



APRIL 2, 2015

Highlights

Overall 12-month inflation rose from 5.61 per cent in February 2015 to 6.31 per cent in March 2015. It remained within the range specified by the National Treasury (or ± 2.50 percent off the 5 percent medium term target). Non-food non-fuel inflation eased from 3.43 per cent in February 2015 to 3.16 per cent in March 2015.

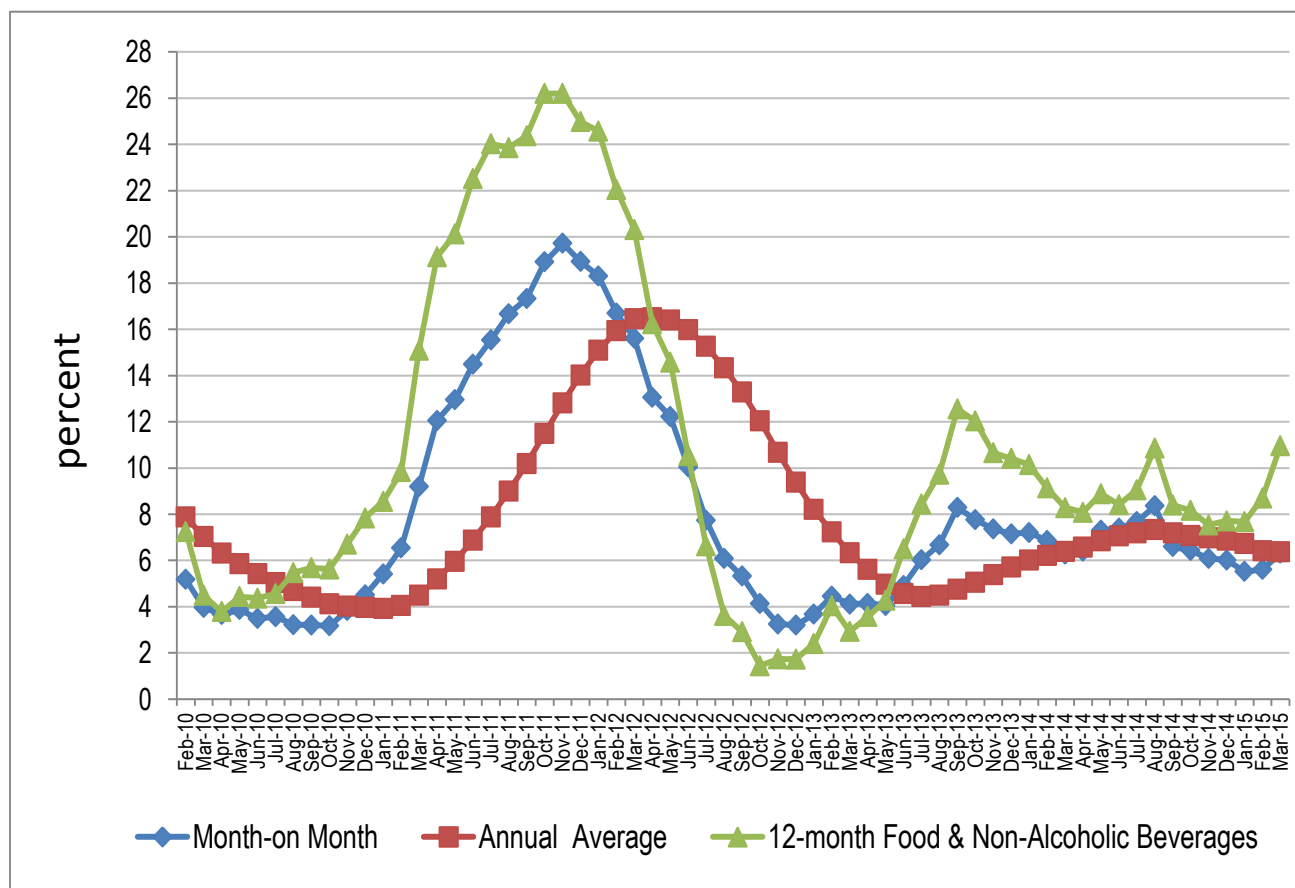
The money market was relatively tight during the week ending April 1, 2015 largely on account of receipts to Government through taxes and auctions of Treasury Securities, and repo sales. The average interbank rate increased to 8.17 percent in the week ending April 1, 2015 from 7.66 percent in the previous week.

Capital markets recorded mixed performance in the week ending April 2, 2015, as reflected in both equities and bonds market segments.

Inflation

Overall 12-month inflation rose from 5.61 per cent in February 2015 to 6.31 per cent in March 2015 (**Chart A**). The rise in the overall inflation in March 2015 is attributed to higher food inflation. Food inflation rose from 8.33 per cent in February 2015 to 10.32 per cent in March 2015 on account of prevailing dry weather conditions. Fuel inflation however, eased from 3.32 per cent in February 2015 to 2.87 per cent in March 2015. Non-food non-fuel inflation eased from 3.43 per cent in February 2015 to 3.16 per cent in March 2015 indicating absence of demand pressure.

CHART A: SUMMARY REPORT ON GENERAL INFLATION



Source: Central Bank of Kenya

Monetary Policy Operations

The money market was relatively tight during the week ending April 1, 2015 largely on account of net receipts to Government through taxes and auction of Treasury Securities, and repo sales. The repo sales sustained the alignment of the interbank rate to the CBR (**Table 1**). Reserve money averaged Ksh 349.6 billion during the week and was Ksh 2.4 billion above target.

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

	26-Mar-15	27-Mar-15	30-Mar-15	31-Mar-15	1-Apr-15	Total
Liquidity Flows						
Total liquidity injection	6.5	4.7	36.7	6.4	12.0	66.3
Repos Maturities	1.0	0.0	8.5	0.0	5.4	14.9
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Overnight loans to banks	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	2.2	0.6	2.5	1.3	2.7	9.2
Purchases of forex by CBK	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	5.7	0.0	0.0	5.7
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	2.5	4.1	14.9	4.5	2.6	28.7
Total liquidity reduction	7.4	2.7	54.3	4.1	9.8	78.2
T/bills (Primary issues)	0.0	0.0	9.8	0.0	0.0	9.8
Tbonds Sales	0.0	0.0	25.7	0.0	0.0	25.7
Repos	2.6	0.6	11.6	0.0	4.4	19.2
Reverse Repos maturities	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit	2.5	0.0	5.4	1.3	1.2	10.4
Overnight borrowings repayments	0.0	0.0	0.0	0.0	0.0	0.0
Sales of forex by CBK	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	1.4	2.0	1.4	2.1	3.0	9.9
Net liquidity injection (+)/Withdrawal (-)	-0.9	2.1	-17.5	2.3	2.2	-11.9
Open Market Operations Outcome						
Posted Amount	10.0	10.0	17.0	6.0	12.0	55.0
Realised Amount	5.1	0.6	17.0	1.3	5.5	29.5
Repo (-)	2.6	0.6	11.6	0.0	0.0	14.8
Term Auction Deposits (-)	2.5	0.0	5.4	1.3	0.0	9.2
Reverse Repo (+)	0.0	0	0.0	0.0	0.0	0.0
Reserve Money Position						Average
Reserve money (actual)	356.6	358.9	342.9	344.0	345.8	349.6
Reserve money target	347.6	347.6	347.6	347.6	346.2	347.3
Deviation from target	9.1	11.3	-4.7	-3.5	-0.4	2.4
Commercial banks excess reserves Exc(+)/ Short(-)	15.4	16.7	0.8	2.0	1.7	7.3
Cash outside bank Exc(+)/ Short(-)	-6.4	-5.4	-5.4	-5.5	-2.1	-5.0

Source: Central Bank of Kenya

Interbank Rates

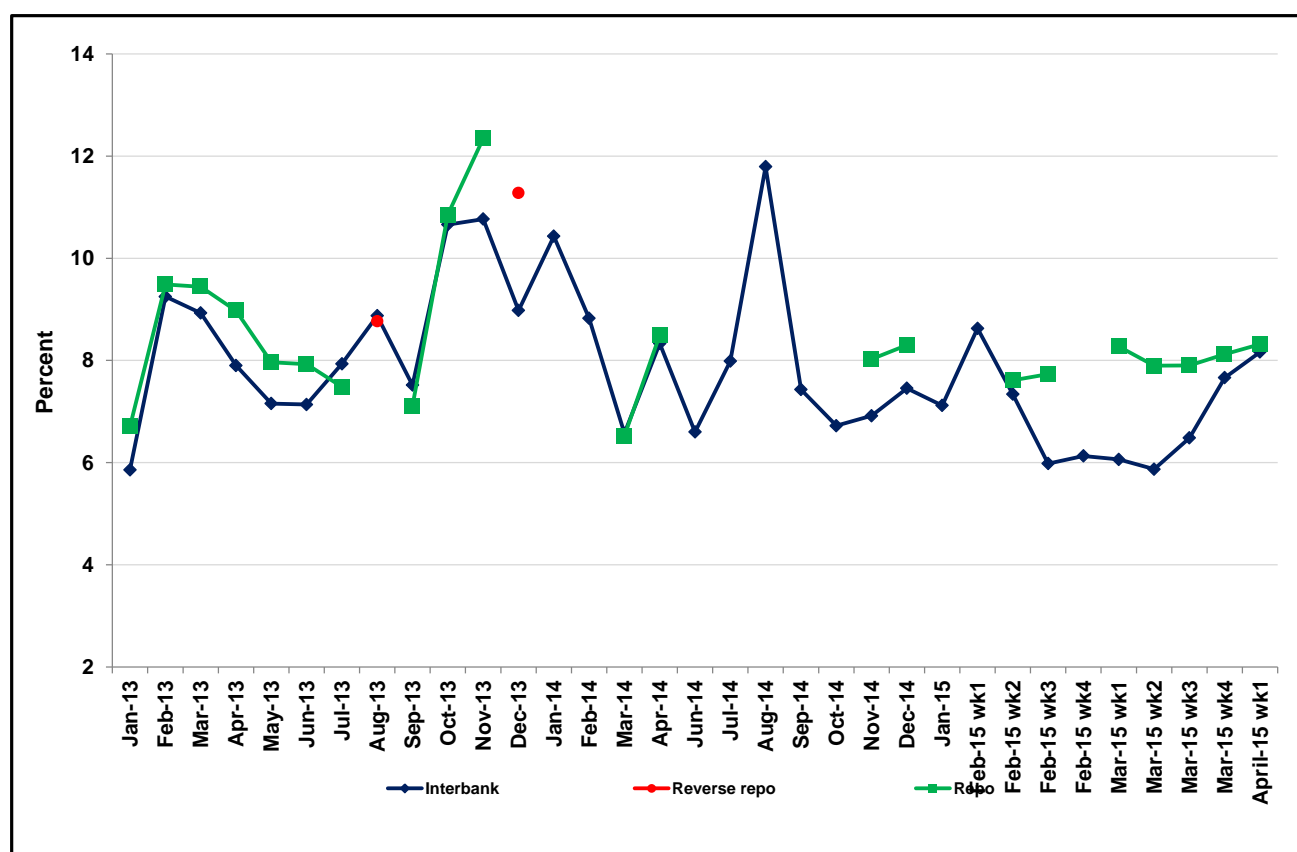
The average interbank rate increased to 8.17 percent in the week ending April 1, 2015 from 7.66 percent in the previous week. The volume transacted increased significantly to Ksh 15.56 billion from Ksh 13 billion traded in the previous week, and the number of deals increased to 62 from 47 deals. (Table 2 and Chart A). Meanwhile, the repo rate increased from 8.12 percent in the week ending March 25, 2015 to 8.32 percent in the review week.

TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	Average Repo Rate (%)
19-Mar-15	38	10,125	7.35	8.00
20-Mar-15	40	13,375	7.55	
23-Mar-15	38	13,270	7.66	8.25
24-Mar-15	60	14,888	7.79	
25-Mar-15	57	13,315	7.97	8.25
March 19, 2015 - March 25, 2015	47	12,995	7.66	8.12
26-Mar-15	62	18,207	8.09	8.28
27-Mar-15	61	17,210	8.12	8.34
30-Mar-15	58	13,542	8.14	8.32
31-Mar-15	69	14,135	8.25	
1-Apr-15	58	14,695	8.22	8.33
March 26, 2015 - April 1, 2015	62	15,558	8.17	8.32

Source: Central Bank of Kenya

CHART B: STRUCTURE OF INTEREST RATES

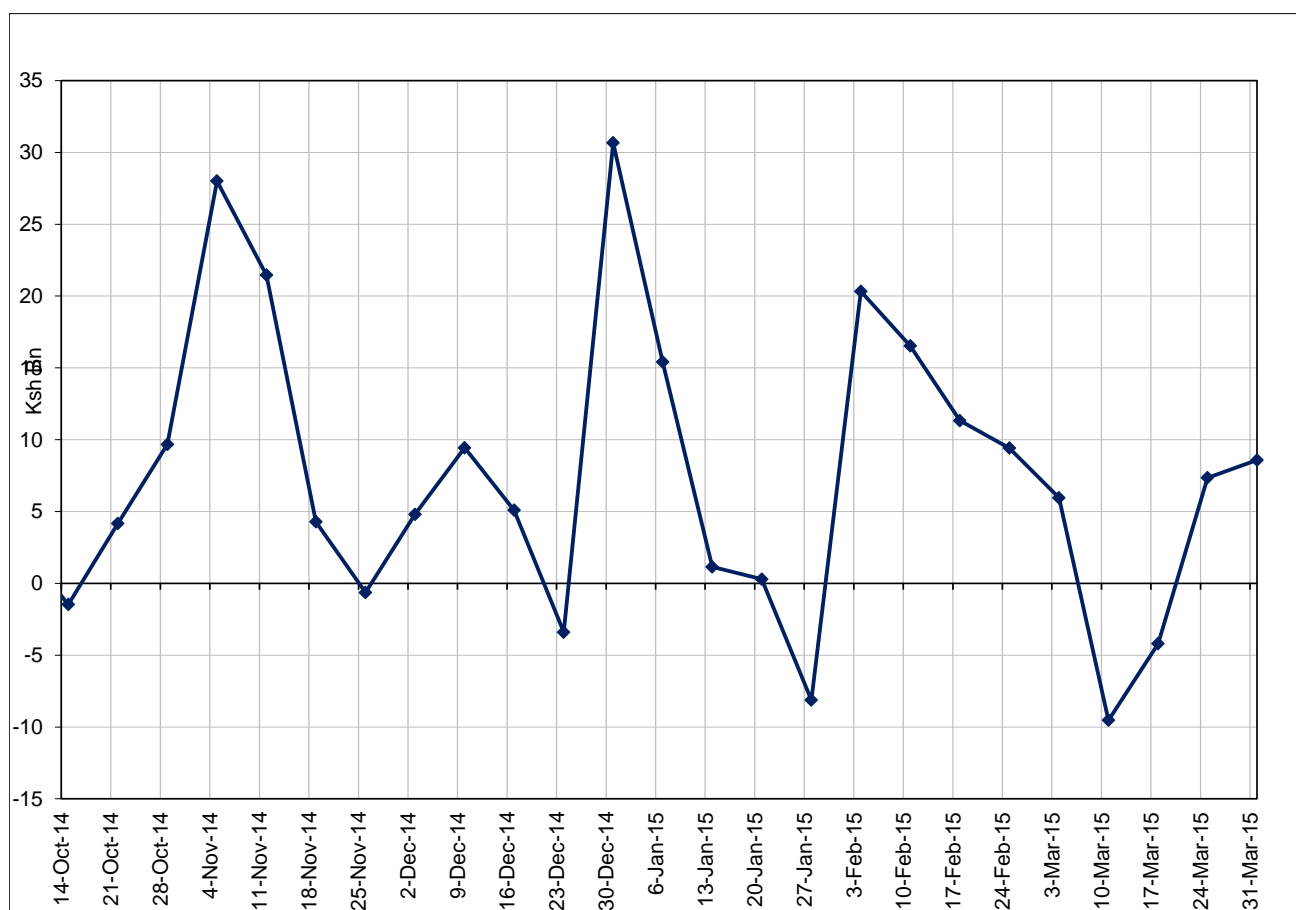


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account during the week ending April 1, 2015 had a surplus of Ksh 8.58 billion in relation to the cash reserve requirement of 5.25 percent (Ksh 122.8 billion) compared with a surplus of Ksh 7.35 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 exchange rate displayed mixed performance against major international and regional currencies during the week ending April 2, 2015. It strengthened by 0.02 percent against the Euro but weakened by 0.43 percent against the US Dollar, 0.12 percent against the Pound Sterling and 0.54 percent against the Japanese Yen. In the EAC region, the Kenya Shilling strengthened against the Uganda Shilling but weakened against the Tanzania Shilling as well as the Rwanda and Burundi Francs (**Table 3**).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen (100)	USHS	TSHS	RWF	BIF
20-Mar-15	91.99	135.79	98.25	76.21	31.58	20.17	7.49	17.07
23-Mar-15	92.03	137.47	99.55	76.77	31.95	20.19	7.49	17.06
24-Mar-15	91.97	137.41	100.53	76.92	32.24	20.04	7.49	17.00
25-Mar-15	91.81	136.55	100.34	76.75	32.51	20.04	7.50	16.99
26-Mar-15	91.77	136.52	100.72	77.21	32.44	20.05	7.51	17.01
20 -26 Mar 2015	91.91	136.75	99.88	76.77	32.14	20.10	7.50	17.03
27-Mar-15	92.03	136.66	100.16	77.22	32.35	19.94	7.49	16.96
30-Mar-15	92.19	136.85	100.20	77.32	32.25	20.07	7.47	16.89
31-Mar-15	92.34	136.45	99.53	76.89	32.13	19.99	7.46	16.93
1-Apr-15	92.39	137.32	99.60	77.05	32.20	20.13	7.47	16.85
2-Apr-15	92.58	137.29	99.81	77.43	32.33	19.93	7.43	16.86
27 Mar -2 Apr 2015	92.31	136.91	99.86	77.18	32.25	20.01	7.47	16.90

Source: Central Bank of Kenya

The Nairobi Securities Exchange

The Nairobi Securities Exchange recorded mixed performance in the week ending April 2, 2015 as reflected in the equities and bonds market segments.

Equities Market

The average stock prices at the Nairobi Securities Exchange had mixed performance with the overall price (NASI) rising by 0.86 percent, while the NSE 20 Share Index declined by 2.14 percent during the week ending April 2, 2015. Shareholders' wealth measured by market capitalization increased by 0.86 percent compared to the previous week, as equity turnover rose by 5.15 percent on account of increase in stock prices (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	19-Feb-15	26-Feb-15	5-Mar-15	12-Mar-15	19-Mar-15	26-Mar-15	2-Apr-15	Wkly Change
NASI 100=2008	175.65	175.97	172.28	172.42	173.50	173.73	175.22	0.86%
NSE 20 Share Index 100=1996	5,473.81	5,475.84	5,411.05	5,347.54	5,346.56	5,252.74	5,140.53	-2.14%
Number of Deals	9,782	10,837	10,790	10,437	10,121	9,910	7,508	-24.24%
Total Shares Traded (in Millions)	124.40	149.79	184.09	137.22	125.39	128.61	118.78	-7.64%
Equity Turnover (Ksh. Millions)	4,240.49	4,859.32	6,824.50	4,371.61	4,172.41	3,780.13	3,974.73	5.15%
Market Capitalization (Ksh. Bn.)	2,452.39	2,456.96	2,405.37	2,407.22	2,422.38	2,425.61	2,446.38	0.86%
Bonds Turnover (Ksh. Millions)	6,890.41	18,423.30	18,453.05	15,701.90	6,521.80	4,240.30	8,478.63	99.95%
FTSE NSE Kenya 15 Index	229.81	234.75	224.82	226.07	227.58	227.70	231.27	1.57%
FTSE NSE Kenya 25 Index	231.00	235.43	225.19	226.56	228.26	228.18	231.52	1.46%
FTSE NSE Bond Index	92.69	92.67	93.19	93.37	93.34	93.28	92.39	-0.95%

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series and Most Active Sectors

FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, closed the week 1.57 percent higher as FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE added 3.34 points from the previous week. The FTSE Government Bond Index however was 0.95 percent lower, reflecting a marginal increase in yields.

Banking, Telecommunication and Technology, and Energy and Petroleum sectors were the top three most active sectors, representing 33.7 percent, 31.5 percent and 11.1 percent of the total shares traded, respectively. Agricultural sector was the least active with 165,900 shares traded.

The Bond Market

The bond's turnover increased by 99.95 percent to Ksh 8,478.63 million from Ksh 4,240.30 million in the previous week, reflecting a portfolio reallocation induced by the infrastructure bond on offer. The number of deals increased to 122 from 55 deals.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills							
Date of Auction	19-Feb-15	26-Feb-15	5-Mar-15	12-Mar-15	19-Mar-15	26-Mar-15	2-Apr-15
Amount offered (Ksh M)	2,000.0	2,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
Bids received (Ksh M)	882.2	5,182.2	1,921.1	2,811.6	589.5	1,124.2	
Amount Accepted (Ksh M)	882.2	4,636.3	1,921.1	2,409.7	588.9	1,124.2	
Maturities (Ksh M)	4,491.2	1,128.7	1,481.5	2,010.7	1,653.9	782.9	
Average interest Rate (%)	8.640	8.645	8.463	8.453	8.453	8.438	
					8.447	8.447	
182-Day Treasury Bills							
Date of Auction	18-Feb-15	25-Feb-15	4-Mar-15	11-Mar-15	18-Mar-15	25-Mar-15	1-Apr-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)	6,684.9	6,127.6	4,503.6	7,596.5	3,778.5	5,553.2	6,227.8
Amount Accepted (Ksh M)	909.7	4,915.6	4,503.6	5,544.3	3,463.7	4,497.9	3,660.3
Maturities (Ksh M)	750.2	619.85	321.7	436.6	417.5	1,475.7	2,558.2
Average interest Rate (%)	10.377	10.367	10.375	10.356	10.326	10.300	10.271
364-Day Treasury Bills							
Date of Auction	18-Feb-15	25-Feb-15	4-Mar-15	11-Mar-15	18-Mar-15	25-Mar-15	1-Apr-15
Amount offered (Ksh M)	3,000.0	3,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	9,986.2	10,592.2	20,656.6	9,053.7	5,956.6	4,929.8	7,191.0
Amount Accepted (Ksh M)	7,327.8	6,739.1	7,461.4	5,366.3	5,053.0	4,161.7	5,837.4
Maturities (Ksh M)	1,426.6	2,821.1	4,130.0	8,118.8	3,028.1	3,893.1	1,636.2
Average interest Rate (%)	10.907	10.892	10.768	10.636	10.596	10.553	10.543
Treasury Bonds							
Date of Auction						25-Mar-15	
Tenor						12 yr IFB	
Amount offered (Ksh M)						25,000.0	
Bids received (Ksh M)						51,657.9	
Amount Accepted (Ksh M)						25,695.4	
Maturities (Ksh M)						19,960.7	

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	16th January 2015	23rd January 2015	30th January 2015	6th February 2015	13th February 2015	20th February 2015	27th February 2015	6th March 2015	13th March 2015	20th March 2015	27th March 2015
1. Treasury Bills (Excluding Repos)	294.84	296.75	299.29	296.37	299.71	305.15	308.12	320.57	329.59	333.25	337.98
(As % of total securities)	23.59	23.71	23.45	23.27	23.47	24.01	24.58	24.63	25.15	25.36	26.02
2. Treasury Bonds	955.00	955.00	977.08	977.08	977.08	965.94	945.50	981.00	981.00	981.00	961.04
(As % of total securities)	76.41	76.29	76.55	76.73	76.53	75.99	75.42	75.37	74.85	74.64	73.98
3. Total Securities (1+2)	1,249.84	1,251.75	1,276.37	1,273.45	1,276.79	1,271.09	1,253.61	1,301.57	1,310.59	1,314.25	1,299.01
4. Overdraft at Central Bank	25.31	25.47	27.49	30.72	27.91	35.91	34.20	21.83	21.83	8.24	32.68
5. Other Domestic debt*	30.42	30.41	30.42	30.43	28.20	28.22	28.22	28.21	29.98	29.99	29.97
6. Gross Domestic Debt (3+4+5)	1,305.58	1,307.63	1,334.28	1,334.60	1,332.91	1,335.21	1,316.03	1,351.62	1,362.40	1,352.47	1,361.67

Source: Central Bank of Kenya

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	16-Jan-15	23-Jan-15	30-Jan-15	6-Feb-15	13-Feb-15	20-Feb-15	27-Feb-15	6-Mar-15	13-Mar-15	20-Mar-15	27-Mar-15
Treasury bills (Excluding Repos)	22.6	22.7	22.4	22.2	22.5	22.9	23.4	23.7	24.2	24.6	24.8
Treasury bonds	73.1	73.0	73.2	73.2	73.3	72.3	71.8	72.6	72.0	72.5	70.6
CBK Overdraft to Govt	1.9	1.9	2.1	2.3	2.1	2.7	2.6	1.6	2.0	0.6	2.4
Other domestic debt	2.3	2.3	2.3	2.3	2.1	2.1	2.1	2.1	1.8	2.2	2.2
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 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	16-Jan-15	23-Jan-15	30-Jan-15	6-Feb-15	13-Feb-15	20-Feb-15	27-Feb-15	6-Mar-15	13-Mar-15	20-Mar-15	27-Mar-15
Banking Institutions	54.2	54.1	54.0	54.3	54.2	54.6	54.8	55.0	55.2	54.9	55.8
Insurance Companies	9.9	9.8	9.8	9.7	9.7	9.6	9.5	9.3	9.3	9.3	9.0
Parastatals	2.8	2.8	2.8	2.8	2.9	2.8	2.9	2.9	2.9	2.9	3.1
Pension funds	23.9	23.9	23.9	23.8	23.8	24.0	23.8	23.8	23.8	23.8	23.2
Other investors	9.3	9.4	9.5	9.4	9.4	9.0	9.1	9.0	8.8	9.1	8.9
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)

	29-Jan-15	5-Feb-15	12-Feb-15	19-Feb-15	26-Feb-15	5-Mar-15	12-Mar-15	19-Mar-15	26-Mar-15	2-Apr-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,189	7,178	7,206	7,199	7,206	7,295	7,275	7,122	7,152	7,071
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.64	4.63	4.65	4.63	4.64	4.70	4.68	4.57	4.58	4.53

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya