



SEPTEMBER 18, 2015

Highlights

The IMF Executive Board completed the first review under the Standby Arrangement (SBA) and an arrangement under the Standby Credit Facility (SCF). The 12-month SBA/SCF with a combined access of SDR 488.52 million (about US\$ 687 million) was approved in February 2015.

The money market was relatively tight during the week ending September 16, 2015 on account of tax remittances by commercial banks. Consequently, the interbank rate increased to 17.9 percent in the week ending September 16, 2015 from 13.4 percent in the previous week.

Overall capital markets recorded mixed performance in the week ending September 17, 2015 as reflected in key indicators.

The IMF Executive Board Completes First Review of the 2015 Programme Support for Kenya

The IMF Executive Board completed the first review under the Standby Arrangement (SBA) and an arrangement under the Standby Credit Facility (SCF). The 12-month SBA/SCF with a combined access of SDR 488.52 million (about US\$ 687 million) was approved in February 2015. The Kenya Government intends to continue treating both arrangements as precautionary.

The approval provides additional SDR 54.28 million, raising the cumulative amount available under the arrangement to SDR 434.24 million (about US\$ 610.7 million) that Kenya can draw on in the event an exogenous shock leads to actual balance of payments need.

Monetary Policy Operations

The money market was relatively tight during the week ending September 16, 2015 on account of tax remittances by commercial banks (**Table 1**). Reserve money averaged KSh 351.0 billion during the week ending September 16, 2015 and was KSh 11.3 billion below target.

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

	10-Sep-15	11-Sep-15	14-Sep-15	15-Sep-15	16-Sep-15	Total
Liquidity Flows						
Total liquidity injection	8.7	17.4	31.3	17.7	4.9	79.8
Repos Maturities	0.5	4.5	0.0	0.0	0.0	5.0
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	2.0	9.7	8.9	13.5	3.6	37.7
T/bills redemptions	0.0	0.0	16.6	0.0	0.0	16.6
T/bills rediscounts	0.0	0.0	0.5	0.0	0.0	0.5
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds Interest	0.0	0.0	0.8	0.0	0.0	0.8
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	3.2	3.2	4.4	4.2	1.2	16.2
Total liquidity reduction	16.0	11.2	21.2	13.8	10.5	72.7
T/bills (Primary issues)	0.0	0.0	17.0	0.0	0.0	17.0
Tbonds Sales	0.0	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	0.0
Repos	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repos maturities	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit	0.0	0.0	0.0	5.5	0.0	5.5
Transfer from Banks -Taxes	6.3	8.2	4.1	6.9	8.4	34.0
Net liquidity injection (+)/Withdrawal (-)	-7.3	6.2	10.1	3.8	-5.7	7.1
Open Market Operations Outcome						
Posted Amount	6.0	11.0	10.0	18.0	5.0	50.0
Realised Amount	0.0	0.0	0.0	5.5	0.0	5.5
Repo (-)	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposits (-)	0.0	0.0	0.0	5.5	0.0	5.5
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Money Position						
Reserve money (actual)	335.7	342.9	356.4	361.2	359.1	351.0
Reserve money target	361.7	361.7	362.8	362.8	362.8	362.3
Deviation from target	-26.0	-18.8	-6.3	-1.6	-3.7	11.3
Commercial banks excess reserves Exc(+)/ Short(-)	-24.5	-16.5	-2.1	2.4	0.8	8.0
Cash outside bank Exc(+)/ Short(-)	-1.5	-2.3	-4.2	-4.0	-4.5	3.3

Source: Central Bank of Kenya

Short-Term Rates

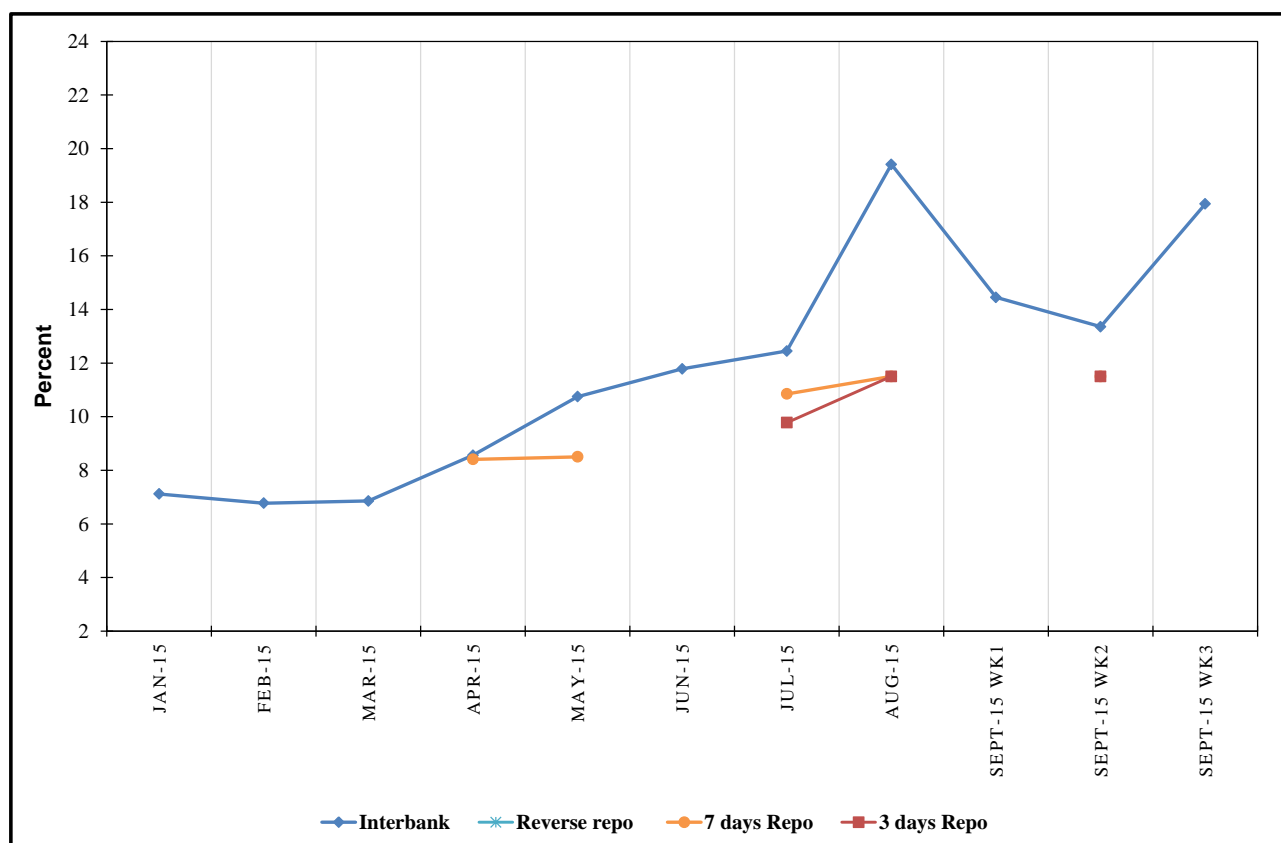
The average interbank rate increased to 17.9 percent in the week ending September 16, 2015 from 13.4 percent in the previous week. The volume transacted increased to KSh 22.8 billion from KSh 14.9 billion traded in the previous week, with the number of deals increasing to 67 from 46 deals (Table 2 and Chart A).

TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)
3-Sep-15	36	11,020	13.83
4-Sep-15	52	18,615	13.65
7-Sep-15	51	19,609	13.26
8-Sep-15	48	13,090	13.11
9-Sep-15	41	11,975	12.92
September 3, 2015 - September 9, 2015	46	14,862	13.36
10-Sep-15	48	15,220	13.44
11-Sep-15	75	24,155	15.35
14-Sep-15	80	21,350	18.40
15-Sep-15	65	26,626	20.56
16-Sep-15	66	26,581	21.93
September 10, 2015 - September 16, 2015	67	22,786	17.93

Source: Central Bank of Kenya

CHART A: STRUCTURE OF INTEREST RATES

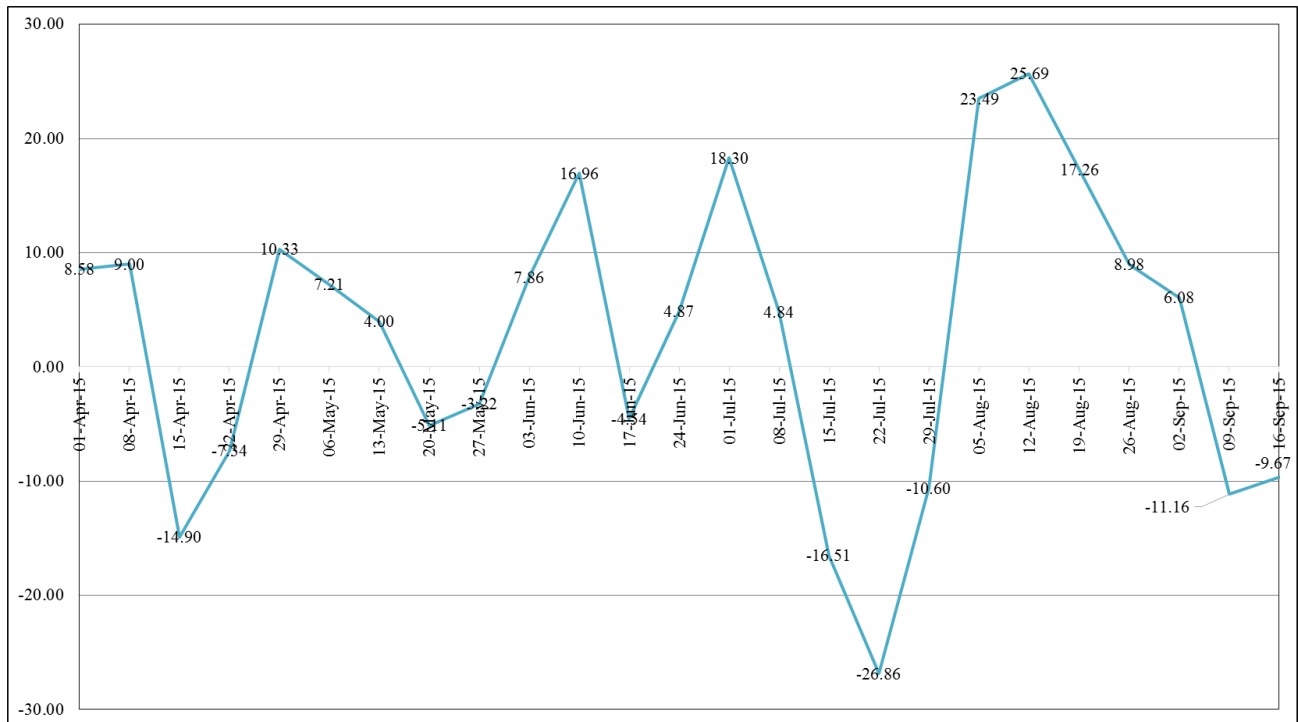


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks’ clearing account recorded a deficit of 9.67 KSh billion in relation to the cash reserve requirement of 5.25 percent (KSh 130.7 billion) in the week ending September 16, 2015 compared to a deficit of KSh 11.16 billion recorded in the previous week (**Chart B**).

CHART B: WEEKLY AVERAGE DEVIATION FROM CRR IN THE CLEARING ACCOUNT



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

During the week ending September 17, 2015, the Kenya Shilling exchange rate displayed mixed trends against major international and EAC currencies. It appreciated by 0.04 and 0.66 percent respectively, against the US Dollar and Japanese Yen. However, it depreciated by 0.84 and 1.18 percent against the Pound Sterling and the Euro. In the EAC region it appreciated against the Tanzania Shilling and the Rwanda Franc but depreciated 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*
4-Sep-15	105.15	160.29	117.00	88.03	34.90	20.45	6.94	14.68
7-Sep-15	105.55	160.28	117.61	88.40	34.80	20.34	6.92	14.69
8-Sep-15	106.25	162.68	119.06	89.24	34.59	20.36	6.87	14.61
9-Sep-15	105.41	162.01	117.85	87.94	34.72	20.63	6.92	14.64
10-Sep-15	105.21	161.70	117.41	86.88	34.79	20.62	6.94	14.85
4 Sep-10 Sep	105.51	161.39	117.79	88.10	34.76	20.48	6.92	14.69
11-Sep-15	105.36	162.59	118.69	87.00	34.77	20.55	6.94	14.72
14-Sep-15	105.29	162.30	119.19	87.44	34.83	20.61	6.94	14.60
15-Sep-15	105.38	162.42	119.16	87.76	34.81	20.69	6.93	14.59
16-Sep-15	105.63	162.59	119.46	87.92	34.65	20.69	6.93	14.66
17-Sep-15	105.68	163.82	119.38	87.48	34.59	20.66	6.92	14.74
11-17 Sep	105.47	162.74	119.18	87.52	34.73	20.64	6.93	14.66

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Markets

The Nairobi Securities Exchange recorded mixed performance in both equities and bonds segments of the capital market during the week ending September 17, 2015.

Equities Market

The prices of quoted and actively traded shares recorded gains as reflected in 1.43 percent and 0.74 percent increase in the NASI and NSE 20 Share Index, respectively. Reflecting the 42.8 percent decrease in volume of shares traded, Equity Turnover declined by 51.7 percent. Improved share prices contributed to a 1.43 per cent gain in shareholders' wealth, measured by Market Capitalization during the week under review (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	6-Aug-15	13-Aug-15	20-Aug-15	27-Aug-15	3-Sep-15	10-Sep-15	17-Sep-15	Wkly Change
NASI 100=2008	146.43	153.38	150.42	137.51	144.95	146.19	148.28	1.43%
NSE 20 Share Index 100=1996	4350.70	4495.52	4429.87	4080.83	4153.31	4217.78	4248.95	0.74%
Number of Deals	7751.00	7517.00	7838.00	7410.00	7343.00	6855.00	7383.00	7.70%
Total Shares Traded (in Millions)	286.63	100.59	184.66	135.34	106.78	151.43	86.62	-42.80%
Equity Turnover (Ksh. Millions)	6930.15	2806.07	5973.23	4036.50	3317.80	4962.87	2397.31	-51.70%
Market Capitalization (Ksh. Bn.)	2050.22	2147.80	2109.49	1931.10	2086.82	2053.38	2082.84	1.43%
Bonds Turnover (Ksh. Millions)	9773.41	2396.45	4294.75	2654.06	7126.55	3298.15	2882.55	-12.60%
FTSE NSE Kenya 15 Index	190.31	199.07	193.90	183.66	187.08	190.67	195.49	2.53%
FTSE NSE Kenya 25 Index	188.92	198.08	192.97	183.15	186.61	190.29	195.29	2.63%
FTSE NSE Bond Index	91.58	91.33	91.17	91.30	90.91	90.71	95.70	5.50%

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series and Most Active Sectors

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

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 2.58 percent and 2.63 percent higher. The FTSE Government Bond Index rose by 5.50 percent, reflecting decline in the secondary market yields.

The Banking, Telecommunication & Technology, and Energy & Petroleum sectors were most active, with 35.96 percent, 33.53 percent and 8.6 percent of the total shares traded respectively. The Automobile & Accessories sector was the least active with only 49,300 shares traded.

The Bond Market

The bond's turnover declined by 12.60 percent to KSh. 2,882.55 million from KSh. 3,298.15 million in the previous week. Corresponding deals were 89 up from 77 deals traded last week.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills								
Date of Auction	30-Jul-15	6-Aug-15	13-Aug-15	20-Aug-15	27-Aug-15	3-Sep-15	10-Sep-15	17-Sep-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	4,000.0
Bids received (Ksh M)	1,364.0	2,142.5	2,193.2	1,824.5	3,220.8	1,326.2	8,473.4	3,781.1
Amount Accepted (Ksh M)	871.2	688.9	1,706.9	1,822.4	3,213.3	1,316.0	7,512.8	3,062.4
Maturities (Ksh M)	366.7	1,526.5	593.0	2,713.0	722.8	3,177.6	2,128.2	1,089.8
Average interest Rate (%)	11.5	11.6	11.5	11.6	11.5	11.5	13.9	14.5
182-Day Treasury Bills								
Date of Auction	29-Jul-15	5-Aug-15	12-Aug-15	19-Aug-15	26-Aug-15	2-Sep-15	9-Sep-15	16-Sep-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	4,000.0
Bids received (Ksh M)	864.7	721.1	2,524.3	718.4	1,240.9	1,742.7	5,176.2	352.4
Amount Accepted (Ksh M)	402.7	212.6	2,512.9	254.3	757.1	1,742.7	4,213.7	352.4
Maturities (Ksh M)	1,528.4	4,402.8	4,254.1	955.2	5,169.0	4,735.4	5,829.6	3,640.4
Average interest Rate (%)	11.9	11.8	11.9	12.3	12.4	12.3	12.9	13.9
364-Day Treasury Bills								
Date of Auction	29-Jul-15	5-Aug-15	12-Aug-15	19-Aug-15	26-Aug-15	2-Sep-15	9-Sep-15	16-Sep-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	4,000.0
Bids received (Ksh M)	2,146.7	6,955.3	4,056.8	2,088.6	1,888.9	1,274.0	6,162.9	2,713.4
Amount Accepted (Ksh M)	1,719.2	5,132.7	3,851.4	1,659.2	1,459.5	1,274.0	5,318.6	2,630.7
Maturities (Ksh M)	1,149.0	5,522.3	7,656.9	956.7	3,424.7	5,354.9	9,932.8	6,911.8
Average interest Rate (%)	13.5	13.1	13.0	13.0	13.8	14.0	14.9	15.8
Treasury Bonds								
Date of Auction								
Tenor				FXD 2/2015/2				
Amount offered (Ksh M)				20,000.0				
Bids received (Ksh M)				19,408.7				
Amount Accepted (Ksh M)				11,184.6				
Maturities (Ksh M)				17,927.4				
Average interest Rate (%)				14.8				

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

	Jul 10, 2015	Jul 17, 2015	Jul 24, 2015	Jul 31, 2015	Aug 7, 2015	Aug 14, 2015	Aug 21, 2015	Aug 28, 2015	Sep 4, 2015	Sep 11, 2016
1. Treasury Bills (Excluding Repos)	314.64	308.05	305.26	298.86	299.05	294.33	290.58	289.97	286.43	277.83
(As % of total securities)	23.30	22.91	22.76	22.19	22.20	21.92	21.71	21.77	21.55	21.05
2. Treasury Bonds	1035.71	1036.71	1035.71	1048.17	1048.17	1048.17	1048.17	1041.80	1042.80	1041.80
(As % of total securities)	76.70	77.09	77.24	77.81	77.80	78.08	78.29	78.23	78.45	78.95
3. Total Securities (1+2)	1,350.35	1,344.76	1,340.96	1,347.03	1,347.22	1,342.50	1,338.75	1,331.76	1,329.23	1,319.63
4. Overdraft at Central Bank	39.30	37.73	32.12	41.68	30.37	35.88	29.14	36.76	40.71	45.51
5. Other Domestic debt*	29.05	28.27	29.27	29.27	29.27	29.85	29.86	29.85	28.85	28.80
6. Gross Domestic Debt (3+4+5)	1,418.69	1,410.76	1,402.35	1,417.99	1,406.85	1,408.23	1,397.75	1,398.37	1,398.79	1,393.93

* 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

	24-Jul-15	31-Jul-15	7-Aug-15	14-Aug-15	21-Aug-15	28-Aug-15	4-Sep-15	11-Sep-15
Treasury bills (Excluding Repos)	21.8	21.1	21.3	20.9	20.8	20.7	20.5	19.9
Treasury bonds	73.9	73.9	74.5	74.4	75.0	74.5	74.5	74.7
CBK Overdraft to Govt	2.3	2.9	2.2	2.5	2.1	2.6	2.9	3.3
Other domestic debt	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

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	10-Jul-15	17-Jul-15	24-Jul-15	31-Jul-15	7-Aug-15	14-Aug-15	21-Aug-15	28-Aug-15	4-Sep-15	11-Sep-15
Banking Institutions	55.9	57.1	57.1	57.8	57.4	57.6	57.0	57.3	57.2	56.8
Insurance Companies	9.0	9.1	9.1	9.2	9.2	8.8	9.1	8.8	8.8	8.9
Parastatals	3.4	3.5	3.5	3.5	3.7	4.1	4.1	4.3	4.3	4.4
Pension funds	24.9	24.9	25.1	25.3	25.5	25.3	25.6	25.2	25.3	25.0
Other investors	6.8	5.5	5.2	4.2	4.2	4.2	4.3	4.3	4.4	4.9
Total	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-Jul-15	9-Jul-15	16-Jul-15	23-Jul-15	30-Jul-15	6-Aug-15	13-Aug-15	20-Aug-15	27-Aug-15	3-Sep-15	10-Sep-15	17-Sep-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,658	6,623	6,545	6,448	6,434	6,400	6,390	6,386	6,392	6,392	6,252	6,195
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.21	4.19	4.14	4.08	4.07	4.06	4.05	4.05	4.05	4.05	3.98	3.94

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya