



MAY 8, 2015

Highlights

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The Monetary Policy Committee retained the Central Bank Rate at 8.50 percent at its meeting on May 6, 2015, signaling no demand driven threats to inflation.

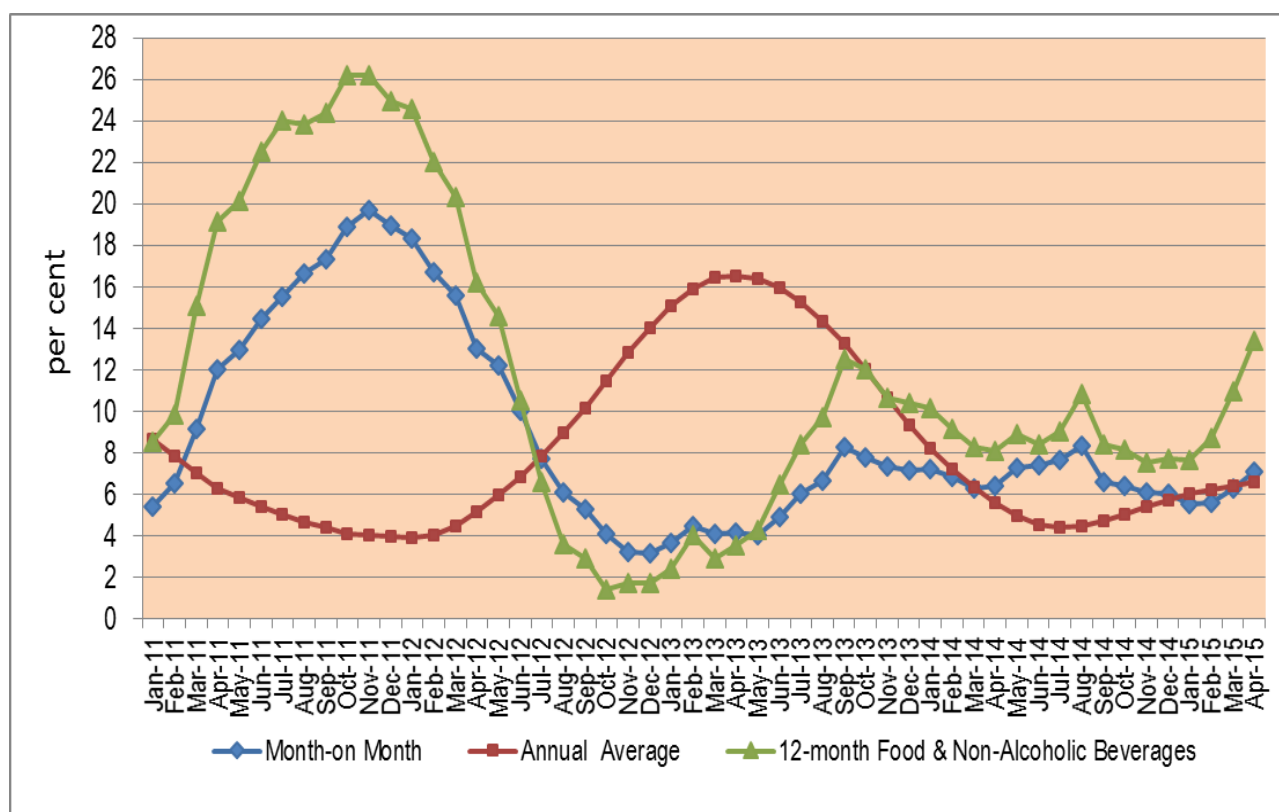
The money market was relatively liquid during the week ending May 6, 2015, supported largely by government payments. The average interbank rate increased to 10.46 percent in the week ending May 6, 2015 from 9.95 percent in the previous week.

The Nairobi Securities Exchange recorded mixed performance in the week ending May 7, 2015.

Inflation

Overall 12-month inflation rose from 6.31 percent in March 2015 to 7.08 percent in April 2015 (Chart A). The rise in the overall inflation in April 2015 is reflected largely in food inflation which rose from 10.32 percent in March 2015 to 12.54 percent in April 2015. Non-food non-fuel inflation rose marginally, from 3.16 percent in March 2015 to 3.53 percent in April 2015. Fuel inflation, however eased from 2.87 percent in March 2015 to 1.53 percent in April 2015.

CHART A: SUMMARY REPORT ON GENERAL INFLATION



Source: Central Bank of Kenya

Monetary Policy Stance

The Monetary Policy Committee (PC) retained the Central Bank Rate at 8.50 percent at its meeting on May 6, 2015, signaling no demand driven threats to inflation. It however, attributed the recent pressure on the exchange rate to a stronger US Dollar in the global currency markets and enhanced, but seasonal, demand for foreign exchange by the local corporate sector.

Operations

The money market was relatively liquid during the week ending May 6, 2015, supported largely by government payments (Table 1). Reserve money averaged Ksh 352.7 billion during the week ending May 6, 2015 and was Ksh 9.9 billion above target.

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

	30-Apr-15	4-May-15	5-May-15	6-May-15	Total
Liquidity Flows					
Total liquidity injection	2.5	11.1	10.6	5.8	30.0
Repos Maturities	0.0	0.0	0.5	0.0	0.5
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0
Overnight loans to banks	0.0	1.3	0.6	0.0	1.9
Term Auction Deposit maturities	0.4	0.0	0.2	0.0	0.6
T/bills redemptions	0.0	4.4	0.0	0.0	4.4
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0
Govt payments	2.1	5.5	9.3	5.8	22.6
Total liquidity reduction	5.5	11.0	7.6	4.0	28.1
T/bills (Primary issues)	0.0	2.3	0.0	0.0	2.3
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	0.0	0.0	0.0
Overnight borrowings repayments	0.3	0.0	1.3	0.6	2.2
Transfer from Banks -Taxes	5.2	8.7	6.3	3.4	23.5
Net liquidity injection (+)/Withdrawal (-)	-3.1	0.1	3.0	1.8	1.9
Open Market Operations Outcome					
Posted Amount	8.0	13.0	11.0	8.0	40.0
Realised Amount	0.0	0.0	0.0	0.0	0.0
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 (+)	0.0	0.0	0.0	0.0	0.0
Reserve Money Position					Average
Reserve money (actual)	350.9	350.2	353.9	355.7	352.7
Reserve money target	342.2	343.0	343.0	343.0	342.8
Deviation from target	8.7	7.2	11.0	12.7	9.9
Commercial banks excess reserves Exc(+)/ Short(-)	8.4	6.3	7.1	7.1	7.2
Cash outside bank Exc(+)/ Short(-)	0.4	1.0	3.8	5.6	2.7

Source: Central Bank of Kenya

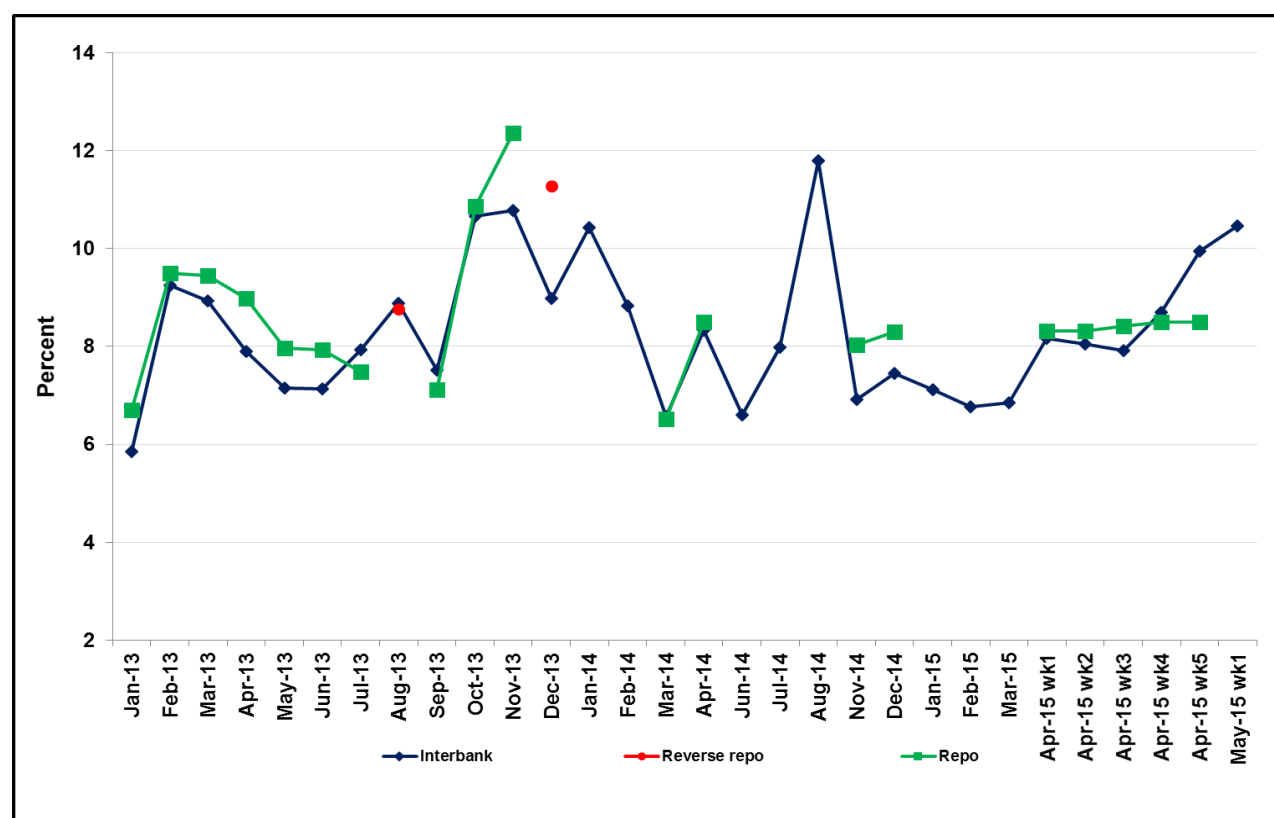
Interbank Rates

The average interbank rate increased to 10.46 percent in the week ending May 6, 2015 from 9.95 percent in the previous week. The volume transacted also increased slightly to Ksh 22.79 billion from Ksh 22.17 billion traded in the previous week, and the number of deals increased to 80 from 68 deals (Table 2 and Chart A).

TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	Average Repo Rate (%)
23-Apr-15	63	15,279	9.32	
24-Apr-15	64	18,163	9.91	
27-Apr-15	66	27,075	10.07	
28-Apr-15	76	28,238	10.17	8.50
29-Apr-15	72	22,080	10.26	
April 23, 2015 - April 29, 2015	68	22,167	9.95	8.50
30-Apr-15	93	29,324	10.28	
4-May-15	71	22,020	10.37	
5-May-15	77	17,940	10.54	
6-May-15	78	21,876	10.64	
April 20, 2015 - May 6, 2015	80	22,790	10.46	

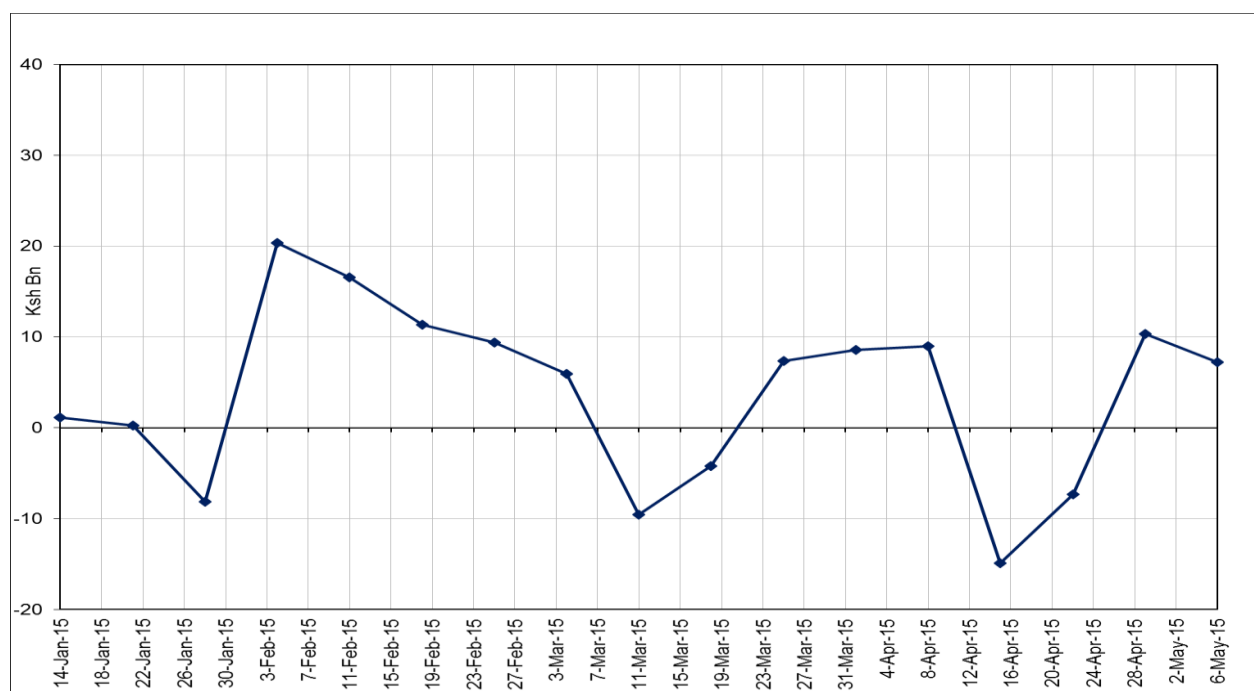
Source: Central Bank of Kenya

CHART B: STRUCTURE OF INTEREST RATES


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account in the week ending May 6, 2015 had a surplus of Ksh 7.21 billion in relation to the cash reserve requirement of 5.25 percent (Ksh 122.4 billion) compared with a surplus of Ksh 10.33 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 May 7, 2015, the Kenya Shilling exchange rate displayed mixed performance against major international and regional currencies. It strengthened by 0.1 percent to the Japanese Yen but weakened by 0.62 percent, 0.23 percent and 3.5 percent respectively against the US Dollar, the Pound Sterling and the Euro. In the EAC region, the Kenya Shilling strengthened against the Tanzania Shilling and the Rwanda Franc but weakened against the Uganda Shilling and the Burundi Franc (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
24-Apr-15	94.05	141.56	101.58	78.67	31.91	20.34	7.33	16.59
27-Apr-15	94.22	143.02	102.46	79.19	31.89	20.64	7.31	16.56
28-Apr-15	94.30	143.78	102.69	79.21	31.81	20.84	7.31	16.54
29-Apr-15	94.41	144.80	103.54	79.44	31.80	21.02	7.30	16.53
30-Apr-15	94.60	145.82	104.87	79.80	31.55	20.98	7.27	16.46
24-30 Apr 2015	94.32	143.80	103.03	79.26	31.79	20.76	7.30	16.54
4-May-15	94.64	143.49	106.16	78.86	31.69	21.03	7.28	16.49
5-May-15	94.76	143.40	105.53	78.90	31.66	20.95	7.27	16.52
6-May-15	95.04	144.59	106.79	79.30	31.56	20.73	7.25	16.46
7-May-15	95.15	145.04	108.06	79.65	31.53	20.83	7.52	16.46
4-7 May 2015	94.90	144.13	106.63	79.18	31.61	20.88	7.33	16.48

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Nairobi Securities Exchange

The Nairobi Securities Exchange recorded mixed performance in the week ending May 7, 2015.

Equities Market

Equity Turnover increased by 83.19 percent on account of 79.11 percent increase in share supply given the overall decline in average share prices across counters as reflected in the NASI. Market Capitalisation declined by 0.48 percent as share prices declined (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	9-Apr-15	16-Apr-15	23-Apr-15	29-Apr-15	7-May-15	Wkly Change
NASI 100= 2008	170.46	171.57	171.58	172.35	171.52	-0.48%
NSE 20 Share Index 100= 1996	5,128.03	5,078.74	5,026.94	5,061.11	5,074.76	0.27%
Number of Deals	5,394	8,768	9,154	7,250	9,831	35.60%
Total Shares Traded	105.79	95.52	94.81	86.54	155.00	79.11%
Equity Turnover (Ksh. Millions)	2,367.99	3,062.52	3,226.26	2,644.95	4,845.18	83.19%
Market Capitalization (Ksh. Bn.)	2,379.82	2,399.38	2,399.64	2,410.98	2,399.45	-0.48%
Bonds Turnover (Ksh. Millions)	7,117.25	6,924.80	5,884.85	3,493.55	3,018.04	-13.61%
FTSE NSE Kenya 15 Index	226.39	228.77	229.31	228.41	228.44	0.01%
FTSE NSE Kenya 25 Index	226.79	228.84	229.40	228.57	228.27	-0.13%
FTSE NSE Bond Index	92.42	92.21	92.43	92.75	91.78	-1.05%

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series and Most Active Sectors

FTSE NSE Kenya 15 Index, which measure stocks performance of 15 largest companies by market capitalization was unchanged at 228.4 points while FTSE NSE Kenya 25 Index which measures 25 most liquid stocks at the NSE shed 0.13 percent. The FTSE Government Bond Index closed the week 1.05 percent lower, reflecting an increase in the secondary market yields.

Telecommunication & Technology, Insurance and Banking sectors were the top three most active sectors, representing 31.40 percent, 25.20 percent and 25 percent of the total shares traded, respectively. Automobile and Accessories sector was the least active with 74,100 shares traded in the week.

The Bond Market

The bond's turnover decreased by 13.61 percent to KSh 3,018.04 million from KSh 3,493.55 million in the previous week. But the number of deals rose to 138 compared to 75 deals traded the previous week.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills						
Date of Auction	2-Apr-15	9-Apr-15	16-Apr-15	23-Apr-15	30-Apr-15	7-May-15
Amount offered (Ksh M)	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
Bids received (Ksh M)	711.8	2,395.0	1,467.1	1,041.1	874.6	1,516.9
Amount Accepted (Ksh M)	711.8	2,394.5	1,467.2	1,041.1	1,041.1	1,515.6
Maturities (Ksh M)	3,492.9	1,346.3	2,898.6	893.5	893.5	849.6
Average interest Rate (%)	8.454	8.422	8.408	8.406	8.406	8.357
182-Day Treasury Bills						
Date of Auction	1-Apr-15	8-Apr-15	15-Apr-15	22-Apr-15	29-Apr-15	6-May-15
Amount offered (Ksh M)	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0
Bids received (Ksh M)	6,227.8	5,115.1	5,362.9	5,048.7	634.0	402.7
Amount Accepted (Ksh M)	3,660.3	4,611.2	4,754.2	5,001.2	634.0	402.7
Maturities (Ksh M)	2,558.2	2,300.6	2,626.3	715.8	779.3	2,680.4
Average interest Rate (%)	10.271	10.248	10.252	10.272	10.268	10.326
364-Day Treasury Bills						
Date of Auction	1-Apr-15	8-Apr-15	15-Apr-15	22-Apr-15	29-Apr-15	6-May-15
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	7,191.0	7,113.0	3,818.8	1,509.2	1,265.4	1,599.5
Amount Accepted (Ksh M)	5,837.4	4,855.1	3,769.1	1,455.0	1,265.4	1,328.9
Maturities (Ksh M)	1,636.2	5,608.4	7,293.1	6,455.4	2,635.1	3,051.8
Average interest Rate (%)	10.543	10.564	10.576	10.595	10.605	10.667
Treasury Bonds						
Date of Auction						
Tenor		12 yr IFB				
Amount offered (Ksh M)		50,000.0				
Bids received (Ksh M)		24,020.1				
Amount Accepted (Ksh M)		24,020.1				
Maturities (Ksh M)		0.0				
Average interest Rate (%)		11.6				

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	6th March 2015	13th March 2015	20th March 2015	27th March 2015	2nd April 2015	10th April 2015	17th April 2015	24th April 2015	30th April 2015
1. Treasury Bills (Excluding Repos)	320.57	329.59	333.25	337.98	342.22	345.53	349.27	347.11	346.97
(As % of total securities)	24.63	25.15	25.36	26.02	26.26	25.92	25.71	25.59	25.58
2. Treasury Bonds	981.00	981.00	981.00	961.04	961.04	987.49	1009.17	1009.17	1009.17
(As % of total securities)	75.37	74.85	74.64	73.98	73.74	74.08	74.29	74.41	74.42
3. Total Securities (1+2)	1,301.57	1,310.59	1,314.25	1,299.01	1,303.25	1,333.03	1,358.44	1,356.28	1,356.13
4. Overdraft at Central Bank	21.83	21.83	8.24	32.68	37.40	37.40	18.31	22.62	29.77
5. Other Domestic debt*	28.21	29.98	29.99	29.97	56.46	29.95	29.93	29.94	29.93
6. Gross Domestic Debt (3+4+5)	1,351.62	1,362.40	1,352.47	1,361.67	1,397.11	1,400.37	1,406.68	1,408.84	1,415.84

* 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

	6-Mar-15	13-Mar-15	20-Mar-15	27-Mar-15	2-Apr-15	10-Apr-15	17-Apr-15	24-Apr-15	30-Apr-15
Treasury bills (Excluding Repos)	23.7	24.2	24.6	24.8	25.0	24.7	24.8	24.6	24.5
Treasury bonds	72.6	72.0	72.5	70.6	70.1	70.5	71.7	71.6	71.3
CBK Overdraft to Govt	1.6	2.0	0.6	2.4	2.7	2.7	1.3	1.6	2.1
Other domestic debt	2.1	1.8	2.2	2.2	2.2	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

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	6-Mar-15	13-Mar-15	20-Mar-15	27-Mar-15	2-Apr-15	10-Apr-15	17-Apr-15	24-Apr-15	30-Apr-15
Banking Institutions	55.0	55.2	54.9	55.8	56.0	56.2	56.0	56.3	56.6
Insurance Companies	9.3	9.3	9.3	9.0	9.0	8.9	8.9	8.9	8.8
Parastatals	2.9	2.9	2.9	3.1	3.0	3.1	3.1	3.1	3.1
Pension funds	23.8	23.8	23.8	23.2	24.7	24.6	24.9	24.7	24.5
Other investors	9.0	8.8	9.1	8.9	7.2	7.2	7.0	7.0	7.0
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)

	26-Mar-15	2-Apr-15	9-Apr-15	16-Apr-15	23-Apr-15	30-Apr-15	7-May-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,152	7,071	6,995	6,937	6,880	6,855	6,868
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.58	4.53	4.48	4.45	4.41	4.39	4.40

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya