.0	14.7	5.0	-0.2	6.6
Commercial banks excess reserves Exc(+)/ Short(-)	8.0	14.2	6.2	-1.4	6.7

Source: Central Bank of Kenya

### Interbank Rates

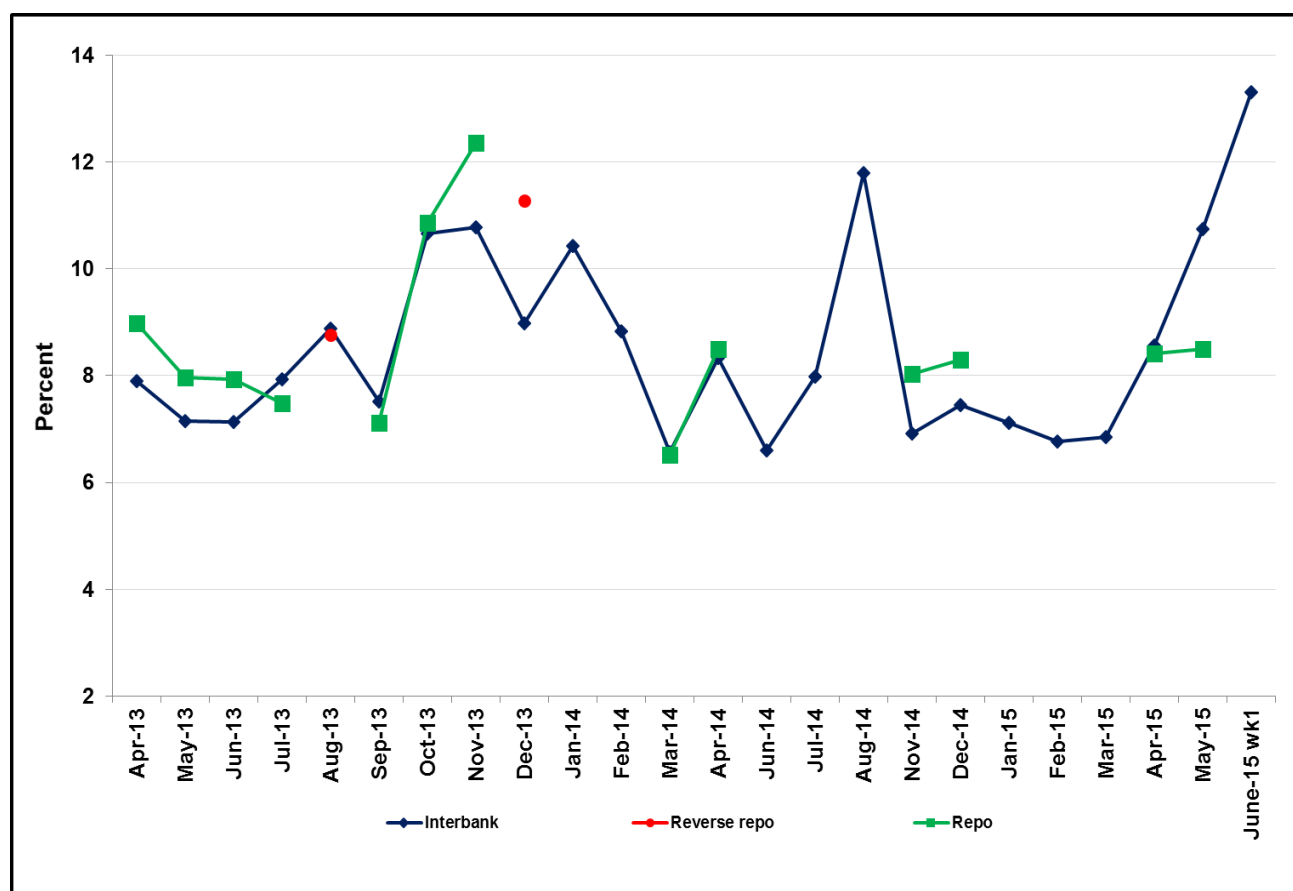
The average interbank rate increased to 13.51 percent in the week ending June 3, 2015 from 12.3 percent in the previous week. During the week under review, the volume transacted increased to KSh 22.07 billion from KSh 15.7 billion traded in the previous week, and the number of deals increased to 64 from 54 deals recorded in the previous week (Table 2 and Chart B).

**TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)**

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)
21-May-15	48	16,929	11.52
22-May-15	58	11,625	11.63
25-May-15	48	12,391	12.42
26-May-15	56	19,533	12.76
27-May-15	59	18,001	13.18
<b>May 21, 2015 - May 27, 2015</b>	<b>54</b>	<b>15,696</b>	<b>12.30</b>
28-May-15	53	21,140	13.30
29-May-15	66	22,002	13.49
2-Jun-15	66	22,987	13.58
3-Jun-15	72	22,162	13.69
<b>May 28, 2015 - June 3, 2015</b>	<b>64</b>	<b>22,073</b>	<b>13.51</b>

Source: Central Bank of Kenya

**CHART B: STRUCTURE OF INTEREST RATES**

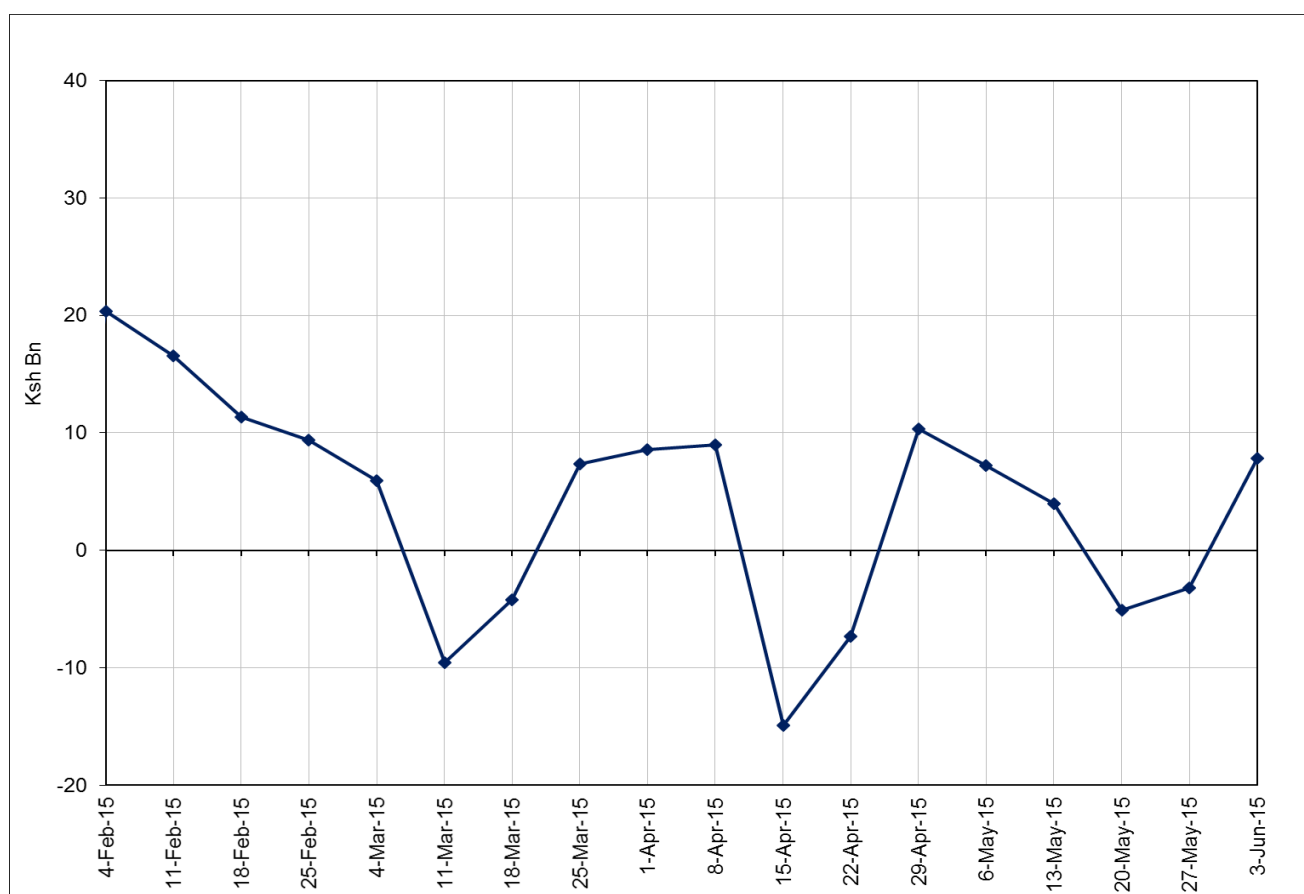


Source: Central Bank of Kenya

### Commercial Banks Clearing Account Balances

Commercial banks' clearing account in the week ending June 3, 2015 recorded a surplus of KSh 7.9 billion in relation to the cash reserve requirement of 5.25 percent (KSh 125.4 billion) compared with a deficit of KSh 3.2 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

The Kenya Shilling strengthened against the US Dollar, the Pound Sterling and the Japanese Yen by 0.48 percent, 1.42 percent and 2.09 percent, respectively during the week ending June 4, 2015, but weakened against the Euro by 0.47 percent. In the EAC region, the Kenya Shilling strengthened against all EAC currencies during the review period (Table 3).

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
22-May-15	96.81	150.45	107.62	80.14	30.81	21.12	7.12	16.19
25-May-15	97.39	150.72	106.99	80.08	30.80	21.07	7.07	16.12
26-May-15	97.90	151.25	107.07	80.33	30.73	21.07	7.04	15.91
27-May-15	98.31	151.58	107.34	80.02	30.77	21.08	7.01	15.82
28-May-15	98.24	151.15	107.42	79.35	31.00	21.28	6.98	15.89
<b>22-28 May 2015</b>	<b>97.73</b>	<b>151.03</b>	<b>107.29</b>	<b>79.98</b>	<b>30.82</b>	<b>21.12</b>	<b>7.04</b>	<b>15.98</b>
29-May-15	97.78	149.91	107.02	78.93	31.21	21.32	7.02	15.95
2-Jun-15	97.55	148.34	106.54	78.22	31.44	21.68	7.05	16.10
3-Jun-15	96.87	148.88	108.46	78.20	31.74	22.14	7.11	16.21
4-Jun-15	96.82	148.43	109.14	77.90	31.84	22.08	7.12	16.16
<b>29 May-4 Jun 2015</b>	<b>97.25</b>	<b>148.89</b>	<b>107.79</b>	<b>78.31</b>	<b>31.56</b>	<b>21.81</b>	<b>7.07</b>	<b>16.11</b>

\* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

### The Nairobi Securities Exchange

Nairobi Securities Exchange recorded mixed performance in the equities market segment but performance in the bonds market segments declined in the week ending June 4, 2015.

#### Equities Market

The Equity Turnover recorded a 3.87 percent increase on account of improved average share prices. The NSE 20 NASI improved by 1.71 percent. Share supply declined by 19.83 percent while the shareholders wealth measured by market capitalisation gained KSh. 38.73 billion or 1.71 percent during the week under review (Table 4). Equity turnover increased by 3.87 percent on the back of the improvement in the overall share price.

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	23-Apr-15	29-Apr-15	7-May-15	14-May-15	21-May-15	28-May-15	4-Jun-15	Wkly Change
NASI 100= 2008	171.58	172.35	171.52	167.82	166.48	161.46	164.22	1.71%
NSE 20 Share Index 100= 1996	5,026.94	5,061.11	5,074.76	4,979.71	4,928.91	4,805.89	4,773.79	-0.67%
Number of Deals	9,154	7,250	9,831	9,134	8,131	8,758	6,784	-22.54%
Total Shares Traded	94.81	86.54	155.00	191.09	131.47	164.49	131.87	-19.83%
Equity Turnover (Ksh. Millions)	3,226.26	2,644.95	4,845.18	5,434.47	5,165.07	4,481.55	4,655.02	3.87%
Market Capitalization (Ksh. Bn.)	2,399.64	2,410.98	2,399.45	2,347.46	2,328.78	2,258.40	2,297.13	1.71%
Bonds Turnover (Ksh. Millions)	5,884.85	3,493.55	3,018.04	9,263.15	1,894.35	7,141.38	4,662.95	-34.71%
FTSE NSE Kenya 15 Index	229.31	228.41	228.44	220.64	222.18	215.52	219.94	2.05%
FTSE NSE Kenya 25 Index	229.40	228.57	228.27	220.16	221.56	215.27	219.77	2.09%
FTSE NSE Bond Index	92.43	92.75	91.78	91.52	91.91	92.42	92.3	-0.13%

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 measures stocks performance of 15 largest companies by market capitalization and 25 most liquid stocks at the NSE respectively, closed the week 2.05 and 2.09 percent higher as compared to the previous week. However, FTSE Government Bond Index recorded a marginal loss of 0.13 percent reflecting marginal increase in the secondary market yields.

Telecommunication and Technology, Banking and Manufacturing and Allied sectors were the top three most active sectors, representing 50.15 percent, 31.84 percent and 6.37 percent of the total shares traded, respectively. Agricultural sector was the least active with 27,500 shares traded.

## The Bond Market

The bond's turnover decreased by 34.71 percent to KSh. 4,662.95 million from KSh. 7,141.38 million in the previous week on account of a shorter trading week due to 1 June 2015 holiday. The number of deals decreased to 76 compared from 145 deals traded the previous week.

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

91-Day Treasury Bills								
Date of Auction	23-Apr-15	30-Apr-15	7-May-15	14-May-15	21-May-15	28-May-15	4-Jun-15	
Amount offered (Ksh M)	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	
Bids received (Ksh M)	1,041.1	874.6	1,516.9	585.7	877.2	1,397.3	3,136.5	
Amount Accepted (Ksh M)	1,041.1	1,041.1	1,515.6	584.7	2,660.9	718.1	3,136.5	
Maturities (Ksh M)	893.5	893.5	849.6	3,115.3	896.1	4,733.4	1,951.6	
Average interest Rate (%)	8.406	8.406	8.357	8.167	8.1	8.2	8.2	
182-Day Treasury Bills								
Date of Auction	22-Apr-15	29-Apr-15	6-May-15	13-May-15	20-May-15	27-May-15	3-Jun-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	
Bids received (Ksh M)	5,048.7	634.0	402.7	1,269.2	1,150.2	372.1	199.2	
Amount Accepted (Ksh M)	5,001.2	634.0	402.7	1,269.2	265.9	372.1	198.2	
Maturities (Ksh M)	715.8	779.3	2,680.4	4,748.0	1,203.0	4,421.3	903.1	
Average interest Rate (%)	10.272	10.268	10.326	10.348	10.6	10.5	10.5	
364-Day Treasury Bills								
Date of Auction	22-Apr-15	29-Apr-15	6-May-15	13-May-15	20-May-15	27-May-15	3-Jun-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	
Bids received (Ksh M)	1,509.2	1,265.4	1,599.5	2,615.2	364.7	1,008.4	269.6	
Amount Accepted (Ksh M)	1,455.0	1,265.4	1,328.9	2,525.0	364.7	1,008.4	269.6	
Maturities (Ksh M)	6,455.4	2,635.1	3,051.8	3,914.4	550.9	2,495.5	2,262.5	
Average interest Rate (%)	10.595	10.605	10.667	10.768	10.8	10.8	10.8	
Treasury Bonds								
Date of Auction								
Tenor					10 Year FXD (Re-open)	2 Year FXD (Re-open)		
Amount offered (Ksh M)					20,000.0			
Bids received (Ksh M)					32,557.3			
Amount Accepted (Ksh M)					11,658.4	25,287.2		
Maturities (Ksh M)					11,924.0			
Average interest Rate (%)					12.9	11.8		

Source: Central Bank of Kenya

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

	27th March 2015	2nd April 2015	10th April 2015	17th April 2015	24th April 2015	30th April 2015	8th May 2015	15th May 2015	22nd May 2015	29th May 2015
1. Treasury Bills (Excluding Repos)	337.98	342.22	345.53	349.27	347.11	346.97	344.69	340.58	333.53	334.17
(As % of total securities)	26.02	26.26	25.92	25.71	25.59	25.58	25.46	25.23	25.06	24.62
2. Treasury Bonds	961.04	961.04	987.49	1009.17	1009.17	1009.17	1009.17	1009.17	997.24	1022.95
(As % of total securities)	73.98	73.74	74.08	74.29	74.41	74.42	74.54	74.77	74.94	75.38
3. Total Securities (1+2)	1,299.01	1,303.25	1,333.03	1,358.44	1,356.28	1,356.13	1,353.86	1,349.75	1,330.77	1,357.12
4. Overdraft at Central Bank	32.68	37.40	37.40	18.31	22.62	29.77	32.22	24.40	29.28	21.09
5. Other Domestic debt*	29.97	56.46	29.95	29.93	29.94	29.93	29.92	29.53	29.54	29.52
6. Gross Domestic Debt (3+4+5)	1,361.67	1,397.11	1,400.37	1,406.68	1,408.84	1,415.84	1,416.00	1,403.68	1,389.59	1,407.73

\* 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**

	13-Mar-15	20-Mar-15	27-Mar-15	2-Apr-15	10-Apr-15	17-Apr-15	24-Apr-15	30-Apr-15	8-May-15	15-May-15	22-May-15	29-May-15
Treasury bills (Excluding Repos)	24.2	24.6	24.8	25.0	24.7	24.8	24.6	24.5	24.3	24.3	24.0	23.7
Treasury bonds	72.0	72.5	70.6	70.1	70.5	71.7	71.6	71.3	71.3	71.9	71.8	72.7
CBK Overdraft to Govt	2.0	0.6	2.4	2.7	2.7	1.3	1.6	2.1	2.3	1.7	2.1	1.5
Other domestic debt	1.8	2.2	2.2	2.2	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
TOTAL	100.0	100.0	100.0	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**

	20-Mar-15	27-Mar-15	2-Apr-15	10-Apr-15	17-Apr-15	24-Apr-15	30-Apr-15	8-May-15	15-May-15	22-May-15	29-May-15
Banking Institutions	54.9	55.8	56.0	56.2	56.0	56.3	56.6	56.6	56.3	56.1	56.0
Insurance Companies	9.3	9.0	9.0	8.9	8.9	8.9	8.8	8.8	8.9	8.8	8.9
Parastatals	2.9	3.1	3.0	3.1	3.1	3.1	3.1	3.2	3.2	3.4	3.3
Pension funds	23.8	23.2	24.7	24.6	24.9	24.7	24.5	24.4	24.6	24.7	24.9
Other investors	9.1	8.9	7.2	7.2	7.0	7.0	7.0	6.9	7.0	7.0	6.9
Total	100.0	100.0	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)**

	2-Apr-15	9-Apr-15	16-Apr-15	23-Apr-15	30-Apr-15	7-May-15	14-May-15	21-May-15	28-May-15	4-Jun-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,071	6,995	6,937	6,880	6,855	6,868	6,757	6,803	6,770	6,735
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.53	4.48	4.45	4.41	4.39	4.40	4.33	4.36	4.33	4.31

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya